

# Beyond Shared Savings

**A multilevel analysis of the perceived value  
of HR shared services**



Jeroen Meijerink

**BEYOND SHARED SAVINGS**  
A MULTILEVEL ANALYSIS OF THE PERCEIVED VALUE  
OF HR SHARED SERVICES

Dissertation

by

Jeroen G. Meijerink

## Graduation committee:

Chairman:	Prof. dr. R.A. Wessel	University of Twente
Secretary:	Prof. dr. R.A. Wessel	University of Twente
Supervisors:	Prof. dr. J.C. Looise	University of Twente
	Dr. T.V. Bondarouk	University of Twente
Members:	Prof. dr. ir. J.I.M. Halman	University of Twente
	Prof. dr. C.P.M. Wilderom	University of Twente
	Prof. dr. J.P.P.E.F. Boselie	Utrecht University
	Prof. dr. D.P. Lepak	Rutgers University
	Prof. dr. C. Tansley	Nottingham Trent University

Cover design: Dennis ter Hofte and Jeroen Meijerink

Printed by: CPI Wöhrmann Print Service, Zutphen

ISBN: 978-90-365-3514-4

DOI: 10.3990/1.9789036535144

Meijerink, J.G. (2013). *Beyond Shared Savings: A Multilevel Analysis of the Perceived Value of HR Shared Services*. Enschede, The Netherlands: University of Twente.

© Jeroen Meijerink

All rights reserved. No part of this publication may be reproduced in any form or by any means electronic or mechanical, including photocopying, recording or by any information storage and retrieval system, without permission in writing from the author.

**BEYOND SHARED SAVINGS**  
A MULTILEVEL ANALYSIS OF THE PERCEIVED VALUE  
OF HR SHARED SERVICES

DISSERTATION

to obtain  
the degree of doctor at the University of Twente  
under the authority of the rector magnificus  
prof. dr. H. Brinksma,  
on the account of the decision of the graduation committee  
to be publicly defended  
on Friday March 8, 2013 at 14:45 hrs

by

Jeroen Gerard Meijerink  
Born on November 17, 1985  
in Oldenzaal, The Netherlands

**This dissertation has been approved by:**

Prof. dr. J.C. Looise (supervisor / promotor)

Dr. T.V. Bondarouk (supervisor / promotor)

## Table of contents

<b>Chapter 1: Introduction .....</b>	<b>3</b>
Introduction.....	4
The shared services concept.....	6
The concept of value .....	8
Challenges addressed in this thesis .....	9
Thesis outline.....	19
<b>Chapter 2: Value creation through HR shared services: towards a conceptual framework .....</b>	<b>23</b>
Introduction.....	25
HR shared services: from structure to values .....	26
Intellectual capital as an antecedent of HR value .....	33
Discussion .....	43
Conclusions .....	46
<b>Chapter 3: Exploring the central characteristics of HR shared services: evidence from a critical case study in the Netherlands .....</b>	<b>49</b>
Introduction.....	51
The hybrid nature of HR shared services .....	52
Centralized HR resources: from HR competencies to intellectual capital .....	54
Decentralized control: business unit ownership .....	56
Methodology .....	59
Findings .....	61
Discussion .....	79
Concluding remarks and limitations of the study.....	86
<b>Chapter 4: Exploring and comparing HR shared services in subsidiaries of multinational corporations and indigenous organizations in the Netherlands: a strategic response analysis .....</b>	<b>89</b>
Introduction.....	91
Differences and similarities in the HR SSCs of MNCs and of indigenous organizations .....	93
Methodology .....	100
Findings .....	102

Discussion .....	113
Conclusions .....	120
<b>Chapter 5: Sharing HR activities and its impact on HR service value: the contingent effect of commonality potential .....</b>	<b>123</b>
Introduction .....	125
Theoretical background .....	126
Methodology .....	134
Results .....	138
Discussion .....	144
Conclusion .....	148
<b>Chapter 6: How employee perceptions of HRM are created: employees as co-creators of HR shared service value .....</b>	<b>151</b>
Introduction .....	153
Review and hypotheses .....	156
Methodology .....	164
Findings .....	172
Discussion .....	179
Conclusion .....	187
<b>Chapter 7: Discussion .....</b>	<b>189</b>
Introduction .....	190
Challenge 1: Explaining the value of HR shared services .....	190
Challenge 2: Exploring the structural characteristics of HR SSCs .....	199
Implications for practice .....	205
Limitations .....	208
Suggestions for future research .....	210
Conclusions .....	213
<b>References .....</b>	<b>215</b>
<b>Appendices .....</b>	<b>239</b>
<b>Samenvatting (Summary in Dutch) .....</b>	<b>261</b>
<b>About the author .....</b>	<b>273</b>

# **Chapter 1**

## **Introduction**



## Introduction

Interest in the value of the human resource management (HRM) function for stakeholders, such as employees, line management, and top management, continues to be high for both practitioners and academics (Boselie, Dietz and Boon, 2005; Huselid, 1995; Lepak, Liao, Chung and Harden, 2006). This interest has resulted in studies aiming to explore and explain the effectiveness and efficiency of HRM execution in practice by HR service providers such as line managers (Bos-Nehles, 2010; Gilbert, De Winne and Sels, 2011b), HR outsourcing vendors (Cooke, Shen and McBride, 2005; Klaas, McClendon and Gainey, 1999), and HR advisors (Boselie and Paauwe, 2005; Teo and Rodwell, 2007; Uen, Ahlstrom, Chen and Tseng, 2012). The research presented in this thesis focuses on the *value of HR shared services*, that is, the trade-off between the quality and costs of centralized HR services provided by HR shared service centers (SSCs) to selected business units and end-users (Maatman, Bondarouk and Looise, 2010; Ulrich, 1995; Ulrich, Younger and Brockbank, 2008b). A survey conducted in the Netherlands, by Arinso Consulting, in 2005 showed that already 26% of the 650 participating companies had established an HR SSC (Lettink, 2005). In the United Kingdom, the percentage was comparable, with 28% of the 787 companies investigated by the CIPD (2007) having an HR shared service provider, such as an HR SSC, a center of expertise, or both. Furthermore, 81% of these UK companies indicated that their HR function had changed its structure during the previous five years to include the delivery of HR shared services (CIPD, 2007). In the United States, the country viewed as the originator of shared services (Davis, 2005), HR shared services are perhaps the most ubiquitous. The most recent data, obtained by CedarCrestone in 2012, reveals that about 86% of the 727 US companies included in its study have an HR SSC (CedarCrestone, 2012). Although these findings are obtained from non-random samples, they nevertheless show that HR shared services are prevalent among many organizations.

This growing popularity is not surprising given the promises that HR shared services reduce costs, improve HR service quality, and increase the strategic influence of the HR function by centralizing administrative HR activities in an HR SSC and, at the same time, decentralizing the control over the SSC to the business units (Farndale, Paauwe and Hoeksema, 2009; Janssen and Joha, 2006; Maatman et al., 2010; Redman, Snape, Wass and Hamilton, 2007). To realize these benefits, however, organizations have to ensure that their HR SSC creates value for employees and line managers: the end-users of HR shared services. The majority of

HR shared services are provided either online or as call center services. This requires employees and line managers to operate self-service information technologies, utilize online HR portals, and/or choose from selection menus (Farndale et al., 2009). Previous studies have found that employees only use information technologies to a limited extent if their perceived value is low (Davis, 1989; Marler, Fisher and Ke, 2009). Cooke (2006) found that employees and managers who are dissatisfied with HR shared services instead opt to execute shadow administrative services which results in inefficiencies and a waste of resources (Cooke, 2006; Ulrich, 1995). Further, the perceived value of HR shared services to employees and line managers influences HRM outcomes such as employee attitudes and behavior (Bos-Nehles, 2010; Cooke, 2006; Gilbert et al., 2011b; Kinnie, Hutchinson, Purcell, Rayton and Swart, 2005). For instance, Bos-Nehles (2010) found that lower levels of HR service quality provided by HR service providers to line managers result in lower levels of HRM implementation effectiveness as reported by employees. HR SSCs also influence employee satisfaction because the administrative HR services they provide are considered as hygiene factors that cause dissatisfaction when having low perceived value (Boselie and Paauwe, 2005; Cooke, 2006; Meijerink, Bondarouk and Looise, 2013). For example, Cooke (2006) reports employee dissatisfaction because the poor quality of HR shared services is interpreted by employees as their employer not caring about them. Survey evidence shows that poor internal service quality and employee dissatisfaction with HR services result in low levels of employee affective commitment (Gilbert, 2012; Kinnie et al., 2005) and in poor service quality being offered to external customers (Ehrhart, Witt, Schneider and Perry, 2011; Schneider, White and Paul, 1998). These effects may run counter to the utilization of HR systems such as high-performance work systems or high-commitment work systems, which aim to increase employee commitment and performance (Chuang and Liao, 2010; Kuvaas, 2008; Takeuchi, Chen and Lepak, 2009). HR shared services with low levels of value for employees are thus likely to negate the potential effectiveness of a firm's HR systems, policies, and practices. As such, if firms want to reap the benefits of HR shared services, in terms of cost reductions, efficiency increases, and quality improvement, or secure the effectiveness of the utilized HRM systems, their HR SSCs have first to create value for employees and managers.

Despite the influence of HR shared service value on the efficiency and effectiveness of HRM, the existing literature provides little insight into the

antecedents of HR shared service value for employees and managers (Maatman et al., 2010; Strikwerda, 2004). Rather, the current literature can be largely characterized as a handful of studies seeking to gain a better understanding of the HR shared services phenomenon. This has resulted in knowledge on the motives for establishing HR SSCs (Farndale et al., 2009; Janssen and Joha, 2006; McIvor, McCracken and McHugh, 2011; Redman et al., 2007), HR SSC performance evaluations (Cooke, 2006; Redman et al., 2007), and the impact of HR shared services on the HR function (Farndale et al., 2009). Some of these studies have reported negative evaluations of HR shared services by employees and managers (Cooke, 2006; Redman et al., 2007). However, these studies are largely descriptive and, despite a few exceptions (Bondarouk, 2011; Maatman et al., 2010), do not apply theories that would help in determining why employees are dissatisfied with HR shared services. Cooke (2006: 224) argues that more research is needed to increase “our understanding of the (...) utility of HR shared services” in terms of gaining knowledge as to why some HR SSCs do not create value for employees and line managers and so why firms fail to reap the promised benefits of HR shared services. In attempting to fill this gap in the literature, the PhD research presented in this thesis aims to *explain the value of HR shared services for the end-users of HR SSCs, that is, employees and line managers*. Before discussing how this thesis intends to meet this aim, the concepts of HR shared services and value will first be outlined.

### **The shared services concept**

Shared services amount to an organizational model for sourcing a wide variety of organizational activities such as procurement, finance, information systems (Janssen and Joha, 2006; Rothwell, Herbert and Seal, 2011), and those activities central to this thesis, namely human resource management (Ulrich, 1995). Although often described as outsourcing, shared services are not the same as most outsourced activities (Janssen and Joha, 2006). Whereas outsourcing involves placing the responsibility for performing business activities on vendors external to the organization (Cooke et al., 2005), shared services involve devolving responsibilities of local business units to a semi-autonomous unit that resides within the boundaries of the organization. Although most HR SSCs are as such intra-organizational service providers (Farndale et al., 2009), there are examples where SSCs are external to the organization (Redman et al., 2007; Strikwerda, 2004). These external SSC types, sometimes called inter-organizational or external joint

venture SSCs, are a form of 'between-sourcing' in that they offer services to multiple, yet a limited number of, organizations (Janssen and Joha, 2006). However, the differences between using inter-organizational SSCs and outsourcing can be very small and can cause ambiguity regarding the concept of HR shared services (Farndale et al., 2009; Maatman et al., 2010). To avoid this danger, this thesis focuses on intra-organizational HR shared services only because, of all the possible shared service provision types, within-organization HR SSCs are the most distinct from outsourcing. Shared services are thus regarded in this thesis as an 'in-sourcing' arrangement where selected local business units jointly request an intra-organizational SSC to offer services from a central location.

In terms of organizational design, shared services are conceptualized as the integration of centralized and decentralized structures (Bondarouk, 2011; Farndale et al., 2009; Janssen and Joha, 2006; Maatman et al., 2010; Quinn, Cooke and Kris, 2000). Centralization refers to the extensive corporate-level control of activities and resources such that occurs when corporate-level staff functions are established to ensure economies of scale, but at the expense of meeting business unit priorities (Janssen and Joha, 2006). Decentralization, on the other hand, secures business unit responsiveness by granting business units full control over HR activities, but results in costly service delivery due to resource duplication (Janssen and Joha, 2006; Reilly, 2000).

In adopting the HR shared services concept, organizations centralize HR activities and associated resources in a semi-autonomous business unit: the HR SSC. Although HR SSCs often perform no more than administrative HR functions, several case studies have shown that transformational HR activities, such as recruitment, training, and organizational development, can also be centralized in an HR SSC (Redman et al., 2007; Ulrich, 1995). Although HR shared services centralize the performing and delivery of HR activities, they do not fully echo centralized structures (Maatman et al., 2010; Quinn et al., 2000; Redman et al., 2007; Ulrich, 1995). Rather, with shared services, the local business units are supposed to be in control and, therefore, some have cautioned against confusing HR shared services with centralization. Quinn et al. (2000: 13), for example, argue that business units choose "the type, level and quality of services they want from the center, at the price they are willing to pay". This echoes Ulrich's (1995: 14) view that, with shared services, the "user is the chooser". With HR shared services, the decision-making authority regarding the provision of HR services therefore lies with the business units.

Several studies have further shown that HR SSCs are governed by the use of service level agreements (SLAs) which specify criteria against which shared HR services have to be delivered (Cooke, 2006; Farndale et al., 2009; Ulrich, 1995). These governance mechanisms decentralize the control over the HR SSC in that the SLAs enable the business units to influence HR SSC operations and align the interests of the HR SSC with their own (Farndale, Paauwe and Boselie, 2010). At least in theory, the business units thus have control over centralized resources and activities. Consequently, the two key characteristics of HR shared services are (1) the centralization of resources and activities combined with (2) the decentralization of control to business units. In this way, HR SSCs differ from traditional, corporate HR departments because, despite both centralizing resources and activities, only the former simultaneously decentralizes control to the business unit. In line with these structural features, we define HR shared services as *an organizational model for centrally bundling resources in an intra-organizational HR shared service center that performs centralized HR activities under the control of the business units.*

By integrating centralization and decentralization, HR shared services have the potential to reap the benefits of both while at the same time minimizing their drawbacks (Farndale et al., 2009; Janssen and Joha, 2006; Schulman, Dunleavy, Harmer and Lusk, 1999). Centralizing resources and activities on the one hand provides the possibility to reduce costs, standardize, and improve efficiency by avoiding resource duplications but, on the other, may lead to a loss of focus on meeting local business-unit needs (Janssen and Joha, 2006). Decentralization will mitigate this drawback such that transferring decision-making and control ownership to the business units should ensure that their needs and interests are served (Maatman et al., 2010). HR shared services can therefore be considered as a powerful sourcing arrangement that provides the opportunity to reduce costs and at the same time improve the quality of HR services such that they better meet business-unit and end-user needs (Farndale et al., 2009; Redman et al., 2007).

### **The concept of value**

The concept of value has been central in many research fields which have attempted to provide definitions of consumer value. In service management and marketing, value has been thought of as the client's "overall assessment of the utility of a service based on the perceptions of what is received and what is given" (Zeithamel, 1988: 15) and a trade-off between a service's benefits and the costs of its consumption (Day, 1990; Dodds, Monroe and Grewal, 1991; Sirdeshmukh, Singh

and Sabol, 2002). In strategic management, value has been conceptualized as a trade-off between a service's use value and exchange value. Use value has been defined as "the quality of a (...) service as perceived by users in relation to their needs" (Bowman and Abrosini, 2000: 2) and reflects the extent to which a service meets the needs of those who use it (Priem, 2007). Exchange value, on the other hand, refers to the "amount paid by the user to the seller for the use value of the focal (...) service" (Lepak et al., 2007: 182). Put differently, it reflects the costs that users make in consuming a service (Lapierre, Filiatrault and Chebat, 1999; Priem, 2007; Zeithaml, 1988). The costs for consuming services are not limited to the monetary costs, but also include non-monetary costs such as the effort and time absorbed in searching, learning, and co-producing services (Huber, Herrmann and Morgan, 2001). Notwithstanding differences in terminology, the common denominator of these definitions and conceptualizations is that they conceive of value as being based on a trade-off between the extent to which consumer needs are met (i.e. use value, 'what is received', or the perceived benefits) and the costs in meeting these needs (i.e. exchange value, 'what is given', and the cost of consumption) (Khalifa, 2004). On this basis, we define the value of HR shared services as the *end-user's perception of the overall utility of HR shared services based on the trade-off between their qualities and costs.*

### **Challenges addressed in this thesis**

This thesis addresses two key challenges that are currently present in researching HR shared services and, in so doing, helps explain the value of HR shared services to end-users. The first challenge concerns the issue of how HR shared services create value and this contributes to realizing the goal of this thesis by helping to uncover the mechanisms that explain the way in which HR shared service value is created for end-users. The second challenge concerns exploring the structural characteristics of HR SSCs, in terms of centralizing activities and decentralizing control. As noted, the combination of these two characteristics should provide specific benefits to end-users or, in other words, they are the conditions that support HR SSCs in creating value for end-users. Exploring the structural characteristics of existing HR SSCs will therefore contribute to realizing the overall research goal by providing empirical insights into the opportunities offered to HR SSCs for creating HR shared service value.

Next, each of the challenges is discussed in greater detail, and an outline is provided of how this thesis will address them. Further, the relevance of addressing

these challenges for other streams of literature, beyond the HR shared service literature, are also discussed.

### **Challenge 1: Explaining the value of HR shared services**

The research to date into HR shared services has been characterized by a lack of a theoretical underpinning (Bondarouk, 2011; Maatman et al., 2010; Strikwerda, 2004). Almost a decade ago, Strikwerda (2004: 58) already noted that “in the literature there is no theory available on SSCs, except for (commercial) pleas why it is good to apply the concept”. Since then, little progress seems to be have made, as reflected in Bondarouk’s (2011: 84) claim that “the research field of HR shared services has not yet reached a consensus about its theoretical basis.” Although developing a grand theory of HR SSCs may be overambitious given their novelty (Shapira, 2011), the application of theories and conceptual frameworks to explain HR shared service value creation also remains scarce (see Maatman et al., 2010 for an exception). Although existing studies are useful in outlining specific HR shared service features (e.g. potential benefits, service portfolios, and governance structures), they hardly explain how, and under what conditions, end-user value is created (Maatman et al., 2010). Some empirical studies have reported on evaluations of HR SSCs and show that their clients and end-users are often dissatisfied with HR shared services (Cooke, 2006; Redman et al., 2007). However, interpreting these empirical findings remains difficult given the lack of an associated theoretical framework. The key remaining challenge is to be able to explain or predict why end-users manage, or fail, to reap the benefits of HR SSCs in terms of HR shared service value (Strikwerda, 2004). Therefore, the first key issue addressed in this thesis is to conceptually and empirically uncover how the value of HR shared services for end-users is created.

#### *How this thesis addresses Challenge 1*

For explaining the value of HR shared services for end-users, this thesis presents a sequence of three studies (for an overview see Figure 1). First, this thesis starts with the development of a conceptual framework (in Chapter 2) to overcome the lack of an available theory for explaining the value of HR shared services for end-users. In developing this framework, we rely on intellectual capital theory because previous studies have found that the knowledge and skills of HR professionals other than those based in HR SSCs influence end-user perceptions of HRM (Boselie and Paauwe, 2005; Ulrich, Brockbank, Johnson, Sandholtz and Younger, 2008a) and

because it has been argued that the centralization of knowledge resources in an HR SSC should yield benefits for end-users (Farndale et al., 2009; Redman et al., 2007; Reilly and Williams, 2003; Ulrich, 1995). Intellectual capital theory starts with the idea that performance is the product of *integrating coexisting* knowledge resources, such as employee knowledge, routines, and processes (Reed, Lubatkin and Srinivasan, 2006; Youndt, Subramaniam and Snell, 2004). To conceptualize these various knowledge resources, the intellectual capital of an organization has been divided into three dimensions: human capital, social capital, and organizational capital, which respectively reflect the knowledge resources that reside on the individual, group, and organizational levels. Previous studies have shown that these sub-dimensions of intellectual capital interrelate in influencing various performance outcomes (Cabrita and Bontis, 2008; Reed et al., 2006; Ruta, 2009). For example, the impacts of human capital (i.e. the knowledge, skills, and abilities of the supplier's staff) on financial performance (Reed et al., 2006) and radical innovation (Subramaniam and Youndt, 2005) are strengthened as a result of increases in social capital (i.e. the extent of knowledge exchange among the supplier's staff). Further, Youndt et al. (2004) found that firms with intellectual capital configurations that include high-level human, social, and organizational capitals outperform those that rely on a single high-level sub-dimension of intellectual capital. Intellectual capital theory thus sees performance as a function of resource *combinations* and this helps in conceptualizing the ways in which the centralization of resources in an HR SSC affects the perceived value for end-users. Consequently, in order to understand how the centralization component of HR shared services yields value, we first apply intellectual capital theory to develop a conceptual framework that outlines how the interactions among the human, social, and organizational capitals of HR SSCs influence the value of HR SSCs for end-users (Chapter 2).

Second, the negative evaluations of HR SSCs by end-users reported in previous studies (Cooke, 2006; Janssen and Joha, 2006; Redman et al., 2007) imply that the integration of centralization and decentralization models may not yield high-level value as claimed for the HR shared services concept. Therefore, in Chapter 3, we present the results of a critical case study in which we examine whether combining the centralization of intellectual capital in an HR SSC with the decentralization of control over the HR SSC to the business units is sufficient to create high-level value for end-users. Based on the conceptual framework developed in Chapter 2, we present findings on the content and coexistence of human, social, and



organizational capitals in an HR SSC within a governmental organization. This study found that the knowledge and skills of end-users play an important role in co-developing the intellectual capital of an HR SSC and, hence, the creation of HR shared service value. Explaining the value of HR shared services for end-users thus also requires a focus on variables on the end-user level, and on how end-users themselves influence value. This realization served as the basis for the final study undertaken to address Challenge 1.

As the concluding step in responding to our first challenge, we build, in Chapter 6, on the case study findings presented in Chapter 3. Given the potential role played by the knowledge of end-users in value-creation processes, we examine how the human capital of end-users influences their perceptions of the value of HR shared services. In so doing, we apply a theoretical perspective known as the *consumer perspective* (Priem, 2007) because this considers perceived value to be a function of consumer knowledge. The consumer perspective follows the logic of value co-creation and so views consumers as creating value-in-use during consumption activities (Priem, Li and Carr, 2012). Rather than simply seeing value as being added or created by suppliers, it incorporates ideas from marketing theories that argue that suppliers can only offer value propositions (Vargo and Lusch, 2004). Consumers are seen as being essential in co-creating value because they create value out of the provided value propositions (i.e. services and products) (Grönroos, 2011; Vargo and Lusch, 2004). Starting from the value co-creation concept, the consumer perspective assumes consumer heterogeneity, such that the evaluations of consumers will differ because of their product-specific human capital. Here, the product-specific human capital of an end-user refers to the consumer's ability to co-produce services or create value out of provided services (Priem et al., 2012). In an HR shared service environment, this amounts to end-users' human capital providing them with the ability to control and influence the value of HR shared services. Consequently, in order to gain a better understanding of how end-users themselves influence their perceptions of HR shared service value, we examine whether the product-specific human capital of end-users, through influencing the quality and costs of HR shared services, influences their value perceptions. To this end, we use survey data obtained from a sample of 2,002 employees and line managers from 19 organizations.

*Relevance to other literature streams*

Besides serving the goal of explaining the value of HR shared services for end-users, Challenge 1 also has relevance for the broader field of human resource management and for strategic management.

According to Guest (2011), current HRM research is increasingly focusing on employees' *perceptions* of HRM as mediators between HRM initiatives and organizational-level outcomes (Bowen and Ostroff, 2004; Liao, Toya, Lepak and Hong, 2009; Nishii and Wright, 2008; Purcell and Hutchinson, 2007). This thesis, as it focuses on the perceived quality and costs of HR services, similarly concerns employee perceptions of HRM. Following the call "for scholars to give fuller consideration to the sources of variability at multiple levels of analysis" (Nishii and Wright, 2008: 227), researchers have started to uncover variables that explain the variability in employee perceptions of HRM (Guest, 2011). According to Wright and colleagues (Nishii and Wright, 2008; Wright and Haggerty, 2005), the sources of variability reside on either the *individual* level, for example as employees differ in their schemas for processing information (Nishii and Wright, 2008), or on the *group* level, with HR service providers such as line managers differing in the delivery of HR services to employees (Khilji and Wang, 2006). Various studies have considered the sources of variability at the group level, including the utilization of HRM practices as reported by the line manager (Den Hartog, Boon, Verburg and Croon, 2012; Jensen, Patel and Messersmith, 2012; Liao et al., 2009), the abilities and motivation of line managers in performing HR activities (Bos-Nehles, 2010; Gilbert, 2012), or the HRM competencies and capabilities of HR professionals (Giangreco, Sebastiano and Peccei, 2009; Han, Chou, Chao and Wright, 2006). Although some studies have examined the effect of employee characteristics on employees' perceptions of HRM (Jiang, Hu, Liu and Lepak, 2012; Nishii and Wright, 2008), ones that simultaneously examine the sources of variability at both the employee and the HR service provider levels are scarce. In focusing on the intellectual capital of the HR SSC and the human capital of its end-users, this thesis is relevant to the wider HRM literature as it teases out the sources of variability on both the supplier (i.e. intellectual capital) and the end-user (i.e. product-specific human capital) levels, and so provides greater clarity on how supplier and employee resources together influence employee perceptions of HRM.

The strategic management research field, motivated by theoretical perspectives such as the resource-based (Barney, 1991) and firm positioning views (Porter, 1985), has long been concerned with value creation. Creating value for consumers

is considered important for firms because, without it, consumers are unwilling to pay for a firm's services, and this will limit a firm's ability to achieve a (sustained) competitive advantage (Makadok and Coff, 2002; Priem, 2007; Priem et al., 2012; Sirmon, Hitt and Ireland, 2007). The concept of value co-creation has entered the strategic management field as a way of explaining how consumers contribute to value creation (Lusch and Vargo, 2006; Ordanini and Pasini, 2008; Priem, 2007; Ramirez, 1999; Vargo and Lusch, 2004). By adopting a co-creation perspective, some strategic management scholars (Payne and Holt, 2001; Priem et al., 2012; Ramirez, 1999) have abandoned the idea that while suppliers *add* value to products and services, consumers only *destroy* value when using a product or service. Although the consumer perspective suggests strategies for increasing consumer value, Priem et al. (2012), based on a review of the literature, concluded that their utility for increasing value remains largely untested. Further, although a handful of studies have assessed the effect of consumer knowledge on value (McKee, Simmers and Licata, 2006; Van Beuningen, De Ruyter, Wetzels and Streukens, 2009), they provide little evidence on how consumer human capital can best be increased. Gaining knowledge on how to improve consumer human capital is important as it would support suppliers in effectively managing consumer value experiences. By gaining an insight into how suppliers can increase the levels of perceived value, this thesis (in Chapter 6) is relevant for strategic management as it examines the utility of a strategy (i.e. intensifying consumption experiences) for increasing consumer value through developing the consumers' knowledge and skills.

### **Challenge 2: Exploring the structural characteristics of HR SSCs**

As noted earlier, the benefits of HR shared services are likely to result from the integration of centralization and decentralization models in terms of two structural characteristics of HR shared services: the centralization of activities and the decentralization of control. Empirical studies that explore these characteristics are scarce. The study of Redman et al. (2007) is one of the few that explore which HR services are shared but it lacks statistical generalization as only a single case was involved. Although Farndale et al. (2009) studied 15 HR SSCs in the Netherlands, their research was limited to the online self-services offered by HR SSCs, ignoring other possible front and back office services (Cooke, 2006; Ulrich, 1995). Similarly, when it comes to control decentralization, empirical research into the governance of SSCs is either based on a single case (Janssen and Joha, 2006; McIvor et al., 2011; Redman et al., 2007) or on field studies that use surveys that provide limited in-

depth information (Farndale et al., 2009). An exception is the study by Farndale et al. (2010) which explored the use of governance mechanisms across the entire HR function of seven companies. However, this lacked an in-depth exploration of the control of HR SSCs.

Given that SSCs are seen as a blend of organizational structures (Janssen and Joha, 2006; Maatman et al., 2010), some have argued that SSCs are a new organizational form that could create value by simultaneously centralizing activities and decentralizing control (Bondarouk, 2011; Janssen and Joha, 2006; Strikwerda, 2004). Strikwerda (2004) reasons that the establishment of shared services pushes organizations towards a new organizational model that spreads the ownership of control and decision-making among the business units. Furthermore, Bondarouk (2011) reasons that HR shared services represent a new organizational form that is hybrid in nature as it blends integration and differentiation structures. HR shared services merge organizational structures, argues Bondarouk (2011), because the information processing capacity for dealing with environmental uncertainty is integrated and centralized within the SSC, but the decision-making authority is decentralized to and differentiated among the business units. Overall, it is argued that shared services “imply a change in the operational model of the firm” (Strikwerda, 2004: 10), which “can be viewed as a special case of *organizing*” (Bondarouk, 2011: 88, italics added). This special case of organizing is likely to enable HR SSCs to create value, for example because the decentralization of control may help in ensuring that SSCs serve the needs and interests of the business units and end-users (Farndale et al., 2010; Janssen and Joha, 2006). Further, centralizing HR activities could provide value for end-users, such as for decentralized HR employees who could have more time available for performing a strategic partner role after the establishment of an HR SSC (Cooke, 2006; Reilly and Williams, 2003). In other words, the two structural characteristics of HR SSCs are likely to be preconditions for enabling end-users to reap the value of HR SSCs. Empirical research has, however, only limitedly uncovered those HR activities which are shared in HR SSCs, and whether HR SSCs actually decentralize control to the business units. Consequently, it remains unclear whether SSCs actually represent a new organizational form in practice (Farndale et al., 2009) that provides opportunities and conditions that support the creation of value for end-users. To address this challenge, some have asserted that “more large scale survey research and in-depth case studies (...) are needed to become more informed about the specifics and underlying processes of SSCs” (Farndale et al., 2009: 558) in order to

“enlighten our understanding of the conceptualization and *value* of HR shared services” (Cooke, 2006: 224, italics added). Therefore, to gain a better understanding of the two structural features of HR shared services, in terms of being enabling factors for HR shared service value creation, this thesis aims to explore (1) the activities that are centralized in HR SSCs as well as (2) whether and how HR SSC control is decentralized to business units.

#### *How this thesis addresses Challenge 2*

In exploring the centralization and decentralization characteristics of HR shared services, this thesis presents a sequence of three studies (see Figure 1). The first two of these studies provided greater insight into those activities that *are* centralized in an HR SSC (Chapter 4) and the conditions under which HR activities *can* best be centralized in an HR SSC in order to yield value (Chapter 5). Starting in Chapter 4, we explore the activities that are often centralized in HR SSCs. In order to be able to generalize the findings to a broader population, we conducted a qualitative study among 18 Dutch HR SSCs. In investigating the HR activity portfolios of HR SSCs, we build on the HR outsourcing literature (Cooke et al., 2005; Klaas et al., 1999; Lepak, Bartol and Erhardt, 2005) that suggests using a transactional – transformational continuum for classifying HR activities. Transactional HR activities are activities such as payroll and personnel administration that set out to meet the administrative needs of end-users; whereas transformational HR activities, such as training, staffing, and development, aim to transform the human capital within the business units (Lepak et al., 2005; Ulrich, 1995). These classifications have guided discussions on which HR activities to outsource (Lepak et al., 2005) and so we use them here as they are likely to prove valuable in picturing the HR activities which are insourced.

In Chapter 4’s empirical research, we found that HR SSCs centralize both transactional and transformational HR activities. This finding raises the question as to whether one form of HR services would be best centralized in an HR SSC given that previous studies provide mixed recommendations (Ulrich, 1995; Redman et al., 2007). While Ulrich (1995) argues that training and staffing services can easily be centralized, Redman et al. (2007) recommend leaving transformational HR activities out of the HR SSC’s scope as including them results in lower levels of satisfaction with HR services among clients and end-users. In other words, centralizing the right HR activities in an HR SSC is an important precondition for HR shared services to create value because the selection of inappropriate HR activities could result in

reduced value. To explain for which HR activities it is possible to centralize in an HR SSC and create value, we apply the *commonality potential* framework in Chapter 5 since this offers suggestions on conditions under which certain service components can be best shared (Halman, Hofer and Van Vuuren, 2003; Hofer and Halman, 2004). When applied to HR shared services, this framework suggests that HR activities with a high commonality potential (i.e. for which stable and homogenous needs exist) yield high value when shared in an HR SSC. Conversely, HR activities for which users have heterogeneous needs are better left out of the HR SSC as their inclusion is likely to yield low value. Therefore, in seeking to explain the conditions under which sharing HR services in an HR SSC will enable value creation, we examine the commonality potential of HR activities, viewing this as a contingency factor in explaining when the sharing of HR activities can yield a high value.

Second, in terms of exploring control decentralization, we view organizational control as a multidimensional concept with at least two dimensions: the extent of control, and control mechanisms (Geringer and Hebert, 1989). Consequently, this thesis includes two studies (Chapters 3 and 4), where each study explores one of the above two dimensions of organizational control. In Chapter 3, we report on a single case study of a governmental HR SSC that had almost entirely decentralized control over its operations to the business units. This provided an opportunity to uncover the control mechanisms used by the business units and so to explore the ways in which HR SSCs decentralize control. In this, we relied on agency theory (Eisenhardt, 1989; Jensen and Meckling, 1976; Ouchi, 1979) as it conceptualizes the control mechanisms used for governing the activities that a principal has delegated to an agent. In order to control activities performed by an agent, agency theorists argue that a principal is able to rely on both formal control mechanisms, such as processes/behavior controls or output controls, as well as more informal controls such as social controls, trust, and shared norms (Farndale et al., 2010; Jensen and Meckling, 1976). Control mechanisms should ensure that the interests of the agent align with those of the principal, such that the activities performed by the agent meet the needs of the principal. In an HR shared service environment, this implies that the value for clients and end-users (i.e. the principals) comes from their usage of control mechanisms to control the HR SSC (i.e. the agent). Consequently, we used the concept of control mechanisms in Chapter 3 to explore how HR SSCs decentralize control to the business units and examine which control mechanisms are used to secure HR shared service value.

The empirical analysis of control mechanisms in Chapter 3 uncovers the ways in which HR SSCs are controlled, but provides little information regarding the extent to which control is decentralized to the business. This knowledge is important as we want to know whether HR SSCs actually grant full control to the decentralized business units, which would represent a new organizational form. Therefore, in Chapter 4, we present findings on control decentralization obtained from qualitative research among 18 Dutch HR SSCs. In exploring the extent of control decentralization, this thesis examines governance structures that reflect the possible positioning of an HR SSC within an organization vis-à-vis the principals that control its activities. The governance structures reflect whether an HR SSC has to report to central principals (e.g. top management, corporate HR department) or to decentralized principals (Farndale et al., 2010; Strikwerda, 2004). This analysis explores whether HR SSCs do actually reflect decentralized control and a specific organizational form.

#### *Relevance to other literature streams*

By empirically exploring these two structural characteristics of HR SSCs, this thesis also has relevance for organizational studies – a scholarly tradition that concerns the shaping of organization structures. In the 1960s, this tradition was characterized by a so-called ‘trade-off debate’ about the conditions (e.g. environmental uncertainty and rate of change) under which various organizational structures yield higher levels of organizational performance. Based on the presumption that there is no single organizational structure that is highly effective in all organizations, researchers have considered the effectiveness of various organization design parameters such as centralization versus decentralization (Chang and Harrington, 2000; Govindarajan, 1986) and differentiation versus integration (Lawrence and Lorsch, 1967). The 1990s and 2000s saw more research into how different organizational structures merge (Jansen, 2005). Examples include studies on how integrating mechanistic with organic structures makes organizations more ambidextrous (Adler and Borys, 1996; Jansen, Van den Bosch and Volberda, 2005) or the extent to which multinational corporations simultaneously standardize and localize decision-making (Brewster, Wood and Brookes, 2008). In theory, by integrating centralization and decentralization structures, the shared services concept also represents the integration of organizational structures. Empirical research has yet to determine whether HR SSCs do actually blend both organizational models and so represent a hybrid

organizational structure (Farndale et al., 2009). Therefore, it also remains unclear whether real-life SSCs are indeed a new way of organizing as suggested by Bondarouk (2011) and Strikwerda (2004). By researching the activities that are centralized in HR SSCs, as well as whether and how they decentralize control to the business units, this thesis is relevant for organizational studies as it provides an answer to the question whether SSCs are indeed a new and hybrid organizational form that integrates a range of organizational structures.

### **Thesis outline**

The two challenges introduced above are addressed in Chapters 2 – 6 of this thesis. As shown in Figure 1, the studies presented in these chapters were performed sequentially. First, Chapter 2 is more conceptual in nature and explains why the benefits and performance of HR SSCs can best be measured as HR value. Using intellectual capital theory (Youndt et al., 2004), it also conceptualizes how the knowledge being centralized in HR SSCs affects the value of resources for clients and end-users. In this chapter, it is argued that HR SSCs, depending on their service portfolio, can create either transactional or transformational HR value, each requiring a different configuration of human, social, and organizational capitals. As such, this chapter is primarily concerned with how the first structural characteristic of HR shared services, the centralization and bundling of resources, affects the value of HR shared services (Challenge 1).

Chapter 3 empirically explores the two identified structural characteristics of HR shared services in a critical case study conducted within a Dutch governmental organization. Previous studies have suggested that bundling resources and delegating control to business units enables an organization to reap the benefits of shared services (Janssen and Joha, 2006; Maatman et al., 2010). The third chapter empirically challenges this view in that, despite the HR SSC under study being designed in line with the ideal, its end-users did not fully reap the benefits of HR shared services. Rather, by drawing on two theoretical perspectives (intellectual capital and agency theory), an in-depth study of the intellectual capital and control of the HR SSC showed that other contingency factors play a role in the creation of HR shared services value. As such, Chapter 3 offers support in both explaining the value of HR shared services (Challenge 1) and exploring two of its structural characteristics (Challenge 2).

Chapter 4 explores the strategic decisions made by organizations regarding the structural characteristics of HR shared services. Whereas Chapter 3 presents data



on a single case, the fourth chapter presents evidence from 18 Dutch HR SSCs regarding the HR services centralized in HR SSCs and their governance structures. In this chapter, we explore whether subsidiaries of multinational corporations and of indigenous organizations make similar or different strategic decisions regarding their HR SSCs. Conducting this research helped to address the second challenge covered in this thesis by providing evidence on the HR activities bundled in HR SSCs and the decentralization of control to business units.

Chapter 5 is devoted to the design of the HR service portfolio of an HR SSC. Drawing on the commonality potential framework, the fifth chapter tests the proposition that the effect of centralizing an HR activity on the activity's value depends on the differentiation in needs for the HR activity (i.e. the extent to which the needs for the selected HR activity differ across users or time). The commonality potential framework argues that product components are best shared across groups of products when the needs for these components are similar across users and do not change over time (Hofer and Halman, 2004). It is therefore expected that the value of an HR activity with low needs differentiation increases when it is shared across business units. Conversely, when differentiation needs are high, the value of an HR activity is expected to be higher when it is not shared by business units.

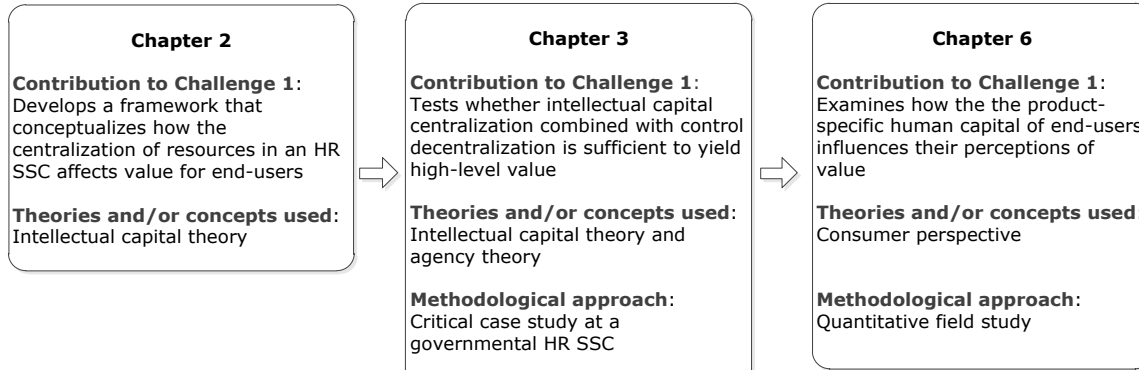
Chapter 6 starts from the consumer perspective in explaining the perceptions of HR shared service value by end-users, and in uncovering the sources of variability in employee perceptions of HRM at the individual level. Here, a multilevel study involving 19 Dutch HR SSCs and 2,002 end-users is presented to investigate whether the effect of shared HR services usage on HR shared service value is mediated by the product-specific human capital of end-users. In so doing, this chapter helps to address the thesis's first challenge by explaining the perceived value of HR shared services to end-users.

Chapter 7 discusses the findings of this thesis and what they mean for both theory and practice. It also addresses the limitations of this research and outlines directions for future work.

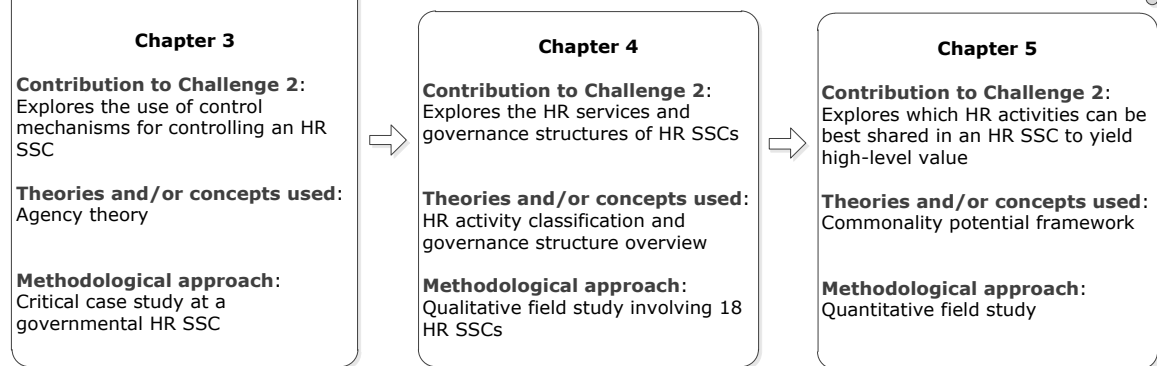
## **References**

The list of references can be found on p. 215.

**Challenge 1: Explaining the value of HR shared services**



**Challenge 2: Exploring the structural characteristics of HR SSCs**



**Figure 1:** Overview of the challenges, conceptual approaches and methodological approaches employed in the thesis



## **Chapter 2**

### **Value creation through HR shared services: towards a conceptual framework**

This chapter has been published as: Meijerink, J., Bondarouk, T., and Looise, J.C. (2013). Value Creation Through HR Shared Services: Towards a Conceptual Model. *Personnel Review*, 42, (1), 83 – 104

## **Abstract**

The purpose of this chapter is to derive a measure for the performance of human resource shared service centers (HR SSCs) and then to develop a theoretical framework that conceptualizes their performance. This conceptual chapter starts from the HR shared services argument and integrates this with the knowledge-based view of the firm and the concept of intellectual capital. We recommend measuring HR SSC performance as HR value, referring to the ratio between use value and exchange value, that together reflect both transactional and transformational HR value. We argue that transactional HR value directly flows from the organizational capital in HR SSCs, whereas human and social capitals enable them to leverage their organizational capital for HR value creation. We argue that the human capital of HR SSCs has a direct effect on transformational HR value creation, while their social and organizational capitals positively moderate this relationship. The suggested measure paves the way for operationalizing and measuring the performance of HR shared services providers. This chapter offers testable propositions for the relationships between intellectual capital and the performance of HR shared service centers. These contributions could assist future research to move beyond the descriptive nature that characterizes the existing literature.

## Introduction

Today, the provision of human resource (HR) services in organizations is developing through multiple sourcing channels. Recently, organizations have been adopting a relatively new HR sourcing arrangement, known as HR shared services. The popularity of HR shared services (often referred to as HR shared service centers) has especially grown due to the beliefs that HR shared service centers (HR SSCs) would integrate centralization and decentralization models (Janssen and Joha, 2006). In other words, HR SSCs are seen as simultaneously capturing the benefits of both organizational models, including the strategic alignment of HR practices, economies of scale and improved HR service quality (Cooke, 2006; Farndale et al., 2009; Ulrich, 1995).

This research is motivated by two interdependent issues: how to measure and then how to conceptualize HR SSC performance. First, in the literature, one can find several measures for evaluating HR service center performance, such as HR effectiveness and service quality (Huselid, Jackson and Schuler, 1997). However, these measures only *partially* take into account the proclaimed benefits and performance of HR SSCs. The concept of HR service quality, for example, only measures the realization of benefits linked to decentralization models, and ignores centralization benefits such as economies of scale and efficiency. Without appropriate measures, empirically investigating HR SSC performance remains a challenge (Farndale et al., 2009).

Second, despite the novelty of the concept, research has already answered questions such as why organizations implement HR shared services, which HR services are shared and how HR SSCs are structured (Farndale et al., 2009; Janssen and Joha, 2006; Redman et al., 2007). Further, it is generally recognized that consolidated knowledge resources are vital if HR SSCs are to perform satisfactorily. Ulrich (1995: 15), for example, foresees it that HR shared service employees will “build consistency through sharing a common base of knowledge”, and Farndale et al. (2009) have observed that managers perceive having staff with the appropriate competencies and skills as the key factor for shared services success. However, notwithstanding these contributions, the existing knowledge on HR shared services remains descriptive and does not explain in which ways and to what extent HR shared service centers realize the benefits of both centralization and decentralization models (Farndale et al., 2009; Strikwerda, 2004).

Challenging questions regarding HR shared services models therefore remain, such as in what way do the combined knowledge resources contribute to a high-

quality and low-cost HR delivery by HR SSCs, and under what conditions can HR SSCs utilize consolidated knowledge resources to deliver HR shared services benefits? Given this situation, the purpose of this chapter is: (1) to develop a conceptual framework that conceptualizes HR SSC performance and benefits through its utilization of knowledge resources and (2) to propose a measure for HR SSC performance. To develop our conceptual framework, we start from the knowledge-based view of the firm and combine this with the intellectual capital concept as, together, they enable one to explain how the knowledge resources of HR SSCs contribute to their performance (Grant, 1996; Spender, 1996).

In so doing, this chapter makes two contributions. First, it offers testable propositions on how concentrated knowledge resources affect the success of HR shared services, and thus it creates a basis for empirical studies. Secondly, in practical terms, it provides guidelines for HR shared service managers on how to effectively manage HR SSCs.

In the remainder of this chapter, we first describe the characteristics of HR shared services, and define their benefits and performance in terms of *HR value*. We then examine the characteristics of intellectual capital, its sub-dimensions, and how these relate to one another. Finally, we build propositions by focusing on the interdependencies among the intellectual capital sub-dimensions and their relationships with HR value. We argue that different interrelationships are required depending on the type of value that one wishes to create for end-users (i.e. employees and line managers) and clients (i.e. the business units).

### **HR shared services: from structure to values**

Implementing HR shared services is seen as a response to the question of whether firms should centralize or decentralize their HR function (or parts thereof) to increase economies of scale or improve local responsiveness (Farndale et al., 2009; Quinn et al., 2000; Strikwerda, 2004). Centralization refers to the extensive, corporate-level control of activities and resources, with corporate-level staff functions being established to ensure economies of scale at the expense of meeting business unit priorities (Janssen and Joha, 2006). Decentralization, on the other hand, secures business unit responsiveness by granting full business-unit control over HR activities, but makes HR service delivery costly due to resource duplication (Janssen and Joha, 2006; Reilly, 2000).

When establishing shared services, organizations centralize activities and resources in a (semi-) autonomous business unit: the shared service center.

Research shows that HR activities commonly performed by HR SSCs include personnel administration, training and staffing tasks, which are delivered as HR services through the use of concentrated resources such as information technologies and HR knowledge and skills (Meijerink, Bondarouk and Maatman, in press). Although activities and resources are centrally bundled within an HR SSC, some have warned against confusing shared services with centralization. Redman et al. (2007: 1487), for example, emphasize that, despite the consolidation of resources, "power and control rest with the customer". Ulrich (1995) goes further by suggesting that shared services are the opposite of centralization. Whereas, in centralization models, decision-making and control are in the hands of a corporate-level entity, such as the board of directors; with shared services, the clients and end-users are, at least in theory, in control. This involves the business units choosing "the type, level and quality of services they want from the center, at the price they are willing to pay" (Quinn et al., 2000: 13). Reilly and Williams (2003) describe an HR SSC where business units are involved in the design of new HR services to the extent that they determine and develop these HR services together with the HR SSC. Ulrich (1995: 14) puts it that, with shared services, the "user is the chooser". In other words, the business units have control over centralized resources and activities. In line with these features, we define HR shared services as *a hybrid organizational model for centrally bundling resources in an HR shared service center that performs HR activities to be controlled by its end-users and business units*. As such, the key characteristics of HR shared services are the centralization of resources combined with the decentralization of control to business units. In this way, HR SSCs differ from the traditional, corporate HR department because, despite the fact that both centralize resources and activities, only the former simultaneously decentralizes control to the business unit.

### **The benefits of HR shared services as HR value**

Through combining centralization and decentralization models, organizations anticipate being able to capture the benefits of both, while minimizing their drawbacks (Janssen and Joha, 2006). Centralization models offer economies of scale and scope by eliminating the duplication of activities and resources, but they also lead to long response times and tend to lose focus on the needs of the business units (Janssen and Joha, 2006). With decentralization models, responses to change are faster and business units needs are better supported, but cost levels are high as resources are duplicated (Strikwerda, 2004). Both organizational models therefore



are double-edged swords: both have benefits and liabilities, with the drawbacks of one model mirroring the benefits of the other (see Table 1).

<b>Centralization models</b>		<b>Decentralization models</b>	
Liabilities	Benefits	Benefits	Liabilities
Limited local responsiveness	Economies of scale and scope	Local responsiveness	Higher costs
Inflexibilities	Consistent HR service delivery	Flexibility	Inconsistent standards
Slow decision-making	Efficiency	Speedy decision-making	Duplication of resources
Little consideration for local priorities	Strategic alignment	Extensive control at the business unit level	Inconsistent HR service delivery
Large distance to business units	Best practice sharing	Responsive to end-user needs	Little sharing of best practices

**Table 1:** Benefits and liabilities of centralization and decentralization models for HR service delivery

Research has shown that firms establish HR SSCs to achieve cost reductions by centrally bundling resources while, at the same time, responding to business unit and end-user needs through delegating control over HR service delivery to the business units (Farndale et al., 2009; Redman et al., 2007). In balancing the liabilities and benefits of centralization and decentralization, organizations expect to reap concrete benefits such as quick decision-making, the consistent implementation of HR policies and processes, the creation of synergies, increased productivity, better management information, greater transparency of cost of services, reduced administrative HR workloads and an increased strategic contribution from HR professionals (Cooke, 2006; Janssen and Joha, 2006; Reilly, 2000). According to Farndale et al. (2009), implementing HR shared services is

therefore likely to have an impact on two out of the four logics defined by Paauwe (2004): the professional and the delivery logics. According to Paauwe (2004), the former refers to the degree of customer orientation in the HR function and the quality of its services (i.e. reflecting the realization of decentralization benefits), and the latter concerns the cost-effectiveness of HR service delivery (i.e. reflecting the realization of centralization benefits).

HR SSCs see themselves as being controlled by business units and end-users (Strikwerda, 2004), meaning that the clients and end-users are likely to capture the benefits that their HR SSC realizes. We therefore limit our considerations to the benefits for the clients (i.e. the business units) and end-users (i.e. employees, line managers and HR professionals), and argue that it is important to consider how these stakeholders evaluate the performance of HR SSCs. Empirical studies have accumulated rich knowledge on the evaluation of HR service centers, including measures for aspects such as satisfaction with HR services, HR service quality, perceived HR function performance and HR effectiveness (Alleyne, Kakabadse and Kakabadse, 2007; Boselie and Paauwe, 2005; Huselid et al., 1997). With some overlap, these constructs measure the extent to which HR service providers meet the needs or expectations of HR stakeholders, such as in terms of service delivery timeliness and speed (Tsui, 1987), responsiveness (Mitsubishi, Park, Wright and Chua, 2000) and customer focus and helpfulness (Gibb, 2001). However, by focusing on the degree of business unit and end-user responsiveness, these measures predominantly reflect the benefits of decentralization models, whilst largely ignoring the centralization benefits of HR shared services such as cost reductions and a reduction in resource duplication (Cooke, 2006). Therefore, we see the need for an integrative performance measure that measures the extent to which both centralization *and* decentralization benefits are realized by an HR SSC, as seen by its clients and end-users.

A measure that captures both benefits of HR shared services is *HR value* as this relates the fulfillment of business-unit needs with the costs involved in consuming HR services. In service management, value has been thought of as the client's "overall assessment of the utility of a *service* based on the perceptions of what is received and what is given" (Zeithamel, 1988: 15, italics are ours). To operationalize value, the definition of value has been operationalized and captured in the ratio of use value (i.e. what is received) to exchange value (i.e. what is given). In the literature, use value has been defined as "the quality of a (...) service as perceived by users in relation to their needs" (Bowman and Abrosini, 2000: 2).

Use value reflects the extent to which a service meets the needs of those who use it (Priem, 2007) and so reflects the decentralization benefits of HR shared services. In an HR shared service environment, *use value* therefore refers to the extent to which the HR services of the HR SSC fulfill the needs of their clients and end-users (Bowman and Ambrosini, 2000). *Exchange value*, on the other hand, has been defined as the “amount paid by the user to the seller for the use value of the focal (...) service” (Lepak et al., 2007: 182). Put differently, it reflects the costs that users make in consuming a service (Lapierre et al., 1999; Priem, 2007; Zeithaml, 1988), and so exchange value echoes with centralization benefits such as economies of scale and cost reduction. Costs can be monetary, such as fees or prices paid for HR services, and also non-monetary, such as the effort and time that clients and end-users need to devote to receive the HR services. Exchange value in an HR shared services context therefore refers to the amount of money, effort and time clients and end-users spend to obtain HR services from the HR SSC.

HR value reflects the ratio between use value and exchange value, meaning that HR value increases when the needs of clients and end-users are better met, or when the costs for obtaining HR services incurred by clients and end-users reduce. However, research has found that high value is often equated with a low exchange value or simply with a high exchange value. As an example, Lapierre et al. (1999) found that exchange value has a stronger impact on value creation than has use value. However, others have found that value creation is more strongly, or only, influenced by use value (Cronin, Brady and Hult, 2000; Grewal, Monroe and Krishan, 1998). Increasing use value and reducing exchange value are therefore not necessarily equally effective in increasing HR value, as further discussed next.

### **Transactional and transformational HR value**

Within an HR shared services model, two distinct types of HR services are offered: transactional and transformational (Farndale et al., 2009; Redman et al., 2007; Ulrich, 1995). Empirical research has shown that transactional shared HR services offered include absence registration, record-keeping and payroll administration; whereas transformational shared HR services include training plus development and/or staffing services (Meijerink et al., in press).

Research into HR service evaluation reveals that the assessments by clients and end-users differ for transactional and transformational HR services (Buyens and De Vos, 2001). Transactional HR services are valued for being cheap and errorless, whereas transformational HR services are for implementing training and staffing

policies as intended (Buyens and De Vos, 2001; Lepak et al., 2005). This implies that HR SSCs can create two types of HR value, namely: transactional HR value and transformational HR value, both of which having a use value and an exchange value component (see Table 2).

<b>Transactional HR value</b>		<b>Transformational HR value</b>	
Use value:	Exchange value:	Use value:	Exchange value:
The extent to which HR services are delivered in a timely, accurate and standardized, or consistent, manner	The amount of money, effort and time clients and end-users spend to receive transactional HR services	The extent to which HR services are customized and support increasing the rarity and inimitability of the human capital of the business units they serve	The amount of money, effort and time that clients and end-users spend to receive transformational HR services
Secondary component	Principal component	Principal Component	Secondary component

**Table 2:** Value of HR shared services: transactional vs. transformational HR value

### *Transactional HR value*

The delivery of transactional HR services creates use value through meeting the administrative needs of end-users and business units. Research shows that these needs include timely and consistent HR service delivery, faultless HR administration and a standardized provision of transactional HR services (Buyens and De Vos, 2001; Lepak et al., 2005; Ulrich, 1995). As such, use value in a transactional HR environment refers to the extent to which HR services are delivered in a timely, accurate and standardized, or consistent, manner. For transactional HR services, exchange value amounts to the amount of money, effort and time clients and end-users spend to receive transactional HR services.

Transactional HR services are viewed as a hygiene factor, that is they do not increase end-user satisfaction once their quality exceeds a certain threshold, but may lower satisfaction if delivered poorly (Boselie and Paauwe, 2005). In other

words, transactional HR services might not create value beyond a certain level even if their use value increases. However, transactional HR services, because these services are usually offered in large volumes, can lead clients and end-users to anticipate economies of scale (Farndale et al., 2009; Lepak et al., 2005). Cooke (2006) reports low levels of satisfaction with transactional HR shared services among line managers because they felt they were wasting their time and effort using the offered HR services. These end-user evaluations were negative due to the low levels of exchange value that resulted from a sub-optimal allocation of resources (Cooke, 2006). For clients, a low-cost delivery of transactional HR services seems to be most important, which echoes with existing research showing that the primary motive for establishing transactional HR SSCs is indeed to reduce costs (Bondarouk, Maatman and Meijerink, 2010b; Farndale and Paauwe, 2008; Redman et al., 2007). Our anticipation is therefore that, within a transactional HR shared service environment, the emphasis will be on exchange value, rather than on use value, as a way of creating transactional HR value: that is, *exchange value is the principal component of transactional HR value for clients and end-users.*

#### *Transformational HR value*

Transformational HR SSCs are responsible for putting staffing, training and development policies into practice with the goal of transforming the human resources of the organization (Redman et al., 2007; Ulrich, 1995). Research shows that transformational HR services differ by employment mode. For example, within a job-based employment mode, employees will receive training that emphasizes their job experiences, whereas employees in a contractual work arrangement receive training that focuses on compliance with rules and procedures (Lepak and Snell, 2002). These variations in employment mode require transformational HR SSCs to customize their HR services and tailor them to the different business units or groups of end-users. Further, transformational HR services such as staffing and training can help in acquiring or developing the human capital (i.e. knowledge, skills and experiences of end-users) of the business units served by the HR SSC (Lepak et al., 2006). In particular, HR SSCs can support their clients in developing a competitive workforce with rare and inimitable human capital. This follows from the idea that putting HR policies into practice is a source of competitive advantage in itself, and that this will be supported by an HR SSC when it manages to better implement staffing and training policies than the HR SSCs of competitor firms (Barney, 2001; Becker and Huselid, 2006). Transformational HR SSCs therefore

create use value to the extent that they offer customized HR support for clients and end-users, and support increasing the rarity and inimitability of the human capital of the business units they serve.

Given the arguments above, we assume that clients and end-users will value transformational HR services for providing the firm with a competitive workforce, rather than only for being cost-efficient. While HR SSCs may reduce the price of such HR services, this, on its own, is unlikely to increase the value for end-users. For example, end-users in a study by Buyens and De Vos (2001) reported that transformational HR service providers primarily create value by implementing HR strategies as they were intended, and offering high-quality transformational HR services, rather than simply by offering cheap HR services. Further, end-users and clients will only value a cost-efficient delivery of transformational HR services when those services meet their transformational needs (Buyens and De Vos, 2001). On this basis, we argue that *use value is the principal component of transformational HR value for clients and end-users.*

### **Intellectual capital as an antecedent of HR value**

The knowledge-based view argues that value follows from the *knowledge* resources available within an organization (Grant, 1996; Spender, 1996). Grant (1996: 112) argues that 'fundamental to a knowledge-based theory of the firm is the assumption that the primary input in production and primary source of value is knowledge'. In general, a resource is considered valuable to the extent that it enables a firm to better satisfy, or at lower costs, the needs of its clients than its competitors (Barney, 1986; Bowman and Ambrosini, 2000). Most organizations establish HR SSCs that then offer services to captive clients and end-users (Bondarouk et al., 2010b) and, as such, HR SSCs do not have to compete with others. In an HR shared service environment, knowledge resources are therefore valuable to the extent that they enable an HR SSC to satisfy the needs of clients and end-users and/or provide HR services at low costs.

HR SSCs bundle a wide range of knowledge resources: the expertise of HR professionals (Cooke, 2006), information obtained from client relationships (Ulrich, 1995) and knowledge embedded in processes, information technologies and routines (Farndale et al., 2009; Ulrich, 1995). Such knowledge resources are considered valuable for HR SSCs. Empirical research into the HR competencies (i.e. knowledge, skills and experiences) of HR staff suggests that their knowledge and skills impact on HR value for clients and end-users. For example, in a study into 441

organizations, the competencies of the HR SSC staff was found to account for approximately 20% of the variance in the effectiveness, as perceived by clients, of HR SSC staff (Ulrich et al., 2008a).

To conceptualize the entire pool of knowledge resources that are centralized within an HR SSC, we build on the *intellectual capital* concept, which has been defined as “the sum of all knowledge an organization is able to leverage in the process of conducting business to *create value*” (Youndt et al., 2004: 337, italics are ours). Two notions are important with respect to intellectual capital. First, value does not come from the *possession* of knowledge resources: knowledge only creates value when it is used (Bukh, Larsen and Mouritsen, 2001; Penrose, 1952). As such, the utilization of knowledge is central to the intellectual capital concept, which stresses that knowledge has to be utilized before it can be considered as intellectual capital (Youndt et al., 2004). Second, knowledge resources are seldom valuable in isolation: several scholars have argued that value creation should be considered as a product of the *coexistence* of different types of knowledge resources such as employee knowledge, routines and processes, rather than focusing on utilizing single, decoupled knowledge resources (Ruta, 2009; Youndt et al., 2004). Given these considerations, we define intellectual capital as the *combinations of knowledge resources that an HR SSC utilizes to create HR value for clients and end-users*. Using the concept of intellectual capital is valuable in conceptualizing HR value creation by HR SSCs because it mirrors the centralization concept that characterizes HR shared services: knowledge resources have to be centralized, bundled and combined in an HR SSC in order to reap the benefits for clients and end-users. In this way, our contribution differs from research into strategic HRM that has studied the contribution of human resource management to the development of intellectual capital within business units or an entire organization (Yang and Lin, 2009; Youndt and Snell, 2004). Rather, we focus on how HR SSCs may utilize the knowledge resources they consolidate to create HR value for their end-users and clients. In other words, we consider the intellectual capital that resides *within* HR SSCs and treat this as an antecedent of HR value.

The intellectual capital concept holds that the knowledge resources within an organization reside on three levels: the individual, the network and the organizational levels (Bontis, 1998; Youndt et al., 2004). To operationalize intellectual capital, we follow others who subdivide intellectual capital into three sub-dimensions: human capital, social capital and organizational capital (Reed et al., 2006; Ruta, 2009; Youndt et al., 2004). On the individual level, the *human*

*capital* of an HR SSC reflects the knowledge, skills and abilities of employees that are valuable to the organization (Liao et al., 2009; Snell and Dean, 1992). Originally, human capital scholars studied the extent to which the firm or employees themselves incur the costs for the investments in human capital, which depended on the nature of the skills (generic versus firm-specific) and associated future returns on investments (Lepak and Snell, 2002; Snell and Dean, 1992). Although various entities may invest in human capital, central to this debate is the development of human capital through education or training that increase employees' knowledge and skills. Hence, these investments will be reflected in the degree to which human capital is developed. Therefore, we define human capital as the *level* of knowledge, skills and abilities of HR SSC staff. To conceptualize the human capital in HR SSCs, we depart from the HR competencies concept as HR competencies reflect the knowledge, skills and abilities of HR professionals (Boselie and Paauwe, 2005; Han et al., 2006). Research into HR competencies has shown that the human capital of HR SSCs may include knowledge on functional HR practices (such as training, staffing or record keeping), the firm's value proposition plus workforce characteristics or skills to utilize information technology for HR service delivery (Boselie and Paauwe, 2005; Han et al., 2006; Yeung, Woolcock and Sullivan, 1996). Conceptual arguments and empirical results suggest that the knowledge, skills and experiences of HR SSC staff run along two dimensions. For instance, Yeung et al. (1996) argue that HR professionals in HR SSCs should have the knowledge and abilities to deliver best-in-class HR practice plus the ability to apply HR information technologies. This argument has been supported by factor analysis showing that the HR competencies within HR SSCs reflect the ability to execute HR practices and the ability to utilize HR technologies (Ulrich et al., 2008a). Taken together, these works suggest that employees of HR SSCs have, on the one hand, content-related human capital linked to HR practices and how they should be implemented and, on the other, human capital for utilizing support infrastructures such as HR information technologies. In this chapter, the human capital of HR SSC staff is therefore operationalized as HR functional human capital (i.e. the level of knowledge of HR SSC staff on HR practices and their ability to execute them) and HR infrastructural human capital (i.e. the level of ability of HR SSC staff to use infrastructures such as HR information technologies, databases and HR processes).

On the network level, *social capital* amounts to the knowledge that is mobilized through social relationships (Nahapiet and Ghoshal, 1998; Youndt et al., 2004), with knowledge mobilization having been shown to be dependent on relationships

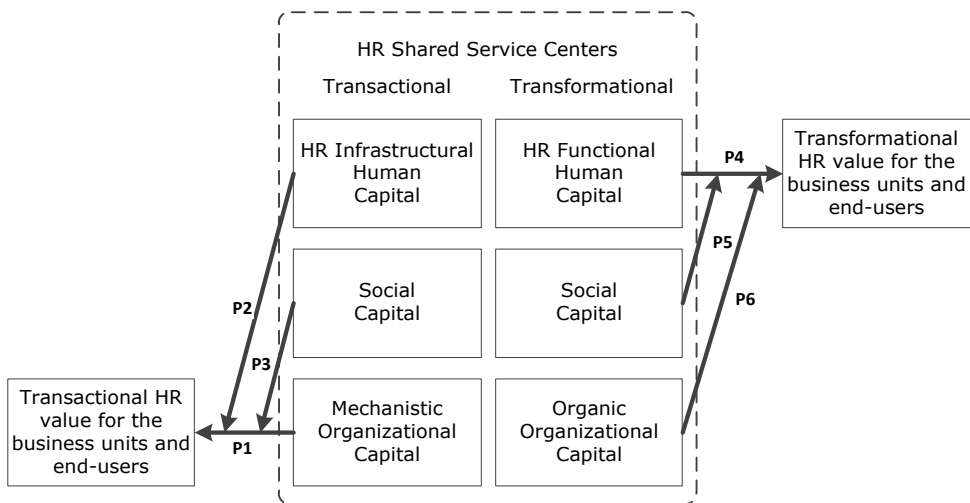


(Coleman, 1988; Tsai and Ghoshal, 1998). It represents the knowledge exchanged among HR SSC staff within the HR SSC. Given that employees differ in the intensity with which they exchange knowledge (Haas and Hansen, 2007), we define social capital as the extent to which knowledge is exchanged among employees through the social interrelations within the HR SSC.

On the organizational level, the *organizational capital* of an HR SSC is a reflection of the organizational knowledge which is codified, embedded or stored in knowledge containers such as databases, routines, information technologies, HR processes and manuals (Bukh et al., 2001; Yang and Lin, 2009; Youndt et al., 2004). Given its embedded and codified nature, organizational capital may be considered as the knowledge that stays behind when employees 'leave for the night' (Bontis, 1998; Youndt et al., 2004). HR SSCs rely on organizational capital in the form of HR information technologies, such as HR portals and online self-services for HR service delivery, and standardized HR processes (Farndale et al., 2009; Ulrich, 1995). Organizations are not able to codify all the available knowledge (Haas and Hansen, 2007), and HR SSCs can differ in the degree to which they store knowledge in accessible knowledge containers. As such, organizational capital refers to the extent to which an HR SSC has embedded or codified knowledge in databases, routines, information technologies, HR processes and manuals. To operationalize organizational capital, existing studies point to considering how organizational capital may be designed and, hence, how employees use codified knowledge. On the one hand, processes, rules and structures can be designed such that employees have to strictly comply with procedures or processes in a consistent, rule-following manner (Daft and Weick, 1984; March and Simon, 1958; Ostroff and Schmit, 1993). On the other hand, organizational capital may be designed and used more loosely as if it were guidelines which offer autonomy but within boundary conditions for possible action (Eisenhardt and Sull, 2001; Feldman and Pentland, 2003; Pentland and Reuter, 1994). We therefore follow Kang and Snell (2009) in conceptualizing organizational capital as either mechanistic (the extent to which an HR SSC has embedded or codified knowledge as rules that have to be followed strictly and consistently) or organic (the extent to which an HR SSC has embedded or codified knowledge as guidelines for possible actions).

Despite the recognition that the three sub-dimensions of intellectual capital jointly affect value, only a few studies into intellectual capital have actually considered the coexistence of human, social and organizational capitals (Youndt et al., 2004). Those that did have found that, depending on the circumstances, value

follows from various interrelations among human, social and organizational capitals. These findings indicate that the interrelations and interactions among the three intellectual capital dimensions are not universally effective in creating value. Reed et al. (2006), for example, studied interactions among human, social and organizational capitals, looking for an effect on performance in banks. They found that human capital and organizational capital interact positively in personal banks but not in commercial banks. Bontis et al. (2001) found that organizational capital mediates the relationship between human capital and performance, but only in service industries. We may therefore conclude that, depending on the context, different combinations of human, social and organizational capitals exist that can enhance performance. In shared service provision, organizations have been found to split the delivery of transactional and transformational HR services, rather than bundle both types in a single HR SSC (Ulrich, 1995). We therefore distinguish between transactional and transformational HR SSCs (see Figure 2) and propose that both combine their human, social and organizational capitals differently in order to advance either transactional or transformational HR value.



**Figure 2:** Conceptual framework for HR value creation by HR SSCs

### **Intellectual capital and transactional HR value creation**

On the basis that clients and end-users value a low-cost, quick, standardized and consistent delivery of transactional HR services, relying on organizational capital

may lead to a focus on transactional HR value (Crossan, Lane and White, 1999; Haas and Hansen, 2007; Hansen, Nohria and Tierney, 1999; March and Simon, 1958). Several examples illustrate a link between high levels of knowledge codification and transactional HR value. Knowledge databases, routines and protocols make up an organization's memory that enables best practices to be re-used, and in so doing reduces the transaction costs associated with, for example, the search for information (Walsh and Ungson, 1991). In securing low-cost service delivery, organizational knowledge from the HR SSC front office may also be used in the back office, preventing employees 'reinventing the wheel'. Haas and Hansen (2007) found that the level of document reworking (i.e. extent to which codified knowledge has to be adapted or modified when being used) was negatively related with the time saved on a task; that is, that end-users are served quicker when HR SSC employees can literally copy documented knowledge, i.e. use organizational capital mechanistically. Mechanistic organizational capital in the form of strict rule adherence is valuable in delivering transactional HR services because rule adherence is shown to lead to a consistent service delivery, standardized problem solutions and, ultimately, lower costs (Child, 1973; Hendrickson and Harrison, 1998; Miron, Erez and Naveh, 2004; Ostroff and Schmit, 1993). We therefore argue that mechanistic organizational capital has the potential to lower the costs associated with transactional HR service delivery and meet the administrative needs of end-users and clients:

*Proposition 1: The mechanistic organizational capital of HR SSCs is positively and directly related to transactional HR value for clients and end-users.*

Codified knowledge is a static resource that becomes organizational capital, and so supports service delivery, only when put to use by *employees* (Bontis, 1999). As such, the effect of organizational capital on transactional HR value for clients and end-users is contingent upon the ability of HR SSC employees to utilize it (Cook and Brown, 1999). In other words, HR SSC employees need to have the knowledge, skills and abilities required to put organizational capital to use, which is a function of HR infrastructural human capital. Cooke (2006) found that service employees in a transactional HR SSC received training to increase their skills in tracing and operating the organizational knowledge embedded in online databases and processes. This suggests that employees within a transactional HR SSC possess HR infrastructural human capital and apply this in utilizing organizational capital. In

other words, employees' skills and knowledge within a transactional HR SSC have a catalytic function in leveraging embedded knowledge. As such, the effect of organizational capital on transactional HR value creation, for clients and end-users, strengthens as employees' HR infrastructural skills and knowledge increase:

*Proposition 2: The HR infrastructural human capital within an HR SSC moderates the relationship between mechanistic organizational capital and transactional HR value. The greater the HR infrastructural human capital within an HR SSC, the stronger the relationship between its mechanistic organizational capital and transactional HR value for clients and end-users.*

Utilizing organizational capital that is mechanistically designed does not necessarily guarantee an efficient and consistent service delivery, and hence transactional HR value, because employees may fail to consistently use organizational capital. For instance, organizational processes and routines have been shown to be used differently by employees once they start to rearrange the sequence of actions that together represent processes or routines (Feldman and Pentland, 2003; Pentland and Reuter, 1994). Studies into the usage of information technologies have also revealed that employees may use standard technologies differently and customize their functionalities. These variations occur because employees have different *interpretations* of the IT functionalities (Bondarouk, 2004; Orlikowski, 2000; Orlikowski and Gash, 1994). Therefore, organizational capital will be *used* more mechanistically / consistently and hence will affect transactional HR value more strongly when HR SSC employees share a common interpretation of how to use codified knowledge.

To develop a shared interpretation, high levels of social capital are needed (Crossan et al., 1999; Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998). Tsai and Ghoshal (1998) found a positive relationship between the extent of knowledge sharing and shared understanding among employees. As such, through creating a common understanding among HR shared services employees, social capital may ensure that employees have similar and consistent interpretations of how to use infrastructures, which eventually results in a consistent and mechanistic *use* of organizational capital. Higher levels of social capital can secure a stronger impact of organizational capital on transactional HR value because knowledge exchange results in a more consistent use of codified knowledge among HR SSC employees and, hence, a more consistent delivery of transactional HR services. On this basis,

we anticipate that the social capital of an HR SSC will indirectly support transactional HR value creation:

*Proposition 3: The social capital within an HR SSC moderates the relationship between mechanistic organizational capital and transactional HR value. As levels of social capital increase, the relationship between the HR SSC's mechanistic organizational capital and transactional HR value for clients and end-users will strengthen.*

### **Intellectual capital and transformational HR value creation**

For two reasons, we expect the creation of transformational HR value for end-users to directly rely on the human capital within an HR SSC. First, to create transformational HR value, transformational HR services will need to be customized. However, service customization is associated with customer-induced uncertainty for the HR SSC: the uncertainty brought about by interaction with clients and end-users (Tansik, 1990). Clients and end-users participate in the production of services, and may increase uncertainty for the service provider through distorting the service production process or deviating from operating procedures. Given that HR SSCs need to tailor transformational HR services to specific employee groups, they will be subjected to a diversity of end-user and client needs and, hence, high levels of uncertainty (Chowdhury and Miles, 2006; Skaggs and Youndt, 2004). To cope with high-level uncertainty, employees require an elaborate skills set. For example, they should have sufficient human capital to identify varying end-user needs, decide on the appropriate services and determine how to tailor them to specific needs (Tansik, 1990). High-level human capital is therefore valuable in delivering transformational HR services. This is consistent with the findings of Skaggs and Youndt (2004), who found that organizations that matched high-level human capital with customized service provision exhibited high levels of performance, whereas companies that used low-level human capital to offer customized services experienced poor performance. As such, higher levels of human capital in an HR SSC seem to result in higher levels of transformational HR value.

Second, human capital is considered as tacit, or at least having its roots in tacit knowledge (Polanyi, 1966). As tacit knowledge is difficult to articulate, transfer and imitate (Simonin, 1999; Spender, 1996), the human capital of an HR SSC becomes a valuable and inimitable resource in implementing HR strategies and so supports transformational HR value creation. This is consistent with findings from research

that has adopted the knowledge-based view which shows that higher levels of human capital result in higher levels of firm performance and a sustained competitive advantage because firms are better able to implement their strategies than their competitors (Hatch and Dyer, 2004; Hitt, Bierman, Shimizu and Kochhar, 2001; Huselid et al., 1997). Relying on human capital may facilitate a transformational HR SSC to implement an HR strategy better than its competitors and so strengthen the rarity and inimitability of the human capital in the business units; that is, transformational HR value for the business units. More specifically, to develop the human capital in the business units requires knowledge of HR practices and the ability among HR SSC staff to implement these HR practices: that is, HR functional human capital (Han et al., 2006; Huselid et al., 1997). As Huselid et al. (1997) found, the professional HRM capabilities of HR professionals are positively related with strategic HRM effectiveness, such that higher levels of expertise and skills in HRM functional areas (e.g. training or staffing) result in clients and end-users perceiving a better development of talent / human capital within the business units. We propose therefore that the functional HR human capital of HR SSCs has a direct and positive effect on transformational HR value:

*Proposition 4: The HR functional human capital of HR SSCs is positively and directly related to transformational HR value for clients and end-users.*

The human capital possessed by any individual employee may generate greater value when combined with the knowledge of others. Employees can integrate knowledge and experiences to strengthen the innovative capability of firms (Subramaniam and Youndt, 2005), to improve organizational processes (Newell, Tansley and Huang, 2004) or to create new knowledge (Nahapiet and Ghoshal, 1998). Integrating human capital is valuable in delivering transformational HR services for two reasons. First, in order to deliver customized transformational HR services, service employees need to exchange and integrate their knowledge as it is unlikely that an individual employee will have the ability to cope with all the customer-induced uncertainties (Bowen and Ford, 2002; Hansen et al., 1999). Second, hard-to-imitate human capital strengthens the unique ability of transformational HR SSCs to implement an HR strategy when employees exchange and integrate their knowledge to form hard-to-imitate human capital *combinations* (Boxall, 1996; Reed et al., 2006).

As the exchange and combination of knowledge is a function of social capital (Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998), the latter strengthens the relationship between human capital and value creation. As evidence, Reed et al. (2006) have shown that the impact of human capital on firm performance is stronger when there is a high level of social capital. Given that social capital probably enhances the impact of human capital on transformational HR value, we propose the following:

*Proposition 5: The social capital within HR SSCs moderates the relationship between HR functional human capital and transformational HR value. As the level of social capital within an HR SSC increases, the relationship between the HR functional human capital of the HR SSC and the transformational HR value for clients and end-users will strengthen.*

Although organizational capital has been shown to be valuable in delivering standardized services (Hansen et al., 1999), we argue that codified knowledge can also facilitate the delivery of customized transformational HR services, especially when designed and used organically (Feldman, 2000; Feldman and Pentland, 2003; Pentland and Reuter, 1994). With high levels of customization, transformational HR SSCs experience high levels of variability in end-user and client needs (Skaggs and Youndt, 2004). In such a situation, flexibility in HR service provision is required to effectively respond to the diverse needs of clients and end-users, and so service providers cannot use codified knowledge as strictly embedded in rules and procedures (Bowen and Ford, 2002; Hansen et al., 1999; Hendrickson and Harrison, 1998). We therefore argue that mechanistic organizational capital reduces transformational HR value.

Rather, organic organizational capital is more valuable in transformational HR service delivery. The study by Pentland and Reuter (1994), conducted within a software support call-center, showed that service representatives use routines as a 'grammar' for handling customized inquiries, and rearrange the activities that underlie the routine (e.g. opening a call, working on the call, transferring the call back to the user, transferring the call to the back-office or deferring a call). Routines offer flexibility, and opportunities for change, as employees differentiate how the elements are enacted. Embedded knowledge may be seen as organic organizational capital in the form of guidelines or sets of *possible* routines and patterns of action (Feldman, 2000; Pentland and Reuter, 1994) that still provide

sufficient autonomy for employees to offer services in a customized way and cope with the diversity of end-user needs. As such, organic organizational capital provides HR SSCs with sufficient flexibility to customize transformational HR services and so create transformational HR value.

More specifically, organizational capital may be seen as providing the *opportunity* to service employees to improve and utilize their human capital (Appelbaum, Bailey, Berg and Kalleberg, 2000; Blumberg and Pringle, 1982). Whereas employees use databases and protocols for learning and to strengthen their individual knowledge (Ruta, 2009), routines have been shown to guide service employees as to which assets, such as human capital, they should rely on (Feldman and Pentland, 2003; Pentland and Reuter, 1994). Employing standard operating procedures may lead to more time being available for leveraging human capital as they reduce the time spent searching for solutions (Gilson, Mathieu, Shalley and Ruddy, 2005). Given its supporting function, organizational capital, when used organically, may support HR SSC employees in better leveraging their human capital such that the human capital of the HR SSC has a stronger impact on transformational HR value when organizational capital increases. We therefore propose the following:

*Proposition 6: The organic organizational capital within HR SSCs moderates the relationship between HR functional human capital and transformational HR value. The greater the organic organizational capital within an HR SSC, the stronger the relationship between its HR functional human capital and the transformational HR value for clients and end-users.*

## **Discussion**

This chapter set out with the aims of modeling the mechanisms of HR SSC performance and the benefits of HR shared services; and of constructing a measure for the performance of HR SSCs. We first proposed measuring the performance of HR SSCs in terms of HR value (the ratio between use value and exchange value) for clients and end-users. The notion that HR SSCs can create both transactional and transformational HR value led to the development of two sets of propositions. The starting point for developing these propositions was the idea that the knowledge resources of an HR SSC are interdependent, and that it is their combination that creates value for the end-users and clients. First, where an HR SSC offers transactional HR services, we would expect HR value to come directly from the



mechanistic organizational capital. The relationship between mechanistic organizational capital and transactional HR value for clients and end-users will strengthen when social capital and HR infrastructural human capital increase. In contrast, transformational HR SSCs primarily rely on their HR functional human capital to create transformational HR value. The contribution of this human capital to transformational HR value will be enhanced if it is combined with high levels of social and organic organizational capitals.

This chapter contributes to the existing knowledge in several ways. First, it builds on the emerging studies into HR shared services by articulating the benefits and performance of HR shared services in terms of ensuring HR value, which provides future studies with a measure for assessing the performance of HR SSCs and the effects of implementing HR shared services. Second, while lacking an associated theory on HR shared services (Farndale et al., 2009; Strikwerda, 2004), this chapter does propose a theoretical framework for value creation by HR SSCs. This paves the way for large-scale research into HR shared services and as such will hopefully encourage researchers to empirically test the relationships between intellectual capital and HR value created by HR SSCs. Our arguments can be extended in future research through studying the impact of HR value on firm performance and strategic success. For instance, in creating use value, HR SSCs ensure that employees' needs are fulfilled. Adopting a social exchange perspective, empirical studies have shown that satisfying employee needs positively affects employee attitudes such as organizational commitment and perceived organizational support, which in turn impact on firm performance (Steers, 1977; Tannenbaum, Mathieu, Salas and Cannon-Bowers, 1991). Therefore, high levels of both transactional and transformational HR value, created by HR SSCs, are likely to result in higher levels of strategic success.

Third, this chapter enriches the concept of intellectual capital by offering a contribution to the discussion on intellectual capital *configurations* started by Youndt et al. (2004). Rather than focusing on whether the human, organizational and social capital levels are high or low within certain intellectual capital configurations (Youndt et al., 2004), this chapter takes a further step by suggesting that researching the internal dynamics within configurations would clarify how intellectual capital configurations work in practice.

Fourth, this chapter extends the discussion on integrating knowledge management and intellectual capital. Traditionally, one stream has focused on explaining differences in performance due to human, organizational and social

capitals (Yang and Lin, 2009; Youndt and Snell, 2004), while the other on how human, organizational and social capitals are related (Cabrita and Bontis, 2008; Hansen et al., 1999). Integrating the two streams helps to envisage *how* intellectual capital creates value, rather than only explaining the differences in levels of value creation.

From a practical perspective, this chapter provides guidelines for HR shared service managers on how to effectively manage HR SSCs. Our arguments suggest that organizations should be aware that the effect of intellectual capital, as bundled in HR SSCs, on HR value depends on the types of service being offered. The ways in which human, social and organizational capitals are to be designed, developed and used should vary as a function of the strategic choice of HR SSCs: whether they deliver transactional or transformational HR services. With transactional HR services, knowledge should be embedded in organizational knowledge and used mechanistically, with investments in HR infrastructural human capital and high levels of social capital supporting the leverage of this organizational capital. Offering transformational HR services, an HR SSC should ensure that its employees have high levels of HR functional human capital, complemented with high levels of social capital and organic organizational capital to guide them towards possible actions to facilitate the utilization and integration of this human capital. If managers do not fit their use of intellectual capital to the type of HR services being provided by the HR SSC they may risk ending up with low levels of HR value. For example, requiring HR SSC employees to use organizational capital mechanistically may endanger the delivery of high quality customized transformational HR services since this requires more flexible or organic use of organizational capital. Our conceptual framework suggests that HR SSC managers should match the way knowledge resources are designed and used to the service portfolio being offered by their HR SSC.

Although this chapter has its limitations, we prefer to see these more as motivations for future research efforts in the field of HR shared services. Although we have conceptualized the concentrated resources of HR SSCs in terms of intellectual capital, which is further operationalized as human, social and organizational capitals, we have not considered these elements in depth. Further, the literature provides few insights into how these intellectual capital elements might look. For instance, HR shared services may require HR staff to acquire a new skills set (Redman et al., 2007) and, if so, the existing research into HR competencies to which we referred may provide only limited information on how the human capital within HR SSCs might look. We would encourage further explorative

research to improve our understanding of which specific knowledge resources are bundled in HR SSCs, and to consider how different elements of human, social and organizational capitals may affect HR value.

Further, while we have discussed how the consolidated knowledge resources of an HR SSC may affect HR value levels, we ignored the second structural component of HR shared services: delegating control to business units. One should not infer from this that control by business units has no role in HR value creation. Studies into the governance of SSCs have suggested that organizations may differ in the positioning of the HR SSC and, hence, the extent to which control is decentralized (Maatman et al., 2010; Strikwerda, 2004). For instance, an SSC can be positioned as a 'central staff function' that grants only limited decentralized control down to an 'internal joint venture' that then fully decentralizes the control over the SSC to the business units (Strikwerda, 2004). While organizational controls ensure that an agent fulfills the desires of the principal, higher levels of control by the business units and end-users are more likely to result in high levels of HR value being created by the HR SSC. More specifically, we envisage that the level of control by the business units will impact on HR value through the intellectual capital of the HR SSCs. In the literature, controls are defined as mechanisms that direct the actions of agents (Jaworski and MacInnis, 1989). From an intellectual capital perspective, one of these activities is the *utilization* of knowledge resources by the HR SSC and its staff. In this way, control by the business units may ensure that the human, social and organizational capitals of an HR SSC are combined and used in a manner that supports meeting client and end-user needs. In other words, the level of business unit control is probably an antecedent of the value-creating intellectual capital of an HR SSC. We would encourage future research to test whether business unit control is related to HR value and, if so, whether the intellectual capital of an HR SSC mediates this relationship.

## **Conclusions**

The conceptual framework presented in this chapter provides insights into how the intellectual capital within an HR SSC drives value creation. Human, social and organizational capitals are viewed both as interdependent and as drivers of HR value, which represents the performance of HR SSCs in a ratio of use value to exchange value. In particular, this chapter considers how these intellectual capital sub-dimensions reinforce each other and, as such, together boost the HR value created by both transactional and transformational HR SSCs. Transactional HR value

creation will primarily rely on interactions between mechanistic organizational capital, HR infrastructural human capital and social capital. Transformational HR value we assume, will follow from the interrelations among HR functional human capital, social capital and organic organizational capital. While further conceptual and empirical work is needed to better understand value creation by HR shared services, a focus on the interrelationships among the categories of intellectual capital would facilitate an analysis of how the centralized knowledge resources of HR SSCs affect HR value, and how HR SSCs may use their human, social and organizational capitals to create HR value.

## **References**

The list of references can be found on p. 215.



## **Chapter 3**

### **Exploring the central characteristics of HR shared services: evidence from a critical case study in the Netherlands**

This chapter has been published as: Meijerink, J. and Bondarouk, T. (2013). Exploring the Central Characteristics of HR Shared Services: Evidence From a Critical Case Study in The Netherlands. *International Journal of Human Resource Management*, 24, (3), 487 – 513

## **Abstract**

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

## **Introduction**

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

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

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



resource bundling combined with business unit control over an HR SSC is sufficient to improve HR service delivery as perceived by end-users.

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

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

### **The hybrid nature of HR shared services**

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

downsides, with the drawback of one approach corresponding to the strengths of the other.

Shared services span centralization and decentralization models (Janssen and Joha, 2006; Meijerink et al., 2013). When establishing shared services, organizations bundle resources and activities in a (semi-) autonomous business unit: the SSC. Research shows that HR activities commonly performed by HR SSCs include payroll, personnel administration and recruitment tasks, which are delivered through the use of concentrated resources such as information technologies and administrative competencies (Bondarouk et al., 2010b). Some have warned against confusing shared services with centralization. Redman et al. (2007: 1487), for example, emphasize that despite the consolidation of resources, "power and control rest with the customer". Ulrich (1995) goes further by suggesting that a shared services approach is the opposite of centralization. Whereas, in centralization models, decision-making and control are in the hands of a corporate level entity, such as the board of directors; with shared services, the clients and end-users are in theory in control. This involves the business units choosing "the type, level and quality of services they want from the center, at the price they are willing to pay" (Quinn et al., 2000: 13) and hence, this makes the "user the chooser" (Ulrich, 1995: 14). With the establishment of HR shared services, organizations introduce features of market discipline to intra-organizational HR service delivery. For example, in a shared services arrangement, the relationship between the business units and the HR service providers evolves into a client – supplier relationship. This relationship is often formalized in service-level agreements (SLAs) that specify the quality criteria and costs against which HR services have to be delivered (Farndale et al., 2009). As such, an HR SSC can be considered as a 'business within a business' that sets up contracts with its clients: the business units that are offered HR services in the form of centrally performed HR activities. The introduction of features of market discipline decentralizes control over an HR SSC to the business units, while the contracts and the SLAs enable them to specify which services they want to receive from the HR SSC and to impose sanctions on the HR SSC if it underperforms. In other words, although introducing HR shared services centralizes the execution of HR activities, the decentralized business units retain control over the HR SSC. We therefore define HR shared services as a hybrid organizational model for bundling resources in an HR SSC that performs HR activities which are controlled by the business units and end-users. As such, key characteristics of HR

shared services are the centralization of resources combined with the decentralization of control to business units.

Various authors have argued that the hybrid nature of shared services enable organizations to capture the benefits of both centralization and decentralization models (Maatman et al., 2010; Schulman et al., 1999) and, consequently, they should be better able to satisfy the needs of individual employees, line managers and decentralized HR staff. On the one hand, bundling resources could result in a more efficient and high-quality service delivery through exchanging and integrating best-practices that foster cross-group learning and also by reducing resource duplication (Cooke, 2006; Janssen and Joha, 2006). On the other hand, giving business units control is intended to secure compliance by the HR SSC (Farndale et al., 2010) which should support the realization of business unit and end-user priorities. Table 3 summarizes the potential benefits of shared services as presented in other studies.

### **Centralized HR resources: from HR competencies to intellectual capital**

The resources within an HR SSC do seem to play a valuable role in satisfying end-user needs, but what valuable resources do HR SSCs actually consolidate? Previous research suggests that *knowledge* resources are the key. Farndale et al. (2009), for example, show that the competencies and experience of HR SSC staff is perceived by HR SSC managers to be the most critical factor for success. Research shows that these competencies include *functional HR knowledge*, referring to the ability to deliver HR practices, and *HR technology knowledge*, the ability to leverage technology for HR practices (Meijerink et al., 2013; Ulrich et al., 2008a; Yeung et al., 1996). Ulrich et al. (2008) show that these HR competencies (i.e. the knowledge, skills and experiences of HR staff) account for 20% of the variance in the effectiveness of HR SSC staff as perceived by end-users.

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

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

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

**Table 3:** Benefits of shared services (adapted from Schulman et al., 1999; Reilly, 2000)

A concept that helps in picturing all the knowledge resources bundled in an HR SSC is *intellectual capital* as this represents the *aggregate* of knowledge which an organization utilizes in meeting end-user needs (Meijerink et al., 2013; Stewart, 1997; Youndt et al., 2004). The intellectual capital of an HR SSC consists of three

knowledge resource types, namely: human, social capital and organizational, which reside on the individual, network and organizational levels respectively (Youndt et al., 2004). On the individual level, the *human capital* of an HR SSC reflects the knowledge, skills and abilities of its individual employees (Yang and Lin, 2009; Youndt et al., 2004). On the network level, *social capital* amounts to the knowledge that is mobilized through social relationships within the HR SSC (Nahapiet and Ghoshal, 1998; Youndt et al., 2004). As such, it represents the knowledge exchanged among HR SSC staff and includes best-practice sharing and cross-group learning within the HR SSC. On the organizational level, the *organizational capital* within an HR SSC is the organizational knowledge which is codified, embedded or stored in knowledge containers (Yang and Lin, 2009). In other words, it is the knowledge contained in HR processes, HR information systems, databases, manuals etc..

Two notions are important with respect to intellectual capital. First, *possessing* human, organizational and social capitals is not sufficient to secure shared-service benefits: for knowledge to become intellectual capital it has to be put to use (Penrose, 1952; Youndt et al., 2004). For example, internal knowledge exchanges will not generate benefits unless HR SSC staff absorb and use the knowledge in serving end-users. Second, knowledge resources are seldom valuable in isolation: several scholars have argued that performance is a product of the *coexistence* of human, social and organizational capitals (Meijerink et al., 2013; Reed et al., 2006; Ruta, 2009). For instance, Reed et al. (2006) have found that the impact of human capital on performance is stronger where there is high-level social capital. Organizational capital, on the other hand, is viewed as a support function for leveraging the knowledge of individual employees (Ruta, 2009). In this sense, the concept of intellectual capital mirrors the resource bundling concept of shared services: knowledge resources have to be bundled and configured in an HR SSC in order to improve HR delivery for end-users. In this study, we therefore explore the intellectual capital of an HR SSC in order to determine whether resource bundling is sufficient to improve HR service delivery for end-users.

### **Decentralized control: business unit ownership**

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

### **The extent of control exercised over HR SSCs**

The primary function of control is to make the activities of an HR SSC consistent with the priorities of the business units and end-users that have devolved activities to be performed by the HR SSC. Research into control of HR SSCs is primarily concerned with the governance structure of HR SSCs; that is, where the SSC is positioned within the organization that houses it (e.g. Farndale et al., 2009; Janssen and Joha, 2006, Maatman et al., 2010). Here, researchers refer to the work of Strikwerda (2004) who described four organizational structures. The most centralized being the 'central service', where the SSC is part of a corporate center or centralized support function. An SSC can also be structured as a 'separate business unit' reporting to both the board and the business units it serves. A more decentralized option still is the 'within business unit' SSC that is embedded within and reports to a single business unit. The most decentralized SSC type is the 'internal joint venture' that is entirely owned and controlled by the business units (Strikwerda, 2004). These organizing structures reflect how much control is delegated to the business units and, hence, existing research treats HR SSC control as the *extent* to which business units control HR delivery. For example, Maatman et al. (2010) argue that the structures reflect a continuum ranging from little business unit control (central service structure) to high business unit control (internal joint venture structure). Following this logic, the ideal type of HR SSC is the internal joint venture as it delegates full control to the business units.

### **Mechanisms for controlling HR SSCs**

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

and an HR SSC collaborated to jointly develop and improve HR services to ensure that shared HR services matched end-user needs.

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

The effectiveness of control mechanisms in securing compliance depends on demand predictability (i.e. the diversity in end-user needs and changes in demand volumes). Germain et al. (2008) show that, in predictable circumstances, formal controls are effective because the criteria that specify agent actions or performance remain stable over time. However, with fluctuating end-user needs and demand volumes, process and output controls are too rigid. Instead, informal controls are more effective because they that grant greater flexibility in coping with demand unpredictability (Germain et al., 2008; Lawrence and Lorsch, 1967). The literature shows that most HR SSCs offer administrative HR services (Bondarouk et al., 2010b; Farndale et al., 2009) which are generally standard in nature and have a predictable demand (Lepak, Smith and Taylor, 2007). As such, administrative HR activities, given their well-defined nature and measurable outputs, can best be

controlled through formal controls (Farndale et al., 2010). Following this logic, relying on formal controls should be sufficient to secure HR SSC compliance. We will therefore investigate the control mechanisms used to control an HR SSC in order to explore whether its decentralization is sufficient to improve HR service delivery to its end-users.

## **Methodology**

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

G-Share was selected for the study as it was designed as an ideal type HR SSC: it centralized resources and fully decentralized control over its activities to the business units it served. As such, the G-Share case study enabled us to explore whether resource bundling combined with high-level business unit control over an HR SSC is sufficient to improve HR service delivery. It turned out that G-Share did improve HR delivery to end-users, but only to a limited extent. As such, it represented a 'critical case study' (Flyvberg, 2006; Yin, 2003) allowing one to uncover "some alternative sets of explanations that *might* be more relevant" (Yin, 2003: 40, italics added).

## **Data collection**

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



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

**Table 4:** Empirical research statistics and techniques used to obtain findings

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

To explore G-Share's intellectual capital, the first author also regularly visited G-Share to observe team meetings, training sessions, and service encounters. Brief notes were taken of actions relevant to the constructs of interest and expanded into field notes as soon as possible to avoid loss of data. These notes were also analyzed

while still in the field to uncover emerging themes that could be included as the investigation developed.

Using multiple data sources strengthens the substantiation of the data (Sandberg, 2005). That is, by adopting a multi-source methodology in the form of interviews, observations, and analysis of documents (see Table 4), we could methodologically triangulate our results through crosschecking data coming from different sources (Denzin, 1978). Furthermore, interviewing respondents from several stakeholder groups (i.e. end-users, HR SSC staff and HR SSC managers) supported data triangulation (Denzin, 1978) by enabling us to further crosscheck our data among multiple stakeholders. This increases confidence in the trustworthiness of our research findings (Lincoln and Guba, 1985).

### **Data analysis**

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

### **Findings**

#### **Establishment of G-Share: towards centralized HR service delivery**

G-Share is an HR SSC that, during the period of research, offered administrative HR services to 70,000 end-users within seven autonomous business units. Facing efficiency demands, and also the need to improve HR functional effectiveness, the public organization decided at the beginning of 2003 to reorganize its HR function. The establishment of G-Share was part of this project, which also included the devolvement of HR tasks to the line and the adoption of HR self-service technologies. According to official documents, the primary motives included reducing costs, improving HR service quality and transforming the HR function to make it more strategic.

In mid-2003, the green light was given to start the project that would establish G-Share. However, it was soon stopped because the business units had only limited involvement in the G-Share project. At the end of 2006, a second attempt was made to establish G-Share, this time characterized by a two-phased approach with extensive business unit involvement and collaboration between G-Share and the business units. Initially, all the business units standardized their administrative HR processes and digitized their paper-based personnel records before bundling them within G-Share. Further, two business units developed a joint HR portal and self-service applications, and another designed a new HR information system (HRIS) for G-Share. G-Share was responsible for integrating these projects and acted as an intermediary between its clients. The goal of the second phase was to bundle the administrative HR tasks into one contact center within G-Share. Rather than recruiting externally, it was decided to redeploy half (300 FTE approx.) of the current administrative HR staff at the contact center. The remaining HR administrators remained within the business units. The public organization deliberately chose not to centralize all its HR administrators at G-Share. The reason for keeping a selected group of decentralized HR administrators followed from the decision to retain local HR knowledge and decision-making. It was decided that G-Share would do no more than administer decisions made within the business units; that is, it was not allowed to establish HR policies or practices. Rather, decision-making authority remained decentralized: with the business units and its management. Nevertheless, the regulations concerning topics such as sick-leave or attachment of earnings were considered too complex for a line manager to oversee. According to the MT members of G-Share, the local HR administrators, who have a deeper HR knowledge than the line managers, were retained in the business units so that complex HR-related decisions could be made decentrally. Further, the HR advisors each served a single business unit enabling them to adopt a business partner role in partnering local line managers.

The HR staff who were re-employed at G-Share were stationed in one of two locations, one in the west and one in the east of the Netherlands, and alternated between offering a first-tier call-handling service and a specialist second-tier follow-up work. The clients and G-Share cooperated in arranging the placement of HR staff to avoid an unequal distribution of HR administrative capacity. In July 2009, G-Share went live and started to offer the following shared HR services:

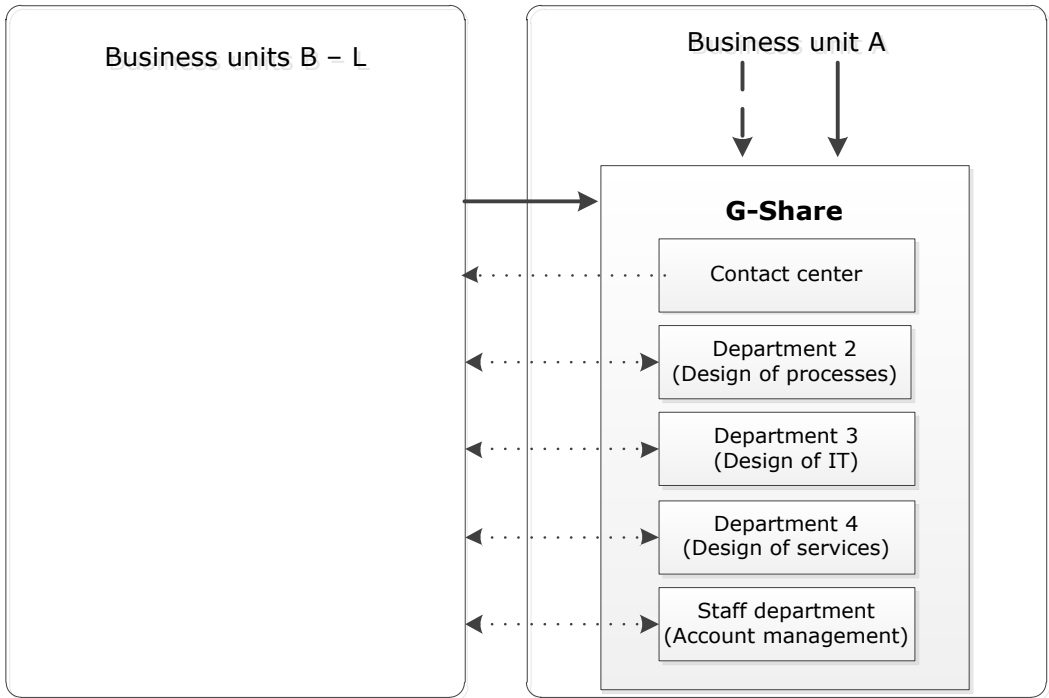
- An HR portal which houses (1) employee and management self-services (ESS and MSS), (2) personnel data and management information, and (3) general information on payroll and personnel administration;
- Front office advice to end-users on self-service options, and payroll and personnel administration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

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

#### **Organizational structure of G-Share: decentralization of control**

All business units (A – L) effectively had an autonomous status since the public organization lacked a corporate entity, such as a board of directors or corporate headquarters. As shown in Figure 3, G-Share was embedded in business unit A, because business unit A provided other support services (e.g. finance and housing services) to the other units.

G-Share had some characteristics of a 'within business unit' because business unit A was the only client that exercised control over the operational management of G-Share. As an example, G-Share only reported on issues such as budget allocation and continuity of operations to business unit A. This does not however mean that G-Share was a 'within business unit' – an SSC that is entirely controlled by the business unit that houses it. In fact, G-Share had more characteristics of an 'internal joint venture' SSC since its service provision was controlled by all the business units. For example, the clients jointly determined the scope of G-Share's service portfolio and the levels at which shared HR services were to be delivered. G-Share also had to report to all business units on achieved service levels. Consequently, the organizational structure of G-Share was a mixture of a 'within business unit' and an 'internal joint venture'. Within this structure, control over G-Share was fully decentralized to the business units.



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

**Figure 3:** Organizational structure of G-Share

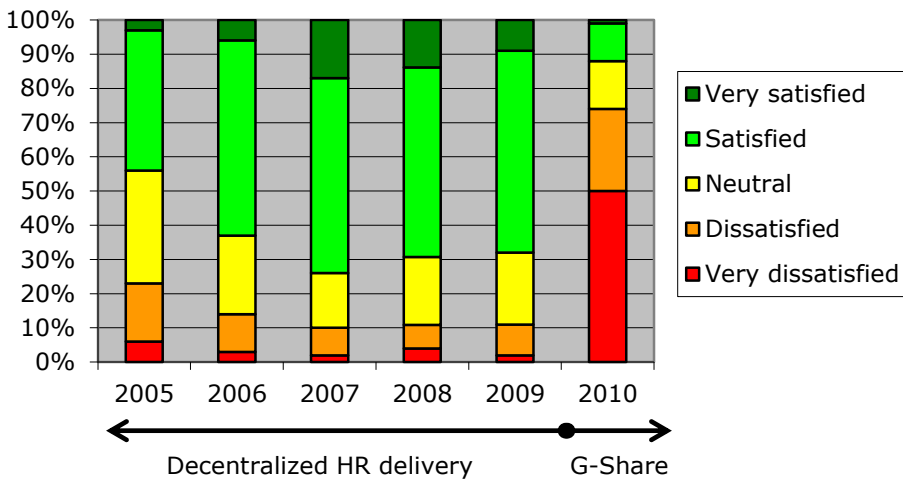
G-Share was made up of five departments which had joint responsibility for delivering HRM services to end-users and for partnering with the business units. The first, the *Contact Centre* (300 FTE), was G-Share’s front office and responsible for the day-to-day support of end-users through the telephone or remote IT. Three other departments collaborated with G-Share clients: *Department 2* (19 FTE) which was responsible for redesigning administrative HRM processes and labor regulations with decentralized HR experts; *Department 3* (40 FTE) which collaborated with decentralized IT experts to maintain the functionality of all web-based systems; and *Department 4* (10 FTE) which initiated, supervised and managed projects for the joint development of new HR services. The G-Share organization was completed by

a *Staff Department* (10 FTE) which was responsible for the HR function, finance and control functions, and for housing G-Share. The Staff Department also employed account managers who partnered business unit representatives in order to discuss service levels and improvements in HR service delivery.

Overall, through integrating 'within business unit' and 'internal joint venture' structures, G-Share represented an ideal type of HR SSC since, despite centralizing HR activities, it decentralized control over its operations and service delivery to the business units. Further, the internal structure of G-Share was also designed to support collaboration with the business units, meaning that it provided the business units with the opportunity to exercise informal control. Thus, G-Share met the second key characteristic of HR shared services: the decentralization of control over centralized service delivery to clients.

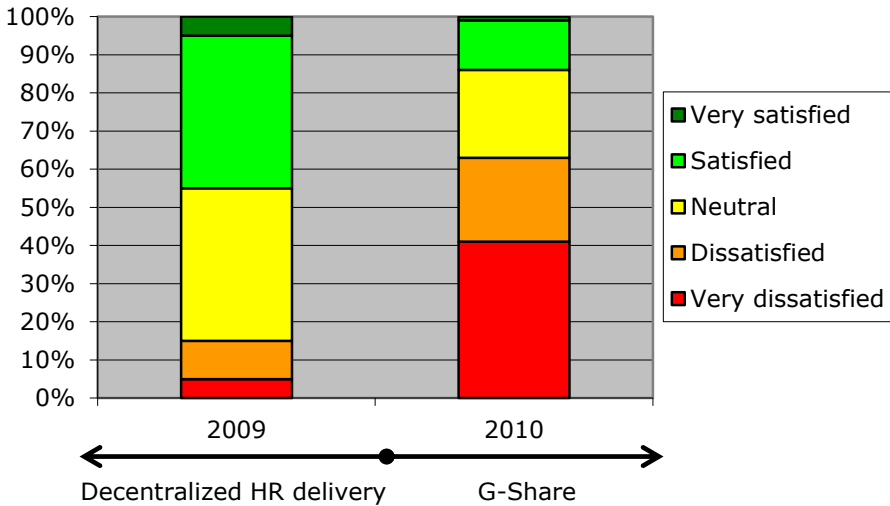
**End-user satisfaction with HR delivery by G-Share**

The data obtained from end-user satisfaction surveys showed that G-Share had problems in improving HR service delivery to end-users and that the satisfaction of end-users with HR delivery fell once G-Share went live. As Figure 4 shows, before G-Share was established (2009 and earlier), only approximately 10% of end-users were dissatisfied with the usefulness of the HR portal. Once G-Share went live, this percentage rose dramatically with 75% of end-users being dissatisfied with G-Share's HR portal.



**Figure 4:** Satisfaction of end-users with usefulness HR portal

In terms of end-user satisfaction with the contact center (Figure 5), the percentage of end-users dissatisfied similarly rose from 15% to 63% after G-Share was introduced.



**Figure 5:** Satisfaction of end-users with HR contact center

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

*HRM process speed*

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

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

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

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

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

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

#### *Monitoring HRM effectiveness*

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

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



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

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

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

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

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

#### *Problem solving capability*

When addressing inquiries to the contact center, end-users anticipated useful solutions that would solve their problems. Although some end-users reported only negative experiences with contact center queries, most said they encountered service employees who did effectively solve their problems and others who did not. We heard end-users say that they often got “three different answers to the same question” and question the consistency in skill levels among service employees. According to most end-users, the performance level of the contact center fluctuated, and depended on individual service employees:

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

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

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

#### *Flexible organization and equal treatment of employees*

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

The employees we interviewed saw an additional benefit of standardized HR services in that they perceived employee remuneration to now be uniform across units whereas, before G-Share, their peers in other business units might receive higher or lower wages. The end-users felt that their employer was now being fair to them and argued that G-Share supported "employees being treated equally" (quote from an end-user):

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

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

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

#### *Time for core responsibilities*

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

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

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

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

#### *Time for strategic partnering*

Decentralized HR professionals expected the introduction of G-Share to facilitate them in adopting a strategic partnering role by relieving them of HR administrative tasks. Although the HR professionals realized that G-Share would not take on all their administrative responsibilities, half of those we interviewed were pleased that they were spending less time on administrative HR practices:

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

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

Other decentralized HR professionals, however, were less positive and said that they continued to spend time on administration-related matters. According to them, the fluctuating levels of service quality offered by the contact center resulted in

frustrated employees and managers who then turned to them to share their grievances and request help. As a result, some HR professionals said that they had to fall back on an administrative 'fire-fighter' role. Based on these accounts, we conclude that the HR professionals perceived that G-Share had to a limited extent created additional time for them to partner line managers.

Given the limited end-user satisfaction, G-Share's management decided not to expand the scope of its service portfolio; for example, by including transformational HR services, such as recruitment, selection or training. Instead, G-Share's first aim became to improve the quality of its current services such that it could later easily expand its user-base to include those business units not currently served. The low levels of end-user satisfaction thus held the HR SSC back from becoming more transformational in the near future:

*We do not want to offer services like recruitment or training yet. First we have to get our service delivery right in order to service additional business units without too many problems. Only once we manage to offer high-quality services to all the business units, can we start thinking of expanding the number or types of services we offer. (MT member of G-Share 2)*

### **Intellectual capital centralized within G-Share**

#### *The human capital of G-Share*

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

*Legislation knowledge:* having knowledge of labor regulations related to multiple functional domains such as payroll, leave and absence was considered necessary because of the integrated nature of these domains. For instance, the leave entitlement and salary of an employee changes if they are ill for a significant time. Before working with G-Share, most service employees had fulfilled specialist HR functions, sometimes covering different areas than what was expected with G-

Share. For instance, employees who had worked in the 'absence and leave' domain had never been concerned with absenteeism or payroll issues before turning to G-Share. According to both service employees and MT members, the skills set of service employees had not been broadened before their redeployment at G-Share and, as a result, the service employees merely had specialist knowledge of labor regulations. It had not been a "surprise" to the MT members that most service employees were not fully equipped to work in the contact center:

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

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

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

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

*I don't know how HR processes are designed, meaning that it is unclear to me who bears what responsibilities. I only know about the HR processes at*

*business unit F, because that's where I worked before. (Service employees of G-Share 4)*

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

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

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

#### *The organizational capital of G-Share*

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

training documents are consulted to overcome their inability to operate the HR processes and HR information technologies.

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

The documents and interviews showed that the bundling of organizational capital in G-Share was not without problems. Originally, before bundled in G-Share, the end-user data was stored and maintained by the individual business units. Despite the business units being expected to rationalize their personnel dossiers and databases before transferring them, several put little effort into updating them. This became clear because the end-users were able for the first time, with the introduction of self-service, to access their own personal data:

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

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

Although G-Share and the business units had agreed that the business units “should guarantee the quality of the personnel data and provide G-Share with the most accurate data” (Service Charter), we heard MT members and service employees complaining that some of the business units and end-users did not

provide accurate data. End-users themselves also doubted whether they correctly administered their personal data:

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

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

*Often I wonder: 'where can I find it?' When serving in the front-office, I have difficulties with retrieving data in the HRIS. Also, I don't know how to read data. I see something on my screen, but do I interpret it well? (Service employee of G-Share 2)*

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

#### *The social capital of G-Share*

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

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

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



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

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

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

*We often receive information on labor legislation and how to implement it. We usually discuss this together. Together we try to understand what these documents are meant to say, because you can interpret this information in multiple ways. (Service employee of G-Share 3)*

#### *Reflecting on the intellectual capital within G-Share*

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

### **Decentralized control of G-Share: use of control mechanisms**

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

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

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

The HR portal enabled end-users to monitor the actions of G-Share and therefore end-users had the possibility to overview process controls. For example,

the employee and management self-services in the HR portal included a track-and-trace function showing whether G-Share has administrated end-user applications and met pre-set standards. Despite these control mechanisms, the end-users still reported that the HR processes were “black boxes” and that they could not monitor the status of HR processes (they seemed unaware of the control possibilities). As such, end-users did not seem to make use of the opportunity of governing G-Share through process controls.

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

Although controlled by the business units, G-Share also controlled the actions of its end-users. The administrative HR processes were designed such that G-Share was dependent on end-users because the end-users were the suppliers of data and information to G-Share. According to an MT member, this “makes it hard to control our service delivery, because it takes place beyond the boundaries of G-Share. HR processes start *and end* at the business units.” Therefore, G-Share attempted to control end-users and clients through urging the strategic and tactical committees to improve end-user contributions where needed:

*We receive too many retrospective applications. We were never expected to offer HR services through retroactions. We address this topic in the tactical committee in order to ensure, through our clients, that end-users properly use our HR services. Currently, we cannot handle the overload of retrospective applications we have received from our clients with our capacity*

*(i.e. number of employees). (...) The contract committee should try to reduce the number of retrospective applications. (MT member of G-Share 3)*

#### *Reflection on the control of G-Share*

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

### **Discussion**

In this chapter we have explored whether resource bundling, combined with business unit control over HR SSCs, is sufficient to improve HR service delivery for end-users. Theoretically, the shared services concept predicts that centralizing resources, combined with decentralizing control, should result in benefits being generated by an HR SSC. However, on the contrary, our results show that despite G-Share being an ideal HR SSC type, while it centralized resources and fully decentralized control by the business units, that end-user satisfaction dropped after its establishment. Although end-users recognized some benefits of HR shared services such as standardization (Janssen and Joha, 2006) and greater opportunities for strategic partnering by HR advisors, they also experienced increases in the HR workload, poor HR problem-solving, and long response times to their enquiries. Therefore, although knowledge bundling and creating business unit control may be necessary conditions for improving HR delivery, our results show that they are clearly not sufficient. However, this does not imply that establishing an HR SSC is in itself dysfunctional, nor that the anticipated benefits cannot be realized in the longer run despite having experienced 'teething problems'. Rather, the idiosyncrasies of both the structural conditions (the centralization of resources and the decentralization of control) seem to affect the realization of shared service benefits for end-users. In other words, several baseline conditions or contingencies have to first be present before the centralization of resources and decentralization of control can support the realization of the anticipated benefits of HR shared services. Next, we discuss these contingencies and argue that firms will have to

implement improvement strategies if they want to reap the benefits of HR shared services in the longer run (see Table 5 for a summary).

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

**Table 5:** Summary theoretical background and empirical findings

### **Centralized intellectual capital**

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

In the literature, the level of HR competencies is hypothesized as having a direct and positive impact on the performance of HR professionals (Boselie and Paauwe, 2005; Han et al., 2006; Ulrich et al., 2008a). The case study findings suggest this assumption is open to question. Accepting the idea that knowledge contributes to performance through *usage* (Youndt et al., 2004), then HR competencies will also indirectly affect end-user satisfaction by facilitating the utilization of other knowledge resources. It seems therefore more likely that a competency such as 'HR technology' is more of a contingency factor, where higher levels of HR technological knowledge strengthen the impact of organizational capital on end-user satisfaction. Given the interplay among knowledge resources, we would encourage future research to test whether interrelations among human, organizational and social capitals improve HR service delivery.

Our case study shows that the *redesign* of organizational capital yields additional benefits for end-users above those identified by previous studies into HR shared services. End-users perceived that the standardization of HR processes reduced the differences in compensation (pay levels) between business units and hence could increase the willingness of employees to move between organizational units. In an empirical study involving seven organizations, Farndale et al. (2010) found that three of them relied on HR shared services as drivers for standardization. Both private and public organizations are seeking more flexible forms of employment (Gualmini, 2008), and this could be supported by HR SSCs that boost opportunities for employee mobility within an organization. Since employees feel that staff are more equally compensated across the various business units, the organizational capital of HR SSCs, if used consistently, should positively relate with

distributive justice, that is the perceived fairness of the compensation employees receive (Folger and Konovsky, 1989). Employee flexibility has been found to be positively related with financial performance (Bhattacharya, Gibson and Doty, 2005), whereas distributive justice positively impacts on HRM outcomes such as organizational citizenship behavior (Zhang and Agarwal, 2009) and organizational commitment (Huang, Lu, Tang and Huang, 2004). We therefore believe that appropriate HR SSC performance could help shape desirable employee attitudes and behavior and, ultimately, firm performance.

Since organizational and human capital act in conjunction, redesigning the organizational capital of an HR SSC may be perceived as less advantageous by end-users unless the HR SSC also aligns its human capital. For instance, our case organization simply bundled its existing human capital, which was partly outdated, and this was therefore irrelevant in supporting the use of renewed HR processes and information systems. Research shows that organizations generally standardize HR processes and HR information systems before sharing them (Davis, 2005; Redman et al., 2007; Ulrich, 1995). Our research suggests that bundling organizational knowledge is unlikely to deliver its full potential unless organizations update and align the human capital of their HR staff before bundling in a HR SSC. One could reason that human capital develops due to the increasing experience of HR SSC staff such that HR SSC performance will increase over time. However, we found that the domains in which an HR SSC operate (typically, absence, benefits, and payroll) are interrelated such that employees have to have generalist skills to effectively cover these domains (Reilly and Williams, 2003). At G-Share, the service employees were employed in departments devoted to a single domain, meaning that generalist skills would be unlikely to develop unless employees switch domains / departments from time to time. However, HR SSCs have to balance between improving staff skills and securing an effective day-to-day service delivery. Day-to-day delivery could suffer if too many HR SSC employees are based outside their specialist domains. As such, HR SSCs have to be careful in adopting practices such as job rotation to increase their staff's generalist skills (Kang and Snell, 2009) so as to overcome the problems described in this chapter and so, ultimately, reap the anticipated benefits of HR shared services.

Although resource bundling in HR SSCs is seen as improving HR service delivery (Janssen and Joha, 2006), our empirical findings cast doubt on this because knowledge concentration may, to some extent, turn into knowledge damage. This happened with end-user data which got lost during its transfer to the

HR SSC. Even when effectively bundled, knowledge resources may still fail to generate end-user benefits. Interestingly, our findings seem to suggest that end-users themselves may be the source of this problem while they are responsible for maintaining the organizational capital of an HR SSC. For example, we saw how the end-users themselves were expected to maintain and update the information stored in the HR SSC database through using employee and management self-service options. Other research shows that HR SSCs do tend, in varying degrees, to offer self-service mechanisms to end-users (Farndale et al., 2009). Therefore, the end-users may be the cause of low levels of HR service quality if they fail to accurately maintain their own data. However, these problems do not mean that the potential HR SSC benefits cannot be realized. Rather, they suggest that the actual realization of HR shared service benefits may take some years after the establishment of an HR SSC. Nevertheless, one should not assume that the problems will vanish automatically. Most end-users in our study used online self-services less than five times a year, and therefore their skills in operating self-services does not increase through experience to the level needed to ensure data accuracy. In such situations, HR SSCs will have to implement strategies for increasing end-user experiences with shared HR service delivery, for example by stimulating the frequency of service use through diversifying or increasing the number of shared HR services (Priem, 2007) or by increasing the usefulness of online self-services (Bondarouk, Harms and Lepak, 2010a; Marler et al., 2009). In other words, HR SSCs have to 'manage' their end-users and develop end-user HR-specific human capital to a level where it can accurately maintain the organizational capital of the HR SSC such that, ultimately, the HR SSC performance reaches an acceptable level.

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

In conclusion, it seems that concentrating intellectual capital may contribute, over time, to improving HR delivery for end-users provided that the following two contingencies are present: (1) HR SSC staff have the up-to-date generalist human



capital required to secure cross-group learning and the utilization of organizational capital; and (2) end-users and clients have the ability to accurately deliver and maintain the organizational capital bundled within the HR SSC. Given that these requirements take time, we argue that the effect, in terms of improving end-user satisfaction, of bundling intellectual capital in an HR SSC is, in the short run, likely to be disappointing, but can be enhanced if an HR SSC implements strategies for improving both staff *and* end-user human capital.

### **Business unit control and ownership**

It was interesting to see how the organizational structure of G-Share was designed, with two of the structures presented by Strikwerda (2004) merged, namely the 'within business unit' and 'internal joint venture' types of HR SSC. Merging two types of structures may suggest that a one-size-fits-all HR SSC type is not always feasible and, instead, the HR SSC is fitted into the organizational structure of the parent organization. In addition, and consistent with the findings of Farndale et al. (2010) who found that the HR function was responsible for its own control, we found that the HR directors rather than the business unit or line managers controlled HR delivered by the HR SSC.

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

Interestingly, the HR SSC in our study wanted to control the performance of the decentralized HR processes by their end-users, which seems to run counter to the shared services concept. As Ulrich (1995) argues, in shared services, control is dispersed to the field. As we show, it turns out that the HR SSC also controls how shared HR services are used. In our situation, the control of end-users by the HR SSC follows from its dependency on the end-users: without the compliance of end-users, the HR SSC is unlikely to receive high quality inputs from them, and low-quality HR delivery will result.

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

The decentralization of control alone is unlikely to result in end-user benefits. Rather, our case study findings suggest that clients and end-users have to *use* control mechanisms and install output controls with a broad scope in order to secure HR SSC compliance. Our results show that the end-users in our study lacked knowledge on the process controls embedded in the HR portal, and indicate that increasing end-user knowledge and skills does support the securing of HR SSC performance, while enabling end-users to more strongly appropriate their controlling role. Further, given the interdependency between the HR SSC and its clients/end-users, it seems necessary to install informal controls, as we witnessed at G-Share, to ensure that clients and end-users comply and, in so doing, support HR service delivery. Future research could usefully test whether, within an HR shared service environment, informal controls are equal or stronger predictors of end-user satisfaction than formal controls.

### **Concluding remarks and limitations of the study**

This study has shown that the fundamental elements of HR shared services, namely consolidated resources in an HR SSC and its ownership delegated to its clients, are insufficient to satisfy the needs of employees, managers and HR professionals. By determining the characteristics of both these antecedents of value creation, this study has uncovered several contingency factors in realizing the benefits of an HR SSC, such as the end-users and clients who have to effectively maintain the centralized organizational capital, the knowledge of the HR SSC staff that has to be updated, and the HR SSC and its clients who have to develop a strong collaborative relationship.

Despite providing a better understanding of how HR SSCs may improve HR delivery for end-users, our study is limited by a number of factors which we consequently see as defining valuable avenues for future research. First, it is unclear whether the case findings are generalizable to other HR SSCs, especially as the lack of definitive lists and descriptions of HR SSCs limits statistical generalization. Nevertheless, G-Share does represent an ideal type of the shared services concept, and this does support analytical generalization. As such, our findings can be generalized to the concept of shared services and help sharpen the theoretical knowledge on the impact of the hybrid structure of HR SSCs, and related contingency factors, on end-user satisfaction with HR delivery. Second, the qualitative nature of our research might result in bias when interpreting the data. However, we aimed to minimize bias by using multiple methods, obtaining measures of independent and dependent variables from different sources and checking the interpretation of the findings with representatives of the case organization. Third, we did not explore transformational HR SSCs that offer for example training and recruitment services. Our findings are therefore likely only to apply to *transactional* HR services providers. As an example of the differences, given the strategic nature of transformational HR services, value is likely to come from the human capital within HR SSCs since this is considered a source of competitive advantage (Becker and Huselid, 2006; Meijerink et al., 2013). Despite the evidence that organizations do bundle transformational HR services (Bondarouk et al., 2010b), more research is needed to clarify the nature of transformational HR SSCs.

To conclude, the dissatisfaction of end-users with HR shared services presented in this chapter does not imply that HR shared services *per se* are invaluable. When well organized, HR SSCs may contribute to HR policy implementation through, for

example, increasing internal mobility or distributive justice. However, the case study shows that firms need to go beyond pulling resources together and establishing business unit ownership to improve HR service delivery. Without doing more, the performance of an HR SSC is likely to remain low because the concentrated resources will not be used to their maximum potential, and the controls may be neither designed nor used to support end-user value creation. Firms should anticipate low levels of end-user satisfaction when HR shared services 'go live' as the intellectual capital and controls of an HR SSC might well not be geared towards facilitating effective and efficient HR service delivery. We argue that the delivery of HR services to end-users is only likely to improve after a period of limited satisfaction among end-users and once organizations have invested in developing the human capital of HR SSC staff *and* of the end-users.

## **References**

The list of references can be found on p. 215.



## **Chapter 4**

### **Exploring and comparing HR shared services in subsidiaries of multinational corporations and indigenous organizations in the Netherlands: a strategic response analysis**

This chapter is based on: Meijerink, J., Bondarouk, T. and Maatman, M. (forthcoming). Exploring and Comparing HR Shared Services in Subsidiaries of Multinational Corporations and Indigenous Organisations In the Netherlands: A Strategic Response Analysis. *European Journal of International Management*.

## **Abstract**

Human resource shared service centers (HR SSCs) are said to make optimal use of information technologies and are utilized by both multinational corporations (MNCs) as well as indigenous organizations. Especially for MNCs, utilizing HR SSCs supported by information technology increases the pressure to standardize or localize the HR SSC operations within their subsidiaries. In this chapter, we explore whether what we call the content of HR SSCs (i.e. their HR activities and governance structures) is different in MNC subsidiaries to that of indigenous organizations. In so doing, we build on neo-institutional theory and the strategic response concept for uncovering how HR SSCs respond to local institutional pressures to become different or similar. As such, we contribute to the standardization – localization debate by responding to the call for more research into the response mechanisms that explain why MNC subsidiaries and indigenous organizations are similar or different. Further, by exploring eighteen Dutch HR SSCs in terms of their activities and governance structures, we contribute to the HR shared services literature by empirically illuminating the key characteristics of shared services: the centralization of activities and the decentralization of control.

## Introduction

Today, both multinational corporations and indigenous organizations are using information technology (IT) to deliver human resource management (HRM) practices. HR shared service centers (SSCs) especially make use of IT because it supports the delivery of remote, centralized HR services (Farndale et al., 2009). In this chapter, by HR SSCs we refer to HR service providers which centralize HR activities that are controlled decentrally by the business units (Meijerink et al., 2013). HR SSCs and IT go hand-in-hand because both potentially cut costs, improve HR service quality and decentralize the control over HR activities (Bondarouk, 2011). For the subsidiaries of multinational corporations (MNCs), establishing an HR SSC that is integrated with IT adoption may cause significant structural pressures. MNC subsidiaries may have to conform to global, standardized IT infrastructures (Morris et al., 2009; Wächter, Peters, Ferner, Gunnigle and Quintanilla, 2006), while on the other hand prefer localized practices when vendors advocate similar IT configurations to MNC subsidiaries and their indigenous counterparts (Bondarouk and Ruel, 2010). Farndale et al. (2009) found a high degree of homogeneity among Dutch HR SSCs, suggesting that MNC subsidiaries fit their HR SSCs to local institutions.

In the literature, these structural pressures are central to the standardization – localization debate that addresses whether the HR operations of MNC subsidiaries are *standardized* (resemble the practices of the parent company) and so differ from indigenous organizations, or *localized* to resemble the practices of indigenous organizations (Pudelko and Harzing, 2007; Rosenzweig and Nohria, 1994). To explain the degree of resemblance, researchers have relied on neo-institutional theory which assumes homogeneity (also called isomorphism) among MNC subsidiaries and indigenous organizations as a result of both complying with local institutional pressures (DiMaggio and Powell, 1983; Kostova, Roth and Dacin, 2008). Some however, have argued that neo-institutional theory overlooks the possibility that organizations have the ability to buffer or alter institutions (Ferner, Edwards and Tempel, 2011a; Kostova et al., 2008; Oliver, 1991). This stream of literature is concerned with the *strategic responses* of companies in terms of avoiding, resisting and manipulating institutions to reduce isomorphic effects (Boon, Paauwe, Boselie and Den Hartog, 2009; Kostova et al., 2008; Oliver, 1991). As such, MNC subsidiaries and indigenous organizations do not necessarily become similar as firms may differ in the way they respond to institutional pressures.



Despite the fact that organizations may respond in different ways to institutional pressures, the literature is largely concerned with the outcomes of these responses (i.e. the extent to which foreign-owned MNC subsidiaries differ from indigenous organizations). Research has shown that while both may have similar HR practices, they may, at the same time, differ on, for example, profit sharing (Farndale, Brewster and Poutsma, 2008) or flexible employment (Brewster et al., 2008). As a result of the emphasis on the so-called *content* of the HRM (i.e. the HR operations of firms and the similarities/differences among them) some have argued that research is lacking into the *mechanisms* of HRM that reflect the way in which the HR operations of organizations are shaped in the light of institutional pressures (Festing and Eidems, 2011; Rupidara and McGraw, 2011; Stiles and Trevor, 2006). Feisting and Eidems (2011: 163), for example, note that “the research focus of much of the literature is on the content of transnational HRM systems and not the processes, i.e. on the way the systems are developed”. Further, there is limited research into “the extent to which isomorphic pressures are driving changes in HR departments (...) and how organizations respond to them” (Stiles and Trevor, 2006: 63). As a result, there is a lack of knowledge on the strategic response behaviours of those who are subjected to institutional pressures: the local HR SSCs (Farndale et al., 2009). Knowledge on these response mechanisms is important because it can help explain why institutional pressures retain or lose their isomorphic traits, why MNC subsidiaries and indigenous organizations become homogeneous or heterogeneous and, finally, how MNCs can cope with the institutional pressures to transfer management practices to their subsidiaries.

To focus attention on the strategic responses, this chapter takes an integrative perspective regarding the mechanisms and content of HR SSCs. First, we compare the HR SSC *content* of MNC subsidiaries with those of indigenous organizations in terms of their activities and governance structures. Second, we explore the *mechanisms* in terms of the strategic responses of HR SSCs in order to uncover the ways in which the content of HR SSCs take shape in the light of institutional pressures. In so doing, this chapter contributes to two streams of literature. First, by focusing on response mechanisms (Oliver, 1991), this chapter empirically uncovers the various types of strategic responses that give rise to the content of an HR SSC. In so doing, this chapter contributes to the standardization – localization literature by exposing the mechanisms that explain the differences or similarities between MNC subsidiaries and indigenous organizations. Second, by exploring the

content of HR SSCs, this chapter responds to the call for more in-depth explorations into the content of HR SSCs (Cooke, 2006; Farndale et al., 2009; Redman et al., 2007). Cooke (2006: 224) notes that additional in-depth research is “necessary to enlighten our understanding on the (...) utility of HR shared services” and explain how HR SSCs can realize their anticipated benefits such as cost reduction and quality improvement (Farndale et al., 2009). By uncovering the content of HR SSCs, this chapter therefore also contributes to the HR shared service literature by providing more information on the key features of the HR SSC phenomenon.

The remainder of this chapter is structured as follows. We start by reviewing the literature on HR SSCs and strategic responses to institutional pressures in order to conceptualize the content and response mechanisms of HR SSCs. Following this, we present our methodology and empirical findings obtained from 18 HR SSCs in the Netherlands, and conclude by discussing the theoretical and practical implications of our research.

## **Differences and similarities in the HR SSCs of MNCs and of indigenous organizations**

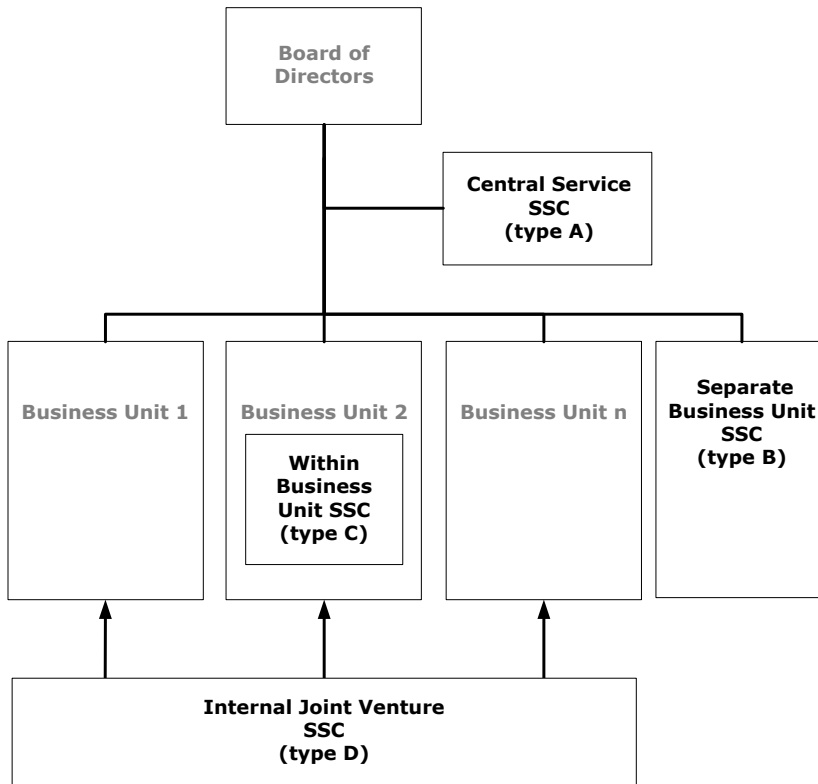
### **The content of HR SSCs: activities and governance structures**

Shared services amount to an internal sourcing arrangement that is also referred to as ‘insourcing’ (Farndale et al., 2009). In the literature, SSCs are considered as an integration of centralization and decentralization models (Janssen and Joha, 2006; Maatman et al., 2010). In opting for an SSC arrangement, organizations centralize the execution of support activities, such as finance or HRM, in an SSC, rather than outsourcing or retaining them in the individual business units (Farndale et al., 2009; Quinn et al., 2000). In the literature, HR SSCs are considered mainly as a way of centralizing transactional HR activities (Hällsten, Boglind and Thilander, 2011; Maatman et al., 2010) such as personnel record keeping and training administration – activities which aim to satisfy the administrative needs of employees and managers (Lepak et al., 2005; Meijerink et al., 2013). Information technologies such as HR portals, email and self-services are important communication channels for offering HR services to employees and line managers because IT enables the delivery of remote, centralized HR services by an HR SSC (Farndale et al., 2009; Maatman et al., 2010). Farndale et al. (2009) for example show that most of the fifteen HR SSCs included in their study relied on self-service technologies in offering administrative activities related to absence, record keeping and payroll activities.

Further, there are indications that HR SSCs also centralize transformational HR activities (Redman et al., 2007; Ulrich, 1995), such as staffing and training, that aim to transform a firm's human resource base (Meijerink et al., 2013). As such, an initial key feature of HR SSCs is the centralization of HR activities which can be either transactional or transformational in nature.

Although HR SSCs centralize HR activities, some have argued that HR SSCs do not reflect centralization (Quinn et al., 2000; Redman et al., 2007; Ulrich, 1995). Whereas, in centralization models, strategic decision-making and the control of HR activities are in the hands of a corporate level entity, such as the board of directors, with shared services, the control is, at least in theory, decentralized to the business units. This involves the business units choosing "the type, level and quality of services they want from the center, at the price they are willing to pay" (Quinn et al., 2000: 13), which reflects Ulrich's (1995: 14) notion that, with shared services, the "user is the chooser". Several studies have shown that HR SSCs are controlled by business units through the use of service level agreements (SLAs) which specify the criteria against which shared HR services have to be delivered and, as such, decentralize control (Cooke, 2006; Farndale et al., 2009; Ulrich, 1995). Information technologies play a key role in decentralizing control because employees and managers can use online self-service applications as process controls to monitor the progress of processes undertaken by the HR SSC (Eisenhardt, 1985).

To give an impression of the control of HR SSCs, several studies have identified different *governance structures* that reflect the possible positioning of the HR SSC within the organization vis-à-vis the entities that control the activities of the HR SSC (Farndale et al., 2010; Meijerink and Bondarouk, 2013; Strikwerda, 2004). According to Farndale et al. (2010), an HR SSC can be controlled by centralized principals, such as corporate HR or top management, or by decentralized principals like the business units and their staff. This categorization echoes Strikwerda's (2004) governance typology (see Figure 6), which was developed based on case study research within eight SSCs in the Netherlands. Strikwerda (2004) identified the 'central service' and 'separate business unit' structures which both centralize control over an SSC in the hands of top management, and the 'within business unit' and 'internal joint venture' structures that decentralize control to the business units (Maatman et al., 2010; Strikwerda, 2004). As can be seen in Figure 6, the internal joint venture type of SSC is not controlled by a corporate entity and can be considered as the ideal type of SSC as it fully decentralizes control to the business units (Maatman et al., 2010; Meijerink and Bondarouk, 2013).



**Figure 6:** Governance structures of HR SSCs (adapted from Strikwerda, 2004)

To summarize, HR shared services represent an organizational model for carrying out HR activities that are centralized in an HR SSC whose control is decentralized to the business units and their employees. As discussed in Meijerink and Bondarouk (2013), we conclude from this that the key characteristics of HR shared services are the centralization of activities and the decentralization of control ownership. Therefore, in comparing the content of HR SSCs in MNC subsidiaries and in indigenous organizations, this chapter explores the HR activities and governance structures of the HR SSCs.

### **The mechanisms of HR SSCs: responses to institutional pressures**

For the purposes of this chapter, we start from two theoretical frameworks that help in picturing the mechanisms of HR SSCs. The first is neo-institutional theory that outlines the institutional pressures to which organizations have to respond and explains why firms become homogenous. The second is the strategic response

concept that outlines how organizations respond to institutional pressures to become heterogeneous. By drawing on these two frameworks, we are able to explore the response mechanisms of HR SSCs, that is the ways in which HR SSCs cope with local institutions and the potential isomorphic pressures coming from them.

At the heart of neo-institutional theory is the view that organizations which share a similar environment become isomorphic (DiMaggio and Powell, 1983; Kostova et al., 2008). The principle of isomorphism is based on the argument that organizations search for legitimacy from their local environment in order to obtain critical resources from the surrounding stakeholders (Kostova and Roth, 2002). The idea is that, because of this legitimization process, MNC subsidiaries and indigenous organizations become similar since they are both trying to gain legitimacy from a common environment (Tregaskis, Heraty and Morley, 2001). To understand these isomorphic effects, DiMaggio and Powell (1983) distinguish three institutional pressures: *coercive*, *mimetic* and *normative*. In an HRM context, Paauwe and Boselie (2003) suggest that *coercive* pressures include the influence of works councils, employment legislation and the government; *mimetic* pressures are represented by benchmarking and imitating the best practices of successful organizations to reduce uncertainty; and *normative* pressures include the influence of employees' backgrounds in terms of their education and association with professional networks. These pressures result in MNC subsidiaries and indigenous organizations becoming similar because they comply with similar labor regulations, copy one another's practices and/or manage employees with similar backgrounds (Paauwe and Boselie, 2003). In an HR SSC environment, mimetic pressures could occur because the shared services concept is relatively new to most organizations (Cooke, 2006; Strikwerda, 2004). This newness may increase uncertainty as to how to structure one's HR SSC, resulting in mimicking or turning to management consultants to obtain what are perceived to be HR SSC best practices. For example, practitioners perceive the consolidation of administrative HR services in an HR SSC as best practice (Keegan and Francis, 2010; Mooiman, 2005; Otter, 2003; Reilly and Williams, 2003) and so become similar by establishing their own HR SSC for administrative purposes. Putting it differently, through what some have called *conformist* behavior (Boon et al., 2009; Oliver, 1991), referring to the passive compliance with institutional pressures, the HR SSCs of MNC subsidiaries and indigenous organizations may well become homogeneous (see Table 6).

<b>Strategic response</b>	<b>Definition</b>	<b>Example</b>	<b>Result</b>
Conformist	Passive compliance with institutional pressures	Imitating best practices such as HR scorecards or HR SSCs (Paauwe, 2004)	Homogeneity
Deviant	Active resistance to or non-compliance with institutional pressures	Contesting or ignoring regulations (Oliver, 1991)	Heterogeneity
Innovative	Shaping and developing institutional pressures	Company establishes its "own" company union (Boon et al., 2009)	Heterogeneity
Translation	Modification of management practices as these are adopted and integrated in the organization's policies, procedures and processes	Adoption of government regulations for purposes other than those intended (Van Gestel and Nyberg, 2009)	Heterogeneity

**Table 6:** Strategic responses to institutional pressures

In responding to neo-institutional theory, the strategic response literature has argued that organizations differ because they neither engage in conformist behavior nor passively conform to institutional pressures (Ferner et al., 2011a; Kostova and Roth, 2002; Oliver, 1991). One potential reason is that the isomorphic effects of local institutional pressures can be absent if MNCs do not need legitimacy from local stakeholders (Brewster et al., 2008; Kostova et al., 2008). Instead, MNC subsidiaries may enjoy institutional freedom by being able to acquire financial and knowledge resources from other subsidiaries or from corporate headquarters (Kostova et al., 2008). In this way, MNCs may have considerable leeway in deciding whether to comply with local institutional institutions and, hence, may differ from indigenous organizations by adopting management practices from beyond the local, institutional environment. In other words, organizations may be able to deny or resist institutional pressures (Boon et al., 2009; Oliver, 1991). As examples, Oliver

(1991) describes strategic responses such as 'buffering' and 'dismissal' where nonconforming organizations avoid or ignore institutional pressures, resulting in reduced isomorphic effects. Others go further and suggest an even more active agency role for organizations that use their power to negotiate, manipulate or alter the institutional environment to avoid complying with existing institutions (Boon et al., 2009; Ferner et al., 2011a; Oliver, 1991; Paauwe, 2004). As such, based on a review of the literature, Boon et al. (2009) identified three ways in which organizations respond to institutional pressures: (1) *conformist* responses involving passive compliance with institutional pressures; (2) *deviant* responses in the form of active resistance to, or non-compliance with, institutions; and (3) *innovative* responses where an organization changes the institutional pressures by shaping and developing them (see Table 6).

In addition to these three forms of response to external institutions, we distinguish a fourth strategic response (see Table 6) that can explain differences between MNC subsidiaries and indigenous organizations: *translation* (Boxenbaum, 2006; Shalin and Wedlin, 2008). Research into the spreading of management practices suggests that their adoption involves adaptation when practices from outside the organization are adapted to fit the internal context (Hällsten et al., 2011; Meyer and Höllerer, 2010; Shalin and Wedlin, 2008). Here, translation refers to the modification or transformation of management practices as they are adopted and integrated into an organization's policies, procedures and processes (Clegg, Kornberger, Carter and Rhodes, 2006; Van Gestel and Nyberg, 2009). From a neo-institutional perspective, these management practices originate from an organization's institutional environment, such as laws that restrict or impose the use of management practices, or result from the 'best practices' of other companies. Rather than regarding organizations as passive copiers of practices, the translation perspective argues that features of outside practices can change while being adopted. Adopting a translation perspective, organizations interpret best practices or regulations differently and, as a result, adapt to institutional pressures differently in fitting them to their interpretations and the context of the focal organization (Boxenbaum, 2006; Van Gestel and Nyberg, 2009). Boxenbaum (2006) identifies three types of translation: *individual preference* which can be defined as the use of those selected features of management practices that most strongly appeal to individuals and fit their interpretation of the management practice; *strategic reframing* which refers to the process of adapting practice features which are viewed as fitting current strategies; and *local grounding* which

involves selecting management practice features that are perceived to fit existing practices (Boxenbaum, 2006; Van Gestel and Nyberg, 2009). It is through these translation processes that institutional pressures lose their isomorphic effect, allowing MNC subsidiaries and indigenous organizations to differ as they idiosyncratically adopt institutional pressures.

Translation can be seen as a valuable concept in addition to the three strategic responses identified by Boon et al. (2009) for at least two reasons. First, in the light of Paauwe (2004)'s criticism - that existing strategic response typologies are negatively formulated and/or describe passive, conforming behavior - translation differs in that it does not see institutions as being deterministic and does not regard organizations as passive. Rather, translation represents a more active and positive concept, where regulations and 'best practices' are mediated by people's interpretations and *inform*, rather than determine, people's behavior as they actively adapt and fit institutional pressures (Boxenbaum, 2006). Second, although innovative responses can also be seen as an active form of response (Boon et al., 2009; Paauwe, 2004), translation is conceptually different. Whereas innovative responses reflect instances where organizations actively shape, influence and change their institutional context (Boon et al., 2009), translation works the other way around, reflecting responses where the institutional context shapes and informs the behavior of people. As such, we consider the translation concept to be potentially valuable in uncovering the mechanisms that explain differences and similarities between MNC subsidiaries and indigenous organizations, as it complements prevailing explanations of why the isomorphic effects of institutional pressures may remain or may be weakened.

To summarize, in order to understand the differences and similarities between MNC subsidiaries and indigenous organizations regarding the activities and governance structures of their HR SSCs, we explore the different strategic responses to uncover how HR SSCs respond to their institutional environment. As such, we address the following research question:

*How do the activities and governance structures of HR SSCs in MNC subsidiaries compare to those of indigenous organizations, and what strategic responses explain why these possible differences and similarities arise?*



## **Methodology**

The empirical part of this study took place during the period of April – December 2009 and was based on research conducted within 18 organizations operating in the Netherlands. Studying Dutch HR SSCs had two advantages. First, the Netherlands is known for hosting many foreign-owned MNCs (B.C.G., 2008) and, second, for having many organizations that have experience with the shared services concept (Strikwerda, 2004).

## **Sampling**

We contacted 26 MNC subsidiaries and 9 indigenous organizations that were known for having HR SSCs. Although an exhaustive overview of Dutch HR SSCs was lacking before this research, these organizations were found and contacted through LinkedIn, personal contacts and snowball sampling to form an extensive sampling frame. To be included in the study, an organization had to meet one criterion: having an established HR SSC that decentralized control to the business units it served. Of the 35 organizations identified, 18 had an operational HR SSC and were willing to participate in the research. For the analysis, we divided the MNCs into foreign-owned MNCs and domestic-owned MNCs, viewing the subsidiaries of domestic-owned MNCs as somewhat akin to indigenous organizations (Brewster et al., 2008). The selected HR SSCs contained equal representations of foreign-owned MNCs, domestic-owned MNCs and indigenous organizations (six of each).

The sampled organizations were in various sectors, including banking, electronics and telecommunications. However, the indigenous set had limited diversity, with five coming from the public sector. It could be argued that the dominance of public-sector organizations will bias the findings. However, when constructing the sampling frame, we only found two indigenous organizations outside the public sector that had or were establishing HR shared services, and therefore the sample may be more representative than first appears. This dominance is not that surprising given that most indigenous organizations are small or medium sized enterprises (EC, 2003), and such companies will often be too small to consider establishing an HR SSC (Farndale et al., 2009). However, the HR shared services concept can be valuable for some large-scale public-sector organizations such as municipalities and central government departments. In other words, among indigenous organizations it is logical to expect to find more public-sector organizations than private-owned firms with an HR SSC. Therefore, we would argue that the selected indigenous organizations do reasonably represent the indigenous

HR SSC population, such that the findings can be generalized to other Dutch HR SSCs.

The number of end-users served by the HR SSCs varied considerably across the organizations, ranging from 1,250 up to 130,000 end-users. The staffing of the HR SSCs saw a similar picture, with the smallest having 14 FTEs and the largest 300 FTEs. Three of the MNCs in this study had a local HR SSC that also offered HR services to end-users outside the Netherlands. Of the HR SSCs studied, the first started operations in 2001-2002, and the newest were established in 2008. The foreign-owned MNC subsidiaries in our study had all been operating in the Netherlands for at least fifteen years (one for eighty), and so we would argue that any differences are unlikely to be caused by the MNCs having greenfield operations in the Netherlands (for an overview of the participating organizations refer to Appendix A).

### **Data collection**

Given the exploratory nature of our research, we relied on documents and interviews for data collection and triangulation purposes. We studied documents such as organizational charts and HR SSC service catalogues to uncover the governance structure and HR activities of the HR SSCs. Interviews were conducted to obtain information not covered by the documents, such as the way HR activities were performed by the HR SSC and the 'less formalized' or dotted reporting lines that are not apparent in the organizational charts. During the interviews, we also probed for the rationale behind the strategic choices made in order to uncover the strategic responses that could be potential sources of similarities and differences between the MNCs and the indigenous organizations.

The interview protocol had two parts: the types of HR activities centralized in the HR SSC and its governance structure. The interview protocol contained semi-structured questions used to guide the interviews. Our interviewees held HR management positions (mostly HR directors or HR shared service managers and directors) and were selected because they govern the HR SSC and determine its service scope (Farndale et al., 2010) and, hence, were in a position to provide information on the topics of interest. At four organizations, we interviewed two respondents, and at the others a single representative. Although this approach is open to single source bias, we consider the likelihood to be low for two reasons. First, the interviews aimed to uncover factual information (the activities performed by the HR SSC and who it reported to) and so answers are unlikely to be dependent

on value judgments or attitudes. Second, we triangulated the interview data with information obtained from documents.

In total, 22 interviews were conducted lasting from 1 to 1.5 hours each, a total of 28 hours in all. The interviews were tape-recorded and transcripts were sent to the interviewees to verify our interpretation of the interview data and to strengthen its trustworthiness (Lincoln and Guba, 1985). Some participants suggested minor changes to the texts, which were included in the preparation for the data analysis.

### **Data analysis**

The data analysis consisted of three phases. First, after transcribing the interviews, all three authors individually assessed all the transcripts and documents by coding textual elements using descriptive codes (Miles and Huberman, 1994). The descriptive codes were based on the topics covered in the interview protocol. We continued, again independently, by marking segments of the descriptive codes with inferential codes, and we periodically reread the materials to check both the inferential coding and for internal consistency to strengthen the code-recode reliability (Miles and Huberman, 1994).

The second analysis phase consisted of us working together to develop categories. We followed the procedure described by Lincoln and Guba (1985) which includes activities such as filling in (adding sub-categories), extending (redirecting chunks of text additional categories) and surfacing (identifying new categories). In total, we identified 18 categories including 15 on which the three of us fully agreed, providing an acceptable 83% inter-coder reliability (Miles and Huberman, 1994).

During the final phase, we carried out a cross-case analysis by listing and comparing the activities and governance structures of the HR SSCs in foreign-owned MNCs, in domestic-owned MNCs and in indigenous organizations. We verified the draft within-case results with all the participating organizations, discussed the cross-case findings with a research steering group consisting of four researchers and representatives from two participating organizations, and discussed the findings with other researchers to strengthen the trustworthiness of our findings (Lincoln and Guba, 1985; Sandberg, 2005).

### **Findings**

Recognizing that strategic response mechanisms concern the activities and governance structures of an HR SSC, we present our results on the content and on the mechanisms of HR SSCs successively.

### **The activities of HR SSCs and strategic response mechanisms**

The interviewees were first asked about the type of HR activities centralized in their HR SSC, in terms of the services they deliver to their clients and end-users. We uncovered three broad categories of activities: transactional HR activities, transformational HR activities and HR innovation activities.

#### *Transactional HR activities and strategic responses*

The transactional HR activities centralized in HR SSCs include back-office administration tasks and the provision of information on labor regulations and collective agreements. To emphasize the transactional nature of the HR shared services, an HR SSC manager described it as "a factory (...) for processing administration". On first sight, we found few differences between MNCs and indigenous organizations in terms of transactional HR activities. All the HR SSCs in our sample performed back-office administrative tasks such as payroll administration and employee benefit registration, and 15 of the 18 provided information on labor regulations and collective agreements to employees and line managers.

Here, the respondents reported mimetic pressures while 12 out of the 18 reported benchmarking their HR service portfolio against those of others. In general, HR shared services were perceived as equating to the centralization of transactional HR activities. This immediately suggests that *conformist* behavior explains the strong tendencies among all the organizations to centralize transactional HR activities:

*We compare ourselves to other companies by benchmarking our activities with those of others. (Manager HR SSC – domestic-owned MNC).*

*The goal for our SSC is to conduct the personnel administration as efficiently as possible. We also see that other HR SSCs omit advisory services from those provided by the SSC. (Manager HR SSC – foreign-owned MNC).*

*We have centralized the payroll and personnel administration in the SSC. In my view, this is exactly what an HR SSC is all about. I know that IBM and Unilever have done this. (Manager HR SSC - domestic-owned MNC).*

Despite the benchmarking activities, the cross-case analysis nevertheless revealed differences in the specific administrative activities undertaken by the HR SSCs. For

example, some organizations had already centralized transactional HR activities in a staff department and others had decentralized such activities to the business units, beyond the scope of the HR SSC. Rather than passively copying the service portfolios of other HR SSCs, as the benchmarking exercises might suggest, the respondents reported to reflect on their existing allocation of HR responsibilities and only centralize those transactional HR activities that suit their specific organization. As such, translation behavior, in terms of *local grounding*, accounts for the subtle differences among organizations:

*We (the HR SSC) operate for a range of autonomous banks, and some banks have decided to do some of the personnel administration themselves. We have one central HR SSC, but some administrative tasks remain decentralized. (Manager HR SSC - domestic-owned MNC).*

*A while ago we spoke to another organization and they have an HR SSC, but also decentralized HR advisors who are involved in administration. Our HR advisors in the business units do not have administrative responsibilities. Only our HR SSC does the administration because we want to be very clear as to where certain responsibilities lie. (...) Before, these responsibilities were mixed, which resulted in confusion. (Manager HR SSC - foreign-owned MNC).*

Turning to the use of information technologies, the HR SSCs in our sample all relied on IT to some extent for conducting back-office administration or for delivering online self-services that support employees and managers in undertaking administration tasks themselves. The self-services options most often encountered concerned compensation, benefits and performance appraisal. Although some companies did not have self-service options, we again encountered mimetic pressures. In general, the availability of IT was perceived as necessary for offering shared HR services:

*Two years ago we went to four other organizations to see how they organized their HR SSCs. Many companies have self-services and therefore we chose to implement an HR portal where employees and managers could administer their personal details. (...) You can't operate an HR SSC without IT. (Vice-director HR SSC - indigenous organization).*

*We do not have self-services yet but are anticipating such developments in the company. If you really want to establish HR shared services well, you have to have good information technologies. (Manager HR SSC – foreign-owned MNC).*

Despite the availability of IT being considered the norm, we did find significant differences between the HR SSCs in their use of IT. Foreign-owned MNCs tended to make little or no use of online self-services. Indeed, only one foreign-owned MNC subsidiary had an HR SSC that offered online self-service modules to its end-users, compared to four domestic-owned MNCs and four indigenous organizations. Translation responses in the form of *strategic reframing* were reported by the domestic-owned MNCs and indigenous organizations in matching the use of self-services to current strategies, such as with an integrated management philosophy with managers having overall responsibility for managing employees:

*Our principle is based on integrated management. Managers have an important role because they have to administer their decisions. This means that a manager should work with an IT system and approve decisions online. (Vice-Director HR SSC - indigenous organization).*

*An essential part of our policy is that managers have overall responsibility for managing their employees and therefore have to perform HR activities. Based on this, we offer employee and management self-services. Without these, your HR SSC looks very different. (Manager HR SSC - domestic-owned MNC).*

The interviewees at the foreign-owned MNCs reported several reasons for not having self-services: (1) the global corporate HR department prohibited the subsidiary from developing self-services before other subsidiaries improved their HR information systems; (2) the subsidiary was waiting for corporate HR to develop self-service modules; and (3) the works council inhibited the development of employee and management self-services. In other words, HR SSCs of foreign-owned MNCs differ from their domestic-owned and indigenous counterparts while internal institutional pressures restrict the service portfolio of the local HR SSCs of foreign-owned MNC subsidiaries:

*We are not allowed by corporate HR to develop an HR portal, employee self-services or management self-services ahead of other subsidiaries. (Manager HR SSC - foreign-owned MNC).*

*We do not have employee and management self-services (...). We want to implement two information systems. These are systems for administering inquiries and requests from end-users. This should have happened already, but the works council makes difficulties. (Vice-President HR - foreign-owned MNC).*

Although these accounts suggest that corporate HR departments and works councils try to elicit conformist behavior by the local HR SSCs, the HR SSCs of MNC subsidiaries nevertheless engaged in deviant and innovative actions to counter these pressures. According to the interviewees, any shared HR services had to fit with the host country's conditions and, therefore, the local HR SSCs would negotiate with corporate headquarters on which HR services would be delivered by the HR SSC, and how. As such, we encountered *deviant* responses towards internal coercive pressures in order to conform to external institutional pressures:

*The United States has different rules to the social climate in the Netherlands. Therefore, we have to discuss with corporate HR what the local legislation is about. (...) We have to deal with local legislation and we are not going to deviate from that. The law and labor regulations are imposed by the government. In a sense, we have to keep moving the ball, partly in order to decide in which direction we want to play it. (HR SSC manager - foreign-owned MNC).*

*[The company] has global policies and we cannot deviate from them. However, we have our own Dutch collective labor agreement and, therefore, have some different policies and procedures in comparison to the global firm. (Manager HR SSC - domestic-owned MNC).*

Furthermore, the HR SSCs in foreign-owned MNCs reported active agency by trying to change the attitudes of the works councils towards using online self-services. In other words, HR SSCs try to shape the institutional pressures which inhibit them in adopting self-services. Hence, despite strong internal institutional pressures, HR SSCs still manage to engage in *innovative* response behaviors:

*The implementation of self-services is not going as anticipated because the works council is obstructive. We try to enthuse them by organizing information sessions and we try to be open to their ideas. (Vice-President HR - foreign-owned MNC).*

*The works council bothers us the most, because they worry for our employees. The fear is that an HR SSC and IT increases the distance between HR and employees. First, we wanted to have an SSC and centralize all HR activities. The works council obstructed this. Therefore, we decided not to call it an SSC but a Support Centre, with the HR advisors remaining decentralized. (Manager HR SSC - foreign owned MNC).*

Therefore, although they are currently different from indigenous organizations with respect to self-service usage, these innovative responses suggest that, in the future, the HR SSCs of foreign-owned MNC subsidiaries may become similar to their domestic-owned and indigenous counterparts with respect of transactional HR activities.

#### *Transformational HR activities and strategic response mechanisms*

The interview findings show that some of the HR SSCs, alongside transactional HR services, also provide transformational HR services that are aimed at transforming the human capital base of the business units. Half of the sampled HR SSCs are involved in the recruitment of new employees and/or offer training to employees and managers. The majority of these transformational HR SSCs are part of foreign-owned MNCs. Five foreign-owned MNCs have HR SSCs offering transformational HR services, against two domestic-owned MNCs and two indigenous organizations. We saw that the other organizations deliberately chose not to consolidate transformational HR services within their HR SSCs due to the presence of two sorts of *translation* behavior. First, due to conflicting personal priorities and preferences, organizations decided not to centralize recruitment activities, which suggests that translation in the form of *individual preferences* can lead to differences between organizations:

*Perhaps it is interesting to note that recruitment is not part of the HR SSC. This is due to the preferences of individuals. (...) I sometimes propose to the recruitment director that we take over the recruitment activities; 'it*



*[recruitment] is just an operational matter...'; and then the dispute starts. (Manager HR SSC - domestic-owned MNC).*

*Recruitment is not our business. (...) Payroll administration is a shared service. I certainly don't want this for some activities. In my view, the business units should always perform their strategic HR activities themselves. The same goes for recruitment; it is very important who you recruit and the business units want their own HR professionals to perform these activities. (Manager HR SSC - domestic-owned MNC).*

Second, as a form of *local grounding*, several organizations decided not to centralize training services because this would not fit the existing distribution of HR responsibilities and go against the current structures which were considered as more appropriate. Hence, translation seems to explain the differences regarding the centralization of transformational HR activities:

*We have decentralized trainers, because they give very specific training. Therefore, centralizing them would not be beneficial. (HR Director – foreign-owned MNC).*

*We organize the delivery of training locally, because we deal with local, regional training centers for educating employees. (Director HR SSC – indigenous organization).*

#### *HR innovation activities and strategic response mechanisms*

The final set of HR activities that we identified as being centralized within HR SSCs are what we call HR innovation services. HR innovation services are activities to improve existing HR processes and policies or to develop new HR policies. We found three types of HR innovation services: *HR process improvement* (in ten organizations) covering the development and improvement of existing HR processes for, and together with, the business units; *polycymaking support* (four organizations) supporting policymakers in improving HR policies by relying on the expertise of the HR SSC to execute HR policies; and *polycymaking* (three organizations) in the form of developing HR policies for the business units served by the HR SSC:

*The HR department is the policymaker, and we execute the policies. However, we also instigate or supply ideas for improving HR policies and processes. (Manager HR SSC - indigenous organization).*

*The SSCs offers transactional services and HR policies. We offer consultancy services to the board of directors; we are 'hired' by the board on an hourly basis and we develop HR policies for them. (Director HR SSC - indigenous organization).*

Only in terms of HR process improvement services did we find a difference between the foreign-owned MNC subsidiaries on the one hand, and domestic-owned MNCs and indigenous organizations on the other: only two foreign-owned MNCs had an HR SSC that engaged in improving HR processes against four domestic-owned MNCs and four indigenous organizations.

*Reflecting on the activities and responses of the HR SSCs.*

To summarize our findings, although all the HR SSCs offered transactional HR services, small differences between them remained. Foreign-owned MNCs more often have transformational HR SSCs, but offer limited self-services, whereas domestic-owned MNC subsidiaries and indigenous organizations make more use of self-service technologies and more often provide HR innovation services. Although organizations benchmark the activity portfolios of their HR SSCs, translation mechanisms such as local grounding, individual preferences and strategic reframing cause differences among HR SSCs with respect to which HR activities are centralized. Also, internal institutional pressures impact on the HR activity portfolio of HR SSCs, but are actively responded to through deviation and innovation.

### **The governance structures of HR SSCs and strategic response mechanisms**

To uncover the governance structures of the HR SSCs, we asked the interviewees to describe how their HR SSC was positioned within the organization and to whom it reported. We found a wide variation in governance structures among the 18 organizations and, in fact, none of the adopted structures were identical. Rather, organizations had integrated the characteristics of various positioning possibilities to develop a personalized governance structure. For instance, one of the HR SSCs was established by several semi-autonomous business units jointly deciding which services the HR SSC should offer and, as such, it can be considered as an internal joint venture. However, for operational management issues, that HR SSC's

management reported to only a single business unit, positioning this HR SSC as a combination of an 'internal joint venture' and a 'within department structure' (for an overview of all the governance structures, please see Appendix A).

#### *Governance structures and strategic responses*

When asked about the governance structure of their HR SSCs, several interviewees referred to the work of Strikwerda (2004) and reported having gained insights from examining the governance structures adopted in other companies. Hence, some mimetic pressures were present with regard to the governance structures of HR SSCs:

*SSCs are a new phenomenon. Strikwerda was one of the first to write a book about it and, after that, the concept started to live its own life. (HR director – indigenous organization).*

*I know other companies like KPN having SSCs outside the HR domain. However, since they use the shared services concept, you can reflect on their way of working, how their SSCs are structured and learn lessons from them. (Manager HR SSC – domestic-owned MNC).*

Despite many organizations being familiar with the governance structures described by Strikwerda (2004), we nevertheless found a wider variety of governance structures. More specifically, the respondents often reported that their organization deliberately adopted a hybrid governance structure for their HR SSC because the existing organizational structure dictated this. Here, by hybrid governance structure we mean one that integrates two or more prototypical structures. For instance, many of the HR SSCs report to multiple agents because the entire organization is structured as a matrix with the HR SSCs reporting to several entities including business unit management, chief finance officers, HR directors, HR managers and operations managers (see Appendix A). In other words, the governance structures of HR SSCs described by Strikwerda (2004) are translated and adapted to the existing organizational structure through *local grounding*:

*We have a fairly complex structure because some business units are allowed to have their own HR policies. Other business units have to comply with corporate HR policies. Therefore, we have to report to corporate HR and also*

*have service-level agreements with the individual business units. (Manager HR SSC - domestic-owned MNC).*

*The HR SSC resides within the operations management business unit. (...) The HR department is responsible for accurate personnel administration. Therefore, the HR SSC also has to report to the corporate HR department. (HR project manager - indigenous organization).*

Although mixing forms, the governance structures of HR SSCs nevertheless tend to have a dominant structure (complemented by a secondary structure). The general tendency is for HR SSCs to be directly controlled by a corporate entity: nine were a 'central service' (an extension of a staff department) and five were 'separate business units' controlled by a corporate entity. This reflects that, in practice, corporate HR departments are reluctant to grant full control of HR delivery to the business units. In our sample, there were only three organizations where corporate (HR) headquarters had no control over the HR SSC compared to ten organizations where a corporate entity shared control with the business units. Therefore, although HR shared services are theoretically seen as decentralizing control over HR delivery to the business units, centralized control by corporate entities remains in practice:

*I report to the board of directors (...) and we have service-level agreements with the individual business units. (Director HR SSC - indigenous organization).*

*I report to the director of HR services, who reports to the chief finance officer. In addition, I have a functional reporting line to the HR directors within the business units. (Manager HR SSC - domestic-owned MNC).*

When comparing the governance structures across organizations, we saw several differences. All the HR SSCs, in both foreign- and domestic-owned MNCs, are positioned as either a central service (seven MNCs) or as a separate business unit (five MNCs). This indicates that these HR SSCs are primarily controlled by a corporate entity. In fact, the HR SSCs in the MNC subsidiaries have double reporting lines: to corporate entities on both subsidiary and global levels. Although granting some control to the business units, some interviewees from the MNCs interpreted the shared services concept as a staff department that centralizes control. In other

words, the individual interpretations of decision-makers (i.e. translation as individual preference) explain why the control over HR SSC is partially centralized:

*In my view, an SSC should not be embedded in a business unit, because this gives too much influence to the business units. As an SSC, you set your budget with the decentralized units, but you are also a staff department and hence you should fall under a corporate department. (HR SSC manager – domestic-owned MNC).*

*You can see the HR function as a staff function, although it is a shared service. Line management is in the business units, and the support functions such as HR, finance and IT are corporate functions. (HR director – foreign-owned MNC).*

The most common governance structure found in the indigenous sample is the internal joint venture, a form that had been adopted by three indigenous organizations that had fully decentralized control over their HR SSC to the business units:

*The board of our organization consists of the directors of the 40 business units. We provide our services to all these 40 business units. These businesses determine which services we have to provide. (...) We are not allowed to make decisions on whatever is concerned. All decisions (that relate to the HR SSC) are jointly made by the business units we serve. (HR SSC Deputy Director - indigenous organization).*

Unlike the interviewees from the MNC subsidiaries, those from the indigenous organizations interpreted the shared services concept as decentralizing control. As such, translation in the form of individual preferences could explain why we find more decentralized structures in the indigenous sample:

*I see a lot of commonalities among the various SSCs and their missions, especially with respect to the idea of a supplier – client relationship between the SSC and the business units. (project manager – indigenous organization).*

*What exactly is an SSC? You could say an SSC is a unit from which the business units request services. (HR director – indigenous organization).*

*An SSC is a business within a business. This implies that (...) you have to make contracts with your clients. (Director HR SSC – indigenous organization).*

Furthermore, within some of the indigenous organizations, the internal joint venture SSC is considered as the only viable option because the organization lacks a corporate entity. In other words, the SSC concept is *locally grounded* such that the internal joint venture structure matches the existing decentralized structure:

*Within [Organization] we have thirteen departments. These are independent, autonomous business units. ... The HR SSC does not control the departments. The autonomous departments collectively outsource their services to the HR SSC. (Manager HR SSC – indigenous organization).*

In the other three indigenous organizations, control over the HR SSC primarily lies with a corporate entity, with the HR SSCs structured as either a central service or a separate business unit.

#### *Reflecting on the governance structure and responses of HR SSCs*

To summarize, although most organizations in our sample had decided to centralize control of their HR SSCs, we nevertheless found 18 idiosyncratic governance structures and only a relatively small subset of indigenous organizations that had decentralized control to the business units. Although the participating organizations benchmarked each other's governance structures and were acquainted with Strikwerda's (2004) typology, they nevertheless adopted different governance structures while having various interpretations of how control is allocated with shared services (i.e. individual preferences) and had different existing organizational structures to which they would match the HR SSC governance structure (i.e. local grounding).

## **Discussion**

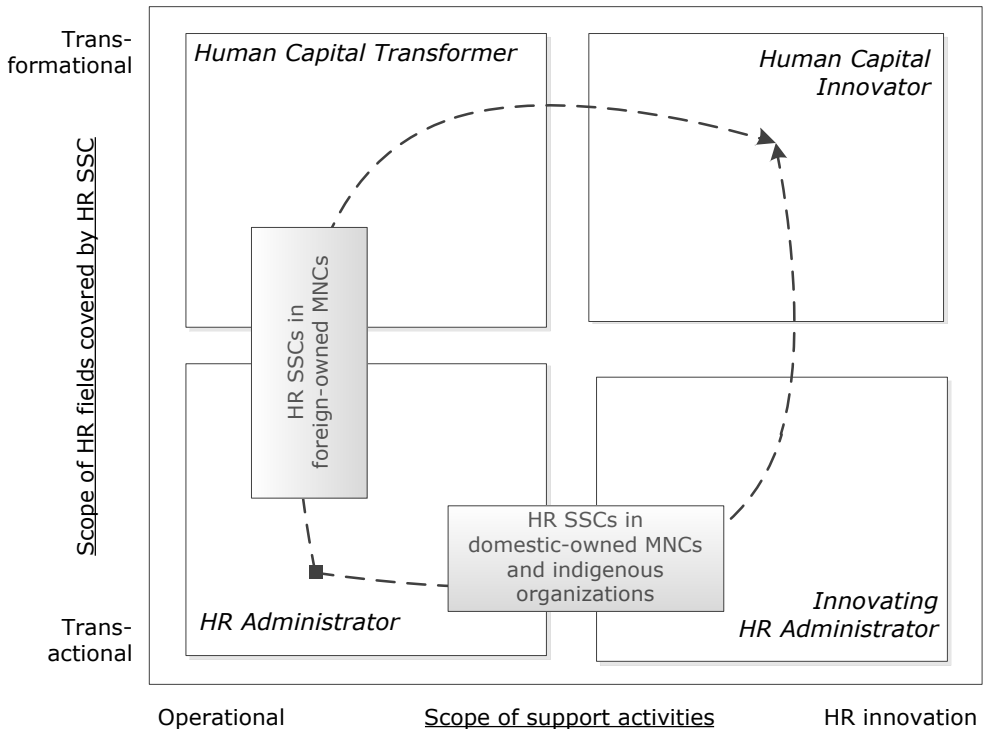
This chapter set out to take an integrative perspective regarding the content and mechanisms of HR SSCs by comparing MNC subsidiaries and indigenous organizations in terms of the activities and governance structures of their HR SSCs (i.e. the content) and exploring the strategic responses (i.e. the mechanisms) as explanations for possible similarities and differences. Although existing evidence

points to homogeneity (Farndale et al., 2010; Farndale et al., 2009; Hällsten et al., 2011) and our results show mimetic pressures, we nevertheless found differences between MNC subsidiaries and indigenous organizations. These findings have implications for research, both into HR shared services and into the standardization – localization debate, as well as for practice as discussed next.

### **The content of HR SSCs: HR SSC activities**

With regard to the activities of HR SSCs, our findings only partially support the claim that information technologies facilitate the delivery of remote HR services to end-users by an HR SSC (Farndale et al., 2009; Maatman et al., 2010). Rather, we found that most subsidiaries of foreign-owned MNCs, unlike those of domestic-owned MNCs and indigenous organizations, do not rely on HR portals or self-service technologies when offering shared HR services. However, the representatives of the foreign-owned MNCs interviewed did report that their local HR SSCs were willing to use IT, but that they had to wait until the parent company developed the IT infrastructures. This suggests that HR SSCs require information technologies to be available if they are to deliver remote centralized HR services. Furthermore, we found that HR SSC operations are no longer confined to operational and administrative HR service delivery as had been earlier reported (Farndale et al., 2009; Reilly and Williams, 2003). Rather, half of the HR SSCs we studied also carried out transformational HR policies related to recruitment, selection or training. Further, we would caution that it might not be sufficient to rely on the existing transactional – transformational dichotomy when analyzing the activity portfolios of HR SSCs (Lepak et al., 2005; Ulrich, 1995). This is because this dichotomy mainly reflects *operational* activities undertaken by HR SSCs, such as personnel administration or recruiting new employees, whereas we found that HR SSCs also redesign HR processes and develop HR policies to underpin these operational activities. Therefore, in order to describe HR shared service delivery, we propose an additional operational – innovative dichotomy to reflect the scope of HR support activities. Here, by HR innovative services, we refer to support activities for improving existing or developing new HR processes and policies, whereas operational services are those aimed at executing these processes and policies. Given that HR SSCs can be involved in both the design *and* execution of HR processes and policies that fall in the transactional and/or transformational domains, we can integrate the two dichotomies to reflect four roles that HR SSCs can adopt (see Figure 7): the HR Administrator role (performing only operational,

administrative HR activities); the Human Capital Transformer role (executing transformational HR policies such as recruiting or developing employees); the Innovating HR Administrator role (redesigning or developing administrative processes and policies); and the Human Capital Innovator role (redesigning or developing processes and policies to attract and develop the organization's human capital).



**Figure 7:** HR SSC roles

Our findings suggest that some sort of growth model might be applicable to HR shared services since HR SSCs first start by adopting only an operational administrative role and later expand their scope by adopting strategic or transformational roles. However, the HR SSCs of foreign-owned MNC subsidiaries and of domestic-owned MNCs and indigenous organizations seem to follow different trajectories (see Figure 7).



We found that foreign-owned MNC subsidiaries, more often than domestic-owned ones and indigenous organizations, include operational transformational HR services in their HR SSCs. The shared services concept originated in the United States where some examples of transformational HR SSCs have long existed (Ulrich, 1995). It is therefore possible that MNCs, with their global orientation, have experience of transformational HR SSCs earlier and more often than indigenous organizations and, based on this, have decided to allocate the Human Capital Transformer role to their HR SSCs. In comparison, the HR SSCs of domestic-owned MNCs and indigenous organizations more often adopt an Innovating HR Administrator role. This is not that surprising given that these organizations more often rely on self-service technologies than do foreign-owned MNCs. By using self-service technologies, large parts of HR processes are digitalized and put online, making it easier for HR SSCs to identify process bottlenecks which then serve as inputs for optimizing HR processes. Nevertheless, through benchmarking practices, which this study found were commonplace, the HR SSCs of foreign-owned MNCs, domestic-owned MNCs and indigenous organizations may, over time, become more alike (as reflected in the dashed arrows in Figure 7).

The exploration of the HR activities centralized in HR SSCs and the observed differences across organizations have two important implications for practice. First, several studies have reported on practitioners having difficulties with deciding which services should be offered by an SSC (Cooke, 2006; Redman et al., 2007). Our findings indicate that it is possible to consolidate both transactional and some transformational HR services within an HR SSC. Hence, our research findings could help practitioners in envisioning which HR services *can* be offered through an HR SSC. Second, although HR SSCs try to copy best practices (Farndale et al., 2009), our results suggest that HR SSC managers should be cautious in selecting practices observed in benchmarking exercises. In particular, the managers of HR SSCs within domestic-owned MNCs and indigenous organizations should not excessively copy management practices from their counterparts in foreign-owned MNCs since these HR SSCs are more transformational in nature. Previous studies suggest that the delivery of transformational HR has to be managed, assessed and governed differently than with transactional HR services (Farndale et al., 2010; Maatman et al., 2010; Meijerink et al., 2013). For example, Meijerink et al. (2013) suggest that the delivery of transactional and transformational HR services require different kinds of resources, in terms of human and organizational capital, to optimize HR SSC performance. Thus, practitioners in domestic-owned MNCs and indigenous

organizations should be cautious in excessively copying what are apparently best practices from foreign-owned MNCs since they may end up trying to manage their transactional HR SSCs in a manner suited to transformational HR SSCs.

### **The content of HR SSCs: HR SSC governance structures**

The governance structures of the HR SSCs investigated in our study did not correspond to the typologies described in the literature (Farndale et al., 2009; Strikwerda, 2004). Rather, we found 18 idiosyncratic models that integrated various aspects of two conceptual governance structures identified by Strikwerda (2004), and which we consequently refer to as hybrid governance structures. Perhaps, since organizations seem to integrate two or more prototypical governance structures, Strikwerda's (2004) typology is useful for practitioners in envisioning a governance structure for their HR SSCs that 'picks and mixes' from the positioning options. For empirical studies into governance structures, it seems that Strikwerda's (2004) typology offers too many variations to achieve a meaningful comparison. Instead, we suggest that shared service researchers might benefit from focusing more on what the governance structure typology is intended to reflect, namely the extent to which control over HR service delivery is decentralized (Maatman et al., 2010; Meijerink et al., 2013; Strikwerda, 2004).

From a control perspective, most of the HR SSCs that we studied were controlled by a corporate entity that jointly, with the business units, governed the HR SSC. The principals came from several disciplines, such that various of the HR SSCs reported to HR, to finance, to operations and/or to line managers. As such, unlike in other studies (Farndale et al., 2010; Redman et al., 2007), we found that HR SSCs frequently report to principals other than HR management. Of the 18 HR SSCs studied, in only three was control over the HR SSC fully decentralized to the business units. This is in itself a remarkable finding since the shared service concept presumes that, in an ideal situation, the business units will be in full control (Janssen and Joha, 2006). The tendency among organizations to have partial centralized control over HR SSCs suggests that corporate entities are reluctant to relinquish control over HR service delivery. We see two possible reasons for this. First, giving transformational HR roles to HR SSCs moves them into the strategic arena of organizations, while their activities impact on employee abilities and, subsequently, on firm performance (Lepak et al., 2006; Liao et al., 2009). In other words, such HR SSC configurations would likely have an impact on the strategic objectives of the organization, and this may make top management reluctant to

fully decentralize control. Second, since HR SSCs are responsible for executing HR policies developed by corporate entities, such as the board of directors or the HR staff department, these corporate policymakers may want to ensure that policies are implemented as intended and, hence, retain high levels of centralized control.

Notwithstanding the tendency among both MNCs and indigenous organizations to centralize HR SSC control, three of the indigenous organizations did not fit this pattern and had decentralized HR SSC control to the business units. These were public sector organizations, and these often lack a central, corporate entity. This decentralization of control within the public sector has important research implications since the literature on shared services suggests that higher levels of business unit control result in clients and end-users perceiving better HR SSC performance (Janssen and Joha, 2006; Maatman et al., 2010; Meijerink et al., 2013). If this is true, then the clients of public sector HR SSCs will be more satisfied with the HR services delivered by their HR SSC than their counterparts in privately owned indigenous organizations and MNCs.

### **The mechanisms of HR SSCs: responses to institutional pressures**

In determining the HR activities of HR SSCs and their governance structures, we found that MNC subsidiaries and indigenous organizations make significantly different choices. As such, we found limited support for the neo-institutional perspective which holds that organizations become isomorphic (DiMaggio and Powell, 1983; Farndale et al., 2009). This is all the more remarkable as the interviewees reported benchmarking against each other's practices and governance structures, which echoes the mimetic pressures which previous studies assumed would lead to homogeneity (DiMaggio and Powell, 1983; Paauwe and Boselie, 2003). Instead, we encountered translation behavior as an explanation for only limited institutional isomorphism (Boxenbaum, 2006; Shalin and Wedlin, 2008). Following the translation idea, that interpretations mediate between institutions and actions (Van Gestel and Nyberg, 2009), we found that actors have different interpretations of the shared services concept and, hence, make different choices regarding the activities and governance of their HR SSCs. More specifically, our findings point to three types of translation (Boxenbaum, 2006): *individual preferences* - where practices are adapted depending on the preferences and interpretations of individuals (such as managers who are unwilling to centralize transformational HR services and view shared services as the centralization of control); *strategic reframing* - reflected in the use of practices where they fit current

strategies and logics (such as self-services being adopted when they fit their integral management philosophy); and *local grounding* - where practices are translated provided they fit existing practices and structures (such as administrative HR services not being performed by an HR SSC when other entities within the organization are already responsible for them or, in indigenous organizations lacking a corporate entity, control over their HR SSC is decentralized). Hence, the translation responses to mimetic pressures result in differences between MNC subsidiaries and indigenous organizations in the content of HR SSCs.

Although we found only limited coercive pressures being reported by HR SSCs, translation can be a strategic response to such pressures. For example, through strategic reframing (Boxenbaum, 2006), organizations may strategically choose only to adopt those HR practices urged by external regulations or agencies that they consider as fitting with their strategies or operations. However, the possibilities for translation, as with other strategic responses to institutional pressures, may be dependent on the leeway or power that organizations have in making decisions (Boon et al., 2009; DiMaggio and Powell, 1983; Ferner et al., 2011a; Paauwe, 2004). For example, when organizations are highly dependent on their environment, such that they have to comply with local institutions, they will probably have only limited room for translation as they have to conform to institutional structures. The newness of the HR shared service concept may mean that some practices associated with HR shared services are only limitedly institutionalized, and this may provide leeway to engage in translation activities. However, as the concept matures, as a result of the ongoing benchmarking and adaptations, we may see lower levels of translation and greater homogeneity among organizations. Nevertheless, organizations may still have what Ferner et al. (2012) label 'power of meaning' such that they can interpret external pressures differently and hence weaken the isomorphic effect of institutional pressures by adopting them differently. To uncover how these processes work, the standardization – localization debate could benefit from investigating whether HR SSCs become more isomorphic over time and/or engage in different degrees of translation as a result of the leeway and power available to organizations.

Two other types of strategic responses, deviant and innovative behaviors (Oliver, 1991; Paauwe, 2004), were mostly found in situations where the HR SSC managers in MNC subsidiaries had to respond to *internal* institutional pressures. For example, we came across innovative responses where HR SSCs managers tried to shape the works council or deviated from internal coercive pressures by negotiating

with corporate headquarters over which HR activities should be undertaken by the HR SSC. These processes echo what Kostova et al. (2008) have called institutional freedom, where MNCs deviate from external, host-country institutional pressures because this enables them to acquire critical resources from other sources (such as other subsidiaries) than the host country. Such agency type of acts by local HR SSCs, against internal coercive pressures, suggest that they enjoy *internal* institutional freedom: that to create an HR service portfolio that suits the host country's legal system, they have negotiated with corporate headquarters or 'overruled' corporate decisions. It seems likely that local coercive pressures provide subsidiaries with the power to reject corporate initiatives because the high negotiation costs involved discourage headquarters from transferring home-country practices (Ferner et al., 2011a). In other words, a subsidiary's dependency on a specific institutional context (internal or external) may provide it with the power to strategically respond to other institutional contexts. That is, the internal and external institutional contexts of MNC subsidiaries interact, and one of these contexts becomes the basis for strategically responding to the other (Ferner et al., 2011a).

These findings have important utility for practice: recognizing that the local HR management in an MNC subsidiary has to cope with potentially conflicting internal and external institutional pressures as well as standardization – localization trade-offs (Stiles and Trevor, 2006). Our research findings show how these pressures can be balanced by adopting various types of strategic responses.

## **Conclusions**

This chapter has reported on a comparison of the subsidiaries of MNCs and of indigenous organizations in terms of the content of their HR SSCs, and further explored response mechanisms used. Despite some similarities, we can conclude that differences do exist regarding the transformational and innovation HR activities as well as the governance structures of the HR SSCs, and that these are mainly as a result of translation responses to institutional pressures. With regard to the standardization – localization debate, our findings imply that the truth lies somewhere in the middle: that foreign-owned MNCs, domestic-owned MNCs and indigenous organizations all make similar but varied choices regarding their HR SSCs.

By exploring and comparing the HR SSCs of MNC subsidiaries and indigenous organizations, this chapter contributes to both the international HRM and the HR

shared services literature streams. Whereas previous studies into international HRM have mainly focused on differences between MNCs and indigenous organizations in their use of HR practices, this chapter has responded to the call for additional comparative research into HR delivery channels, such as SSCs, as well as research into the ways in which MNC subsidiaries deal with local institutional pressures (Bondarouk and Ruel, 2010; Festing and Eidems, 2011; Stiles and Trevor, 2006). In so doing, we found significant differences and uncovered the strategic responses to institutional pressures that could explain these differences (Stiles and Trevor, 2006). Further, this chapter responds to the call for explorative research into HR SSCs (Farndale et al., 2009). Here, we have uncovered the content of HR SSCs in terms of their activities and governance structures, and so provide a clearer insight into these two structural characteristics of HR SSCs.

Naturally, this study has several limitations. First, given the novelty of the concept and the scarcity of knowledge on HR SSC characteristics, we had to adopt an exploratory research strategy using semi-structured interviews. By its very nature, this strategy does not enable the structured and standardized collection of the data required to formally compare different organizations. In particular, the overviews of HR shared service portfolios may be constrained given the vast number of HR support types associated with a multitude of HR fields. Nevertheless, through extensive probing during the interviews, together with studying the available HR SSC service catalogues, we have managed to construct a reasonably comprehensive overview of the services provided by HR SSCs. Second, although we have explored the strategic responses to institutional pressures, these have mainly concerned responses to mimetic pressures in the form of organizations that benchmark their HR SSC activities and governance structures. As such, we lack data on the coercive and normative pressures, as well as on variables such as dependency and leeway which affect the strategic responses of firms (Boon et al., 2009; Oliver, 1991). As a result, we do not know whether HR SSCs respond differently to other institutional pressures. For example, the interviewees did not actively report on coercive pressures experienced by the HR SSC, perhaps because they consider these institutional pressures as 'a given' such that they respond to them passively through conformist behavior. Therefore, we would encourage future research to focus more explicitly on HR SSC responses to institutional pressures other than mimetic ones. Finally, one should note that the local HR SSCs were all based in the Netherlands and selected without using a sampling frame that reflected HR SSCs operating around the globe. Given that there are no such definitive lists

and descriptions of HR SSCs (Farndale et al., 2009), it is daunting to attempt to generalize beyond the Dutch population. Therefore, we would encourage future research that studies HR SSCs beyond the Netherlands.

Having explored and compared key HR shared service characteristics across MNC subsidiaries and indigenous organizations, we would encourage new research that studies the processes that lead to strategic decisions related to HR shared services and the consequences. Here, our research first shows that HR SSCs, especially those of MNC subsidiaries, have to balance conflicting internal and external institutional pressures. As such, the standardization – localization debate could greatly benefit from further research into *how* MNC subsidiaries manage, balance or circumvent these pressures, as this would help explain why the HR SSCs of MNC subsidiaries are similar or different in certain respects to their indigenous counterparts. Second, we did not attempt to measure the extent of an HR SSC's freedom or dependency on its internal and external constituencies. Given our findings, future research could usefully examine how the levels of dependency, power or institutional freedom explain different types of strategic responses by MNC subsidiaries (Ferner et al., 2011a). This would increase understanding of why HR SSCs differ in their strategic response behaviors. Third, given that HR SSCs now offer operational transformational and innovation services, they are in a position to affect the human capital of the business units served since HR activities such as staffing, training and development affect employees' knowledge, skills and abilities, and subsequently employee performance (Lepak et al., 2006). Future research could therefore usefully study the extent to which HR SSCs influence HR outcomes such as human capital and, subsequently, employee and firm performance. Lastly, the fact that organizations, in practice, merge different governance structures is an indication that organizations vary in the extent to which control over HR SSC activities are decentralized. Assuming that the level of control over an HR SSC positively relates to the value for business units and end-users (Maatman et al., 2010; Meijerink and Bondarouk, 2013), future research could examine whether differences in control decentralization do indeed explain the variation in HR SSC performance experienced by decentralized constituencies.

## References

The list of references can be found on p. 215.

## **Chapter 5**

### **Sharing HR activities and its impact on HR service value: the contingent effect of commonality potential**

This chapter is based on: Meijerink, J., Hofman, E., and Hemels, H. (2011). To Share or Not to Share: That's the Question. When Does Sharing of HR Services Maximize Perceived HR Service Value? *Paper presented at the 7<sup>th</sup> Conference of the Dutch HRM Netwerk*, Groningen, The Netherlands, November 10-11, 2011.



## **Abstract**

Nowadays, organizations can rely on a variety of delivery channels to offer HR services to employees, such as HR shared service centers, embedded HR professionals or electronic HRM. But when should organizations opt for one of the many HR delivery channels at their disposal to secure a high-quality and/or low-cost delivery of a specific HR service? This chapter addresses this question by applying concepts from the field of product innovation management to HR service delivery. We empirically validate the assumption that the selection of an HR delivery channel for respective HR services should be based on the homogeneity of customer needs, or the *commonality potential* of an HR service. As such, this chapter contributes to the HRM literature by stressing the importance of taking a contingency view on the design of HR service delivery in organizations, using product innovation management concepts and the commonality potential framework.

## Introduction

Within organizations, human resource (HR) services are provided through a variety of intra-organizational HR delivery channels, that is, the actors within an organization which offer HR services to employees and managers. Examples of these delivery channels include HR shared service centers (SSCs), HR business partners, electronic HRM, and line managers (Farndale et al., 2010; Ulrich, 1997). Essentially, these delivery channels are either shared across multiple business units (e.g. an HR SSC) or perform HR activities for a single business unit (e.g. an embedded HR professional), which are referred to as shared and non-shared HR delivery channels, respectively. To secure a high-quality and low-cost service delivery, the scope of HR services offered by the HR delivery channels is often strictly demarcated (Cooke, 2006; Cooke and Budhwar, 2009; Farndale et al., 2009). Several scholars have argued that *transactional* HR services can best be offered using a shared HR delivery channel, for example an HR SSC, in order to achieve maximal effectiveness and efficiency (Reilly, 2000; Ulrich, 1995; Ulrich et al., 2008b). In contrast, it has been argued that *transformational* HR services, like on-the-job training and performance appraisal, can best be offered using non-shared delivery channels, in most cases line managers (Bos-Nehles, 2010; Whittaker and Marchington, 2003). This implies that to gain high-level service value – that is the trade-off between an HR service’s quality and cost – the use of a specific HR delivery channel hinges upon the type of HR service.

However, the existing research casts doubt on the notion that the service value delivered by the HR delivery channels depends upon whether their services are transactional or transformational. For example, employees report being dissatisfied with transformational HR services that are offered by non-shared delivery channels like line managers (Bos-Nehles, 2010). In addition, many organizations experience inefficiencies, in the form of shadow-staff or sub-optimal resource allocation when delivering transactional HR services through an HR shared service center (Cooke, 2006; Meijerink and Reilly, 2010). These empirical findings suggest that the decision to use an HR delivery channel cannot be based on whether the selected HR service is transactional or transformational. Therefore, the purpose of this chapter is to empirically validate the assumption that to gain high-level HR service value, the use of a specific HR delivery channel hinges upon a different criterion than HR service type, namely, the *commonality potential* of HR services. We draw on the field of product innovation management and the concept of platform thinking that explains under which conditions the value of service or product platforms can be

maximized (De Blok, Luijkx, Meijboom and Schols, 2010). Our findings show that the transactional–transformational dichotomy does not determine which HR delivery channel to choose in order to reach high levels of HR service value. Instead, we find that the commonality potential of services increases with more homogeneous customer needs. In other words, when customer needs for an HR service are more or less the same, and are relatively stable over time, the value of the services is higher when delivered using a shared HR delivery channel. On the other hand, when customer needs are very heterogeneous and fluctuate rapidly over time, non-shared HR delivery yield higher levels of HR service value. Hence, our research demonstrates the utility of applying product innovation management concepts: HR service delivery channels positively influence the value of their services when organizations design their HR delivery using the commonality potential framework.

The remainder of this chapter is organized as follows. We start by discussing the concept of HR service value and reducing the variety of HR delivery channels into a categorization of shared versus non-shared HR delivery *modes*. This is followed by the development of hypotheses using the commonality potential framework, which are later tested with the use of survey data from a Dutch technical service company. After the presentation of the research findings, we conclude with the theoretical and practical implications of our research.

## **Theoretical background**

### **HR service value**

Before starting a discussion on the conditions that determine the use of an HR service delivery channel, we first have to have a performance criterion against which we can compare HR service delivery channels. Otherwise, we cannot determine whether one delivery channel is better or more desirable than others for offering selected HR services. Following others (Maatman et al., 2010; Meijerink et al., 2013), we conceptualize the performance of HR service delivery channels as *HR service value*. In the service management literature, value has been thought of as the client's "overall assessment of the utility of a *service* based on the perceptions of what is received and what is given" (Zeithamel, 1988: 15, italics are ours). Several scholars have operationalized value by the ratio of use value (i.e. what is received) to exchange value (i.e. what is given) (Bowman and Ambrosini, 2000; Lepak et al., 2007; Meijerink et al., 2013). Use value represents "the quality of a (...) service as perceived by users in relation to their needs" (Bowman and Abrosini, 2000: 2). Put differently, it reflects the extent to which a service meets the needs of

those who use it. Exchange value, on the other hand, has been defined as the “amount paid by the user to the seller for the use value of the focal (...) service” (Lepak et al., 2007: 182) and reflects the costs that clients make in consuming a service (Lapierre et al., 1999; Priem, 2007; Zeithaml, 1988). Costs can be monetary, such as fees or prices paid for services, and non-monetary, such as the time and effort that clients need to devote to receive the services. Combining use and exchange value as a ratio suggests that value increases when use value increases or exchange value decreases (Meijerink et al., 2013). Clients thus perceive higher levels of value when the benefits or quality of services improves or when the costs for using the service drop (Cronin et al., 2000; Grewal et al., 1998). In an HRM context, we therefore define HR service value as the trade-off between an HR service’s benefits and the costs of its acquisition. As such, an HR activity can be best delivered through the HR service delivery channel which yields the highest value of that respective service.

### **Towards a conceptualization of HR delivery channels**

In order to select the HR service delivery channel which yields the highest level of HR service value, organizations can choose from several options. Ulrich (1997), for example, identified three HR service delivery channels, namely: corporate HR departments, HR shared service centers and HR business partners. Later, he extended this topology by adding centers of expertise and operational executors (Ulrich et al., 2008b). Farndale et al. (2010), based on an empirical study into seven organizations, present a different model that includes five HR delivery channels: electronic HRM, HR shared service centers, HR expertise centers, HR business partners and corporate centers. Valverde and colleagues (2006) suggest three channels: the HR department, top management and line management. It is not difficult to conclude that a variety of classifications of HR service delivery channels exists.

At first sight, this variety may cause problems with developing a comprehensive model that accounts for all possible internal HR sourcing arrangements. However, these problems may be mitigated if we move to a higher aggregation level. In doing so, we distinguish between HR delivery channels that offer services which are shared across business units and those that deliver services for a single unit. For example, (corporate) HR expertise centers and HR service centers are shared service providers which offer common HR services to employees, managers and decentralized HR staff in multiple business units (Cooke, 2006;

Farndale et al., 2010; Ulrich, 1995). On the other hand, HR business partners are embedded in a single business unit to deploy local HR programs and closely partner with line managers who are responsible for offering operational HR services to their subordinates (Farndale et al., 2010; Ulrich et al., 2008b). Given that business units rely on both collective and retained HR delivery channels, we distinguish two HR delivery modes: (1) a *shared HR delivery mode* that reflects the execution of common HR activities by delivery channels which are shared across business units, while (2) the *non-shared HR delivery mode* refers to the execution of HR activities by delivery channels that operate for a single business unit (see Table 7 for examples of both delivery modes).

	<b>Shared HR delivery mode</b>	<b>Non-shared HR delivery mode</b>
Definition	Execution of common HR activities by delivery channels which are <b>shared</b> across business units	Execution of HR activities by delivery channels that operate for a <b>single</b> business unit
Examples of delivery channels	<ul style="list-style-type: none"> <li>• HR shared service centers</li> <li>• Centers of expertise</li> <li>• Corporate HR department</li> <li>• Top management</li> <li>• Electronic HRM</li> </ul>	<ul style="list-style-type: none"> <li>• Line managers</li> <li>• Embedded HR professionals / HR business partners</li> <li>• Operational executors</li> </ul>

**Table 7:** Definition and examples of HR delivery modes

In discussing the selection of HR sourcing possibilities, several studies have made a distinction between transactional and transformational HR services (Carrig, 1997; Lepak et al., 2005; Ulrich, 1995). Here, transactional HR services are understood as HR administration-related activities such as personnel record-keeping and payroll, whereas transformational HR services refer to activities which aim to develop or transform the human resources of the organization or the organization itself, and include services like training, staffing and organizational development (Ulrich, 1995). In the literature it is suggested that organizations should offer transactional HR services using the shared HR delivery mode, while transformational HR services

can best be performed by the non-shared HR delivery mode to yield high-level HR service value (Cooke, 2006; Redman et al., 2007; Ulrich et al., 2008b). Ulrich et al. (2008: 843) argue that “the embedded HR professional is responsible for selecting and implementing the right development experiences to improve first-line supervision.” Redman et al. (2007: 1503) suggest “that transformational HR might be better provided out with the shared service arrangement”. On the other hand, transactional HR services, which often come in large volumes (Lepak et al., 2005), may be offered inefficiently when organizations decide to decentralize their delivery and so miss out on potential economies of scale benefits (Farndale et al., 2009; Redman et al., 2007). Therefore, transactional HR work likely has the highest HR service value when it is offered through a shared delivery mode.

However, research evidence suggests that following these arguments does not always delivers high-level HR service value (Cooke, 2006; Reilly, 2000; Sparrow et al., 2004). For instance, Cooke (2006) reports low levels of HR service quality delivered by a transactional-oriented HR SSC, which was perceived by employees and managers as wasting resources. For transformational HR delivery, non-shared HR delivery channels do not always yield high-level HR service value either. For instance, several studies report the accounts of line managers who are dissatisfied with the training and coaching received from embedded HR professionals (Cunningham and Hyman, 1999; Renwick, 2003; Whittaker and Marchington, 2003). Similarly, HR professionals perceive that line managers are ineffective in offering transformational HR services to employees (Hall and Torrington, 1998; Harris, Doughty and Kirk, 2002). An important conclusion stemming from these findings is that offering (1) transactional HR services through the shared HR delivery mode and (2) transformational HR services through the non-shared HR delivery mode can still yield low levels of HR service value. This means that the nature or type of HR service does not necessarily determine which HR delivery mode to choose in order to generate high-level value.

### **Platform thinking and HR service delivery**

The notion that the type of HR services is not a useful guide for companies in their decision-making raises the question of which condition determines the appropriate delivery mode for specific HR services? This chapter address this question by testing the validity of the platform thinking principle and the related concept of *commonality potential*, which was originally applied to product innovation management (Halman et al., 2003; Robertson and Ulrich, 1998). We do so because

the key to platform thinking is “the *sharing* of components, modules and other assets across a family of services” (Halman et al., 2003: 149), and as such, it helps to uncover whether selected HR services can best be shared or localized. Previous research has shown that sharing service components across a family of services may result in multiple benefits, including economies of scale and scope, accumulated learning, shorter lead times and increases in service quality (Pekkarinen and Ulkuniemi, 2008; Voss and Hsuan, 2009). Applying platform thinking to HR service delivery provides the opportunity to offer better services at a lower price, that is, improve HR service value levels.

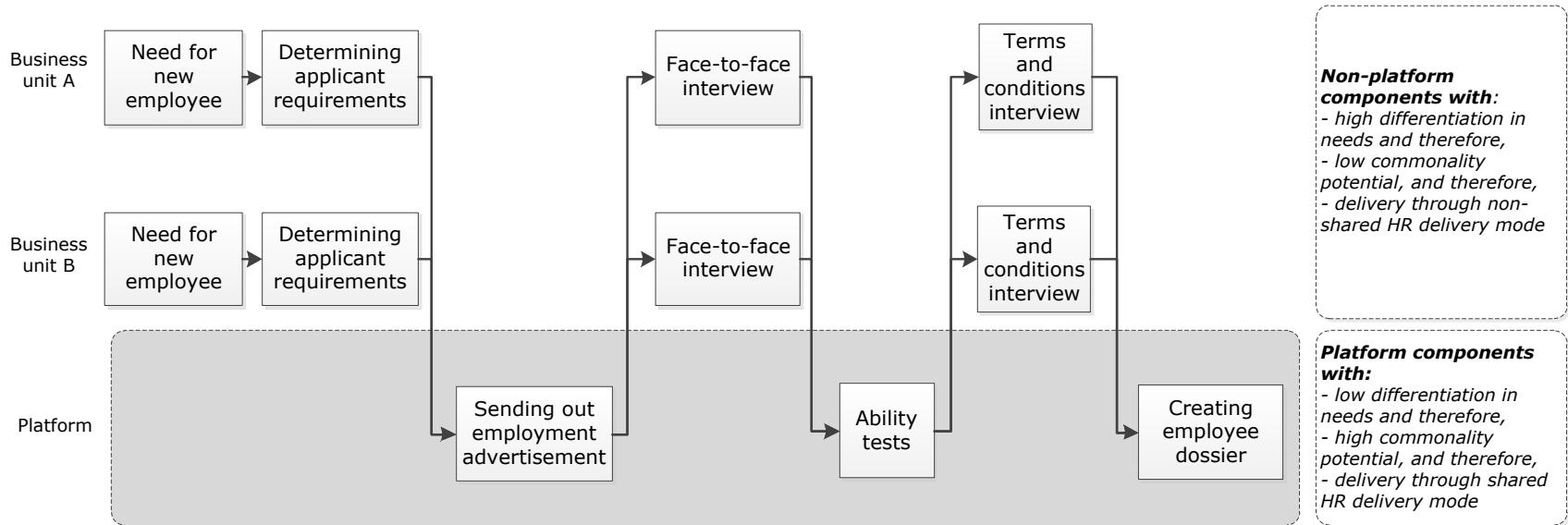
A key concept in platform thinking is the *service platform* which, in terms of delivery channels, echoes the shared HR delivery mode. A service platform can be defined as the collection of service components that are shared by a set of services (Robertson and Ulrich, 1998). In an HRM context, service components can be thought of as specific HR activities that are part of HR processes, like conducting a face-to-face interview or screening résumés which are both part of staffing processes. For HR service provision, a service platform involves the sharing of HR activities across a family of HR processes. For example, the résumé screening or application request administration can be the same for an engineer within the R&D department as for a representative in the sales department. The HR process steps that are common across multiple business units can form a service platform, and therefore, the delivery of this platform can easily be done by means of a shared HR delivery mode (see Figure 8). Given this consideration, relying on the shared HR delivery mode to provide an HR activity will be appropriate when this activity can be put in a platform. Next we discuss the concept of *commonality potential* (Robertson and Ulrich, 1998) to explain under which conditions a service component can best be put in a platform, that is, delivered using the shared HR delivery mode.

### **Relationship between the level of differentiation in needs and sharing services**

Consistent with general systems theory, which holds that the design of a system is affected by inputs into and demands placed on the system (Schilling, 2000; Simon, 1962), platform scholars identified two related conditions which determine whether it is appropriate to put a service component into a service platform: commonality potential and the level of differentiation in user needs (Halman et al., 2003; Hofer and Halman, 2004; Robertson and Ulrich, 1998; Voss and Hsuan, 2009). *Commonality potential* refers to the replicability of service components. Product and

service components can easily be replicated across multiple services when these products or services rely on standard interfaces between components and when their production involves similar assets like knowledge, information technologies, or operating standards (Halman et al., 2003; Voss and Hsuan, 2009). A derivative of commonality potential is the *differentiation in needs* concept, which reflects the variety of demands placed upon the system and refers to the extent to which the need for a service differs across clients (Halman et al., 2003; Hofer and Halman, 2004). As such, this concept concerns the heterogeneity of client needs, which may differ across individual users and over time (Martin and Ishii, 2002; Schilling, 2000). A service component is said to be eligible for putting in a platform when the differentiation in needs is low (see Figure 8), because this increases its commonality potential (Hofer and Halman, 2004; Martin and Ishii, 2002; Voss and Hsuan, 2009). According to Hofer and Halman (2004: 55, italics are ours), "differentiation needs have to be served by non-platform *components*" in order to ensure that the service meets the unique client needs. Vice versa, when following the logic of economies of scale, a service component can best be put into a platform when the commonality potential is high, because dispersing assets throughout the organization to meet similar needs leads to a suboptimal and inefficient allocation of assets (Hofer and Halman, 2004; Pekkarinen and Ulkuniemi, 2008; Voss and Hsuan, 2009). Therefore, increasing the efficiency and quality of service components for which customers have a low differentiation in needs should be part of the service platform (Robertson and Ulrich, 1998).





**Figure 8:** Example of a platform for the delivery of staffing services

Here a parallel can be found with transaction cost economics (Coase, 1937; Williamson, 1975). Although transaction cost economics has been applied to explain outsourcing decisions, it can also be applied to intra-organizational HR delivery because shared HR service provision echoes internal 'outsourcing' (Farndale et al., 2009). From a business unit perspective, using the shared HR delivery mode reflects the outsourcing of HR activities that would otherwise be performed within the business units to the internal 'outsourcing' vendors such as HR SSCs or centers of expertise. Following transaction cost economics, business units may not favor shared HR delivery when the differentiation in needs is high, because a diversity in needs increases the transaction costs, the costs of economic exchanges like costs for negotiating/drafting contracts and monitoring the performance of shared HR delivery channels (Coase, 1937; Rindfleisch and Heide, 1997). Transaction costs increase as a result of asset specificity, which refers to the transferability of assets that support a given transaction such that the specific asset does not have any value outside the focal exchange relationship (Williamson, 1975). A high level of diversity in needs requires the shared HR service delivery channel to make investments in specific assets to understand the particular needs of many business units and develop customized HR programs that meet these diverse and idiosyncratic needs (Klaas et al., 1999; Lepak et al., 2005). However, the investment costs made by the service provider are not incurred when a business unit terminates the exchange or reduces the volume of procured services. To reduce the dependency on the business units and reduce the associated risks of no return on investments in specific assets, the service provider likely reflects the risks in the price charged for the shared HR services (Klaas et al., 1999; Williamson, 1975). To keep costs as low as possible, organizations are more inclined to offer HR services with high differentiation in needs through a non-shared HR delivery channel.

If decision-makers do not behave in accordance with what platform thinking predicts, this is likely to lead to suboptimal levels of HR service value. For instance, when HR services with high commonality potential are not shared, organizations may miss out on economies of scale benefits, resulting in a relatively high price to be paid by the clients. On the other hand, when differentiation in needs is high, sharing of those activities likely results in over-standardization and a low quality of HR services. Furthermore, devolving HR services with associated needs that change rapidly over time to shared HR delivery channels may increase costs due to on-going negotiations between the business unit and shared HR delivery channel (Rindfleisch and Heide, 1997). Finally, the costs of HR services for which

idiosyncratic preferences exist may increase when they are shared, because the shared HR service provider has to make up-front investments to understand the specific needs of many different business units. This is consistent with the findings of Klaas et al. (1999), who found that firms which rely on idiosyncratic HR practices (i.e. have a high level of differentiation in needs) perceive fewer benefits from outsourcing HR practices than those with standard practices and needs. We therefore suggest, when applied normatively, that platform thinking predicts that HR services will yield high-level HR service value when HR activities with high commonality potential (i.e. low differentiation in needs) are shared, and HR activities with low commonality potential (i.e. high differentiation in needs) are retained in the business units. In other words, a mismatch between differentiation in needs and HR service delivery channel results in lower levels of HR service value. We suggest the following contingent hypotheses:

*Hypothesis 1a: the HR service value of HR activities with low differentiation in needs is higher when delivered through a shared HR delivery mode in comparison to a non-shared HR delivery mode.*

*Hypothesis 1b: the HR service value of HR activities with high differentiation in needs is higher when delivered through a non-shared HR delivery mode in comparison to a shared HR delivery mode.*

## **Methodology**

### **Contextual background, sampling and procedures**

To test our research hypotheses, we used data obtained from July 2010 to February 2011 from a sample of HR activities within a Dutch technical services company that, for reasons of anonymity, we refer to as TechCom. At the time of the research, TechCom relied on an HR shared service center, embedded HR advisors and line managers. TechCom had experience with both HR delivery modes for some years because at the end of 2008, TechCom started offering HR services using the HR SSC, whereas previously most operational HR activities were taken care of by line managers and embedded HR professionals. Despite some differences, the HR SSC mostly offered transactional HR services, while the non-shared HR delivery channels performed both transactional and transformational HR activities. TechCom consisted of 22 business units which differently distributed HR activities across shared and non-shared delivery channels. For example, some business units decided not to

make use of the HR SSC for sick leave and working hours administration, while others did. In other words, within TechCom there was a variation in which HR activities are offered through shared and non-shared delivery modes, which made TechCom a useful empirical setting for testing our hypotheses.

Our unit of analysis was the HR activity, because we intended to test whether the alignment of an HR activity's delivery channel and differentiation in needs affects the value of the selected HR activity. We constructed a sampling frame which consisted of almost all HR activities performed within TechCom. To develop the sampling frame, we relied on both documents and interviews. First, we identified HR activities by analyzing documents which contained descriptions of all operational HR processes in TechCom. Second, to guarantee the inclusion of all possible HR activities in the sampling frame, we also interviewed seven HR managers and asked them to describe the entire flow of HR processes, which allowed us to triangulate the HR processes overviews. From the final sampling frame we selected 52 HR activities through stratified random sampling to guarantee an equal distribution of transactional and transformational HR services. In total, 29 transactional and 23 transformational HR activities were selected.

To reduce common method bias and test the causal linkages among the variables of interest, we relied on two data collection techniques (mail surveys and document analysis) that were employed in two phases. During phase 1, to obtain data on the HR delivery modes, we analyzed the HR process overview documents which outlined the delivery channels used for offering the selected HR activities. The overviews also provided information on the type of HR activities and were therefore used to determine whether the selected activities were transactional or transformational. At the end of phase 1, we surveyed the HR directors of the 22 business units to measure the differentiation in needs of users across business units. Together, these HR directors are responsible for the implementation of HRM policies within TechCom's business units and meet on a monthly basis to discuss HR-related issues, which suggests they have a good insight into the HR needs within and *across* business units. During phase 2, which took place two months after phase 1, we again surveyed the HR directors to collect data on HR service value for three reasons. First, as in most companies, the HR directors are responsible for controlling and governing the shared and non-shared HR delivery channels (Farndale et al., 2010) and therefore are in a good position to judge the value of an HR activity, irrespective of whether it is shared or not. Second, they have a better overview of the performance of all HR activities, in comparison to

other stakeholders like managers and employees who may make too little use of some HR activities to form a reliable perception of HR service value. Third, HR service value represents the ratio of the benefits and costs of HR activities. Employees and line managers do not pay to receive HR services (Cooke, 2006; Meijerink and Bondarouk, 2013) and therefore are not able to fully judge the value of HR activities. We chose to survey the HR directors because they have information regarding the monetary costs of HR services and so are better able to make trade-off assessments of HR activity benefits and costs. Of the total of 22 HR directors, 19 responded during the first phase, and 13 returned the questionnaire during the second phase. This yielded response rates of 86% and 60%, respectively. We relied on the data from the 13 HR directors who filled in both questionnaires, which resulted in a total of 676 HR activities. Missing values forced us to exclude 17 HR activities through list-wise deletion. Thus, for the final analysis we used data on 649 HR activities.

### **Main variables**

Whenever possible, we used existing multi-item scales to measure the variables of interest. Answers could be given by selecting among a binary variable or were statements on a five-point Likert scale (ranging from 'strongly disagree' to 'strongly agree').

#### *HR delivery mode*

HR delivery mode was assessed by making use of a dummy variable (1 = shared HR delivery mode, 0 = non-shared HR delivery mode). The only shared form of HR delivery within TechCom is the HR SSC. Therefore, all HR activities not provided by the HR SSC were coded as non-shared.

#### *Differentiation in needs*

For each HR activity the differentiation in needs is determined by two dimensions: (1) the extent to which user needs differ among end-users at the same moment in time and (2) the degree to which user needs change over time (Joshi and Sharma, 2004; Martin and Ishii, 2002). We therefore decided to adapt the customer turbulence scale of Joshi and Sharma (2004) as it includes two measures for need variation across both users and time (see Appendix B). We first described each HR activity individually and then asked the HR directors to assess its differentiation in needs. The rating scale ranged from 1 = "strongly disagree" to 5 = "strongly

agree". We computed the inter-item correlation, which had an acceptable value of 0.79, showing a strong internal consistency of the differentiation in needs scale.

#### *HR activity type*

HR activity type is defined as the category to which an HR activity belongs, which depends on the HR activity's objective (Lepak et al., 2005). As such, an HR activity is transactional when its aim is to fulfill the administrative needs of the organization or transformational when it aims to transform the human resource base of the organization or the organization itself (Lepak et al., 2005; Ulrich, 1995). Hence, we developed a dummy variable (1 = transformational HR activity, 0 = transactional HR activity). To measure the type of HR activity, three HR scholars independently coded the 52 selected HR activities as either transactional or transformational based on the definitions presented above. The inter-coder reliability for the HR activity type was 90.4%, which is sufficient to be confident that the data is reliable (Miles and Huberman, 1994).

#### *HR service value*

HR service value is defined as the trade-off between an HR service's benefits and the costs of its acquisition (Cronin et al., 2000; Grewal et al., 1998). We decided to adapt the service value scale of Cronin et al. (2000) as it includes two measures for the trade-off between service benefits and costs (see Appendix B). We first described each HR activity individually and then asked the HR directors to assess its service value using a rating scale that ranged from 1 = "strongly disagree" to 5 = "strongly agree". The correlation among the items (0.86) showed a strong consistency of the HR service value scale.

#### **Control variables**

In our analysis we included two variables to control for confounding effects: job tenure of the HR director and business unit size.

#### *Job tenure of HR director*

Client self-efficacy increases with job tenure and is known to positively influence the service value (McKee et al., 2006). HR directors with longer tenures are potentially able to collaborate better with other HR delivery channels and, hence, experience higher levels of service value. Also, they are likely to know their business units better and hence are better able to make sound decisions on how to source HR

activities. Job tenure was measured as the number of years worked within TechCom.

#### *Business unit size*

Previous research showed that firm size is negatively related to perceived benefits of HR outsourcing (Klaas et al., 1999). To control for this effect, we measured business unit size as the number of individuals employed within the focal business unit.

### **Data analysis**

Before testing our hypotheses, we first checked the agreement and consensus among the 19 HR directors for the value of *differentiation in needs*. We did so by examining the within-group agreement or  $r_{wg(j)}$  (James, Demaree and Wolf, 1984), intraclass correlation (ICC(1)), and reliability of the mean (ICC(2)). Later, we tested our contingency model by estimating a multilevel model. Multilevel analysis was required because our observations are not independent of each other since we asked all 22 HR directors to rate the value of the HR activities. Put differently, the HR activities are 'nested' with the HR director, such that the HR service value scores of the 52 HR activities are correlated because they are rated by a single respondent. To account for these interdependencies we performed a multilevel analysis using the mixed method analysis technique in SPSS. We conceptualized the attributes of HR activities, differentiation in needs, HR delivery mode, HR activity type and HR service value, to reside at level-1. The control variables were conceptualized at level-2 because they are the attributes of the HR director / business unit in which the HR activities are 'nested'.

## **Results**

### **Viability of differentiation in needs construct**

We first checked the viability of the differentiation in needs construct. The  $r_{wg(j)}$ , which was adjusted for a slightly positive skew, had a value of .87. We obtained values for ICC(1) and ICC(2) of .29 and .80, respectively. Altogether, the values of these indices lie above the suggested cut-off levels reported in the literature (LeBreton and Senter, 2008) and hence show a strong consistency and agreement among the respondents concerning the extent to which user needs differ across end-users and time. Despite the high levels of inter-rater agreement and reliability, we decided not to aggregate the data on differentiation needs at the HR activity

level as this will reduce the richness of the data and ignores within-business unit variation in end-user needs.

### Descriptive statistics and correlations

The means, standard deviations and correlations among the variables are shown in Table 8. The mean of differentiation in needs is 2.63 with a standard deviation of 1.17. This shows that only 15.8% of the HR activities have a high ( $> 1\sigma$ ) or very high ( $> 2\sigma$ ) differentiation in needs score, which is above 3.8 or 4.97, respectively. The level of HR service value of an HR activity varies according to the tenure of the HR director, business unit size, and differentiation in needs. The larger the business unit and the longer an HR director works for an organization, the higher the HR service value becomes. There is a striking negative correlation between differentiation in needs and HR service value; the more the needs for an HR activity differ, the lower the HR service value is.

Variable	M	SD	1	2	3	4	5
1. HR service value	3.32	0.85					
2. Job tenure of HR director	8.58	9.57	0.35**				
3. Business unit size	295	201	0.17**	0.28**			
4. HR activity type	0.46	/	-0.04	0.00	0.00		
5. HR delivery mode	0.51	/	-0.04	-0.09*	0.00	-0.12*	
6. Differentiation in needs	2.63	1.17	-0.18**	0.05	-0.03	0.35**	0.07

\*  $p < 0.05$

\*\*  $p < 0.01$

N = 649 HR activities

**Table 8:** Descriptive statistics and correlations

Also, the significant correlation between differentiation in needs and HR activity type deserves attention. In the literature, it is often suggested that the needs for



transformational HR services are more diverse than those for transactional HR services (Lepak et al., 2005). The significant, positive correlation between differentiation in needs and HR activity type shows that this is likely to be true. However, the strength of the correlation is moderate, suggesting that the variety in needs for transformational HR services may not *always* be lower. This finding is a first indication that categorizing HR activities following the differentiation in needs framework indeed differentiates from a transactional versus transformational categorization.

### **Multilevel regression analyses**

Before running the regression analysis, we first examined whether there is significant between-HR director variance in the level of HR service value. We estimated a null model in which no independent variables were included for testing the significance level of the level-2 residual variance in the intercept, which was significant ( $\tau_0^2 = .19, p < .05$ ). The ICC(1) was .26, indicating that 26 percent of the variance in the HR service value of HR activities resided between HR directors and 74 percent of the variance resided within HR directors. Based on these findings, we can conclude that the largest part of the variance in HR service value can be attributed to the HR activities themselves (e.g. differences in how they are sourced) in comparison to characteristics of the HR director assessing the HR service value. Furthermore, the significant level-2 residual variance shows that a multilevel analysis is indeed required to test our hypotheses.

In all, four series of regression analyses were conducted to test the hypotheses. Their results are presented in Table 9. Model 1 is confined to the inclusion of the control variables. Only the job tenure of the HR director was significantly related to the HR service value ( $\gamma = .03, p < .05$ ), such that HR service value increases with a longer job tenure.

In model 2, we included the variables HR activity type, HR delivery mode and differentiation in needs. Including these variables decreased the model deviance to 1480.95. The results indicate a significant, negative relationship between differentiation in needs and HR service value ( $\gamma = -.13, p < .001$ ). In other words, the HR service value decreases when the needs of end-users become more heterogeneous or more variable across time. On the other hand, HR delivery mode does not have a significant impact on HR service value ( $\gamma = .03, p = .60$ ), meaning that none of the two HR delivery modes consistently delivers higher levels of service value.

<b>Variables</b>	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>	<b>Model 4</b>
Intercept	2.96***	3.34***	3.33***	3.49***
<b>Control variables</b>				
Job tenure of HR director	0.03*	0.03*	0.03*	0.03*
Business unit size	0.00	0.00	0.00	0.00
<b>Main Effects</b>				
HR activity type		0.04	0.03	0.04
HR delivery mode		0.03	0.02	0.34*
Differentiation in needs		-0.13***	-0.13***	-0.18***
<b>Two way interactions</b>				
HR delivery mode			-0.02	
X HR activity type				
HR delivery mode				-0.12*
X Differentiation in needs				
Model Deviance <sup>a</sup>	1486.70	1480.98	1483.42	1479.48
Pseudo R <sup>2b</sup>	.11	.15	.15	.16

<sup>a</sup> Deviance is a measure of model fit: the smaller the deviance is, the better the model fits. Deviance =  $-2 \times \log$ -likelihood of the full maximum-likelihood estimate. ; <sup>b</sup> The Pseudo R<sup>2</sup> for HR service value was calculated using the formula suggested by Kreft and De Leeuw (1998)

\*  $p < .05$

\*\*  $p < .01$

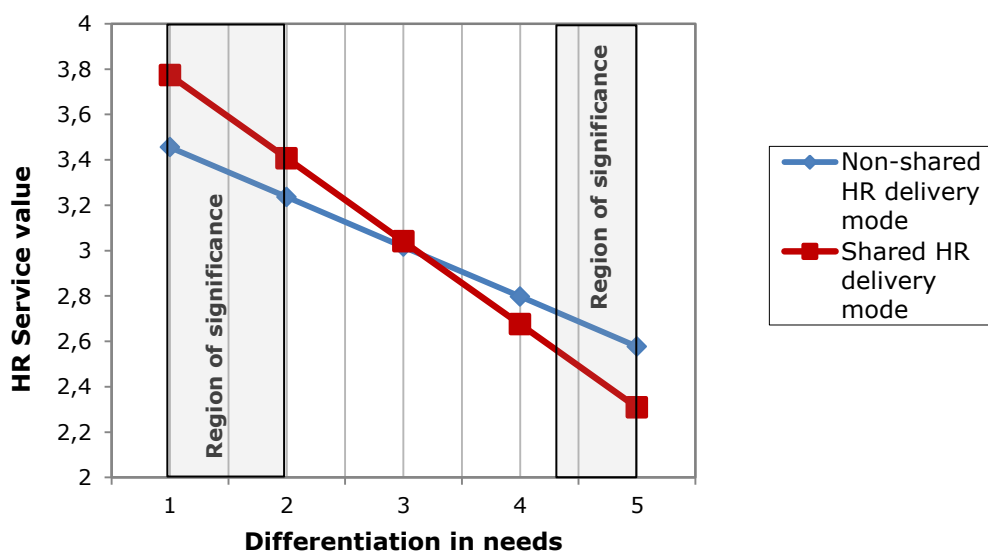
\*\*\*  $p < .001$

**Table 9:** Results of the multilevel regression models of HR service value

In model 3, we introduced a two-way interaction between HR delivery mode and HR activity type. Although not hypothesized, we tested this interaction because the literature considers the relationship between HR delivery mode and HR service value to be contingent on whether an HR service is transactional or transformational. However, in comparison to model 2, including this interaction term did not improve the model fit. Also, the interaction term is insignificant ( $\gamma = -.02$ ,  $p = .86$ ), meaning that the relationship between HR delivery mode and HR service value is not significantly different for transactional or transformational HR services. Put differently, the value of an HR activity is not affected by whether the type of HR activity is aligned with an HR delivery mode.

In model 4, we included the two-way interaction between HR delivery mode and differentiation in needs, which reduced the model deviance in comparison to

models 2 and 3. Again, differentiation in needs related significantly and negatively to HR service value ( $\gamma = -.18, p < .001$ ). When including the two-way interaction, the effect of HR delivery mode on HR service value also became significant ( $\gamma = .34, p < .05$ ), which suggests that a shared delivery mode yields higher levels of value in comparison to the non-shared delivery mode. However, the two-way interaction effect was also significant ( $\gamma = -.12, p < .05$ ), meaning that the relationship between HR delivery mode and HR service value is contingent on the differentiation in needs. To gain a further insight into the two-way interaction effect, we plotted it and performed a slope difference test (Aiken and West, 1991; Bauer and Curran, 2005; Dawson and Richter, 2006). The interaction effect between HR delivery mode and differentiation in needs was plotted in Figure 9 against  $\pm 2$  standard deviations from the mean for illustrative purposes.



**Figure 9:** Two-way-interaction effect: HR delivery mode x differentiation in needs

Different values of the moderator variable may yield different slopes of the regression lines that represent the HR delivery mode–HR service value relationship. Therefore, we calculated the region of significance using Bauer and Curran’s (2005) adapted version of the Johnson-Neyman technique for analyzing multilevel data. We

did so to assess against which values of differentiation in needs the interaction effect is significant. The regions of significance are also included in Figure 9.

Figure 9 shows that the HR service value decreases when end-user needs become more heterogeneous, irrespective of the HR delivery employed. Nonetheless, the highest level of HR service value is reached when HR services, for which there are homogenous end-user needs, are offered using a shared HR delivery mode. On the other hand, the shared HR delivery mode also yields the lowest level of HR service value when it offers HR services for which end-users have different needs and wishes. This observation is corroborated by the region of significance results, which show that the HR service value of non-shared and shared HR delivery modes differs significantly (at  $p < 0.1$ )<sup>1</sup> for the extreme values of differentiation in needs (smaller than 1.96 as well as larger than 4.31). However, it should be noted that the region of significance is wider for low than for high differentiation in needs values. To examine the percentage of HR activities that fall within these two regions of significance, we computed the z-scores for the boundaries of these regions of significance. A differentiation in needs score of 1.96 yields a z-score of  $-0.57$   $((1.96 - 2.63) / 1.17 = -0.57)$ , which indicates that 28.43% of the examined HR activities (i.e. those with a differentiation in needs score lower than 1.96) yield a higher level of value when offered through the shared HR delivery mode. In comparison, a score of 4.31 yields a z-score of  $1.44$   $((4.31 - 2.63) / 1.17 = 1.44)$ , which shows that only 7.56% of the HR activities (i.e. the activities with a differentiation in needs higher than 4.31) have a higher value when delivered by a non-shared HR delivery channel.

Hypothesis 1a states that delivering HR activities through a shared HR delivery mode results in higher levels of HR service value when differentiation in needs are low. Hypothesis 1b states that delivering HR activities through a non-shared HR delivery mode results in higher levels of HR service value when differentiation in needs are high. The significant regression coefficient for the interaction effect in model 4 and the regression lines in Figure 9 indicate that both hypotheses should be accepted. The region of significance test confirms this, as it shows that the shared HR delivery mode yields significantly higher levels of value when differentiation in needs is low (i.e.  $< 1.96$ ) in comparison to the non-shared HR delivery mode that yields higher levels of value when differentiation in needs is high (i.e.  $> 4.31$ ). Therefore, we accept both hypotheses.

---

<sup>1</sup> We also conducted the Johnson-Neyman test at the more conservative interval of  $p < 0.05$ , which showed that the HR service value of non-shared and shared HR delivery modes only significantly differs for the values of differentiation in needs lower than 1.62.

## **Discussion**

In this chapter, we set out to examine whether the effect of using a shared or non-shared HR delivery mode on HR service value depends on the *commonality potential* of respective HR services. We found that the impact of utilizing one of the two HR delivery modes on HR service value is contingent upon the differentiation in needs, yet unconditional for the type of HR service that is delivered. These findings have important implications for theory and practice, which are discussed next.

### **Theoretical contribution and implications**

This study makes several contributions to the HRM literature. First, we contribute by empirically demonstrating the utility of applying product innovation management concepts. We find that the value of using a specific HR delivery channel hinges upon the *commonality potential* of the respective HR services. Existing studies into HR delivery have suggested that transactional HR services should be shared across business units, whereas transformational HR services can be best retained with individual business units in order to maximize HR service value (Cooke, 2006; Redman et al., 2007; Ulrich, 1995; Ulrich et al., 2008b). Our findings challenge this assumption and, instead, suggest a better criterion in the form of the extent of differentiation in needs for HR services, meaning that the extent to which using an HR delivery mode results in high-level HR service value depends on the extent to which user needs differ across users and time. Therefore, research that intends to explain the value of HR delivery channels or test the validity of design rules for organizing HR service delivery can benefit from applying platform thinking principles such as the commonality potential framework.

However, the extent to which the commonality potential matters as a valid design rule differs for the two delivery modes. The shared HR delivery mode is preferable for a larger proportion of HR activities (28.43% to be precise) in comparison to a smaller proportion of HR activities (i.e. 7.53%) that are better offered using a non-shared HR delivery mode to yield high-level value. This small percentage of HR activities also has relatively high differentiation in needs scores (that is, more than once or twice the standard deviation above the mean), which implies that the shared and non-shared HR delivery modes yield equal levels of value when delivering HR activities for which user needs are moderately diverse. In fact, when applying a more restricted confidence interval of  $p < .05$ , no differences in service value are found between the shared and non-shared HR delivery mode when the variety in user needs is more than one standard deviation above the

mean. At best, this suggests that a shared HR delivery mode does not underperform in comparison to the non-shared delivery mode when users have somewhat strong differences in needs (i.e. between the mean and one standard deviation above the mean). This provides preliminary support for the claims made by shared service scholars, who argue that a shared HR delivery mode is a powerful form of delivery that yields high-level value as it helps reap the benefits of centralization and decentralization models, while simultaneously reducing their drawbacks (Bondarouk, 2011; Cooke, 2006; Farndale et al., 2009; Maatman et al., 2010). The idea is that, although shared service centers centrally locate the delivery of HR services, they can nevertheless effectively meet the needs of local business units because the latter rely on control mechanisms such as service level agreements that support the alignment of business unit and shared service center interests (Janssen and Joha, 2006; Meijerink and Bondarouk, 2013). Although the shared delivery mode does not outperform the non-shared mode for meeting differentiated needs, our results are a first indication that shared service provision is a powerful sourcing arrangement, because under different circumstances, it yields higher or similar levels of value than a non-shared HR service provision does.

To gain a better understanding of why shared service centers can serve differentiated needs equally well, we can turn to the resource-based perspective and configuration theory. Together, these theories argue that value follows from intra-organizational resources and the synergies among them (Barney, 1991; Doty, Glick and Huber, 1993). Shared HR delivery channels, such as HR SSCs, bring together resources like human capital and organizational capabilities that would otherwise be left unbundled when utilized for non-shared HR delivery (Maatman et al., 2010; Meijerink and Bondarouk, 2013). This situation provides shared HR delivery channels with more possibilities for creating resource synergies in comparison to non-shared HR delivery channels (Cooke, 2006). Making use of these synergies increases the ability of shared HR delivery channels to effectively deal with the complexities associated with meeting many heterogeneous needs (Skaggs and Youndt, 2004). Therefore, although non-shared HR delivery channels can benefit from possibilities to tailor their services more easily to meet the diverse needs within a *single* business unit, shared HR delivery channels may serve *multiple* business units equally well, because they have the advanced resources to do so. Future research could test this proposition in order to explain why the value of shared and non-shared HR service delivery modes does not differ (strongly) when it comes to providing HR services for which diverse user needs exist.

Nevertheless, the question remains of whether HR activities for which moderately diverse needs exist should be shared or not, because our results do not give a definitive answer. Future research could address this by relying on the commonality potential framework. In this chapter, we operationalized the commonality potential as the differentiation in needs or, in other words, the *demands* placed upon HR service delivery. But it is also affected by the *inputs* used for service delivery, as service components can be put in a platform when their production relies on similar inputs (Schilling, 2000; Simon, 1962). For HR service delivery, such inputs can be thought of in terms of resources like HR competencies, HR information technologies or HR policies (Farndale et al., 2009; Meijerink et al., 2013). Therefore, we encourage future research to examine whether differentiation in *resources* may explain whether HR services with heterogeneous needs should be shared or non-shared to maximize HR service value.

We also contribute to the literature on HR evaluation. This stream of literature has paid much attention to how HR service value is affected by the HR competencies, roles or capabilities of HR professionals (Boselie and Paauwe, 2005; Buyens and De Vos, 2001; Maatman et al., 2010; Ulrich, 1997). Our findings suggest that attributes of the clients and users residing outside the HR service providers influence HR service value levels in terms of the variety in their needs. In fact, irrespective of the delivery mode used, the value of HR services is reduced when the differentiation in the needs of users increases. Although the choice of a service delivery mode does influence value, the influence of the differences in user needs on HR service value is almost equally strong. A diversity in needs for HR services among business units or employees probably increases the differences in expectations of an HR delivery channel. As a result, the HR service provider may experience high levels of role conflict or ambiguity because it is expected by the business units to enact different HR roles (Caldwell, 2003; Gilbert, De Winne and Sels, 2011a). For example, Caldwell (2003) found among 98 HR professionals in the UK that they experience intra-role conflict in terms of a divergence in expectations of stakeholders and associated incompatible criteria. Role conflict is shown to be negatively related to performance (Tubre and Collins, 2000), such that heterogeneity in needs among business units and clients likely results in low levels of HR service value, through yielding high levels of role conflict for HR service providers. This implies that future research aiming to explain user evaluations of HRM can benefit from focusing on the *demand* side of HR service delivery, that is,

explaining levels of HR service value by focusing on the attributes of the beholders of value: the business units and their end-users.

Our final contribution is to the platform thinking literature. The majority of platform thinking studies apply the commonality potential concept as a descriptive ideology used for designing products (Martin and Ishii, 2002; Pekkarinen and Ulkuniemi, 2008). We contribute to this stream of literature by showing that the *commonality potential* concept, when used normatively and applied to design service delivery modes, is also has useful for explaining the value of services.

### **Practical contributions and implications**

As a practical contribution, this study offers measurement scales that practitioners can use as an instrument for deciding how to source HR activities. For business decision-makers, our findings have two other important implications. First, when aiming to maximize the value of HR services for which homogenous and stable needs exist, companies should go for shared HR service delivery. If the needs for specific HR services are very different across end-users and time, then choosing a non-shared HR service delivery is more desirable. While companies can influence HR service value levels by distributing HR services across delivery modes, a second implication of our findings is that the service value will always be lower for HR services for which heterogeneous user needs exists, or when user needs rapidly change over time. Therefore, companies can improve HR service value by standardizing end-user needs, which can be effectuated for example, by hiring employees who have similar backgrounds (Paauwe and Boselie, 2003) and developing strong ties among business units to secure a shared understanding of the expectations to be communicated to HR service providers (Tsai and Ghoshal, 1998).

### **Limitations and future research**

This study is not without limitations. First, although our data were collected in two waves, a time interval of two months may be too small for drawing strong conclusions about the causality of the observed relationships. For example, value is considered to reflect a long-term attitude (Cronin and Taylor, 1992), and the current perceptions of HR service value may be influenced by past experiences. However, these past experiences of value may be lower because of a past misfit between HR delivery mode and differentiation in needs. Therefore, we encourage



future research to examine the causal direction of the HR delivery mode–HR service value relationship by introducing larger time lags.

Second, the data for this study were obtained from a single group of respondents, the HR directors, which may raise the concern of single source bias. Relying on single respondents is less problematic here because we introduced a time lag between the measurement of the independent and dependent variables, which mitigates single source bias (Podsakoff, MacKenzie, Lee and Podsakoff, 2003).

Third, relying on the HR directors to assess levels of HR service value increases the likelihood of self-appraisal bias and inflated reports. However, no other actors within TechCom had an overview of the costs *and* quality of both shared and non-shared HR delivery, which is needed to assess the trade-off between their quality and costs. Thus, surveying HR directors was the only option to measure HR service value. Furthermore, our results show that self-appraisal bias is not a concern. The relationship between delivery mode and HR service value was found to be insignificant, which suggests that the local HR directors did not evaluate the services delivered by their subordinate HR professionals more positively than those delivered by the HR SSCs. Also, the low ICC(1) for HR service value shows that the evaluations of HR activities were not strongly dependent on a potentially favorable disposition of HR directors towards HR services. Hence, we can conclude that self-appraisal bias does not occur nor inflates the HR director's perceptions of HR service value. Nevertheless, future research could circumvent potential problems by selecting organizations which have actors who can independently assess levels of HR service value, such as contract managers who act as business unit representatives.

## **Conclusion**

Despite the limitations of this study, we have successfully addressed a gap in the literature on HR sourcing. Our results show that the impact of using an HR delivery mode on HR service value is not affected by whether it delivers transactional or transformational HR services. Instead, they show that HR service value is higher when HR services for which homogeneous needs exist are delivered through a shared HR delivery mode. This supports the assumption that the effect on HR service value of using an HR delivery mode for delivering an HR service is contingent upon the commonality potential of that service. We hope that our research findings lead to an increase in the application of product innovation

management concepts, and the commonality potential framework in particular, in HR delivery research.

### **References**

The list of references can be found on p. 215.



## **Chapter 6**

### **How employee perceptions of HRM are created: employees as co-creators of HR shared services value**

This chapter is based on: Meijerink, J., Bondarouk, T., and Lepak, D. How Employee Perceptions of HRM Are Created: Employees as Co-creators of HR Shared Services Value. *Manuscript in preparation for submission.*

## **Abstract**

An increasing number of both public and private organizations are making use of the HR shared services model for providing HRM practices such as personnel administration, training and development services to employees. The majority of organizations utilizes the shared services model because of expectations such as cost reductions, quality improvement and a more strategic influence of HRM. However, to reap these benefits and ensure the success of the HR shared services model, HR shared service centers first have to create high-level value for employees. However, the existing research provides little insight into the creation of HR shared services value. Although some studies have examined the features of HR shared service centers as possible antecedents, there are few that examine how value develops at the employee level. In this chapter, we seek to provide a better understanding of this. We base our ideas on the service-dominant logic by reasoning that employees are the consumers of HRM, and thus they co-create value out of the HRM practices provided. By regarding them as HRM customers, we build hypotheses around the notion that the human capital of employees, being developed through the use of HRM practices, enables them to co-produce and utilize HRM practices better and so increase their perceptions of HR shared services value. To test these hypotheses, we utilize survey data obtained from a sample of 2,002 employees from 19 organizations.

## Introduction

Shared service models are currently a popular innovation for human resource management (HRM) because of expectations such as cost reductions, HRM service quality improvement and increases in the strategic contribution of HRM and its practitioners. HR shared services are often referred to as HR shared services centers (SSCs) and centers of excellence; HR service providers that offer centralized HRM practices to employees and line managers on a day-to-day basis (Maatman et al., 2010; Ulrich, 1995; Ulrich et al., 2008b). The use of shared services for the implementation of HRM practices has become prevalent in two different, yet significant respects. First, the HR shared services model is being increasingly adopted by both private and public firms (Meijerink et al., in press). In the United States, about 80% of the 828 organizations included in a study of CedarCrestone make use of the HR shared service model (Martin and Beaman, 2009). In the United Kingdom there is a similar trend, where 81% of the 787 organizations researched by the CIPD indicated that their HR function had switched to the HR shared service model (CIPD, 2007). Second, HR shared services are becoming more prevalent due to increases in scope. Although HR SSCs were initially described as providing administrative HR services only (Cooke, 2006; Farndale et al., 2009), more recent evidence shows an expansion as they have started offering more transformational HR services involving staffing, training and employee development (Meijerink et al., in press).

Growing levels of popularity are not surprising given the expectations that HR SSCs help reduce costs and improve quality by centralizing HR activities and expertise, and ultimately freeing the HR function from administration and allowing it to evolve into a more strategic function (Farndale et al., 2009; Janssen and Joha, 2006; Maatman et al., 2010). To reap these benefits, however, firms are dependent on the *value of HR shared services* as perceived by those who use them: the employees. Here, we refer the perceived value of HR shared services to as the employee's perceived utility of HRM practices, offered by an HR SSC, based on a trade-off between their quality and costs. We see two reasons why high levels of perceived value are important for the success of HR SSCs. First, the success of HR shared services for the firm is dependent on the *involvement* of the employees, who do not use HR shared services when they perceive their value to be low. Most HR shared services are provided either online or as call center services, which requires employees to operate self-service information technologies, utilize online HR portals and/or choose from selection menus themselves (Farndale et al., 2009). Previous

studies found that online self-service technologies are not used when they are not valued by employees (Davis, 1989; Marler et al., 2009) and instead result in shadow administrations (Cooke, 2006; Meijerink and Bondarouk, 2013) and a sub-optimal use of resources (Cooke, 2006; Ulrich, 1995). Hence, low levels of perceived value for employees run counter to the expectation that HR SSCs save costs.

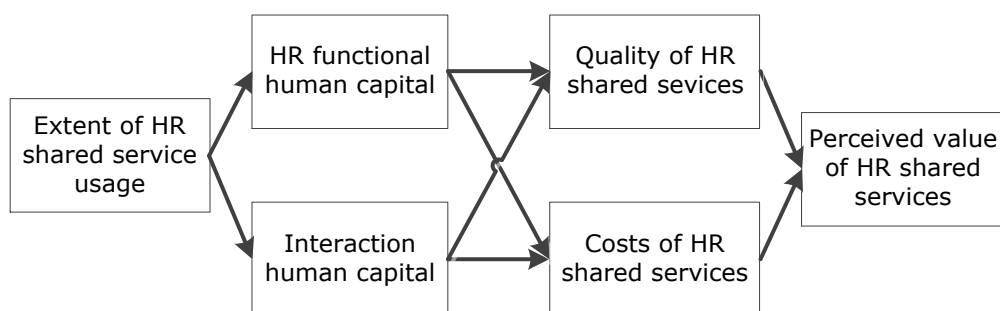
Second, HR SSCs may reduce employee satisfaction when they operate inadequately, because their administrative and operational services are considered hygiene factors that only cause dissatisfaction when having low levels of perceived value (Boselie and Pauwe, 2005; Cooke, 2006; Meijerink et al., 2013). For example, Cooke (2006) reports that low levels of HR shared service quality may result in employee dissatisfaction because it provides employees the feeling as if their employer does not care about them. Survey evidence shows that poor internal service quality and employee dissatisfaction with operational HR services cause low levels of employee affective commitment (Gilbert, 2012; Kinnie et al., 2005) and poor service quality offered to external customers (Ehrhart et al., 2011; Schneider et al., 1998). Although firms offer high-end HR practices, such as high-performance work practices, to *increase* employee commitment (Takeuchi et al., 2009), low levels of perceived value of HR shared services may nevertheless *dampen* employee commitment and so negate the effectiveness of high-end HR practices. Therefore, if HR SSCs want to secure a strategic contribution of HRM, then the perceived value of HR shared services for employees has to meet acceptable standards first.

Despite the importance of perceived value for employees, the existing literature provides little insight into the antecedents of HR shared service value (Maatman et al., 2010; Strikwerda, 2004). Some studies have considered the attributes of HR SSCs as possible antecedents, such as their capabilities or knowledge resources (Maatman et al., 2010; Meijerink et al., 2013), but we lack knowledge about how employees themselves influence their perceptions of HR shared service value. Gaining an insight into how employees shape their perceptions of value is important, because as we said, HR SSCs are dependent on the involvement of those employees. As suggested in other research areas such as marketing (Vargo and Lusch, 2004) and strategic management (Priem, 2007), the value of services is realized through their use, which implies that those who utilize the services are co-creators of the value. It is thus likely that employees themselves shape their perceptions of HR shared services value while being their key users. In this chapter,

we test this proposition as we aim to examine the ways in which employees themselves influence their level of perceived value of HR shared services.

To achieve this aim, we apply service-dominant logic (Lusch and Vargo, 2006; Vargo and Lusch, 2004) and so suggest that employees are *consumers* who are shaping their perceptions of HR shared services value by relying on their knowledge and skills. We advance the concept that employees influence the perceived value of HR shared services themselves while they co-produce and utilize HRM practices to meet their needs. Provided HR shared services are thus not regarded as affecting employee perceptions. Instead, the knowledge and skills of employees are seen as a key antecedent of the perceived value (see Figure 10).

This research contributes to the literature in three ways. First, rather than regarding organizations/managers as determining how employees perceive HRM (Lepak and Boswell, 2012), we introduce a perspective that is new to the HRM literature, which focuses on how employees influence their perceptions of HRM themselves. In particular, we examine how the HRM-specific knowledge and skills of employees influence their perceptions of HR shared services value. Second, rather than explaining employee perceptions of high-end HRM practices such as high-performance work practices, we examine how employees perceive the value of more operational and administrative HR shared services that serve as a threshold for the effectiveness of high-end HRM practices. Finally, our results have implications for practice as we apply theory to explain perceived value as an important condition for HR shared services success.



**Figure 10:** Conceptual model predicting the perceived value of HR shared services for employees



The rest of the chapter is structured as follows. We first outline the concept of perceived value of HR shared services. Then by applying the service-dominant logic, we explain how employees as consumers of HRM shape their perceptions of HR shared services value. Following this idea, we test the proposition that the human capital of employees, which develops through the extent of HR shared services usage, positively affects the perceived value of HR shared services (shown in Figure 10). After presenting our results obtained from a sample of 2,002 employees from 19 organizations, we conclude with a discussion of the implications of our research findings.

## **Review and hypotheses**

### **Conceptualizing the perceived value of HR shared services**

The concept of value has been central to many research fields, which have provided various conceptualizations of perceived value. In service management and marketing, value has been thought of as the consumer's "overall assessment of the utility of a service based on the perceptions of what is received and what is given" (Zeithamel, 1988: 15) as well as a trade-off between a service's benefits and the costs of its consumption (Day, 1990; Dodds et al., 1991; Sirdeshmukh et al., 2002). In strategic management, consumer value has been conceptualized as a trade-off between a service's use value and exchange value. Use value has been defined as "the quality of a (...) service as perceived by users in relation to their needs" (Bowman and Abrosini, 2000: 2) and reflects the extent to which a service meets the needs of those who use it (Priem, 2007). Exchange value, on the other hand, refers to the "amount paid by the user to the seller for the use value of the focal (...) service" (Lepak et al., 2007: 182). Put differently, it reflects the costs that users make in consuming a service (Lapierre et al., 1999; Priem, 2007; Zeithaml, 1988). Notwithstanding differences in terminology, the denominator of these definitions and conceptualizations is that they view value as based on a trade-off between the quality (i.e. use value, 'what is received' or perceived benefits) and costs (i.e. exchange value, 'what is given' and cost of consumption) of services as perceived by consumers.

We also consider the overall perceived value of HR shared services, that is, the utility of HR shared services as perceived by employees, to be affected by the perceived quality and costs of services provided by HR SSCs. The service quality literature argues that the quality of services is a multidimensional concept (Grönroos, 1984; Parasuraman, Berry and Zeithaml, 1991). Despite some

differences in conceptualizations, most studies agree that service quality is represented by two dimensions: the functional quality of the service product (e.g. reliability of the service) and the quality of the processes and interaction between the service provider and consumer (e.g. empathy of the service provider). Following this idea, the quality of HR shared services is thus not confined to the quality of the self-service technologies or accuracy of personnel administrations, for example, but is also perceived by employees in terms of the empathy, assurance and friendliness of HR SSC call center representatives (Bondarouk et al., 2010a; Bos-Nehles, 2010; Gilbert et al., 2011b).

The cost component that influences perceived value translates less easily to the HRM context because employees do not pay to use the HR shared services. Nevertheless, they do incur non-monetary costs such as effort and time before benefitting from HRM practices. For employees, these non-monetary costs can be numerous (Lapierre et al., 1999; Petrick, 2004), such as the effort they spend to use information technologies that offer online HR shared services or the time spent interacting with a call center representative to obtain information about personnel administration or employee benefits (Meijerink and Bondarouk, 2013). In this chapter we therefore focus on the non-monetary costs of HR shared services in terms of the effort and time spent by employees to receive them.

Given that the overall value of HR shared services is based on a trade-off between quality and costs, this suggests that both components influence the perceived value of HR shared services. However, the extent to which both dimensions represent value may differ (Bowman and Ambrosini, 2000; Zeithaml, 1988). Zeithaml (1988) argues that some people view value as low cost only, while others refer to value as high quality or the quality they get for the costs made. In different contexts, value may be represented differently by quality and costs (Blocker, 2011; Meijerink et al., 2013). For example, Blocker (2011) found that in the United States, service quality does have a significant and positive influence on service value, whereas in some Asian countries it does not. Lapierre et al. (1999) found that costs have a stronger impact on value than quality has. Others have found that perceived value is more strongly, or only, influenced by quality (Cronin et al., 2000; Grewal et al., 1998). Given that perceived value has not yet been empirically researched in an HRM context to our knowledge, we first examine the separate effect of quality and costs on HR shared services value in order to get a better understanding of its dimensionality. As perceived value

probably increases when the quality of HR shared services increases or their cost is reduced, we propose the following:

*Hypothesis 1: There is a positive relationship between the quality and the perceived value of HR shared services for employees.*

*Hypothesis 2: There is a negative relationship between the cost and perceived value of HR shared services for employees.*

### **A service-dominant logic of HRM: understanding how employees shape HR value**

A theoretical approach that concerns value creation is the service-dominant (S-D) logic (Lusch and Vargo, 2006; Vargo and Lusch, 2004). The S-D logic originated in the service marketing literature and was introduced to offer an alternative perspective to the goods-centered logic. The S-D logic regards the consumers of services as the co-creators of value. From an S-D perspective, HRM practices can be conceptualized as services that are consumed by employees. Therefore, it can be used to explain how employees shape their perceptions of value through co-creation activities. To explain how the perceived value of HRM shared services is created by employees, we first outline three of the key concepts considered by the S-D logic: unit of exchange, value propositions and value co-creation.

#### *Unit of exchange*

The S-D logic is primarily concerned with exchange (Vargo and Lusch, 2004) and so can be usefully applied to HRM, which is a social exchange between the employer and employee (Nishii and Wright, 2008). The S-D logic focuses on the exchange of *services* which is conceptualized as the “application of specialized competences (knowledge and skills), through deeds, processes, and performances for the benefit of another entity or the entity itself” (Lusch and Vargo, 2006: 283). Indeed, the provision of HRM practices to employees meets the criteria of services. First, it reflects the application of specialized competencies, such as HRM competences (Boselie and Paauwe, 2005), HRM capabilities (Maatman et al., 2010) or intellectual capital (Meijerink et al., 2013) by HR SSCs. Second, these specialized competences are applied to perform HR activities for the benefit of both entities involved, such as increasing well-being and employability for the employee and performance for the firm (Van De Voorde, Paauwe and Van Veldhoven, 2012). Therefore, we

conceptualize the provision of HRM practices by HR SSCs to employees as the delivery of *services* through the application of knowledge and skills.

#### *Value propositions*

A second and related key feature of the S-D logic is the idea that value is not added to services (Vargo and Lusch, 2004; Vargo, Maglio and Akaka, 2008). As suggested by Gummesson (1998: 247), "value creation is only possible when a good or service is consumed. An unsold good has no value, and a service provider without customers cannot produce anything." In other words, services are not value-laden, and so the application of knowledge by the HR SSC itself does not create value. Suppliers can only develop value propositions for users, which means that by providing products and services, suppliers *can* potentially meet the needs of consumers (Vargo and Lusch, 2004). Therefore, at best, services have value potential.

HRM practices themselves are not value-laden either. They only have value potential, for example, because they *can* meet employee needs to be competent (Marescaux, De Winne and Sels, 2013) or to have job security (Kooij, Jansen, Dijkers and De Lange, 2010). The value potential of HRM is certainly not always realized. For instance, training and career development practices provided by HR SSCs do not always relate to meeting employee needs for competence (Marescaux et al., 2013). Also, the competencies of HR service providers such as their HR information technology skills have been shown not to influence the HRM effectiveness perceptions of employees (Boselie et al., 2005; Han et al., 2006). Therefore, we conceptualize HRM practices provided by HR SSCs as value propositions that have the potential to result in HR shared services value when used by employees.

#### *Value co-creation*

Value is seen as being *co-created* by the consumer (Grönroos, 2011; Gummesson, 1998; Vargo and Lusch, 2004). The notion of value co-creation follows from the idea that the value potential of services is unleashed when consumers utilize them (Grönroos, 2011). By consuming services, consumers thus create value out of the services provided, which refers to the creation of *value-in-use* (Priem, 2007; Vargo and Lusch, 2004). We see two reasons why the value of HR shared services is co-created at the individual employee level.

First, employees co-produce HRM practices and so have the opportunity to shape their value potential. Employees always co-produce HRM practices, for instance, because they have to provide information during job interviews, pay attention in order to be trained or engage with their manager while being appraised. During these co-production activities, employees are able to affect the value proposition of HRM, for example, by negotiating a set of HRM practices that they see as having the potential to meet their needs (Rousseau, 2005; Rousseau, Ho and Greenberg, 2006). Employees may not thoroughly explain their needs and interests to the HR SSC (Meijerink and Bondarouk, 2013), which prevents it from developing value propositions that may fit employee needs. Through co-producing HRM practices, employees thus have the opportunity to influence the quality of the value propositions being offered to them.

Second, employees create value by utilizing HR shared services and so meeting their interests and needs. For example, the literature into employee well-being stresses that training and development practices help employees in fulfilling their need to retain employment security (Chang, 2005). However, when employees fail to utilize the knowledge gained during training courses to retain employment security, then the training and development HRM practices hardly result in value for the employee. Rather than considering them passive recipients, we view employees as the *consumers* of HRM who through co-production, utilization and consumption activities create HR shared services value for themselves. Ultimately, this all implies that employees actively shape and affect their perceptions of human resource management, meaning that employee evaluations of HRM develop at the individual employee level.

### **Employee human capital as the determinant of HR shared service value**

Because employees are the consumers of HRM, their knowledge, skills and abilities likely enable them to effectively and efficiently co-produce and utilize HR shared services. However, this requires HRM-specific human capital, which may positively influence their value perceptions through enhancing the quality and reducing the non-monetary costs of HR shared services.

Borrowing from the concept of product-specific human capital (Priem, 2007; Priem et al., 2012), the HRM-specific human capital of employees refers to the knowledge, skills and abilities that enable employees to co-produce and utilize HRM practices. Although we acknowledge that different forms of knowledge exist, we predominantly focus on what is termed as know-how or procedural knowledge, that

is, employee abilities or the knowledge used to perform tasks, such as co-producing HRM practices. Given that services are perceived by employees in terms of the functional service product and interaction with the service provider, we reason that employees have to have what we call HR functional human capital as well as interaction human capital. On the one hand, *HR functional human capital* refers to employees' level of knowledge and abilities to co-produce the HRM service products (e.g. operate online self-service technologies), and on the other, *interaction human capital* refers to employees' knowledge and skills to communicate, interact and collaborate with HR service providers.

We see three reasons why these two forms of HRM-specific human capital of employees would positively influence HR shared services value through affecting quality and costs. First, self-efficacy theory predicts that self-efficacy perceptions – i.e. one's belief in one's ability to perform a task (Bandura, 1997) – relate positively to task performance, because people with high-level self-efficacy feel comfortable in taking action (McKee et al., 2006). To co-produce HR shared services effectively, high-level self-efficacy may be beneficial because employees who believe they are able to perform particular tasks have been shown to carry them out more effectively (Barling and Beattie, 1983). In other words, employees who believe they are able to co-produce HRM services are likely to be more effective by generating higher levels of quality out of the HRM services provided. Also, high-level self-efficacy yields low levels of non-monetary costs, because employees with high-level self-efficacy feel more comfortable in co-producing and consuming HRM shared services and probably perceive that they have to spend less effort to do so. This is consistent with several studies which found that consumer self-efficacy relates positively to overall service value (McKee et al., 2006; Van Beuningen et al., 2009). Self-efficacy has been shown to develop as a function of one's level of knowledge, skills and abilities as they provide confidence and belief in one's ability to perform tasks (Tierney and Farmer, 2002). The HRM-specific human capital of employees thus probably gives them confidence in co-producing HRM practices and, therefore, positively impacts HR shared service value.

Second, the consumer perspective (Priem, 2007; Priem et al., 2012) reasons that the differences in value experienced by consumers are explained by differences in their human capital. While considering employees as co-creating utility out of the HRM services provided, the consumer perspective argues that employees rely on their knowledge, skills and abilities to consume services and thus experience value. On the one hand, human capital provides employees with the ability to increase

quality by better aligning the services provided with their needs during consumption activities. On the other hand, as employees' knowledge and skills grow, they learn to consume the provided services more efficiently. This would mean that employees spend less time and effort, that is, decrease non-monetary costs, when their stock of HRM-specific human capital is well-developed. As co-producers of HRM, employees thus have to rely on high-level human capital to increase the quality and reduce the costs of HR shared services.

Third, knowledge management researchers found that internalizing and utilizing knowledge coming from others depends on the recipients' prior knowledge (Cohen and Levinthal, 1990; Szulanski, 1996). As said before, HRM practices come in the form of specialized knowledge provided by HR SSCs. Employees' prior knowledge in terms of HR functional human capital would enable them to internalize and utilize the knowledge embedded in HR shared services more effectively and improve the quality. The HR functional human capital as well as interaction human capital may enable the employee to develop a common frame of reference with HRM services providers, which makes co-producing HRM services more efficient. For instance, previous studies found that a congruence in cognitive frames (i.e. tacit knowledge) relates to team effectiveness and efficiency (Okhuysen and Eisenhardt, 2002; Rentsch and Klimoski, 2001). Finally, employees would likely experience few troubles in explaining their HR-related wishes to HRM service providers when they have high-level HR functional and interaction human capital. In other words, the HRM-specific human capital of employees makes co-producing HRM shared services less time-consuming and more effective.

These examples suggest that the HRM-specific human capital of employees relates positively to quality and negatively to non-monetary costs, as their knowledge and skills enable them to co-create high levels of quality and/or reduce the efforts of co-producing HRM shared services. While both value sub-dimensions relate to HR shared service value (as reflected in hypotheses 1 and 2), we propose that quality and costs mediate between HRM-specific human capital and HR shared service value. Because HR value consists of these two sub-dimensions, neither one can fully explain the HRM-specific human capital – HR value relationships. One dimension partially mediates between human capital and value by default, because the other dimension can also explain why the HRM-specific human capital of end-users affects HR shared service value. Therefore, we propose that the human capital of employees positively affects their perceptions of HR shared service value through the *partial* mediating roles of quality and costs:

*Hypothesis 3: There is a positive relationship between the HR functional human capital of employees and perceived value of HR shared services, which is partially mediated by the quality (hypothesis 3a) and costs of HR shared services (hypothesis 3b).*

*Hypothesis 4: There is a positive relationship between the interaction human capital of employees and perceived value of HR shared services, which is partially mediated by the quality (hypothesis 4a) and costs of HR shared services (hypothesis 4b).*

### **Developing HRM-specific human capital to increase perceived value**

Thus far, we have proposed hypotheses which suggest the employee to be the creator of value. This does not imply that HR SSCs do not play a role in the creation of HR shared service value. Assuming that the employee's knowledge, skills and abilities positively affect their perceptions of value, then HR SSCs can help increase the perceived value of their services by developing and increasing the stock of human capital available to employees.

To do so, HR SSCs could rely on a variety of approaches such as providing training, organizing development workshops or instructing their users. However, the HRM-specific human capital of employees is tacit or rooted in tacit knowledge and reflects know-how, which takes time to learn and is not developed easily through formal training (Kogut and Zander, 1992; Polanyi, 1966). Instead, as a second mean, it is more likely that HRM-specific human capital develops as a result of increased consumption *experience* with HR shared services co-production. Priem (2007: 227) argues that the consumer's human capital can be increased by "accelerating the consumer's accumulation of consumption experiences, since each consumption experience adds to the consumer's stock of product-specific human capital". One way to increase the number of consumption experiences of employees is through learning by doing. For example, the human capital gained by an employee while operating a specific self-service in the HR SSC's portal (e.g., applying for leave) can be used to navigate the portal more easily during subsequent use of other self-services (e.g. applying for secondary benefits). Through referring to the HR SSC's call center more often, using more online self-service functionalities or expanding the number of interactions with HR shared services personnel likely improves the employees' understanding of how to make use of the online services provided by HR SSCs or how to interact with the HR SSC staff. As such, expanding the number of HR shared services used by employees



accelerates their consumption and co-production experiences of HR shared services and so increases their stock of HRM-specific human capital.

As proposed before, the knowledge, skills and abilities of employees relate positively to the quality and negatively to the non-monetary costs of HR shared services. The HRM-specific human capital itself is probably positively affected by the extent of HR shared services usage by the employees, as more usage results in more experience and, hence, higher levels of know-how and skills. The extent of HR shared services usage by employees thus probably positively affects the quality and negatively affects the costs of HR shared services through developing the HRM-specific human capital of employees. The HRM-specific human capital of employees consists of multiple dimensions, meaning that there are multiple pathways through which the extent of HR shared services usage affects quality or costs. We therefore propose that either HR functional human capital or interaction human capital partially explain why the extent of HR shared services usage by employees relates positively to quality and negatively to costs:

*Hypothesis 5: There is a positive relationship between the extent of HR shared service usage and quality of HR shared services, which is partially mediated by the HR functional human capital of employees (hypothesis 5a) and interaction human capital of employees (hypothesis 5b).*

*Hypothesis 6: There is a negative relationship between the extent of HR shared service usage and costs of HR shared services, which is partially mediated by the HR functional human capital of employees (hypothesis 6a) and interaction human capital of employees (hypothesis 6b).*

## **Methodology**

### **Study design and participants**

To test the proposed hypotheses, we used survey data obtained from a sample of employees from 19 Dutch organizations that have an HR SSC. Besides the theoretical arguments, we also see two methodological advantages of studying HR SSCs. First, compared to other HR service providers, the variability in HRM practices provided by HR SSCs is shown to be low due to benchmarking activities and mimetic pressures (Farndale et al., 2009; Meijerink et al., in press). By holding constant the HRM practices provided by the HR SSCs, we are better able to tease out whether the variables at the employee level indeed affect their perceptions of

HR value. Second, by obtaining data on the value of HRM services provided by 19 HR SSCs, we are able to generalize our results across multiple organizations.

At the start of the research, no definite list of Dutch organizations with an HR SSC existed (Farndale et al., 2009), so we first constructed a sampling frame in order not to have to rely on a convenience sample. To be included in the sampling frame, an HR SSC had to (1) operate in the Netherlands and (2) offer HR services to employees on a day-to-day basis. In 2009, two years prior to the data collection, we started making our research visible to Dutch organizations with an HR SSC by organizing seminars, initiating an online community of practitioners, and publishing papers in practitioner journals. Later, in 2010-2011, we relied on four additional strategies to make the sampling frame as exhaustive as possible. First, we contacted those organizations which were known to have an HR SSC through personal contacts. Second, using LinkedIn, we searched for and contacted Dutch organizations, using keywords like HR SSC, HR shared services, HR service center, HR services, HR operations, etc. Third, we relied on three consultancy firms that forwarded our details to organizations which they had supported in establishing an HR SSC. We finalized our frame through snowball sampling; contacted HR SSCs forwarded to us details of those operating in other organizations. After these four rounds of sampling frame construction, we did not find any new Dutch HR SSCs, suggesting that our sampling frame was saturated at 95 organizations.

Our sampling procedure consisted of two phases. First, we invited all 95 organizations to participate in the research by sending personal invitations (including information regarding the study's purposes and deliverables) to their HR directors and HR SSC managers. To improve the chance of commitment, we presented our research at a practitioner seminar that most of the target organizations attended, gave additional presentations at 30 interested organizations and then discussed the research with their HR directors and HR SSC managers. In all, 19 decided to participate, representing an inclusion rate of 20%. To reduce the concern of potential sampling bias, we compared the sample means of the 19 participating HR SSCs and 27 HR SSCs which decided not to participate, regarding four variables: HR SSC lifespan (measured as the number of years the HR SSC had been offering HR services), number of employees served by the HR SSC, the organization's industry (manufacturing vs. services) and profit vs. non-profit format. Results from the t-test indicated that the participating HR SSCs did not differ significantly from those which did not participate: HR SSC lifespan ( $t(44) = .583, p = .56$ ), number of employees served ( $t(44) = 1.11, p = .27$ ), industry ( $t$

(44) = 1.77,  $p = .09$ ), and profit/non-profit ( $t(44) = -1.59, p = .12$ ). Furthermore, the sample characteristics of the participating organizations are similar to those presented in other studies into Dutch HR SSCs (Farndale et al., 2009; Meijerink et al., in press): 74% came from the private sector, 26% were manufacturing firms, they employed between 1,300 and 130,000 employees, and had an HR SSC consisting of 5 – 250 employees. All participating HR SSCs mainly provided administrative HRM practices, as do most of the HR SSCs operating in the Netherlands. Therefore, we are confident that the included HR SSCs are representative of the entire population of Dutch HR SSCs.

Second, we randomly selected a total number of 6,595 employees from the 19 organizations. We were aware that non-managerial and managerial employees may have different perceptions of HRM (Den Hartog et al., 2012; Liao et al., 2009; Nishii, Lepak and Schneider, 2008). Therefore, we applied stratified random sampling that reflected the employees' job description (non-managerial employees ranged from 67% to 92% across the organizations). Depending on the organization, the target respondents were invited to fill out an online questionnaire between November 2011 and June 2012. Invitations were sent by email which included a link to the online questionnaire. After the invitation, the respondents had four weeks to complete the questionnaire and received two reminders by email. To assure respondents of the confidentiality of their responses, all completed surveys were sent directly to the researchers rather than the participating organizations. Since we used a forced-entry technique, all returned questionnaires were fully completed and we had no missing values. The responses of the employees who stopped filling in the questionnaire along the way were excluded and instead used for the non-response analysis.

To reduce non-response, we employed various response facilitation techniques such as sending pre-notification emails one week prior to the survey, publicizing the goals and importance of the research, adding a cover letter to the survey (stating the organization's commitment to the research, guarantee of anonymity, and sponsorship of the researchers) and follow-up reminders (Dillman, 1991; Duncan, 1979). In all, we received 2,002 completed questionnaires, equivalent to a 30% response rate. Given that employees do not view making use of HR shared services as their primary responsibility (Cooke, 2006), we consider this response rate to be acceptable. At the same time, to reduce the concern of sampling bias, we compared the group of respondents who completed it to those who did not. Using a t-test we determined whether both groups differ regarding the extent to which they use

shared HR services as this may affect the HRM-specific human capital of employees. Both groups were found to be slightly significantly different from each other ( $t(2032) = -.49, p = .00$ ). Finally, we examined the correlations between the response rates at the organizational level and the variables of interest, but found none of the correlations to be statistically significant at .05 level. Therefore, we concluded that sampling bias should not pose a severe problem.

Possibilities of common method variance could exist, because employees were the only source of information. To reduce this as far as possible, we counterbalanced the question order by first presenting the dependent variables followed by the independent variables. Also, we conducted a Harman's single-factor test. The factor analysis on all items included in the study indicated an outcome with 7 factors having an Eigenvalue higher than 1, with the first factor explaining 33% of the variance in the data. Although this technique does not control for common method variance, at best it indicates that our findings are unlikely to be biased by it.

Of the respondents, 32.5% were female and 78.0% were non-managerial employees. Furthermore, the respondents were on average 46.47 (SD = 9.97) years old and had worked for 16.61 (SD = 12.34) years at the respective organization. The relatively low percentage of women included in our study can be explained because manufacturing firms produced high response rates (up to 43% in one of them), where the majority of the workforce is male.

### **Measurement of the main variables**

Whenever possible, we used existing scales to measure the variables of interest and, unless reported otherwise, relied on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree) as answer options. Two Dutch- and English-speaking researchers translated the items from English to Dutch and back again, to ensure a correct representation of the items. For an overview of the scales, we refer the reader to Appendix C.

#### *Extent of HR shared services usage*

To measure the extent of HR shared services usage, we developed a new scale as no scale for measuring the HR services provided by HR SSC existed. We used the findings from qualitative studies (Cooke, 2006; Farndale et al., 2009) and a discussion among three HR SSC scholars. This resulted in two categories of HR shared services: the performance of payroll and personnel administrations and the

provision of information and advice to employees. From these discussions we developed five items; the first two items measure the administrative activities and the latter three, the information/advice provision services: (1) requesting the pay slip, (2) requesting the HR SSC to conduct an administrative activity, (3) asking the HR SSC for support in making a request, (4) asking the HR SSC to provide information on labor regulations, laws and benefits, and (5) obtaining information posted on the HR SSC's HR portal or website. To provide information on the usage of HRM services offered by the HR SSCs, we asked the respondents to indicate whether they had made use of these five HR services during the 12 months before the research, using a dichotomous yes/no scale. After the item generation phase, we pre-tested the scale among five employees to ensure its face validity. Some changes regarding the online provision of HRM services were suggested and included. We conducted a confirmatory factor analysis to examine how well the data fitted two plausible measurement models: (1) a one-factor model assuming all five items load on a single construct and (2) a two-factor model including the extent of use of HRM administrations as well as information/support provision services, which are conceptually distinct but nonetheless influenced by a second-order construct. The results of the factors analysis show that the one-factor model poorly fits the data ( $\chi^2_{(5)} = 236.97$ ; NFI = .83; CFI = .83; GFI = .95; RMSEA = .15). The second-order model was acceptable ( $\chi^2_{(3)} = 38,33$ ; NFI = .97; CFI = .98; GFI = .99; RMSEA = .07) and so used for testing the research hypotheses.

#### *HRM-specific human capital*

As no measure existed for measuring the HRM-specific human capital of end-users, we decided to develop a new scale. We first reviewed the HRM competencies literature, as it concerns the knowledge, skills and abilities of other HRM co-producers (Boselie and Paauwe, 2005; Han et al., 2006). As a second step, eight employees were interviewed and observed while co-producing and utilizing shared HR services, to develop two scales that measure either *HR functional human capital* (7 items, e.g. 'I know exactly where I can make requests regarding personnel administration' or 'I know how my personal details can be updated when they change') or *interaction human capital* (3 items, e.g. 'I am always able to clearly explain my HR-related problems to an employee of the HR SSC' or 'I am able to solve my HR-related problems with an employee of the HR SSC'). After the scale development procedure, we asked four HR SSC experts (two scholars and two seasoned HR SSC managers) to separately review the items and assess the scales'

content validity. Later, we pre-tested the items among five employees, using think-out-loud procedures. When needed, we adjusted the items after each pre-test session. Throughout these sessions, all four experts and five respondents reported some overlap among the items and had difficulties with understanding initial formulations such as 'HRM administration'. Therefore, we eliminated redundant items and used the wording 'personnel and/or payroll administration' instead. In the end, this resulted in 5 items for measuring HR functional human capital and 2 items for measuring interaction human capital.

We conducted a confirmatory factor analysis to check the consistency of the two scales. To test whether the HRM-specific human capital of employees is indeed a multi-dimensional construct consisting of two correlated, yet distinct dimensions, we decided to compare it to a one-factor model where all 7 items together reflect a one-dimensional construct. As expected, the one-factor model fitted the data relatively poorly ( $\chi^2_{(14)} = 1429.53$ ; NFI = .78; CFI = .78; GFI = .83; RMSEA = .23). We found two Eigenvalues to be above 1.00, which suggests that HRM-specific human capital consists of two dimensions. Instead, we used the two-factor measure as it had an acceptable fit ( $\chi^2_{(12)} = 142.45$ ; NFI = .98; CFI = .98; GFI = .98; RMSEA = .07) and was significantly better than the one-dimensional model ( $\Delta\chi^2_{(2)} = 1287.08$ ;  $p < .001$ ). The coefficient alpha for the two HRM-specific human capital scales was  $\alpha = .85$  and  $\alpha = .84$ , respectively.

#### *Quality of HR shared services*

As discussed above, the recipients of services evaluate service quality in terms of the quality of both service outcomes and service delivery processes (Grönroos, 1984; Parasuraman et al., 1991). To measure the quality of HR shared services, we therefore used the HRM services quality scale developed by Biemans (1999), because it includes items that measure the quality of service processes (e.g. 'Employees of the HR SSC are always courteous with me') and items for measuring the quality of service outcomes (e.g. 'The HR SSC provides its services right the first time').

Originally, the HRM service quality scale was adapted from the SERVQUAL scale of Parasuraman and colleagues (1991), which consists of five dimensions: reliability, empathy, responsiveness, assurance and tangibles. In an HRM context, the HRM service quality scale conceptually consists of four dimensions because the tangibles dimension is excluded (Biemans, 1999), which together form a second-order HRM service quality construct. However, other studies show that HRM service

quality is measured by a reflective, one-dimensional scale with all items loading on one factor (Gilbert et al., 2011b) or two-dimensionally with a service outcome quality factor (i.e. reliability and responsiveness) and service delivery process quality factor (i.e. empathy and assurances) forming a second-order HRM service quality construct (Bos-Nehles, 2010). In the confirmatory factor analysis we therefore examined the dimensionality of the quality of HR shared services by comparing these one-, two-, and four-factor models.

The one-factor model did not fit the data very well ( $\chi^2_{(133)} = 2495.74$ ; NFI = .90; CFI = .90; GFI = .85; RMSEA = .10), nor did the four-factor model ( $\chi^2_{(129)} = 2115.52$ ; NFI = .91; CFI = .92; GFI = .88; RMSEA = .09). The two-factor model had an acceptable fit ( $\chi^2_{(129)} = 1703.10$ ; NFI = .93; CFI = .93; GFI = .90; RMSEA = .07), was significantly better fitting than the four-factor model ( $\Delta\chi^2_{(0)} = 412.42$ ;  $p < .001$ ) and was therefore used for testing our research hypotheses. The Cronbach's alpha for the HRM service quality scale was  $\alpha = .95$ .

#### *Costs of HR shared services*

Employees could evaluate the costs of HR shared services using items adapted from two existing scales that measure the perceived non-monetary costs of services, developed by Lapierre et al. (1999) and Petrick (2004). Some original items were not included, such as 'the service is easy to buy' and 'the service is easily bought' (Petrick, 2004), because employees do not pay for HR shared services. Rather than focusing on *buying* services, we reworded the items to reflect the *use* and *consumption* of HR shared services. In the end, we used six items to measure the effort and time that employees spend to obtain and use the HR practices offered by the HR SSC (e.g. 'For me, it costs much effort to inquire the HR SSC' or 'For me, it costs much time to make requests concerning personnel and payroll administrations'). As with the original scales, we used the six items reflectively to construct a one-dimensional factor of costs, but this did not fit the data very well ( $\chi^2_{(9)} = 1207.61$ ; NFI = .83; CFI = .83; GFI = .82; RMSEA = .26). Instead, we estimated a second-order scale formed of two dimensions because, theoretically, the items reflected either the costs for using administrative HR services (dimension 1) or information/support provision services (dimension 2). The second-order construct fitted the data well ( $\chi^2_{(8)} = 84.76$ ; NFI = .99; CFI = .99; GFI = .99; RMSEA = .07) and had a significantly better fit than the one-factor model ( $\Delta\chi^2_{(1)} = 1122.85$ ;  $p < .001$ ). The Cronbach's alpha for the costs of HR shared services scale was  $\alpha = .88$ .

### *Perceived value of HR shared services*

The HR shared service value as perceived by employees was measured using the two-item scale of Cronin et al. (2002). As it was originally applied to measure service value, we reworded the items to measure the value of HR shared services. Employees could report HR shared service value using the following two items: 'Overall, the value of the HR SSC's service delivery to me is very high' and 'In comparison to the spent effort and time, the extent to which the service delivery by the HR SSC satisfies my HR-related needs is very high'. The inter-item correlation was .72 ( $p < .001$ ), indicating the scale is acceptably consistent. The reliability of the scale, indicated by the Cronbach's alpha, was  $\alpha = .84$ .

### **Control variables**

To control for confounding effects, we included control variables measured at both the employee level and HR SSC level.

#### *Employee-level control variables*

We controlled for employee age, education and job function at the individual level of analysis; information on these variables came from the questionnaires sent to the employees. Age was included because the HRM-specific human capital of employees develops as a function of experience (Priem, 2007) and employee evaluations of HRM change as they become older (Kooij et al., 2010). Education was measured using an ordinal scale, asking the employees to select the highest educational level they completed and was included as it affects employees' knowledge, skills and abilities. Job function was measured using a dichotomous scale (employee / manager) and was included as employees and managers differ in their perceptions of HRM practices (Biemans, 1999; Liao et al., 2009).

#### *HR SSC-level control variables*

We controlled for the number of services provided by the HR SSC. This was included because a broader service portfolio may positively affect the extent of HR shared services usage (Priem, 2007) and HR shared services value as employees have more opportunities to match HR services to fit their needs. The number of services was measured using a matrix, which reflected the types of services offered (i.e. administration request and information/support provision) and HR domains (e.g. payroll, benefits, sick leave), and was administered by the HR SSC's director. Furthermore, we controlled for the human capital of the HR SSC as it may positively



impact the quality of services for consumers (Liao et al., 2009; Youndt et al., 2004). To measure the human capital of the HR SSC, we relied on the 5-item scale of Youndt et al. (2004) (e.g. 'the employees of the HR SSC are highly skilled') using a survey which was sent to the manager or director of the HR SSC. The Cronbach score was  $\alpha = .78$ .

### **Data analysis**

In this study, employees were nested in 19 organizations, and some of the control variables concerning the HR SSC features are measured at the organizational level (i.e. each organization had one HR SSC, so the HR SSC level corresponds to the organizational level). Given the nested and hierarchical structure of our data, the observations of employees are not independent when they share a similar HR SSC. Furthermore, our conceptual argument suggests that employees co-create value. To control for the nested data structure and tease out the extent to which the perceived value of HR shared services develops at the individual employee level, we performed a multi-level analysis using Hierarchical Linear Modeling (HLM) software.

## **Findings**

### **Descriptive statistics**

The means, standard deviations and correlations for the variables of interest are presented in Table 10. The strong correlations among quality and costs suggest that multicollinearity may be an issue. Hence, we split our original sample and then checked the estimates. In both sub-samples the estimates for quality and costs on HR shared services value were roughly the same as well as similar to those obtained from the full sample used during the final analysis (see Table 11). Also, in all three samples the standard errors of the estimates were reasonably low ( $< 0.02$ ), implying that they are not affected by multicollinearity. Finally, we conducted an exploratory factor analysis including all quality and cost measures, which yielded four factors<sup>2</sup> with Eigenvalues higher than 1.0. As such, we are confident that our estimates are not biased as a result of multicollinearity.

---

<sup>2</sup> We find four factors, rather than two, because quality and costs are second-order constructs which are both formed by two first-order constructs (see section 'Measurement of the main variables').

**Examining the variability in employee perceptions of HR shared services value**

Our research hypotheses are based on the assumption that heterogeneity among employees predicts why they have different perceptions of HR shared service value. Before testing our research hypotheses, we therefore examined whether and to what extent significant differences in value perceptions occur at the individual employee level. We estimated a null model in which no independent variables were specified and tested the significance level of the organizational level variance ( $\tau_0^2$ ) and employee level (or residual) variance ( $\sigma^2$ ) of the intercept. Both variances were found to be significant ( $\tau_0^2 = .03, p < .05$ ;  $\sigma^2 = .52, p < .001$ ). The intra-class correlation (1) (ICC(1)) for value is .05, indicating that 95% of the variance in HR shared service value is due to the heterogeneity among employees, whereas 5% of the variance results from differences among HR SSCs.

**Examining how quality and costs represent the perceived value of HR shared services**

Hypotheses 1 and 2 suggest that HR shared service value is affected by the quality and costs of HR shared services, which have a positive and negative relationship with HR value, respectively. As shown in model 5 in Table 11, when controlling for the effect of the other, the quality of HR shared services has a significant and positive effect on perceived value ( $\gamma = .56, p < .001$ ), whereas the costs of HR shared services relates negatively to HR shared service value ( $\gamma = -.26, p < .001$ ). Hence, we accept hypotheses 1 and 2.

Variable	M	SD	1	2	3	4	5	6	7	8	9	10
1. Employee age	46.47	9.97										
2. Employee education	3.68	1.05	-.252**									
3. Employee job function	0.22	0.41	.083**	.131**								
4. Human capital of the HR SSC	3.49	0.40	.081**	-.033	.021							
5. Number of services provided by HR SSC	36.95	12.41	-.075**	.085**	-.067**	-.065**						
6. Extent of HR shared services usage	0.41	0.30	-.050*	.049*	.067**	.215**	.160**					
7. HR functional human capital	3.09	0.93	-.023	-.077**	.063**	.097**	-.017	.186**				
8. interaction human capital	3.23	1.23	-.032	-.030	.134**	.081**	-.048*	.188**	.480**			
9. Quality of HR shared services	3.45	0.60	.074**	-.025	.036	.008	-.163**	-.046*	.256**	.249**		
10. Costs of HR shared services	2.75	0.74	.040	.051*	-.022	-.045*	.128**	-.009	-.449**	-.323**	-.553**	
11. Perceived value of HR shared services	3.19	0.76	.026	-.078**	.006	.004	-.119**	-.008	.285**	.222**	.599**	-.517**

\*\* p < .01

\* p < .05

N = 2002 individual employees

**Table 10:** Descriptive statistics and two-way inter-correlations

<b>Level and variables</b>	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>	<b>Model 4</b>	<b>Model 5</b>	<b>Model 6</b>	<b>Model 7</b>
Intercept	3.19***	2.53***	.83*	4.58***	2.08***	.68*	4.27***
<b>Level 1: Individual level</b>							
Employee age	.00	.00	-.00	.00**	.00	-.00	.00**
Employee education	-.04*	-.02	-.04**	-.02	-.04**	-.04**	-.01
Employee job function <sup>a</sup>	-.02	-.07	-.02	-.02	-.02	-.04	-.04
HR functional human capital		.19***				.10***	.05**
Interaction human capital		.05***				.00	.02
Quality of HR shared services			.73***		.56***	.68***	
Costs of HR shared services				-.50***	-.26***		-.46***
<b>Level 2: Organizational level</b>							
Human capital of the HR SSC	.04	-.03	.00	-.03	-.02	-.02	-.05
Number of services provided by HR SSC	-.00	-.00	.00	-.00	.00	.00	-.00
Pseudo R <sup>2</sup> <sup>b</sup>	.00	.09	.33	.23	.37	.35	.24

\*\*\* p < .001

\*\* p < .01

\* p < .05

For Level 1, N = 2002; for Level 2 N = 19. <sup>a</sup> Managerial = 1; Non-managerial = 0; <sup>b</sup> The Pseudo R<sup>2</sup> for HR shared service value was calculated using the formula suggested by Kreft and De Leeuw (1998)

**Table 11:** Multi-level results predicting the perceived value of HR shared services.

### **Examining the HRM-specific human capital – perceived value of HR shared services relationship**

Hypotheses 3 and 4 predict that the HRM-specific human capital of employees would positively impact HR shared service value through the partial mediation of quality and costs. We followed the four-step procedure for testing mediation in single-level models suggested by Krull and MacKinnon (2001) and controlled for the effect of both individual employee and HR SSCs characteristics. As a first step, the HRM-specific human capital of employees had to be related to HR shared service value. As shown in model 2 in Table 11, both the HR functional human capital ( $\gamma = .19, p < .001$ ) and interaction human capital ( $\gamma = .05, p < .001$ ) have a significant and positive relationship with HR shared service value.

As a second step, to test the role of quality and costs as the mediators, we examined whether these mediators are related to the perceived value of HR shared services. As shown in models 3 and 4 in Table 11, both mediators are significantly related to HR shared service value: quality is positively related ( $\gamma = .73, p < .001$ ), and non-monetary costs are negatively related ( $\gamma = -.50, p < .001$ ).

In the third step, we examined whether the HRM-specific human capital of employees is positively related to the moderator variables. As model 2 in Table 12 shows, both HR functional human capital ( $\gamma = .13, p < .001$ ) and interaction human capital ( $\gamma = .07, p < .001$ ) have a significant and positive relationship with the quality of HR shared services. Furthermore, model 5 in Table 12 shows that HR functional human capital ( $\gamma = -.30, p < .001$ ) as well as interaction human capital ( $\gamma = -.07, p < .001$ ) have a significant and negative effect on the costs of HR shared services. This shows that the effort and time spent by employees to obtain HR shared services decrease when an employee has higher levels of HRM-specific human capital.

As the final step, we included the HRM-specific human capital together with the quality and costs of HR shared services in predicting HR shared service value as perceived by employees. As reported in model 6 in Table 11, quality is significantly related to perceived value ( $\gamma = .68, p < .001$ ), as is HR functional human capital ( $\gamma = .10, p < .001$ ). In comparison to step 1 (model 2 in Table 11), HR functional human capital is less strongly related to HR shared service value, which shows that the quality of HR shared services partially mediates between HR functional human capital and perceived value. Additionally, we conducted a Sobel test which confirms that the change in the effect of HR functional human capital on HR shared service

value is significantly reduced due to the partial moderating role of quality ( $z = 6.33$ ,  $p < .001$ ). Therefore, hypothesis 3a is supported.

Model 6 in Table 11 shows that the interaction human capital is no longer significantly related to HR shared service value ( $\gamma = .00$ ,  $p = .18$ ) when controlling for the effect of quality. This shows that the quality of HR shared services fully mediates between the interaction human capital of employees and HR shared service value. Indeed, the Sobel test shows that quality reduces the significance of the relationship between interaction human capital and HR shared service value ( $z = 3.49$ ,  $p < 0.001$ ). Because quality fully mediates the interaction human capital–HR shared service value relationship rather than partially mediates it as we predicted, we partially accept hypothesis 3b.

Regarding the mediating role of the quality of HR shared services, model 7 in Table 11 shows that HR functional human capital is significantly and positively related to HR shared service value ( $\gamma = .05$ ,  $p < .01$ ), when controlling for quality, which is significantly and negatively related to HR shared service value ( $\gamma = -.46$ ,  $p < .001$ ). However, in comparison to step 1 (model 2 in Table 11), the strength of the relationship between HR functional human and perceived value is less strong. This shows that quality partially mediates between HR functional human capital and HR shared service value. The additional Sobel test confirms that quality, as a moderator, significantly reduces the effect of HR functional human capital on value ( $z = 9.82$ ,  $p < .001$ ). Therefore, hypothesis 4a is supported.

When controlling for the costs of HR shared services, the relationship between interaction human capital and HR shared service value is no longer significant ( $\gamma = .02$ ,  $p = .15$ ), indicating that the cost fully mediates this relationship. The Sobel test shows that the reduced significance of the effect of interaction human capital on HR shared service value is indeed due to the moderating role of non-monetary costs ( $z = 3.47$ ,  $p < .001$ ). Hence, we partially accept hypothesis 4b, which predicted that the cost of HR shared services has as partial mediating role.

In summary, the relationship between the HR functional human capital and HR shared service value is partially mediated by the quality and fully mediated by the non-monetary costs of HRM services provided by the HR SSC. The positive effect of interaction human capital on HR shared service value is partially mediated by the quality and fully mediated by the costs of HR shared services.

**Examining the extent of HR shared service usage–quality/cost relationship**

We predicted that the extent of HRM practices usage by employees positively affects the quality of HR shared services through the mediating effect of HR functional human capital (hypothesis 5a) and interaction human capital (hypothesis 5b). As shown in model 3 in Table 12, the extent of HR shared services usage does not have a significant effect on quality ( $\gamma = -.03$ ,  $p = .64$ ). Also, the residual variance (i.e. the Pseudo  $R^2$ ) in the quality of HR shared services was not reduced significantly when we included the extent of HR shared services usage. When the extent of use of HRM practices does not relate positively to quality, then there is unlikely to be a mediation effect of HRM-specific human capital. Given that this first condition for testing mediation hypotheses is not met, we have to reject hypotheses 5a and 5b. However, it could be possible that the individual HR shared services affect employee perceptions of quality. Therefore, in Appendix D, we present the results of a post-hoc test into the effect of individual HR shared services usage on quality, costs and HRM-specific human capital. Here we find that some individual HR practices offered by HR SSC do affect the quality of HR shared services.

Hypotheses 6a and 6b predict that the negative relationship between extent of use of HRM practices and costs of HR shared services is mediated by the HRM-specific human capital of employees. We again followed the four-step procedure to test these hypotheses. First, as shown in Model 6 in Table 12, the proposed negative effect of the extent of HR shared services usage on the costs of HR shared services is significant ( $\gamma = -.18$ ,  $p < .01$ ). In other words, the effort and time spent by employees to obtain HR shared services are reduced when employees make more use of HRM services provided by the HR SSC. Second, both moderators (HR functional human capital ( $\gamma = -.30$ ,  $p < .001$ ) and interaction human capital ( $\gamma = -.07$ ,  $p < .001$ ) of employees) relate negatively to costs (as shown in model 5 in Table 12). As a third step, we examined whether the moderator variables are affected by the extent of HR shared services usage. Indeed, as shown in models 9 and 11 of Table 12, the extent of use of HR shared services is significantly and positively related to HR functional human capital ( $\gamma = .69$ ,  $p < .001$ ) as well as interaction human capital ( $\gamma = 1.13$ ,  $p < .001$ ). Finally, as shown in model 7 in Table 12, when controlling for the effect of HRM-specific human capital, the relationship between the extent of HR shared services usage on costs became insignificant ( $\gamma = .11$ ,  $p = .07$ ). Furthermore, model 7 in Table 12 shows that both HR functional human capital ( $\gamma = -.30$ ,  $p < .001$ ) and interaction human capital ( $\gamma = -.07$ ,  $p < .001$ ) continue to have a significant and negative impact on costs.

Level and variables	Quality of HR shared services			Costs of HR shared services				HR functional human capital		Interaction human capital	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11
Intercept	3.22***	2.69***	3.22***	2.76***	3.74***	2.69***	3.80***	2.75***	3.02***	2.80***	3.18***
<b>Level 1: Individual level</b>											
Employee age	.01**	.00***	.00***	.00*	.00	.00*	.00	-.00	-.00	-.01*	-.06*
Employee education	.01	.03*	.01	.04*	.01	.04**	.00	-.09***	-.09***	-.07*	-.08**
Employee job function <sup>a</sup>	.00	-.05	.00	-.01	.06	-.00	.05	.16***	.11*	.40***	.31***
HR functional human capital		.13***			-.30***		-.30***				
Interaction human capital		.07***			-.07***		-.07***				
Extent of HR shared service usage			-.03			-.18**	.11		.69***		1.13***
<b>Level 2: Organizational level</b>											
Human capital of the HR SSC	.05	.00	.05	-.14	-.03	-.11	-.05	.26	.12	.35	.13
Number of services provided by HR SSC	.00	.00	.00	.00	.00	.00	.00	.00	-.00	.00	-.00
Pseudo R <sup>2</sup> <sup>b</sup>	.01	.09	.01	.00	.20	.01	.21	.01	.04	.02	.07

\*\*\* p < .001

\*\* p < .01

\* p < .05

For Level 1, N = 2002; for Level 2 N = 19.

<sup>a</sup> Managerial = 1; Non-managerial = 0; <sup>b</sup> The Pseudo R<sup>2</sup> were calculated using the formula suggested by Kreft and De Leeuw (1998)

**Table 12:** Multi-level results predicting quality, costs, and HRM-specific human capital



In other words, the HRM-specific human capital of employees fully mediates between the extent of use and costs of HR shared services. Indeed, the Sobel tests show that the reduced significance of the effect of extent of HR shared services usage on costs is due to the mediating role of both HR functional human capital ( $z = -7.48, p < .001$ ) and interaction human capital ( $z = -5.19, p < .001$ ). Therefore, we accept both hypotheses 6a and 6b.

## **Discussion**

The primary goal of this study was to examine whether and how the HRM-specific human capital of employees, which develops through the extent of HRM service usage, affects employee perception of HR shared services value. Although researchers in the HRM field have suggested that employee perceptions of HRM are affected by the individual employees themselves, most studies focused on the characteristics of HR service providers as antecedents of employee perceptions (Nishii and Wright, 2008). As a result, it remained unclear whether and how the perceived value of HR shared services develop at the individual employee level. In this study, we focused on explaining the employee's perception of HR shared service value as an important success factor of the HR shared services model and in doing so have shed more light on how employees themselves shape their perceptions of HRM stimuli. The results provide several implications for both research and practice.

## **Research implications**

One of the major implications of the research findings presented in this study, is that the majority of differences in the perceived value of HR shared services can be attributed to sources of variability at the individual employee level. In fact, 95% of the variance in HR shared service value resides at the individual employee level. By researching the value of HRM practices provided by HR SSCs, we could control for the presence of HRM practices provided to employees while HR SSCs generally offer the same transactional HRM practices (Farndale et al., 2009; Meijerink and Maatman, 2012). This implies that although employees are offered similar HRM practices, they nevertheless differ in their perceptions regarding the extent to which the provided HRM practices satisfy their needs and wishes. Although previous studies have already found that employee perceptions of HRM may differ while they receive different practices from HR providers such as line managers (Den Hartog et al., 2012; Jensen et al., 2012), we find support for the assumption that employee

perceptions of the value of HRM practices differ even when the practices provided to them are standardized across users (Priem, 2007).

A second major implication of our findings is that employees themselves shape and influence their perceptions of HR value, by relying on their HRM-specific knowledge and skills. We find that the HR functional human capital and interaction human capital of employees positively influence the value of the HRM practices provided by HR SSCs. This provides support for the service-dominant logic (Vargo and Lusch, 2004) and consumer perspective (Priem, 2007), which suggest that employees create value-in-use during the consumption of HRM practices by relying on HRM-specific knowledge and skills. This implies that employee characteristics play a much stronger role in influencing perceptions of HRM than most studies assume. In summarizing the literature, Nishii and Wright (2008: 232, emphasis added) argue that "individuals perceive HR practices through different lenses and make varying conclusions about the extent *to which the practices satisfy their needs.*" We find that the positive relationship between HRM-specific human capital and HR shared services value is mediated by the quality of HR shared services. This suggests that the HRM-specific human capital of employees enables them to create value out of the provided HR services and satisfy their own needs by utilizing the provided HRM practices. It means that HRM practices by themselves do not satisfy employee needs, but instead provide the *opportunity* in the form of a value proposition that, once appropriated by employees, helps them to satisfy their personal needs and wishes. This lends support to the claims of Janssens and Steyaert (2009) and Lepak and Boswell (2012), who argue that employees actively shape their perceptions of HRM and are not merely passive recipients of HRM practices. Therefore, future studies may benefit from considering employees as the co-producers and consumers of HRM practices, which influences how they perceive HRM stimuli.

Third, to operationalize the idea of employees being HRM co-producers and so explain why they differ in their perceptions or reactions to HRM practices, the HRM-specific human capital of employees may be a helpful concept. Although we focus on employee perceptions in terms of the value of HRM practices, employee knowledge and skills may also explain why they have different perceptions of the intensity or presence of HRM practices. As co-producers of HRM practices, employees may feel more self-confident in co-producing HRM as a result of increases in their HRM-specific human capital and so actually engage more in co-producing activities (Auh, Bell, McLeod and Shih, 2007). Through intensively co-

producing HRM practices, employees may be more exposed to HRM stimuli and ultimately perceive higher levels of HRM practice intensity. Furthermore, some have reasoned that perceived HRM practice intensity affects employee reactions to HRM such as commitment and citizenship behavior *through* employee need fulfillment (Marescaux et al., 2013; Nishii et al., 2008). The HRM-specific human capital of employees likely explains differences in need fulfillment by HRM practices as reported by employees, as higher levels of knowledge and skills enable employees to better fulfill their needs by using the provided HRM practices. This means that the extent to which HRM practice intensity impacts on employee attitudes, mediated by employee need fulfillment, increases when the HRM-specific knowledge and skills of an employee improve.

Fourth, our findings nuance the claim that HR SSCs and probably other HR service providers *create value for* employees as suggested by other studies (Maatman et al., 2010; Meijerink et al., 2013; Ulrich, 1995). Our finding that the quality and costs of HR shared services mediate between the HRM-specific human capital of employees and their perceptions of HR value suggests that employees create value from the provided HR shared services by relying on their knowledge and skills. At the same time, we found a small, yet significant variance in HR value across HR SSCs, which implies that HR shared services providers do play a role in the HR value creation processes. As an example, we found that employees perceive that they are spending less effort when their experience with consuming HR shared services increases. HR SSCs can help to increase the extent of HR shared services usage and HR value perceptions of employees by offering better value propositions (e.g. more user-friendly HR portals or new services that potentially better suit user needs), motivating employees to make greater use of HR shared services. The lesson to be learned from this is that the value of HRM practices as perceived by employees is co-created by both the HR service provider and the employees themselves. For research that aims to explain why employees differ in their perceptions of HRM, this implies that a co-creation logic or service-dominant logic can be valuable as it provides a conceptual logic for why variables at both the provider and employee level serve as antecedents of employee perceptions of HRM.

Fifth, we find that the way in which the extent of HR shared services usage affects HR shared service value is not universal. Although greater HR shared services usage results in lower levels of costs to obtain HRM services, it did not significantly affect the quality of HRM. In other words, whether employees make use of more HR shared services does not affect the extent to which they perceive HR

shared services meet their needs. We see two reasons for this. First, as shown in Appendix D, the use of individual HR shared services has different effects on HR service quality. Asking the HR SSC for information relates positively to quality, whereas consulting its website or HR portal relates negatively to quality. This suggests that the positive effect of using one HR service is negated by the negative effect of another, leading overall to the extent of HR shared services usage having a neutral effect on HR service quality. Secondly, not all HRM practices may be salient to employees, that is, some HRM practices may not be seen by them as important for meeting their needs (Lepak and Boswell, 2012). Therefore, it is likely that the extent of use of HR shared services that are salient to an employee explains his/her perceptions of HR service quality and the extent to which HR SSCs meet his/her needs, rather than the overall use of HR shared services. This implies for future studies that the effect of *specific* HRM practices and their perceived importance by employees may help explain quality perceptions and employee need fulfillment better than considering an aggregate measure of HRM practices, HR shared services portfolios or HRM systems.

Lastly, our results imply that the consumer perspective is useful to explain value creation within firms. Originally, the consumer perspective was developed to explain value creation in a business-to-consumer context, reasoning that consumers create value out of the provided services and products by relying on their product-specific human capital (Priem, 2007; Priem et al., 2012). We find support for this proposition, but then in a within-organization environment. Our findings may support an explanation of why teams or groups of employees have an influence on the value perceptions of individual employees. The consumer perspective outlines the 'household production model', which views utility as following from the consumption activities in which the members of a household engage (Priem, 2007; Ratchford, 2001). Given the assumption that the household aims to maximize value, its members may specialize in consuming products and so gain specialist human capital from which other household members can benefit (Priem, 2007). For example, employees can gain specialist human capital to be used for making informed decisions for others, from which the entire household (i.e. the team) can benefit and enjoy value. Furthermore, the specialist expertise gained by one team member can be shared with others for the benefit of the entire team when the expert supports his/her colleagues to jointly consume internal services. As such, future studies may benefit from considering how the product-specific human capital within teams explains the value perceptions of individuals.

### **Practical implications**

Our research findings also have some implications for practice. First, existing research reports on employees being dissatisfied with the HRM practices provided by HR SSCs (Cooke, 2006; Meijerink and Bondarouk, 2013), which eventually may harm the success of the HR shared services model. To identify the causes of these problems, our results suggest that practitioners could best search among the users of HR shared services, because the majority of the variance in HR shared service value perceptions reside at the employee level. Improving HR shared service value is important because low levels of HR value may cause employees to become uncommitted and dissatisfied (Boselie and Paauwe, 2005; Gilbert et al., 2011b). However, the observed intra-class correlation of .05 suggests that the magnitude with which HR SSCs can directly increase HR shared service value for employees is limited. However, this does not imply that HR SSCs cannot indirectly increase employee perceptions of HR shared service value. The S-D logic would suggest that HR SSCs can affect HR value levels by improving the value propositions they make to employees. Furthermore, to improve the perceived quality and reduce the perceived costs of HR shared services, our results show that practitioners should try to increase the stock of HRM-specific human capital of employees. We find that this can be effectuated by ensuring that employees make use of more HR shared services. In particular, employees should be encouraged to make use of activities that aim at increasing HR functional human capital, as it has the strongest effect on HR shared service value. Remarkably, simply broadening the scope of HR services provided by an HR SSC does not seem to make much of a difference. We find that the number of services provided by HR SSCs does not relate significantly to either the HR shared service value nor the HRM-specific human capital of employees. Instead, our results as presented in Appendix D show that HR SSCs should focus on increasing the use of selected HR shared services, such as making administrative requests as well as consulting the HR SSC for information, as these activities relate positively to the HRM-specific human capital of employees and their perceptions of HR value. Obtaining online information does not increase employee knowledge and even reduces HR value. Hence, rather than simply extending the number of services provided, HR SSCs would do better to focus on improving the extent of usage of specific HR services to improve HR shared service value. Previous studies have shown that this can be effectuated through, for example, increasing the ease-of-use of the information technologies employees use for making requests (Bondarouk et al., 2010a; Davis, 1989). All in all, this suggests that HR SSCs can benefit from

adopting a support role by helping employees to improve their HRM-specific knowledge and skills.

Lastly, our results indicate that maximizing HR shared service value for the majority of employees is a challenging goal. We find on average that employees give a score of 3.19 with a standard deviation of .76 for HR shared service value. This suggests that for the majority of employees, HR shared service value does not exceed 4.0 on a 5-point scale. This raises the question for practitioners of whether increasing the average value of HR shared services beyond a 4.0 score is possible or desirable. Some researchers have argued that HR shared services are a hygiene factor which reduces employee satisfaction when perceived to have a low value, but does not strongly increase it when its value improves strongly (Boselie and Paauwe, 2005). Maximizing the levels of HR shared service value may not pay off for the organization and would probably not matter to employees either.

### **Limitations and future research**

We acknowledge that the contributions of this research have to be seen in the light of its limitations. First, we conducted research among Dutch organizations and measured the value of HR shared services. As a result, our findings may not be generalizable to other countries or other HR delivery channels. At the same time, however, the service-dominant logic which forms the conceptual basis of this study is not culturally bound and applies to the exchange of goods and services at large. This suggests that the effect of HRM-specific human capital on HR shared service value also holds in other countries. Furthermore, our results are consistent with the consumer perspective, which argues that employees create value out of provided services (Priem, 2007). As such, whether the HRM-specific knowledge and skills of employees affect their HR value perceptions does not depend on the particular service provided. Nevertheless, although the effect of HRM-specific human capital on value is considered generic, future research could test whether the knowledge and skills of employees have an equally strong impact on the value of services provided by other HR service providers as they do on the value of HR shared services.

Second, it is possible that common-method bias inflated the relationships described in this study. There are several reasons why we assume that response bias is not of great concern here. The construct of HRM-specific human capital is conceptually and empirically distinct from the quality, costs and value of HR shared services, meaning there is less concern about common method bias than when they

are related very strongly. The Harman's one-factor test, on which we reported earlier, confirmed this. Second, the relationship between the extent of HR shared service usage and HRM-specific human capital could be inflated by common method bias. However, the post-hoc analysis presented in Appendix D shows that not all items used for measuring the extent of HR service usage related significantly to the HRM-technical human capital, quality and costs. If common method bias had been a severe problem, then we would expect all items used for measuring the extent of HR shared services use to be related to these outcome variables. We find that this is certainly not the case, while about 35% of the relations were not significant. Finally, although the strong correlations among the quality, costs and value of HR shared services may point to common method bias, from a theoretical standpoint, these strong relations make sense. Value is based on the ratio of quality and costs, which conceptually means that a large part of the variance in HR shared service value should be explained by its two sub-dimensions. Nevertheless, the relationship between these two dimensions and value is not heavily inflated due to common method bias because quality and costs explain about 40% of the variance in HR shared service value.

Third, we may have limited ourselves by measuring the quality of HR shared services as HR service quality. Probably as a result of this, the quality of HR shared services together with costs explains not more than 37% of the variance in HR shared service value. In fact, there may be other concepts that measure the quality of HR shared services, such as their usefulness, instrumentality or effectiveness as perceived by employees. Future research could adopt a broader perspective in conceptualizing the benefits or quality of HR services in order to get a better understanding of which specific benefits of HR (shared) services represent the HR value perceptions of employees.

Finally, we cannot answer questions regarding the causality of the observed relationships while relying on cross-sectional data. At the same time, although the direction of some direct relationships can be questioned, our mediation analyses shows that the hypothesized directions of relationships in our research hold empirically. The mediation analysis, for example, showed that the HRM-specific human capital mediates between the extent of HR shared services use and costs of HR shared services. In other words, although we relied on cross-sectional data, we do not have to reject hypotheses given that the conceptual logic underlying the causal direction of hypotheses holds empirically. Future research that incorporates longitudinal data is necessary to tease out the causal interrelations among the

extent of use, HRM-specific human capital and HR value, with the most likely outcome being that these concepts reciprocally affect one another.

### **Conclusion**

Despite these limitations, we believe this study has provided insight into how variables at the employee level influence and help explain the employee perceptions of HRM. As expected and suggested by the service-dominant logic, employees rely on their human capital to shape their perceptions of the quality and costs of HR shared services. Although more research is needed, for instance, into how other employee perceptions of HRM practices such as their perceived presence or intensity develop at the employee level, we hope that this study provides a useful start in explaining how employees can actively shape their perceptions of HRM stimuli by relying on their knowledge and skills.

### **References**

The list of references can be found on p. 215.





## **Chapter 7**

### **Discussion**

## **Introduction**

This thesis set out to explain the value of HR shared services for end-users: the employees and line managers who make use of them. In so doing, this thesis presents the findings from five research sub-projects that addressed two challenges in the literature. The addressed challenges were essentially to overcome: (1) the inability to explain the value of HR shared services for end-users; and (2) the lack of clarity as to whether SSCs are a new organizational form that provide their promised benefits. To address these challenges, we conducted both conceptual and empirical studies. In this final chapter, the main findings obtained from these studies are summarized and discussed in terms of their theoretical and practical implications. Finally, the limitations of this thesis and suggested directions for future research are outlined.

## **Challenge 1: Explaining the value of HR shared services**

Several evaluation studies have reported that HR SSCs do not meet the needs of their end-users (Cooke, 2006; Janssen and Joha, 2006; Meijerink and Reilly, 2010; Redman et al., 2007). However, most of these studies are rather descriptive and provide little insight into the variables that influence HR shared service value. The challenge that remains is to overcome the inability to explain the value of HR shared services for end-users. We see two reasons why this challenge needs to be addressed. First, earlier studies have found a positive association between the perceived value and the usage of HR shared services, such as online self-services, by employees (Davis, 1989; Marler et al., 2009). Cooke (2006) found that employees who are dissatisfied with HR shared services do not use them and, instead, keep what can be called shadow administrative systems, which results in duplication of resources and increase inefficiencies. Therefore, for firms to reap the anticipated cost benefits of HR shared services, first requires an understanding of how HR shared services create value for employees and line managers. Second, research has shown that indicators of HR value, such as HR service quality, satisfaction of employee needs, and interdepartmental service delivery quality, positively relate with employee attitudes such as affective commitment and organizational climate (Gilbert et al., 2011b; Marescaux et al., 2013; Schneider et al., 1998). Cooke (2006) found that low levels of HR shared service quality result in employee dissatisfaction because poor quality HR services are perceived by employees as indicating that their employer does not care about them. In other words, being able to get across the value of HR shared services is necessary if the

workforce is not going to become demotivated and uncommitted. Therefore, the first key purpose of this thesis is to conceptually and empirically explain how HR shared services' value is created for end-users. To achieve this goal, we conducted three studies (Chapters 2, 3, and 6).

## **Summary of the research results**

### *Chapter 2*

First, given the lack of theory on the creation of HR shared service value, in Chapter 2 we developed a conceptual framework that was intended to explain the creation of HR shared service value and so serve as a starting point for the other two studies. In creating this framework we relied on *intellectual capital theory* which builds on the idea that performance is the product of the integration and coexistence of knowledge resources (Youndt et al., 2004). As such, its application to HR shared services helps to explain how the first structural characteristic of HR shared services (i.e. the centralization and bundling of resources) affects the value of HR shared services for end-users. In developing the conceptual framework, we hypothesized how the sub-dimensions of intellectual capital (i.e. human, social, and organizational capitals) interact to form configurations that influence HR shared service value. We followed the notion that HR SSCs provide HR services that are either transactional or transformational (Redman et al., 2007; Ulrich, 1995) and so distinguished between transformational and transactional HR value. Transformational HR value reflects the extent to which HR services are customized and support increasing the rarity and inimitability of the human capital of the business units, whereas transactional HR value echoes the extent to which administrative HR services are delivered in a timely, accurate, and standardized or consistent manner.

Following the distinction between the two HR value types, we developed propositions based on the idea that two configurations of the human, organizational and social capitals of HR SSCs influence transformational and transactional HR value respectively. The HR SSC's HR functional human capital (i.e. its ability to execute HR practices) was hypothesized to be directly related with transformational HR value. This relationship was argued to be positively moderated by the social capital and the organic organizational capital of HR SSCs. In other words, the effect of human capital on transformational HR value is stronger when more knowledge is exchanged among the HR SSC's staff (i.e. the social capital increases) or when they increasingly use codified information (e.g. protocols and processes) as guidelines

that offer autonomy but within boundary conditions for possible action (i.e. the organic organizational capital increases).

Transactional HR value was seen as being directly affected by the mechanistic organizational capital of the HR SSC (i.e. the extent to which the HR SSC has embedded knowledge in its rules and uses them as strict guidelines). The HR SSC's HR infrastructural human capital (i.e. its ability to use HR information systems) and social capital were assumed to moderate this effect, such that the effect of organizational capital on transactional HR value becomes stronger as the abilities of the HR SSC's staff and the exchange of knowledge within the HR SSC increase.

### *Chapter 3*

For the second study, presented in Chapter 3, the conceptual framework developed in Chapter 2 served as the starting point for an empirical analysis of the intellectual capital within the HR SSC of a public organization. Given the negative evaluations of HR SSCs by end-users reported in previous studies (Cooke, 2006; Janssen and Joha, 2006; Redman et al., 2007), we decided to examine whether integrating centralization and decentralization models in an HR SSC was a sufficient condition for HR shared services to create value. More specifically, we examined whether the centralization of intellectual capital in an HR SSC, combined with the decentralization of control to the business units, yielded value for end-users. First, the case-study findings corroborated the propositions regarding the creation of transactional HR value developed in Chapter 2. We found that employees in this transactional HR SSC intensively inquired of HR information systems, processes, and databases in serving end-users in a timely and accurate manner. As such, the organizational capital played a key role in creating transactional HR shared service value. Further, we found that the human capital within the transactional HR SSC included skills for leveraging information embedded in processes, HR information technologies, and codified regulations. In other words, the human capital of the HR SSC's staff is a contingency factor in that it is designed to generate value propositions from the HR SSC's organizational capital.

Second, despite the intellectual capital being centralized and the control over the HR SSC being decentralized to the business units, the HR SSC studied limitedly provided value to the end-users. For example, we found that information got lost and the skills of the HR SSC staff became outdated once bundled in the HR SSC as a result of HR process and information system changes. Failing to update the human capital within an HR SSC when redesigning HR processes and information

systems – the latter is done by most organizations when establishing an HR SSC (Davis, 2005; Redman et al., 2007; Ulrich, 1995) – may therefore result in the poor utilization of organizational capital resulting in limited value. Further, the case study revealed that end-users themselves maintain the information stored in the HR SSC's databases through operating online self-services. This indicates that the end-users are responsible for developing the organizational capital bundled in the HR SSC, such that the value created from the centralized resources depends on how well the decentralized actors maintain some of the information and knowledge consolidated in an HR SSC. That is, end-users themselves are likely to influence their value perceptions of an HR SSC.

### *Chapter 6*

In the final study we built on the finding from Chapter 3 that end-users are likely to influence their perceptions of HR shared service value. To get a better understanding of how end-users themselves influence their value perceptions, we applied the *consumer perspective* because this reasons that value is under the direct control of users as they create value out of provided services and/or products (Priem, 2007). This is also referred to as the creation of value-in-use, reflecting the idea that consumers only experience the value of a service/product during its consumption (Grönroos, 2011; Priem, 2007; Vargo and Lusch, 2004). Following the idea of value-in-use creation, the consumer perspective assumes consumer heterogeneity, such that the evaluations of consumers will vary as a function of differences in their product-specific human capital – their ability to co-produce services (Priem et al., 2012). In other words, the higher the consumers' product-specific human capital, the better able they are to create value from the services provided. Therefore, rather than focusing on the intellectual capital of the HR SSC, we examined whether the HRM-specific human capital of local end-users impacted on their perceptions of HR value.

The application of the consumer perspective resulted in several interesting findings. First, the multilevel analysis presented in Chapter 6 revealed a significant intra-class correlation of 5% for HR shared service value. This indicates that the majority of the variance in HR value for end-users is caused by differences among the end-users, which supports the consumer heterogeneity assumption that is central to the consumer perspective (Priem, 2007). Second, we found that the HRM-specific human capital of end-users positively influences HR value perceptions through increasing the quality and reducing the costs of services. Finally, the extent

of HR shared services use by end-users was negatively related with one of the sub-dimensions of HR value, namely the cost of HR shared services, and this relationship was found to be mediated by the HRM-specific human capital of end-users.

### **Implications for theory**

We now consider the implications of the research findings summarized above for the two theoretical perspectives applied for explaining the value of HR shared services. Above all, the observed intra-class correlation of 5% for HR shared service value shows that most of the variability in HR shared service value resides on the individual level. In addition, the fact that the organizational capital of an HR SSC is updated by the local end-users indicates that the end-users to an extent influence their own perceptions of value through maintaining the resources of a provider. Together, these findings imply that one should not only focus on HR SSC variables but also examine variables on the end-user level in seeking to explain the perceived value of HR shared services to end-users. An end-user's human capital has a positive influence on the value they perceive as this human capital enables them to improve the quality and reduce the non-monetary costs of HR shared services. Since end-users themselves to an extent create the value of provided HR shared services, one should consider the resources possessed by individual end-users in explaining the perceived value of HR shared services. Here, applying the consumer perspective in explaining value has helped to increase understanding of HR shared services value creation by showing that the heterogeneity among end-users explains the differences in their perceptions of HR shared service value. In terms of centralization and decentralization, this research thus demonstrates that the sources of variability in HR shared service value should be primarily sought among the decentralized actors rather than within the HR SSCs.

However, this is not to say that the centralization component of an HR SSC is irrelevant when it comes to explaining the perceived value of HR shared services. Both conceptually and empirically, we find that the human, social, and organizational capitals within an HR SSC interrelate in generating HR shared service value. That is, the centralized resources are interdependent in influencing the value of HR shared services. In terms of intellectual capital theory, we thus contribute to previous research by providing an understanding of the inner workings of intellectual capital configurations. By conceptualizing intellectual capital as the aggregate of knowledge resources, researchers have already started to analyze the

effect of different configurations of human, social and organizational capitals on outcomes such as firm performance (Reed et al., 2006; Youndt et al., 2004) and innovation performance (Kang and Snell, 2009). We have contributed to this stream of literature by unfolding the internal structure of intellectual capital configurations and gaining a better understanding of the way in which the individual components of intellectual capital interrelate to influence value.

However, it remains open to question whether the intellectual capital of suppliers *correlates* with value, despite our conceptual framework in Chapter 2 suggesting that the intellectual capital of HR SSCs does. Our results highlight two reasons why intellectual capital may not be directly tied to value for end-users. First, the low intra-class correlation of HR value suggests that sources of variability at the supplier level, such as in their intellectual capital, have small or insignificant impacts on value. Second, as shown in Chapter 3, the value of HR shared services for end-users fell after the intellectual capital was bundled in an HR SSC. This indicates, in explaining the value of HR shared services, that the bundling and use of intellectual capital is at best a necessary condition for value creation, and certainly not sufficient.

To gain a better understanding of the role played by an HR SSC's intellectual capital in creating value, we distinguish value *creation* from value *generation*. As explained by Grönroos (2011), value *creation* reflects the creation of value-in-use by consumers from their suppliers' value propositions (i.e. products and services), whereas value *generation* represents the overall process that results in value and so, in addition to value-in-use creation by customers, also includes the design and delivery of products and services by suppliers. Vargo and Lusch (2004) argue that service delivery always involves the movement of specialized knowledge from the supplier to the consumer. For example, the intellectual capital of an HR SSC helps to generate value by being used in offering value propositions in the form of services such as solving end-user problems and providing management information (Chapter 3). On this basis, we would argue that intellectual capital certainly matters in the early stages of *generating* value for end-users.

However, in explaining value, it seems sensible not to use intellectual capital theory in isolation since this theory is a correlational one that assumes human, social, and/or organizational capitals are both necessary and sufficient for performance and, as already noted, intellectual capital may not be sufficient to generate high-level value. This is because the intellectual capital which is provided through service delivery (Vargo and Lusch, 2004) first has to be used by the end-



users, who were shown to rely on their product-specific human capital to create value out of the provided services (Chapter 6). Hence, we would suggest that the predictive power of intellectual capital theory depends on other theoretical perspectives, such as the consumer perspective that conceptualizes how consumers generate value through using supplier resources such as intellectual capital.

To determine the necessity and sufficiency of intellectual capital, in combination with a consumer perspective, for explaining value, it could be useful to include configuration theory since this does not assume linear relationships among variables (Doty et al., 1993; Fiss, 2011). As such, examining the effect of different configurations of supplier intellectual capital and consumer human capital could help to draw out the necessity and sufficiency of a supplier's intellectual capital for generating value. That is, to explain value, intellectual capital theory should not be simply applied as a correlation theory but rather be approached configurationally in concert with other theoretical perspectives.

In conclusion, the consumer perspective and its assumption of consumer heterogeneity explain more of the variance in HR shared service value than does intellectual capital. However, the creation of value always involves an interaction between the knowledge resources of the provider and those of a user. Given that both the consumer perspective and the intellectual capital viewpoint focus on just one of these interdependent resources, the validity of either theory in explaining value increases when used with the other. We would therefore encourage researchers that aim to explain the value of (HR shared) services to combine both theories in order to gain a better understanding of how supplier and user resources interact to influence value.

### **Implications for other research streams**

The findings presented in this thesis have implications for future research beyond the confines of HR shared services. Next, we discuss the implications for the broader field of human resource management and strategic management.

#### *Implications for human resource management*

For the HRM field, this thesis contributes by uncovering the sources of variability in employees' perceptions of HRM. Although previous studies have already shown significant variation at the employee level in perceptions regarding the presence of HRM practices (Den Hartog et al., 2012; Liao et al., 2009), this thesis shows that variability also exists in employees' perceptions of the quality and costs of HR

services. Most studies that have attempted to explain employee perceptions that echo HR value, such as HRM effectiveness and HR service quality, have mainly investigated independent variables at the HR service provider level, such as HR professional competences (Boselie and Paauwe, 2005; Han et al., 2006), HR professional roles (Delmotte, 2008), or HR service provider capabilities (Huselid et al., 1997; Maatman et al., 2010). However, our results indicate that employee-level variables also need to be researched in explaining differences in HRM perceptions.

It seems that researchers have so far overlooked employees themselves as being the source of variability in HRM perceptions, as reflected in those studies which conclude that limited attention is given to the idea that employees may support or undermine HRM delivery (Janssens and Steyaert, 2009; Keegan and Boselie, 2006). This thesis contributes to the HRM literature by providing a better understanding of how employees may support the delivery of HRM and, in so doing, shape their HRM perceptions. For example, employees, by using their product-specific human capital, actively engage in shaping and affecting their own HRM perceptions while creating value out of HR services. As a second example, employees and HR service providers are interdependent in that HR service providers rely on the cooperation of employees to provide high-quality HR services. This interdependency is manifested in end-users being responsible for maintaining the organizational capital used by the HR SSC in providing value propositions. The lesson to be learnt from these findings is that, in reality, employees and HR service providers co-produce or co-implement HR activities. Rather than focusing on the implementation of HRM *by* HR professionals or line managers (Gilbert et al., 2011b; Guest and Bos-Nehles, 2012; Khilji and Wang, 2006), we would argue that future research could benefit from adopting an HR co-production logic – a logic that views employees' perceptions of HRM as emanating from the collaboration between HR service providers *and* employees.

Adopting a co-production logic to HRM would suggest that we could gain a better understanding of the intensity or presence of HRM as experienced by employees if we can explain the extent to which they engage in the co-production of activities. Social learning theory (Salancik and Pfeffer, 1978) would argue that employees, through increasingly co-producing HRM practices, are likely to be more intensively exposed to HRM stimuli and so perceive higher levels of HRM presence. In explaining the level of co-production by employees, one might benefit from social cognitive theory (Bandura, 1986, 1989) since this focuses on cognitive frames as a repertoire of tacit knowledge that individuals use to understand and interact with

their environment (Mathieu, Goodwin, Heffner and Cannon-Bowers, 2000). Social cognitive studies show that frame congruence (i.e. the similarity of frames among individuals) leads to higher team effectiveness (Lim and Klein, 2006; Rentsch and Klimoski, 2001), collaboration (Espinosa, Slaughter, Kraut and Herbsleb, 2007), and collective efficacy (Gibson, 2001) such that high levels of frame congruence are likely to result in collaborative efforts between the HR service provider and the employee (Bondarouk, Looise and Lempsink, 2009). In explaining employees' supportive behavior, and hence their perceptions of HRM intensity, social exchange theory could be valuable in that line managers' efforts are reciprocated by employees who are willing to engage in HR service co-production. For example, Bettencourt (1997) found that perceived support for customers (offered by the provider) positively affects the extent of customers' participation in service production processes. Also, consumers' affective commitment and their organization citizenship behavior, as reciprocations of a provider's efforts, are shown to be positively related to co-production behavior (Auh et al., 2007; Bettencourt, 1997; Yi and Gong, 2012). So, in order to better explain the variance in employees' perceptions of HRM, future research could thus benefit from researching the antecedents that drive HR service co-production, that is, the extent to which employees engage in the delivery of HR services.

#### *Implications for strategic management*

The research presented in this thesis has some implications for strategic management, which sees value creation as a necessary condition for firms to achieve a sustained competitive advantage (Sirmon et al., 2007).

First, the fact that 95% of the variance in value can be traced to the consumer level empirically supports a key assumption of the consumer perspective, that the variance in HR value follows from consumer heterogeneity (Priem, 2007), as well as the claims of some scholars who have argued that strategic management scholars should regard the consumer, and not just the firm, as a value creator (Payne and Holt, 2001; Priem, 2007; Priem et al., 2012; Ramirez, 1999).

Second, we contribute by demonstrating the utility of a strategy that can increase the value perceived by consumers. We have shown that increasing the extent that consumers use services reduces the non-monetary costs to consumers by increasing their product-specific human capital. This would suggest that strategy researchers could gain a better understanding of value creation by testing the utility of strategies that increase the number of consumption experiences of consumers

(Priem, 2007). However, the use of certain specific services by employees does not, or may even negatively, influence their consumer human capital or value (see Appendix D). In other words, generic strategies for increasing the use of the entire portfolio of services provided by a firm may not be as beneficial as strategies that focus on increasing the use of specific services by consumers. This implies that future research into strategic management should be clear about the use of which services or products a strategy intends to increase.

Lastly, although we did not find that the usage of services increases service quality for the consumers, we did find that the more customers use a service reduces the non-monetary costs of that services. However, several studies have shown that firms rely on strategies that, by default, increase the non-monetary costs for consumers (Mills and Morris, 1986; Skaggs and Youndt, 2004). For example, Skaggs and Youndt (2004) argue that firms may adopt a co-production strategy that requires greater efforts on the part of their consumers. Hence, it is likely that the effectiveness of strategies for increasing service usage by consumers is contingent on the use of other strategies such as a co-production strategy. As such, future studies into strategic management could benefit from examining how interactions among a firm's strategies result into value for consumers through influencing consumer human capital and their perceptions of costs.

## **Challenge 2: Exploring the structural characteristics of HR SSCs**

In order to better understand the HR shared services concept, several scholars have called for more in-depth and exploratory research into the "specifics and underlying processes of SSCs" (Farndale et al., 2009: 558). However, most studies are either single case studies (Cooke, 2006; Redman et al., 2007) that constrain statistical generalization or survey-based studies (Farndale et al., 2009; Selden and Wooters, 2011) that provide limited in-depth data. As a result, there is limited knowledge regarding the activities that are centralized in HR SSCs and the decentralization of control. It is necessary to explore these HR SSC features because they are likely to contribute to the creation of HR shared service value. For instance, the decentralization of control could support SSCs in creating value because the control mechanisms used should then ensure that an SSC serves the needs and interests of the business units and end-users (Farndale et al., 2010; Janssen and Joha, 2006). Also, centralizing HR activities could provide value for end-users, including for decentralized HR employees who could have more time available for fulfilling a strategic partner role after the establishment of an HR SSC (Cooke, 2006; Reilly

and Williams, 2003). In other words, both these structural characteristics of HR SSCs seem likely to serve as opportunities that enable end-users to reap the value of HR SSCs. However, as long as we lack empirical knowledge on the activities and control of SSCs, it remains unclear whether real-life SSCs actually integrate centralization and decentralization models and so provide opportunities for HR shared services to create value. Therefore, the second key issue empirically explored in this thesis is which HR activities are centralized in HR SSCs, and whether and how control is decentralized to the business units. To meet this goal, we conducted a sequence of three studies (Chapters 3, 4, and 5).

### **Summary of the research results**

#### *Chapter 3*

First, in Chapter 3, we drew on agency theory because it pictures the control mechanisms that agents can use to ensure that the activities undertaken by a principal meet their needs (Eisenhardt, 1989; Jaworski, 1988). In other words, agency theory helped to explore the ways in which HR SSCs (the agent) decentralize control to the business units (the principal). First, we found that within the business units of the governmental organization studied, both the clients (in the form of HR directors, service managers, and HR advisors) and employees had been granted control over the HR SSC's activities. Hence, rather than being controlled by a single agent, HR SSCs are controlled by a variety of decentralized agents. Second, as expected and in line with what others have found (Cooke, 2006; Farndale et al., 2010; Farndale et al., 2009), we found that formal controls, such as output controls and behavior controls, are used to control the transactional HR activities performed by this HR SSC. Surprisingly, the case study showed that informal controls, such as trust, collaboration, and joint-decision making (Aulakh and Genturk, 2000; Germain et al., 2008; Uzzi, 1997), that are believed to be useful in controlling transformational-type HR activities (Farndale et al., 2010) were also installed by the business units to control the transactional HR SSC activities. It was found that the end-users and the HR SSC are reciprocally interdependent (Thompson, 1967), meaning that informal controls had to be used in governing this interdependent relationship (Jaworski, 1988; Koulikoff-Souviron and Harrison, 2006). Given this interdependency, the HR SSC also tried to control its principals – the business units – to elicit the end-user contributions needed to secure high-value service delivery. In this case study, the HR SSC consisted of several staff units that housed account managers, HR policy experts, IT experts, and project managers who collaborated

with business unit (client) representatives in order to improve existing services and develop new ones. Reflecting this, the HR SSC's organizational structure was designed to support collaboration with the business units and provide opportunities to utilize informal controls.

#### *Chapter 4*

Apart from control mechanisms, the concept of organizational control includes a second dimension: the extent of control (Jaworski and MacInnis, 1989). To uncover the extent of control decentralization, we explored the governance structures present because these structures reflect how HR SSCs are positioned relative to those who potentially control the HR SSCs: central entities and decentralized business units. Within the eighteen organizations, we found various governance structures that reflect the extent to which business units can influence HR SSC operations. In practice, each organization had its own specific governance structure that was designed to fit within its overall organizational structure. Apart from some exceptions in the public sector, our qualitative study among Dutch HR SSCs revealed that control over HR SSCs is generally not fully decentralized to the business units. Rather, in 15 of the 18 organizations, the ownership of control over the HR SSC was to varying degrees shared by the business units and a corporate entity, such as the board of directors. This shared ownership of HR SSC control contradicts existing governance structure typologies that suggest that an SSC is controlled *either* by a corporate center *or* by the business units (Strikwerda, 2004).

The study presented in Chapter 4 also explored the activities that are centralized in HR SSCs. In addition to providing administrative HR services, HR SSCs were also found to offer transformational HR services such as recruitment, selection, and training. We even found that HR SSCs go beyond the bundling of operational HR activities in that they perform innovation activities in the sense of developing new HR services and supporting HR policy development and improvement. In fact, some HR SSCs, besides their operational units, also have separate staff functions whose prime responsibility is improving and developing HR services. Given these findings, it would be possible to classify the HR activities of HR SSCs along two dimensions: transactional vs. transformational, and operational vs. innovative, to form a 2-x-2 matrix that represents the activities consolidated in HR SSCs. In all the 18 organizations that were studied, the HR SSCs were engaged in operational HR activities that fall within the transactional domain. These transactional HR activities included back office administration, maintaining and

offering online self-services, and providing information through an HR portal, front office, call center, or help desk. Some differences were also found. The HR SSCs in the subsidiaries of foreign-owned multinationals more often engaged in operational HR activities in the transformational domain, whereas, within domestic organizations, HR SSCs more often carried out innovative activities in the transactional domain. From these findings, we conclude that HR SSCs offer a variety of services that sometimes go beyond bundling and carrying out operational and/or transactional HR activities.

### *Chapter 5*

Previous studies have provided mixed conclusions regarding whether HR services that were largely transformational in nature can be best shared or not (Redman et al., 2007; Ulrich, 1995). The observed diversity in HR activities bundled in HR SSCs, as reported in Chapter 4, further motivated us to examine which HR activities could be best consolidated in an HR SSC. In so doing, we applied the *commonality potential* framework which suggests that service components can be best shared when the differentiation in the needs for them is low (i.e. the needs for these services are homogenous across users and stable over time). Here, we applied the commonality potential framework to examine whether the effect of sharing HR activities on value is contingent on the differentiation in needs.

We found that the effect on value of sharing HR activities does not depend on whether the activity is transactional or transformational in nature. Rather, we found that the value of certain HR activities is affected by the interaction between the HR delivery mode and the differentiation in needs. As predicted by the theory, the value of HR activities, for which homogenous needs exist and/or which are stable over time, is higher when offered through an HR SSC than when retained in the individual business units. Further, HR activities for which very heterogeneous needs exist have a significant higher value when offered by decentralized service providers. However, HR activities for which users have moderately diverse needs are equally valuable whether they are delivered through an SSC or a decentralized mode. This illustrates that a range of HR activities with both moderately high as well as low needs differentiation can be centralized in an HR SSC without yielding unnecessarily low levels of value. Finally, irrespective of the HR delivery channel used, the extent of the differentiation in needs related negatively with value such that the value of an HR activity decreases when the needs for the selected HR activity become more heterogeneous or when they change more rapidly over time.

### **Implications for theory and other streams of literature**

This thesis has implications for and makes contributions to the fields of HR shared services, organization studies, and human resource management.

The main contribution of this thesis is that it addresses the question as to whether shared services are a new form of organizing that provides opportunities for value creation through integrating centralization and decentralization models. For the organization studies field, this thesis is one of the first to explore the structural characteristics of the shared services model. We see three reasons why real-life SSCs should be seen as a special form of organizing. First, shared services differ from other organization structures, such as the M-form organization where one principal (e.g. corporate headquarters) controls multiple agents (i.e. the business units) or a matrix structure where a focal agent is controlled by two principals. Rather than having a limited number of principals controlling various agents, shared services are a special case of organizing because *various* principals (clients, top management, employees, etc.) control a *single* agent: the HR SSC. Second, the ownership of control of the majority of HR SSCs is shared by central and decentralized actors. Although shared services are generally conceptualized as decentralizing control to the business units (Janssen and Joha, 2006; Maatman et al., 2010), in reality SSCs are a special case of organizing because the control over HR SSCs is both centralized and decentralized at the same time. Third, our results indicate that an HR SSC is able to outperform or at least match models that centralize or decentralize HR service delivery. On the one hand, activities with a low differentiation in needs yield higher value when delivered by an HR SSC in comparison to decentralized delivery. On the other hand, although a centralized approach is generally seen as undesirable for sourcing activities with highly differentiated needs (Halman et al., 2003; Klaas et al., 1999; Lawrence and Lorsch, 1967), an HR SSC in fact provides similar levels of value for such activities as decentralized service providers. Only for a small percentage of HR activities (7%) for which users have very diverse needs is the value lower when performed by an HR SSC in comparison to a decentralized approach. One of the reasons why HR SSCs, despite centralizing HR activities, may perform as well as decentralized providers is because they decentralize control such that the diverse business unit needs are still met (Farndale et al., 1995; Ulrich, 1995). Although we cannot conclude that shared services is a better model than the two traditional models as we have not compared organizational structures, our findings are a first indication that shared service provision yields at least equal or higher value to either



centralized or decentralized structures, likely because shared services merge both structures.

However, the blending of centralization and decentralization structures may also have undesirable consequences and reduce HR shared service value for the business units. The various central and decentralized principals that control the HR SSC may have different expectations of HR shared services and this may result in the SSC experiencing a role conflict (Ford and Randolph, 1992), with resulting low levels of performance (Tubre and Collins, 2000). The latter was seen in our large-scale study into the sourcing of HR activities where we found that the value of an SSC reduces when the needs for HR activities become more diverse, and so are more likely to conflict. This implies that, to understand why SSCs manage (or fail) to create value, we have to understand how principals resolve possible conflicts of interest to reach a shared vision on how to control the SSC. In other words, besides studying SSC – client interactions, in the form of control relationships, the interactions occurring outside the HR SSC's boundaries and between its principals have to be studied to explain the value of HR shared services.

Notwithstanding the particular features of HR shared services, we nevertheless cannot claim, in terms of governance and control, that SSCs “imply a change in the operational model of the firm” as suggested by Strikwerda (2004: 10). In our research, we did not come across any organization that used the shared service model to design its entire organizational structure. Rather, the shared service model is used to introduce an intra-organizational market where the SSCs and local business units engage in a supplier – buyer relationship. To manage this relationship, the internal structure of some HR SSCs includes staff units that partner clients to improve and develop HR services. To receive these services, the business units pay a transfer price (Farndale et al., 2009; Ulrich, 1995). In other words, the HR SSC is a business within a business, almost a small firm that offers support services such as HRM, finance, or IT to the firm that houses it. This suggests that shared services are used for the delivery of staff activities that support operations in the line organization which, in terms of organizational structure, remain unchanged after the introduction of shared services. In practice, we found that the governance structure of the HR SSCs is tailored to the existing structure of the parent organization. In other words, the shared service model is a sub-structure that is part of the larger organizational structure, rather than a blueprint for the entire organization. As such, the shared services model is new to the extent that it introduces an internal market that includes supplier – buyer relationships and

disperses control among various central and decentralized agents. However, it does not change the structure of the entire organization when the shared service model is utilized only for the carrying out and control of a limited set of support functions.

In terms of centralizing activities, although HR SSCs are often considered to offer no more than administrative services (Hällsten et al., 2011; Reilly and Williams, 2003), we found that HR SSCs are no longer limited to offering administrative services and have entered the transformational and strategic domains. The fact that HR SSCs offer both transactional and transformational services is not that surprising given that we saw that the positive effect of an HR SSC on HR value is not contingent on the type of HR services selected (Chapter 5). This expanded scope of the services provided by HR SSCs is likely to have increased the impact of HR SSCs on the implementation of HRM policies and practices. This potential impact is reflected in those HR SSCs that support HR policy refinement (Chapter 4), increase employee mobility and institutionalize a strategic partner role for local HR professionals (Chapter 3). For research into the organization of the HR function, this finding has an important implication. The expansion of HR shared services makes HR SSCs a significant player, alongside line managers, localized HR professionals, and HR outsourcing vendors. For employees, this means they are increasingly exposed to a diversity of HR service delivery channels that may all execute HRM idiosyncratically. Ambiguous HRM messages may be sent to employees, and a weak HRM system may emerge if these various HR service delivery channels fail to consistently execute HR practices or disagree over HR goals (Bowen and Ostroff, 2004). The dangers of HRM message ambiguity emphasizes the need for research that goes beyond HR SSC control and adopts a broader focus in order to understand how the governance of the entire HR function (Farndale et al., 2010) can help align HR delivery channel activities and ultimately, secure a strong HRM system.

### **Implications for practice**

The findings presented in this thesis have several practical implications. First, with regard to installing control mechanisms for governing HR SSC activities, our findings suggest that the business units and the HR SSC could benefit from relying on social controls. Research shows that many HR SSCs make use of online self-service technologies (Cooke, 2006; Farndale et al., 2010; Farndale et al., 2009) that devolve parts of the HR processes to local users and so increase the interdependencies between the HR SSC and end-users (Chapter 3). As a result, it is

likely that both parties will want to align their activities, interests, and expectations. Social controls help in creating shared norms and joint understandings (Uzzi, 1997). Although the majority of organizations already utilize service charters and service level agreements in controlling their HR SSCs (Farndale et al., 2009), they could also benefit from developing strong ties between the HR SSC and its clients to effectively govern the interdependent relationship. HR SSCs can effect this, for example by hiring account managers who partner clients or initiating client councils that jointly discuss and solve problems with the HR SSC.

Second, for managing the intellectual capital held within HR SSCs, our findings suggest that HR SSCs may benefit from investing in employee skills for utilizing information technologies, retrieving codified information, and operating processes. The case-study findings give empirical support to the proposition that the human capital of a transactional HR SSC supports leveraging its organizational capital for value creation. For instance, HR SSC staff need to be able to retrieve codified information and track processes in order to quickly and accurately serve end-users. In establishing an HR SSC, organizations have to redesign existing HR processes and information systems (Davis, 2005; Redman et al., 2007; Ulrich, 1995) and a failure to update HR SSC staff knowledge can result in an inability of HR SSC staff to utilize codified information and processes. Therefore, when establishing a transactional HR SSC, an organization has to update the HR infrastructural knowledge and skills of its staff.

It has been argued that organizational capital develops as the knowledge of individuals is merged and codified into processes and routines (Crossan et al., 1999; Hansen et al., 1999; Ruta, 2009). Crossan et al. (1999), for example, reason that learning at the organizational level concerning developing rules, routines, and procedures follows a feed-forward process. During such processes, employees integrate their ideas and knowledge such that knowledge integration and collective action ensure that organizational knowledge is consistently and routinely used by employees (Crossan et al., 1999). Hence, to ensure that organizational capital is indeed utilized by employees, they need to engage in the feed-forward process described by Crossan et al. (1999) by integrating their personal knowledge. As a practical recommendation, to promote feed-forward learning, organizations could let the staff of a future HR SSC participate in its establishment, such that their knowledge and skills develop and integrate to form a shared understanding, leading to the consistent use of organizational knowledge.

Third, by using online self-services, employees become responsible for developing and updating the HR SSC's organizational capital (Chapter 3). This implies that, to ensure high-quality codified information, HR SSCs may have to develop the knowledge and skills of their end-users in using the information technologies so that they can effectively execute their resource co-creation role. Related to this, our findings imply that organizations that want to increase end-user perceptions of HR shared service value need to increase the HRM-specific knowledge and skills of these end-users. We have found that organizations can increase their end-users' human capital by increasing employees' usage of HR shared services since this accelerates end-user experience (Priem, 2007). In addition, we saw that organizations tend to rely on output controls such as monthly evaluation surveys for tracking end-user satisfaction with HR shared services (Farndale et al., 2010; Chapter 3 of this thesis). These surveys could usefully be extended to track the development of end-users' human capital and hence determine whether the human capital of specific end-user groups requires improvement. Priem (2007) has suggested that end-user human capital increases with experience. HR SSCs have information technologies that provide what some have called 'Big Data' on HR process usage, and this enables HR SSCs to track the extent to which end-users initiate HR processes as well as the frequency with which end-users operate online self-services. From this, organizations can gain an insight into which HR processes could be more frequently operated by end-users to increase their human capital.

Fourth, the significant effect on value of the interaction between HR delivery mode and needs differentiation (Chapter 5) implies that organizations have to be careful in deciding which HR activities to share and which not. HR activities for which homogenous needs exist should be consolidated in an HR SSC since this can generate high value. On the other hand, when the needs for an HR activity differ *strongly* among business units, our results indicate that this activity can better be retained within the individual business units if organizations want to create high-level value. Furthermore, irrespective of the HR delivery mode used, organizations are advised to align business unit and user expectations since we found that needs differentiation negatively correlates with value (Chapter 5). To develop shared expectations of an HR SSC, organizations could try to develop strong ties between business units as tie strength is shown to be positively related with developing a shared understanding (Tsai and Ghoshal, 1998).

## **Limitations**

As with any study, the results and implications presented in this thesis have to be viewed in the light of the study's limitations. The specific limitations of each of the sub-studies are discussed in the discussion/conclusion sections of Chapters 2 to 6; and this section therefore discusses only the overall limitations of this thesis.

The first limitation concerns our samples being made up of Dutch organizations with intra-organizational HR SSCs since this limits the generalizability of the research findings to other countries and to inter-organizational HR SSCs. Companies from the United States, for example, have a stronger tendency to centralize control compared to their European counterparts (Ferner et al., 2011b; Wächter et al., 2006). US-owned companies may also have developed further in terms of the growth model described in Chapter 4 since US companies have a longer history of using HR shared services (Davis, 2005; Ulrich, 1995). As a result, the generalizability of our findings into the centralization of HR activities and decentralization of control (Chapters 3 and 4) may be limited to the Dutch context. However, neither our research hypotheses, tested in Chapters 5 and 6, nor the conceptual arguments underlying this thesis are strongly culturally bound. Further, the research findings are consistent with those obtained in other contexts such as the United States (McKee et al., 2006; Meuter, Bitner, Ostrom and Brown, 2005) and Japan (Liao et al., 2009), suggesting that the generalizability of the research findings for explaining the value of HR shared services may not be limited to the Netherlands.

Second, the findings may be subject to survivorship bias as a consequence of excluding HR SSCs whose operations had terminated. Organizations that abandoned the HR shared services concept could have had HR SSCs that offered HR services other than those outlined in the multiple-case study (Chapter 4). Furthermore, the reported end-user evaluations may be biased because HR SSCs may have stopped operations or these were outsourced for the very reason that they were underperforming.

Third, in researching the value of HR shared services for end-users, the composition of the end-user groups differed among our studies. Whereas, in the single case study (Chapter 3), employees, line managers, and HR professionals were included as end-users, in the quantitative field study (Chapter 6) the end-user group consisted of employees and managers. This may bias the findings, given that expectations of HRM and the component structure of HRM evaluation scales differ for employees and managers (Biemans, 1999; Tsui and Milkovich, 1987). However,

end-user type (i.e. employee or line manager) did not appear to significantly impact on HR shared service value (Chapter 6). Furthermore, as a consumer of shared HR services, managers are to an extent similar to non-managerial employees, and have many similar roles, because line managers also need to access the HR SSC for personal matters (e.g. an incorrect pay slip) or operate employee self-services (e.g. when applying for leave). Therefore, the findings presented in this thesis are at worst only slightly biased by differences in the selected end-user groups.

Fourth, although we introduced a time lag between measuring value and its antecedents (in Chapter 5) to reduce the risk of common method bias and to uncover temporal linkages, the possibility of reverse causation is not entirely ruled out. Some have suggested that evaluation measures, such as service quality and value, measure an attitude that reflects a long-term evaluation (Cronin and Taylor, 1992; Parasuram, Zeithaml and Berry, 1988). These evaluations (at time  $n$ ) are a function of prior evaluations based on satisfaction with previous service delivery experiences (at time  $n-1$ ) (Cronin and Taylor, 1992; Oliver, 1980). Given that our results show that end-users only infrequently contact the HR SSC (Chapter 6), their long-term attitudes towards the value of HR shared services may take considerable time to develop. This raises the question as to whether a time lag of two months (as used in Chapter 5) is sufficient to rule out reverse causation possibilities. Consequently, a limitation of this thesis is that we cannot be sure whether value affects the human capital of end-users, or the selection of HR delivery modes. Future research could therefore benefit from introducing longer time intervals between measuring HR shared service value and its antecedents.

A final limitation of our research is that we took the HR SSC as the unit of analysis, where on occasions the individual HR SSC staff member would have been more appropriate. In practice, end-users do not inquire of the HR SSC but engage with individual HR SSC employees. It is likely that HR SSC employees vary in their human capital, such that the variance in value perceptions of end-users is likely to reflect the variance in human capital at the HR SSC employee level rather than that on the HR SSC level. To better explain HR shared service value, future research could usefully examine the effect of the resources of individual HR service providers (e.g. HR administrators, HR advisors, or HR business partners) on the value perceptions of end-users.

### **Suggestions for future research**

The findings presented in this thesis point to a number of directions that future studies could take to improve the understanding of the antecedents and consequences of employee perceptions of HRM, the performance of HR shared services, and value co-creation. Next, some suggestions for future research initiatives are discussed.

#### **Future research into employee perceptions of HRM**

The variance in end-user perceptions of the value of HR shared services found in this thesis points to a valuable avenue for future research, namely the consequences of employee perceptions of HRM. Although many studies examine the effects of the perceived presence of HRM (Boon et al., 2009; Gilbert et al., 2011b; Liao et al., 2009; Marescaux et al., 2013), the potential outcomes of perceived HR value have been less studied. Nevertheless, the value attached to HR shared services may serve as a signal to employees regarding those employee behaviors that are expected and rewarded (Bowen and Ostroff, 2004; Rentsch, 1990). For instance, high HR shared service values may send a message to employees that the organization aims to offer high-quality services. As such, HR service value may positively correlate with service climate (Schneider et al., 1998). Also, and following from social exchange theory, high levels of HR shared service value may be reciprocated by employees. Such reciprocation may be manifested in employee extra-role behaviors or support for external customers, such that HR service value is related to organization citizenship behavior or service quality for customers. Hence, future research could test whether HR shared service value affects desired employee attitudes and behaviors, and ultimately organizational performance.

Related to this, we have suggested that employee perceptions of HRM are made up of different dimensions that may influence employee attitudes and behaviors. The execution of HRM can be seen as service delivery, because HRM practices are intangible and co-produced by the provider and the recipient. The service management literature tells us that consumer service experiences consist of perceptions of service products and processes (Grönroos, 1984; Parasuram et al., 1988). Seeing HRM as service delivery would mean that employees' perceptions of HRM consist of dimensions such as the *intensity* of HRM (i.e. perceptions in terms of the extent to which employees' perceive they receive HRM service products) and *value* of HRM (i.e. perceptions of service delivery processes and products in terms of their quality or costs). A valuable avenue for future research could be to further

disentangle the concept of employee perceptions of HRM and determine which of its dimensions has the strongest impact on employees' attitudes and behaviors.

The finding that HR service providers and employees are interdependent and collaborate in co-producing HRM practices similarly suggests possible directions for future research into the antecedents of employee perceptions of HRM. Rather than researching the efforts and attributes of just the HR service providers (Den Hartog et al., 2012; Han et al., 2006; Liao et al., 2009), future research could benefit from investigating the collaboration between the suppliers and the recipients of HRM as an antecedent of employees' perceptions of HRM. To explain the level of HR practice co-production by the suppliers and recipients of HRM, future studies could usefully draw on theories such as social capital and social cognitive theory that others applied in explaining collaboration efforts (Espinosa et al., 2007; Tsai and Ghoshal, 1998).

#### **Future research into HR shared service performance**

Based on the idea that shared services integrate centralization and decentralization models, future research could investigate how this integration impacts on the value of HR shared services. This thesis mainly considered the individual effects of intellectual capital (i.e. the centralization component) and business unit control (i.e. the decentralization component) on value and largely overlooked how these variables affect value when integrated. However, intellectual capital and business unit control seem likely to interrelate in explaining HR shared service value. Seeing intellectual capital as the *act* of utilizing knowledge resources within the HR SSC (Meijerink et al., 2013; Youndt et al., 2004), business unit control will impact on the HR SSC's intellectual capital since controls have the purpose of directing the activities of the agent (Jaworski, 1988). In other words, business unit control will probably ensure that the human, social, and organizational capitals of the HR SSC are configured, and put to use, such that they meet the business units' needs. Therefore, future research could test whether the intellectual capital configuration of an HR SSC mediates the relationship between business unit control and HR shared service value.

Second, our research shows that control over an HR SSC is shared by a corporate entity and the business units. Following the concept of *focus of control*, which refers to the scope of activities performed by the agent over which the principal exercises control (Geringer and Hebert, 1989), future research could explore which activities of an HR SSC are controlled by corporate headquarters and



which by the business units. Perhaps, corporate headquarters control whether the HR activities are in line with corporate HR policies, whereas business units control the day-to-day operations of the HR SSC. By researching the focus of control, future research could determine which activities are best controlled centrally and which decentrally, and so determine when to allocate the focus of control to different principals in order to yield high-level value.

### **Future research into value co-creation**

The observed relationship between the human capital of end-users and value may have an important implication for future research. Theoretically, we have a 'chicken or the egg' dilemma here, as it is unclear whether human capital causally affects value. It is possible that value may positively influence product-specific human capital since high levels of value yield high levels of repurchase intentions (Cronin et al., 2000) that, once redeemed by the user, result in a more-developed experience of co-producing service and, hence, in higher levels of human capital (Priem, 2007). Future longitudinal research could test the causal direction in the human capital – value relationship.

Recently, several scholars have suggested that value is co-created in networks, meaning that value follows from a network of multiple actors rather than being restricted to the supplier – consumer dyad (Gummesson, 2008; Lusch, Vargo and Tanniru, 2010). Although employees draw on their own human capital in creating value (Chapter 6), they might also rely on the human capital of other colleagues, their line manager, or local HR professionals in co-creating HR shared service value. Similarly, line managers who partner with local HR advisors for executing HRM policies (Gilbert et al., 2011b) could rely on this partnership for the human capital necessary to co-create value. The consumer perspective introduces the 'household production model' which views utility as following from the consumption activities in which members of a household engage (Priem, 2007; Ratchford, 2001). Assuming that a household aims to maximize value, its members may specialize in specific consumer products and so gain specialist human capital from which the other members can benefit (Priem, 2007). Interpersonal relationships and knowledge codification both support knowledge sharing (Haas and Hansen, 2007; Hansen et al., 1999; Nahapiet and Ghoshal, 1998), implying that interrelationships among the human, social and organizational capitals of within-firm households affect the value for household members. As such, in order to understand how value is co-created in networks, future research could usefully examine the effect of the knowledge

available in teams, or the interrelationships among various actors within the HR function, in explaining how multiple actors co-create HR value.

### **Conclusions**

This research set out to explain the value of HR shared services for their end-users. Although the intellectual capital of an HR SSC helps in generating value propositions, at best it is a necessary but insufficient precondition that influences value provided it is accurately updated and utilized by end-users. In addition, the characteristics of decentralized actors play a key role in explaining value, such as in terms of the diversity in needs among the clients of an HR SSC. Most importantly, HR shared service value follows from user characteristics such as their product-specific human capital that enables them to create value out of the service delivered by HR service providers. In other words, the creation of HR value is a joint activity to which suppliers, clients, and end-users all contribute. Therefore, in order to understand how HR shared services create value, research has to focus on the intersection of supplier, client, and end-user resources and on their co-creation activities.

### **References**

The list of references can be found on p. 215.



## References

## References

- Adler, P. S., and Borys, B. (1996), 'Two Types of Bureaucracy: Enabling and Coercive,' *Administrative Science Quarterly*, 41, 61-89.
- Aiken, L. S., and West, S. G. (1991), *Multiple Regression: Testing and Interpreting Interactions*, Newbury Park, London: Sage
- Alleyne, C., Kakabadse, A., and Kakabadse, N. K. (2007), 'Using the Intranet: An Exploratory Analysis of Its Impact on Managerial Satisfaction with the HR Function,' *Personnel Review*, 36, 295-310.
- Appelbaum, E., Bailey, T., Berg, P., and Kalleberg, A. (2000), *Manufacturing Advantage: Why High-Performance Work Systems Pay Off*, Ithaca: Cornell University Press.
- Auh, S., Bell, S. J., McLeod, C. S., and Shih, E. (2007), 'Co-production and Customer Loyalty in Financial Services,' *Journal of Retailing*, 3, 359-370.
- Aulakh, P. S., and Genturk, E. F. (2000), 'International Principal-Agent Relationships: Control, Governance and Performance,' *Industrial Marketing Management*, 29, 521-538.
- B.C.G. (2008). *Hoofdkantoren een Hoofdzaak: Tijd voor Industriepolitiek Nieuwe Stijl*. Amsterdam: The Boston Consulting Group.
- Bandura, A. (1986), *Social Foundations of Thought and Action: A Social Cognitive Theory*, Englewood Cliffs: Prentice-Hall.
- Bandura, A. (1989), 'Human Agency in Social Cognitive Theory,' *American Psychologist*, 44, 1175-1184.
- Bandura, A. (1997), *Self-Efficacy. The Exercise of Control*, New York: W.H. Freeman.
- Barling, J., and Beattie, R. (1983), 'Self-Efficacy Beliefs and Sales Performance,' *Journal of Organizational Behaviour Management*, 5, 41-51.
- Barney, J. B. (1986), 'Organizational Culture: Can It Be a Source of Sustained Competitive Advantage?,' *Academy of Management Review*, 11, 656-665.
- Barney, J. B. (1991), 'Firm Resources and Sustained Competitive Advantage,' *Journal of Management*, 7, 99-120.
- Barney, J. B. (2001), 'Is the Resource-Based "View" a Useful Perspective for Strategic Management Research? Yes,' *Academy of Management Review*, 26, 41-56.
- Bauer, D. J., and Curran, P. J. (2005), 'Probing Interactions in Fixed and Multilevel Regression: Inferential and Graphical Techniques,' *Multivariate Behavioral Research*, 40, 373-400.

- Becker, B. E., and Huselid, M. A. (2006), 'Strategic Human Resource Management: Where Do We Go From Here?,' *Journal of Management*, 32, 898-925.
- Bettencourt, L. A. (1997), 'Customer Voluntary Performance: Customers As Partners In Service -Delivery,' *Journal of Retailing*, 73, 383-406.
- Bhattacharya, M., Gibson, D. E., and Doty, D. H. (2005), 'The Effects of Flexibility in Employee Skills, Employee Behaviors and Human Resource Practices on Firm Performance,' *Journal of Management*, 31, 622-640.
- Biemans, P. J. (1999), *Professionalisering van de personeelsfunctie. Een Empirisch Onderzoek bij Twintig Organisaties.*, Delft: Eburon.
- Blocker, C. P. (2011), 'Modeling Customer Value Perceptions in Cross-Cultural Business Markets,' *Journal of Business Research*, 64, 533-540.
- Blumberg, M., and Pringle, C. D. (1982), 'The Missing Opportunity in Organizational Research: Some Implications for a Theory of Work Performance,' *Academy of Management Review*, 7, 560-569.
- Bondarouk, T. V. (2004). *Using Group Learning to Enhance the Implementation of Information Technology: The Results of Discourse Analysis*. University of Twente, Enschede, The Netherlands.
- Bondarouk, T. V. (2011). A framework for the Comparative Analysis of HR Shared Service Models. In T. V. Bondarouk, H. J. M. Ruel & J. C. Looise (Eds.), *Electronic HRM in Theory and Practice* (pp. 83-104). Bingley, UK: Emerald Group Publishing Limited.
- Bondarouk, T. V., Harms, R., and Lepak, D. P. (2010a). *Doing e-HRM and Doing It Right: When Does e-HRM Utilization Lead To Improvements in HRM Services? An Analysis Under Low and High Appropriation Regimes*. Paper presented at the Annual Meeting of the Academy of Management.
- Bondarouk, T. V., Looise, J. C., and Lempsink, B. (2009), 'Framing the Implementation of HRM Innovation,' *Personnel Review*, 38, 472-491.
- Bondarouk, T. V., Maatman, M., and Meijerink, J. G. (2010b). *Human Resource Shared Services: Business Models and Value Creation*: Technical Report 266809, University of Twente, School of Management and Governance.
- Bondarouk, T. V., and Ruel, H. J. M. (2010), 'Framing e-HRM in a Cross-National Context,' *International Journal of Technology and Human Interaction*, 6, i-xi.
- Bontis, N. (1998), 'Intellectual Capital: An Exploratory Study that Develops, Measures and Models,' *Management Decision*, 36, 63-76.

- Bontis, N. (1999), 'Managing Organizational Knowledge by Diagnosing Intellectual Capital: Framing and Advancing the State of the Field,' *International Journal of Technology Management*, 18, 433-463.
- Boon, C., Paauwe, J., Boselie, P., and Den Hartog, D. (2009), 'Institutional Pressures and HRM: Developing Institutional Fit,' *Personnel Review*, 38, 492-508.
- Bos-Nehles, A. C. (2010). *The Line Makes the Difference: Line Managers as Effective HR Partners*. University of Twente, Enschede, The Netherlands.
- Boselie, P., Dietz, G., and Boon, C. (2005), 'Commonalities and Contradictions in HRM and Performance Research,' *Human Resource Management Journal*, 15, 67-94.
- Boselie, P., and Paauwe, J. (2005), 'Human Resource Function Competencies in European Companies,' *Personnel Review*, 34, 550-566.
- Bowen, D. E., and Ostroff, C. (2004), 'Understanding HRM-Firm Performance Linkages: The Role of the "Strength" of the HRM System,' *Academy of Management Review*, 29, 203-221.
- Bowen, J., and Ford, R. C. (2002), 'Managing Service Organizations: Does Having a 'Thing' Make a Difference?,' *Journal of Management*, 28, 447-469.
- Bowman, C., and Ambrosini, V. (2000), 'Value Creation Versus Value Capture: Towards a Coherent Definition of Value in Strategy,' *British Journal of Management*, 11, 1-15.
- Boxall, P. (1996), 'The Strategic HRM Debate and the Resource-Based View of the Firm,' *Human Resource Management Journal*, 6, 59-75.
- Boxenbaum, E. (2006), 'Lost in Translation: The Making of Danish Diversity Management,' *American Behavioral Scientist*, 49, 939-948.
- Brewster, C., Wood, G., and Brookes, M. (2008), 'Similarity, Isomorphism or Duality? Recent Survey Evidence on the Human Resource Management Policies of Multinational Corporations,' *British Journal of Management*, 19, 320-342.
- Bukh, P. N., Larsen, H. T., and Mouritsen, J. (2001), 'Constructing Intellectual Capital Statements,' *Scandinavian Journal of Management*, 17, 87-108.
- Buyens, D., and De Vos, A. (2001), 'Perceptions of the Value of the HR Function,' *Human Resource Management Journal*, 11, 70-89.
- Cabrita, M., and Bontis, N. (2008), 'Intellectual Capital and Business Performance in the Portuguese Banking Industry,' *International Journal of Technology Management*, 43, 212-237.

- Caldwell, R. (2003), 'The Changing Roles of Personnel Managers: Old Ambiguities, New Uncertainties,' *Journal of Management Studies*, 40, 983-1004.
- Carrig, K. (1997), 'Reshaping Human Resources for the Next Century - Lessons from a High Flying Airline,' *Human Resource Management*, 36, 277-289.
- CedarCrestone. (2012). *HR Technologies, Deployment Approaches, Value and Metrics*. Alpharetta: CedarCrestone.
- Chang, E. (2005), 'Employees' Overall Perception of HRM Effectiveness,' *Human Relations*, 58, 523-544.
- Chang, M., and Harrington, J. E. (2000), 'Centralization vs. Decentralization in a Multi-Unit Organization: A Computational Model of a Retail Chain as a Multi-Agent Adaptive System,' *Management Science*, 46, 1427-1440.
- Child, J. (1973), 'Predicting and Understanding Organizational Structure,' *Administrative Science Quarterly*, 18, 168-185.
- Chowdhury, S., and Miles, G. (2006), 'Customer-Induced Uncertainty in Predicting Organizational Design: Empirical Evidence Challenging the Service Versus Manufacturing Dichotomy,' *Journal of Business Research*, 59, 121-129.
- Chuang, C., and Liao, H. (2010), 'Strategic Human Resource Management in Service Context: Taking Care of Business by Taking Care of Employees and Customers,' *Personnel Psychology*, 63, 153-196.
- CIPD. (2007). *The Changing HR Function*. London: CIPD.
- Clegg, S., Kornberger, M., Carter, C., and Rhodes, C. (2006), 'For management?,' *Management Learning*, 37, 7-27.
- Coase, R. H. (1937), 'The Nature of the Firm,' *Economica N.S.*, 4, 386-405.
- Cohen, W. M., and Levinthal, D. A. (1990), 'Absorptive Capacity: A New Perspective on Learning and Innovation,' *Administrative Science Quarterly*, 35, 128-152.
- Coleman, J. S. (1988), 'Social Capital in the Creation of Human Capital,' *American Journal of Sociology*, 94, S95-S120.
- Cook, S. D. N., and Brown, J. S. (1999), 'Bridging Epistemologies: The Generative Dance between Organizational Knowledge and Organizational Knowing,' *Organization Science*, 10, 381-400.
- Cooke, F. L. (2006), 'Modeling an HR Shared Service Center: Experience of an MNC in the United Kingdom,' *Human Resource Management*, 45, 211-227.
- Cooke, F. L., and Budhwar, P. (2009). HR Offshoring and Outsourcing: Research Issues for IHRM. In P. Sparrow (Ed.), *Handbook of International HR Research*. Oxford: Blackwell.



- Cooke, F. L., Shen, J., and McBride, A. (2005), 'Outsourcing HR as a Competitive Strategy? A Literature Review and an Assessment of Implications,' *Human Resource Management*, 44, 413-432.
- Cronin, J. J., Brady, M. K., and Hult, G. T. (2000), 'Assessing the Effects of Quality, Value and Customer Satisfaction on Consumer Behavioral Intentions in Service Environments,' *Journal of Retailing*, 76, 193-218.
- Cronin, J. J., and Taylor, S. A. (1992), 'Measuring Service Quality: A Reexamination and Extension,' *Journal of Marketing*, 56, 55-68.
- Crossan, M. M., Lane, H. W., and White, R. E. (1999), 'An Organizational Learning Framework: From Intuition to Institution,' *Academy of Management Review*, 24, 522-537.
- Cunningham, I., and Hyman, J. (1999), 'Devolving Human Resource Responsibilities to the Line,' *Personnel Review*, 28, 9-27.
- Daft, R. L., and Weick, K. E. (1984), 'Toward a Model of Organizations as Interpretation Systems,' *Academy of Management Review*, 9, 284-295.
- Davis, F. D. (1989), 'Perceived Usefulness, Perceived Ease of Use, and User Acceptance of Information Technology,' *MIS Quarterly*, 13, 319-339.
- Davis, T. R. V. (2005), 'Integrating Shared Services with the strategy and operations in MNEs,' *Journal of General Management*, 31, 1-17.
- Dawson, J. F., and Richter, A. W. (2006), 'Probing Three-Way Interactions in Moderated Multiple Regressions: Development and Application of a Slope Difference Test,' *Journal of Applied Psychology*, 91, 917-926.
- Day, G. (1990), *Market-Driven Strategy: Processes for Creating Value*, New York: The Free Press.
- De Blok, C., Luijkx, K., Meijboom, B., and Schols, J. (2010), 'Modular Care and Service Packages for Independent Living Elderly,' *International Journal of Operations and Production Management*, 30, 75-97.
- Delmotte, J. (2008). *Evaluating the HR Function: Empirical Studies on HRM Architecture and HRM System Strength*. K.U. Leuven, Leuven, Belgium.
- Den Hartog, D. N., Boon, C., Verburg, R. M., and Croon, M. A. (2012), 'HRM, Communication, Satisfaction, and Perceived Performance: A Cross-Level Test,' *Journal of Management*.
- Denzin, N. K. (1978), *Sociological Methods: A Source Book*, London: Butterworth.
- Dillman, D. A. (1991), 'The Design and Administration of Mail Surveys,' *Annual Reviews of Sociology*, 17, 225-249.

- DiMaggio, P. J., and Powell, W. W. (1983), 'The Iron Cage Revised: Institutional Isomorphism and Collective Rationality in Organizational Fields,' *American Sociological Review*, 48, 147-160.
- Dodds, W. B., Monroe, K. B., and Grewal, D. (1991), 'Effects of Price, Brand, And Store Information on Buyers' Product Evaluations,' *Journal of Marketing Research*, 28, 307-319.
- Doty, D. H., Glick, W. H., and Huber, G. P. (1993), 'Fit, Equifinality, and Organizational Effectiveness: A Test of Two Configurational Theories,' *Academy of Management Journal*, 36, 1196-1250.
- Duncan, W. J. (1979), 'Mail Questionnaires in Survey Research: A Review of Response Inducement Techniques,' *Journal of Management*, 5, 39-55.
- Dyer, J. H. (1996), 'Does Governance Matter? Keiretsu Alliance and Asset Specificity as Sources of Japanese Competitive Advantage,' *Organization Science*, 7, 649-666.
- EC. (2003). *Observatory of European SMEs*. Luxembourg: European Commission.
- Ehrhart, K. H., Witt, L. A., Schneider, B., and Perry, S. J. (2011), 'Service Employees Give as They Get: Internal Service as a Moderator of the Service Climate–Service Outcomes Link,' *Journal of Applied Psychology*, 96, 423-431.
- Eisenhardt, K. M. (1985), 'Control: Organizational and Economic Approaches,' *Management Science*, 31, 134-149.
- Eisenhardt, K. M. (1989), 'Agency Theory: An Assessment and Review,' *Academy of Management Review*, 14, 57-74.
- Eisenhardt, K. M., and Graebner, M. E. (2007), 'Theory Building From Cases: Opportunities and Challenges,' *Academy of Management Journal*, 50, 25-32.
- Eisenhardt, K. M., and Sull, D. N. (2001), 'Strategy as Simple Rules,' *Harvard Business Review*, 79, 106-116.
- Espinosa, J. A., Slaughter, S. A., Kraut, R. E., and Herbsleb, J. D. (2007), 'Team Knowledge and Coordination in Geographically Distributed Software Development,' *Journal of Management Information Systems*, 24, 135-169.
- Farndale, E., Brewster, C., and Poutsma, E. (2008), 'Coordinated Vs. Liberal Market HRM: The Impact of Institutionalization on Multinational Firms,' *International Journal of Human Resource Management*, 19, 2004-2023.
- Farndale, E., and Paauwe, J. (2008). Restructuring the HR Function: HR Shared Service Centers in the Netherlands. In G. Martin, M. Reddington & H. Alexander (Eds.), *Technology, Outsourcing, and Transforming HR* (pp. 105-135).

- Farndale, E., Paauwe, J., and Boselie, P. (2010), 'An Exploratory Study of Governance in the Intra-Firm Human Resources Supply Chain,' *Human Resource Management*, 49, 849-868.
- Farndale, E., Paauwe, J., and Hoeksema, L. (2009), 'In-sourcing HR: Shared Service Centres in the Netherlands,' *International Journal of Human Resource Management*, 20, 544-561.
- Feldman, M. S. (2000), 'Organizational Routines as a Source of Continuous Change,' *Organization Science*, 11, 611-629.
- Feldman, M. S., and Pentland, B. T. (2003), 'Reconceptualizing Organizational Routines as a Source of Flexibility and Change,' *Administrative Science Quarterly*, 48, 94-118.
- Ferner, A., Edwards, T., and Tempel, A. (2011a), 'Power, institutions and the cross-national transfer of employment practices in multinationals,' *Human Relations*, 65, 163-187.
- Ferner, A., Tregaskis, O., Edwards, P., Edwards, T., Marginson, P., Adam, D., et al. (2011b), 'HRM Structures and Subsidiary Description in Foreign Multinationals in the UK,' *International Journal of Human Resource Management*, 22, 483-509.
- Festing, M., and Eidems, J. (2011), 'A Process Perspective on Transnational HRM Systems: A Dynamic Capability-Based Analysis,' *Human Resource Management Review*, 21, 162-173.
- Fiss, P. C. (2011), 'Building Better Causal Theories: A Fuzzy Set Approach to Typologies in Organization Research,' *Academy of Management Journal*, 54, 393-420.
- Flyvberg, B. (2006), 'Five Misunderstandings About Case-Study Research,' *Qualitative Inquiry*, 12, 219-245.
- Folger, R., and Konovsky, M. A. (1989), 'Effects of Procedural and Distributive Justice on Reactions to Pay Raise Decisions,' *Academy of Management Journal*, 32, 115-130.
- Ford, R. C., and Randolph, W. A. (1992), 'Cross-Functional Structures: A Review and Integration of Matrix Organization and Project Management,' *Journal of Management*, 18, 267-294.
- Geringer, J. M., and Hebert, L. (1989), 'Control and Performance of International Joint Ventures,' *Journal of International Business Studies*, 20, 235-254.
- Germain, R., Claycomb, C., and Droge, C. (2008), 'Supply Chain Variability, Organizational Structure, and Performance: The Moderating Effect of Demand Unpredictability,' *Journal of Operations Management*, 26, 557-570.

- Giangreco, A., Sebastiono, A., and Peccei, R. (2009), 'Trainees' Reactions to Training: An Analysis of the Factors Affecting Overall Satisfaction with Training,' *International Journal of Human Resource Management*, 20, 96-111.
- Gibb, S. (2001), 'The State of Human Resource Management: Evidence From Employees' Views of HRM Systems and Staff,' *Employee Relations*, 23, 318-336.
- Gibson, C. B. (2001), 'From Knowledge Accumulation to Accommodation: Cycles of Collective Cognition in Work Groups,' *Journal of Organizational Behaviour*, 22.
- Gilbert, C. (2012). *HRM on the Line: Empirical Studies on the Prerequisites and Importance of Effective HRM Implementation*. KU Leuven, Leuven, Belgium.
- Gilbert, C., De Winne, S., and Sels, L. (2011a), 'Antecedents of Front-Line Managers' Perceptions of HR role Stressors,' *Personnel Review*, 40, 549-569.
- Gilbert, C., De Winne, S., and Sels, L. (2011b), 'The Influence of Line Managers and HR department on Employees' Affective Commitment,' *International Journal of Human Resource Management*, 22, 1618-1637.
- Gilson, L. L., Mathieu, J. E., Shalley, C. E., and Ruddy, T. M. (2005), 'Creativity and Standardization: Complementary or Conflicting Drivers of Team Effectiveness?,' *Academy of Management Journal*, 48, 521-531.
- Govindarajan, V. (1986), 'Decentralization, Strategy, and Effectiveness of Strategic Business Units in Multibusiness Organizations,' *Academy of Management Review*, 11, 844-856.
- Grant, R. M. (1996), 'Toward a Knowledge-Based Theory of the Firm,' *Strategic Management Journal*, 17, 109-122.
- Grewal, D., Monroe, K. B., and Krishan, R. (1998), 'The Effects of Price-Comparison Advertising on Buyers' Perceptions of Acquisition Value, Transaction Value, and Behavioral Intentions,' *Journal of Marketing*, 62, 46-59.
- Grönroos, C. (1984), 'A Service Quality Model and Its Marketing Implications,' *European Journal of Marketing*, 18, 36-44.
- Grönroos, C. (2011), 'A Service Perspective On Business Relationships: The Value Creation, Interaction and Marketing Interface,' *Industrial Marketing Management*, 40, 240-247.
- Gualmini, E. (2008), 'Restructuring Weberian Bureaucracy: Comparing Managerial Reforms in Europe and the United States,' *Public Administration*, 86, 75-94.
- Guest, D. (2011), 'Human Resource Management and Performance: Still Searching for some Answers,' *Human Resource Management Journal*, 21, 3-13.

- Guest, D., and Bos-Nehles, A. C. (2012). HRM and Performance: The Role of Effective Implementation. In J. Paauwe, D. Guest & P. M. Wright (Eds.), *HRM and Performance: What's next*.
- Gummesson, E. (1998), 'Implementation Requires a Relationship Marketing Paradigm,' *Journal of the Academy of Marketing Science*, 26, 242-249.
- Gummesson, E. (2008), 'Extending the Service-Dominant Logic: From Customer Centricity to Balanced Centricity,' *Journal of the Academy of Marketing Science*, 36, 15-17.
- Haas, M. R., and Hansen, M. T. (2007), 'Different Knowledge, Different Benefits: Towards a Productivity Perspective on Knowledge Sharing in Organizations,' *Strategic Management Journal*, 28, 1133-1153.
- Hall, L., and Torrington, D. (1998), 'Letting Go or Holding On - The Devolution of Operational Personnel Activities,' *Human Resource Management Journal*, 8, 41-55.
- Hällsten, F., Boglind, A., and Thilander, P. (2011), 'HR Transformation and Shared Services - Adoption and Adaption in Swedish Organizations,' *Personnel Review*, 40.
- Halman, J. I. M., Hofer, A. P., and Van Vuuren, W. (2003), 'Platform-Driven Development of Product Families: Linking Theory With Practice,' *Journal of Product Innovation Management*, 20, 149-162.
- Han, J., Chou, P., Chao, M., and Wright, P. M. (2006), 'The HR Competencies-HR Effectiveness Link: A Study in Taiwanese High-Tech Companies,' *Human Resource Management*, 45, 391-406.
- Hansen, M. T., Nohria, N., and Tierney, T. (1999), 'What's Your Strategy for Managing Knowledge?,' *Harvard Business Review*, 77, 106-116.
- Harris, L., Doughty, D., and Kirk, S. (2002), 'The Devolution of HR Responsibilities - Perspectives From the UK's Public Sector,' *Journal of European Industrial Training*, 26, 218-229.
- Hatch, N. W., and Dyer, J. H. (2004), 'Human Capital and Learning as a Source of Sustained Competitive Advantage,' *Strategic Management Journal*, 25, 1155-1178.
- Hendrickson, C. L., and Harrison, W. (1998), 'Consistency vs Flexibility: The Impact of Employee Voice in Rule-Based and Discretionary Decision Procedures,' *Employee Responsibilities and Rights Journal*, 11, 279-295.
- Hitt, M. A., Bierman, L., Shimizu, K., and Kochhar, R. (2001), 'Direct and Moderating Effects of Human Capital on Strategy and Performance in

- Professional Service Firms: A Resource-Based Perspective,' *Academy of Management Journal*, 44, 13-28.
- Hofer, A. P., and Halman, J. I. M. (2004), 'Complex Products and Systems: Potential From Using Layout Platforms,' *Artificial Intelligence for Engineering Design, Analysis and Manufacturing*, 18, 55-69.
- Huang, K., Lu, N., Tang, C., and Huang, C. (2004), 'Fairness Perception and Work Attitudes Revisited: Roles of Employee Speciality, Hospital Level and Ownership,' *International Journal of Human Resource Management*, 15, 1317-1329.
- Huber, F., Herrmann, A., and Morgan, R. E. (2001), 'Gaining Competitive Advantage Through Customer Value Oriented Management,' *Journal of Consumer Marketing*, 18, 41-53.
- Huselid, M. A. (1995), 'The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance,' *Academy of Management Journal*, 38, 653-672.
- Huselid, M. A., Jackson, S. E., and Schuler, R. S. (1997), 'Technical and Strategic Human Resource Management Effectiveness as Determinants of Firm Performance,' *Academy of Management Journal*, 40, 171-188.
- James, L. R., Demaree, R. G., and Wolf, G. (1984), 'Estimating Within-Group Interrater Reliability With and Without Response Bias,' *Journal of Applied Psychology*, 69, 85-98.
- Jansen, J. J. P. (2005). *Ambidextrous Organizations: A Multiple-Level Study of Absorptive Capacity, Exploratory and Exploitative Innovation and Performance*. Erasmus University Rotterdam, Rotterdam.
- Jansen, J. J. P., Van den Bosch, F. A. J., and Volberda, H. W. (2005), 'Exploratory Innovation, Exploitative Innovation, and Ambidexterity: The Impact of Environmental and Organizational Antecedents,' *Schmalenbach, Business Review*, 57, 351-363.
- Janssen, M., and Joha, A. (2006), 'Motives for Establishing Shared Service Centers in Public Administrations,' *International Journal of Information Management*, 26, 102-115.
- Janssens, M., and Steyaert, C. (2009), 'HRM and Performance: A Plea for Reflexivity in HRM Studies,' *Journal of Management Studies*, 46, 143-155.
- Jaworski, B. J. (1988), 'Toward a Theory of Marketing Control: Environmental Context, Control Types, and Consequences ', *Journal of Marketing*, 52, 23-39.

- Jaworski, B. J., and MacInnis, D. J. (1989), 'Marketing Jobs and Management Controls: Toward a Framework,' *Journal of Marketing Research*, 26, 406-419.
- Jensen, J. M., Patel, P. J., and Messersmith, J. G. (2012), 'High-Performance Work Systems and Job Control: Consequences for Anxiety, Role Overload, and Turnover Intentions,' *Journal of Management*.
- Jensen, M. C., and Meckling, W. H. (1976), 'Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure,' *Journal of Financial Economics*, 3, 305-360.
- Jiang, K., Hu, J., Liu, S., and Lepak, D. P. (2012). *Why Don't They See Eye to Eye? The Role of Employee Personality in Managerial and Employee Perspectives of High-Performance Work Systems*. Paper presented at the 2012 Annual Academy of Management Meeting.
- Joshi, A. W., and Sharma, S. (2004), 'Customer Knowledge Development: Antecedents and Impact on New Product Performance,' *Journal of Marketing*, 68, 47-59.
- Kang, S., and Snell, S. A. (2009), 'Intellectual Capital Architectures and Ambidextrous Learning: A Framework for Human Resource Management,' *Journal of Management Studies*, 46, 65-92.
- Keegan, A., and Boselie, P. (2006), 'The Lack of Impact of Dissensus Inspired Analysis on Developments in the Field of Human Resource Management,' *Journal of Management Studies*, 43, 1491-1511.
- Keegan, A., and Francis, H. (2010), 'Practitioner Talk: The Changing Textscape of HRM and Emergence of HR Business Partnerships,' *International Journal of Human Resource Management*, 21, 873-898.
- Khalifa, A. S. (2004), 'Customer Value: A Review of Recent Literature and an Integrative Configuration,' *Management Decision*, 42, 645-666.
- Khilji, S. E., and Wang, X. (2006), "'Intendend' and 'Implemented' HRM: The Missing Linchpin in Strategic Human Resource Management Research,' *International Journal of Human Resource Management*, 17, 1171-1189.
- Kinnie, N., Hutchinson, S., Purcell, J., Rayton, B., and Swart, J. (2005), 'Satisfaction with HR Practices and Commitment to the Organisation: Why One Size Does Not Fit All,' *Human Resource Management Journal*, 15, 9-29.
- Klaas, B. S., McClendon, J. A., and Gainey, T. W. (1999), 'HR Outsourcing and Its Impact: The Role of Transaction Costs,' *Personnel Psychology*, 52, 113-136.
- Kogut, B., and Zander, U. (1992), 'Knowledge of the Firm, Combinative Capabilities, and the Replication of Technology,' *Organization Science*, 3, 383-397.

- Kooij, D. T. A. M., Jansen, P. G. W., Dikkers, J. S. E., and De Lange, A. H. (2010), 'The Influence of Age on the Associations Between HR Practices and Both Affective Commitment and Job Satisfaction: A Meta-Analysis,' *Journal of Organizational Behaviour*, 31, 1111-1136.
- Kostova, T., and Roth, K. (2002), 'Adoption of an Organizational Practice by Subsidiary of Multinational Corporations: Institutional and Relational Effects,' *Academy of Management Journal*, 45, 215-233.
- Kostova, T., Roth, K., and Dacin, M. T. (2008), 'Institutional Theory in the Study of Multinational Corporations: A Critique and New Directions,' *Academy of Management Review*, 33, 994-1006.
- Koulikoff-Souviron, M., and Harrison, A. (2006), 'Buyer-Supplier Relationships in Inter- and Intra-Organizational Supply Contexts: The Unobtrusive Yet Pervasive Human Resource Picture,' *International Journal of Logistics: Research and Applications*, 9, 75-94.
- Kuvaas, B. (2008), 'An Exploration of How the Employee-Organization Relationship Affects the Linkage Between Perception of Developmental Human Resource Practices and Employee Outcomes,' *Journal of Management Studies*, 45, 1-25.
- Lapierre, J., Filiatrault, P., and Chebat, J. (1999), 'Value Strategy Rather Than Quality Strategy: A Case of Business-to-Business Professional Services,' *Journal of Business Research*, 45, 235-246.
- Lawrence, P. R., and Lorsch, J. W. (1967), *Organization and Environment: Managing Differentiation and Integration*, Reading: Harvard Business School.
- LeBreton, J. M., and Senter, J. L. (2008), 'Answers to 20 Questions About Interrater Reliability and Interrater Agreement,' *Organizational Research Methods*, 11, 815-852.
- Lepak, D. P., Bartol, K. M., and Erhardt, N. L. (2005), 'A Contingency Framework for the Delivery of HR Practices,' *Human Resource Management Review*, 15, 139-159.
- Lepak, D. P., and Boswell, W. (2012). Strategic HRM and Employee Organizational Relationship (EOR). In L. M. Shore, J. Coyle-Shapiro & L. Tetrick (Eds.), *The Employee-Organization Relationship: Applications for the 21st Century*. New York: Routledge.
- Lepak, D. P., Liao, H., Chung, Y., and Harden, E. E. (2006). A Conceptual Review of Human Resource Management Systems in Strategic Human Resource Management Research. In J. Martocchio (Ed.), *Research in Personnel and*



- Human Resource Management: A Research Annual* (pp. 217–271). Greenwich, CT: JAI Press.
- Lepak, D. P., Smith, K. G., and Taylor, M. S. (2007), 'Value Creation and Value Capturing: A Multilevel Perspective,' *Academy of Management Review*, 32, 180-194.
- Lepak, D. P., and Snell, S. A. (2002), 'Examining the Human Resource Architecture: The Relationships Among Human Capital, Employment and Human Resource Configurations,' *Journal of Management*, 28, 517-543.
- Lettink, A. (2005). Realiseer de Voordelen van Shared Services. In J. Swaak (Ed.), *Managementjaar 2005: Visies op Actuele Thema's*.
- Liao, H., Toya, K., Lepak, D. P., and Hong, Y. (2009), 'Do They See Eye to Eye? Management and Employee Perspectives of High-Performance Work Systems and Influence Processes on Service Quality,' *Journal of Applied Psychology*, 94, 371-391.
- Lim, B., and Klein, K. J. (2006), 'Team Mental Models and Team Performance: A Field Study of the Effects of Team Mental Model Similarity and Accuracy,' *Journal of Organizational Behaviour*, 27.
- Lincoln, Y. S., and Guba, E. G. (1985), *Naturalistic Inquiry*, Beverly Hills: Sage.
- Lusch, R. F., and Vargo, S. L. (2006), 'Service-Dominant Logic: Reactions, Reflections and Refinements,' *Marketing Theory*, 6, 281-288.
- Lusch, R. F., Vargo, S. L., and Tanniru, M. (2010), 'Service, Value Networks and Learning,' *Journal of the Academy of Marketing Science*, 38, 19-31.
- Maatman, M., Bondarouk, T. V., and Looise, J. C. (2010), 'Conceptualising the Capabilities and Value Creation of HRM Shared Services Models,' *Human Resource Management Review*, 20, 327-339.
- Makadok, R., and Coff, R. W. (2002), 'The Theory of Value and the Value of Theory: Breaking New Ground versus Reinventing the Wheel,' *Academy of Management Review*, 27, 10-16.
- March, J. G., and Simon, H. A. (1958), *Organizations*, New York: Wiley.
- Marescaux, E., De Winne, S., and Sels, L. (2013), 'HR Practices and HRM Outcomes: The Role of Basic Need Satisfaction,' *Personnel Review*, 42, 4-27.
- Marler, J. H., Fisher, S. L., and Ke, W. (2009), 'Employee Self-Serve Technology Acceptance: A Comparison of Pre-Implementation and Post-Implementation Relationships,' *Personnel Psychology*, 62, 327-358.

- Martin, A., and Beaman, K. (2009), 'Leveraging HR Technology: From Global Savings to Transnational Value,' *International Human Resource Information Management Journal*, 13, 3-22.
- Martin, M. V., and Ishii, K. (2002), 'Design For Variety: Developing Standardized and Modularized Product Platform Architectures,' *Research in Engineering Design*, 13, 213-235.
- Mathieu, J. E., Goodwin, G. F., Heffner, T. S., and Cannon-Bowers, J. A. (2000), 'The Influence of Shared Mental Models on Team Process and Performance,' *Journal of Applied Psychology*, 85, 273-283.
- McIvor, R., McCracken, M., and McHugh, M. (2011), 'Creating Outsourced Shared Services Arrangements: Lessons from the Public Sector,' *European Management Journal*, 29, 448-461.
- McKee, D., Simmers, C. S., and Licata, J. (2006), 'Customer Self-Efficacy and Response to Service,' *Journal of Service Research*, 8, 207-220.
- Meijerink, J. G., and Bondarouk, T. V. (2013), 'Exploring the Central Characteristics of HR Shared Services: Evidence From a Critical Case Study in The Netherlands,' *International Journal of Human Resource Management*, 24, 487-513.
- Meijerink, J. G., Bondarouk, T. V., and Looise, J. C. (2013), 'Value Creation Through HR Shared Services: Towards a Conceptual Framework,' *Personnel Review*, 42, 83-104.
- Meijerink, J. G., Bondarouk, T. V., and Maatman, M. (in press), 'Exploring and Comparing HR Shared Services in Subsidiaries of Multinational Corporations and Indigenous Organisations in the Netherlands: A Strategic Response Analysis,' *European Journal of International Management*.
- Meijerink, J. G., and Maatman, M. (2012). *The Localization of HR Shared Services: Translation as a Strategic Response to Institutions*. Paper presented at the Annual Meeting of the Academy of Management.
- Meijerink, J. G., and Reilly, P. (2010), 'Going Dutch: HR Shared Services in the Dutch Government,' *People Management*, September 30, 24-27.
- Meuter, M. L., Bitner, M. J., Ostrom, A. L., and Brown, S. W. (2005), 'Choosing Among Alternative Service Delivery Modes: An Investigation of Customer Trial of Self-Service Technologies,' *Journal of Marketing*, 69, 61-83.
- Meyer, R. E., and Höllerer, M. A. (2010), 'Meaning Structures in a Contested Issue Field: A Topographic Map of Shareholder Value in Austria,' *Academy of Management Journal*, 53, 1241-1262.

- Miles, M. B., and Huberman, A. M. (1994), *Qualitative Data Analysis*, Beverly Hills: Sage Publications.
- Mills, P. K., and Morris, J. H. (1986), 'Clients as Partial Employees of Service Organizations: Role Development in Client Participation,' *Academy of Management Review*, 11, 726-735.
- Miron, E., Erez, M., and Naveh, E. (2004), 'Do Personal Characteristics and Cultural Values That Promote Innovation, Quality and Efficiency Compete or Complement each other?,' *Journal of Organizational Behaviour*, 25, 175-199.
- Mitsuhashi, H., Park, H. J., Wright, P. M., and Chua, R. S. (2000), 'Line and HR Executives' Perceptions of HR Effectiveness in Firms in the People's Republic of China,' *International Journal of Human Resource Management*, 11, 197-216.
- Mooiman, E. (2005), 'Invoering HR Shared Services Vraagt om een Soepele Choreografie,' *Gids voor Personeelsmanagement*, 84, 13-17.
- Morris, S. S., Wright, P. M., Trevor, J., Stiles, P., Stahl, G. K., Snell, S. A., et al. (2009), 'Global Challenges to Replicating HR: The Role of People, Processes, and Systems,' *Human Resource Management*, 48, 973-995.
- Nahapiet, J., and Ghoshal, S. (1998), 'Social Capital, Intellectual Capital and the Organizational Advantage,' *Academy of Management Review*, 23, 242-266.
- Newell, S., Tansley, C., and Huang, J. (2004), 'Social Capital and Knowledge Integration in an ERP Project Team: The Importance of Bridging and Bonding,' *British Journal of Management*, 15, S43-S57.
- Nishii, L. H., Lepak, D. P., and Schneider, B. (2008), 'Employee Attributions of the "Why" of HR Practices: Their Effect on Employee Attitudes and Behaviours and Customer Satisfaction,' *Personnel Psychology*, 61, 503-545.
- Nishii, L. H., and Wright, P. M. (2008). Variability Within Organizations: Implications for Strategic Human Resources Management. In B. Smith (Ed.), *The People Make the Place: Dynamic Linkages Between Individuals and Organizations* (pp. 225-248). New York: Taylor & Francis.
- Okhuysen, G. A., and Eisenhardt, K. M. (2002), 'Integrating Knowledge in Groups: How Formal Interventions Enable Flexibility,' *Organization Science*, 13, 370-386.
- Oliver, C. (1991), 'Strategic Responses to Institutional Processes,' *Academy of Management Review*, 16, 145-179.
- Oliver, R. L. (1980), 'A Cognitive Model of the Antecedents and Consequences of Satisfaction Decisions,' *Journal of Marketing Research*, 17, 460-469.

- Ordanini, A., and Pasini, P. (2008), 'Service Co-Production and Value Co-Creation: The Case for a Service-Oriented Architecture (SOA),' *European Management Journal*, 26, 289-297.
- Orlikowski, W. J. (2000), 'Using Technology and Constituting Structures: A Practice Lens for Studying Technology in Organizations,' *Organization Science*, 11, 404-428.
- Orlikowski, W. J., and Gash, D. C. (1994), 'Technological Frames: Making Sense of Information Technology in Organizations,' *ACM Transactions on Information Systems*, 12, 174-207.
- Ostroff, C., and Schmit, N. (1993), 'Configurations of Organizational Effectiveness and Efficiency,' *Academy of Management Journal*, 36, 1345-1361.
- Otter, T. (2003), 'Shared Services and HR,' *International Association for Human Resource Information Journal*, 7, 1-11.
- Ouchi, W. G. (1979), 'A Conceptual Framework for the Design of Organizational Control Mechanisms,' *Management Science*, 25, 833-848.
- Paauwe, J. (2004), *HRM and Performance: Unique Approaches for Achieving Long-term Viability*, Oxford: Oxford University Press.
- Paauwe, J., and Boselie, P. (2003), 'Challenging 'Strategic HRM' and the Relevance of the Institutional Setting,' *Human Resource Management Journal*, 13, 56-70.
- Parasuram, A., Zeithaml, V. A., and Berry, L. L. (1988), 'SERVQUAL: A Multiple-Item Scale for Measuring Consumer Perceptions of Service Quality,' *Journal of Retailing*, 64, 12-40.
- Parasuraman, A., Berry, L. L., and Zeithaml, V. A. (1991), 'Refinement and Reassessment of the SERVQUAL Scale,' *Journal of Retailing*, 67, 420-450.
- Payne, A. F., and Holt, S. (2001), 'Diagnosing Customer Value: Integrating the Value Process and Relationship Marketing,' *British Journal of Management*, 12, 159-182.
- Pekkarinen, S., and Ulkuniemi, P. (2008), 'Modularity In Developing Business Services By Platform Approach,' *International Journal of Logistics Management*, 19, 84-103.
- Penrose, E. T. (1952), 'Biological Analogies in the Theory of the Firm,' *American Economic Review*, 42, 804-819.
- Pentland, B. T., and Reuter, H. H. (1994), 'Organizational Routines as Grammars of Action,' *Administrative Science Quarterly*, 39, 484-510.
- Petrick, J. (2004), 'The Roles of Quality, Value, and Satisfaction in Predicting Cruise Passengers' Behavioral Intentions,' *Journal of Travel Research*, 42, 397-407.

- Podsakoff, P. M., MacKenzie, S. B., Lee, J., and Podsakoff, N. P. (2003), 'Common Method Biases in Behavioral Research: A Critical Review of the Literature and Recommended Remedies,' *Journal of Applied Psychology*, 88, 879-903.
- Polanyi, M. (1966), *The Tacit Dimension*, London: Routledge and Kegan Paul.
- Porter, M. (1985), *Competitive Advantage: Creating and Sustaining Superior Performance*, New York: Free Press.
- Priem, R. L. (2007), 'A Consumer Perspective on Value Creation,' *Academy of Management Review*, 32, 219-235.
- Priem, R. L., Li, S., and Carr, J. C. (2012), 'Insights and New Directions from Demand-Side Approaches to Technology Innovation, Entrepreneurship, and Strategic Management Research,' *Journal of Management*, 38, 346-374.
- Pudelko, M., and Harzing, A. (2007), 'Country-Of-Origin, Localization, or Dominance Effect? An Empirical Investigation of HRM Practices in Foreign Subsidiaries,' *Human Resource Management*, 46, 535-559.
- Purcell, J., and Hutchinson, S. (2007), 'Front-Line Managers as Agents in the HRM-Performance Causal Chain: Theory, Analysis and Evidence,' *Human Resource Management Journal*, 17, 3-20.
- Quinn, B. E., Cooke, R. S., and Kris, A. (2000), *Shared Services: Mining for Corporate Gold*, Harlow: Financial Times.
- Ramirez, R. (1999), 'Value Co-Production: Intellectual Origins and Implications for Practice and Research,' *Strategic Management Journal*, 20, 49-65.
- Ratchford, B. T. (2001), 'The Economics of Consumer Knowledge,' *Journal of Consumer Research*, 27, 397-411.
- Redman, R., Snape, E., Wass, J., and Hamilton, P. (2007), 'Evaluating the Human Resource Shared Services Model: Evidence from the NHS,' *International Journal of Human Resource Management*, 18, 1486-1506.
- Reed, K. K., Lubatkin, M., and Srinivasan, N. (2006), 'Proposing and Testing an Intellectual Capital-Based View of the Firm,' *Journal of Management Studies*, 43, 867-893.
- Reilly, P. (2000), *HR Shared Services and the Realignment of HR* (Vol. 368), Brighton: Institute for Employment Studies.
- Reilly, P., and Williams, T. (2003), *How To Get Best Value From HR: The Shared Service Option*, London: Ashgate Publishing Company.
- Rentsch, J. R. (1990), 'Climate and Culture: Interaction and Qualitative Differences in Organizational Meanings,' *Journal of Applied Psychology*, 75, 668-681.

- Rentsch, J. R., and Klimoski, R. J. (2001), 'Why Do 'Great Minds' Think Alike?: Antecedents of Team Member Schema Agreement,' *Journal of Organizational Behaviour*, 22.
- Renwick, D. (2003), 'Line Manager Involvement in HRM: An Inside View,' *Employee Relations*, 25, 262-280.
- Rindfleisch, A., and Heide, J. B. (1997), 'Transaction Cost Analysis: Past, Present and Future Applications,' *Journal of Marketing*, 61, 30-54.
- Robertson, D., and Ulrich, K. (1998), 'Planning for Product Platforms,' *Sloan Management Review*, 39, 19-31.
- Rosenzweig, P. M., and Nohria, N. (1994), 'Influences on Human Resource Management Practices in Multinational Corporations,' *Journal of International Business Studies*, 25, 229-251.
- Rothwell, A. T., Herbert, I. P., and Seal, W. (2011), 'Shared Service Centers and Professional Employability,' *Journal of Vocational Behavior*, 79, 241-252.
- Rousseau, D. (2005), *I-Deals: Idiosyncratic Deals Employees Bargain for Themselves*, New York: M.E. Sharpe, Inc.
- Rousseau, D., Ho, V. T., and Greenberg, J. (2006), 'I-Deals: Idiosyncratic Terms in Employment Relationships,' *Academy of Management Review*, 31, 977-994.
- Rupidara, N. S., and McGraw, P. (2011), 'The Role of Actors in Configuring HR Systems within Multinational Subsidiaries,' *Human Resource Management Review*, 21, 174-185.
- Ruta, C. D. (2009), 'HR Portal Alignment for the Creation and Development of Intellectual Capital,' *International Journal of Human Resource Management*, 20, 562-577.
- Salancik, G. R., and Pfeffer, J. (1978), 'A Social Information Processing Approach to Job Attitudes and Task Design,' *Administrative Science Quarterly*, 23, 224-253.
- Sandberg, J. (2005), 'How Do We Justify Knowledge Produced Within Interpretive Approaches?,' *Organizational Research Methods*, 8, 41-68.
- Schilling, M. A. (2000), 'Toward A General Modular Systems Theory and Its Application To Interfirm Product Modularity,' *Academy of Management Review*, 25, 312-334.
- Schneider, B., White, S. S., and Paul, M. C. (1998), 'Linking Service Climate and Customer Perceptions of Service Quality: Test of a Causal Model,' *Journal of Applied Psychology*, 83, 150-163.

- Schulman, D. S., Dunleavy, J. R., Harmer, M. J., and Lusk, J. S. (1999), *Shared Services: Adding Value to the Business Units*, New York: John Wiley & Sons, Inc.
- Selden, S. C., and Wooters, R. (2011), 'Structure in Public Human Resource Management: Shared Services in State Governments,' *Review of Public Personnel Administration*, 31, 349-368.
- Shalin, K., and Wedlin, L. (2008). Circulating Ideas: Imitation, Translation and Editing. In R. Greenwood, C. Oliver, K. Sahlin & R. Suddaby (Eds.), *The Sage Handbook of Organizational Institutionalism*. Los Angeles: Sage.
- Shapira, Z. (2011), "'I've Got a Theory Paper-Do You?": Conceptual, Empirical, and Theoretical Contributions to Knowledge in the Organizational Sciences,' *Organization Science*, 22, 1312-1321.
- Simon, H. A. (1962), 'The Architecture of Complexity,' *Proceedings of the American Philosophical Society*, 106, 467-482.
- Simonin, B. L. (1999), 'Ambiguity and the Process of Knowledge Transfer in Strategic Alliances,' *Strategic Management Journal*, 20, 595-623.
- Sirdeshmukh, D., Singh, J., and Sabol, B. (2002), 'Consumer Trust, Value, and Loyalty in Relational Exchanges,' *Journal of Marketing*, 66, 15-37.
- Sirmon, D. G., Hitt, M. A., and Ireland, D. R. (2007), 'Managing Firm Resources in Dynamic Environments to Create Value,' *Academy of Management Review*, 32, 273-292.
- Skaggs, B. C., and Youndt, M. A. (2004), 'Strategic Positioning, Human Capital, and Performance in Service Organizations: A Customer Interaction Approach,' *Strategic Management Journal*, 25, 85-99.
- Snell, S. A., and Dean, J. W. (1992), 'Integrated Manufacturing and Human Resource Management: A Human Capital Perspective,' *Academy of Management Journal*, 35, 467-504.
- Sparrow, P., Brewster, C., and Harris, H. (2004), *Globalizing Human Resource Management*, London: Routledge.
- Spender, J. C. (1996), 'Making Knowledge the Basis of a Dynamic Theory of the Firm,' *Strategic Management Journal*, 17, 45-62.
- Steers, R. M. (1977), 'Antecedents and Outcomes of Organizational Commitment,' *Administrative Science Quarterly*, 22, 46-56.
- Stewart, T. A. (1997), *Intellectual Capital*, London: Nicholas Brealey Publishing.
- Stiles, P., and Trevor, J. (2006). The Human Resource Department: Roles, Coordination and Influence. In G. K. Stahl & I. Bjorkman (Eds.), *Handbook of*

- Research in International Human Resource Management*. Cheltenham: Edgar Elgar.
- Strikwerda, J. (2004), *Shared Service Centers: Van Kostenbesparing Naar Waardecreatie*, Assen: Koninklijke Van Gorcum BV.
- Subramaniam, M., and Youndt, M. A. (2005), 'The Influence of Intellectual Capital on the Types of Innovation Capabilities,' *Academy of Management Journal*, 48, 450-463.
- Szulanski, G. (1996), 'Exploring Internal Stickiness Impediments to the Transfer of Best Practice within the Firm,' *Strategic Management Journal*, 17, 27-43.
- Takeuchi, R., Chen, G., and Lepak, D. P. (2009), 'Through the Looking Glass of a Social System: Cross-Level Effects of High-Performance Work Systems on Employees' Attitudes,' *Personnel Psychology*, 62, 1-29.
- Tannenbaum, S. I., Mathieu, J. E., Salas, E., and Cannon-Bowers, J. A. (1991), 'Meeting Trainees' Expectations: The Influence of Training Fulfillment on the Development of Commitment, Self-efficacy, and Motivation,' *Journal of Applied Psychology*, 76, 759-769.
- Tansik, D. A. (1990), 'Balance in Service Systems Design,' *Journal of Business Research*, 20, 55-61.
- Teo, S. T. T., and Rodwell, J. J. (2007), 'To Be Strategic in the New Public Sector, HR Must Remember Its Operational Activities,' *Human Resource Management*, 46, 265-284.
- Thaens, M. (2010), *Effectief Leiderschap in een Innovatieve Praktijk* Den Haag: SDU Uitgevers.
- Thompson, J. D. (1967), *Organizations in Action: Social Science Bases of Administrative Theory*, New York: McGraw-Hill.
- Tierney, P., and Farmer, S. M. (2002), 'Creative Self-Efficacy: Its Potential Antecedents and Relationship to Creative Performance,' *Academy of Management Journal*, 45, 1137-1148.
- Tregaskis, O., Heraty, N., and Morley, M. (2001), 'HRD in Multinationals: The Global/Local Mix,' *Human Resource Management Journal*, 11, 34-56.
- Tsai, W., and Ghoshal, S. (1998), 'Social Capital and Value Creation: The Role of Intrafirm Networks,' *Academy of Management Journal*, 41, 464-476.
- Tsui, A. S. (1987), 'Defining the Activities and Effectiveness of the Human Resource Department: A Multiple Constituency Approach,' *Human Resource Management*, 26, 35-69.



- Tsui, A. S., and Milkovich, G. T. (1987), 'Personnel Departments Activities: Constituency Perspectives and Preferences,' *Personnel Psychology*, 40, 519-537.
- Tubre, T. C., and Collins, J. M. (2000), 'Jackson and Schuler (1985) Revisited: A Meta-Analysis of the Relationships Between Role Ambiguity, Role Conflict, and Job Performance ', *Journal of Management*, 26, 155-169.
- Uen, J. F., Ahlstrom, D., Chen, S. Y., and Tseng, P. W. (2012), 'Increasing HR's Strategic Participation: The Effect of HR Service Quality and Contribution Expectations,' *Human Resource Management*, 51, 3-24.
- Ulrich, D. (1995), 'Shared Services: From Vogue to Value,' *Human Resource Planning*, 18, 12-23.
- Ulrich, D. (1997), *Human Resource Champions: The Next Agenda for Adding Value and Delivering Results*, Boston: Harvard Business School Press.
- Ulrich, D., Brockbank, W., Johnson, D., Sandholtz, K., and Younger, J. (2008a), *HR Competencies: Mastery at the Intersection of People and Business*, Alexandria: Society for Human Resource Management.
- Ulrich, D., Younger, J., and Brockbank, W. (2008b), 'The Twenty-First-Century HR Organization,' *Human Resource Management*, 47, 829-850.
- Uzzi, B. (1997), 'Social Structures and Competition in Interfirm Networks: The Paradox of Embeddedness,' *Administrative Science Quarterly*, 42, 35-67.
- Van Beuningen, J., De Ruyter, K., Wetzels, M., and Streukens, S. (2009), 'Customer Self-Efficacy in Technology-Based Self-Service: Assessing Between- and Within-Person Differences,' *Journal of Service Research*, 11, 407-428.
- Van De Voorde, K., Pauwe, J., and Van Veldhoven, M. (2012), 'Employee Well-being and the HRM–Organizational Performance Relationship: A Review of Quantitative Studies,' *International Journal of Management Reviews*, 14, 391-407.
- Van Gestel, N., and Nyberg, D. (2009), 'Translating National Policy Changes Into Local HRM Practices,' *Personnel Review*, 38, 544-559.
- Vargo, S. L., and Lusch, R. F. (2004), 'Evolving to a New Dominant Logic for Marketing,' *Journal of Marketing*, 68, 1-17.
- Vargo, S. L., Maglio, P. P., and Akaka, M. A. (2008), 'On Value and Value Co-Creation: A Service Systems and Service Logic Perspective,' *European Management Journal*, 26, 145-152.
- Voss, C. A., and Hsuan, J. (2009), 'Service Architecture and Modularity,' *Decision Sciences*, 40, 541-569.

- Wächter, H., Peters, R., Ferner, A., Gunnigle, P., and Quintanilla, J. (2006). The role of the International Personnel Function. In P. Almond & A. Ferner (Eds.), *American Multinationals in Europe: Managing Employment Relations Across National Borders* (pp. 248-270). Oxford: Blackwell.
- Walsh, J. P., and Ungson, G. R. (1991), 'Organizational Memory,' *Academy of Management Review*, 16, 57-91.
- Whittaker, S., and Marchington, M. (2003), 'Devolving HR Responsibility to the Line: Threat, Opportunity or Partnership?,' *Employee Relations*, 25, 245-261.
- Williamson, O. E. (1975), *Market and Hierarchies: Analysis and Antitrust Implications*, New York: The Free Press.
- Wright, P. M., and Haggerty, J. J. (2005), 'Missing Variables in Theories of Strategic Human Resource Management: Time, Cause, and Individuals,' *Management Revue*, 16, 164-173.
- Yang, C., and Lin, Y. (2009), 'Does Intellectual Capital Mediate the Relationship between HRM and Organizational Performance? Perspective of a Healthcare Industry in Taiwan,' *International Journal of Human Resource Management*, 20, 1965-1984.
- Yeung, A., Woolcock, P., and Sullivan, J. (1996), 'Identifying and Developing HR Competencies for the Future,' *Human Resource Planning*, 19, 48-58.
- Yi, Y., and Gong, T. (2012), 'Customer Value Co-Creation Behavior: Scale Development and Validation,' *Journal of Business Research*.
- Yin, R. K. (2003), *Case Study Research: Design and Methods*, London: Sage Publications.
- Youndt, M. A., and Snell, S. A. (2004), 'Human Resource Configurations, Intellectual Capital and Organizational Performance,' *Journal of Managerial Issues*, 16, 337-360.
- Youndt, M. A., Subramaniam, M., and Snell, S. A. (2004), 'Intellectual Capital Profiles: An Examination of Investments and Returns,' *Journal of Management Studies*, 41, 335-361.
- Zeithaml, V. A. (1988), 'Consumer Perceptions of Price, Quality, and Value: A Means-End Model and Synthesis of Evidence,' *Journal of Marketing*, 52, 2-22.
- Zhang, H., and Agarwal, N. C. (2009), 'The Mediating Roles of Organizational Justice on the Relationship Between HR Practices and Workplace Outcomes,' *International Journal of Human Resource Management*, 20, 676-693.



# Appendices

**Appendix A: Overview of participating companies (chapter 4).**

<b>Organization</b>	<b>Country of origin</b>	<b>Sector</b>	<b>End-users / HR SSC FTEs</b>	<b>Start of HR SSC</b>	<b>Governance structure mix</b>	<b>Controlling principal(s)</b>
FMNC 01	France	Electronics	1.900 / 25	2002	Central service and within business unit	Corporate and national HR director
FMNC 02	France	Transport	30.000 / 350	2008	Central service and internal joint venture	Executive VP HR and HR managers
FMNC 03	USA	Electronics	10.000 / 250	2005	Central service	Corporate and national management
FMNC 04	UK	Consultancy	4.500 / 28	2006	Central service and internal joint venture	Area and national HR directors
FMNC 05	India	Metal sector	10.000 / 200	2008	Central service and within business unit	HR director and business unit HR manager
FMNC 06	Germany	Telecom	3.800 / 24	2006	Central service and separate business unit	HR director
DMNC 01	Netherlands	Consultancy	25.000 / 45	2007	Separate business unit and central service	Finance manager and VP HR
DMNC 02	Netherlands	Banking	40.000 / 140	2001	Separate business unit and internal joint venture	Business unit HR managers and HR director
DMNC 03	Netherlands	Electronics	16.000 / 50	2005	Central service and internal joint venture	HR director and business unit HR managers
DMNC 04	Netherlands	Insurance	23.000 / 75	2005	Separate business unit and internal joint venture	Top management and business unit HR managers
DMNC 05	Netherlands	Food	7.000 / 32	2007	Separate business unit and internal joint venture	Finance manager and business unit HR managers
DMNC 06	Netherlands	Consultancy	8.000 / 60		Not available	Not available
IORG 01	Netherlands	Government	40.000 / 310	2006	Central service and internal joint venture	HR directors and operations director
IORG 02	Netherlands	Public services	1.700 / 25	2004	Central service and within business unit	HR director and business unit HR manager
IORG 03	Netherlands	Government	14.000 / 100	2005	Internal joint venture	Line management

<b>Organization</b>	<b>Country of origin</b>	<b>Sector</b>	<b>End-users / HR SSC FTEs</b>	<b>Start of HR SSC</b>	<b>Governance structure mix</b>	<b>Controlling principal(s)</b>
IORG 04	Netherlands	Healthcare	20.000 / 120	2007	Separate business unit and internal joint venture	Line management
IORG 05	Netherlands	Government	1.250 / 14	2007	Internal joint venture and central service	HR management team
IORG 06	Netherlands	Government	130.000 / 400	2007	Internal joint venture and within business unit	Operations director and business unit HR directors

(FMNC = foreign-owned MNC, DMNC = domestic-owned MNC, and IORG = indigenous organization)



**Appendix B:****Scales used during commonality potential study (chapter 5)****Dutch version***Variatie in behoeftes van gebruikers ten aanzien van HRM diensten*

Het volgende onderdeel gaat over de mate waarin de behoeftes van gebruikers ten aanzien van HRM diensten verschillen. Onder gebruikers worden verstaan: alle medewerkers en managers van [organisatie]. Telkens wordt hieronder één HRM dienst genoemd, waarbij we u willen vragen om aan te geven in welke mate u het eens bent (geheel mee oneens – helemaal mee eens) met de twee stellingen die betrekking hebben op de deze specifieke HRM dienst.

**Vraag 1**

<b>Het uitvoeren van een maandelijks salarisverwerking:</b>	Geheel mee oneens	Oneens	Neutraal	Eens	Helemaal mee eens
De behoeftes van gebruikers, voor deze dienst, zijn voortdurend aan verandering onderhevig.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Gebruikers hebben zeer uiteenlopende behoeftes t.a.v. deze dienst.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

**Vraag ...**

<b>Het leveren van maandelijks management rapportages zoals verzuim en verloop:</b>	Geheel mee oneens	Oneens	Neutraal	Eens	Helemaal mee eens
De behoeftes van gebruikers, voor deze dienst, zijn voortdurend aan verandering onderhevig.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Gebruikers hebben zeer uiteenlopende behoeftes t.a.v. deze dienst.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>



**Vraag 52**

<b>Het opstellen van een wervingsprofiel voor een vacature, vanuit een functieomschrijving:</b>	Geheel mee oneens	Oneens	Neutraal	Eens	Helemaal mee eens
De behoeftes van gebruikers, voor deze dienst, zijn voortdurend aan verandering onderhevig.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Gebruikers hebben zeer uiteenlopende behoeftes t.a.v. deze dienst.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

*Waardering van HRM diensten door gebruikers*

Het volgende onderdeel gaat over de mate waarin de uitvoering van HR diensten voldoen aan de behoeftes van gebruikers, gegeven de kosten, tijd en inspanning om van deze dienst gebruik te kunnen maken. Onder gebruikers worden verstaan: alle medewerkers en managers van [organisatie]. Telkens wordt hieronder één HRM dienst genoemd, waarbij we u willen vragen om aan te geven in welke mate u het eens bent (geheel mee oneens – helemaal mee eens) met de twee stellingen die betrekking hebben op de deze specifieke HRM dienst.

**Vraag 1**

<b>Het uitvoeren van een maandelijks salarisverwerking:</b>	Geheel mee oneens	Oneens	Neutraal	Eens	Helemaal mee eens
Overall waarderen de gebruikers de uitvoering van deze dienst als zeer hoog.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
In verhouding tot de overall kosten, tijd en inspanning, voldoet de uitvoering van deze dienst zeer goed aan de behoeften van de gebruikers.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

**Vraag ...**

<b>Het leveren van maandelijke management rapportages zoals verzuim en verloop:</b>	Geheel mee oneens	Oneens	Neutraal	Eens	Helemaal mee eens
Overall waarden de gebruikers de uitvoering van deze dienst als zeer hoog.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
In verhouding tot de overall kosten, tijd en inspanning, voldoet de uitvoering van deze dienst zeer goed aan de behoeften van de gebruikers.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

**Vraag 52**

<b>Het opstellen van een wervingsprofiel voor een vacature, vanuit een functieomschrijving:</b>	Geheel mee oneens	Oneens	Neutraal	Eens	Helemaal mee eens
Overall waarden de gebruikers de uitvoering van deze dienst als zeer hoog.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
In verhouding tot de overall kosten, tijd en inspanning, voldoet de uitvoering van deze dienst zeer goed aan de behoeften van de gebruikers.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

**English version**

*Differentiation in needs of users regarding HRM services*

The following section concerns the degree to which the needs of users regarding HRM services differ. Users are referred to as all employees and managers of [organization]. Please indicate the extent to which you agree (strongly disagree – strongly agree) with the two theses that apply to a specific HRM services.

**Question 1**

<b>Running the monthly payroll:</b>	Strongly agree	Agree	Neutral	Agree	Strongly disagree
The needs of users change frequently for this service.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Users have very diverse preferences for this service.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

**Question ...**

<b>Providing monthly management information regarding leave and turnover:</b>	Strongly agree	Agree	Neutral	Agree	Strongly disagree
The needs of users change frequently for this service.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Users have very diverse preferences for this service.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

**Question 52**

<b>Developing an applicant profile for a vacancy using a job description:</b>	Strongly agree	Agree	Neutral	Agree	Strongly disagree
The needs of users change frequently for this service.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Users have very diverse preferences for this service.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

*The value of HRM services for users*

The following section concerns the degree to which the delivery of HRM services meets the needs of user relative to the costs, time and efforts to make use of these services. Users are referred to as all employees and managers of [organization]. Please indicate the extent to which you agree (strongly disagree – strongly agree) with the two theses that apply to a specific HRM services.

**Question 1**

<b>Running the monthly payroll:</b>	Strongly agree	Agree	Neutral	Agree	Strongly disagree
Overall, the users value the execution of this service as very high.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
In relation to the overall costs, time and effort, the execution of this service satisfies the needs of the users very well.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

**Question ...**

<b>Providing monthly management information regarding leave and turnover:</b>	Strongly agree	Agree	Neutral	Agree	Strongly disagree
Overall, the users value the execution of this service as very high.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
In relation to the overall costs, time and effort, the execution of this service satisfies the needs of the users very well.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

**Question 52**

<b>Developing an applicant profile for a vacancy using a job description:</b>	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Overall, the users value the execution of this service as very high.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
In relation to the overall costs, time and effort, the execution of this service satisfies the needs of the users very well.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

**Appendix C:****Scales used during consumer perspective research (chapter 6)****Dutch version***Diensten van [HR SSC]*

In dit onderdeel van de vragenlijst wordt ingegaan op de diensten die aangeboden worden door [NAAM HR SSC]. Wilt u hieronder die diensten aankruisen waarvan u de afgelopen 12 maanden gebruik heeft gemaakt? Meerdere antwoorden zijn mogelijk.

- Inzien van mijn loonstrook op papier of digitaal.
- Het doen en laten verwerken van aanvragen m.b.t. personeels- en salarisadministratie (bijv. het aanvragen van verlof, veranderingen in persoonsgegevens doorgeven, reiskosten declareren, studiefaciliteiten aanvragen, of deelnemen aan regelingen zoals fietsplan, levensloop of reiskostenvergoeding).
- Vragen om ondersteuning van een medewerker van [HR SSC] bij het doen van aanvragen m.b.t. personeels- en salarisadministratie.
- Opvragen van informatie of advies bij een medewerker van [HR SSC].
- Zoeken van online/digitale informatie over personeels- en/of salarisadministratie, arbeidsvoorwaarden of rechtspositie.

*Kwaliteit van dienstverlening van [HR SSC]*

Dit onderdeel van de vragenlijst heeft betrekking op de kwaliteit van dienstverlening van [NAAM HR SSC]. Wilt u aangeven in hoeverre u het met de volgende stellingen eens bent?

	Zeer mee oneens	Mee oneens	Neutraal	Mee eens	Zeer mee eens
Als [HR SSC] belooft iets te doen binnen een bepaalde tijd, dan gebeurt dit ook.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Als ik een probleem heb en hiermee naar [HR SSC] ga, dan toont men oprechte interesse om het op te lossen.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
[HR SSC] verleent haar diensten meteen de eerste keer goed.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
[HR SSC] levert haar diensten op het tijdstip dat ze belooft.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

[HR SSC] verwerkt mijn aanvragen m.b.t. personeels- en salarisadministratie op een foutloze wijze.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Als ik contact opneem met een medewerker van [HR SSC] dan informeert hij/zij mij precies over wanneer de gevraagde dienst geleverd wordt.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
De medewerkers van [HR SSC] verlenen mij hun diensten snel.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
De medewerkers van [HR SSC] zijn altijd bereid om mij te helpen.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
De medewerkers van [HR SSC] zijn nooit te druk om op mijn verzoeken te reageren.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Het gedrag van de medewerkers van [HR SSC] wekt mijn vertrouwen.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Ik voel me veilig tijdens mijn interacties met [HR SSC].	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
De medewerkers van [HR SSC] zijn altijd beleefd naar mij.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
De medewerkers van [HR SSC] beschikken over de kennis om mijn vragen te beantwoorden.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Als ik een probleem heb met betrekking tot HR en hiermee naar [HR SSC] ga, dan trekken de medewerkers van [HR SSC] zich altijd iets aan van mijn probleem.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
[HR SSC] is altijd beschikbaar wanneer ik haar ondersteuning nodig heb.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
[HR SSC] heeft medewerkers die mij persoonlijke aandacht geven.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
[HR SSC] heeft het beste met mij voor.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Medewerkers van [HR SSC] begrijpen mijn specifieke HR-gerelateerde behoeften of problemen.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

*Kosten voor het gebruikmaken van dienstverlening [HR SSC]*

De onderstaande stellingen hebben betrekking op de moeite en tijd die ú als eindgebruiker moet doen voor het ontvangen of afnemen van HR diensten. Wilt u aangeven in hoeverre u het met de volgende stellingen eens bent?

	Ze er mee oneens	Mee oneens	Neutraal	Mee eens	Ze er mee eens
Voor mij kost het veel moeite om ervoor te zorgen dat mijn persoonlijke HR gegevens (omtrent bijv. woonadres, bankrekeningnummer, arbeidstijden, ziekteverzuim of hoeveelheid verlofuren) worden bijgewerkt als deze veranderen.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Voor mij kost het veel tijd om online, digitaal of via papier aanvragen m.b.t. personeels- en salarisadministratie te doen.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Voor mij kost het veel moeite om ervoor te zorgen dat mijn aanvragen m.b.t. personeels- en salarisadministratie uiteindelijk verwerkt worden.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Ik moet veel tijd spenderen om een antwoord te krijgen op een vraag die ik heb voor een medewerker van [HR SSC].	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Ik moet veel tijd spenderen om informatie over personeels- en salarisadministratie, arbeidsvoorwaarden en/of rechtspositie te verkrijgen van [HR SSC].	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Voor mij kost het veel moeite om inlichtingen in te winnen bij [HR SSC].	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

*Waardering van dienstverlening [HR SSC]*

De onderstaande vragen gaan over de mate waarin de dienstverlening van [NAAM HR SSC] voorziet in uw HR-gerelateerde behoeften de tijd en/of moeite waard is. Wilt u aangeven in hoeverre u het eens bent met de onderstaande stellingen?

	Ze er mee oneens	Mee oneens	Neutraal	Mee eens	Ze er mee eens
In het algemeen is de waarde van de dienstverlening door [HR SSC] voor mij hoog.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
In vergelijking met de gependeerde moeite en/of tijd is de mate waarin de dienstverlening van [HR SSC] voorziet in mijn HR-gerelateerde behoeftes hoog.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>



*Kennis voor gebruik diensten van [HR SSC]*

Dit deel van de vragenlijst heeft betrekking op de mate waarin u zich als eindgebruiker in staat voelt om gebruik te maken van de dienstverlening van [HR SSC]. Wilt u aangeven in hoeverre u het eens bent met de onderstaande stellingen?

	Zeer mee oneens	Mee oneens	Neutraal	Mee eens	Zeer mee eens
Ik weet precies waar ik aanvragen m.b.t. personeelsadministratie kan doen (bijv. verlofaanvraag, reiskosten declareren, studiefaciliteiten aanvragen, deelnemen aan regelingen zoals fietsplan, levensloop of reiskostenvergoeding).	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Ik weet altijd welke stappen ik moet doorlopen om aanvragen m.b.t. personeelsadministratie (online/digitaal/via papier) te doen.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Ik weet precies hoe mijn persoonsgegevens (bijv. woonadres of bankrekeningnummer) bijgewerkt kunnen worden als deze veranderen.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Ik weet precies tot wie ik me moet wenden wanneer ik een probleem heb met mijn personeelsadministratie.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Ik weet precies waar ik informatie over arbeidsvoorwaarden kan vinden of verkrijgen.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Ik ben altijd in staat om mijn HR-gerelateerde problemen duidelijk uit te leggen aan een medewerker van [NAAM HR SSC].	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Ikzelf ben volledig in staat om samen met een medewerker van [NAAM HR SSC] mijn HR-gerelateerde problemen op te lossen of mijn vragen te beantwoorden.					

*Algemene gegevens*

In welk jaar bent u geboren? .....

Wat is de hoogste opleiding die u voltooid heeft?

- Lagere school
- Voortgezet onderwijs (MAVO, VMBO, HAVO, VWO)
- Middelbare Beroepsopleiding (MBO)
- Hogere Beroepsopleiding (HBO, Bachelor)
- Wetenschappelijk onderwijs (Universiteit, Master)
- Doctoraat

Wat is uw huidige functie?

- Medewerker
- Leidinggevende

**English version**

*Services provided by the [HR SSC]*

This part of the questionnaire concerns the services offered by the HR SSC. Could you please indicate which of the following services you used during the last 12 months?

- Inquiring my pay slip on paper or online.
- Making a request concerning personnel and payroll administration (e.g. application for leave, transmit changes in personal data, declare travel expenses, requesting study facilities).
- Inquiring an employee of the [HR SSC] for support in making a request concerning personnel and payroll administration.
- Requesting information or advice from an employee of the [HR SSC].
- Searching for online information regarding personnel and payroll administration, labor conditions and legal position.

*Performance of the [HR SSC]*

This part of the questionnaire concerns the quality of the services delivered by the [HR SSC]. Could you indicate the extent to which you agree with the theses presented below?

	Strongly disagree	Disagree	Neutral	Agree	Strongly disagree
When the [HR SSC] promises to do something by a certain time, it does so.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
When I have a problem and take it to the <HR SSC>, the [HR SSC] shows a sincere interest in solving it.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
The [HR SSC] performs its services right the first time.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
The [HR SSC] provides its services at the time it promises to do so.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
The [HR SSC] processes my requests concerning personnel and payroll administration in an error-free manner.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Employees of the [HR SSC] inform me exactly when their services will be provided.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

Employees of the [HR SSC] give me prompt service.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Employees of the [HR SSC] are always willing to help me.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Employees of the [HR SSC] are never too busy to respond to my requests.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
The behavior of employees of the [HR SSC] instills confidence in me.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
I feel safe in my interactions with the [HR SSC].	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Employees of the [HR SSC] are always courteous with me.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Employees of the [HR SSC] have the knowledge to answer my questions.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
The employees of the [HR SSC] always care about my HR-related problems.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
The [HR SSC] is always available when I need its support.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
The [HR SSC] has employees who give me personal attention.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
The [HR SSC] has my best interest at heart.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
Employees of [HR SSC] understand my specific HR-related needs or problems.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

*Cost for using the services of the [HR SSC]*

This part of the concerns the effort and time you as an end-user have to spend for receiving and using the services of the [HR SSC]. Could you indicate the extent to which you agree with the theses presented below?

	Strongly disagree	Disagree	Neutral	Agree	Strongly disagree
For me, it costs much effort to secure that my personal HR data (on e.g. address, bank account, working hours, sick leave or leave hours) are updated when they change.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
For me, it costs much time to make requests concerning personnel and payroll administration, online or through paper.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
For me, it costs much effort to make sure that my requests concerning personnel and payroll administration are processed.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
I have to spend much time in order to obtain an answer to a question I have for an employee of the [HR SSC].	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
I have to spend much time in order to obtain information on personnel and payroll administration, terms of employment or legal status from the [HR SSC].	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
For me, it costs much effort to inquire the [HR SSC].	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

*Value of the [HR SSC]*

This part of the questionnaire concerns whether the extent to which the service delivery by the [HR SSC] are worth the time and effort you have to spend for obtaining the services. Could you indicate the extent to which you agree with the theses listed below?

	Strongly disagree	Disagree	Neutral	Agree	Strongly disagree
Overall, the value of the [HR SSC]'s service delivery to me is very high.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
In comparison to the spent effort and time, the extent to which the service delivery by the HR SSC satisfies my HR-related needs is very high.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

*Knowledge for using the services of the [HR SSC]*

This part of the questionnaires concerns the extent to which you feel able and knowledgeable to make use of the HR services of the [HR SSC]. Could you indicate the extent to which you agree with the theses listed below?

	Strongly disagree	Disagree	Neutral	Agree	Strongly disagree
I know precisely where to make requests concerning personnel and payroll administration (e.g. application for leave, declare travel expenses, requesting study facilities, life-course saving scheme).	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
I always know which steps to follow for making requests concerning personnel and payroll administration (online or on paper).	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
I know precisely how my personal details (e.g. private address or bank account number) can be updated if they change.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
I know precisely whom to turn to when I have a problem with my personnel administration.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
I know precisely where I can find or obtain information on terms of employment conditions.	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
I am always able to clearly explain my HR-related problems to an employee of the [HR SSC].	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>
I am fully able to solve my HR-related problems or get an answer to my question, together with an employee of the [HR SSC].	<input type="checkbox"/> <sub>1</sub>	<input type="checkbox"/> <sub>2</sub>	<input type="checkbox"/> <sub>3</sub>	<input type="checkbox"/> <sub>4</sub>	<input type="checkbox"/> <sub>5</sub>

*General information*

In which year were you born? .....

What is your highest level of education?

- Primary school
- Secondary school (MAVO, VMBO, HAVO, VWO)
- Intermediate vocational education (MBO)
- Higher vocational education (HBO, Bachelor)
- Higher education (Universiteit, Master)
- PhD /doctoraat

What is your function?

- Employee
- Supervisor

## Appendix D:

### Effect of separate HR shared services usage on quality, costs and human capital (chapter 6)

Level and variables	Quality of HR shared services		Costs of HR shared services		HR functional human capital		Interaction human capital	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Intercept	3.22***	3.27***	2.76***	2.45***	2.75***	3.86***	2.80**	4.47***
<b>Level 1: Individual level</b>								
Employee age	.01**	.00***	.00*	.00*	-.00	-.00	-.01*	-.01*
Employee education	.01	.01	.04*	.04*	-.09***	-.10***	-.07*	-.08**
Employee job function <sup>a</sup>	.00	-.00	-.01	-.00	.16***	.11*	.40***	.30***
Pay slip inquiry <sup>b</sup>		.04		-.10*		.05		.17**
Administration request <sup>b</sup>		.05		-.12**		.33***		.23***
Inquiring HR SSC for support <sup>b</sup>		-.03		.05		.12*		.28***
Inquiring HR SSC for information <sup>b</sup>		.07*		-.13**		.14**		.37***
Inquiring HR portal for information <sup>b</sup>		-.11***		.08*		.09		.08
<b>Level 2: Organizational level</b>								
Human capital of the HR SSC	.05	.03	-.14	-.08	.26	.08	.35	.08
Number of services provided by HR SSC	.00	.00	.00	.00	.00	-.00	.00	-.00
Pseudo R <sup>2</sup> <sup>c</sup>	.01	.01	.00	.02	.01	.05	.02	.08

\*\*\* p < .001

\*\* p < .01

\* p < .05 For Level 1, N = 2002; for Level 2 N = 19. <sup>a</sup> Managerial = 1, Non-managerial = 0; <sup>b</sup> Non-usage = 0, Usage = 1; <sup>c</sup> The Pseudo R<sup>2</sup> were calculated using the formula suggested by Kreft and De Leeuw (1998)





**Samenvatting**  
**(Summary in Dutch)**

## Introductie

Tegenwoordig maken steeds meer organisaties in zowel de publieke als private sector gebruik van human resource shared service centers (HR SSCs) voor het aanbieden van HR diensten aan hun personeel. Door gebruik te maken van HR SSCs kiezen organisaties ervoor om HR diensten, zoals de personeels- en salarisadministratie, werving van personeel en opleidingen van medewerkers vanuit een centraal bedrijfsonderdeel aan te bieden. Desondanks dat deze diensten vanuit een centraal punt aangeboden worden, betekenen HR SSCs niet de teruggang naar een centralisatie model waarbij het top management beslist over en toeziet op de centrale uitvoering van HR beleid (Janssen and Joha, 2006). In plaats daarvan ligt bij HR SSCs de beslissings- en controlebevoegdheid, in theorie, bij de lokale bedrijfsonderdelen die het HR SSCs van diensten voorziet (Farndale, Paauwe and Hoeksema, 2009; Janssen and Joha, 2006; Maatman, Bondarouk and Looise, 2010; Quinn, Cooke and Kris, 2000). Zo bespreken Quinn et al. (2000) dat de lokale bedrijfsonderdelen (oftewel: de klanten van HR SSCs) bepalen welke diensten het HR SSC aanbiedt en tegen welke specificaties. Verder maken de klanten van HR SSCs gebruik van sturingsmechanismen zoals bijvoorbeeld *service level agreements*, contracten en controle lijsten (Cooke, 2006; Farndale et al., 2009; Ulrich, 1995). Deze sturingsmechanismen moeten waarborgen dat de gecentraliseerde dienstverlening toch in lokale behoeften voorziet (Farndale, Paauwe and Boselie, 2010; Janssen and Joha, 2006), met andere woorden, dat het HR SSC waarde creëert voor haar eindgebruikers; de medewerkers in de lokale bedrijfsonderdelen.

Wanneer de diensten van HR SSCs volgens medewerkers een lage waarde hebben, dan brengt dit ongewenste effecten met zich mee, zoals een verminderde betrokkenheid van medewerkers (Gilbert, De Winne and Sels, 2011; Kinnie, Hutchinson, Purcell, Rayton and Swart, 2005), een lagere kwaliteit van dienstverlening voor externe klanten (Ehrhart, Witt, Schneider and Perry, 2011; Schneider, White and Paul, 1998) of een suboptimale beschikbaarheid van kennis in de organisatie (Jiang, Lepak, Hu and Baer, 2012). Vandaar dat het van belang is om inzicht te krijgen in welke factoren van invloed zijn op de waarde (oftewel: de kwaliteit versus kosten) van HR SSCs zoals beleefd door eindgebruikers. In dit proefschrift worden twee uitdagingen geadresseerd die dit in de weg staan.

De eerste uitdaging komt voort uit het feit dat het merendeel van het onderzoek naar HR SSCs niet gebaseerd is op theorie. In plaats daarvan is het onderzoek beschrijvend van aard daar het zich richt op het verkennen van de

redenen voor het implementeren van HR SSCs, de inrichting van HR SSCs, of het meten van de tevredenheid van eindgebruikers met HR SSCs. Inmiddels hebben enkele studies al gerapporteerd over de ontevredenheid onder medewerkers met de dienstverlening van HR SSCs (Cooke, 2006; Redman, Snape, Wass and Hamilton, 2007). Echter, vanwege de schaarste van theorieën die toegepast zijn op HR SSCs blijft het onduidelijk waardoor dit komt. De eerste uitdaging die in dit proefschrift wordt behandeld heeft daarom betrekking op het vergroten van het begrip hoe de waarde van HR SSCs, zoals beleefd door eindgebruikers, wordt gecreëerd. Om deze uitdaging aan te gaan, zijn er in dit promotieonderzoek twee theorieën toegepast, te weten de *intellectual capital* theorie (Youndt, Subramaniam and Snell, 2004) en de *consumer perspective* (Priem, 2007). De *intellectual capital* theorie voorspelt dat de prestatie van organisaties een functie is van de bundeling en integratie van drie kennisvormen: *human capital* (de kennis van medewerkers), *social capital* (de onderlinge uitwisseling van kennis tussen medewerkers) en *organizational capital* (kennis die is vastgelegd in procedures, routines, databases, etc.). Aangezien de *intellectual capital* theorie zich richt op de integratie van kennis is het toegepast om een beter begrip te krijgen van hoe de centrale bundeling van middelen zoals de kennis van HR professionals, databases en procedures in een HR SSC leidt tot waarde voor eindgebruikers. Eén van de deelstudies (hoofdstuk 3) laat echter zien dat de kennis en vaardigheden van eindgebruikers mogelijk ook een rol spelen in waarde creatie processen, omdat eindgebruikers bijdragen aan de ontwikkeling en onderhoud van het intellectuele kapitaal van een HR SSC. Om een beter begrip te krijgen van hoe de kennis en vaardigheden van eindgebruikers bijdragen aan de beleefde waarde van HR SSCs is gebruik gemaakt van de *consumer perspective* omdat deze theorie voorspelt dat verschillen in beleefde waarde voortkomen uit de heterogeniteit in *human capital* van gebruikers.

De tweede uitdaging komt voort uit het feit dat er weinig kennis is over twee belangrijke karakteristieken van HR SSCs. Vanuit een organisatiekundig perspectief worden HR SSCs ook wel gezien als een integratie van centralisatie en decentralisatie modellen (Farndale et al., 2009; Janssen and Joha, 2006). Dit betekent, zoals ook al eerder besproken, dat HR SSCs gekenmerkt worden door de volgende twee karakteristieken: een HR SSC (1) centraliseert de uitvoering van HR activiteiten en (2) wordt vanuit de decentrale bedrijfsonderdelen aangestuurd. Voorstanders van HR SSCs verwachten dat de combinatie van deze twee karakteristieken als voorwaarde kan dienen voor waarde creatie, omdat de centralisatie van HR activiteiten schaalvoordelen en kostenreductie met zich mee

kan brengen en decentralisatie van aansturing kan leiden tot een betere bevrediging van lokale behoeften (Redman et al., 2007). Er is echter weinig kennis beschikbaar over de HR activiteiten en aansturing van HR SSCs, waardoor het onduidelijk is of deze karakteristieken van HR SSCs daadwerkelijk als voorwaarde dienen voor het creëren van waarde voor eindgebruikers. Om hier meer inzicht in te krijgen, worden in dit proefschrift de twee centrale kenmerken van HR SSCs, in termen van centralisatie en decentralisatie, empirisch verkend met behulp van concepten uit de outsourcing, product ontwerp en *governance* literatuur.

Het uiteindelijke doel van het adresseren van deze twee uitdagingen is om de waarde van HR SSCs voor medewerkers beter te kunnen verklaren. Om dit doel te bereiken zijn er vijf deelstudies uitgevoerd, waarbij zowel gebruik is gemaakt van *case study* en *survey* methodologie. Elk hoofdstuk in dit proefschrift rapporteert over één van deze deelstudies. Hoofdstuk 2 is conceptueel van aard, waarbij op basis van de *intellectual capital* theorie wordt getracht om te verklaren hoe de centralisatie van kennis in HR SSCs leidt tot waarde. Hoofdstuk 3 gaat hier op door en verkent de condities waaronder de centralisatie van kennis en decentralisatie van controle over HR SSCs kan leiden tot waarde voor medewerkers en managers. Het onderzoek dat beschreven is in het derde hoofdstuk is uitgevoerd binnen een publieke organisatie met behulp van *case study* methodologie. In hoofdstuk 4 zijn de resultaten gepresenteerd van een kwalitatief onderzoek naar de activiteiten en aansturing van 18 Nederlandse HR SSCs. Hoofdstuk 5 rapporteert over een *survey* onderzoek naar de bundeling van HR activiteiten en de condities waaronder dit de waarde van deze activiteiten positief beïnvloedt. Tenslotte, hoofdstuk 6 presenteert de resultaten van een *survey* onderzoek, uitgevoerd onder ongeveer 2.000 medewerkers, naar de mate waarin de waarde van HR SSCs wordt beïnvloed door (de kennis van) de eindgebruikers van HR SSCs. De resultaten van het totale proefschrift zijn hieronder kort samengevat.

## **Resultaten**

### **Uitdaging 1: Verklaren van de waarde van HR shared services**

In hoofdstuk 2 en 3 hebben we op basis van de *intellectual capital* theorie aangetoond dat de middelen van HR SSCs, in termen van verschillende kennisvormen, in samenhang van invloed zijn op de waarde van HR SSCs. Op basis van een conceptuele verkenning van de literatuur vinden we dat transformationale HR waarde (i.e. de kwaliteit versus kosten van werving, selectie en training diensten) direct beïnvloed wordt door de kennis en vaardigheden van HR SSC

personeel en dat deze relatie sterker wordt wanneer het gebruik van gecodificeerde richtlijnen en onderlinge kennisuitwisseling tussen het personeel van een HR SSC toeneemt. Verder laat de conceptuele verkenning in hoofdstuk 2 zien dat voor het creëren van transactionele HR waarde (i.e. de kwaliteit versus kosten van administratieve HR diensten) het *organizational capital* van HR SSCs een directe invloed heeft op waarde creatie, waarbij de kennis (uitwisseling) onder het personeel van HR SSCs deze relatie positief beïnvloedt. De *case study* in hoofdstuk 3 bevestigde deze assumptie, omdat de medewerkers in het onderzochte HR SSC met name gedocumenteerde kennis in databases, processen en procedures (dat is, het *organizational capital*) gebruiken om HR diensten te verlenen, waarbij de kennis en vaardigheden van het HR SSC personeel voornamelijk gericht is op het terugvinden en gebruik van deze gedocumenteerde kennis. Met andere woorden, hoe beter de kennis en vaardigheden van HR SSC personeel ontwikkeld is, hoe sterker het effect van *organizational capital* op de beleefde waarde van HR SSCs waarschijnlijk is. De *case study* laat echter ook zien dat HR processen en informatie technologieën herontworpen worden tijdens de introductie van een HR SSC, waardoor de kennis van medewerkers die gebundeld wordt in een HR SSC deels verouderd kan raken, met een lagere kwaliteit van dienstverlening als gevolg.

Tevens vinden we in hoofdstuk 3, ondanks dat de gedocumenteerde kennis centraal gebundeld is in een HR SSC, dat deze kennis vooral bijgewerkt en onderhouden wordt door de decentrale medewerkers en managers door middel van het gebruik van online zelfbediening. Hieruit kan worden afgeleid dat de eindgebruikers van een HR SSC deels zelf verantwoordelijk zijn voor de kwaliteit van de middelen die centraal gebundeld zijn in het HR SSC. Dit betekent, naast dat eindgebruikers een invloed hebben op de waarde van de middelen die het HR SSC beschikbaar heeft, dat het HR SSC en haar eindgebruikers en klanten wederzijds afhankelijk zijn. Ondanks dat andere studies aangeven dat formele controle mechanismen (zoals contracten en *service level agreements*) gebruikt (zouden moeten) worden voor het aansturen van HR SSCs (Farndale et al., 2010; Redman et al., 2007), laten onze resultaten zien dat meer informele controle mechanismen (bijv. samenwerking, gezamenlijk besluitvorming en vertrouwen) gebruikt worden en nodig zijn om de wederzijdse afhankelijkheid tussen HR SSC en klanten/gebruikers effectief te managen.

In hoofdstuk 6 vinden we dat de mate van beleefde waarde van HR SSCs voor eindgebruikers voor slechts 5% verklaard wordt door verschillen in (bijvoorbeeld het intellectuele kapitaal van) HR SSCs. Met andere woorden, 95% van de

verschillen in beleefde waarde door eindgebruikers kan verklaard worden door verschillen tussen diezelfde eindgebruikers, ondanks het feit dat ze door hetzelfde HR SSC bediend worden. Niet de verschillen in HR SSCs, maar de verschillen in eindgebruikers verklaren dus in een grote mate de verschillen in beleefde waarde van HR SSCs onder eindgebruikers. Als een concreet voorbeeld hiervan vinden we dat het HRM-specifieke *human capital* van medewerkers een positieve invloed heeft op hun waarde percepties van HR SSCs en dat deze relatie gemedieerd wordt door de beleefde kwaliteit en kosten van HR SSCs. Met andere woorden, de beleefde waarde van HR SSCs neemt toe voor eindgebruikers als hun HR-specifieke kennis en vaardigheden verbeteren, omdat deze kennis ze in staat stelt op een efficiënte en effectieve wijze HR activiteiten te consumeren zodat deze activiteiten voorzien in hun behoeften. Tevens vinden we dat de hoeveelheid HR diensten waar een eindgebruiker gebruik van maakt een positieve invloed heeft op de HR-specifieke kennis van medewerkers. Dit suggereert dat deze kennis zich ontwikkeld door de ervaring die medewerkers opdoen tijdens het consumeren van HR SSC diensten.

## **Uitdaging 2: Verkennen van de structurele kenmerken van HR SSCs**

Wat betreft de centralisatie van activiteiten in HR SSCs laat het onderzoek in hoofdstuk 3 en 4 zien dat HR SSCs voornamelijk transactionele HR diensten aanbieden in de vorm van personeels- en salarisadministratie. Deze diensten worden aangeboden door middel van online zelfbediening die medewerkers in staat stelt om hun persoonlijke administraties bij te houden. Voor informatie over arbeidswetgeving of arbeidsovereenkomsten en hulp bij het gebruik van zelfbediening bieden de meeste HR SSCs call center of helpdesk diensten voor medewerkers en managers aan. Ondanks dat enkele onderzoeken concluderen dat HR SSCs slechts administratieve diensten aanbieden (Hällsten, Boglind and Thilander, 2011; Reilly and Williams, 2003), vinden wij dat de dienstenportfolio's van HR SSC zich hiertoe niet beperken. Ten eerste toont ons kwalitatieve onderzoek onder 18 Nederlandse HR SSCs (hoofdstuk 4) aan dat HR SSCs ook meer transformationele HR diensten, zoals werving, selectie en opleidingen aanbieden. Ten tweede vinden we, naast deze meer operationele activiteiten, dat HR SSCs zich ook bezighouden met wat 'innovatie activiteiten' genoemd kunnen worden. Empirische voorbeelden van innovatie activiteiten die gevonden zijn, zijn het verbeteren van bestaande HR processen en leveren van input voor verbetering van HR beleid. Er zitten echter wel verschillen in de mate waarin transformationele en innovatie activiteiten worden uitgevoerd door HR SSCs. We vinden namelijk dat

buitenlandse multinationals in Nederland vaker transformatieele HR SSCs hebben, terwijl de HR SSCs van Nederlandse organisaties in beperkte mate vaker innovatie activiteiten uitvoeren.

Bestaand onderzoek geeft tegenstrijdige adviezen wat betreft het wel of niet centraal bundelen van met name transformatieele diensten in een HR SSC (Redman et al., 2007; Ulrich, 1995). In hoofdstuk 5 tonen we aan dat de waarde van het bundelen van HR activiteiten in een HR SSC niet afhangt van het type activiteit, met andere woorden, of deze transactioneel of transformatieel is. De beleefde prijs – kwaliteit van HR administraties verschilt dus niet van die van meer transformatieele HR activiteiten (zoals trainingen, werving en selectie), ook niet wanneer administraties centraal en transformatieele activiteiten decentraal worden uitgevoerd. We vinden dat het standaardisatie potentieel (gemeten als de mate van diversiteit in behoeften voor HR activiteiten) wel van invloed is op de waarde die voortvloeit uit het bundelen van HR activiteiten in een HR SSC. Namelijk, HR activiteiten waarvoor de verschillende bedrijfsonderdelen en gebruikers vergelijkbare wensen hebben, hebben een betere prijs – kwaliteit verhouding wanneer deze centraal belegd worden in een HR SSC. Dit geldt voor 28,4% van de onderzochte HR activiteiten. De waarde van een beperkt aantal diensten (namelijk 7,5%) waarvoor een zeer uiteenlopende behoefte bestaat, is hoger wanneer deze aangeboden worden door de decentrale dienstverleners in de bedrijfsonderdelen. Opmerkelijk is dus dat de waarde van HR activiteiten, waarvoor gebruikers een middelmatige variatie in behoefte hebben, niet verschilt voor centrale of decentrale uitvoering. Om precies te zijn, levert in totaal van 64,1% van de onderzochte diensten het HR SSC niet een lagere waarde dan een decentrale HR dienstverlener. Tenslotte vinden we, ongeacht of een HR activiteit centraal of decentraal wordt uitgevoerd, dat de waarde van HR activiteiten altijd af neemt wanneer de medewerkers meer uiteenlopende behoeften hebben ten aanzien van deze activiteit.

Wat betreft het decentralisatie component van HR SSCs, laat het onderzoek onder 18 HR SSCs in Nederland (hoofdstuk 4) zien dat er een grote diversiteit bestaat wat betreft de decentralisatie van controle over HR SSCs en de aansturingstructuur van HR SSCs. Ondanks dat de literatuur vier verschillende typen aansturingstructuren beschrijft (Farndale et al., 2009; Strikwerda, 2004) ondervinden wij dat organisaties in de praktijk meerdere structuren combineren tot een organisatie-specifieke aansturing van het HR SSC. Met uitzondering van enkele publieke organisaties, rapporteren HR SSCs hierdoor zowel naar centrale actoren (bijv. de raad van bestuur, top management of een directeur) en decentrale actoren



in de bedrijfsonderdelen. We vinden dat de actoren die het HR SSC aansturen uit diverse werkvelden komen, zoals HR managers/directeuren, financiële managers, operations managers en lijn managers. Ook vinden we in hoofdstuk 3 en 4 dat zowel medewerkers en managers in de decentrale bedrijfsonderdelen invloed uit kunnen oefenen op het HR SSC door middel van service level agreements, contracten en proces controles.

## **Implicaties**

Terugblikkend op de twee uitdagingen op het gebied van HR SSCs en waarde creatie, worden in het laatste hoofdstuk de belangrijkste implicaties voor onderzoek en de praktijk besproken.

Ten eerste geeft dit proefschrift een beter inzicht in de factoren die de waarde van HR SSCs voor medewerkers en managers verklaren. Ondanks dat de middelen van HR SSCs, zoals het intellectuele kapitaal, en rol spelen in de creatie van waarde, tonen we aan dat met name factoren op bedrijfsonderdeel- en medewerkersniveau van invloed zijn op de waarde van HR SSCs. De variatie in behoeften van eindgebruikers, de mate waarin zij de gecodificeerde kennis van HR SSCs tijdig bijwerken, en de HR-specifieke kennis die zij bezitten verklaren de grote mate van diversiteit in de percepties die medewerkers hebben van de kwaliteit en kosten van HR SSCs. We tonen hiermee aan dat medewerkers voor een deel zelf verantwoordelijk zijn voor en invloed hebben op de percepties die zij hebben van de waarde van HR SSCs. Hierdoor dragen we ook bij aan het onderzoek naar HRM dat inmiddels heeft aangetoond dat medewerker percepties verschillen wat betreft de mate waarin zij HR activiteiten ontvangen.

Ten tweede levert dit proefschrift een bijdrage aan de organisatiekunde literatuur. Voorgaand onderzoek heeft aangegeven dat SSCs, in theorie, een nieuwe en speciale vorm van organiseren is (Bondarouk, 2011; Strikwerda, 2004), echter zonder een empirische onderbouwing hiervan te geven. Ons onderzoek laat zien dat HR SSC als individuele organisatie eenheid aan diverse actoren dient te rapporteren. Dit maakt dat een SSC een nieuwe vorm van organiseren is ten opzichte van andere organisatiemodellen, zoals de M-form organisatie waar meerdere bedrijfsonderdelen rapporteren aan één controlerende actor (bijv. de raad van bestuur) of de matrix organisatie waarbij een onderdeel of medewerker aan twee actoren (bijv. leidinggevende en product/project manager) rapporteert. Aan deze manier van organiseren kunnen echter wel nadelen zitten. Zo kan een diversiteit aan controlerende actoren leiden tot rol conflict voor HR SSCs en zo een

lagere kwaliteit van dienstverlening. Zo vinden we bijvoorbeeld dat de mate van diversiteit in gebruikersbehoeften een negatieve invloed heeft op de beleefde waarde van HR SSCs. Dit betekent dat toekomstig onderzoek zich erop kan richten om deze diversiteit in behoeften te verklaren, om managers in staat te stellen de waarde van HR SSCs te vergroten.

## Conclusie

Samengevat, in dit proefschrift is het doel gesteld om de waarde van HR SSCs voor eindgebruikers te verklaren. Door gebruik te maken van diverse theorieën is getracht te verklaren hoe twee belangrijke kenmerken van HR SSCs, te weten de centralisatie van activiteiten en middelen alsmede de decentralisatie van controle, van invloed zijn op de prijs – kwaliteit van de aangeboden HR diensten door HR SSCs. We vinden dat zowel factoren binnen het HR SSC en factoren op eindgebruikersniveau een rol spelen in de creatie van de waarde van HR SSCs. Dit impliceert dat HR SSCs en gebruikers gezamenlijk invloed uitoefenen op de beleefde prijs – kwaliteit van HR SSCs. Echter, medewerkers verschillen sterk in hun waarde percepties, zelfs wanneer ze bediend worden door hetzelfde HR SSC, bijvoorbeeld omdat medewerkers verschillen in de mate van hun HR-specifieke kennis. Hieruit maken we op dat de creatie van HR SSC waarde beïnvloedt wordt door factoren op eindgebruikersniveau en dat voor het verklaren waarde percepties voornamelijk gekeken moet worden naar verschillen in eindgebruikers, in combinatie met de verschillen in HR SSCs.

## Referenties

- Bondarouk, T. V. (2011). A framework for the Comparative Analysis of HR Shared Service Models. In T. V. Bondarouk, H. J. M. Ruel & J. C. Looise (Eds.), *Electronic HRM in Theory and Practice* (pp. 83-104). Bingley, UK: Emerald Group Publishing Limited.
- Cooke, F. L. (2006), 'Modeling an HR Shared Service Center: Experience of an MNC in the United Kingdom,' *Human Resource Management*, 45, 211-227.
- Ehrhart, K. H., Witt, L. A., Schneider, B., and Perry, S. J. (2011), 'Service Employees Give as They Get: Internal Service as a Moderator of the Service Climate–Service Outcomes Link,' *Journal of Applied Psychology*, 96, 423-431.
- Farndale, E., Paauwe, J., and Boselie, P. (2010), 'An Exploratory Study of Governance in the Intra-Firm Human Resources Supply Chain,' *Human Resource Management*, 49, 849-868.

- Farndale, E., Paauwe, J., and Hoeksema, L. (2009), 'In-sourcing HR: Shared Service Centres in the Netherlands,' *International Journal of Human Resource Management*, 20, 544-561.
- Gilbert, C., De Winne, S., and Sels, L. (2011), 'The Influence of Line Managers and HR department on Employees' Affective Commitment,' *International Journal of Human Resource Management*, 22, 1618-1637.
- Hällsten, F., Boglind, A., and Thilander, P. (2011), 'HR Transformation and Shared Services - Adoption and Adaption in Swedish Organizations,' *Personnel Review*, 40.
- Janssen, M., and Joha, A. (2006), 'Motives for Establishing Shared Service Centers in Public Administrations,' *International Journal of Information Management*, 26, 102-115.
- Jiang, K., Lepak, D. P., Hu, J., and Baer, J. (2012), 'How Does Human Resource Management Influence Organizational Outcomes? A Meta-Analytic Investigation of the Mediating Mechanisms,' *Academy of Management Journal*, 55, 1264-1294.
- Kinnie, N., Hutchinson, S., Purcell, J., Rayton, B., and Swart, J. (2005), 'Satisfaction with HR Practices and Commitment to the Organisation: Why One Size Does Not Fit All,' *Human Resource Management Journal*, 15, 9-29.
- Maatman, M., Bondarouk, T. V., and Looise, J. C. (2010), 'Conceptualising the Capabilities and Value Creation of HRM Shared Services Models,' *Human Resource Management Review*, 20, 327-339.
- Priem, R. L. (2007), 'A Consumer Perspective on Value Creation,' *Academy of Management Review*, 32, 219-235.
- Quinn, B. E., Cooke, R. S., and Kris, A. (2000), *Shared Services: Mining for Corporate Gold*, Harlow: Financial Times.
- Redman, R., Snape, E., Wass, J., and Hamilton, P. (2007), 'Evaluating the Human Resource Shared Services Model: Evidence from the NHS,' *International Journal of Human Resource Management*, 18, 1486-1506.
- Reilly, P., and Williams, T. (2003), *How To Get Best Value From HR: The Shared Service Option*, London: Ashgate Publishing Company.
- Schneider, B., White, S. S., and Paul, M. C. (1998), 'Linking Service Climate and Customer Perceptions of Service Quality: Test of a Causal Model,' *Journal of Applied Psychology*, 83, 150-163.
- Strikwerda, J. (2004), *Shared Service Centers: Van Kostenbesparing Naar Waardecreatie*, Assen: Koninklijke Van Gorcum BV.

- Ulrich, D. (1995), 'Shared Services: From Vogue to Value,' *Human Resource Planning*, 18, 12-23.
- Youndt, M. A., Subramaniam, M., and Snell, S. A. (2004), 'Intellectual Capital Profiles: An Examination of Investments and Returns,' *Journal of Management Studies*, 41, 335-361.



## **About the author**

## About the author



Jeroen Meijerink was born on the 17<sup>th</sup> November 1985 in Oldenzaal, the Netherlands. In 2004, he started his studies at the University of Twente (Enschede, the Netherlands) from where, in September 2008, he received his MSc degree (cum laude) in Business Administration. Immediately after his masters, he started on PhD research into “HRM SSC Characteristics, Quality Deliverables, and HRM Outcomes” at the same university. For his research, he collaborated with organizations such as Ahold, the Dutch Railways (NS), KLM, the Ministry of the Interior, Stork, Tata Steel, Thales, TNT, T-Mobile and several municipalities. His research work has been reported in several international journals, including the *International Journal of Human Resource Management*, *Personnel Review* and the *European Journal of International Management*. In 2012, he spent four months as a visiting Fulbright scholar at the School of Management and Labor Relations of Rutgers University in New Jersey, USA. His current research is both qualitative and quantitative in nature, and focuses on HR shared services, value creation, organization of the HRM function and employee perceptions of HRM. His interests outside academia include playing the bass trombone and cycling (ideally in the Ardennes and the French Alps).

## Publications

Meijerink, J.G., Bondarouk, T.V., and Maatman, M. (forthcoming). Exploring and Comparing HR Shared Services in Subsidiaries of Multinational Corporations and Indigenous Organizations in the Netherlands: A Strategic Response Analysis, *European Journal of International Management*.

Meijerink, J.G., and Bondarouk, T.V., (2013). Exploring the Central Characteristics of HR Shared Services: Evidence From a Critical Case Study in The Netherlands, *International Journal of Human Resource Management*, 24, (3), 487 – 513.

Meijerink, J.G., Bondarouk, T.V., and Looise, J.C. (2013). Value Creation Through HR Shared Services: Towards a Conceptual Framework, *Personnel Review*, 42, (1), 83 – 104.

Maatman, M., Meijerink, J.G., and Bondarouk, T.V. (2011). Samen Sterk: HR Shared Services Halen Nog Geen Maximaal Resultaat, *Personeelsbeleid*, 47, (7/8), 28 – 31.

Meijerink, J.G. and Reilly, P. (2010). Going Dutch: HR Shared Services in the Dutch Government, *People Management*, September 30, 24 – 27.