
The Impact of HR-Outsourcing On The Performance Management System Of The Organisations With Special Reference to IT And Pharmaceutical Industry

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ABSTRACT

To survive in a competitive global market and to accomplish long term growth, organizations need to develop and focus on their core competencies. Organizations need careful planning and strategy implementation to increase productivity levels and to change the beliefs, attitudes and values of employees. This is important as employees be in a better position to adapt to new technologies and future challenges. Practice in business and economic activities are ever changing. Most industries have transformed completely from manual processes to, automated and computerized technologies Revelations indicate that manufacturing industries have come up with sophisticated products that require man power with special skills Moreover, information communication technology usage and faster information flows have revolutionized way of life and the way businesses operate. The needs and demands of consumers are forcing organizations to change and restructure to ensure that they keep up with market demands. All of these factors are facilitating organizations to change in order to survive, and it is clearly evident that only the competent organizations succeed.

To do that, organizations need to focus on main and core competencies while contracting noncore and repetitive functions to an external service provider who will carry out that function as one of their core activities. This outsourcing strategy can allow organizations to focus on their core competencies to increase efficiency without spending time to invest in people and technology. This production strategy facilitates the organizations to become increasingly profitable, and better be able to cater to local and international customer base. Outsourcing can be defined as an organization delegating their non-core functions to an external organization that provides a particular service, function or product. Market changes reveal that outsourcing is no longer confined to information technology (IT) services, but has expanded to financial services, banking services, engineering services, creative services, data management services, hospitality and clinical laboratories or laboratory medicine, and human resource management (HRM) Outsourcing the Human Resource (HR) function is one of many ways to improve an organizat

Need of the study

The overall purpose of the study is to explore and explain HR outsourcing by the select organizations. The primary purpose of this research is to test this concept of human resources outsourcing in the organizational environment. The research hypothesis and the objectives were made to study the over all reasons, benefits ,performance and achievement of individual and organizational objectives.

SIGNIFICANCE OF THE STUDY

Modern organisations strive for the number one position in the era of global hyper completion. For this, the organizations need to concentrate on their core competencies and strategic business rather on wasting the time on the routine, repetitive administrative burden hampering the productivity. The study attempts to find out the facet of various dimensions behind human resources outsourcing process. The present study takes into account intrinsic and extrinsic factors affecting the HR outsourcing parameters of the selected organizations.

The study is needed to gain information as to the factors that affect HR outsourcing process in the selected organisations of Information technology and Pharma industries. The study will add to the existing existing information to find out the gaps between existing and new trends with respect to HR outsourcing. Thus, the study will facilitate the HR outsourcing a considerable option by many organizations in the future.

INTRODUCTION TO OUTSOURCING

Outsourcing is simply getting work from the external sources, which is done previously inside the organization. If external organizations or business entities have specialized in an activity which is not strategically important to business-and is able to do it cost effectively, it is recommended to get it done outside specialists. Organizations get benefitted from excellent quality, reliable supply and cost effectiveness. Organizations can focus exclusively on the core competencies which can enhance their competitive advantage.

Core Functions of human resources management which are Outsourced by the organizations.

-) Recruitment & Selection
-) Background checks
-) Training and development
-) Performance Management System
-) Executive development and coaching
-) Compensation Management
-) Employee relocation process
-) Union and labor relations process
-) Employee grievances
-) Expatriate administration
-) Health care benefits administration
-) Human resources information system
-) Strategic Business planning
-) Risk Management process
-) Retirement planning
-) Pension and benefits administration.

Research Methodology

Research design

Formulating the research problem to find out that after a prolonged study observation, discussion and interaction with experts, the researcher has identified “HR Outsourcing “has become very important phenomenon in the corporate environment. Defining the problem is the consequence of the efforts of made by the researcher in a systematic manner. Further, the selection of the broader problem of the research problem is formulated into: IT Industry-IT HR managers and employees Pharma Industry-Pharma HR managers and Pharma employees. It makes the researcher more interested to find out that subjective factors of HR outsourcing in IT Companies and Pharma companies had the differential impact on the individual employees and the organizations. The effect of HR outsourcing functions in both the industries depends upon the nature of various affecting factors in both the industries. Finally, the research problem was formulated on the basis of practical observation of the contemporary issues in Pharma industry and the IT Industry because of their present relevance.

Sample size

Employees and HR Managers of Pharma and IT industries located in Hyderabad and Secunderabad are taken as sample size.

SAMPLE DESCRIPTION

Type	Frequency	Percent
Pharma Employees	150	47
IT Employees	170	53
Pharma Managers	26	62
IT HR Managers	16	38

Sources of Data

Primary data was collected from IT employees and managers, Pharma employees and managers through structured questionnaire method, followed by interviews and interactions with employees and HR Managers in both the selected industries.

Complete information about the organisations is not furnished because of the confidentiality matters.

Secondary data was collected from textbooks, journals, magazines, periodicals, and websites.

Sampling Technique:

Simple Random Sample is the most effective method used to collect data from the respondents of the two select industries.

Use of statistical tools: The nature of the study is descriptive where the universe and population is workforce of Pharma and IT industries from Hyderabad city. The samples are collected from both employees and human resources managers. The sampling technique used is convenient sampling. The instrument used for obtaining the data is a structured questionnaire. The sample size of employees for Pharma and IT are 170 and 150 respectively. The sample size of managers for Pharma and IT are 16 and 26 respectively. The scaling technique used for the sample variables is likert scale ranging from 1 to 5 points. Period of study is 2013-2014. The statistical techniques and tool used in the study are KMO Bartlett test, Scale reliability testing, factor analysis, mean, standard deviation, correlation, t-test and ANOVA test and software used is IBM SPSSv 20.

Objectives of the study

1. To understand the important areas of human resources outsourcing functions in the selected industries.
2. To explore the reasons and the possible benefits of Human resource outsourcing in the aspect of Performance Management system in the selected industries of IT and Pharma.

Scope of the study

The scope of the study is confined to the Pharma and IT industries .

Limitations of the study:

1. The research is confined to Hyderabad and secunderabad only.
2. The sample size is 320 Employees (IT=170 and Pharma=150) Managers= 42 (IT=16,Pharma=26).
3. Direct access with the respondents was restricted and possible Interview method was not possible.

Impact of HR outsourcing on the employee and the organizational Performance

Introduction: HR outsourcing has considerable impact on the employee and the organization. Different parameters influencing the HR outsourcing decision are studied from the employee Perspective and the organizational perspective. It is always recommended for the organization to improve and upgrade the HR systems in order to improve the overall performance in tune with the changing business environment. HR department is no exception to this. As a HR manager, one has to oversee that by imbibing and internalizing the change process. The organization should not incur any risk and major responsibility which disturbs the normal functioning of the organization.

Performance management plans

Performance management plans are like route maps to the employee and the organization. They give the correct direction to the employee. HR managers assess the current performance of the employee; communicate the organizational performance standards to the employees. That would help to leverage individual employee performance in conformity with the organizational objectives. The data is processed and furnished the tables 4.45 and 4.46.

Table: Mean and SD values of PMS

Variable	Industry	N	Mean	SD
Performance planning and goal setting	Pharma	26	3.6154	0.49614
	IT	16	3.4375	0.62915
Performance evaluation	Pharma	26	3.6154	0.49614
	IT	16	3.4375	0.62915
Development planning	Pharma	26	3.4615	0.94787
	IT	16	3.6875	0.60208
Mentoring and training	Pharma	26	3.3846	0.6373
	IT	16	3.25	0.93095
Leadership development	Pharma	26	3.7692	0.71036
	IT	16	3.125	1.0247
Overall performance management system	Pharma	26	3.7692	0.81524
	IT	16	3.5	0.8165

Source: Calculations from data using SPSSv.20

From the table 4.45, it has been observed that the HR managers of both the industries are moderately satisfied with the present performance management systems (PMS) of HRO. The same was reflected in the mean and SD.

Table 4.46 Showing f-values and p-values of PMS in two select industries

Variable		Sum of Squares	df	Mean Square	F	p-value
Performance planning and goal setting	Between Groups	0.313	1	0.313	1.04	0.315
	Within Groups	12.091	40	0.302		
	Total	12.405	41			
Performance evaluation	Between Groups	0.313	1	0.313	1.04	0.315
	Within Groups	12.091	40	0.302		
	Total	12.405	41			
Development planning	Between Groups	0.506	1	0.506	0.73	0.4
	Within Groups	27.899	40	0.697		
	Total	28.405	41			
Mentoring and training	Between Groups	0.179	1	0.179	0.31	0.581
	Within Groups	23.154	40	0.579		
	Total	23.333	41			
Leadership development	Between Groups	4.111	1	4.111	5.8	0.021
	Within Groups	28.365	40	0.709		
	Total	32.476	41			
Overall performance management system	Between Groups	0.718	1	0.718	1.08	0.305
	Within Groups	26.615	40	0.665		
	Total	27.333	41			

Source: Compiled questionnaire data using IBM SPSS20.

H_0 : There is no significant difference in the levels of satisfaction of managers about the performance planning and goal setting, performance evaluation, development planning, mentoring and training, Overall performance management system of PMS between IT and pharma industries.

H_a : There is a significant difference in the levels of satisfaction of managers about the performance planning and goal setting, performance evaluation, development planning, mentoring and training, Overall performance management system of PMS between IT and pharma industries.

To test the hypotheses independent t- test is applied and the test results are furnished in the table 4.46. It is clear from the table that the calculated t-statistics at 40 degrees of freedom and p-values for the components of PMS are 1.04 and 0.315, 1.04 and 0.315, 0.73 and 0.4, 0.305 and 0.581, 1.08 and 0.31. The p-values are more than 0.05. Therefore, the null hypotheses is accepted at 5% level of significance, which means that there is no significant difference in the levels of satisfaction of managers about the performance planning and goal setting, performance evaluation, development planning, mentoring and training, overall performance management system of PMS between IT and pharma industries. HR outsourcing in terms of components of PMS .Here the data is processed and furnished in the tables 4.47 and 4.48.

Table 4.47: Showing mean and SD values of Performance Management System

Variables	Industry	N	Mean	SD
Concentrating on core competencies	Pharma	26	2.0769	0.74421
	IT	16	2.375	0.7188
Conducting performance appraisals	Pharma	26	2.0769	0.62757
	IT	16	2.375	0.7188
Relieving Administration burden	Pharma	26	2.1538	0.54349
	IT	16	2	0.89443
Improving HR efficiencies	Pharma	26	2.2308	0.58704
	IT	16	2.25	0.85635
Internalizing vendor knowledge	Pharma	26	2.2308	0.58704
	IT	16	1.875	0.80623
Organizing well designed training and development program	Pharma	26	2.4615	0.50839
	IT	16	2.25	0.68313
	IT	16	2.625	0.5

Source: calculations from edited data using SPSSv20.

From the table 4.47, it has been examined that the managers of the both the industries are not quite happy with the improvement of organizational performance in terms of concentrating on core competencies, conducting performance appraisals, relieving administration burden, improving HR efficiencies, internalizing vendor knowledge, organizing well designed training and development programs. The same could be reflected in their respective mean and SD.

H₀: There is no significant difference in the improvement level of organizational performance in terms of concentrating on core competencies, conducting performance appraisals, relieving administration burden, improving HR efficiencies, organizing well designed training & development programs between Pharma and IT industries

H_a: There is a significant difference in the improvement level of organizational performance in terms of concentrating on core competencies, conducting performance appraisals, relieving administration burden, improving HR efficiencies, organizing well designed training and development programs between Pharma and IT industries.

Table 4.48: f-values and p-values of HRO Vs organizational performance improvement in two select industries

Variables		Sum Squares	of df	Mean Square	F	p-value
Concentrating on core competencies	Between Groups	0.88	1	0.88	1.63	0.209
	Within Groups	21.596	40	0.54		
	Total	22.476	41			
Conducting performance appraisals	Between Groups	0.88	1	0.88	2.001	0.165
	Within Groups	17.596	40	0.44		
	Total	18.476	41			
Relieving administration burden	Between Groups	0.234	1	0.234	0.484	0.491
	Within Groups	19.385	40	0.485		
	Total	19.619	41			
Improving HR efficiencies	Between Groups	0.004	1	0.004	0.007	0.932
	Within Groups	19.615	40	0.49		
	Total	19.619	41			
Organizing well designed training and development program	Between Groups	0.443	1	0.443	1.317	0.258
	Within Groups	13.462	40	0.337		
	Total	13.905	41			

Source: calculations from edited data using SPSSv20.

To test hypotheses independent ANOVA-test is applied and the test results are furnished in the above table. The calculated f-statistics at 40 degrees of freedom and p-values for core competencies, conducting performance appraisals, relieving administration burden, improving HR efficiencies, organizing well designed training and development are; 1.63 and 0.209, 2.001 and 0.165, 0.484 and 0.491, 0.007 and 0.932, 1.317 and 0.258 respectively. The p-values are more than 0.05. Therefore, it is accepted the null hypotheses at 5% level of significance, which means that there is no significant difference on the components of PMS between Pharma and IT industries.

CONCLUSION

Human resources outsourcing has become the driving force for the virtual organizational movement. Technology, goods ,services ,people ,processes and and good HR practices steer the organizational development. The world has become small and interconnected in all major respects. People, goods, information technology and capital are exchanged around the globe at a rapid pace. The barriers among the nations have disappeared and the world has become a borderless market place because of the advent of multinational enterprises. Falling in line with the global markets, the human resources managers in the organizations have more complicated roles to play that is, to align with changes in the domestic as well as global economies-keeping in track of the global changes and competition. In the era of hyper global competition the human resources managers of the organizations has to play challenging roles and create a competitive advantage for the organization through HR good practices

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