MODELING AN HR SHARED SERVICES CENTER: EXPERIENCE OF AN MNC IN THE UNITED KINGDOM

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An increasing number of large and multinational organizations are moving to shared services models in delivering the human resource function. It is commonly believed that the adoption of an HR shared services model can transform the role of HR by enabling the HR function to be more strategic at the corporate level and more cost-effective at the operational level. However, few academic studies have been carried out to investigate challenges to implementing an HR services center successfully and the impact of adopting an HR shared services model on different groups of employees. Through a case study of a multinational corporation, this article reveals that there remains a significant gap between literature espousing the efficacy and utility of HR shared services and the extent to which the adoption of such a model is successful. The financial and emotional cost of moving to a shared services model can outweigh the tangible cost savings predicted by firms. The idea of separating the HR function into strategic, operational, and administrative components may prove to be too simplistic, although it underpins the initiative of HR shared services. © 2006 Wiley Periodicals, Inc.

Introduction

The delivery of the human resource function has undergone considerable changes in recent years, especially within large multinational corporations (MNCs). Traditionally, the typical HR structure in a large MNC starts with a small team at the corporate level that is responsible for strategic issues. Much of the operational HR function is carried out at the national level. This function is often devolved to the branch-office level, supported by a small on-site HR department. However, an increasing trend in recent years has been the establishment of HR shared services centers that deliver these functions more centrally, and often more remotely, from the subsidiaries of the firm. For example, in 2001, the Shared Services and Business Process Outsourcing Association (2003) con-
ducted a survey of 120 participating firms worldwide across a range of industries. The results revealed that most shared services centers were relatively young—only 41% had more than two years of experience. Nearly one-quarter of the survey respondents were in the discussion or planning stages, and an additional 18% were in their first year of setting up shared services centers.

In terms of user orientation, there are two broad types of HR shared services. The first is the set of shared services set up by large organizations to provide HR services both to their own organization and to external client organizations as an outsourcing business. Examples of these organizations include BAE Systems in the United Kingdom. The second type of HR shared services refers to those set up, again, by large and often multinational or multisite organizations that aim to restructure their HR service provision through recentralization and the creation of an internal market system. This article will focus on this latter type of HR shared services.

Arguments have been made that HRM needs to be strategically proactive and entrepreneurial in order to be a driver of strategy (Brockbank, 1999). By centralizing the delivery of the administrative aspects of the HR function, senior HR professionals can concentrate on providing strategic input to the organization. Despite the hype of the HR shared services model, few academic studies have been carried out to investigate challenges to implementing a successful HR services center. This omission is in part due to the fact that the HR shared services center is a relatively new organizational form.

The adoption of an HR shared services model has implications for different groups of employees in the organization. The employees most likely to be affected include the line management, the employee users of the services, and the HR staff both within and outside the shared services center. However, the impact of adopting an HR shared services model on different groups of people has not been sufficiently explored. In contrast, there exists a burgeoning body of prescriptive literature espousing the value of these delivery models and methods for starting one. As a result, a significant gap remains between literature espousing the efficacy and utility of HR shared services and the extent to which the adoption of such a model proves to be successful. In particular, the following questions deserve empirical investigation:

- What kind of conceptual framework may a company adopt in setting up an HR shared services center?
- How, and to what extent, are employees, including line managers, affected by the change to shared services?
- How may the new HR services system be perceived and used, since initial positive reaction to the change is important for achieving long-term benefit of the change?
- To what extent may the HR professional become more strategically involved at the corporate level as a result of the HR shared services model?
- What are the career implications for HR staff in the shared services center?
- To what extent can a conceptual framework of the strategic role of HR, such as that proposed by Ulrich (1998), be translated into practice by enthusiastic HR practitioners even in large organizations?
- What are the difficulties in translating innovative HR ideas into HR practices?
- What are best practices for organizations that wish to introduce the HR shared services model to improve their HR function?
- What are some of the important issues that require further research?

This article addresses these issues through the case study of a large multinational corporation that carried out a major reorganization of its HR function, including setting up an HR shared services center. The first section of this article reviews recent trends in the adoption of HR shared services...
as alternative forms of delivering the HR function, and the perceived benefits of doing so. The second section reports and analyzes the findings of the case study, with a focus on the setup of the employee shared services center and the impact of the change on the users and providers in the organization. The concluding section highlights key issues that emerge from the case study and outlines implications of this study for future research and for organizations that wish to adopt practices similar to that found in this case study company.

The Adoption of HR Shared Services

HR shared services are a relatively new form of HR delivery that has experienced considerable popularity among large firms with multiple sites across the country and multinational corporations. The adoption of HR shared services is enabled by the increasingly sophisticated call-center technologies and call-center approaches to work organization. Organizations adopting this approach tend to avoid using the term call center in order to disassociate their HR services center from the negative image often associated with a typical call center (Fernie & Metcalf, 1998; Korczynski, 2002) and to emphasize the HR professional nature of the job.

Facilitated by recent advances in increasingly sophisticated IT systems, and driven by competitive pressures, a large number of well-known large organizations, such as Barclays, Motorola, Compass Group, Bank of Ireland, Cable & Wireless, Zurich Financial Services, Shell, Compaq, Deutsche Bank, Allied Signal Inc., Ontario Government of Canada, and the ABB Group, have all set up their HR shared services centers.

The common delivery methods of shared services are e-HR and HR service centers (Keep, 2001). The Institute for Employment Studies (IES) found that it is difficult to define a typical shared services model in terms of how it is organized and that HR shared services had two distinctive features. One is that it offers a common service provision; the other is that its customers specify the level and nature of the service (Reilly, 2000).

Reasons for Adopting HR Shared Services

Reilly (2000) observes four strategic reasons for setting up HR shared services:

- to be part of a wider business change introducing the concept of “professional” or functional services;
- to achieve a greater degree of structural flexibility to respond to business change;
- to improve organizational learning across organizational boundaries; and
- to allow HR to reposition itself as more strategic; to reduce involvement in administrative trivia.

Organizations that opt for shared services often keep a small HR team at the corporate level to focus on high-level strategy, governance, and policy (Reilly, 2000). It is believed that by so doing, companies will be able to maintain best practices, monitor delivery, be more sensitive to customer needs, and generally reposition HR as more strategic and less encumbered by administrative tasks.

Therefore, HR shared services focus on administrative tasks, such as relocation services, recruitment administration, training support, and maintenance of personnel data. A trend is emerging with large firms, such as Accenture, taking over the entire HR function from their client firms to deliver complete outsourcing of HR services. The main task of a shared services center is to supply information and advice on HR policy and practice to operational managers and employees via a call center and/or intranet (Reilly, 2000). Remote IT is used in the areas where high volume or standardized work is carried out (such as training and payroll) and for work that can be replicated efficiently.

For example, Esso set up an internal HR service center for economies of scale (Pickard, 2000a). By 1996, British Telecom (BT) had set up training and recruitment...
centers in Chesterfield, Edinburgh, and Newcastle (Pickard, 2000b). IBM has an internal HR services center that deals with Europe, the Middle East, and Africa, and provides commonly defined processes (Pickard, 2002). The U.K. arm of PricewaterhouseCoopers (PwC) set up an HR shared services center providing specialist services in areas ranging from recruitment and employment law to training (Arkin, 2001).

HR shared services can be regarded as internal outsourcing providing well-defined services for internal customers that consist of more than one unit. According to Oates (1998), although shared services centers remain within the organizations, they have a high degree of independence that allows them to act in a manner similar to an external outsourcing provider.

**Potential Benefits of Adopting HR Shared Services**

Proponents of the HR shared services center believe that they bring a number of benefits to the organization (see Sidebar 1).

**Reality vs. the Promise**

However, existing evidence suggests that these benefits of shared services have not materialized. Reported problems of shared services centers include lower levels of customer satisfaction, less interesting work, and reduced career opportunities for HR staff; higher-than-expected costs; and transfer of jobs from high-wage to low-wage economies (Reilly, 2000; Sparrow, Brewster, & Harris, 2004). In addition, setting up an HR shared services center often involves restructuring the HR function of the organization concerned. Inevitably, this change leads to downsizing of the HR workforce, reorganizing their work, and relocating their workplace. It may create (temporary) confusion in the ownership of responsibilities and the need for new skills from line managers and employees. The result may be a tangible reduction in the quality of services and an increased level of user dissatisfaction with the delivery of HR services. This result will have a negative effect on the perceived role of the HR function and the credibility of its strategic role.

### Sidebar 1: Potential Benefits of Adopting HR Shared Services

- Integrated “total solution” approach to problems through recentralization of the HR function (one-stop shop)
- More selective and strategic contribution from HR because they are not focused on doing administrative work
- Improved cross-group learning and sharing of good practices through having a common information base
- Better management information, provided more consistently across the organization as a whole
- More efficient resourcing through economies of scale in staffing and facilities
- Greater efficiency and professional provision of HR services through streamlining and simplifying services
- Improved career development for HR staff
- Higher customer satisfaction ratings through an improved match between customer expectations and service
- Better service specification (e.g., via service-level agreements) and performance monitoring as a result of the internal market system
- Facilitation of corporate investment in computing and communications infrastructure by arguing the case on a collective basis
- Greater transparency of cost of services and easier monitoring of budgets

Source: Expanded from Reilly (2000).
Given the apparent contradiction between the promise of shared services and some of the reported negative experiences, the rest of this article investigates the process of restructuring the HR function through the adoption of an HR shared services model in a large multinational corporation and evaluates its impact on different groups of HR users within the business. By providing an in-depth analysis of one firm's experience, further understanding of the true pros and cons of this popular structural form will be uncovered.

The Case Study

The data reported in this article come from the case study of a large multinational corporation that specializes in finance and HR consulting services with branches worldwide. In order to conceal its identity, the firm will be called Consult-Corp for the purpose of this article. Consult-Corp has undergone a number of radical organizational restructurings in the last five years, including several high-profile internal and external mergers, de-mergers, and re-mergers. These changes were carried out in response to intensifying global competition and a search for new synergies. Mid-2001, the introduction of an internal HR shared services center was one of these changes. While Consult-Corp is an international firm, the HR shared services center project was initiated by the U.K. arm (Consult-Corp UK) with the intention of delivering a more effective and efficient HR service to its 18,000 employees across all five lines of finance and HR consultancy businesses in over 50 branch offices in the United Kingdom.

The empirical study was carried out from January 2002 to February 2004, during which time face-to-face interviews were conducted individually with two senior partners and as three group interviews with a total of 48 employees. Employees interviewed were all professional consultants between their mid-20s and early 40s, with a third of them having line management responsibilities. Each interview lasted about 45 minutes while the three group interviews (15 to 17 people in each group) took the form of class debate as part of their management development training programs. Each group interview session lasted about two hours, during which individuals evaluated the effectiveness of the new HR system and reviewed their experience using it both as an employee and a line manager. These management trainees came from over 20 major branch offices in the United Kingdom, and therefore formed a fairly representative sample of employees from the United Kingdom.

The three group interviews took place in January 2002, February 2003, and February 2004. This provided a useful opportunity to observe the developments in the implementation of the Employee Services Center (ESC) initiative. In addition, the general manager and operations manager of the ESC were interviewed face-to-face individually, along with five HR professionals who worked in the ESC at the time. The managerial interviews lasted about 45 minutes each and were taped, while interviews with the HR professionals each took about 20 minutes. The interview information was supplemented by the analysis of company documents and a limited amount of on-site observation.

The Change to the Shared Services Process

In the reorganization of the delivery of the HR function in Consult-Corp UK, most of the HR offices at the branch level were removed or radically slimmed down, with 150 HR jobs made redundant and a small number of HR staff redeployed and relocated. The call-center-based Employee Services Center was set up to deal with HR administrative transactions and provide advice through the help desk. A self-help, online HR information system (HRIS) was introduced for employees to input and update their personal data on the system. According to the com-

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pany document, the intention was to “create an environment where all the HR administration is taken out of the line, automated and put into a shared service center” (see Figure 1). In addition, it was believed that this change would enable the HR function to develop centers of expertise that would provide consultants and advisors to HR professionals. The document also stated that the HR function of Consult-Corp UK was at the center of its business transformation (although nobody interviewed was clear what this “business transformation” precisely meant) and that the new model of the HR function would provide a more value-added service with significant improvements in efficiency and cost reduction.

According to company documents and the senior managers interviewed, the design of this model (see Figure 1) was heavily inspired by that advocated by Ulrich (1998). Ulrich (1997) argues that HR professionals must embrace four new proactive roles as champions of competitiveness in creating and delivering value. His model is defined along two axes: strategy versus operations and process versus people. The roles are: 

- **strategic partners** helping the business to successfully execute strategy; 
- **administrative experts** improving organizational efficiency by re-engineering the HR function and other work processes; 
- **employee champions** maximizing employee commitment, competence, and their overall responsiveness to change; and 
- **change agents** delivering organizational transformation and culture change (Ulrich, 1997, pp. 124–125). The conceptual limitation of this model will be discussed in the conclusion.

More than half the ESC’s 107 employees were recruited externally from the labor market. According to its operations manager, people who had customer-service skills were targeted. They preferred people who had no prior HR experience so that they were easier to train and less expensive to hire. The help-desk employees did not have set targets (e.g., number of calls to handle in a specific period of time). Instead, they were expected to be self-managed in determining how long they should spend on the phone with each inquiry and when they felt that the case should be passed to someone else who had more expertise on the subject. Their performance criteria revolved mainly around accuracy rather than the length or number of calls that were handled. Staff did not work to set scripts because of the complexity of the issues they dealt with. No detailed information was revealed by the interviewees on the typical number of calls or volume of work. They tended to dodge the question when asked by the author. A six-month training program was designed to ensure that every adviser was able to take any call. However, individuals were allowed to develop expertise in certain areas and allowed calls on related subjects to be directed to them.

Judging from the interview information, the implementation of the new HR system at Consult-Corp UK appears to be far from being as effective as anticipated. Instead, it

| Strategic advice—board representation | Transformational shared services—the Employee Service Center |
| Professional shared services (e.g., recruitment, legal and advisory, learning and education) | Lines of service HR consultants—business advice/planning/support |


**FIGURE 1.** Modeling Ulrich: The Building Blocks of the HR Roles in Consult-Corp UK
begs questions in the extent to which this new system has enhanced the role of HR at the corporate level, at least from the user’s perspective, more than two years after its adoption. The main findings of the study will be reported and discussed in the next section.

**Findings and Discussion**

Organizational changes can be unsettling to employees, especially changes of this kind that require employees to adopt different ways of obtaining HR assistance and discussing sensitive information. When poorly managed, these changes are likely to cause resentment and resistance among the workforce, as most major organizational changes tend to arouse worry and resentment to various degrees (Jermier, Knights, & Nord, 1994; Kotter & Schlesinger, 1979; Lewin, 1951).

Consult-Corp UK’s reorganization of its delivery of the HR function is a case in point.

**Impact on Employees**

**Loss of Face-to-Face Contact**

The restructuring of the delivery of the HR function through a centralized internal HR shared services center has triggered a number of negative consequences for the employees in Consult-Corp UK. The most significant outcome is that they have lost their on-site HR contact point where they could go and discuss face-to-face with the HR staff any inquiries or problems, some of which could be rather personal and confidential. The majority of the people interviewed reported that they would not discuss confidential issues on the phone with an HR person whom they have never met. As one senior consultant employee (whose view was shared by a large number of her colleagues interviewed) remarked:

> If I want to talk about a personal issue or have a complaint about my line manager or my colleague at work, I want to talk to someone who is in an authority position who I know and can trust. The same as when I want to talk about my maternity leave issue. I don’t want to be talking on the phone to someone who I have never met. I simply don’t feel comfortable or secure doing so. Having the HR function taken away from us like this means that all the emotional aspect of the function is now gone. It is all down to administrative issues like updating my address, payroll, overtime, and training, that sort of thing. When you phone people up in the services center, they are just giving you the answers by reading off the screen or the manual. There is no personal touch in it, although they do try to be friendly and helpful to you. . . . I will not use the help line to discuss my personal issues unless I am desperate.

**Lack of Employee Representation**

In addition to confidentiality, employee representation could be an issue since Consult-Corp UK does not have union recognition for its professional staff. Relatedly, disciplinary procedures may have to be carried out by line managers without the support of the HR department. A senior manager interviewed reported that he had to discipline an employee (who had been abusive to his clients on several occasions) without an HR officer being present to provide guidance and moral support. He said, “I was very nervous for being procedurally incorrect and [worried I] might end up in an employment tribunal or something.” The absence of HR personnel on-site, who only visit the establishment for critical events, also casts a very negative image of the role of HR staff. For example, employees from one establishment called their group’s HR manager “the Angel of Death” because she “only comes in to sack people or solve problems.”

**Lack of Clarity of Ownership of HR Problems**

Another consequence of the removal of the local HR office has been the lack of clarity of
ownership of problems that may occur in HR services. Employees interviewed felt that there was no clear structure anymore as to whom they should go to for HR problems. They also felt that they could not go to their line manager with their grievance, especially when the grievance concerned the line manager or if the line manager was responsible for their performance appraisal, for fear that revealing their grievance may have a negative impact. Some of the line managers interviewed also admitted that they had neither the knowledge of how to work the new system (and they suffered from this as users themselves, too) nor the inclination nor time to take over some of the HR activities (see the “Impact on Line Managers” section for further discussion).

IT Problems

This lack of ownership problem was exacerbated by the teething problems of the state-of-the-art self-help HRIS. According to the interviewees, nobody seemed to know what was going on and whom one should approach when there was a problem in using the self-help system. As one of the consultant employees reported:

A good experience [she was promoted and therefore needed to update her personal record in order to receive the pay raise] can turn into a nasty one when the IT system does not work and you can’t find anybody who can help you to sort it out. I spent two days messing with the system and phoned so many people to see if I could get any help, but nobody could help me. In the end, it just pissed me off!

This reality contradicts with what the operations manager of the ESC would have us believe:

What people like about the new setup is that they take responsibility in updating their own personal detail (for example, change of address and promotion, etc.) so that they can make sure they get their pay raise at the right time and that they are not reliant on others doing it, who may make mistakes in the process of doing it or may not even do it.

Negative Perception of the ESC

Undoubtedly, the perceived effectiveness, and therefore image, of the ESC has been negatively affected by the problems of the online HRIS, though these are not of ESC’s own making. It is important to note that service quality is central to the success of an HR shared services center. Users in the organization often assess service quality by comparing what they expect with the services they perceive to have received. Usually, users’ expectation of services derives from the promise of improvement associated with the proposed change or the users’ own view of what the services should be in comparison with the services they used to have (Domberger, 1998). At least three-quarters of the interviewees felt that the service quality of HR from the company had certainly declined. Four interviewees in the last group (interviewed in February 2004) joined the firm after the change had taken place and therefore could not comment on the perceived quality decline experienced by their colleagues. In addition, there was an apparent lack of rapport between employees and the HR staff in the ESC. While acknowledging the friendliness of the HR staff from the ESC, some interviewees were not convinced of their professional knowledge, believing that they were only reading from a script when providing information and advice.

Impact on Line Managers

Work Intensification

It is apparent that the rationale of setting up the ESC is to devolve the softer aspects of the HR function to the line management, whether or not they welcome the responsibility. According to one partner interview, “Line managers are doing more HR functions be-
cause the firm’s view is that people should be managed closely where they work.” In theory, the HR shared services center should reduce the number of administrative tasks done by line managers. In reality, some of the smaller tasks may take longer to explain via electronic devices and are easier for the line managers to do themselves. The lack of HR support on-site seemed to have caused work intensification for the line managers, since they no longer have easy access to the HR staff.

In the past, when I recruited someone, I just went down to the HR office with the person’s name written on the back of an envelope and told them to send out a letter and a welcome pack for me. Now I have to write a memo of what I want and send it to the office [ESC] 50 miles away from here, and five times out of ten, they get the details wrong or miss something. So I just end up doing the job myself or ask my secretary to do it for me, which creates yet more work for her and myself.

(Senior Partner, Consult-Corp UK)

Waste of Resources

This practice has essentially created the situation that Ulrich called “shadow staff,” where HR work is carried out by administrative assistants instead of using the HR shared services. He wrote, “These shadow staff defeat the purpose of the shared service organization. They add costs, disperse control and lack expertise” (Ulrich, 1995, p. 23).

Line managers also may be faced with managing HR situations for which they are not trained, such as emotional (e.g., pastoral care) or other unpredicted HR issues. Many of the interviewees pointed out that the majority of the line managers are high-level professionals and their time would be used more effectively for other business matters and sales generation.

Lack of Interest and Competence in HR Issues

In addition to admitting their indifference to HR issues, some line managers were reported by the interviewees to have used the Employee Services Center as an excuse to avoid HR issues. Comments about their line managers include the following:

- My line manager doesn’t know when the pay raise is going to be, doesn’t know who my HR contact is.
- My line manager does not know what is happening on HR activities on a daily basis, or when and what data will be on-line.
- Some line managers are very good at bringing in business contracts, but they are not very good in managing people.

Line managers (some of them senior partners of the firm) also reported that they had not received any training on how to deal with some of the HR issues they now had to inherit. They also felt that these issues “were just dumped on us whether we like it or not and dealing with HR issues is now taking up an enormous amount of our time” (Senior Partner, Consult-Corp UK).

Line managers in the United Kingdom have been criticized for their lack of HR skills and competence, especially on legal matters such as discipline, dismissal, redundancy, and equal opportunities.

Dampened Staff Morale

With gaps in the HR services delivery, and the perceived absence of moral support from their line managers, it is not surprising that employees from Consult-Corp UK, many of them with management responsibilities, felt demoralized and disillusioned with the com-
pany. This feeling was summarized by a senior manager: “They [the company] have de-humanized the HR function. It makes you feel that the company does not care any more.”

If line managers now have to take on people management responsibility to progress in their career, it may limit the career opportunity for those who have good technical skills but no people management skills or no inclination for people management. This may also demotivate people and encourage people to leave the firm if they feel that their line managers are poor people managers and they have nobody to turn to when they have problems.

**Implications for HR Staff**

**Work Organization and Skills Requirement**

The reorganization of the delivery of the HR function has a number of implications for Consult-Corp UK’s HR staff, not only in the ways they experience their work, but also in their career prospects. Consult-Corp UK deployed a two-tier workforce. In one category were the ESC-based HR officers who dealt with transactional types of activities in large volumes and employee enquiries on specific HR issues. Routine information provision and basic problem solving were the core part of their activities. HR staff in this category had limited discretion. They needed to pass the case over if they could not solve the problem quickly on the phone. They were detached from where the business activities took place, with limited understanding of the business development and the totality of the HR needs of the business and the employees. They played primarily the handmaiden’s role depicted by Storey (1992), that of a specialist operating in a reactive mode, with an almost submissive relationship to their clients. The training they received was more about how to trace and process information quickly on the computerized HR information system instead of any in-depth understanding of the rationale behind certain HR policies and their effectiveness.

According to the general manager of the ESC, the HR strategy for the center was to recruit a blend of experience and youth and to emphasize customer services. A certain rate of staff turnover was deliberately encouraged in order to reduce staff numbers, improve process efficiencies, and refresh the staff. The center recognized the fact that recruiting highly educated people to perform clerical tasks could lead to a high staff turnover rate; therefore, candidates with no degree qualifications and limited working knowledge often were targeted. The emphasis was on communication skills and personality. While this staffing strategy would seem, for many, like a dumbing down of the HR profession with a real goal of cost reduction, the operations manager of the ESC denied that this was the intention:

My fellow personnel and development professionals would feel threatened to find nonprofessionals practicing “the black arts of HR,” but what we do is employee-service processing, and the HR element is built into the design of the processes. This doesn’t mean that the people working in the center are “Tayloristic robots.” They are competent administrators who understand their processes and the organization.

In the second category of HR staff were elite HR consultants based at the headquarters of Consult-Corp UK, who worked as project managers with a portfolio of branch office “clients.” They possessed a broader scope of HR knowledge with additional managerial skills including project management, negotiation, and change management skills.

These HR consultants were not service-center–based, but spent most of their time roaming around the country in order to manage relationships with their internal “clients” at various branches and to identify new business needs and areas for strategic change/development. This role is very close to Ulrich’s consultancy and change agent role.
Career Implications

The current division of labor makes it very difficult for the HR staff in the first category to make a transition to the second for career progression, due to the lack of opportunity for them to develop their general HR skills and business understanding. The general manager of the ESC acknowledged this disadvantage:

A disadvantage for the HR staff in the ESC is that it will be much harder in the future for newcomers to HR to use administrative jobs as stepping stones to more professional work. We do have a career structure in the transactional shared services area, which will enable people to develop and grow. Clearly, there is HR content, but there is much more transactional work, and it is not really linked closely to the professional element of HR work.

Although supervisory positions were created in the ESC to provide a career progression route for employees, these people may find it difficult to obtain an HR manager’s job given that the HR function is still carried out in a traditional way. They may find promotion easier in another customer-service center where customer-service skills and call-center experience are more appreciated.

Relationships with Clients

In addition, the distanced relationship (both geographically and psychologically) between the HR staff and their clients may have a negative effect on their work. The HR staff that were relocated to the ESC felt the change of attitude from their ex-colleagues. One HR officer interviewed reported:

They used to like us when we worked in the same branch office. But now they don’t trust us. There is very little rapport between us now. This center tends to get the blame when things don’t work. Most of the original HR staff have left or have taken on other roles in the firm.

Another HR officer observed the difficulty in maintaining a working relationship with their clients:

The company has been through so many rounds of restructuring. People change jobs and change titles all the time. It is very difficult to keep up. As soon as you establish a rapport with someone, they move on and someone else takes their place.

On the one hand, the frequent organizational restructuring at Consult-Corp triggers a greater need for HR services, but on the other hand, the constant change makes it difficult for HR officers at the ESC to provide effective services.

Conclusions

The recent advent of the HR shared services model as an alternative to traditional HR service delivery suggests that there no longer is a shared belief of the best way to deliver HR services. Against this background, this article has reported the restructuring of the HR function of a large MNC section based in the United Kingdom. The company’s vision of the change was to develop sophisticated analyses of HR information, to have clear accountability, and to be cost-sensitive, relevant to business, information-rich, integrated, automated, and streamlined. However, the findings of the study suggest that the implementation of the initiative exhibited a number of operational problems that are typical in change management. These problems have reduced the quantity and the quality of services for both employees and line managers, and they have led to rising levels of dissatisfaction.

Poor Change Management Process

One major problem is related to the new HR information system. Ulrich (1998) argues that outsourcing transactional HR activities,
ones that are heavily reliant on expensive IT systems staffed by people who are not necessarily HRM experts, frees internal HR professionals to engage in strategic decision making. However, this result cannot be easily achieved. As Liff (1997) points out, any attempt to develop an HRIS will face many operational problems. Consult-Corp UK appears to have fallen into this quagmire.

This situation is worsened by the poor management at the organizational level in terms of training, communication, and clarity of responsibility. Consult-Corp UK recognized that cultural change was needed to achieve the transition from the traditional HR delivery model to the HR shared services model, and that employees would have to take more responsibility for their own personnel administration. However, little training support was provided to facilitate this transition. It became apparent that Consult-Corp UK needed improved change-management skills. As Zaccaro and Banks (2004) argue, “[T]o enhance competitive advantage, organizations need to devote considerable resources to the development of change management as a core competency among its leaders and managers” (p. 372).

Two years into the change process, ESC managers revealed in the interviews that with the benefit of hindsight, they would have done things differently. For example, they would now:

- define and achieve business buy-in much earlier;
- realize that quick wins from the ESC would be needed before the concept of HR transformation would be taken seriously by the businesses;
- paint a picture of what it would be like (visioning) earlier on in the process;
- deploy relationship managers sooner (this has really helped with business buy-in and confidence building around the ESC); and
- secure continuous involvement and leadership from senior business managers.

In addition, relationship management is important. Managers agreed they should:

- give the business the opportunity to work with the ESC in continuously improving its services;
- provide clients with a user-friendly, troubleshooting, quick guide to reduce frustration and to avoid the normal operations of the ESC from being distracted; and
- adopt a service-level agreement as a basis to confirm that service provision is being met and that the ESC is operating within acceptable tolerances.

**Conceptual Puzzle of the Four-Block Model of the HR Roles**

At a conceptual level, the findings of this study also beg a number of questions on the utility of the four-block model (Ulrich, 1997) of HR delivery adopted by the case study firm. While the model looks very neat and rational on paper, it may be problematic to implement. The HR function cannot be neatly carved into four squared blocks to be delivered from different sources based on the prima facie evidence of cost-effectiveness. The intertwined nature of HR activities and the intangible role of the HR should not be divided simplistically, as they are the core threads that form the HR fabric of the firm. For this model to work, some links are needed to create a seamless HR function.

At the time of the case study, no mechanism was in place to integrate the four blocks. In fact, the crudeness of Figure 1 from the company document suggests that the model needs more thought. Instead of being a one-stop shop for line managers to get HR solutions, they may have to contact people in each of the four blocks for various bits of the information and advice if they wish to initi-
ate change programs to improve HRM for their team. A couple of the senior managers reported that contacting various HR people for different information and advice (most of whom have no clear knowledge about their business) was actually more time-consuming than devising and implementing solutions themselves. When the unplanned time line managers and employees spend on carrying out the HR (self-helped) services is calculated, the actual cost savings in the adoption of the HR shared services model may be significantly less than anticipated by Consult-Corp UK. This is especially true if the majority of the line managers are high fee earners and the professional consultants are more highly paid than junior HR officers. Given the high frustration level expressed by the interviewees as users of the shared service, the emotional cost should not be underestimated, although it is difficult to calculate precisely.

In addition, knowledge and operational gaps exist between and within the blocks. It is unclear who leads, who creates solutions and ensures their implementation, and who determines communication and coordination among the four blocks. While Consult-Corp UK has adopted Ulrich’s model of HR roles enthusiastically and divided the tasks accordingly into four discrete blocks, it has fallen short of treating these role types as self-contained or internally consistent and has overlooked Ulrich’s emphasis (1997) that the HR function is founded on multiple roles that are inherently paradoxical. Nevertheless, senior HR managers at the ESC were beginning to appreciate the need for some mechanisms at the corporate level to bridge the links between these roles performed by HR staff located in different business units. The introduction of relationship managers was an attempt to combat the problem, and some positive results (as mentioned earlier) have emerged from these managers’ work.

Problems at the Strategic Level

At the corporate level, no clear evidence indicates that the two-tier system of delivering HR services at Consult-Corp UK has enhanced the strategic role of the HR staff at the operational level. Their mobile force of HR project managers fragments the HR function and removes oversight needed to provide strategic input at the corporate level. While individual HR consultants enjoy their organizational diagnosis and change management roles with the branch offices, their influence in corporate strategy appears to be limited. Decisions are made at the level above them with only their limited consultation and involvement.

The findings of this study have some wider implications for the HR shared services concept. Some of the problems identified by interviewees were the result of poor change management rather than the fault of the ESC. ESC staff neither have the power nor is it within their remit to address those issues. But since they are the most visible providers of the HR function in the firm, they tend to be blamed for issues beyond their control. If the HR shared services center receives undue poor publicity, and if the HR administrative function of an organization gets overexposed, then this handmaiden’s image may overshadow any strategic role that the HR may have in influencing corporate strategy.

Research Implications

This study bears a number of research and practical implications. The adoption of a shared services center as a delivery model for the HR function may impact HR professionals in a number of ways, most notably in terms of the nature of their work and their career patterns. However, detailed studies on these aspects remain scarce. According to Ulrich’s proposal (1997) of HR’s four new roles, the work will be shared in varying proportions with line management, employees, external consultants, and other groups. However, the process of interaction by which this distribution of work is arrived at has hardly been discussed by Ulrich (Procter & Currie,
Likewise, implications for the career prospects of those involved directly and indirectly in the service provision have not been contemplated. Nor has the psychological effect on employees been assessed, particularly the negative impact on organizational commitment for those employees who experience a quality drop in the services they receive.

Another issue that has not been fully explored is that related to the adoption of the HRIS. According to Lepak and Snell (1998), insufficient attention has been given to the impact of information technology on HR. Similarly, studies that investigate the process of HRIS implementation in its entirety are lacking (Shrivastava & Shaw, 2003). This finding is especially true in the HR shared services model, where the role of employee/user involvement in the implementation and utilization of the HRIS is important. As noted by Kovach, Hughes, Fagan, and Maggitti (2002), the way the HR information is gathered and stored has changed dramatically.

Given the increasing trend toward the adoption of HR shared services, further studies are necessary to provide a better understanding on these subjects and many others not listed here. Importantly, where possible these studies need to be carried out at the cross-cultural level to identify whether national differences exist in the adoption of HR shared services models and in line management’s attitudes toward HR issues. For example, it is unclear from this study whether the line management’s apathy toward HR issues is a problem specific to the British management culture or generic among line management across different national settings. Similarly, the impact of the HR shared services models on employees may differ from country to country and industry to industry. Larger-scale and more nuanced studies are therefore necessary to enlighten our understanding on the conceptualization and utility of HR shared services as a new way to deliver the HR function.

**Practical Implications**

In terms of practical implications, restructuring the delivery of the HR function through an HR shared services approach is a major organizational change that can cause temporary interruption of the function. This disruption will cause a mismatch between employee expectations of HR services and what services they actually receive, with a consequent negative perception of the utility of the HR shared services center. In the absence of rigorous research into the application of HR shared services, it is important to think through the implications of change for the role of the HR function, the impact on employee work processes, and the way in which employees will experience the HR services. While it is beyond the scope of this article to provide a full prescription of how to manage a change program, some key questions need to be considered prior to the change. These are summarized in Sidebar 2.

In short, HR shared services is a relatively new approach to delivering the HR function. The negative findings of this case study do not necessarily mean that the model per se is ill conceived and dysfunctional. Rather, the case highlights the fact that the transition from a traditional HR delivery model to an HR shared services model involves major organizational change and careful management. Many strategic and operational issues need to be thought through carefully before its adoption. Given the high cost, both financial and emotional, in moving to a shared services model, firms must take a holistic approach and carry out sophisticated financial calculations to weigh the cost of insourcing versus outsourcing. In addition, firms should not expect a high cost savings in the first few years of setting up a shared services center. It is hoped that this case study will offer some useful learning points for organizations interested in the HR shared services initiative.

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I. Strategic issues
1. What rationale exists for setting up the shared services center, in addition to cost savings through synergy? What are the alternatives?
2. Is the HR shared services model really more cost effective when hidden costs are calculated? What are potential indirect costs and how can they be measured?
3. Are you going to look at the shared services centers of other firms before you set up your own? For example, will you engage in market research or benchmark exercise?
4. If yes, how will you do it? What criteria will you use?
5. What are the perceived benefits and disadvantages of the new service provision for the stakeholders?
6. How will the shared services center affect the role of HR strategy in the corporate strategy?
7. How will the relationship between the HR professionals and line managers be reshaped?
8. How should the HR function reconcile or manage its two roles: providing HR support services to the employees and line management and providing strategic input to the corporate strategy?

II. Managing the change process
9. How will different groups of people be affected by the change (e.g., line managers, HR managers, HR officers, and individuals who receive the services)?
10. How will the change process be managed?
11. How will resistance to change be expressed and managed?
12. What trainings are needed for different groups of employees?

III. Operational issues (the business of the shared services center)
13. What services will the shared services center provide and how will the work be organized?
14. How will the shared services center interact with line managers and the corporate HR professionals to deliver a holistic package of HR services that will provide both operational services and strategic influence at the corporate level?
15. What will be the internal contractual arrangements (e.g., service-level agreements, key performance indicators) between the center and divisions of the firm?

IV. HR policy and practice for the HR staff in the shared services center
16. Will the setting up of the shared services center lead to recentralization of the HR function and specialization of HR officers’ skill portfolios?
17. Will the HR staff lose any jobs as a result of the change?
18. Will it be necessary to recruit new HR staff for the center due to staff turnover (e.g., if staff refuse to be relocated) or new skill requirements (e.g., IT and customer management skills rather than HR specialist skills)?
19. How will the following HR policies and practices be different from what they were before the change?
   a) recruitment
   b) training and development
   c) skill/competence requirement
   d) work organization and responsibility
   e) their role in the client department/establishment
   f) terms and conditions
   g) career pattern.
20. In particular, what career pattern will exist for HR personnel, and what are the advantages and difficulties for their career progression within the organization and within the broader labor market (as compared to the three typologies of an HR career pattern: vertical, zigzag, and parachuting)?
21. How will the center manage its work organization to avoid the “sweatshop and tight surveillance” image and nature of call-center work that have been widely criticized?
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