

Challenges and Emerging Trends in Human Resource Management

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The paradigm shift in managing the living assets of organizations has witnessed a revolution in the past three decades. Human-Resources (HR) professionals now strive for corroborating the decisive capabilities driving business excellence. This trend signals a transformation in the way HR contributes to organizational objectives. This instrumental change points out an integration of the new with the old. This paper traces the evolution and genesis of HR outsourcing and its variation overtime. Further it enumerates factors which compel organizations to opt for outsourcing the HR function, implications it has on facets of business. Lastly it illustrates successful HRO deals worldwide.

INTRODUCTION

The term outsourcing was coined in the late 1980s and it has been since scrutinized from different directions by different researchers. It has traditionally been viewed as the Make vs. Buy decision based on economic analysis of the relative cost of producing a service in-house vs. accruing it from a vendor. There have been others who have explored how HR outsourcing has impacted the companies across the industry and their performance while others have examined the significance of the ever evolving HR function. The growing focus on HR's role in the performance of the overall business of a firm has led to the adoption of the approach which involves aspects from reengineering to cost reduction to transformation of the business. HRO is a strategic tool targeting mainly the senior executives but it aims to substantially alter the way in which a business unit functions. This paper tries to bring to perspective the instrumentality of HR outsourcing and how different organizations have utilized this tool of strategic HR as an asset to increase their strategic value. Also it throws light on the various Memorandum of Understanding (MOU) that have been signed worldwide. This has been illustrated with the help of business cases. The findings of the study suggest that every organization has its own way of exploiting the options available in an outsourcing agreement but it depends on the organization to evaluate and select the best way which serves the organization's interest in the best way.

THEORETICAL DISCOURSE

Formerly outsourcing has been viewed as the make versus buy decision. The decision was made by initially through the economic analysis wherein the relative cost of buying the services versus performing them in-house was measured. Recently there has been a shift from cost as a driver to the profit derived

from the decision. The economic theories of the firm specifically institutional theory, resource based theory of a firm and transaction cost economics (Williamson, 1975) provide valuable insights into why companies have started outsourcing more and more functions these days. The first theory provides with a rich, complex view of the organizations. It advocates that decision making in the organizations is influenced by pressure from both internal and external sources. External factors which affect the decision are social and cultural systems (Scott, 2001). The internal factors are instrumental in deciding what behaviors are considered acceptable and appropriate.

The resource based view believes that the success of an organization depends on the expertise and competency that have been acquired by the firm over a span of time. These are not available in the market readily so they serve as a competitive advantage to the firm over the others. It further advocates that only those activities which do not meet the criteria of deliverability, inimitability, durability and non-substitutability must be outsourced. (Barney et al, 1991) The resource-based view highlights what type of activities are likely to be linked to competitive advantage and, therefore, improbable to be outsourced (Ghanam, Cox, 2007). This view also aims to explain how organizations strive to achieve an exclusive combination of tactical resources and to attain competitive advantage. These could be human, physical and organizational resources. In the era of ever increasing globalization organizations concentrate on their core competencies and use outsourcing to capture the expertise of others (Domberger, 1998; Porter, 1990).

The transaction cost approach provides as basis for a crucial strategic decision in HR outsourcing on what HR activities will the firm outsource. Williamson (1993) advocated that firms will choose the form of governance that minimizes the total transaction costs associated with acquiring a good or service with specified characteristics. Thus the theory states that the management clearly defines tasks which are transactional in nature. These tasks are essentially those which are non-value adding, non- strategic and are highly repetitive. (Ordaninia, Silvestria, 2008). This view further states the HR activities which are most likely to be outsourced are the ones which do not incur high cost due to uncertainty, threat of opportunism, ease of measurement and frequency (Tyson, Selbie, 2004).

RESEARCH METHODOLOGY

The research design of the current study is basically descriptive in nature. While the study tries and integrates various aspects of HR outsourcing MOUs terms of the components, process, opportunities and threats and so on still it brings into perspective the various intricacies involved both from the Client's side and the side of the vendor. The methodology essentially involved systematic review wherein the secondary data was collected with the help of internet sources/ databases. Various keywords were used and the relevant data was gathered from a plethora of citations, research papers, articles, reports available at different research websites. After the relevant data was gathered it was compiled into a cohesive and coherent text by deriving numerous themes and sub themes for the study. Several case studies were also analyzed and a case synthesis was prepared based on their in-depth scrutiny.

The study is conceptual in nature and has been developed primarily on the basis of past reports and records. The study aims to bring together the various theoretical aspects which form the basis of HR outsourcing and also how organizations implement these different models practically. It also brings into perspective the variations of the HR outsourcing arrangement and how these are customized to suit the organization's specifications. The study is significant in terms that it creates a holistic picture of HR outsourcing and its connotation as a tool of Strategic Human Resource Management (SHRM). The scope of the same can be extended in the future by conducting research into how exactly HR outsourcing agreements help in sales/ profit maximization and organization development in the long run. Conducting a qualitative analysis i.e. gauging the effects of HR outsourcing on satisfaction of internal and external customers of the organization would be worth exploring.

CONTEXTUALISATION OF HRO

The evolution of the HR function from personnel management to human capital management has seen a complete transformation in the way it functions. Earlier the function was a synonym for only the personnel issues or the Soft issues. The Hard business aspects were dealt by the other functional areas and completely out of the purview of HR. In the present business scenario companies can't just rely on competitive advantage through cost, technology or distribution (Sheehan Cathy, 2009). Rather they have realized that the actual advantage is the competence of the human capital. Hence today the focus is on creating an HR workforce which is a strategic partner in determining the strategic plan of the organization. Its sole focus is to ensure the competitive advantage of an organization. One of the pieces of the puzzle of excellent organizational performance is the intelligent use of outsourcing. HRO has been profoundly used among the multinational organizations in the recent years. It has been estimated by the National Research Bureau (2011) that the industry is worth \$15 billion and is growing at a swift pace. The focus has been on reducing HR as a fixed cost function and converting it into an area where they can purchase HR services specifically tailored for their organizational needs.

Essentially the aim of HR outsourcing is to move everyday tasks out of the organization and enable HR to focus on more strategic areas. (Shih, Chiang, Hsu, 2005). According to a report by Hewitt Associates, United States, (2007), 74 percent of the 100 organizations surveyed, aimed at improved service quality while considering HR outsourcing as an option. Among the other concerns were: accruing external know-how, reducing the cost incurred and yearning to focus on the core area of the firm. Another study by Everest Research Institute reflected that an organization is able to slash about 54 percent of HR jobs after an outsourcing arrangement. Yet another study by Woodall.et.al (2009) claimed that cost consideration is the prime factor to initiate HR outsourcing. HRO agreements have been taking different forms since their inception. Initially single HR processes were outsourced but gradually it has moved to multi process outsourcing arrangements wherein five or more processes are outsourced.

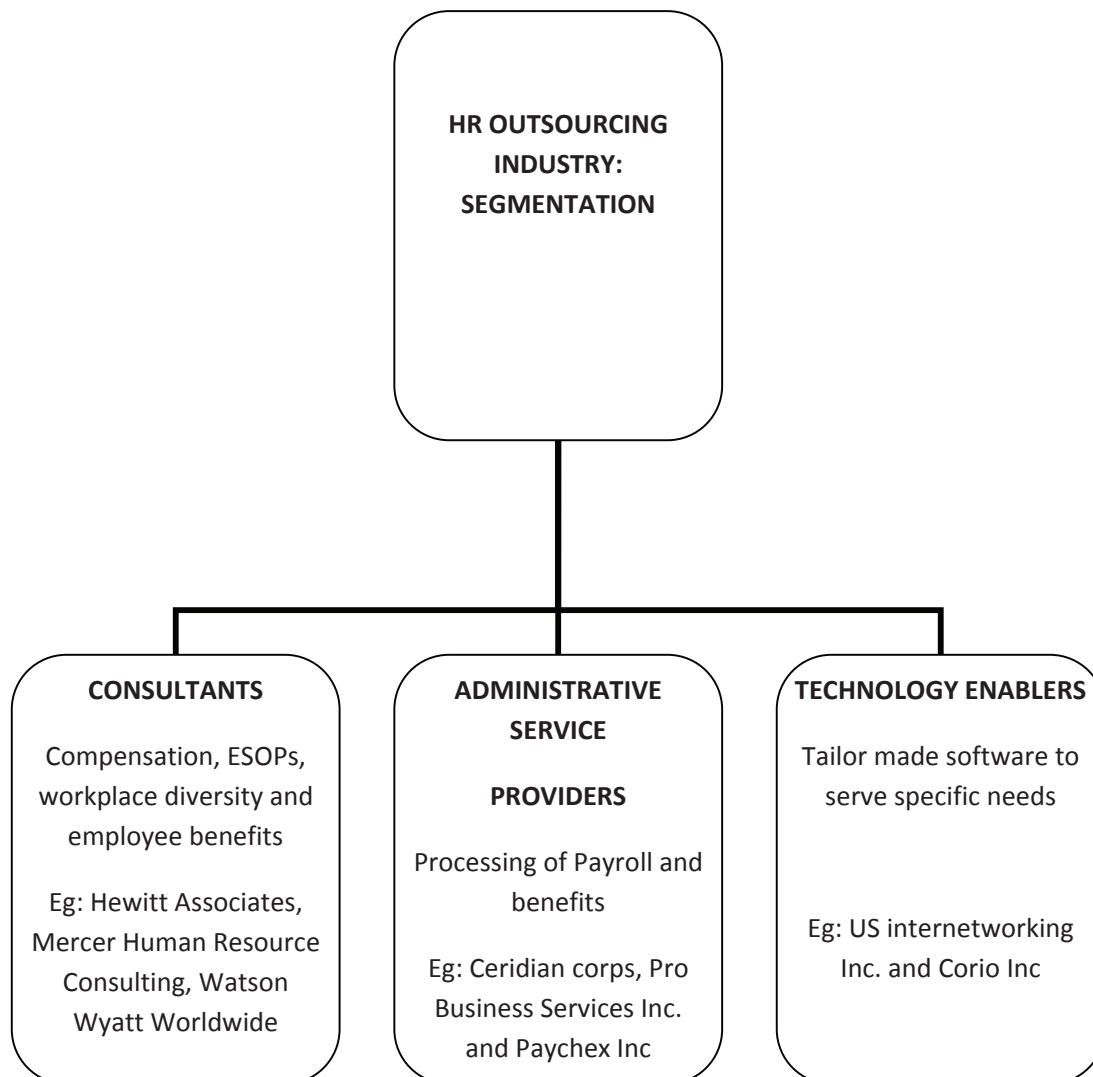
The extent to which an organization outsources its HR function inherently depends on the amount of expertise available in-house. A few organizations outsource almost all of their HR function, and many others generally select from a list of services to cater to their existing needs. The functions most disposed to be outsourced are the traditional functions better known as administrative functions. These include budgets, payroll and so on according to a report by Corporate Research Forum, United Kingdom, (2008). The organizations further stated that there is a pressing demand of retraining certain HR functions among these are: human capital strategy, organizational policies, and decisions relating to recruitment.

A study done by Alewell.et.al (2009) revealed that the HR function procured most often was Training and Development (61.8%), followed by external legal advice which was to the tune of (54.4%), temporary agency work being as close as 50% of the times, consulting, headhunting and External payroll accounting were respectively at 34 percent, 32.1 percent and 25.9% each. Only a meager of 9 percent of the firms also obtained the services for selection of personnel and a mere of 2.07% had outsourced the HR functions completely. This has also been substantiated by Rishi Mishra (2009) who stated that has been a steady growth in the number of training tasks being undertaken by external providers.

SEGMENTATION OF THE HR OUTSOURCING INDUSTRY

The section below discusses the segmentation of HR outsourcing industry wherein service providers have been segregated as per the group of services they offer. There are majorly three categories of service providers namely: consultants, administrative service providers and technology.

**FIGURE 1:
SEGMENTATION OF HR OUTSOURCING INDUSTRY**



HR OUTSOURCING MODELS

HR outsourcing typically has two models namely: **Administrative Services Organization (ASO) and Professional Employer Organization (PEO)**. Both the models endow the companies with an opportunity to outsource a range of functions from payroll management and tax compliance to employee benefits in a cost efficient manner.

As per the ASO model the organisation can outsource employee management processes like employee benefits management, payroll management, tax compliance, retirement benefits and so on. Further under this model an employer has the right to retain employee benefits, worker's compensation policy or the vendor can be asked to quote, execute and administer benefits on the organisation's behalf.

The PEO Model on the other hand aids organisations to outsource employee management processes such as employee benefits management, retirement services, payroll management, tax compliance,

retirement services, worker's compensation a management, and human resources functions. Under this model the PEO's workers' policy is utilized.

REASONS FOR OUTSOURCING

The most obvious reason to outsource HR functions is generally assumed to be saving cost but it is certainly more complex than it appears. Apart from reducing cost, achieving best practices to enhance quality of service, focus on core competencies and making use of latest technology are prominent reasons cited by business firms (Kakabadse, 2002). Other researches advocate that it helps organizations to gain expertise in HR, attain workforce flexibility, focus managerial resources on matters of strategic importance and also keep pace with workforce regulations (Klaas et al.1999).

Woodall.et.al (2009) in their study pointed out some drivers which lead to HR function being outsourced by the companies. They classified them as cost reduction, pressure from elsewhere in the business, reducing risk and managing quality, management of overall HR capacity in response to organizational change. Almost all the organizations they surveyed wanted to reduce the HR headcount and overheads. The companies majorly did it by component outsourcing to different suppliers. Apart from the cost aspect it helps the HR managers to give their attention to significant projects and aim at developing broader array of skills. It is thus a chance for HR managers to become more engaged with the business. Organizations now are aiming to free up the HR staff to a more strategic level so that it provides value to the organization. In other words they want to move the HR at the top of the value chain so that they can achieve profitable return on HR resources. Another consideration which is instrumental in going for HR outsourcing is the firm's focus on upholding the quality of service they provide. According to a study done by Alewell.et.al (2009) there are two key triggers for making a decision to make or buy HR services. The foremost trigger to make or buy services is the demand of HR services. In case the firm decides to procure services it needs to watch the dissymmetry between the manpower requirement and endowment. The other reason is the new role which HR of an organization is supposed to assume. This new schedule for the department creates a need for the day to day function to be obtained with the help of an external party.

The researchers have also claimed that the stimulus to consider HR outsourcing usually comes from elsewhere in the business. Hence while taking a decision on the same there are other parties apart from the core HR team of the organization who decide on what and how to outsource. In many firms there exists a broad decision making team constituting several members from the senior management. Hence the decision to outsource HR is not just the discretion of the HR team instead it is approached with a degree of caution and lessons generally learnt from earlier outsourcing experiences.

PROCESS OF HR OUTSOURCING

There are a series of steps which a company needs to follow when it goes for outsourcing the HR function. The HR outsourcing process comprises of eight steps:

Setting of Objectives – A company needs to estimate the need for outsourcing accurately. Many companies do not factually scrutinize the needs before going into outsourcing HR process and later regret the decision. Every organization is unique and so are its problems. Therefore the solutions need to be devised in by taking into consideration the contingent factors. Interpreting the fundamental structure of an organization and how HR outsourcing will suitable forms the crucial first step of HR Outsourcing.

TABLE 1
A BRIEF ACCOUNT OF SOME HR OUTSOURCING DEALS
WORLDWIDE- CASE SYNTHESIS

<i>COMPANY PROFILE</i>	<i>VENDOR</i>	<i>REASONS FOR OUTSOURCING</i>	<i>SERVICES OUTSOURCED</i>	<i>EXPECTED RESULT</i>
PEPSICO Duration: 10 years Worth: \$ 700 million Year: 2009 SCOPE: 64,000 U.S. employees 38,000 employees in 67 countries	Hewitt Associates	<ul style="list-style-type: none"> • Commitment to results, superior quality, • High standards of performance 	Workforce and benefits administration, Payroll, Contact center support.	Cost Reduction by more than 25 percent over the life of the contract Foregoing significant capital investment.
CENTRICA INC Duration: seven and a half years Year: 2006 SCOPE: 30,000 employees in the UK.	Hewitt Associates	<ul style="list-style-type: none"> • Commitment to high quality services to employees, • Delivery of enabling technologies for line managers, • Clearer accountability in managing people • Focus on core businesses 	Workforce and Payroll administration Customer service, Reward & Performance Management Succession planning	Clearer accountability in managing their people whilst reducing our cost to serve.
DELTA AIRLINES Duration: seven-years Worth: \$120 million. Year: 2012	Affiliated computer services	<ul style="list-style-type: none"> • Change the way employee and retiree services were delivered • Increasing service levels at reduced costs 	Compensation and benefits administration, Relocation services, Recruiting, Information Services, Employee call center services	Reduce Delta's HR and Payroll services costs by more than 25 percent over the life of the contract and allows.
PROCTER & GAMBLE Duration: 10-YEAR Worth: \$400 million Year: 2004 SCOPE: 98000 employees in 80 countries	IBM business consulting services	<ul style="list-style-type: none"> • Improve services reduce HR costs • Improve decision making by providing executives real-time access to employee reporting information • Employee services in a more real-time, flexible, on demand 	Payroll processing, Benefits administration, compensation planning, Expatriate and Relocation services Travel Expense, Human Resource Data management. Application development Leveraging P&G's existing leading edge global SAP implementation and employee portal	Through process transformation, technology integration, Best practices that are consistent, accurate, and standardized.
UNILEVER Duration: seven-years Year: 2006 Worth: \$1.04 billion SCOPE: 200,000 global workers	Accenture		Recruitment, Payroll, Core HR & Reward administration, Performance & Third party provider management Workforce Reporting,	Reduce HR workforce from 3200 to 900 in two years

Source: Developed from; Nazario . A. Laura. (2009), Lockhart Michelle. (2008) and Marquez, Jessica, (2007)

Implications on Major Stakeholders - HR outsourcing is not just a management's responsibility because it affects the entire company. The major stakeholders in this case are the employees, management and customers. Outsourcing of HR processes much more byzantine task than outsourcing functions like manufacturing since it involves handling issues intricately related to the human resource. Hence the insinuations on the employees and their roles are scrutinized before finalizing the decisions. To further this objective many HR service providers absorb trained employees from the client's company too.

Analyzing the Benefits (Both Tangible and Intangible) – outsourcing the HR functions has many more implications in the form of benefits apart from the usual cost effectiveness. A company needs to understand whether it is in need of more competent procedures or is it deficient in innovation or is there a dearth of manpower. It has to spell out clearly the benefits expected out of the whole arrangement right at the beginning.

Exploring Strategic Effects - HR Outsourcing as a process should be weighed against the long term company plans. The transferring of a support function should not in any way cause an disorder in the strategic disposition of the company. It should rather play a supportive role to the vision and mission, competencies, structure, strategy, value chain and transformational tools of the organization.

Selecting Vendors - Vendor selection is another critical phase of the outsourcing exercise. The company conducts a preliminary research the market for service providers whose services can serve the company's requirement. Generally products/services which are too radical are not taken up as their customization according to the company's requirement is a difficult task. A company generally looks beyond recommendations and sales presentations. An honest reference check is carried out to understand the service levels of the provider in terms of quality and other specified parameters. It is of such great significance, in this case as a setback will upset the employee satisfaction right away.

Contract Management - Once a vendor is selected, the agreement is drafted which formally lays out all the terms and conditions of the trade. Herein issues are addressed, term sheets are prepared and the final contract negotiation takes place. This contract is signed by representatives of both, the service provider and the client.

Transfer of Resources - Based on the terms and conditions of the contract, resources are transferred between the parties. This implies the handover of resources, documents and manpower. However support should be extended by the company to its outsourcing partner for better integration of the processes.

Reviews and Relationship Management - People processes begin with relationships. HR outsourcing is a long term process and the continuing relationship between the two parties should be upheld. Periodic reviews and audits are conducted to safeguard the level of service of the vendor and smooth functioning of the outsourced processes. Both the parties come to a stage of adjustment to reap mutual benefits and for this an oversight council is set up. The agenda, schedule and performance reports are designed and defined. Oversight roles are executed, performance below set standards is examined and snags are resolved.

Process Followed by Companies in their Respective HRO Agreements: A Case of Four Organizations:

1. Unilever's Deal With Accenture Global Services

America's Unilever and Accenture signed one of the biggest global HR outsourcing deals in 2007. The worth of the contract was \$ 1 billion and the duration was 7years. There was a major slashing out of the HR department as a consequence of the deal. It was estimated that over the period of the contract the global HR workforce would be reduced by two thirds from 3200 to 900.

The company had a different approach altogether to the contract management because unlike other outsourcing deals where the function was handed over to the vendor and then transformation was expected here Unilever had taken up the task of making the HR managers aware about their changed role post the contract. The aim behind the effort was to ensure the right people and skills in place. The management geared up to tackle the transformation costing a billion rupees. The consumer goods giant followed a very formal process order to get the transformation right. It started with the launch of an HR

Academy which was a formal training program for roughly 1000 HR managers. The task of HR development was put in place and the HR leadership team started redefining the role of HR as strategic partners to the business. An analysis to identify the skill gap was administered and it was revealed that the HR managers were having a dearth of organizational development skills. Hence it was concluded that there was a dire need on the part of the HR team to start acting as consultants to the business and help other departments drive initiatives and objectives. The training program therefore focused on helping develop the understanding of the changing role of HR. As a part of learning from this particular deal the organization eventually included the above mentioned aspects into the orientation program so that the new recruits would get a grasp of the shifting culture from day 1.

2. International Paper With Hewitt Associates

Among the earliest adopters of the outsourcing trend was international paper, an international packaging company which signed an HR outsourcing deal with Hewitt Associates, a global human resources consulting and outsourcing services company in 2001. The service provider was hired to help with a full range of HR services like payroll, workforce administration, health and welfare administration, recruiting support activities, application support and help desk services using the SAP platform. The vendor will also begin providing call center support, flex staffing management services, learning administration, and HR manager support activities in the renewed contract with the company. The contract covered approximately 40,000 employees including 300 HR employees whose role had to be redefined.

On these lines the client identified two basic areas where redefining was required. It took a different route to HR transformation. The company hence bifurcated the HR workforce into two groups one which would manage their relationship with the vendor and the other which could act as a partner in the business. The organization started preparing the group which would oversee their relationship with the service provider. Various competencies required were identified and changes were made accordingly. Unlike Unilever the company did not launch a formal training program as it was not a requirement as per their culture. The transition for International Paper has been successful as it has been able to reduce the number of HR managers from 1 for every 80 employees to 1 for every 140 employees.

3. IBM Consulting Services

The Procter & Gamble Company entered into a human resources business transformation Outsourcing (BTO) services with IBM in 2003 for a period of 10-years. The deal was valued at \$400 million. IBM supported nearly 98,000 P&G employees in close to 80 countries, providing services including: payroll processing, benefits administration, compensation planning, expatriate and relocation services, travel and expense management, and human resources data management. The service provider also provided application development and management of P&G's HR systems, leveraging P&G's existing leading-edge global SAP implementation and employee portal.

The deal between the two companies provided the prospects to leverage best practices across the employees of both the client and vendor and also prospective customers of IBM's HR BTO operation. Some other benefits which P&G was aiming to garner at the inception of this relationship were enhanced services and reduced HR costs through process transformation, technology integration, and best practices; further it also aimed at upgrading the decision making by providing executives real-time access to reliable, precise, and unvarying employee reporting data in addition to delivery of employee services which were real-time and flexible on demand. Global giants like P& G have increasingly used business transformation outsourcing to realize strategic value, and also become more flexible and adaptive while directing employees on the company's core competencies.

4. Bank Of American And Exult Services

The 10-year outsourcing contract dated November 2000, for just over a billion dollars is generally referred to as an exceptional alliance because they have been able to establish a relationship which is exemplary in itself. The bank was faced with a situation wherein it wanted to focus solely on the core

business of getting more and more clients and customers. At the same time the organization it wanted to keep pace with advancements in technology and various other processes. So the non-core function that is HR was outsourced to Exult Services. The duration of the contract was 10 years and it covered a staggering 1, 44,000 BOA employees worldwide. As per the conditions of the contract the BOA employees who had been a part of the outsourcing process would be shifted to Exult. BOA took great care of the employees who were being transferred and the efforts paid off as the turnover of these employees has been negligible since then.

To ensure the smooth flow of events in the outsourcing process the bank hired Stephen Dent as its coach as the client vendor relationship here was seen as a valuable alliance. Like every outsourcing agreement there were transitional issues involved in this agreement. Hence both the companies took necessary steps to stabilize, improve and smoothen the relationship. As a result y July 2001, the organizations were reveling at their efficacious transfer of the five outsourced processes namely: accounts payable, information technology, payroll, benefits, and service delivery.

This seamless conversion was accomplished in a considerably shorter timeframe than the standards of the industry. This was a result of the communication and planning process and this tested and fortified their alliance. Both the parties to the contract have been conducting all operations keeping in mind the mutual benefit. A gain-sharing scheme has been initiated but at the same time the bank has never lost hold over the type of service quality provided by the vendor. The bank has also bought a 10 million shares stake in Exult to make sure that the organization does well. This also brought the opportunity for the bank to explore and provide services and products to other clients of vendor. According to Cagle's a senior vice president a piece of advice for companies considering outsourcing "is to think about what's in it for the buyer organization and structure the arrangement around that value. "It's not just about getting rid of work,"

CLIENT AND VENDOR RELATIONS

Before finalizing any outsourcing decision an organization needs to look at various sides of the situation. The first aspect which requires pondering is whether the objectives of outsourcing a particular activity can be met by a specialist vendor in a more cost effective and efficient manner than having an in house system in place. Another very instrumental consideration understands the influence of the multicultural setup. Characteristically outsourcing deals (BPO,KPO, ITO, HRO, etc) signed by global organizations with top service providers necessitate relocation of operations or services from industrialized economies to emerging economies, "receivers" of major multinational outsourcing deals. These countries have substantially diverse cultures and habits of conducting business and very dissimilar life styles, languages (and/or accents), ways of thinking and communicating.

The classic example could be countries like India, China, Mexico, Jamaica, Philippines, South Africa, Mauritius and so on which have extremely varied culture. Apart from the above mentioned factors there are certain things which also need to considerable attention before going in for any outsourcing deal. Firstly the HR manager needs to have the knowledge of the market and latest developments in the field of outsourcing management. Secondly and organization needs to develop a relationship of trust with the vendor so that both of them jointly work towards the identified objectives. Lastly there has to be clarity on what processes need to be outsourced, the desired end state to be achieved so that there exists a common understanding of the goals. If a good partnership approach is adopted it is likely to reap much greater benefits to both the parties. The most visible of them is timely access to critical data giving the organization an opportunity to design appropriate HR interventions.

There have been glaring examples of the past wherein some good companies have committed blunders while executing HRO agreement. The initial phase of HRO agreement was characterized by no interaction between the client and vendor about the goals of the agreement. The Lift and Shift Model under this arrangement required the provider to take on all of the client's HR processes as they were and provide services more cheaply. Hewitt Associates was among the first firms to handle HRO agreements in 2004 on this model and it struggled with them for a long time. As a result it now negotiates on any such

deal it enters into. The company discusses with the prospective clients on the areas of improvement and depending on the feasibility it strikes the deal.

Thereby following are certain things which the client organization needs to look at to avoid problems with the service providers are (Hewitt Associates, 2009)

- Dissecting the situation to identify the root cause of the problems.
- Proactively moving towards collaboratively addressing these problems with their service providers, recognizing that some amount of renegotiation and rebalancing of what HR work is outsourced and maintained internally may be needed.
- The client needs to determine the mechanics of the deal and the structure of the relationship model so as to impel performance towards the original purpose of the HRO effort. An example could be that process improvement, cannot be achieved in a contract and relationship structured reducing cost entirely. This is an area often identified as one source of problems in HRO deals.

Finally, understanding the best practices in HRO which the other companies have employed for success is another way of ensuring success of such agreements. Although HRO is becoming a conventional instrument for organizations' leaders to use when addressing cost savings and process improvements in their HR operations. However, according to the EquaTerra report, buyers need to better decide when and where HRO makes sense for them and where it fits with other substitute service delivery models like shared services or selective outsourcing.

LESSONS LEARNT

As organizations increasingly indulge into outsourcing the human resource function, alongside there are many lessons being learnt and many discoveries are being made related to the intricacies of the process of change. As organizations go about implementing modifications in HR, some decisive lessons learnt are: To make outsourcing a success it is imperative that the top management gets involved in the whole process. Since it a process which involves a substantial change in the way an organization works it can work only when everyone from top management to the lowest level of the hierarchy are involved. Another aspect which needs to be considered is focus on assisting generalists build new proficiencies: several studies have found out that the respondents from many companies which went for outsourcing were of the opinion that their HR generalists had a dearth of certain competencies specifically thinking strategically, consultative support, business acumen and managing change effectively.

For a successful outsourcing arrangement it is always advisable to outsource clear processes which have a direct consequence for the company's output. Generally problems arise when companies try and outsource simplified processes along with other complicated and disorganized processes. Another very crucial learning is making a decision regarding the optimum number of vendors to be roped in. For this it is best to get few vendors and achieve the best out of them. It has been observed in several such contracts that lesser number of vendors yield grater satisfaction. It is also advised that companies should outsource considerable number of HR functions so as to derive advantages like streamlined vendor management, common processes, a single infrastructure and less interfaces. Some other things which can be considered are:

*In forming reporting relationships, it is best to evade burying from one person a capability that is needed by many.

*An organization shouldn't confuse shared responsibility with overlapping responsibility; jobs should have clear responsibilities and outcomes.

*Crafting a line of vision between employees and the broader HR strategy; the new HR model should be streamlined enough so that HR staff does not get trapped in rigid silos.

*It always proves to be of help if the organization concentrates on competencies that need to be refined or developed as the case may be in the new environment. For example: relationship management, and a strategic orientation.

*Lastly clearly laying down what will not be done through the HR outsourcing contract aids HR professionals to steer the change in the right direction.

The study highlights the fact that every organization has its unique way of handling its processes whether it is related to day to day tasks or one time deals which make a huge impact. Further the study reveals that the companies which managed the process of adopting the services from vendors were better able to accrue the benefits of HR outsourcing deals. Taking the case of Unilever's deal with Accenture Global services, the company made suitable arrangements to incorporate the potential changes in every aspect of its functioning post the HRO deal. In this direction it anticipated the effects of the deal on its overall structure and made the system ready to accept the change.

Hence it was able to manage the transition smoothly. On the other hand took a different route to HR transformation. The company bifurcated the HR workforce into two groups one which would manage their relationship with the vendor and the other which could act as a partner in the business. The organization started preparing the group which would oversee their relationship with the service provider. Various competencies required were identified and changes were made accordingly. Unlike Unilever the company did not launch a formal training program as it was not a requirement as per their culture. The transition for international paper has been successful as it has been able to reduce the number of HR managers from 1 for every 80 employees to 1 for every 140 employees.

Another aspect which the research puts forth is that there has been a shift from the traditional way of doing business with a single client in this case a service provider. Gone are the days when companies used to sign deals with companies with whom they had worked in the past or with the companies they trusted or the ones which had repute. But the scenario has totally changed today. Customization is the norm of the day. Organizations are ready to collaborate with firms which are providing services as per their requirement. The tailor made services are sought after and hence companies strike a deal with vendors who satisfy them in the best way even if it means spending a little extra. This change is a resultant of the shift in the core philosophy of organizations wherein HR which was initially viewed as the cost center is now viewed as an investment center.

IMPLICATIONS AND EMERGING ISSUES OF HR OUTSOURCING

With every HR outsourcing agreement there are a new set of responsibilities for the HR managers. Foremost is the new role of overseeing the relationship with the vendor. The HR department of an organization doesn't remain the same once the organization enters into an agreement to outsource. There are some fundamental changes which come in the post outsourcing arrangement. Foremost being that the HR department can't neatly segment itself into various functions. This is so because the areas left behind require HR to be embedded into the organizational policy and strategy whether it is being an employee champion or a change agent or a strategic partner.

A preliminary step for an organization to adopt any new process is preparing and modifying the existing structure for change. On the same lines a survey of 129 companies with approximately two million employees by Hewitt Associates (2005) found that around 70% employers revised the existing HR roles and policies, roughly 62% restructured HR department, nearly 55% formulated and conveyed a new strategy for HR function throughout their company and as much as 43% provided extensive training as a preparation before adopting the new role. Training and honest communication proved to be the vital tools to cope up with the concept which was totally novel for the companies

The HR outsourcing as a process is not a new concept. There are various trends which have been observed in this area of business. Many experts in the field are of the opinion that instead of being characterized by a single mega trend HR outsourcing has witnessed a plethora of congregating micro trends. In its survey "HR outsourcing and the HR function" in 2009 CIPD found that over a span of time most of the organizations surveyed had increased their HR outsourcing activities. A prominent trend according to researchers is that generally companies consider wider range of services to be outsourced but gradually tend to settle for considerably fewer.

In addition, they choose a specialized service provider for certain functions while initially organizations used to deal with single provider of services only. Another major trend observed is the fact that organizations are scrutinizing the HR outsourcing agreements like never before. Unlike the Lift and

Shift model which involves moving operations as quickly as possible to take advantage of lower wage rates, the operational inefficiencies and subsequent cost is not taken into account. The companies these days make sure that the agreement works well. Experts argue that HRO is generally best suited for organizations which have inherently look for arrangements wherein they can avail customized HR options. Also according to many experts outsourcing HR functions an option is better suited to small businesses as they generally look for an individual who can competently handle all the major functions of HR which is clearly not the case. Clients these days are signing deals with only those service providers who are able to fulfill their promises in terms of quality of service and economy of cost. There has been an increased involvement of the HR department into the whole process.

An altogether different trend is related to the pricing of the agreement. The organizations are toiling hard to make sure they maximize the return on investment that goes into outsourcing. Hence they are including rewards along with penalties in these agreements. Lockheed for example in its contract with PWC specified that the vendor will have to bear penalty if the expected targets are not accomplished. Yet another recent development is that organizations in order to optimize the cost of the agreement have started fixing the price of the service delivery per unit.

SWOT ANALYSIS OF HR OUTSOURCING

According to Ann Cobban Corporate HR manager at Buckinghamshire County Council (UK) “If outsourcing processes are implemented correctly and effectively it aids the organization to tap expertise and technology that are otherwise not available so easily”. There are certain opportunities provided by HRO to the companies. Among these are Expense Reduction, Management of time and saving effort, increased focus on core competencies, accruing professional expertise, increased employee morale and so on. Caruth.L & Caruth. D. (2010) in their study point out that HRO specifically acts as a source of enhancing the morale of employees since they know that specialists have been hired to look into aspects which involve their interests. Secondly it also provides the management a way to deal with persistent HR problems. Some others like Ulrich (1996) and Pfeffer (1997) have a different opinion. They argue that HR outsourcing may limit the ability of the organization to develop distinctive competencies within the workforce and it can also breed inefficiency because very often the vendors are unaccustomed with the client’s culture and overall strategies. Some other threats reflected by (Lawler and Mohrman, 2003) were that it can also lead to poor quality of service, vendors with inadequate knowledge of the business and hence can lead to higher cost than projected.

There are certain consequences of HR outsourcing on the efficiency and effectiveness of HR. For HR outsourcing to be a success it is imperative that the cost of HR service to the rest of the business is well understood. Woodall.et.al (2009) in their study reported that most of the HR directors in a firm are able to comprehend only 75 percent of the cost base of their companies. The findings of the study were contrary to the general belief of the Resource Based View and Transaction Cost Approach that HR outsourcing enhances the overall HR function. It was revealed after the analysis that in many cases HR outsourcing led to the attenuation of in-house HR knowhow. There were other unintended outcomes of the downsizing brought by outsourcing HR functions which were problems with knowledge management and corporate memory.

These findings are in consonance by the earlier findings of a study by Ulrich (1996), Pfeffer (1997), (Lawler & Mohrman, 2003). It is therefore a possibility that HR outsourcing in certain cases may increase the cost of the HR function as there arises a need for training and development and replacement of held back HR staff. In some cases especially in smaller organisations it led to no one being responsible for the overall HR function in the company. In SMEs there have been issues related to speed of delivery, supplier invoicing and so on. All this has hence resulted in the dilution of control of the management over the HR function. There are also certain hidden consequences of outsourcing HR functions of a firm. Although often advocated it is difficult to re assign the HR who remain with the organization to higher value added work. There were a plethora of problems like De- skilling, Job Enlargement and new skill shortages which could only be rectified by swelling the HR budget (Woodall, Gurney, Newham, Jackson, 2009).

HR OUTSOURCING TRENDS

Increased Customization: HR processes in every company are unique and hence the services offered by consultants need to vary and suit the requirement of the client. But often customization for every aspect for each company is a demanding and expensive proposition. So vendors these days are going for mass customization where they try to incorporate the needs of their clients across the outsourced function in a way which best suits their requirements.

Integrated Systems: Companies are now opting for more integrated systems which help them derive large economies of scope by increasing the revenue per employee and spilling the overhead costs. It is likely that firms these days are not giving the entire HR services contract to a single company but are splitting the work into many key players in the market. With this there is another associated key trend that is the growth of intermediaries. These help in developing the alliances and joint ventures with specialized providers.

Multiple Service Providers: Enterprises now prefer to deal with different service providers for different HR needs. This has become essential so as to derive the best out of every deal. As no single service provider is capable of providing all the processes the relevance of hiring multiple service providers by the same organization becomes all the more crucial.

Development of Human Capital: The aim of development is to ensure that employees' capabilities may be enhanced to suit the job requirements in the best way. There needs to be a constant scrutiny of the skills of employees so as to match the frequent organizational changes. In this context service providers have a significant role to play. When the organization signs an HR outsourcing agreement the service provider helps the organization in assessing the developmental needs of the employees precisely. This in turn correlates employee talents and organizational objectives.

SUGGESTIONS

Many organizations fail to realize the actual benefits which outsourcing can give them because in their fervor for what goes out they neglect what stays in the organization. Managers need to understand that outsourcing represents a unique opportunity to metamorphose the overall structure, organizational design and strategic primacies of HR. For the remaining HR it is an exceptional chance to enhance the value which HR adds to the business. It is hence instrumental not just to carry out this process of transformation smoothly but also retain this post the process. For this the HR needs to have lucidity of vision as to how this conversion fits into the overall strategy of HR and the organization. Some steps which the organization can take so as to ensure success in all the phases of outsourcing can be:

- *Affixing HR outsourcing in the business strategy;
- *Defining a champion for the outsourcing initiative;
- *Evolving a vision and strategy for the retained HR;
- *Accruing right people with the right abilities and right outlook and
- *Managing the cultural differences in global HRO deals

Managing culture has been a very crucial determinant of the success of any outsourcing deal. The following key areas, initiatives can be taken in consideration while managing cultural differences within any HR Outsourcing deal:

Providing Cross-Cultural Training & Education/Development: The efficiency of deals across cultures can be increased many folds by training employees to cultivate cross cultural communication skills and develop sensitivity and acceptance for differences based on culture.

Developing Cultural Synergy: The efficiency of deals across cultures can be increased many folds by training employees to cultivate cross cultural communication skills and develop sensitivity and acceptance for differences based on culture.

Stakeholder Map & Risk Assessment Plan: Analysing the deal from varied perspectives and assessing the risk before the deal is finalized and even during the implementation of the agreement are vital tools. It is also important to strategically think about the risks and alleviate them from the very beginning.

Techniques to Resolve the Cultural Shock: The inability on the part of the client and the vendor to identify cultural issues and take actions can lead to a state of “culture shock”. Organizations can undertake various initiatives to lessen the impact of such a shock by coaching, counselling, and training their employees.

Creation of Trust between the Vendor and Client: Differences in the cultures of the client and vendor is a major source of conflict and misunderstanding specifically during the first few stages of the deal as there is a less of trustworthiness established by then. So the initial aim of both the parties should be to develop trust amongst each other.

Communicating Effectively: An organisation spends majority of its productive time in transactions which are both tangible and intangible in nature. Communication plays the most important role in the intangible type of transactions. An organisation hence needs to pay attention to the communication processes and ensure its effectiveness.

Effective Change Management Processes: Change is inevitable for any organization to sustain itself in the dynamic and ever changing environment and it is a tough task to manage any change in business. This becomes all the more difficult in multicultural organizations. Hence sensitivity increases many folds in the outsourcing industry which are a conglomeration of cultures.

Strong and Active Corporate Governance: Using robust and vigorous governance model to accomplish the outsourcing relationship and moderate cultural differences is the key to any successful outsourcing deal. It is not enough to sign up and hand off projects. Instead, effective outsourcing agreements necessitate active participation and a focus on facts. This is possible only when organisations implement transparent governance and rules.

Visionary Leadership: Last but not the least a visionary leader is the essence of any organisation to accomplish projects and excel. Hence a leader with a vision and takes organisation on the path to attain excellence.

The HR managers need to appreciate and communicate the possible impact of the HRO on the business. It is here where it can be established that such an arrangement not only benefits the specific department but is also an asset for the entire organization. For example, at British Petroleum, the outsourcing of HR was done in consonance with a broader organizational initiative to e-enable all business processes. This was done to create a support structure for the company which was emerging through fierce acquisitions. Ensuring the success of an HR outsourcing arrangement is not the responsibility of only the HR managers or the management but every stakeholder in the organization needs to pitch in. For this the companies need to identify people with leadership passion who can serve as catalyst for this process of transformation. Outsourcing HR components serves as a chance to recreate the way HR has been working traditionally. Hence it is of great importance to formulate a plan for the HR held back. Some of the facets which need to be addressed relate to the management of growth, productivity, talent and expectations of HR. Getting the appropriate people for the arrangement is as crucial as the above discussed facets. The skills required for an in house HR function are very different from the ones required while outsourcing the same. So the management needs to consider this variance and hence get those people who are apt for the changing scenario. The skills which pertain to an outsourcing scenario are more connected to relationship management, negotiation ability and the knack of creating synchronization between the internal and external players.

CONCLUSION

The outsourcing industry is bound to grow at a rapid pace with increasing pressure from the market to ensure alignment and focus on the core competence. Delegation of various processes to the outside vendors frees up the resources and capital for areas which are substantial contributors to achieve competitive edge and help the business grow further. From a legal standing the entrustment of crucial functions like HR carry a plethora of risks along with opportunities. These risks need to be analyzed and anticipated so that the related measures could be adopted well in advance before the actual implementation of the agreement takes place. The above examples and accounts also signify that there are two ways to an outsourcing arrangement one based on Trust and cultural transition and the other is the painful way. The choice at the end lies with both the parties to the contract.

Finally, the relationship between individuals and their organizations is becoming increasingly transitional; raising the need for excellent talent management system for issues inside and outside HR. For managing this increasingly marketable and transferable talent HRO has proved to be valid solution. Hence HRO continues to become a more commonplace tool that organizations employ to both help HR groups accomplish more tactically as well as improve the efficiency and effectiveness of core HR service delivery.

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