

Factors Influencing HRSSC Adoption in Retail Companies In India

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Abstract: The purpose of this paper is to explore the factors influencing the adoption of Human Resources Shared Services Centers (HRSSC) and to determine the dominant and less dominant factors. Through literature review, influencing variables were culled out viz., perceived usefulness, social influence, awareness of services, product/service involvement, perceived ease of use, computerself-efficacy, prior experience of computers usage, HRSSC Familiarity, perceived risk, perceived benefits, institutional forces, resistance to change, trust, demography and attitude.

There are evidences in the literature that these variables directly or indirectly affect the attitude of a person either positively or negatively and the attitude has a strong, direct, and positive effect on the consumers' intentions to actually use the new technology or system, i.e. HRSSC. An understanding of these factors is useful for Human Resources Personnel to better promote HRSSC services to non-users and to improve employee services through better HRSSC utilization. The HRSSC is a powerful strategy for improving customer satisfaction and for introducing newer employee services. Therefore, Retail Companies should take advantage of the ever changing workplace dynamics and technology to envisage future competition and deploy relevant strategies to succeed.

In this study, primary data was collected and the conclusion received by the respondents was that Awareness of Services and Benefits, Perceived Usefulness, Perceived Ease of Use and Trust were top four dominant factors while Attitude, Demography, Perceived Risk and HRSSC familiarity were the bottom four least dominant factors in adoption of HRSSC by Retail Companies.

Keywords: HRSSC, Adoption, Retail, Dominant, Factors and Variables.

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I. Introduction

In this era of globalization, with increased competition many firms are modifying their strategies in being agile, efficient, innovative, cost effective and quality driven. Therefore, retail industries also have attempted to attract and retain top class talent in ensuring that the organizations can deliver on these parameters. The retention of talent through enhanced employee services by taking advantages of the technological developments, particularly in the area of telecommunications and information technology is becoming important. Retailers often have discovered that HRSSC offers significant advantages that include – increase in the speed of service delivery, improvement in the efficiency of various HR processes, reduction in the overall cost of operations and enhancement in the employee touch points for superior service delivery.

Companies today across spectrum increasingly adopt Shared Service Centres (SSCs) as a delivery channel for their Human Resource Management (Cooke, 2006). Consequently, the HR Shared Service Centres has become an important component of the contemporary HR function. The distinctive feature of HRSSCs is that they centralize HR activities and resources, while simultaneously being controlled by and being responsive to the business units (Farndale, Paauwe&Hoeksema, 2009; Meijerink&Bondarouk,2013a).

Centralization is about maintaining control in center. It simplifies HR work and leads to the avoidance of redundancy and duplication of work (Ulrich, 1995). It gives many benefits such as economies of scale and scope, potential cost savings, and greater control but tends to avoid customer focus. On the contrary, decentralization refers to the shift of responsibilities to distribute more control to local center. It transfers ownership of HRM to local units maintaining local autonomy (Farndale&Paauwe, 2007) and offers customer-oriented service and more flexibility but is very expensive.

Zooming in on the HR activities, HR SSCs can be seen as a means of both in-sourcing as bundling of corporate activities, instead of out-sourcing or the scattering of activities (Farndale et al., 2009).

Wright and Dyer (2000) highlighted that the HRSSC can be broadly classified as transactional, traditional and transformational depending on the activities that they perform. During the existence of the HR SSCs, a development of HR activities performed can be detected. In the 80s and 90s the Shared Service

Centres devoted most of their time to transactional activities (Lepak & Snell, 1998), which according to Farndale et al. (2009) made sense as more time could be dedicated to transformational activities by the HR manager of the business unit. However, in 2005 Ulrich and Brockbank found that HRSSCs were then moving towards executing transformational HRM, while increasingly addressing the transactional activities through outsourcing and employee self-service (Ulrich et al., 2008).

HRSSCs have arisen due to pressures of outsourcing, redesigning and downsizing (Farndale et al. 2009). Moreover, the need to cut costs, increase flexibility and improve quality has also contributed to the existence of HR SSCs (Meijerink et al., 2013b).

The SSC model fosters a highly customer-oriented mindset which clients of the services are viewed as customers. Staffs have to be customer focused rather than provider driven, and that their duty is to provide services the internal customers desires (Leland, 2000). Best practices are employed in nearly every organization to attain competitive advantage with customers. For SSC, it is necessary to create an efficient partnership that addresses both sides of the internal equation (Leland, 2000) which allows customers to define the services they like and the quantity they need. "The user is the chooser" (Ulrich, 1995).

Zhang and Wang (2006) Zhang, L., & Wang, H. (2006) in their work 'Intelligent information processing in human resource management: an implementation case in China' asserted that a great fruitful way of running a good business in the present world is to make the use of the proper application and implementation of IT in HRM.

Advantages of HRSSC

HRSSC gives significant benefits to an organization. Companies choose to implement HRSSC model with the purpose of gaining different advantages including the following:

Cost Reduction: Cost reduction appears to be the major impetus for the decision to set up HRSSC. The financial saving is the outcome of the economies of scale. In their work Horan & Vernon (2003) identified that the "shared services can give a potential saving around 15% and 40% of labor costs". The amount of savings that a company can achieve depends on the size of the labor cost and the amount of HR services that are consolidated. The companies, which are geographically dispersed with large populations, high labor costs and consistent local requirements, are likely to establish HRSSC (Horan & Vernon, 2003). If the HRSSC is managed well, it can lead to major cost savings and create more efficient services while making resources available for other tasks that enhance human capital. In the research carried by Gonzales, Ellis, Riffel, & Yager (1999) on HRSSC of IBM found that HRSSC implementation has contributed to the company significantly by reducing cost of HR operations. The creation of HRSC initially delivered a 40% cost reduction in providing HR services. The increasing number of services arranged by HRSC can lead to additional cost efficiencies.

Better Focus and Improved Quality: Many implementation of shared service center are primarily driven by the motivation of reducing costs. However, for most new shared service, cost reduction is seen as one component, but not the only driver. Organizations found that concentrating particularly on a cost proposition has its limitations (Leland, 2000). They should set the overall goal of maximizing customer satisfaction. SSC allows providers to know what customers want and to understand the requirement to deliver each service. Horan & Vernon (2003) explained the benefits of HRSSC that "the increased consistency in HR programs and their articulation in a service-level agreement typically result in substantially improved quality and consistency of service, leading to greater employee satisfaction"

Disadvantages of HRSSC

Prior to setting up of shared service centers, companies must carefully consider their options and goals to choose the appropriate type of strategies for their needs. There are many drawbacks to the use of HR shared service centers as well.

Costs: The shift towards a shared service model may create a high implementation and transition costs. It will be more expensive if companies have to invest more money in the development of infrastructure. This will occur in the event that they have incompatible IT systems. This model relies much on web-based and information technology, thus each organization needs to make significant investments and improvement in technology and change. Moreover, if they fail to implement shared service centers in organizations, they may find the difficulty to decentralize their shared service back to the traditional HR function (Gill & MacCormick, 1999). However, if the process of setting up HRSSC is well managed; the benefits can cover the high transition cost.

Reduced Performance: One of the reasons for reduced performance and poor quality of service is a result of the impact on employees. It occurs due to the fact of reduced or total loss of face-to-face service and

communication and standardization of activities. Redman, Snape, Wass, & Hamilton (2007) explain the feeling of employees towards this new HR structure that “jobs had become more boring through narrow specialization; workers felt de-skilled and missed face-to face contact; employees were concerned about career development opportunities, and about not being able to see work through to the end”. Another disadvantage comes from the loss of employment. Since company has to consolidate all HR activities into one central location, it can decrease costs by eliminating duplicate works and lead to an inevitable loss of jobs in the local organization (Fahy, Currie, & Cacciaguidi-Fahy, 2002). Some employees who cannot adapt to this model may also leave the company. This may cause the loss of local knowledge and can affect organizational performance.

PURPOSE OF THE STUDY:

It is important to harness the true potential of HRSSC post its implementation by its effective utilization. Understanding the dominant and least dominant factors influencing HRSSC adoption will help Retail Companies to formulate right strategy in ensuring success of HRSSC.

RESEARCH OBJECTIVES:

1. To identify factors influencing HRSSC adoption.
2. To understand top four most and least dominant factors affecting HRSSC adoption.

II. Literature Review

The literature on innovation adoption shows that there are several theories that explain the factors influencing the adoption of new technologies. Fishbein and Ajzen(1975) in their Theory of Reasoned Action(TRA) found that behavioral intentions are determined by (a) an individual's attitude towards the behavior and (b) subjective norms surrounding the performance of the behavior. An attitude towards adopting an innovation is derived from an individual's beliefs that adopting the innovation will lead to certain consequences. Intention to perform a behavior will take place if the individual has a positive evaluation of performing the behavior. The more favorable the attitude with respect to certain behavior, the stronger should be an individual's intention to adopt the behavior. Subjective norm refers to a person's perceptions of the social pressure to engage in a certain behavior. The idea suggest that attitudes and beliefs of others (friends, family, colleagues, peers etc.) in groups to which a person belongs will shape his/her behavior towards the usage of a specific technology.

According to E.M. Roger's (1983)Innovation Diffusion Theory(IDT), innovation adoption is a process of uncertainty reduction. To reduce uncertainty about the new technology, individuals will gather and synthesize information about the technology. Based on three decades of innovation study, five key attributes affecting the adoption of any innovation were suggested. These five characteristics are relative advantage, compatibility, trialability, observability and complexity.

F. Davis (1989) developed Technology Acceptance Model(TAM), according to which 'users' adoption of computer system depends on their behavioral intention to use, which in turn depends on attitude, consisting of two beliefs, namely perceived ease of use and perceived usefulness.

I. Ajzen(1991) in his Theory of Planned Behavior (TPB), which is an extension of TRA, posits that behavioral intentions are a function of (i) an individual's attitude towards the behavior, (ii) the subjective norms and (iii) the individual's perception of behavioral control. Perceived behavior control reflects the individual's beliefs of his or her ability to perform the behavior, which are affected by external factors (e.g., time and money) and internal factors (e.g., ability and self-efficacy).

Taylor and Todd (1995) proposed the Decomposed Theory of Planned Behaviour(DTPB), which combines aspects of the TPB with aspects of IDT. The theory postulates that attitude, subjective norms and perceived behavioral control will influence the intention to use a technology. Taylor and Todd took the TPB one step further by decomposing the attitudinal, normative and perceived control beliefs into multi-dimensional constructs. This provided higher explanatory power and a more precise understanding of the antecedents of behavior. Attitude is decomposed into perceived usefulness, ease of use and compatibility, which influence the formation of attitude toward certainbehavior. Subjective norm is decomposed into peer influences and superior influences, and perceived behavioral control is decomposed into self-efficacy, technology, and resources. From the above constructs and intense literature review, the following Factors influencing the HRSSC adoption have been deduced.

Factors influencing HRSSC Adoption:

Perceived Usefulness:

Perceived usefulness is defined as the degree to which 'a person believes that using the system will enhance his or her performance (F.Davis, 1989) There are extensive evidences proving the significance of effect of perceived usefulness on adaptation intention. As a consequence, the greater the perceived usefulness of using HRSSC services, the more likely that HRSSC will be adopted.

Social Influence:

Social influence plays an important role in determining the acceptance and usage behavior of adopters of new IT (Venkatesh and Morris, 2000). In Taylor and Todd's (1995) study, Social influences were equivalent to subjective norm and defined as other people's opinion, superior influence, and peer influence.

Awareness of Services and its Benefits:

The adoption or rejection of an innovation begins when "Consumer becomes aware of the product or service" (Rogers and Shoemaker, 1971). An innovative product or service will not enjoy great success unless consumers are aware of its existence and the potential benefits it offers.

Product/Service Involvement

Product involvement has been defined as the degree of personal relevance of an object, product or service to a customer based on inherent needs, values and interests Zaichkowsky (1985).

Perceive Ease of Use:

Perceived ease of use is defined as the degree to which 'a person believes that using the system will be free of mental effort' (Davis, 1989). Zeithaml et al., (2002) stated that the degree to which an innovation is easy to understand or use could be considered as perceived ease of use.

Computer Self - Efficacy:

Computer Self-efficacy is defined as an individual's self confidence in his or her ability to perform tasks across multiple computer application domains.

Prior Experience of Computer Usage:

Since the HRSSC services are delivered through the medium of internet/intranet and telephony, consumers have to be familiar with a set of accompanying technologies such as a personal computer and a web browser (Lee, Kwon and Schumann, 2005). Customers' prior experience in using computers and internet ease the complexity of using HRSSC services.

HRSSC Familiarity:

Katariina et al. (2008) examined the role of 'familiarity', which refers to some specific activity, e.g., whether or not the consumer has previous experience in using Technology and found that familiarity has a significant impact on consumer perceptions and preferences. They operationalized the concept of Internet product familiarity by using two variables, frequency and length of use. There seems to be a theoretical overlap among the above three constructs viz., computer self-efficacy, prior experience of computers and product familiarity.

Internet/Intranet Access, It's Speed and Cost:

The availability of access to computers/internet is a pre-requisite for adoption of HRSSC. The more widespread the access to computers/internet, the greater will be the possibility of use of HRSSC.

Perceived Risk:

Peter and Ryan (1976) defined perceived risk as a kind of subjective expected loss. Most of the researchers claimed that consumer's perceived risk is a kind of multidimensional construct. It can have risk elements of time, privacy, social etc.

Perceived Benefits:

Perceived benefits include the four key attributes drawn from Roger's (1983) Innovation Diffusion theory (IDT). They are relative advantage, compatibility, trialability and observability.

Institutional Forces:

Institutional forces include coercive forces, normative forces and mimetic forces. Normative and mimetic forces are synonymous to social influence and subjective norms. Weihua Shi et al.,(2008) found that normative and

coercive pressures significantly influence the attitude and intention of adopting technology in Banking Segment. This has the same relevance in other industries.

Resistance to Change:

Another factor that affects adoption is whether the existing mode of service or product delivery fulfills the customer's needs adequately. Adoption of new technologies often comes across a certain amount of resistance to change from present ways of operating. Generally, unless there is need customers may not try to change from the traditional form of seeking services. In the context of adoption of technology, Quinn and Mueller (1982) stated that "human beings what they are, there tend to be resistance to change".

Trust:

Doney and Cannon (1997) define trust as the perceived credibility and benevolence of a target of trust. The first dimension of trust, perceived credibility is the extent to which one partner believes that the other partner has the required expertise to perform the job effectively and reliably (Ganesan, 1994). Benevolence concerns the consumer's belief that the company is interested in his or her welfare, has no intention of behaving opportunistically and it is motivated by the quest for mutual benefit. Studies found that perceived ease of use is an antecedent of trust and credibility increases trust (Wu and Chen, 2005).

Demographic Variables:

There are enough evidences in the literature that demographic variables such as age, gender, education and income affect the adoption of HRSSC. With the increase of age the amount of time spent over the internet and other technology interfaces may decrease drastically.

Attitude:

Attitude refers to an individual's positive or negative feelings (evaluative affect) about performing a particular behavior (Fishbein and Ajzen, 1979). TAM suggests that attitude is based on the salient beliefs which a person has about the consequences of a given behavior and his or her evaluation of those consequences.

III. Research Design

STATEMENT OF THE PROBLEM

It is usually perceived that HRSSC implementation will enable organizations to reap the intended reward of lowering the cost, improving the efficiency, enabling innovation and enhancing quality. However, this is contingent to the fact that the HRSSC is well adopted by all the employees and thereby its true potential harnessed. Human Resources Practitioners can take better decision on the way forward post HRSSC implementation only when they get better information on the factors that are important in enabling employees embrace the services provided by HRSSC.

IV. Methodology

The research is convenience sampling method and exploratory in nature.

Scope of Study: Employees from various Retail Companies that have implemented HRSSC in India.

Data: Primary data was collected through questionnaire.

Sample Size: 100

PLAN OF STUDY

The study is to find out the factors which are influencing the adoption of HRSSC in Retail Companies in India. The primary data was collected and analyzed using tables, graphs and charts with the help of Micro Soft Word and Excel.

V. Analysis And Data Interpretation

Influencing Factor	Importance given by Respondents in %
Perceived Usefulness	85
Social Influence	79
Awareness of Services and Benefits	86
Product/Service Involvement	73
Perceived Ease of Use	84
Computer Self Efficacy	77
Prior Experience of Computers Usage	74
HRSSC Familiarity	70
IT Access, Speed and Cost	73
Perceived Risk	68
Perceived Benefits	81

Institutional Forces	77
Resistance to Change	81
Trust	82
Demography	63
Attitude	60

It is observed from above that the Awareness of Services and Benefits, Perceived Usefulness, Perceived Ease of Use and Trust are the top four dominant factors while Attitude, Demography, Perceived Risk and HRSSC familiarity are the least four dominant factors influencing the adoption of HRSSC in Retail Companies in India.

VI. Discussion And Conclusions

While all listed factors influencing HRSSC are important, the HR Leaders may focus more on dominant factors and create adequate programs to address them. They will also save on time, cost and other valuable resources by channeling their efforts more towards high impact influencing factors of HRSSC adoption. From the current study, it is found that Awareness of Services and Benefits, Perceived Usefulness, Perceived Ease of Use and Trust are key factors in the HRSSC adoption. Retail companies would greatly benefit by ensuring internal communication on the value proposition of HRSSC through series of campaigns and promotions on these factors. Since Trust also has featured as the dominant factor, organizations will benefit by building great work ethics and culture. Trust Index can be built by delivering on promises made and focusing on ‘making everyone successful’. The organization may opt for less focus on the least dominant factors and thereby enhance the focus on dominant factors.

Limitations Of The Study

1. The survey is conducted in Retail Companies that have implemented HRSSC
2. The time is limited for one month
3. Primary data collected through questionnaire could be misleading to some extent as responses are influenced by biasness of respondents and their understanding about the listed factors as influencing variables.

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