Shared service center research: A review of the past, present, and future

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ABSTRACT

More than 75% of Fortune 500 companies have established models of shared services with the aim of gaining superior performance by cost savings and service enhancements. Despite scholars' complaints about scant shared service center (SSC) research, this study shows that the actual shortcoming in this stream concerns a high fragmentation of the academic literature (e.g., we found 137 works in the initial search and 83 works in a refined screen). In this first comprehensive literature review, we synthesize peer-reviewed articles and classify them into 4 perspectives according to their research questions (i.e., determinant, process, control, and outcome). We identify 17 major research areas across these perspectives. Additionally, we provide information on methodologies and theories. On the basis of the literature synthesis, we discuss opportunities and gaps and propose an agenda for future research. Specifically, we suggest 3 potential research directions (i.e., direct relationships, mediating, and outcome effects) regarding SSCs during their operational maturity phase.

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1. Introduction

Companies' need to stay competitive has led to a constant search for efficiencies and cost reductions. Forward-thinking organizations attain competitive advantages by making their organizational structures flexible and elastic (Gottfredson, Puryear, & Phillips, 2005). This is achieved by focusing on core activities and the reconfiguration of support activities (Sako, 2010). In other words, companies streamline their value chains by organizing activities either within or outside the group, facing the make-or-buy question (Williamson, 1981).

For many years, firms have been answering this question with a buy decision, using an outsourcing strategy. However, shared services have been on the rise in recent years due to their potential to provide significant economic benefits and create new competencies (Gospel & Sako, 2010). The organizational adoption of this strategy, the shared service center (SSC), is defined as a partly autonomous business unit that operates consolidated support activities, such as accounting and human resources (HR) and provides services to internal clients (Bergeron, 2003; Schulz & Brenner, 2010). Annual

surveys like Deloitte (2015, 2007) have underpinned the growing importance of SSCs by showing that the number of implementations in business practice has more than doubled over the last decade. For example, multinational firms, such as Siemens, Reuters, DHL, and Royal Bank of Scotland have reported success stories of sharing administrative functions and have announced cost savings ranging from 20% to 50% (Jereb, Kuchem, & Sohn, 2009; Kleinfeld, Kronau, & Holtje, 2005; Lacity & Fox, 2008; Reilly & Williams, 2003).

Why do firms in the meantime prefer to make instead of buy? Both strategies, in fact, reduce complexity and thus foster the streamlining of value chains by restructuring administrative functions (Aksin & Masini, 2008; McIvor, 2008). However, SSCs add value not merely through simple cost-cutting like outsourcing, but by turning support activities (i.e., the business unit view) into core activities as well (i.e., the SSC view), which results in the development of new competencies (Sako, 2010).

Although managers and consultants have promoted the aforementioned success stories, there is case-based evidence indicating that goals have not been achieved and that SSC projects have failed (e.g., Schulz, Herz, Rothenberger, & Brenner, 2010). Therefore, scholars have stressed that the introduction and operation of SSCs involve interactions of complex combinations, such as internal reconfiguration, make-or-buy decisions, and the coordination of transactions (e.g., Farndale, Paauwe, & Hoeksema, 2009; Gospel &

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Sako, 2010). Specifically, Helper and Sako (2010) argued that SSCs introduce new phenomena that cannot be explained solely by established theories like the transaction costs theory (TCE; Williamson, 1981) or by the frameworks of the firm's administrative structure (Chandler, 1962). For instance, SSCs combine hybrid practices of market mechanism and hierarchy (Herbert & Seal, 2012) that go beyond organizational models like the multidivisional perspective (Chandler, 1962). Accordingly, research is necessary to uncover and elucidate these new phenomena.

In spite of those novelties, scholars refer to SSCs frequently as a form of internal outsourcing, thereby neglecting other perspectives (Seal & Herbert, 2013). Pertaining to suggestions for future research, this study views SSCs from a strategic perspective that goes beyond the focus on simple make-or-buy decisions. We consider the firm to be a bundle of assets and capabilities (i.e., resources) that are scattered across the organization. Following the resource-based view (RBV) and the dynamic capability view (DCV), firms create superior performance if they can leverage and develop these assets and capabilities (Barney, 1991; Newbert, 2007). Tangible and intangible firm resources (i.e., determinants) will be used by business processes to accomplish defined purposes (i.e., outcomes; Ray, Barney, & Muhanna, 2004). The strategy of sharing services is applied to reorganize these processes in order to exploit the dispersed resources in an improved manner (Meijerink, Bondarouk, & Looise, 2013). This implies that firms need to have the capability to reconfigure resources to establish and operate SSCs successfully. Eisenhardt and Martin (2000) explained that reconfiguration capabilities like the ability to transfer processes are pivotal for managers to recombine resources within firms. Accordingly, if firms possess these specific capabilities, they can perform support activities internally by introducing SSCs; otherwise, they outsource to external parties.

Despite the need to understand and explain these phenomena, scholars have stressed that research has not been able to keep pace with SSCs' evolution in practice (e.g., Lacity, Khan, Yan, & Willcocks, 2010; McIvor, McCracken, & McHugh, 2011). However, while researchers have frequently complained about the scarcity of current research in this field (e.g., Farndale et al., 2009; Knol, Janssen, & Sol, 2014), we found a large quantity of peer-reviewed articles. Moreover, there have been some reviews of the SSC literature. For example, scholars have reviewed the motives for SSCs' establishment (Paagman, Tate, Furtmueller, & de Bloom, 2015), SSC definitions (e.g., Schulz & Brenner, 2010), and the types of organizational SSC structures (e.g., Bondarouk & Friebe, 2014, pp. 39–65); moreover, they have outlined the research status, especially for the information system (IS) domain (e.g., Fielt, Bandara, Miskon, & Gable, 2014).

Although these works have synthesized findings regarding specific questions, they are limited in the number of studies considered and focus solely on specific functions or phenomena. Thus, existing reviews are not sufficient to provide a comprehensive picture of the current state of SSC research. This is necessary, however, as scholars study SSCs partly from unrelated domains, using distinct methodological and theoretical approaches (e.g., Fielt et al., 2014). As a result of this fragmentation, studies' insights have remained isolated, as research has not yet been able to arrange findings into a consistent frame. For example, although recent studies have delivered rich insights regarding SSCs in operation, scholars have failed to understand pivotal relationships and dependencies during this maturity phase (McIvor et al., 2011). For this reason, there is a need to synthesize the dispersed SSC research upon which future studies can be built. To fill the gap, our study takes stock of recent SSC literature, shows the main areas of the scattered research activities, and provides opportunities for future research. We answer the following questions. First, what are the key areas and findings of recent SSC research and to what extent are they connected? Second, what are potential directions for organizational and management research that address the investigation of SSC in operation?

We make two important contributions to the SSC field. First, we offer the first comprehensive review of the dispersed literature on SSC research. With the help of four perspectives (i.e., determinant, process, control, and outcome), we synthesize the heterogeneous research stream. In each perspective, we identify major areas of research by building categories, drawing on articles' research questions, and providing a summary of important insights. Additionally, we offer a descriptive overview of methods and theories used in recent SSC studies. Second, we develop a research agenda for potential investigations on SSCs in the operational maturity phase. Drawing on the review's findings, particularly across the uncovered research areas, we shed light on relationships inherent in SSCs' operational phase. We detected three relationship directions. To understand them, each direction highlights research opportunities by referring to insights from the review and discusses the prospect for future research.

The remainder of this paper is organized as follows. In the next section, we describe how we searched the literature and show its publication characteristics. Moreover, we explain the framework to classify articles' research questions and how we synthesized them. In Section 3, we explain the major research areas of each perspective and give a summary of the essential characteristics that are common for works in the respective perspective. In Section 4, we develop a research agenda for SSC research and suggest three potential directions. We draw opportunities on insights and gaps uncovered in Section 3. This paper will close with a short sketch of conclusions.

2. Scope of the review

2.1. Sample collection

To provide a comprehensive picture of SSC research, we collected journal and conference articles that had passed through a peer-review process up to April 2015. We followed Levy and Ellis's (2006) and Webster and Watson's (2002) suggestions to collect a rigorous literature foundation. Our search identified articles in academic disciplines, such as business, social science, and IS, using a back-and-forward search (see the Appendix for a description). Specifically, we searched articles in 10 electronic databases: (a) EBSCO, (b) ScienceDirect, (c) IEEE Xplore, (d) JSTOR, (e) Emerald, (f) SAGE, (g) Wiley, (h) AISeL, (i) ProQuest, and (j) Taylor & Francis. We used keywords from Schulz and Brenner (2010): shared service cent*, shared service organiz(s)ation, shared service(s), and derived from literature: back office and in-house service. In total, our search contained 83 peer-reviewed articles distributed over 55 academic sources.

2.2. Sample characteristics

Table 1 presents general characteristics of the recent research literature. First, in 1981 and 1991, the first academic articles related to SSCs were published in a public hospital context (Griffin & Adams, 1981; Ratz, Chenoy, & Morrison, 1991). Since 2004, scholars have focused on phenomena in this area, which underlines the novelty of the research stream. The annual publications reflect an interest in the topic that has grown over the last decade, with a peak in the years from 2010 to 2012. Second, this stream's research community is highly concentrated. Although we identified 114 authors, there were 18 scholars who participated in more than one article. Third, due to the research's novelty, there is an imbalance between qualitative-empirical (76%) and conceptual papers (24%).