

# Social impact of in-house share service business centers implementation in multinational companies

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## Abstract

Implementation of Shared Service Business Centers is a gaining momentum trend across multinationals in late 2000-s-2010-s. Despite the fact that such organizational model may bring significant economic effect, especially for diversified businesses, social risks that accompany this way of business construction may diminish both – company intellectual capital and expected economic outcome of new system. Analyzing of such risks and development of corrective action-plan may prevent negative factors realization.

*Keywords:* Shared Service Business Centers, reengineering of business processes, social risks, risk-management.

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## 1 Introduction

Increasing volatility of modern economy prompt multinational companies to seek break-through ways of cost optimization. In this case, many of them choose third party providers or in-house Shared Service Business Centers (SSBC) to serve some functions (mainly IT, HR, Finance and Governance). The goal of such organizational structure construction is to boost support function performance, optimize costs, and create additional value for the business itself [2]. Despite the above-mentioned economical and management benefits, practical experience of SSBC implementation shows that social consequences of such changes may be significant and high risk of decrease in quality of business-processes appears.

## 2 Overview of the study area

Implementation of in-house SSBC have become an increscent trend for multinational companies in recent years. Frequently projects related to transformation of business-model (by creating SSBC) includes also changes in IT-infrastructure, digitalization of HR-processes [1] and standardizing of software solutions for all company business units.

Altogether such big changes as business model transformation, IT-refreshment and HR-digitalization lead to several consequences: 1) liquidation (or transformation) of departments across the functions; 2) creation of new departments in frame of SSBC; 3) standardization of processes across country business units; 4) and update of software solutions in IT and HR.

Experience of SSBC implementation in multinational shows, that social impact of transformation may be very essential and sometimes unpredictable. Main influence factors are:

- increase in dismissals – some of the people can't accept upcoming changes in their responsibilities and start looking for another job; common situation is that management does not wholly communicate

the information about upcoming changes and people leave the company because they are afraid to be fired; there are situations that employer has to dismiss employee as there is no place for him in new organizational structure – this may reduce the level of effectiveness of such employees during the time remained and risk that some of the processes will not be properly transferred to new responsible increases;

- establishment of new units in frame of SSBC also contains high social effect – starting from the need in large number of specially qualified employees that will work on one location and ending up with communication problems during transfer period between prior personnel and newcomers;
- cultural peculiarities may also have huge social impact in frame of SSBC model implementation: 1) international tension between different nations (for example across foreign Yugoslavian countries, Ukraine and Russia, India and Pakistan etc.) may extremely decrease the level of service if SSBC is located in one of contradictory countries; 2) different time zones in SSBC and country units that it serves may lead to lengthening of business processes and deterioration of communication level between countries personnel and SSBC. Consequently, such situation may force the increase of business complexity and tension across country units; 3) different location of SSBC and country units (SSBC may serve one or even few businesses across many countries) decreases the ability of quick reaction, which finally weakens the competitiveness of country units and demotivates personnel; 4) language barriers may also decrease the level of business servicing from SSBC side – starting from communication problems across different countries and ending up with challenges in document workflow processing which may not only decrease level of service, but create tax risks for country units.
- main social risks are hidden among the transformation

of business-process and business-departments functions: 1) usually implementation of SSBC results in transferring or firing of supervising position with transition of some functions to line or middle management. Such situation may increase the level of discontentment of management that stays, especially if no additional benefits for them are expected; 2) the responsibility of task completion from employees that are expected to be fired may significantly decrease in last months of their work; 3) disbalance in professional duties of SSBC and business units employees may also increase the social tension and turnover ratio. Duties of SSBC employees mostly are monotonous and most of high-qualified staff quickly get bored; on the contrary mostly management-related and intellectual tasks are remained on business units side – thus level of overtime work increases and people get burned out from work; 4) automatization or deautomatization of processes due to changes in software may increase the social tension, as some of the employees will have to find another job (due to automatization of their duties) while another employees will have to take on the responsibilities that previously had been already automated; 5) practical cases shows that in case of radical software changes (for example – change in accounting and analytical software, or HR-digitalization) many people cannot get used to new system and decide to leave. Another part of the problem appears if testing of new software

had not been done properly – this may cause improper flow of processes which increases the social tension, ruins business processes flow and creates risk of economic losses; 6) organizational transformations needs huge human resource and engagement of personnel for trainings conducting and participating – this could lead to augment of overtime work and discontent of employees.

- differentiation of structural units to SSBC and business units may also increase the social tension in collective by creating artificial borders which arise from organizational structure.

All the above-mentioned may not only increase the turnover ratio, swing social tension and decrease employees professional level, but also lead to leveling of all economic benefits that had been expected to be got via SSBC implementation.

### 3 Conclusion

Implementation of SSBC in multinational companies may be a good way of processes standardizing, cost cutting and increase in productivity. However, during SSBC-model development and implementation project team, consultants, management and HR representatives should consider all the social-related risks that may appear during and after SSBC launch. Neglecting of such factors may not only increase social tension, but also break down all the economic and process benefits that such system may generate.

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