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A Study of Human Resource Outsourcing to Achieve Outcomes in the context of India @ 75

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Abstract

After independence in modern Indian context Human Resource Outsourcing (HRO) is the BPO industry sector with the quickest growth rate. The goal of the current study is to examine the importance of HRO in the context of India @ 75: Now and Then.

The outsourcing of human resources has increased in large, medium and small-scale organisations. The field of Human resource management (HRM) includes the administration of employees in companies such as the recruitment to retirement, it includes determination of job requirement, determination of job profile, selection, hiring of staff, training, performance management, payroll and termination etc. It has studied that the major role of organizations is HRM but at present majority of the organizations have been following Human Resource Outsourcing (HRO). The reason behind HRO is to improve employee performance, performance-based wages, output linked rewards and to minimize or avoid long term HR financial responsibilities. It is need of an hour. Therefore, now Human Resource Outsourcing becomes a part of Human Resource Management. This paper aims to analyse the motives and are trying to focus either to go for Human Resource Outsourcing (HRO) or Shared Services (HRSS) or predominant motives for combination to achieve organizational objectives and expected outcomes efficiently. In reality, outsourcing is associated with concerns that are tactical, strategic, restructuring. By conducting a thorough secondary data study (exploratory research), this paper highlights the concepts of Outsourcing Human resource as a part of Business Process Outsourcing. Also focuses on distinguished merits of Human Resource Outsourcing (HRO) and Human Resource Shared Services (HRSS) and its functional efficiency.

Keywords: Business process outsourcing, Human Resource Outsourcing, Outsourcing, Human Resource Shared Services etc.

1. Introduction:

Organizations now spend more time concentrating on their core business due to the rapidly changing market dynamics and worldwide competition. The business opportunity in HRO is huge and now India is likely to gain a significant share with its inherent benefits, like its low cost, equipped pool of English-speaking labour, and strategic location, India is developing as a viable location for HRO organisations to establish their businesses.

Business Process Outsourcing closely related to Human Resource Management are now trimming down aspect of outsourcing to especially 'Human Resource Outsourcing'. Human resource management encompasses employees from their payroll to employee benefits administration, network, fixed assets administration, receivable and logistics management, hardware maintenance,

telemarketing, call centres and database management etc. The concept of Human resource management (HRM), a broad definition: "Human Resource Management refers to a collection of policies used to organise work in the employment relationship and centres on the management of work and the management of people who undertake this work."-(Beardwell and Clark).

The term "Human Resource Outsourcing" (HRO), which is a component of HRM, is starting to gain popularity. The typical HRM procedures that are outsourced in India often involve training and development, payroll processing, surveys, benchmark studies, and legislative compliance, among other things. The organisations are already aware of the outsourcing of human resources. Large multinational corporations are no longer the only ones who may benefit from Human Resource Outsourcing. Even the public sector, government agencies, medium-sized businesses, and start-up businesses are competing to outsource their

expenditures and capital outlay. Inflect the savings in the capital outlay has been of main concern in the organizations and now want to upgrade their services that can provide a better work environment for employees, especially the younger, technically-savvy employees.

Organisational success depends on the employees who work for the business so it is important that it has the right people with the qualifications and skills needed for processes to be carried out as efficiently as possible. Human-resource outsourcing, as a part of business process outsourcing includes all activities related to human resources starting with hiring and ending with the payroll. Because of a constantly shifting internal and external environment, HRO causes can change over time. Doing various actions during the decision-making process can aid in identifying the best course of action. Accessing knowledge and streamlining operations are the main justifications for outsourcing. Cost cutting is third on the list.

To achieve an expected outcome.... is no exception for HRO?

Human Resource Outsourcing versus Human Resource Shared Services-

- *What is HR shared services?*

Human Resource Shared Services (HRSS) is a centralized hub of HR administrative and operational duties that are characterized by employee self-service and automation through leveraging technology, and multi-tiered levels of service and service responses. This allows organizations to provide standard HR services in the most efficient way.

In HR Shared Services an automated platform that can manage a variety of HR tasks, including payroll, benefits administration, training, employee data management, reporting, relocations, and talent management, is referred to as an HR shared service. This system enables workers to obtain leave authorizations, access personal information, request benefits, plan vacation time, and even modify their direct deposit information.

Increasing demand for organizational effectiveness along with the need for cost reduction had made HR Shared Services a popular choice worldwide in the pre-COVID world. (Goute, 2021) Consolidating services within a corporation is how

shared services in HR operate. Each operating entity (such as a business unit or functional regional unit) inside an organisation is likely to have supporting HR services tailored to the entity's needs in a typical HR model. These various service operations are combined into a single entity under the HR shared service model. HR shared services also denotes as employee self-service, automation using technology, and multi-tiered levels of service and service answers within a company are the hallmarks of HR Shared Services, a centralised centre for HR administrative and operational tasks. They are service focused, enabling the customers of the shared services to specify the level and nature of the service and are flexible to the needs of the business. This allows organizations to provide standard HR services in the most efficient way.

Also, some businesses use shared services to group all of their shared procedures into a single shared services division. An important alternative to outsourcing HR has emerged: the Shared Services Centre (SSC). SSC strives to establish an internal client-vendor connection in order to make some back-office operations operate in a more competitive and professional manner. As back-office procedures, some typical organisational tasks are standardised and completed in a single area for the benefit of the entire business. Not only are cost savings desired, but also quality and reactivity.

They are service-focused, allowing shared service users to choose the calibre and nature of the service, and they are adaptable to business requirements. This makes it possible for businesses to offer typical HR services in the most effective manner. Because they are a part of the same firm and have a tighter link with the business units, shared services are more responsive to business needs. Sometimes being close causes complacency. A shared services strategy to human resources essentially entails centralising services across many organisational departments.

However, as per Deloitte Debates on Human Resource Outsourcing (HRO) versus Human Resource Shared Services (HRSS) —

- When a company wants to make a significant change, has to act quickly, and prioritises cost savings, outsourcing often makes the most sense. The company wants to take advantage

numerous HR-related tasks. *“The productive capacity of all business depends on three factors: the capital resource, the physical resource and the human resource” - (Peter.F.Ducker).* This statement holds a lot of significance because of the fact that of all the three resources, only the human resources possess the productive capacity for which the upper limits are not defined. So, one must outsource the non-core functions of the company in order to fully exploit the true value of the workforce i.e., employees.

2. Objectives:

- a. To study concept of outsourcing, human resource outsourcing and human resource shared services.
- b. To study the solution to achieve an expected outcomes through human resource outsourcing and human resource shared services in India @ 75: Now and Then.

3. Outsourcing:

‘Outsourcing has been defined as work done for a company by people other than the company’s full-time employees. It basically means asking a third-party vendor to work for organization on a contractual basis. ‘Outsourcing is the process of contracting a business function or any specific business activity to specialized agencies.’ Simply means it is a contract between an organisation and a specialized agency to perform same tasks on behalf of the organization. Outsourcing can also be defined as ‘The situation where an external vendor or service provider provides on a recurring basis service that would normally be performed in-house by the organization’. It can say that outsourcing is a process where in organizations concentrate on those aspects of their business processes which gives them a competitive advantage called as core business and contract out or shell out the noncore aspects of their business processes. Outsourcing actually has to do with tactical, strategic, and restructure difficulties. Outsourcing can be bifurcate in Manufacturing outsourcing and Service sector outsourcing. Outsourcing began to be analysed in the manufacturing sector when certain functions were shifted to a subcontractor. Service sector outsourcing, it can be split as,

- a. Outsourcing of IT services and b. Business Process Outsourcing (BPO)
- BPO includes-

1. Finance and accounting.
2. Investment and capital management.
3. Human resources.
4. Purchases.
5. logistics.
6. Real estate management.
7. Other such as energy services, customer-management services, e-mail delivery, and food supplies etc. Out of these Service sector outsourcing, Human Resource Outsourcing takes vital importance not only core aspects of business process but also non-core processes.

• Human Resource Outsourcing (HRO):

Human-resource outsourcing is becoming more and more popular among organisations in modern India’s context after 75 years of independence. In this contemporary era, HRO activity is particularly relevant for service companies because of the vital human factor in such organisations. To give the importance of quality for service companies and their need to concentrate on their core activities, HRO enables non-core activities to be referred to service providers, thereby improving operational efficiency.

HRO is the process by which a business enlists the assistance of a third party to handle its HR role or can say HR activities. Any HR-related task for which a business lacks the necessary internal knowledge and confidentiality may be outsourced. Giving a task or activity to an independent contractor who chooses the best way to complete it is known as outsourcing. A company may contract out any or all of its HR-related tasks to one service provider or a group of service providers based overseas.

Why ‘HRO’

- Cost reduction -Predominant motive -Reduce overall HR service and delivery costs
- Free time for strategic HR
- Improve service quality
- Free HR time for better technical solutions
- Standardize processes
- Broaden overall outsourcing strategy
- Improve HRIS/self-service
- Improve IT support
- The biggest contribution of HRO is during the transition from fixed to variable costs and reducing additional processing cost, ongoing

of the vendor's superior systems, procedures, personnel, and scale economies. When control is a primary concern and the activities in question are specific to the organisation and serve as a competitive differentiation, a shared services strategy is typically the best choice. Success, though, depends on having the right systems, procedures, talent, and size. It is difficult for shared services to remain competitive if these are not on par with what an outsourced vendor offers. ----- Peter Lawes, Principal, Deloitte consulting, LLP.

- A shared services strategy also allows you the chance to continuously enhance your processes rather than turning over the rewards of such advancements to a vendor, which is a subtle but significant gain. When choosing to outsource, businesses should aim to structure the contract so they get a cut of any future advances the provider makes.

Similarly, it could make sense to engage in process optimisation before outsourcing the work if an outsourcing vendor would be managing the operation using your current processes and systems rather than its own. This will give you the power to bargain with the vendor for a lower price, which will facilitate a smoother transfer. A mess that has been outsourced remains a mess..... Susan Hogan, Principal, Deloitte consulting, LLP.

- The variety of options within those choices, which include risk aversion vs. risk taking, cost reduction vs. value creation, and strategic function vs. transactional processor, often determines the eventual orientation for the HR function.
- Service sharing and outsourcing both call for a variety of tasks in order to fully realise the benefits of the underlying HR transformation project. Consideration must be given to everything, including process redesign, technology integration, organisational restructure, talent assessments, and personnel changes Erica Volini, Principal, Deloitte consulting, LLP.

3. Conclusion:

In the 75th scenario of India after independence, the new era of organisational strategy linked to human resource management, human resources are urged to outsource. HRO in organisational strategy is in order to provide value, even if it is generally understood how HR outsourcing affects the HR function, competences, and relationships with senior management. An "internal" HR community, according to some reputable experts, is better positioned to strengthen the functions of HR departments. Actually, there are benefits and potential risks associated with outsourcing any corporate operation. Businesses may become unduly reliant on their suppliers and lose strength in their strategic core competencies. Due to the benefits of human resource outsourcing, firms are increasingly using outside contractors to carry out HR-related tasks that were formerly handled internally (HRO). If an organisation takes the necessary precautions in Human Resource Shared Services (HRSS), paying more attention to process redesign and keeping strategic parts of HR in-house, like Human Resource Planning, as it revolves around essential activities and core competencies and thus provides sustainable lead in the long run.

It is not necessary to choose between shared services and outsourcing after examining various features of HRO and HRSS. Even within a single business function, shared services and outsourcing work well for many firms. Additionally, many tasks can be managed well in either scenario. Success ultimately depends on both the strategy you adopt and how well you implement it.

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