

# Feasibility Analysis of Constructing Human Resource Shared Service Centers for Small and Micro Enterprises in the Greater Bay Area

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## ABSTRACT

After investigating the current situation of human resource management and the awareness of human resource shared service center in 25 small and micro enterprises in the Greater Bay Area, this study has found that small and micro enterprises have problems such as human resource planning's failing to integrate with enterprise strategy, unreasonable performance assessment index settings and performance application, and unclear training systems and so on. Besides, the degree of understanding of human resource shared service centers by small and micro enterprises is also low. The survey results show that there is a need to establish human resource shared service centers in the Greater Bay Area, but there is a lack of theoretical research and practical experience in the setting of service content and the construction of talent teams, so it is arduous and time-consuming to build human resource shared service centers among small and micro enterprises in the Greater Bay Area.

**Keywords:** Shared service center, Human resource management, Greater Bay Area, Small and micro enterprise.

## 1. INTRODUCTION

### 1.1 Background of the Study

The Central Committee of the Communist Party of China and the State Council have released the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area, which clearly proposes to build the Guangdong-Hong Kong-Macao Greater Bay Area into a dynamic world-class city cluster and an international science and technology innovation center. The Guangdong-Hong Kong-Macao Greater Bay Area (the Greater Bay Area for short), includes Hong Kong, Macau and Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing. For Guangdong Province, which is in the Greater Bay Area, small and micro enterprises (a collective term for small enterprises, micro enterprises, family-based enterprises and individual entrepreneurs) are an important part of the local economy, injecting vitality into the Guangdong region, promoting economic development, meeting the needs of the masses, and also making positive

contributions to the employment of the masses. However, small and micro enterprises have problems such as operational efficiency to be strengthened, less efficient use of human resources, and weaker viability and so on. [1] And strengthening the human resource management of small and micro enterprises themselves may be one of the ways to improve the competitiveness of enterprises.

The shared service center model was initially applied to financial shared services, and then gradually applied to human resource management. The human resource shared service center (later called the shared service center) is a part of the three-pillar model (shared service center, human resource business partner, and human resource domain expert), which can centralize basic human resource management affairs, strengthen the efficiency of group management and control, and improve the professionalism of human resource services. It can also use cloud computing and big data to break organizational boundaries, geographical location and other restrictions to

realize the human resource management needs of each business unit. [2]

Barbara Quinn introduced the idea of shared service and she believed that shared service has a designated customer base, provides targeted services and charges accordingly. [3] Jiao Wenya and Peng Jianfeng summarized the classification of sharing economy as rental model and service model, while financial sharing and human resource sharing belong to the service model. [4] In the field of finance, where shared services were first developed, a number of scholars have done relevant studies. Zhu Yu discussed the problems of insufficient strategic penetration and insufficient awareness of the connotation of financial sharing among enterprise employees when building a financial shared service center, and proposed measures such as optimizing information systems, strengthening personnel management and optimizing business processes, which can be circumvented and taken into account when building a human shared service center. [5] Zou Zhiwen studied the model and business scope of financial shared centers, proposed the possible risks in personnel, internal control, capital, business and technology in the construction of financial shared centers, and summarized the ways to realize financial shared service centers in middle and small-sized enterprises on this basis. [6] Yu Lu pointed out the advantages of preparing for the establishment of shared service centers in large state-owned enterprises and made suggestions for the establishment of shared service centers, such as clarifying the positioning of shared service centers, building information technology support systems, designing shared center operation models, and equipping professional talent teams. [2]

## ***1.2 Description of Problems***

Shared service centers are generally built in large enterprise groups or enterprises with multiple geographical operations, because group headquarters and subsidiaries and other subordinate units deal with similar basic management affairs, but in the organizational structure of large enterprise groups, they have established their own human resource departments with their own set of management systems. [7] Therefore, establishing a shared service center in the group can unify the basic human resource management affairs to be handled by the shared service center, so that more human and material resources can be invested in the areas that can add more value to the enterprise. [8]

Does the successful application of the shared service center model in group human resource management have the necessity and feasibility to be borrowed to the human resource management of small and micro enterprises in the Greater Bay Area? Small and micro enterprises in the Greater Bay Area are in different industries, but their human resource management daily matters should have commonality, and small and micro enterprises have a small number of employees and may lack full-time, professional human resource management staff. The shared service center can also provide professional human resource management services to small and micro enterprises in the Greater Bay Area, so as to improve the survival and competitiveness of them. Therefore, it is feasible and meaningful to try to establish human resource shared service centers in small and micro enterprises in the Greater Bay Area.

## **2. RESEARCH IDEAS AND METHODS**

### ***2.1 Research Ideas***

In this study, 25 small and micro enterprises in Hong Kong, Macau, Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan and Zhongshan in the Greater Bay Area were selected to conduct a questionnaire survey to analyze the current situation of human resource management in small and micro enterprises in the Greater Bay Area and small and micro enterprises' perceptions of shared service centers, and to analyze and summarize the data collected to explore the feasibility of constructing shared service centers among small and micro enterprises in the Greater Bay Area.

### ***2.2 Research Methods***

#### ***2.2.1 Literature Review Method***

By reviewing the literature, the development history of shared service centers and their use in the field of finance have been understood, the construction of human resources shared service centers in the group has been considered, and reference and theoretical basis for the study on the establishment of shared service centers in small and micro enterprises have been provided.

#### ***2.2.2 Questionnaire Survey Method***

25 small and micro enterprises in Hong Kong, Macau, Guangzhou, Shenzhen, Zhuhai, Foshan,

Huizhou, Dongguan and Zhongshan were selected for the survey to study the current situation of human resource management in small and micro enterprises and their awareness of shared service centers, and to analyze and summarize on the basis of the collected data.

### 2.2.3 Interview Method

The managers of 3 small and micro enterprises were selected for interviews to gain insight into the content of services provided by the shared service center and their suggestions on the construction of the shared service center.

## 3. ANALYSIS OF RESEARCH RESULTS

In the surveyed enterprises, the largest number of enterprises are in the field of information transmission, computer services and software industry (6), followed by residential services, accommodation, catering and other services and wholesale and retail enterprises (4 for each), followed by manufacturing, leasing and business services, scientific research and technical services, education, culture, sports and entertainment enterprises (2 for each), and the least number of enterprises are those in the agriculture, forestry, animal husbandry, fishery and mining, construction, finance and insurance, and real estate industries (1 for each). There are 12 small and micro enterprises in Guangzhou, 3 in Shenzhen and Dongguan respectively, 2 in Foshan and Huizhou respectively, and 1 in Hong Kong, Zhuhai and Zhongshan respectively. The data of small and micro enterprises in Macao, Jiangmen and Zhaoqing are lacking, which can be supplemented and improved in subsequent investigations. Nearly half of the surveyed small and micro enterprises have been established for more than 6 years, and only 2 enterprises have been established for less than 1 year. Most of the surveyed small and micro enterprises are not newly established enterprises. The staff positions surveyed include managers, human resource management specialists, administrative staff, customer service, finance, programmers, operation, assistants, and education and training staff. Employees are mostly 26-35 years old (60%), followed by 36-45 years old (20%), 25 years old and younger (12%), no significant concentrated distribution (8%), and 46 years old and above (0%). The composition of employees is mostly young and middle-aged, with fewer middle-aged and older employees.

### 3.1 The Popularity of Human Resource Departments and Functions in Small and Micro Enterprises Is Acceptable

60% of employees know about human resource management and are clear about its functions, while 40% of employees know about human resource management but are not clear about the functions. The popularity of human resource management and its functions among employees is still acceptable, and some enterprises still need to strengthen the publicity of human resource management functions among employees and enhance their awareness of the importance of human resource management.

Among the reasons why enterprises do not set up a special human resource management department, the most important reason is that the enterprise is small and feel that there is no need to set it up (68%), followed by limited human capital (12%) and the feeling that human resource management department can't help the enterprise in any substantial way (12%), and lastly, limited funds (8%).

Some small and micro enterprises in the Greater Bay Area have failed to establish dedicated human resource management departments due to enterprise size, limited human capital, and lack of awareness of human resource management, and even if they have established dedicated human resource management departments, they may lack sufficient professional staff, which provides a demand base for establishing shared service centers in the region.

### 3.2 Unsatisfactory Integration of Enterprise Strategy and Human Resource Planning

Only 40% of the enterprises have human resource planning integrated with enterprise strategy and follow it in daily management, 24% have human resource planning integrated with enterprise strategy but do not follow it, 20% do not have staff planning matching with enterprise development strategy, and 16% are not sure whether they have corresponding planning.

Human resource planning matching with enterprise strategy can guarantee the supply of talents in line with enterprise development and help enterprises maintain stable development in the changing external environment, so enterprises should pay attention to it. If you neglect human resource planning that is integrated with your development strategy due to size and capital, it

should be a good choice to seek relevant technical support at the human resource shared service center.

### 3.3 Inadequate Job Analysis and Implementation

Job analysis, also called position analysis, is the process of analyzing and specifying job responsibilities, authority, job conditions, job qualifications and other relevant information for a specific position in an organization. Job analysis allows enterprises to clearly know the job content and required skill conditions for each position, which can improve efficiency and reduce disordered management such as buck-passing to a certain extent.

More than half of the enterprises (52%) have done job analysis, but still 32% have not done it, and the rest said they are not sure if they have done it. Less than half (44%) of the enterprises clearly have formal job (position) descriptions, 32% have job descriptions for some positions and some do not, and there are some positions that are not well defined, 20% do not have job descriptions, and the rest are not sure whether there are job descriptions.

In response to the current situation that the implementation of job analysis is not in place, the shared service center can provide job analysis models such as job logs and task lists for different positions to help enterprises implement basic job analysis services, or directly assign professional job analysts to conduct job analysis for specific positions on behalf of enterprises.

### 3.4 Most Enterprises Have Their Own Recruitment Team and Prefer Online Recruitment

The majority of enterprises (60%) have a dedicated recruitment team or group, while the remaining enterprises do not have them. The most common method of recruitment is online recruitment (84%), and this recruitment channel is preferred especially in the case of an epidemic. This is followed by job announcements (60%), internal referrals (56%) and external referrals (40%). The percentage of small and micro enterprises acquiring new employees through talent pool is 32%, 24% of campus recruitment, and only 4% of commissioning agencies. ("Figure 1") 48% of the enterprises fail to conduct recruitment evaluation after the end of recruitment, and fail to evaluate the quality of the recruited employees and the expenditure of recruitment, which is not conducive to the long-term development of enterprises. 40% of the enterprises have recruitment assessment, and 12% are not sure if they have recruitment assessment.

For enterprises with their own recruitment teams, shared service centers can provide more efficient and professional recruitment programs. The use of online recruitment channels is greatly increased in the normalized environment of epidemic control and prevention, and shared service centers can expand recruitment channels to improve the quality of recruited talents. For enterprises without recruitment teams, shared service centers can develop several sets of replicable recruitment programs according to different industries, or directly send recruiters from the service centers to perform this service for the enterprises.

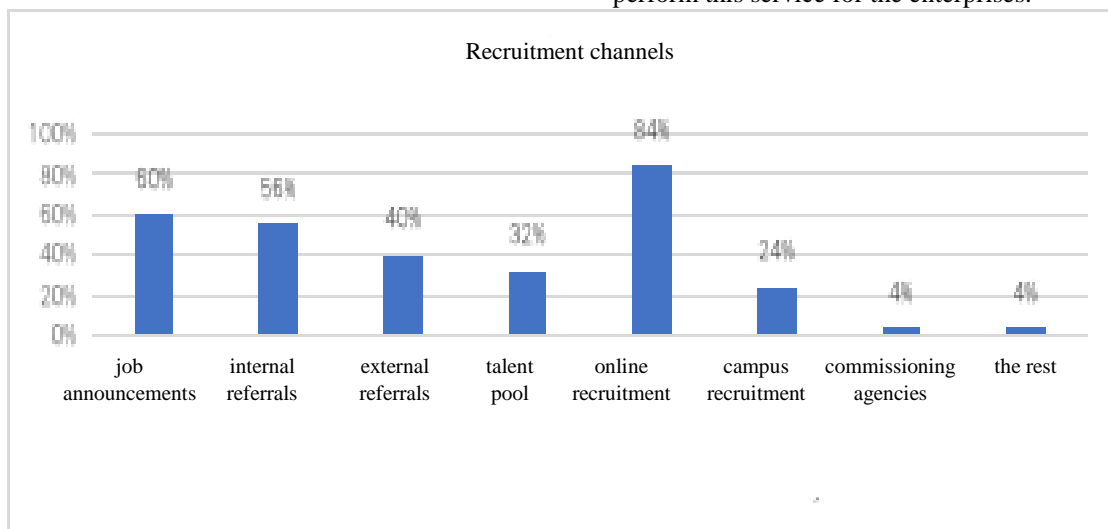


Figure 1 Percentage of recruitment channels.

### 3.5 More Than Half of the Enterprises Don't Have a Training System

Less than half (44%) of the enterprises have developed a clear training system, and half (52%)

of the enterprises still do not have a training system, of which 40% do not have one at all, 12% are preparing to develop one, and the rest are not sure if there is a relevant system.

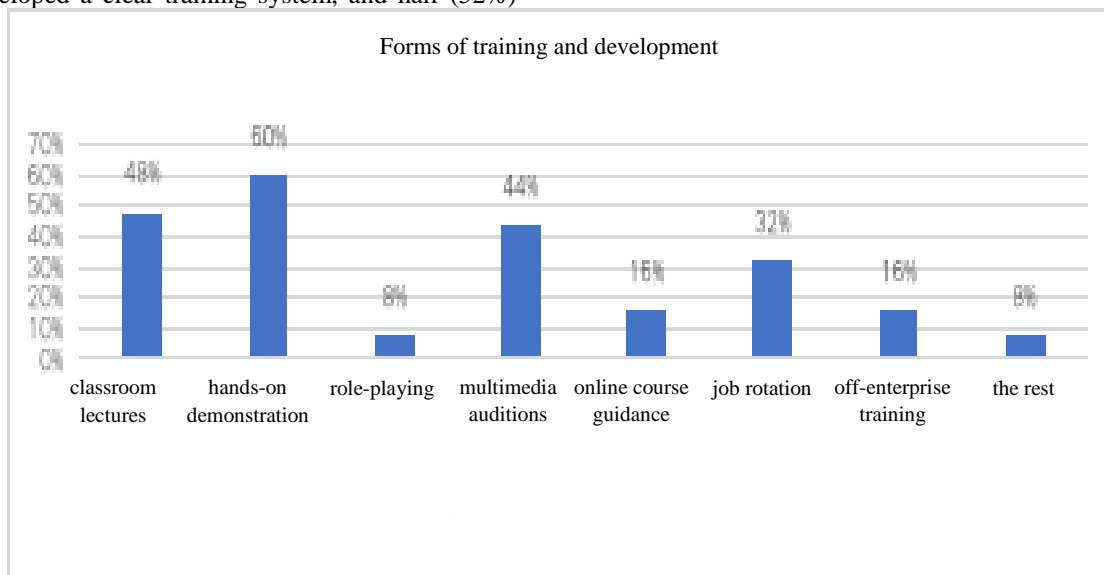


Figure 2 Percentage of training forms.

Among the various training forms, the most used is the hands-on demonstration (60%), which may be related to the industry to which the enterprise belongs, and the hands-on demonstration is more practical and better for these enterprises to get started. This is followed by classroom lectures (48%) and multimedia auditions (44%), which account for a higher percentage of traditional training forms. ("Figure 2") While job analysis and recruitment are less often entrusted to organizations outside the enterprise, the percentage of training outside the enterprise is not low, which gives the human resource shared service center an idea to offer training-type services, which can develop multiple sets of training courses for different positions and also provide training programs for the specific situation of the enterprise.

### 3.6 Most Enterprises Have a Clear Salary System, But Employees Are Not Satisfied With Their Salaries

Most enterprises have a clear salary system (68%), a few salary system do not have a clear salary system (24%), and the remaining enterprises are ready to develop a salary system. Enterprises mostly use post (position) pay (52%), followed by the co-existence of post pay, skill-based pay, and performance pay (32%), and again the co-existence

of performance pay (12%) and skill-based pay (4%). Less than half of the enterprises have done their own salary survey (48%), 24% have commissioned a consulting firm to do a salary survey, 20% have consulted the labor department, 16% have purchased a salary survey report, and the rest said they are not sure about the related matters.

The implementation of salary surveys indicates that small and micro enterprises can accept and have the demand to receive human resource management-related services from external organizations (24% have commissioned a consulting firm to do a salary survey and 16% have purchased a salary survey report), and should focus on building service segments with high demand when building human resource shared service centers.

The percentage of those who are relatively dissatisfied with their salaries is the highest (44%), followed by relatively satisfied (40%), then very dissatisfied (16%), and 0% are very satisfied. Overall, the satisfaction level is low. The good development of small and micro enterprises can bring employees better salaries, and also can improve the overall satisfaction level of employees with the enterprises in terms of welfare, office environment construction, and humanistic care.

### 3.7 Employees Think the Performance Appraisal System Has Unreasonable Indicators, Methods and Application

44% of the enterprises have formal performance appraisal system, 40% do not have appraisal system, 4% are prepared to formulate an appraisal system, and the remaining are not clear about matters related to the appraisal system. Unclear appraisal

system will cause employees to lose their goals, lose motivation, and increase employee turnover, and it is also not conducive to managers to motivate employees. The performance appraisal of most enterprises is comprehensive, 56% of them include both work performance, work attitude and work ability, 20% of them only appraise work performance, and those who appraise work attitude and work ability account for 12% respectively.

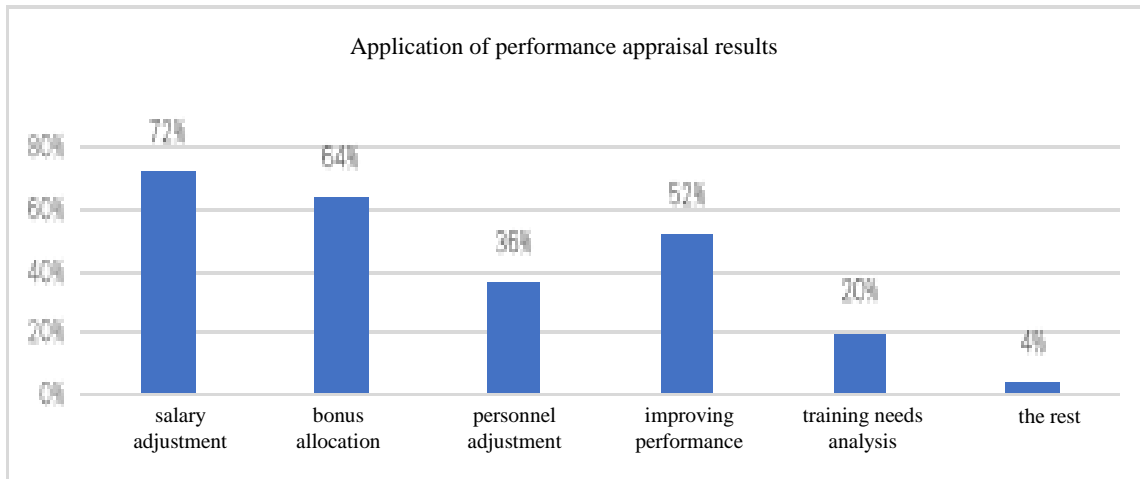


Figure 3 Application of performance appraisal results.

Performance appraisal results are mostly used as a reference for salary adjustment (72%), for making bonus allocation (64%), for improving performance (52%), for personnel adjustment (36%), for training needs analysis (20%), and others (4%). ("Figure 3")

It can be seen that the application of performance appraisal results is mostly reflected in the economic income closely related to employees

(salary adjustment and bonus allocation), which requires enterprises to have a clear and perfect salary system, with reasonable fixed and variable wages, in order to give employees more security and make performance appraisal play a real incentive role for employees instead of scaring them. Meanwhile, enterprises are also encouraged to use the results of performance appraisal more in improving performance, staff deployment and training needs analysis.

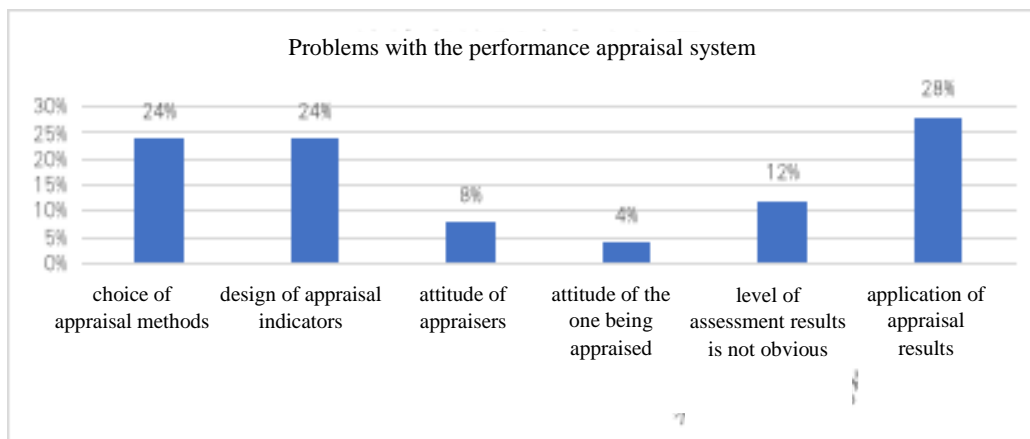


Figure 4 Problems with the performance appraisal system.

The results show that the unreasonable application of appraisal results (28%) and the unreasonable design of the performance appraisal system (24%+24%) are the main problems that employees think exist in the performance appraisal system. Enterprises should enrich the indicators of performance appraisal, choose the appraisal method more suitable for their own enterprises to appraise employees, and improve the application of performance appraisal results to make it more optimal for staff allocation and motivation. ("Figure 4")

### 3.8 *The Majority of Employees Leave Because They Are Not Satisfied With the Development Space and Salary Treatment*

40% of employees will leave after working for 1 year to 3 years, followed by those who work for more than 6 months to 1 year (32%), 16% after working for 3-6 months, 8% after working for less than 3 months, and 4% after working for more than 3 years. The results show that employees who have worked in small and micro enterprises for more than 3 years (4%) and those who left after less than 3 months (8%) are in the minority, and most of them are employees who have worked for 6 months to 3 years.

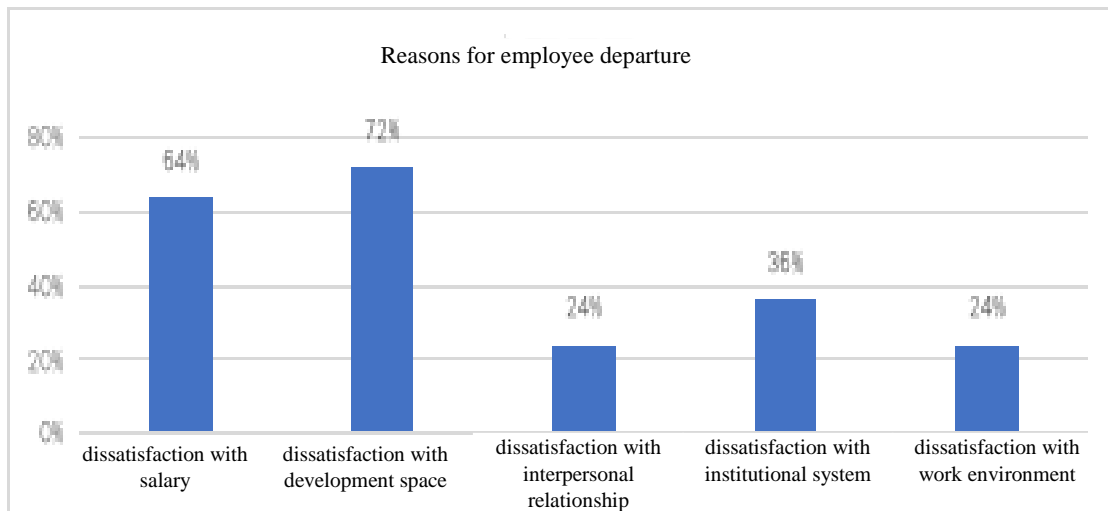


Figure 5 Reasons for employee departure.

As can be seen from the "Figure 5", the most important reasons for employees to leave are dissatisfaction with development space (72%) and salary (64%). The dissatisfaction of employees with development space may be related to the fact that some enterprises have not formulated human resource planning that matches their development strategies, and small and micro enterprises should make good use of the opportunity of the development of the Greater Bay Area to provide a better development platform for their employees. In terms of salary, perhaps a more reasonable and incentive-based salary plan can be developed through the shared service center to improve employee satisfaction and reduce the quit rate.

### 3.9 *Poor Understanding and Use of Shared Services*

76% do not know about shared services at all, 12% know about them, 12% do not know about them at all, and 0% know about them very well. The awareness of shared services among small and micro enterprises is low. 84% said they have not used shared services, and only 16% have used shared services, namely shared bikes and shared power banks. When it comes to human resource shared service centers, the majority of small and micro enterprises do not know about them (64% are relatively unaware and 8% are very unaware).

### 3.10 The Most Desired Services From Shared Service Centers Are Recruitment, Planning and Training

As can be seen from the "Figure 6", the services that enterprises expect most from the shared service center are recruitment and staffing (68%), human resource planning (64%), training and development (60%), and personnel information service management of personnel files (60%), which can be fully considered when setting the service content and items in the shared service centers.

The most important issue to be solved in preparing the human resource shared service centers of small and micro enterprises in the Greater Bay Area is the service content and scope (60%), followed by the operation rules (16%), and finally, the location of the shared center (12%) and the selection of personnel (12%). The results show that enterprises are most concerned about what kind of services the human resource shared service center can provide and what kind of help it can give them, followed by the issues of rules for service purchase process, fees, and effect evaluation during the operation process.

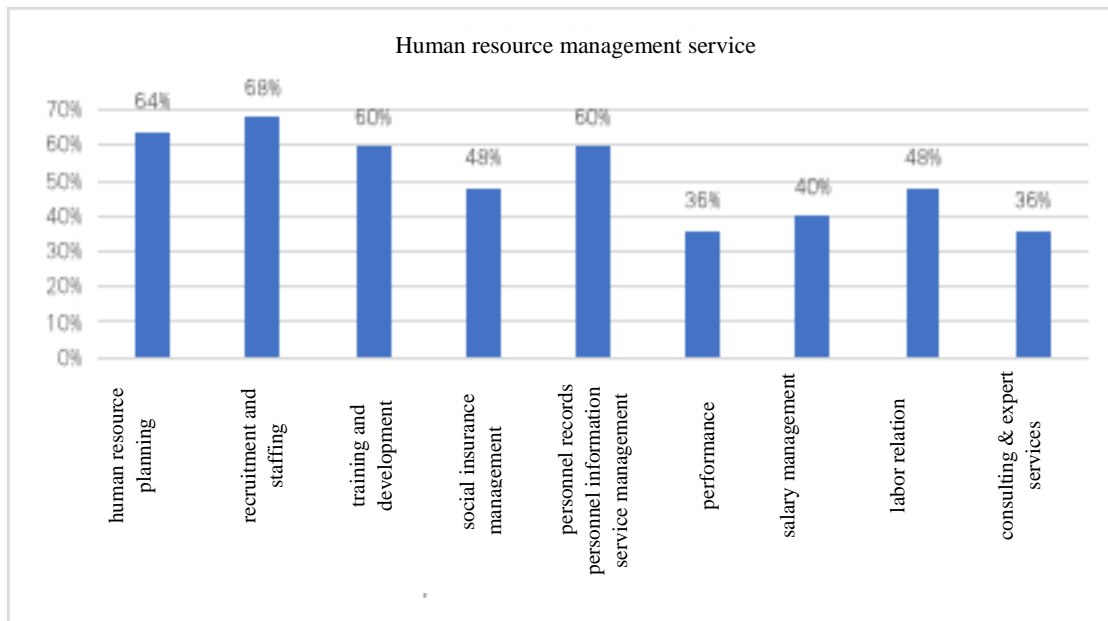


Figure 6 Service content provided by shared service centers.

## 4. DISCUSSION AND SUGGESTION

### 4.1 Small and Micro Enterprises Have Problems in Manpower Planning, Training System Establishment, Performance Assessment Application, Development Space and Salary, Etc.

The survey found that there are some problems in human resource management in small and micro enterprises in the Greater Bay Area. The integration of enterprise strategy and human resource planning is not satisfactory, and only a few enterprises have human resource planning integrated with enterprise strategy and can follow the implementation in daily management. Less than half of the small and micro enterprises have a clear training system and lack training and development for their employees. Employees think that the application of

performance appraisal results is unreasonable, and the design of performance appraisal methods and performance indicators is unreasonable, which affects the motivation of employees to work to a certain extent, while employees also leave their jobs because of the limited development space of the enterprise and unsatisfactory salary.

The aspects of human resource management that small and micro enterprises do not do enough are exactly the directions in which the establishment of shared service centers can provide professional services, which provides the basic needs for the construction of shared service centers. Shared service centers can provide services that teach basic matters to the specific conditions of small and micro enterprises, such as developing industry-specific training systems or plans, developing performance appraisal indicators and appraisal methods and guiding enterprises to



reasonably use the appraisal results, designing employee career plans to improve employee satisfaction, etc.

Although there is a demand base for the establishment of shared service centers in the Greater Bay Area, there are challenges in setting up the service content and the shared service center staff reserve.

#### **4.2 Service Content Setting of Shared Service Centers**

In terms of service content, it can learn from the practical cases of the group's human resource shared service center, starting from file management, social security provident fund management, employee relationship management, salary management, and E-HR system management. However, the group can directly transfer the relevant human resource work from the branch to the shared service center, but there is no way to transfer the work among different small and micro enterprises in the Greater Bay Area, because each small and micro enterprise has different industries and competitive relations, which makes it more difficult to set the service content in the shared service center in the Greater Bay Area. The content setting of the shared service center in the Greater Bay Area can start from the basic employee file management and employee relationship management, and after the basic services are proficient, it can be expanded for the setting and application of performance assessment indicators, the establishment of training system, and the career planning of employees, which are lacking in each enterprise. Performance management is a cyclical business, and it is sufficient to provide services in accordance with the cycle, without the need for timely response. In order to reduce the cumbersome work of the service center, it can try to develop replicable service content for different industries, which can be shared by different small and micro enterprises in the same industry.

#### **4.3 Shared Service Center Staff Reserve**

The group's shared service center employees are transferred from the manpower employees of each base unit, but it is not feasible to transfer employees from various small and micro enterprises in the Greater Bay Area to the shared service center. First of all, the employees of each small and micro enterprise are sparse and may already lack professional managers who can be transferred to the

service center. Secondly, there is competition among the enterprises, and the staff of the service center can only be neutral management talents, which leads to the service center being similar in nature to a human resource management consulting firm or a headhunting firm.

Based on the above reasons, the construction of a shared service center should focus on the recruitment and deployment of staff, and recruit different talents to the center for the services to be set up in the service center. At the same time, human resource specialists and human resource business partners in the three pillars need to be redefined.

### **5. CONCLUSION**

After investigation, this study has found that small and micro enterprises have problems such as human resource planning's failing to integrate with enterprise strategy, unreasonable performance assessment index settings and performance application, and unclear training systems and so on. Besides, the degree of understanding of human resource shared service centers by small and micro enterprises is also low. The survey results show that there is a need to establish human resource shared service centers in the Greater Bay Area, but there is a lack of theoretical research and practical experience in the setting of service content and the construction of talent teams, so it is arduous and time-consuming to build human resource shared service centers among small and micro enterprises in the Greater Bay Area.

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