The Back Office goes Global: Exploring Connections and Contradictions in Shared Service Centres

Debra Howcroft
FairWRC and
University of Manchester
Debra.howcroft@mbs.ac.uk

Helen Richardson
Sheffield Hallam University, UK
h.richardson@shu.ac.uk
Shared Service Centres

- Represent the centralization of dispersed service functions (back office)
  - Involves identifying tasks, standardising them and bringing them together in one centre
- Physically and financially separated from parent company
- Offer a ‘new promising form of gaining efficiency’ (Janssen and Joha 2006)
- Often associated with large firms and predominate in private sector
- Limited attention in academic literature (as cf. call centres)
‘You have to bear in mind the biggest threat to British jobs is not call centres in India, it never has been. That was stupid propaganda. The biggest threat to British jobs is back office process. There’s far more potential to offshore back office processes …. call centre work is minute in comparison to the back office.’

(Trade Union Officer Amicus)
Shared Service Centres - types

Form of sourcing arrangement:

1. **Captive SSCs**
   - The back office operates as a ‘business within a business’
   - SSC operates as semi-autonomous centre and charges internal users
   - E.g. British Petroleum, Marks and Spencer, Sainsbury’s

2. **Outsourcing to external firm**
   - Specialist providers of shared services
   - Offer multiple business functions or cover part-processes
   - E.g. Vertex and Lloyds Bank
Research Study

- Focus on NW England
- Initial questionnaire plus interviews and ethnographic observations
- Observations and attendance at industry events
- Links with MIDAS, recruitment consultants, trade unions
- Nine sites in total
Workplace/workforce

- Uniform, bland, open-plan offices, clustered in teams
- Feminised labour, late 20s-30s
- Mainly permanent contracts and full-time working
- Limited scripting, reliant on tacit knowledge
- Highly corporate environment
- Internal communication by email
Standardization

• Aim is to ‘productize’ service functions (Sako 2006) and ensure control and coordination
• Reframes high-skilled back office work into routine service work
• Various standards and metrics:
  – SLAs, provide detail about the level of service customers can expect to receive
  – KPIs, internal metrics to measure productive capacity and labour performance
• Seen to promote ‘best practice’, consistency, continuous evaluation and comparison (with other sourcing options)
• ICTs streamline processes and provide micro-level detail
Skill standardization

- Aim is to create standardized procedures and reduce reliance on tacit knowledge
- Greater the standardization, greater the scope for more complex global division of labour
- Removes reliance on individuals:
  - ‘remove the direct personality from the market’
- Teams used as a mechanism for levelling out skills
  - Standardized processes mean ‘anyone’ can step into a role
  - Expands labour pool and avoids having to pay premium wages
- Tensions exist between standardization of tasks and need for highly qualified and culturally sensitive competences
People

- Limited flexibility and discretion
- Tasks compartmentalised (e.g. 6 minutes)
- Getting the ‘right skill mix’ is a challenge
- Pressure to lower labour costs
- Attrition rate of 15% seen as ‘ideal’
- Standardization helps replace higher-cost staff with lower-cost ‘unofficially qualified’
- Teams used for job rotation, knowledge appropriation, and ‘buddy’ systems
- SAP enabled them to ‘lose heads’, ERP system hoped to reduce staff by 50%
Location

- Assumed that standardization means location becomes irrelevant (move to places where land/labour cheap)
  - First wave SSCs (1990s): Amsterdam and London
  - Second wave SSCs: Manchester, Barcelona, Cork
  - Third wave SSCs: Prague, Budapest, Krakow
- Clustering occurs, only to be later displaced by new location
  - ‘a merry-shared-services-go-round’
  - Organizational loyalty declines
- Centralization generates scale economies
- As barriers of distance removed, specificities of location become increasingly important (particular functions)
Location

- Relocating is ongoing and open-ended and location is a preoccupation
- Benefits of Manchester are temporal
  - Cheaper than London
  - More expensive than India or Eastern Europe
  - Hence, managers stress importance of local skill sets and ‘social relationships’
- SSCs often select multiple sourcing, breaking tasks into value-added’ work and low-value, routinised work
  - ‘we only offshore the boring stuff’
‘...the individual search for excess profits would keep the space economy of capitalist production in a state that resembles an incoherent and frenetic game of musical chairs’

(Harvey 2006: 393)
Locational advantage

Two contradictory tendencies (Herod et al 2007):
(1) the need for sufficient geographical mobility to seek out investment opportunities in new locations
(2) the need for sufficient geographical fixity so that accumulation can occur

• Locational advantage is ephemeral
• The speed-up and annihilation of space through time creates more fine-grained divisions and specialisations of labour

‘Reducing the friction of distance, in short, makes capital more rather than less sensitive to local geographical variations’ (Harvey 2006: 100)
Travelling to the research sites
Near By
Transport
Summary

• Standardization as a double edged sword
  – Firms themselves can be easily evaluated, compared and shifted elsewhere
  – Removes individual expertise from an activity that often requires expertise
  – Questions security of employment contracts and geographies of work

• Organizational power remains centralised with close control over resources and performance targets
Summary

• Continual reorganization and restructuring
• Why?
  – Continuous attempts to reduce labour costs (largest cost component of service activity)
  – Maximise shareholder value
  – Seen as organizationally dynamic and innovative – outsourcing, offshoring, centralization, decentralization, clustering, delocalisation
  – Buys time and confuses like-for-like comparisons of performance
Reference