Organizational Evolution and HRM: Evidence from Sweden

Md.Fazla Mohiuddin* Pisalvit Paphavatana
Department of management and engineering Linkoping University, Linkoping-58183,Sweden.
* E-mail of the corresponding author: m.fazla@yahoo.se

Abstract
In order to understand the change process of the new organizational structures in HR (see Ulrich,1997),this paper applies ecological perspective at organizational and population level suggested by Lovas & Ghoshal (2000) and provides a starting point for future research to apply what Lovas & Ghoshal (2000) called “Guided Evolution” perspective. The next objective of this paper is to check if it is possible to come up with a Key Success Factors (KSF) which would work across different business environments. it applies qualitative research technique where an interview questionnaire is prepared and four personal interviews are taken from three large Swedish companies with international scope. The data found are then compared with other secondary data to draw the final conclusion for the paper. The findings of this work suggest that, the whole change process corresponds to a “variation” cycle of the evolutionary process which should eventually move to a “selection” cycle. The choice and success of these new structures and roles are dependent on factors such as corporate strategies, adequate knowledge of HR or presence/absence of competition and finally suggest that success factors vary from environment to environment and thus it is not possible to come up with a set of Key Success Factors (KSF) which would work across cultures and business environments.

Keywords: HR Business Partner, HR Shared Service Center, Organizational Evolution, Changing Role of HR, Change Management

1.Introduction
Since the acknowledgement of Human Resource as a management function in 1980 (Bredin, 2008), scholars like Beer, Spector, Lawrence, Mills, & Walton (1984) emphasized the importance of innovating in HRM practices in order to survive the greater competition and shrinking economic pie. According to Boxall & Purcell (2000), since the mid 1980’s, students, business executives and academics have been debating what it means to take a strategic approach to HRM (or the Strategic HRM). The term strategic human resource management (SHRM) implies strategic choices associated with labor processes in the firm which are inevitably connected to the performance of the firm (Boxall & Purcell, 2000). Theoretical and research debate sparked discussion about how firms should make strategic choices in their labor management which were rooted around two normative HR models namely “the best-fit” and “the best-practice model” (Boxall & Purcell, 2000). The best-practice model is described as based on the assumption that there are generally applicable common HR practices or HR systems that always lead to performance boost (Bredin, 2008). This model tends to ignore or emphasize less on the context and internal synergies among practices and focus more on the parts of HR management practices that seem to be more applicable than others (Bredin, 2008). On the other hand, the best-fit school, also refers to as contingency school, argues that organizations HR strategy will be more effective if it is aligned with its specific environmental and organizational context (Boxall & Purcell, 2000).

Siding with best practice model, Ulrich, the most famous management educator and the most influenced person in HR suggests that organization should move away with HR and apply four new strategic HR roles; Strategic partners, Administrative Experts, Employee Champions, and Change Agents(Ulrich, 1997). It is claimed that regular use of this model naturally increases the flexibility of the organization and manages organizational change more effectively. As a result of applying Ulrich, (1997) model, new HR roles have emerged such as HR executive, Human Resource Business Partner (HRBP) and HRSSC/ Human Resource Shared Service Center (Hunter et al, 2006).

However, a careful study of the literature (as we will show in a later section) suggests that there is little or no evidence as to what specific factor in the external or internal environment causes organizations to opt for one particular organizational structure. The major concentration of many literatures in this field has been to outline the benefits and advantages that each option provides and the reason why it makes sense to implement these models. This spurs the interest for us about these phenomena where we want to understand the change process in organizational structures and roles as a whole which would go beyond a mere presentation of what benefits these structures provide and answer questions such as “What kind of a change are these?” and “How organizations should formulate strategies in order for facing these changes successfully”. Thus, we in this paper have tried to come up with an analysis which would provide both academics and practitioners with insights about the change
process as a whole and which should in turn help both the parties to come up with suggestions about how best to formulate strategies in order for coping with this change process.

2.Literature Review

In this section, we will examine what various literatures have to say about the changes in roles and definitions in strategic HR.

2.1 Best Fit and Best Practice in Strategic Human Resource Management (SHRM)

The notion of best fit means that in order to gain competitive advantage, HR practice must fit well with its surrounding context and environment of the organization to support the business strategy. This model was developed with the purpose to explain why the approach taken to HRM varies between firms (Kakavelakis, 2010). The concept of best practice claims that all firms will get better organizational performance if they adopt certain best practices in HRM. In Pfeffer’s famous work (1994) in the area of the best practice model, he purporses a number of HR practices for achieving competitive advantage; employment security, selective hiring, extensive training, sharing information, self managed teams, high pay based on company performance and the reduction of status differentials.

2.2 New Role Model of Human Resource Management

In a study by Ulrich (1997), he develops a four relatively simple and operational model of the Human Resource Management roles which help to improve organizational effectiveness and support HR’s position.

**Figure 2 Ulrich Model**

(Source: Ulrich 1997: 24)

Hunter et al. (2006), in the book HR business Partner aligned each quadrant in the Ulrich (1997) model with the new HR roles required to succeed in implementing this model.

**Figure 3 Roles in the Ulrich Model**

(Source: Hunter et al., 2006: 14)

This model shows the new opportunity for the HR professionals. Each new role requires different skills. HRBP role becomes more important in the HR function. HRBP, as a strategic partner role, must be in alignment with overall business goals and objectives and is able to provide the policies, strategies and advices for the company.

2.3 HR Business Partner

The concept of HR business partner has become more popular due to the publishing of Human Resource Champions written by Dave Ulrich, a leading HR academic (1997). There are many researchers offering the definitions of business partners and they have their own definitions of HRBP. Beckett (2005) states that business partner is a business advisor who utilizes the human capital assets in the most profitable manner. HR professionals may be asked to analyze and have to give some advices and opinions on an issue to managers in organization. Sandstrom,(2002) claims that HRBP is an actual partner in the business, and a person who helps management in decision making about human capital developing those HR capabilities and interventions into the
strategic business plan.

2.3 Reasons for Implementing HR Business Partner

In the 1990s, corporations made an effort to take advantage of every cost-cutting tool. However, they realized that the great competitive advantages do not come from cost cutting but from growth. So their aim goes beyond cost cutting to focus instead on growing their business faster. In order to achieve the certain purpose, many huge organizations involve more experts to join their strategic planning.

2.4 HR Shared Service Center

There are some distinction between shared services and outsourcing. The shared services can be considered as an internal outsourcing. They are a form used as an interim step before outsourcing (Quinn, Cooke, & Kris, 2000). Shared service center refers to in-sourcing corporate activities with a purpose to establish a new business unit to deliver services to a range of in-house clients in place of separate function (Sparrow & Braun, 2008). Ulrich (1995) also suggests about the definition of shared services model that SSC, a single organizational phenomenon, occur when separate business units within a company are brought together. It is a business within a business and is responsible for supporting the organizational unit by delivering needed services at the highest value but with lowest cost. However, Quinn et al. (2000) and Oates (1998) argue that shared services practices had been developed beyond the boundaries of the single organizational unit.

2.4.1 Drivers and Reasons for Implementing a Shared Service Center

There are many reasons for implementing HR shared service center, among those are the impact of technology development because technology development facilitates this structural change (Adler, 2003). Emergence of information and communication technology moves away HR activity to line managers and employees (Lepak, Bartol, & Erhardt, 2005). Another reason is the influence of organizational structure and corporate strategy as HR shared service center assist in creating centralized yet responsive to local business unit needs while contributing to cost savings (Carlsson & Schurmann, 2004).

2.4.2 Advantages and Disadvantages of HR Shared Service Center

One advantage of HR shared service is cost reduction as scholars like Horan & Vernon (2003) claim “shared services can give a potential saving around 15% and 40% of labor costs”. Another advantage is it gives organizations better focus and improved quality as increase consistency in HR programs substantially improves quality (Horan & Vernon 2003). However, it can prove to be more expensive if companies have to invest more money in the development of infrastructure and if failed it may be difficult to decentralized the shared service back to traditional HR function (Gill & MacCormick, 1999). The job may seem boring to employees because of narrow specialization HR shared service produces and workers may feel de-skilled (Redman, et.al 2007).

As we can see, although there has been some general discussions about what external and/or internal factors compells business organizations to opt for these new structures, it is not clear as to what specific factors facilitates/hinders to opt for one particular organization structure over others. Therefore, we in this paper are interested to know about these new changes as a whole which would at least partially answer questions such as “are these new structures sustainable or just a passing fad?”. In order to understand changes, we have looked into different organizational change theories and decided to apply ecological perspective to understand change at organizational and population level suggested by Lovas & Ghoshal (2000).

2.5 Evolutionary Theory for Organizational Change

According to Lovas & Ghoshal (2000), evolutionary and ecological perspectives have been applied at many levels of analysis which includes organizational, intra-organizational, population and community evolution. Evolution has become a powerful tool for academics to explain change in organizational dynamics since its incorporation to organizational theories. In the words of Van de van & Poole (1995), evolution explains change as a recurrent, cumulative, and probabilistic progression of variation, selection, and retention of organizational entities. We for this work are more interested in population and organizational evolution where population consists of collection of organization with common forms (Hsu & Hannan, 2005). The three most important features of evolutionary theory are variation which implies that organisms of species have different traits, selection which suggests that these differences in traits sometimes make a difference in the survival and retention which implies that traits can be passed on from generation to generation; and evolutionary process occurs in two fundamental ways: natural selection and adaptation where natural selection refers to a process of retention of only the traits which are favorable for survival becomes common over succeeding generation and on the other hand, adaptation refers to the process where organizational experience and memory is used to strengthen the exploration and exploitation processes and adapts to changed environmental context (O’Reilly, Tushman, & Harrel, 2009).

To sum up, we would like to apply ecological change perspective to understand these change process as a whole and would like our paper to answer to the following research questions:
• What kind of a change process is it that taking place regarding HR roles and organizational structures?
• What impact does this change process have on the choice and success of these new roles and structures?
• What factors are most important for this change process to operate?

In addition to understanding the change process, we want to know:
• What factors make one particular structure to be attractive and to be chosen over other structures?
• Does the success of these structures depends on the environment the business operating in, if so then what are the most important factors?
• Is it possible to develop a Key Success Factors (KSF) for these new structures that would work across different environments the businesses are operating in? If so, then what are they?

3.0 Research Methodology

In choosing the companies for the interviews, we looked for: a) International scope of business, b) Public vs. private sector operation and c) Reputation in the markets.

The technique of the interviews were standardized structured interview, where respondents’ were asked standardized questions with little freedom for thinking outside the direction they were drawn. The questionstions were set through consulting literatures and were grouped under four themes. We conducted four interviews and all of them were conducted in english. The respondents’ were sent the questionnaire at least two days before the actual interview so that they had enough time to prepare and think. Among the four, one interview was conducted online and with the permission of all the interviewees, all the interviews were recorded in order to facilitate the later process of anlysis. For the shake of anonymity, name of the interviewees and the companies are changed. The primary data were recorded and then transcribed for analysis (see Appendix for the interview questions).

Beside collecting primary data through interviews, we also collected data from internet and published journals. Although not strict, the whole research design can be said to have two phase where one phase complements another. Meaning, interviews were designed as a result of the secondary data we found regarding the research phenomena. But sometimes we broke this pattern and included questions which were not depended upon its preceeding phase.

The interview companies are: one county council in Sweden (Company A: Interviewee Mr. X) which is highly regarded for its highly efficient HR Shared Service Center and two big multinational companies in Sweden of which one is in furniture (Company B: Interviewee Mr. Y) and the other one is in defence equipment manufacturing business (Company C: Mr. Z) and the last interviewee Mr. W is HR business partner in company B. (please see annexture for a detailed description of compnies and interview question themes).

4.0 Findings Discussion

In this section, we discussed the implication of our findings with respect to literature and previous research done on the matter. We added and compared data from other secondary sources such as articles, documentations and internet, besides primary data we found from our interviews in order for a deeper understanding of the phenomena.

4.1 Changes in the Role and Structure: Part of Evolutionary Process in the Ecosystem of Organizations?

After a careful examination of the literatures, we came to the conclusion that most of the advocates and researches are of the opinion that evolution has following important properties which are applicable to any types of evolutionary thinking for organizations:

• Evolution works through natural selection or adaptation. It can be predetermined where nature or the environment selects the organisms (i.e. the organization.

• The basic building block for evolution is the process of variation, selection and retention where variation implies existence of species (i.e. different organization in the same population) with different traits or characteristics, selection implies that the chances of survival for any species depends on the traits and retention implies that these traits can be passed on to one generation of species to another (i.e. from one organization to another).

We, in this work would like to see if the development in the role and organizational structure corresponds to an evolutionary process. This is because if it does, then it would mean a possibility of anticipation of the next change as evolution works in a prescribed mode of change which implies that change or the development of entities works in a pre-specified direction, typically of maintaining and incrementally adapting forms in a stable, predictable way (Van De Van & Poole, 1995).

For doing this we assumed that Human Resource Shared Service Center (HRSSC), Human Resource Business Partner (HRBP) and Traditional Functional Human Resource (Traditional HR) are three different forms or
species of the same population with distinct traits. According to Hsu & Hannan, (2005), getting the specifications of forms and of population boundaries right presents a challenge and many researchers rely on industrial or product-market distinctions in specifying organizational population and that some organizational populations cut across industry boundaries as it does not fit any conventional notions of industry. We took Porter’s (1980) definition which defines industry as group of firms producing close substitute product and we assumed all these forms are part of the same population as they are operates in the same industry (all producing HR service products). Within this population, HRSSC, HRBP and Traditional HR are three different forms. In the following sections, we tried to see if development of these different forms means an evolutionary process by verifying the developments against basic principles of evolutionary process.

4.2 From Personnel to Human Resource: A Historical Perspective

Since, 1980 we see a shift from Personnel Management to Human Resource management which was influenced by change in the environmental context such as ‘Japanese quality models’ and the ideas of ‘excellence’ which encouraged new way of thinking in management (Bredin, 2008). So, the organizational form (i.e. Personnel Department) also changed and the old form slowly extinct, which is also a characteristic of evolutionary process (Van De Van & Poole, 1995).

Ulrich,(1997) stated eight major challenges that HR is facing such as globalization, responsiveness to customer or implementing technology. This situation resulted in several new role and organizational structure for HR in business organizations. We can see these forms in real life organizations such as SSC, HRBP and HR executive with new role and strategic thinking such as strategic partner, change agent, administrative expert, and employee champion (Ulrich’s model cited in Hunter et.al 2006).

4.3 Definitions: What Does It Means?

According to (Ulrich, 1995), the term shared service is an organizational phenomenon which occurs when separate business units brought together with the goal of supporting organizational units by delivering needed service with highest value and lowest cost. Hence, this implies that the goal of shared service center is to provide standardized service to organization and thereby provide organizations the means to reduce cost. We found a similar thought about definition of HRSSC from our respondent. Mr. X who is working for public organization (a county council) in Sweden responded: Human resource shared service center is how we organize our work to support heads of division or directly to those who are working in our clinic. Moreover, another responded Mr. Y who is working for a global company in Sweden responded with: HR shared service center is for me a center where i can place a scale of economics, you can find the quality and the standardize HR processes while using improved technology and selfservice system and so on.

we see a convergent answer both from the literature and practitioner managers when comes the question of definition about HRSSC which is standardization of activities with the goal of supporting organizational business units efficiently.

According to Beckett (2005), a business partner is a business advisor who utilizes the human capital assets in the most profitable manner. It is new job title in which incumbent acts as a business partner or consultant and assists management in decision making about human capital (Sandstrom, 2002). This is the exact definition we found from the interview about HRBP from Mr. W: An HR business partner in my view is sort of a strategic HR partner who always has a business understanding and focus when change in the business from and may be through an HR perspective. To me, it’s a matter of business need driving the HR agenda. HR function creates an HR year cycle, and gets the business unit, and follows that HR year cycle. In my view, the HR business partner is always part of a management group for the business in which the HR Business partner is a member.

we for this work take any other forms or organizational structure as traditional HR or functional HR as we can find and differentiate between so many other forms of structures in literatures and probably in real life. Mr. Z, who is the HR manager for a large Swedish multinational company in Sweden and whose company recently changed its organizational form from HRSSC to traditional HR because of HRSSC’s failure for his company says: all the business areas were managing a lot of issues on their own. One of them was HR so they had their own HR processes and everything. The top management of our company was basically at in each area to deliver certain financial resolve and didn't coordinate administrative issue or HR issue. The units around were very much like company within the company.

In summary, we do not see a significant difference in the perception of academics or literatures and practitioners when defining these various forms of organizational structures. We see both, HRSSC and HRBP acts as a consultant for business organizations with the goal of bringing efficiency in organizational works.

4.4 Types and Tasks: Different Traits Means Different Forms in the Variation Cycle

Variation in evolutionary terminology refers to successive change in the traits of forms. These changes eventually create new forms and replace the old ones. As we took HRSSC, HRBP and traditional HR as different
forms of the same population, we now need to check for different traits or characteristics (which in other words means what these forms do for organization) that create these different forms if we are to understand the variation cycle.

Literatures on HRSSC suggest that HRSSC is a relatively new structure which leads to the centralization of activities to avoid duplication at the same time remain responsive to local business needs (Jassen & Joha, 2006). There are different roles of HR staff within a HRSSC, at the first tier there are call agent who provide basic problem solving; at second tier there are HR advisor who and at the final tier, there are HR experts involved in policy design capability (Reilly & Williams, 2003). HR Shared services include the provision of compensation, benefits, payroll, organization development and performance management through deploying integrated human resource information system technology and self-service functionality to deliver the highest value at a reduced cost for multiple line managers and employees (see literature review for a complete overview). A similar answer we got from interviewing Mr. X: For an example, we have help desk; in if you are as a head of clinic as a problem came, how you should write contract with a member orstaff member, then you could call human resource shared service and ask for some hint instead of that should look to everything on the computer and search for the right answer. He or she could just pick up the phone and get efficient human resource member to help him or guide him.

This is to say that standardization of HR activities in order to get guidance where HRSSC staff acts as a HR advisor. According to Mr. X the basic idea of HRSSC is to take away all the administrative tasks from line organization and put those tasks in HRSSC in order for achieve standardization. Why we choose quality focused shared service center is may be because we truly believe that if we do this shared service center, we could develop the quality of those who are heads and chiefs so the chiefs and the heads could focus on development than that of making administration. On the other hand, Mr. Y voiced similar opinion about the task HRSSC performs for him except for the strategic role HRSSC plays for his company: we work with but we suppose a company in Sweden with these roles and HR administration, recruitment and employer branding and mobility, laws and agreements, compensations and benefits, life-span, pension and insurance. We have this center of expertise. So it is not just only transactional. I think we have also strategi.

Both the respondent identified with two basic types of HRSSC: cost and quality focused which makes all the difference about how the tasks are performed. We choose quality focused shared service center (Mr. X) while Mr. Y said: I think for us it was a cost and the quality came as a second. Cost is the first priority; this is because of the industry or the environment these two companies are operating in. Mr. X said as competition is not relevant for them (a public organization) it is so much customer satisfaction than other forces that drive their motives in running HRSSC: yes we don’t have that factor (competition) but we always have this factor to be better to develop ourselves and develop this organization but not to be better than anyone else. To be better because our customers are all taxpayers in the province demanded from this organization to be better. That ‘s the trigger for us.

While Mr. Y says it’s the cost factor that drives the organization of the work in HRSSC more than anything else because of intense competition in the business environment and we see difference in the way HRSSC works depending on its focus.

HRBP or HR Business Partner is more of a role than an organizational structure which can also be an alternative to HRSSC. Literatures suggest us that the role HR business partner takes is that they help HR professionals to integrate more into the business process and to align their day to day activities into business outcome which means they should concentrate more on deliverables (Ulrich & Brockbank, 2009). We can see HRBP doing similar job as HRSSC such as find out the most effective ways to attract people with right skills and hiring them before competitors do (Ulrich & Brockbank, 2009) which suggest us to conclude one of the task of HRBP is to provide help with administrative tasks. We find this evident when asked about task performed for the company to Mr. W: To me it’s a matter of aligning HR with business needs, without the business partner, without having a business focus HR can never adjust actions and support because we are a support function and of course one of our goals is to have a right competence ….. having the right competence in the right place.

In light of the discussions above, we can conclude that both HRBP and HRSSC provides the business organizations with administrative support and the way they do (significant traits or characteristics) depends what the organizations focuses on (cost or quality focus). Although we see a number of commonality between these forms it’s the difference in traits that makes them different forms in the same population which indicates a variation cycle in motion where different forms takes on different traits with a common ancestor in this case it would be a traditional functional HR department which was previously doing these exact works for the organizations.
4.5 Part of Evolutionary Process: What Do We Conclude?

"Over time, as environments change, the variation in traits can make organisms more or less fit such that the former are more likely to survive."

Source: O'Reilly, Tushman, & Harrell, 2009 (page: 77)

We can see variation in the evolutionary cycle as a responding mechanism which increases or decreases the likelihood of survival for any organisms or in our case forms. This implies one other important features of evolution: certain type of change in the environment is likely to produce certain types of variation in traits in order to ensure survival of forms. So we tried to find out what changes in the environment are producing what variations in traits for the forms we are concerned about.

According to literatures, new technology development, influence of organizational structure and corporate strategy, cost reduction and being more customer focus are some common reasons among many for HRSSC. According to Income Data Services (IDS), 2000, technology is a prerequisite for cost reduction an time savings and which also helps to improve quality and productivity at the same time. Scholars like Horan & Vernon, (2003) claims that HRSSC can save up to 15% to 40% of the labor cost while others suggest that concentrating particularly on a cost proposition has its limitations. Leland, (2000) also suggest to have a customer focus instead.

All of the debates in the literatures seem have been around the factor of cost, quality and efficiency when suggesting about what should HRSSC’s do for organizations. While validating these views, we found that the importance of reasons and the most influential choice factors varies from organizations to organizations while the overall reasons remain the same for all companies (cost, quality and efficiency) and this can be seen as the direct outcome of the environment the, the corporate strategy which is again influenced by the external environment which influence choice between for example a quality or cost focused HRSSC. In the words of Mr. X: I think it’s most Efficient. If you say efficient, you can also say with quality because every head of some division doesn’t do recruitment everyday but its HR shared service are expert on that. This is not the only reason that influences the decision to go for a HRSSC, companies create HRSSC so that their HR can be engaged into more strategically oriented works. Mr. X on this: we were thinking number one that we would get more efficient organization. Number two was that we were thinking that if we created this shared service center they could create a facilitator so they could work together more efficient more creative than in the organization. So it was both efficient and for themselves they could development their own creativity and competence.

Then we get a slightly different view from another respondent who is working for a private sector company where he says it’s cost that comes first in their list. In the words of Mr. Y: A lot of focus on cost and to become a leaner and quicker, and the standardized, the processes inside of the company so we have the united forms. This implies the influence of competition is strong on the decision making process. Same view is reflected by another respondent who is also working in private sector, Mr. Z said: I think there are two big drivers; one is money of course, profit that you want to be more effective and thereby save money. The other one is to raise the quality of the delivery. So we see the priority, type of job and the focus gets changed depending on the environmental factors though motivations may remain the same for all (reduce cost, increase quality or achieve efficiency). This view is enhanced by other research; for example according to a research conducted by Hewitt Associate & sharedXpertise (2007), the motivation among multinational companies in EMEA region is changing from cost to customer focus although a major percentage of the motivation (i.e. cost) is still in place.

Literatures suggest that one of the reasons for why corporations go for HRBP is the need for growth which in turn contributes to their goal of competitive advantage. Ulrich & Brockbank (2009) suggest that the role HRBP should take is to integrate themselves into business processes and align their day-to-day activities with business outcomes.

This view is validated in our data where respondent Mr. W said: “To me it’s a matter of aligning HR with business needs, without the business partner, without having a business focus HR can never adjust actions and support because we are a support function. For us being HR business partner, we can help providing guidance and support. And of course one of our goals is to having the right competence in the right place.”. Again we see the paradox of influence between cost vs. quality. In the words of Mr. W: If you focus on the HR strategies to have its place which in turn are based on the business plan and the company’s overall goal then yes that’s the purpose absolutely...not so much to do with cost. This is because according to Mr. W: I don’t think that is a matter of cost because there is always getting a return on investment on HR actions is very difficult.

So we see a bit of a fix here which suggests us that calculating return on investment when it comes to HR is very difficult therefore having HRBP should not be based on cost. It is worth mentioning that HRBP, at least according to our data is still concentrated on providing support for administrative activities.

A number of factors which are beyond control compels organizations to go for these different forms which would provide them with the means to survive in the environment they are operating in. Literature tells us intense
competition, the growth of globalization and the need to search for a sustainable competitive advantage are some of the factors. For example Reilly (2000) suggests that one reason for setting up HRSSC is to achieve a greater structural flexibility in order to respond to change in the business. We also found these reasons to be valid although for different organizations, the drivers where different depending on the environment. For instance, Mr. X’s company, which is a public company does not have this competition as much as other private companies but still is always searching for better ways to improve because of the customer satisfaction factor or because their customer demands them to improve their service. In the words of Mr. X: we always have this factor to be better to develop ourselves and develop this organization but not to be better than anyone else. To be better because our customer are all taxpayers in the province demanded for this organization to be better. That’s the trigger for us.

On the other hand, competition is the main factor for the company as identified by Mr. Y who works for a private company: I think the competition is the main factor for going for this because you are always trying to lower your cost all times. We are looking for low salary environment which we can put some transactional jobs. A similar view is reflected in the opinion of Mr. Z who said they were influenced by other companies who went for HRSSC before them: Yes, of course. You look at how other companies make things. And if there are a lot of companies doing this, then of course you look at it. But I think it’s not that we did it because other companies have done it. We considered it. Other source on the issue seems to validate these ideas, for example decision for setting up HRSSC for P&G was an outcome from pressures from increasingly competitive markets (Sako & Gospel, 2010).

We see a very similar view with respect to other organizational forms in the literatures. For instance, the new role of HR and the need for an HRBP is thought to be encouraged first by the famous HR academic Dave Ulrich, when he proposed in a book that HR is facing eight main challenges and in response to these challenges, companies should go for HRBP (Ulrich, 1997). When we look this up, we found: I would not say it’s a matter of competition. it’s more a matter of facing the new generations coming through to be able to facilitate the mindset that co-workers have and the expectations they have when they come in (Mr. W). We can see Mr. W talking about the mind shift which in other words means change in the attitude of the organizations’ top management and change in the expectations of the co-worker which plays the role which we can see again influenced by the change in the business environment (i.e. intensification of competition) in deciding for HRBP.

We see a lot of enthusiasm about these forms where most of the literatures are talking about all the positive sides that these forms can bring. But these forms can fail as well although failure is rarely mentioned and studied in literature. For example, Steven Kerr from General Electric (Quinn et al., 2000): ‘‘Shared services, like outsourcing, is not a panacea for all functions. Sometimes it works and sometimes it is not the right strategy—especially if it has been forced upon reluctant business units. It is not a hammer!’’. Although rarely reported (Aksin & Masini, 2008) shared service can fail which made it interesting for us to investigate about failure of HRSSC. So when we asked Mr. Z about why they changed back to the previous after implementing HRSSC, he said: I don’t agree it was a poor execution and lack of knowledge. It was more about in a part it was not a right way to organize this issue for this company. My personal point of view, I did not see the cost saving that we looked for. I think in some parts we didn’t get the high quality and may be also that we needed to put some parts back to be more efficient more locally. Mr. Z also suggested that the issues that were put in the HRSSC were not in line with the overall corporate strategy that was the main reason for failure of HRSSC for them. In other words not all corporate strategy supports the idea of HRSSC.

Based on the discussions above, it is now evident that HRSSC, HRBP and traditional HR are all different forms with different traits in the same population and the changes or variation corresponds to an evolutionary process for these phenomena. These variations or changes in the traits are caused by changes in the environment which in turn help these forms to ensure survival. Organizations choose HRSSC and HRBP because they want to reduce cost, increase quality or achieve efficiency. Existence of these factors is also because of changes in the environment such as competition and changing customer preference. Not all changes in the environment carry same significance which produces enough influence to cause variations in the forms (e.g. a cost or quality focused HRSSC). For example as for Mr. X’s company which is a public company competition does not play a vital role than changing customer preference and so is their need for variation; which explains why they have a quality focused HRSSC rather than a cost focused one. On the other hand, failure to produce enough variation causes organisms or forms to die or extinct (O’Reilly, Tushman, & Harrell, 2009) which we can see the case of Mr. Z’s company where they had to shut down HRSSC because it did not match their overall corporate strategy which in turn failed to produce expected services.

In conclusion, we can see a clear trend which suggests us an evolutionary process to be in motion and it seems the overall process corresponds to the cycle of variation as we see organizations still have all or at least few of
the forms in place (for example Mr. X’s organization uses both functional and HRSSC and Mr. Y’s organization have HRBP and HRSSC in place) which indicates a variation process still in progress which should eventually move on to a selection cycle where only fit forms will survive.

4.6 The Quest for a Standard Key Success Factors
keeping the best practice model in our mind, we asked practitioner managers how much influence the external environment asserts on organizations and if the difference in environmental influence can be overcome by some mechanisms:

*I think it depends on what business it is, how good the heads are the human resource questions issues, how they have been implemented before, the journey how educated are those heads .... And those human resource professions, how good are they to be service as a business partner before you start the journey*

- Mr. X

This implies that one cannot ignore the differences in external as well as internal environment as we can see the comment of Mr. X who said that success depends on the type of business and the level of knowledge employee posses about human resource issues. Another responded Mr. Y echoed a somewhat similar statement: *it depends on what kinds of infrastructures you have, system wide and policy wide. The controllable factor is the systems, policies, processes, solutions. The uncontrollable factor is labor market.*

So we see it is not possible to completely overcome the difference in external and internal environment when go for setting up HRSSC. In addition to this, other forms of HR organization such as HRBP we get a similar picture where respondents say that the choice of focus (cost or quality focus) or the decision to go for these structures at all does depends on factors such as size, environments etc. In the words of Mr. W: *I think the HR business focus in my view always has to be the same but using HR business partner as title. Then the smaller organizations it’s not something that I can see happening than they are HR managers and for midsize and large companies. Then you have HR managers and then you can have HR business partners. We can see that while pondering for these novel forms of organizations, the impact of external and internal environments such as competition, size of the operation and corporate strategy etc. has to be considered carefully. When asked about key success factors to the interviewees, we found:

*Of course it depends on what type of services you get on this shared service center because if you have shared service center, you have to identify what kind of services, what type of level and what type of degrees you are giving, and what type of organization you have and those who are heads of clinics, what type of human resource knowledge do they have, what can they do and what could be help them with*

- Mr. X

So it’s a matter of what is the goal of organizations rather than having a common KSF that works with all. We get a similar picture for another respondent Mr. Y who says: *When we are looking at setting up this center, you have to have system functioning and document handling system and the mutuality is very different between different countries.*

This is equal to say that because of different environment, the issues to be put in HRSSC are also different and success depends on how well organizations can find tune these issues with the overall corporate strategy, as Mr. X says: *I think the success is how good and how acceptable it is for those who are using the service like heads. We have been working a lot with those heads and educate them in human resource so they are good prepared themselves to answer and do human resources work. They are using this shared service center just in case if they are not familiar with that issue or type of human resource question. That I think is success.*

Moreover, we also get crucial insight from Mr. Z who thinks: *I think some of our shared service may be they were not implemented in the correct way in the local business unit, in the local HR. It needs to have some size of the companies to get the benefits and then certain areas where you want to make. So we need to have some size and of course the ways many companies try to work. So we see a need to have a correct way which is very dependent on these internal and external factors.*

Other forms such as HRBP call for a similar awareness for organizations when come to the question of KSF, Mr. W who is also working for company B says: *In my view, there is one characteristic which is absolutely most important and that’s the ability to build a relationship, a trustful relationship in terms of having a drive, having the energy to run through the questions at hand and being able to follow up on what has been done. How you create the trustful relationship with a person is different from culture to culture. You will have to describe the subsets of those characteristics in each culture. You are in but that subset is very difficult to define because how you are perceived as a trustful person in other view. It has a lot to do with your level of self awareness. In my view, it’s not that easy to define.*

This clearly shows us that although we can use some generic term such as “trustful relationship” or “Networking” the meaning is still very different from culture to culture or business environment to environment.
Except for one fact, that as HRBP is more like a role in a smaller company the line managers can take up this role and act as a HRBP rather than having a separate HRBP as a title.

*Using HR business partner as title, then the smaller organizations it’s not something that I can see happening than they are HR managers and for mid-size and large companies, then you have HR managers and then you can have HR business partners*

- Mr. W

We see evidence not favoring the notion of KSF for these structures in other research as well although some academics claimed that “best practice” (Leland, 2000) is possible and we find this to be true when we look for data from other sources; takes for example the case of Aksin & Masini (2008) where outcome of the research conducted in Europe rejects the idea of presence of a “Best Practice” and advocates in favor of taking a “configurational approach” for organizations and suggests that the effectiveness of shared services projects depends on the need arising from the environment the company is operating in.

### 5.0 Implication for Managers

- Look and decide which factors (e.g. competition level, consumer demand) are most relevant and make provision for them in corporate strategy.
- These provisions should reflect in the choice of new HR organizational structure (e.g. go for cost oriented HRSSC if competition is too high).
- Make sure HR employees have adequate knowledge of HR and accept these new structures.
- Put emphasis on change management.
- Make sure top management clearly understands what to expect from HRBP.
- Define roles clearly to avoid de-motivated people who do not understand what they are doing.

### 6.0 Conclusion & Limitation

In this research work, we tried to provide with a holistic picture of what type of change is taking place in terms of HR now a days and how should we go about understanding these changes and most importantly how to cope with these changes. Firstly, we presented how taking an “evolutionary” perspective might help in understanding the phenomena and how it can affect corporate strategy. Then we dive deeper into the phenomena by drawing on primary data about what factors are most important for organizations and what are the potential pitfalls of these different structures. Overall, with the help of previous research done about this matter and the data we found from our own research, we came up with some recommendations and barriers to watch out for organizations which are facing these challenges. The most important aspect of this works is its attempt to understand the phenomena as a whole through applying evolutionary perspective which would provide academics and practitioners with a direction to think when facing the complex changing perspectives.

The first and foremost limitation of this work would be its inability to incorporate more perspectives by adding more data. This was partly due to time and expenditure constraints which constrained us from taking more interviews with existing and perhaps new interviewees which would increase the validity and might provide with a deeper understanding. Secondly, as all the interviews were taken in Sweden there might be a question of transferability of the outcome of this work to other regions like United States or other parts of Europe. Last but not least, studying these changes over a long period (which is often the case for evolutionary thinking) with a historical perspective would be a more appropriate choice in order for understanding these phenomena more clearly and deeply which could not be done due to unavailability of time which is also a limitation of this work.

A future direction of this research would be a look into “Guided Evolution” and perhaps develop and apply framework like Lovas & Ghoshal (2000) in order to come up with detailed recommendations about what strategies would be most useful for these phenomena’s. Finally, incorporating other structures and factors such as outsourcing to third parties into the research context would be good idea which would provide with a wider and better picture.
Appendix

Interview Questions 01: HR Business Partner

Theme: Background of the interviewee
Q: What is your position in the organization hierarchy and tell us a little bit about your professional experience, specially the experience with HR business partner.

Theme: Definitions (Ontology & Epistemology of HR Business partner)
Q1: What is HR Business partner in your opinion? [Explanation: The answer should at least define the role of HR-Business partner]
Q2: What is the job of a HR Business Partner? [Explanation: the answer of this question should provide short job-description of HR-Business partner]

Theme: Evolution Vs Dialectic Development
Q1: What are the main reasons for HR business partner? Can you rank the reasons for why your company went for HR-Business partner, if possible? [Explanation: The first part of the answer should discuss about why company choose HR-Business partner and not other forms of HR like Shared Service Center. In the second part the answer should talk about cost-benefit trade-off i.e. which is more important- cost or quality or efficiency]
Q2: How HR business partner can help accomplish business objectives? [Explanation: The answer should explain the relationship between HR business partner and corporate strategy; for instance, the corporate strategy is to enhance competitiveness through efficiency and using HR business partner makes sure of that (Here a short description of how HR-business partner does that, is requested)]
Q3: How HR business partner translate business strategies into HR practices? [Explanation: It’s a similar question like Q2. Only the answer should concern how HR-business partner affect business level strategy (e.g. business level strategy is to have a flat organization)]
Q4: How does using HR-Business partner affect employee satisfaction? [Explanation: Here the answer should discuss about core employees perception of HR-Business partner, what happens to the quality of service the employees get when organization switch to HR-business partner, what happens to trust between employee and HR-Business Partner]
Q5: “Using HR-Business Partner enabled our company to free up resources and focus other strategically important task” – what do you think about this statement, can you elaborate? [A self explanatory Question asking for subjective comment on the matter]
Q6:” Using HR-Business partner is the only option for escaping today’s fierce competition”- What do you think. Can you elaborate? [A self explanatory Question asking for subjective comment on the matter]

Theme: Best Practice vs. Best-Fit
Q1: Is there any particular set of characteristics that makes an individual attractive or suitable for the position of HR-Business partner? [Explanation: the answer should discuss what do one look for in an individual when considering him/her for the position of HR-Business partner]
Q2: Do you think there is a linkage between performance and behavioral traits? Please elaborate. [Explanation: The answer should explain if certain behavioral traits (e.g. extrovert personality) lead to effective and efficient performance for the role of HR-Business partner]
Q3: Is there any particular set of criteria that are important for the success of HR-Business partner regardless of the size and the geographic location the company is operating in? [Explanation: Answer to this question should concern if it is possible to come up with a set of criterion that are pre-requisite for the business organization regardless of the company’s size (e.g. Local, International or Global)]
Q4: Is there any relationship between the size of the company and the need for HR Business partner position? Please elaborate. [Explanation: The answer should concern issues like if using HR Business partner depends on the size of the company (e.g. “Only global company would benefit from using HR-Business Partner”)]
Q5: Describe the importance of forming and maintaining formal and informal network relationship between
senior management, Line managers and Employees as a HR Business Partner role.

[Self explanatory]

Q6: What do you think about HR Business partner’s role as Trusted Adviser, Change Agent and Boundary Spanner? (Employee job role boundary)

[Explanation: Answer should concern issues Trusted adviser: relationship with senior management, Change agent: role of innovating and implement change in the organization, Boundary Spanner: Relationship with middle and first line employees]

**Theme: Barriers and Recommendation**

Q1: What are the major barriers in the job of an HR Business partner?

[Self Explanatory]

Q2: what do you recommend in order to overcome these barriers?

[Self Explanatory]

Q3: Give us an overall concluding remark about HR-Business Partner

[Self Explanatory]

**Thank You for Your Time. We Greatly Appreciate Your Help**

**Interview Questions 02: HR Shared Service Center (HRSSC)**

**Theme: Background of the interviewee**

Q: What is your position in the organization hierarchy and tell us a little bit about your professional experience, specially the experience about HR-Shared Service Center (SSC).

**Theme: Definitions (Ontology & Epistemology of HR-SSC)**

Q1: What is HR-Shared Service Center?

[Explanation: The answer should at least define what HR-SSC is]

Q2: How many types of Shared Service Center (SSC) can you identify? Can you explain the types?

[Explanation: The answer should explain how many types of HR-SSC’s are there and what their focus (e.g. a cost-centered HR-SSC intends to cut cost whereas quality-centered HR-SSC aims at improve the service quality)]

Q3: Can you explain the tasks Shared Service Center (SSC) performs for your organization? Why did you choose this type? Can you explain?

[Explanation: The question asks for a short description of what HR-SSC does for your organization. The second part requested for the justification of your choice of HR-SSC type (e.g. why did you choose a cost-centered SSC and not a quality-focused SSC)]

**Theme: Evolution vs. Dialectic Development**

Q1: Why HR-Shared Service Center? Can you rank the reason for why your company went for HR-Shared Service Center (SSC)?

[Explanation: First part of the answer should talk about why you think companies now days go for HR-SSC. The second part requests you to talk about what particular reasons led your company to went for HR-SSC and provide a list of important factors which influence the choice of HR-SSC, if possible]

Q2: What corporate level strategy influenced switching to HR-Shared Service Center (SSC) from traditional HR functional approach?

[Explanation: The answer should explain why the company chose HR-SSC over traditional functional HR. At least the relationship between corporate level strategy and the choice of HR-SSC is expected (e.g. The corporate level strategy is to build competitive advantage through efficiency, hence switching to HR-SSC)]

Q3: What impact does HR-Shared Service Center have on employee trust? What about employee satisfaction? Can you elaborate?

[Explanation: Here an analytical comment on the impact of HR-SSC’s activities on employee job satisfaction and their trust to the organization is requested]

Q4: “Extreme competition is a dominant factor for companies to switch to HR-Shared Service Center”- do you agree with this statement? Can you elaborate based on your position?

[Explanation: Self explanatory question asking for the subjective comment on the issue]

Q5: “HR- Shared Service Center is just another tool to build competitive advantage”—do you agree? Can you explain your position more?
**Theme: Best Practice vs. Best Fit**

Q1: Does the choice of HR-Shared Service Center depend on the factors like, geographic location, size of the organization, organization strategy, competition structure and technological advancement? If yes then what are the most influencing factors do you think?

Q2: Can you identify a set of criteria that are pre-requisite for the success of HR-Shared Service Center, which are not depended on the factors stated in Q1? Can you elaborate?

Q3: “Business needs are different in different places, so the need and choice of HR-Shared Service Center is also different” - What do you think? Can you elaborate?

**Theme: Barriers & Recommendation**

Q1: What are the major barriers in the job of a HR-Shared Service Center?

Q2: What do you recommend to overcome these barriers?

Q3: Give us an overall concluding remark about HR-Shared Service Center (SSC).

**Interview Questions 03: HR Shared Service Center (HRSSC): Taking an otherwise view**

**Theme: Background of the Interviewee**

Q: What is your position in the organization hierarchy; tell us a little bit about your professional experience.

**Theme: Factors Influenced creation of Shared Service Center**

Q1: Can you tell us about your organizations corporate strategy before you decided to create shared service center?

Q2: How things were done in HR-department before you decided to move on to HR-Shared Service Center (SSC)?

Q3: Can you recall the reasons for HR-Shared Service Center? Can you rank them according to importance?
Q4: “Everyone now switched to HR-SSC, so why not us!”—what do you think? Can it be a reason for you to go for Shared Service Center?

[A self explanatory question]

**Theme: What Went Wrong?**

Q1: What changed in the day to day administrative task (e.g. compensation design) after switching to HR-Shared Service Center (SSC)?

[Explanation: here comments on the day to day activities compared to the previous structure is requested]

Q2: Can you identify any change in the employee, top management and middle management’s perception after switching to Shared Service Center? Please elaborate.

[Explanation: here subjective comment what these three parties thought when the organization switched to SSC. Special focus on what happened to trust between employee and management and employees perception about this new form of organization structure (e.g. employees felt efficiency and quality of HR task has improved)]

Q3: Cost, Quality of HR-Service or Efficiency of HR-Service, which one of these variables showed improvement after the switch, if any?

[Self explanatory]

Q4: What went wrong? Why did you decided to change back?

[Explanation: Here a special focus on thought of corporate top management and middle management along with what responded thinks went wrong is requested]

Q5: “Poor execution and lack of knowledge made the Shared Service Center a failure”— what do you think about this statement. Elaborate your stand even if you do not agree.

[Self explanatory: responded is encouraged to think even if the question seems repetitive.]

Q6: “Our corporate culture and industry is as such where HR-SSC does not provide with enough incentives” – what do you think? Can you elaborate?

[Explanation: The responded is requested to think about the relationship between corporate culture, the type of industry and the effectiveness of HR-SSC; a particular focus on if the responded thinks HR-SSC works only for certain industry and corporate culture is requested]

**Theme: Conclusion**

Q1: What is your recommendation for companies considering HR-Shared Service Center?

Q2: Do you think HR-Shared Service Center is just another fad in the industry and is not going to stay? Elaborate please.

Q3: Do you think HR-SSC works best for organization with certain size (e.g. local, global, multinational etc)? Elaborate please.

Q4: Give us an overall concluding remark about HR-Shared Service Center and its effectiveness for today’s business organization.

**Description of the interview companies and question themes**

This section provides background of the companies and an explanation of interview questionnaire themes.

**The Interview Source: Company A**

Company A is a country Council which has the responsibility for most of the healthcare needs of the residents in one of Swedish Counties. The service providers are responsible for ensuring that residents are offered the levels of care service that have been established. This company consists of approximately 11,000 staffs and provides service at 43 health centers.

**The Interview Source: Company B**

Company B is an international home products company which designs and offers a wide range of ready-to-assemble furniture such as beds and desks, appliances and home accessories at affordable prices. It has grown to become recognized as a worldwide retail brand with more than 120,000 co-workers around the world. Today, it becomes one of the most famous retailers of furnishings and accessories for the home.

**The Interview Source: Company C**

Company C is a Swedish company which serves the global market with world-leading products, services and solutions. Its operations are divided into five business areas. This company has more than 12,500 employees worldwide and is operated in more than 50 countries.
Interviewee’s Background
Mr. X is the HR director of Company A. He has been working for company A since 2006 and has got education in economics. Before joining company A, Mr. X worked in the country labor market of Sweden.
Mr. Y is the manager of Human Resource Shared Service Center (HRSSC) at company B. Before this, he worked for a middle sized company as a HR director. His shared service center serves different business units in Sweden.
Mr. Z is HR manager in his business area at company C. Before this he worked as HR manager and HR director in the same company. His current job is kind of a broad HR role responsible for the organization he works with.
Mr. W is the HR Business Partner (HRBP) in company B. before joining company B, he was as a HR manager in a small e-commerce company and before that he was working for a recruitment firm for HR. He has got educational background in HR and Management and IT-Management.

Empirical Theme: Definitions (Ontology & Epistemology)
This theme is concerned with definitions of HRBP and HRSSC, we included this theme to look for what they mean to practicing managers and how the defers if any, from academic literatures, this theme primarily deals with what and how questions.

Empirical Theme: Evolution vs. Dialectic Development
In this theme, we put on the “evolutionary” lens to understand the development of HR business partner and HRSSC. In the evolutionary sense, we presumed the development of HRBP and HRSSC to be a part of evolution process in which there is multiple forms which are changing to new forms through natural selection and retention in the organizational ecological system in a probabilistic manner. In addition to this, we were also interested to check if this development falls in the “Dialectic” development where stability and changes are explained by a balance of power between entities. The main driver for “Dialectic” development is “conflict of interest” whereas its “organizational adaptation” for evolutionary development. So, the main objective of this theme is to understand the development process of HRBP and HRSSC.

Empirical Theme: Best Fit Vs. Best Practice
We are interested to see if it is possible for business to develop a set criteria or key success factors (KSF) which would be applicable across cultures and business environments in this theme. The idea comes from the academic debate about best fit vs. best practice where best fit takes an configurationally approach and implies there is no “magic bullet” that works across different business environments and best practice takes an opposite view an implies that organizations can develop a set of “business practices” which works across business environments.

Empirical Theme: Barriers & Recommendation
This theme is what the name suggests, about barriers and recommendations. In this, we try to look for factors to be aware of when setting up as well as executing HRBP and HRSSC. This theme also provides a sort of comparison between traditional and new approaches, and makes recommendation about which situation is best suited for them and which situation calls for functional approach. The theme ends with recommendations on how to overcome these barriers.

Bibliography


