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SHARED SERVICES
- analysis of an innovative form of organizing -

Ph.D. Theses

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1. Introduction

1.1 Title and focus of research
The title of Ph.D. research is: “shared services – analysis of an innovative organizing form”. The research is focusing on the domestic market tendencies, the structures, operational strategies and service practices of market players related in an innovative organizational solution, the shared service model.

1.2 Purpose of research
The purpose of the research is to fill the scientific gap in placing the shared service model strategically and structurally among the innovative organizing theories. Other purposes are shaping current picture about the key international trends on the shared service market, to identify the domestic market actors and analyze their business practice. It was aimed to carry out a market analysis that is suitable for the detection of market movements and help for the decision makers to understand them. It could help to improve the whole market sector. The research is focused on such parts of the domestic shared service market, which previously were not or only partially analyzed.

1.3 Scope of research
The term of shared service could be interpreted in three ways:
- as an economic branch;
- as an operational framework;
- as an organization required special management and organizational tasks.

Among these interpretations, the Ph.D. thesis mainly focuses on the first two. Development, size, economic significance of the industry and the operational and developmental framework of the model are explained in detail, however the third interpretation got less emphasis compared to the first twos.

Introduction of the international practice made by using the latest available international literature and indicated the sources. However, it cannot be ruled out that at the appearance of Ph.D. thesis, there are newer data available. The introduction of domestic practice was primarily conducted using primary sources. The interview study shows the market situation at the end of 2012 and in the first half of 2013. The questionnaire survey illustrates the status of the 2013.

The model occasionally appears in the public and nonprofit sectors in Hungary as well, but in contrast to the Anglo-Saxon world, it is applied primarily in the private sector organizations. Since the theoretical research affects both, but the empirical research focuses more on the latter. Most of the companies were a Hungarian subsidiary of global companies, but the research included companies founded in Hungary and Hungarian state-owned companies as well.

The empirical research was limited to such service centers, which provide services for the parent company in any case but for external organizations only optionally. The questionnaire research focused on those service centers that carry out back-office works.
The research excluded those service centers that are dealing with logistics and purely research and development centers and centers of excellence were similarly excluded. The reason was that the operational logic of them differs greatly from shared service centers.

1.4 Expectations, questions, theoretical and practical benefits of research

The result of this market research is to get answers about these areas:

- what are the reasons of the dynamic development on the Hungarian shared service market in the first half of the 2000’s;
- is there any slowdown in the growth of new service centers;
- if there is any slowdown what is the role of economic downturn in it;
- what kind of structural problems has the Hungarian sector;
- what kind of medium and long-term vision has the sector in Hungary and in Central-Eastern European countries;
- what are the most important international trends and how could they be observed in Hungary.

About the Hungarian service centers, the main questions are:

- where these centers are located in the company hierarchy;
- what kind of decisional competency they have;
- how market-based the relationship with the recipient departments;
- what kind of control, performance measurement and quality assurance systems they have.

The expected theoretical result of this research to make the first, scientific analysis of the shared service sector that is a key area of the Hungarian business sector. The research examines not only the market characteristics, but provides valuable data about the business strategy and structure of service centers. The practical benefit of the research is the fact that understanding of the motivations, strategies, vision of the market and market players, reader could get a true picture about a sector employing tens of thousands in Hungary and hundreds of thousands Central and Eastern Europe. These employees have foreign language knowledge, are graduated. The research results could be used equally well for the current or future market players, such as for professional advocacy organizations, consulting firms in the market or for the governmental, decision-making bodies. The results help to understand the development of the sector, to explore the causes of the current situation and the future development potentials.
2. Method of Research

Since there was no suitable secondary database to answer research questions, therefore primary data collection was necessary. As to the results and to answer the research questions, there were no suitable secondary data, primary data collection was therefore necessary. The primary data was performed by two types of empirical investigation. Both were based on questioning data collection techniques, in terms of the time dimension they were cross-sectional study direct qualitative techniques.

The first part of the primary research study an interview series that aimed to explore the characteristics of domestic service market operating within the business service market and to identify the market problems. The results obtained here were able to set up new hypotheses, which were validated in the second part of the research. At the beginning, there were eight interviewees in the relationship, but in order to attract new interviewees using the snowball method. Finally, twelve semi-structured interviews were conducted that were primarily personal and in some cases telephone queries.

Independently of the above interview series a separate interview was made. This helped the deeper understanding of how a rural site selection means a real alternative against to a capital investment when implementing a new SSC. It helps to explore how helpful the government incentives are in rural locations and what kind of problems have to face investors or investment promotion bodies in these locations.

The second part of the primary study was a questionnaire-based investigation aimed to map the business practices of domestic market players and collect their performance. Although a questionnaire research method rather means a quantitative tool, but because of the size of the target group and the large amount of research questions it was an appropriate issue to conduct a questionnaire research.

The questionnaire was online, standardized, self-administered and available optional in English or Hungarian. The expected response rate was as large as possible, but at least a 50%. According to the database formerly compiled all shared service centers in Hungary were targeted. 80 service centers of 73 companies were involved in research and 50 centers of 47 companies completed the questionnaire, so the response rate was 62.5%. At determination of research population, all shared service centers were involved, which were in the literature or a database of professional organizations included it as an SSC and fulfilled the following criteria:

- during the research it had a site in Hungary;
- independently of other corporate activities it had a separate service center;
- and the services of this center were shared at least for the other departments of the parent company.
3. Theses and results of research

The relations of theses and hypotheses are shown below.

Fig 1.: Relationship between hypotheses and theses
Source: own editing

3.1 Theoretical theses about the model

Summarizing the literature review there are two theoretical theses were formulated.

**T01.** The shared service model is one of the various global sourcing models aimed to renew the strategy, structure and processes of an organization. The use of a sourcing model does not mean a final decision of the organization, but in accordance with prevailing environmental conditions and organizational goals it can be related (e.g. hybrid models) or replaced.

The second thesis was formulated in relation to the demarcation of a shared service model.

**T02.** The shared service model is not one type of outsourcing solutions, but it is a long-term sustainable alternative. The main distinctive feature of shared service to the outsourcing that the service center used shared service model remains in (some degree) property of the parent organization and it delivers services for the parent organization for any event, but for external market based on maturity and possibility. The shared service model shows centralization efforts, but it is different from centralization since it uses client-centered and market coordination tools.

The following sections of the hypotheses presented earlier assessments and formulated on the basis of these theses are presented. The validity of the hypotheses is shown in Figure 5, where the green is its validity, the abandonment of the red. Both of which are indicated, the hypothesis were partially accepted.
3.2 Theses about global and domestic service market tendencies

**T1.** On the Hungarian business service market, the dynamic growth of the service sector slowed down after 2007 but it has not stopped. The majority of market players has continued to expand and develop. Compared to the year of 2006 and 2007, the number of newcomer service center was less, but on average, roughly the same is arriving in the Hungarian market.

**T2.** On the Hungarian business service market, the vast majority of new international companies (77%) settles down in the capital and most of them (57%) does not use promote investment aid of the state. That means the shared services model has a little contribution to the reduction of regional disparities, since the subsidy policy in Hungary is not a major incentive for rural service centers-location implementation.

**T3.** On the Hungarian shared service market, the global phenomenon is also true that nowadays at choosing a shared service center site the most important consideration is not the low wage cost, the tax environment or investment subsidy rather than the price-value ratio of labor.

3.3 Theses about changing of service portfolio

**T4.** In line with global trends, it can be experienced at the Hungarian-based service providers that the proportion of multi-functional (second generation) centers are more frequent than with the one-function (first-generation) centers.

**T5.** In the service portfolio of Hungarian market players, it is appeared the higher value-added services but at the present the vast majority of companies combined the lower (transactional-based) and higher-value added activities (60%).

**T6.** The majority of Hungarian shared service market players use hub-and-spoke model that requires cooperation in their operation with other service centers located in other geographical sites.
3.4 Theses about market-based relationships in the model

**T7.** The majority of Hungarian shared service market players measure their organizational performance continuously, use key performance indicators and this performance is benchmarked with other organizations (external/internal) as well. However, there is no threat about losing the service delivery if these benchmarks are not met for some reasons.

**T8.** The majority of Hungarian shared service market players does not have decisional competence of service delivery and the choosing service receiving partners. These decisions are always decided at a higher level, mostly in the center of the company.

**T9.** The relationship between the shared service center and the internal customer organizational unit or the external partner organization is market-based. The service delivery is regulated in the service level agreement, the service delivery is clearly monitored, the service price includes profit as well. In case of service centers deliver services for external partners as well, it is frequent that there is another partner relationship between the parent organization and the external customer.
4. Conclusions

4.1 Results of research

The complex research objectives set at the beginning of doctoral research were achieved. Since relating to the questions about the theoretical model:

- succeeded to identify the main theories that affect and explain the operation of shared service model;
- succeeded to explore the distinguishing characteristics of the model, clear the different sourcing and shoring models and organize them into a framework;
- succeeded to determine the operating limits of the concept, with introduction of differences from similar but different models.

Related to the practical questions about the model:

- succeeded to determine the directions about global trends that define the events of near future on the global business service market and within the Hungarian market;
- succeeded to identify those reasons that lead to former market growth and latter slowdown, summarized those hindrances which may adversely affect the future optimistic growth scenarios;
- succeeded to identify the Hungarian market players and analyzed their business practices on the areas of service providing, organizational hierarchy, decision-making, pricing, performance measurement, networking, satisfaction measurement and job retention.

Research questions formulated at the beginning of the research were answered, the validity of hypotheses and the results were examined and at the end of the thesis are summarized.

4.2 Extension of the research and future research direction

Although the research answered the research questions, during the analysis new issues have been raised. These can be grouped into five research directions:

- **geographical extension of the research**: research dealt with the whole Central and Eastern Europe shared services market, since it works very similar in its development, evolution, and many other features (especially if we look at the global market situation), but the focus of this research was on Hungary. The research confirmed that many countries in the region move together with the global, although there are serious (e.g., wage) differences within the region as well. It would be worthwhile to make an international research to map these linkages and differences more accurately. In particular, whether among these countries there are region's specificities in type of services, up to as an added value, and based on it what role they play in the global service networks;

- **horizontal extension of the research and public service organizations in the international non-profit service centers**: about the future it is expected development and growth in the appearance of service centers outside of private sector. The research underpinned that there is huge cost-efficient and service-development potential about the model adaptation in the non-profit sector and it could be interesting to examine how this model prevail in this environment;
- **vertical extension of the research centers of parent companies**: it could be an interesting research direction, the examination of parent companies of service centers;

- **development of the model, vision**: the research also dealt with the question of how see the market experts the model development, its future role but it did not include the opinion of the service organizations. It is worth to analyze where will continue to move the geographically location, which service area will be covered by the model, how will the model integrate the GBS;

- **the development of service processes and service organizations**: the lean theory gains a bigger ground in the operational practices of service organizations, one research direction could be analysis of theory and business practice.
5. Publications of Author

Book Chapters

Hungarian-language peer-reviewed studies essays


Peer-reviewed foreign language study essays


Journals

Refereed international journal


National refereed journal


Non-refereed international journals


Non-refereed national journals

1. Robert Marciniak: Human Resources in the Hungarian Shared Service Centers, Theory Methodology Practice, University of Miskolc, Volume 9., Number 1., pp. 63-70., March 2013. ISSN: 1589-3433

2. Robert Marciniak: Possible Sources for Progress of the Shared Service Market in Hungary, Theory Methodology Practice, University of Miskolc, Volume 8., Number 1., pp. 41-45., June 2012. ISSN: 1589-3413


Conference Proceedings

Foreign conference Proceedings


7. Robert Marciniak: Standardization as a key issue in shared service organization, Global Business Conference 2012 Proceedings - To standardize or not to standardize?, Innovation Institute, Zagreb, September 2012, pp. 189-196., ISSN: 1848-2252


Foreign language Hungarian conference abstracts


Hungarian national conference proceedings


Conference Abstracts

Foreign conference abstracts


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