



A Study on Benefits and Risks of Outsourcing Human Resources Management Functions in Organizations.

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ABSTRACT

The main purpose of this paper is to find the benefits and risk in outsourcing human resources management functions in organization. It also states how the outsourcing function has been practiced in the organization and also gives clear information about the necessary of practicing the outsourcing functions. This article helps to list out the outsourcing functions and also finds the reason for problems in outsourcing.

KEY WORDS: Outsourcing, Third Party, Threats, Opportunities, Advantages.

OBJECTIVES:

- To find out the advantages and disadvantages of outsourcing human resources functions
- To analyse the opportunities and threats by utilizing the outsourcing activity
- To determine the future human resources management systems and functions.

SCOPE:



This study helps to find the impact of outsourcing human resources activity by the organizations. It also helped to analyse the future of human resources management system into the organizations.

INTRODUCTION

Outsourcing: To contract out certain business task, previously performed internally to an independent outside organization. Out sourcing is a common trend which is used mainly in IT industry and now implementing more in Human Resources functions.

Human resources management is a process of managing the employees into the organization and also to assign the right job to the right people at the right time. This department plays a vital role in all the organization, were they have to look about the company employee turnover and also have to keep a look on employees performances with the level of satisfaction. Human resources outsourcing is a process in which the human resources activity of an organization is outsourced so as to focus on the organizations core competencies. Often human resources function are complex and time consuming that it will create difficulty in managing other important trust areas. Out sourcing is promoted as one of the powerful trends in Human Resources Management. Now-a-days many companies have started practicing the outsourcing services for the company purpose and to utilize the new technology. This article gives you a proper justification of the benefits and risk which arises due to outsourcing human resources activities. This paper is a conceptual one in which all the information has been gather through referring the related articles of outsourcing activities the benefits and risk.

Outsourcing Functions in HR Department

- Recruitment and Selection
- Temporary Staffing
- Back ground Checks
- Training and Development
- Executive Coaching

- Health Benefit admin
- Employee Benefit admin
- Pay Roll
- Retirement Plan
- HRIS (Human Resources Information System)
- Employee Relocation
- Wage and Salary Admin
- Employee Assistance/ Counseling
- Policy Writing

Human Resources outsourcing makes sense as a way for similar companies to transform and get expertise without hiring in additional personal at high salaries. This paper explains about the advantages and disadvantages of the outsourcing functions by analyzing many different articles.

LITERATURE REVIEW:

Varun Grover, Myun Joong Cheon & James T.C. Teng, Dec 2015, they justifies that many corporation has been made contract with outsourcing functions and this paper mainly concentrates on Information System Functions. It examines the new trends and gives 5 important activities as application development, telecommunication, system planning and management, system operation and end use support. They analyzed the result by gathering data from more than 100 executives by survey and came into result as outsourcing function has been highly implemented in telecommunication and system operation. The quality of the service and relationship with the vendor in information system is very good in mutual understanding, better co-ordinations and good in communications.

Peter Brown, 2010, in this article it clearly shows the existence of truth of advantages in HR outsourcing. This paper states that it is an easy and time consuming work to outsource the HR activities. In the same paper the author states



that not all the HR activities are good to outsource, only few functions which can be outsourced by which one can save the time and cost. It explains which activities can be given out side to third party to perform the function to get better results. It has been analysed and took a research in Accenture Company concentrating only on HR department. The main motive of this article is to make awareness about the importance of outsourcing some functions from HR department to the staffs of the organization.

Monica Belcourt, June 2006, this articles explains the benefits of outsourcing Human Resources activities. It states that outsourcing the HR activities is helps to save the time, financial savings and one can also utilize the expert opinion to get the right people to the organization for better performance. Though it has a more value by doing this activity it has some risk too. The problem occurs during managing and controlling the activity which has been outsourced, every employee may not happy by selecting them through other consultancy than the company. Here the employee engagement may fall into critical situation.

Oya Icmeli Tukel, Walter O Rom, 2006. This paper explains two factors into detail. One is to identify the structure of outsourcing in last two decades till year 2006 and another one is to find the gaps between the researches on outsourcing and to give suggestion for future purpose. This article is prepared with the help of analyzing more than 200 publications with different approaches. It states that outsourcing HR functions has become a common practice in all the organization, the main purpose is to utilize the new technology in to their company at the same time the managers are facing many critical issues in this activities because of lack in relationship with their subordinates.

BertrandQuelin, 2006, this paper analyses the results of outsourcing activities by concentrating in one organization. The author identifies mainly four issues into the company – engrossed with main business and decrease in cost of capital has been linked, giving opportunities to other experts to get a better performance into the organization,

operation cost has been reduced because of outsourcing and it also helps to balance the expenses for suppliers.

Bin Jiang and Amer Qureshi, 2006, this paper mainly focuses on the gap between the literature review about the benefits and risk of outsourcing functions and also gives suggestions for future opportunity in outsourcing system. They mainly focused on implementation of the outsourced activities and identified the advantages and disadvantages of the activities. They stated that outsourcing may leads to revealing the secrets of the organization to others which may cause problem in future.

Lilly, Juliana D; Gray, David A; Virick, Meghna. Journal of Business Strategies; Huntsville Vol. 22, Iss. 1, (Spring 2005): 55-73., it's a theoretical paper in which they have highlighted about the issues occurs in Human Resources performance by the impact of Human Resources outsourcing. Due to this emerging new trends in Human Resources outsourcing activities many of the HR executives losing their jobs and also find difficulties in their daily activities. It also stated that HR outsourcing has affected environmental issues and HR department.

Jeroen Delmotte and Luc Sels, this paper describes about outsourcing human resources functions in detail by dividing into two criteria as positive or negative or both. Positive element as cost cutting and negative element as losing the job by employees but from the company side it's again a positive thing as reduction of HR Staff. The company mainly focusing on cost cutting rather than thinking about staffs. Finally they concluded with resulting that the organization concentrates more on strong strategy on Human Resources and the level of Outsourcing functions. This may create an impact on the company HR activities and satisfaction of the internal HR executives.

John Hindle, 2005, this paper shows positive results on HR outsourcing activities into the organization. It stated that the company is mainly concentrated on increasing the return on investment and cost cutting factors into the company. It also gives a proper classification of success in outsourcing HR activities and also highlighted the advantages by performing the outsourcing activities into the organization. This paper



also brought better ideas and suggestions for maintaining a good relationship with vendors and also for better and proper practice in HR outsourcing.

Glenn Davidson, 2005. This article concentrates on advantages of outsourcing HR functions in organizations. It also proved that many company has started practising the consultancy services for HR functions. This helps to reduce the cost and also helps to reduce man power into the organizations. It also helps to reduce the work stress of the employees in the organization. The outsourcing plays a vital role in every organization especially in HR department.

Tomas F Espino- Rodriguez, 2003, it mainly concentrated on hotel industry. It states that outsourcing is a better way to perform in the hotel industry. As compare to other sectors outsourcing is an easiest way to assign the people at the right place for the right job. This may help them to concentrate on core duties and helps to reduce the waste of time in selecting and recruiting the people for the respective place. This study shows that the managers and the management are very much satisfied with outsourcing the Human Resources functions into the company. This practice will help to reduce cost for operations and also helps to time saving in operations.

Christine Harland, this paper concentrates on analyzing the risk and benefits of outsourcing other activities into the organizations, sectors and nations. It's a large way of researching about the factors in detail about the outsourcing activities into different sectors. They also stated that outsourcing activity may not suitable to all the sectors, as some of the sectors should maintain their secrets and strategy as top secrets. If those sectors practice the outsourcing functions it may lead to loss of secrets and also finds many issues due to leakage of strategies. On the other hand outsourcing is very helpful to consume the time and money.

Charles R. Greer, Stuart A. Youngblood and David A. Gray, this article mainly discuss about the Just In Time (JIT) concept which is used by many organization in Human Resources Department. Here the Human Resources buy or sell the employees to other organization to reduce the wastage of time and cost. This paper brought the result by making a survey with 25 organizations and conducting interviews with some HR

executives. With the help of the survey it stated that many companies use the outsourcing concept for both strategic purpose and operational concept. With the help of this analysis they concluded with a suggestion that every organization should concentrate on selecting vendors, controlling the outsourcing activities, managing vendor relationship and supervising trader performance. This strategy has been gave a huge value into the market and to the organization.

Step by step to successful HR outsourcing: It takes plenty of effort to ensure the best results; the purpose of the paper is to explain about the importance of HR activities and growth of the outsourcing into the organization. With the help of analysis this paper gives a brief introduction on step by step process of HR outsourcing into the company. This also examines that it has a long process to bring better results into the organization. This paper also shows that outsourcing the HR functions helps to reduce operation cost and reducing manpower into the organization. Many of the company started practising the outsourcing contract to reduce the stress to the employees and also it will help to concentrate on other core work in to the organization.

CONCLUSION

Outsourcing is an on-going activity by which the third party will work for the respective ordering people to give a better performance. With the help of analysing the actual fact about outsourcing human resources functions by reviewing related articles on Google scholar, it came into result about the benefits and risks in outsourcing HR functions. Outsourcing has been played a vital role in every organization, where it has an equal number of threads as well as opportunities. By analysing the literature review, outsourcing the HR functions has a many advantages like cost cutting, time consuming, utilizing the new technology and utilizing expert advices to earn a better performance and on the other hand it has a disadvantages too. Disadvantages include lack of secrecy, low in employee engagement, lack in employees and management relationship, loss of jobs by the HR executives, etc.

Outsourcing Human Resources Functions has both threads and opportunities into the environment. This article is mainly focused on determining the benefits and risk into the organization by practising the outsourcing HR functions with the help of third party. The main motive of this article to find out the number of benefits is more than risk or vice versa or both have an equal important in outsourcing HR function. With the help of this article it can be stated that outsourcing activities in HR department is very much useful for every organization and also it helps to increase the rate of interest. It also helps to concentrate on core work in to the organization by the employees with a good output in performance. It has been expected to be practised by every organization in future.

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