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Human Resource - Strategy and Outsource

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ABSTRACT: Perspectives do change and it has now, for HR. On careful observation, one can clearly see the shift that is occurring in the way HR is perceived and is expected to function. Shifting workforce demographics, rapid changes in technology and the globalization of world economy have resulted in a shift in the way businesses operate and consequently the way HR functions.

Usually, at least in the past, HR has had the misfortune of being considered as a necessary, but yet unessential or unproductive department in an organization. It was considered an administrative doer rather than a strategic partner and catalyst. HR in that context merely meant regular administrative & record-keeping functionalities. This perspective though, has rapidly changed in today's knowledge era.

Well, what made the perspective change? Just as every era had a primary source of wealth creation, as in land in agrarian era; the primary source for wealth creation in the knowledge era is Human capital. Although technology and other resources have dramatically changed the way business is conducted; it is, nevertheless, the people who utilize it, that make all the difference.

I. INTRODUCTION

According to the American Society for Training and Development (ASTD): "A high-knowledge, multi-skilled workforce is the most important competitive resource available to organizations today. Instead of an economy organized around mass production, recent years have witnessed the rise of an economy dominated by technology and service industries that emphasize innovation, speed, cross-functionality, and strong customer relations." [1]

The above quote is a reflection of what we are seeing in today's highly volatile and competitive business environment; where technology, trends and consequently workforces are in a state of constant flux. It is in this light that HR is being perceived differently and is being elevated to a leadership role & that of a key business partner.

II. THE CHANGING FACE OF HR

In this new model, HR assumes a more strategic role. It contributes towards the planning, formulation and accomplishment of organization objectives. It then creates its own objectives in line with the overall business objectives, thereby impacting every aspect of its services.

One of the synonyms of this knowledge era is change and consequently unpredictability. Here, HR plays a key and pivotal role in identifying the capability gaps that consequently arise. A capability gap is the difference between the ability of existing systems to meet operational requirements and of what's expected of it. It's the lack of knowledge, skills and abilities in the current system to meet set organizational/individual goals or expected capability. You can read more on capability gaps over [here](#).

It identifies these gaps and works closely with the management to fill these gaps by obtaining the appropriate resources, training available resources and through other means. Successful

organizations are those that are flexible and are quick to adapt; needless to say the HR department plays a crucial role in this process of adapting.

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As a link between the employee and the employer, the HR manager, plays a key role in advocating cordial relations between the two. The professional is required to have a deep understanding of people and of their roles, so as to create a work environment that's friendly, motivating and productive.

The HR advocates the objectives of one group to the other. As an advocate of the employee, the professional creates development and growth opportunities, benefit plans, assistance programs etc for the benefit of the employee. She is also expected to develop strong employee relations, to not just spot problems early, but also to work collectively and solve them.

On the flip side, as the employer's advocate, it is her responsibility to build a spirit of employee ownership of the organization, create a sense of responsibility and urgency and set goals which are in line with the organizations objectives. Once this is done, she is to measure & maintain these and ensure that the organization is on its way to achieve its objectives.

It is also the responsibility of the HR to champion change in the organization, as and when required. It's up to the HR to bring about the changes with the least amount of employee dissatisfaction.

For all of the above to happen, she is to work closely with each and every department of the organization and for that, it is pivotal to have a strong understanding of the different departmental functionalities and stays up-to-date with each of these. It is also pivotal that she develops strong consultative skills, to keep the communication flowing between the departments and the management. Now, although some of these duties have always been performed by the HR department, it's in the increasingly consultative & strategic partnership role that we find the new and changing role of the HR.

Is HR able to scale up to this challenge?

While HR is required to scale up to meet this challenge, it is constantly deterred by the usual, time-consuming & complex administrative functions. Added to this, are several other concerns like, managing an HR department that spans across geographical boundaries and others. It is this deterrence that prevents it from performing the role that it has to. While this is the case, it has become pivotal & necessary for HR to focus on key strategic issues.

So, what can be done to deal with the deterrence?

Several companies have tried outsourcing several or all of their administrative HR functionalities. Having done so, these companies have reported being able to free themselves from these time-consuming tasks and have been able to direct their focus to key strategic human capital issues. This way, HR has been able scale up and play the role of a strategic business partner.

Outsourcing HR processes brings along with it **several other benefits**, such as:

- Increased efficiency & decreased cost
- Workforce capability and efficiency can be fully optimized
- HR infrastructure can be streamlined
- Diverse HR services can be offered
- Quality of HR services offered will be enhanced
- HR staff will have access to subject-matter expertise which was previously not available in-house, allowing for collaboration of ideas
- Benchmarked data can be easily generated, enabling management to make smart decisions
- Overcome inhibitions like lack of time and expertise in keeping pace with ever changing legislation & details
- Ensure legal compliance and avoid penalties
- Enable decision making that is independent of employee factions and loyalties

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- Manage transformation or change easily in case of a spin-offs or acquisitions, with the additional and ready resources offered by 3 rd party providers
- Ensure usage of best practice processes and technologies. Get over with usage of outdated technologies and practices
- Better employee services, leading to improved employee satisfaction and consequently, retention
- Cut costs of non-strategic activities
- Reduce internal administrative effort
- Reduce the capital expenditures required to upgrade and maintain HR systems
- Ensure highly secure back-up facility for data security
- Cut costs on training and on staying up-to-date on non-core business activities
- Reduce employer risk, by ensuring that no HR work is left undone
- Save time and money that may have been spent on correcting HR errors and dealing with disciplinary problems
- Increased service levels
- Improvement of internal processes
- Consolidation of business processes across divisions
- Avoid lack of capabilities

III. OUTSOURCING CONCERNS

Fears associated with outsourcing are bound to arise, which is only natural and hence, understanding the factors that are associated with outsourcing need to be carefully considered before any decision is made.

Total Outsourcing HR does have a few drawbacks. There is nothing like having an HR professional in-house “in the flesh”. This professional can be the interface between the employer and employee, furthering each others cause simultaneously. In particular, she could build employee relations, identify and work to solve problems, address their concerns (someone they could turn to for help), create benefit plans and give out compensation perks etc; in essence, play the consultants role, of which we spoke earlier. An organization requires an internal staff/capability to address these concerns and is therefore highly recommended.

- Other outsourcing concerns include:
- Security of critical data, employee privacy and of transactions
- Resistance from within the organization
- Lack of knowledge on vendors end
- Issues with cultural mis-match
- Having to manage a difficult relationship with a vendor etc

Nevertheless, it is a myth that none of these concerns can't be resolved at all. It is important therefore, that care be taken at the point of choosing a vendor, to choose one that addresses all of these concerns.

Good quality vendors on their part, ensure that each of these concerns is addressed. Some of the ways they do so are by offering a highly secure back-up facility to protect data and to retrieve data in case of system crash, keeping themselves up-to-date with new developments, prepare themselves to be culturally compatible etc. You can also link up a “Beakware security article” here.

IV. CONCLUSION

The way businesses operate have changed tremendously over the past few years and consequently, the role of the HR department. In such a scenario, HR professionals are required to quickly scale up and the department as a whole, needs to make the transition from that of a mere administrative ‘doer’ to that of a 'strategic business partner'.

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This process of transition is unfortunately slowed down by many of HR's own problems. This not surprisingly, is always the case when a change takes place. But thankfully, along with the problem, comes the solution too. In this case, it is HR outsourcing.

HR outsourcing is a widely accepted practice and has come to stay. Companies are increasingly realizing the benefits of outsourcing, how it helps in utilizing resources and staying ahead of

competition. Outsourcing can now help organizations leverage technology and expertise to draw value of their non-strategic processes. Times change and new trends come in, the same has happened with the erstwhile era and now with the change, trends like outsourcing have come in. Organizations now need to decide not whether they will outsource or not, but rather, when and how they will outsource.

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