

Effects of Outsourcing Human Resources on Bangalore's Manufacturing Sector

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Abstract

In the context of drug identification, the Rasa (taste) parameter is one of the immediately perceptible ones, whereas the Veerya (potency) and the Vipaka (bio-transformation) parameters are inferable. Ayurvedic medicine relies on these principles to foretell how a certain medicament will perform. C. Dwarakanath developed a taste threshold approach that may be used to identify the dominating Rasa in a substance. The Madhuraskandha, or group of medications characterized by their predominance of the sweet flavor, consists of ten different substances. Substances and Techniques: The research included 60 (610) healthy female participants and used a single-blind, forced-choice design. All of the samples were given out in both warm and chilly versions. Using a Likert scale, the participants were asked to record when they could first detect a flavor and when they could no longer do so. Appropriate statistical approaches were used to examine the data collected. When comparing the two dose forms of the sample drugs Vidari, Eranda, Gokshura, and Guduchi to the gold standard medicine, a statistically significant difference was detected at the threshold point of taste perception. By comparing the Rasa of Madhuraskandha to the reference standard medication, we may conclude that the strength of the Rasa can be classified as mild, moderate, or severe (Tara tamattva). The Rasa strength of the 10 herbs used for this study ranges from mild (Vidarikanda and Eranda) to strong (Gokshura, Kantakari, Guduchi, Shalaparni, and Shatavari).

INTRODUCTION

Outsourcing has become one of the most popular methods of doing business as a result of the rise of globalization (Felix & Shale, 2016). To improve service and product quality, shorten production cycle times, and save costs, many businesses have turned to outsourcing in recent years (Cooke et al., 2005). The performance of a company is also greatly impacted by the outsourcing industry's ability to help businesses strengthen their core strengths. Companies should specialize on a small number of core operations and contract out the rest to other companies (Delmotte & Sels, 2008). This approach aimed to outsource low-value-added tasks to other companies while focusing on the core competencies that gave the company a competitive edge (Hirschhorn & Gilmore, 1992; Ulrich et al., 2008). Achieving a sustainable competitive edge remains a challenge, despite the growing popularity of outsourcing. As a result, businesses have benefited greatly from

delegating non-core functions to specialists (Dess et al., 1995; Kotabe et al., 2008; Quinn, 2000) so that they may devote more resources to their highest-impact initiatives. Spending on infrastructure, tools, and employees may all be cut by outsourcing (Bettis et al., 1992). However, there is anecdotal evidence to show that an organization's heavy dependence on outsourcing might lead to a loss of creativity, greater competition from outsourcing partners, and diminished ability to direct the outsourced work. As a result, it is difficult to predict how outsourcing would affect productivity (Kshetri, 2007).

The proliferation of outsourced services may largely be attributed to the rise of information technology. When a company outsources a business process, it contracts with a third party to handle duties that were previously performed in-house. Finance and accounting, investment and capital management, human resources, purchasing, logistics, real estate management, and other areas like energy services, customer-management services, e-mail delivery, and food supplies are just a few of the seven areas identified by John Halvey and Barbara Murphy (2007) as candidates for outsourcing.

As a subset of BPO, human resource outsourcing (HRO) handles everything from recruitment to employee perks including pay checks and vacation time (Halvey & Murphy Melby, 2007). Human resources (HR) tasks might be outsourced in whole or in part to a third party (Bakanauskiene & Brasaite, 2015). Businesses may save both time and money as a result. Businesses in India are beginning to see it as a viable strategic choice. Human resources outsourcing is shifting its focus to India's rapidly expanding sector. The abundance of English speakers, competitive wages, and strategic location all contribute to the country's fast economic development. According to www.coolavenues.com, HR outsourcing in India was worth roughly \$27 million in 2005. Recent data reveals that India's market is valued between \$660 and \$70 million, making it one of the fastest-growing in the world. As a result, its value is forecast to increase at a CAGR of 24-26% between 2015 and 2020 (<http://economictimes.indiatimes.com>).

REVIEW OF LITERATURE

Klaas McClendon and Gainey (2001) have focused on the relationship between organizational characteristics and HRO reliance. The eight organisational characteristics were considered in the study such as idiosyncratic HR practices, HR strategic involvement,

positive HR outcomes, promotional opportunities, demand uncertainties, pay level, firm size and outsourcing by competitors. The HRO reliance included four factors such as HR generalist activities, transactional activities, human capital activities (i.e., training), and recruitment and selection. The results of regression analysis showed that there was a significant relationship found between organisational characteristics and HRO reliance except firm size and HRO by competitors.

Morgan (2001) has focused on the trends and growth of HR outsourcing. He identified that, in the recent past, many multi-national corporations including the mobile telecommunication companies were adopted the HR outsourcing practices. It is due to the proliferation of human resource outsourcing practices. The results of the regression analysis showed that there is a significant.

Reed (2001) has identified that quality and speedy services at a reduced cost were determined the strategic business decisions relating to HR outsourcing. The study suggested that HR practitioners in organisations should take adequate steps for providing quality and speedy Human Resource Management services at affordable cost.

Drucker (2002) observed that outsourcing the entire Human Resource functions were rapidly growing at a rate of 30 percent a year. The study also observed that Human Resource outsourcing in multinational corporations had highly increased and even so more in the telecommunication sector. He predicted that the HR outsourcing (HRO) activities will become a part of business strategy for companies of all sizes, locations and ownership.

STATEMENT OF THE PROBLEM

The global economic turbulence with the scarcity of resources has gradually increased the pressure on competitive advantage of firm. So, firms are to be found viable solutions to cope with the present changing environment. The success of any organisation highly depends on many factors such as productivity, cost efficiency and managing the human resources strategically. Especially, management of human resources is the major issue to any business entities in general and it is a daunting problem to manufacturing sector in particular.

SCOPE OF THE STUDY

The study is vigilantly carried out to analyse the impact of HR outsourcing on the performance of manufacturing firms in Bangalore. The study focused on the type of HR activities outsourced, reasons for outsourcing and impact of HR outsourcing on the performance of the manufacturing firms. Hence, the study also analysed the attitude of employees towards HR outsourcing. The outcome of this study will be immensely helped to the manufacturing firms for devising an appropriate business policies and strategies and also this research will serve as a benchmark for all the stakeholders in the manufacturing sector.

OBJECTIVES OF THE STUDY

The present research is carried out with the following objectives:

- i) To find out the reasons for HR outsourcing and type of HR activities outsourced by the manufacturing firms in Bangalore.
- ii) To ascertain the level of satisfaction of manufacturing firms with HR outsourcing.
- iii) To evaluate the impact of HR outsourcing on the performance of
 - problems could be sector specific.

the manufacturing firms in Bangalore.

HYPOTHESES

Based on the problems identified and the objectives of the study, the following hypotheses are formulated:

- i) There is no association between the firm characteristics and satisfaction with HR outsourcing.
- ii) There is no association between the firm characteristics and impact of HR outsourcing on the performance of manufacturing industries.
- iii) There is no relationship between impact of HR outsourcing and the performance of manufacturing industries.
- iv) There is no association between the demographic profile and attitude of employees towards HR outsourcing.

RESEARCH STRATEGY

The study is formed based on the descriptive research method. Both primary and secondary sources of data have been used. The well-structured questionnaires have been designed to elicit the necessary primary data. The secondary data have been collected from books, journals, magazines, reports and websites, etc.

LIMITATIONS OF THE STUDY

Like every research, this present study also has its own limitations. They are presented hereunder:

- The results of descriptive survey methodology are based on information provided by the respondents which may bias the findings.
- The study was confined to manufacturing firms in Bangalore. HR outsourcing

Table - 1
Type of HR Functions Outsourced

Type of HR Functions Outsourced		Outsourced	Not Outsourced	Total
Recruitment	F	150	100	250
	%	60.0	40.0	100
Pay Roll/Compensation management	F	130	120	250
	%	52.0	48.0	100
Employee background check	F	40	210	250
	%	16.0	84.0	100
Employee Trainings	F	180	70	250
	%	72.0	28.0	100
HR Information Systems Development	F	170	80	250
	%	68.0	32.0	100
Healthcare/ Other benefits administration	F	160	90	250
	%	64.0	36.0	100
Performance management	F	30	220	250
	%	12.0	88.0	100

The type of HR functions outsourced divulges that 60 percent of the firms are outsourced recruitment process, 52 percent are outsourced pay roll/compensation management, 16 percent are outsourced checking the employees background, 72 percent are outsourced

the employees' trainings, 68 percent are outsourced the HR information systems development, 64 percent are outsourced the healthcare/ other benefits administration and 12 percent are outsourced the performance management

Table - 2
Reasons for Outsourcing

Reasons	Mean	Std. Deviation	Mean Rank	Chi-square	Sig.
Access to vendors expertise	4.21	.698	5.22	175.496	.000
Reduce the expenditure relating to human resources	4.29	.651	5.30		
Improving the quality of the services	4.06	.755	4.59		
Allows time to in-house HR to focus on core HR activities	3.95	.820	4.36		
Streamline HR functions	4.36	.835	5.72		
Managing human resources strategically	4.02	.821	4.66		
To manage the shortage of man power	4.43	.520	5.77		
To improve compliance with standards	4.37	.660	5.76		
To reduce the number of employees	3.65	.803	3.62		

The result of Friedman's Chi-Square test shows that there is a significant difference (P<0.05) found in the reasons for outsourcing of HR functions .The mean ranks revealed the fact that managing shortages in the man

power is a main reason for outsourcing of HR functions (Mean Rank=5.77) followed by improve compliance with standards (Mean Rank=5.76), streamline HR functions (Mean Rank=4.98), reduce the expenditures relating to human

resources (Mean Rank=5.30), access to vendors' expertise (Mean Rank=5.22), managing human resources strategically (Mean Rank=4.66), improving the quality of services (Mean

Rank=4.59), allows time to in-house HR to focus on core HR activities (Mean Rank=4.36) and to reduce the number of employees (Mean Rank=3.62).

Table - 3
Change/ Termination of the Vendor

Opinion	Frequency	Percent
Changed	50	20.0
Not changed	200	80.0
Total	250	100.0

The opinion towards change/ termination of the vendor reveals that 80 percent of the companies are not changed

or terminated the vendor and 20 percent of the company are changed or terminated the vendor

Table - 4
Reasons for Changing the Vendor

Reasons	Frequency	Percent
Secrecy issues	8	15.5
Poor quality of services	14	27.0
Expensive	15	30.5
Inconsistency	11	21.5
Ethical grounds	3	5.5
Total	50	100.0

The reasons for changing the vendor shows that 30.5 percent of the companies are changed the vendor due to high cost, followed by 27 percent are changed for poor quality of services, 21.5

percent are changed for inconsistency, 15.5 percent are changed for secrecy issues and 5.5 percent are changed the vendor for ethical grounds

Table - 5
Frequency of Performance Evaluation of the Vendor

Frequency	Frequency	Percent
Monthly	40	16.0
Quarterly	140	56.0
Half yearly	60	24.0
Yearly	10	4.0
Total	250	100.0

The frequency of performance evaluation of the vendor divulges that 16 percent of the firms are evaluated the performance on monthly basis, 56 percent

are evaluated quarterly basis, 24 percent are evaluated half yearly basis and 4 percent are evaluated annual basis

Table - 6
Satisfaction with HR Outsourcing

Level of Satisfaction	Frequency	Percent
Highly satisfied	46	18.4
Satisfied	69	27.6
Neutral	88	35.2
Dissatisfied	44	17.6
Highly dissatisfied	3	1.2
Total	250	100.0

The level of satisfaction with HR outsourcing portrays that 18.4 percent are highly satisfied with HR outsourcing, 27.4 percent are satisfied, 35.2 percent are neutral, 17.6 percent are dissatisfied and 1.2 percent are highly dissatisfied with the HR outsourcing

❖ The number of employees working in manufacturing industries reveals that 56 percent of the manufacturing industries are employed below 250 employees and 32 percent of the industries are employed ranges between 200-500 employees.

FINDINGS, SUGGESTIONS AND CONCLUSION

1. MAJOR FINDINGS OF THE STUDY

- ❖ The category of the manufacturing industries reveal that 28 percent are electrical equipment manufacturers followed by 20 percent is computer & electronics manufacturers.
- ❖ The size of the organisation shows that 44 percent are medium size organisations and 36 percent are small size organisations.
- ❖ The age of the organisation indicates that 48 percent of the sample manufacturing industries are functioning more than 15 years, followed by 32 percent are 6 to10 years.

❖ The annual turnover of the manufacturing industries reveals that the annual turnover of 36 percent of the manufacturing industries are below 25 lakhs and annual turnover of 36 percent is 25-50 lakhs.

2. CONCLUSION

In the current hyper-competitive business environment, HR outsourcing is a strategic approach for the success of an organisation including manufacturing sector. In this study, the researcher has vigilantly analysed the effect of HR outsourcing in the performance of manufacturing industries in Bangalore. The study identified that the HR outsourcing is highly influenced in the areas of greater focus on core business, cost reduction, quality improvement, better financial performance, increase in

revenue, business growth and enhanced organisational performance and operational performance. Hence, the firm characteristics has significantly influenced on the impact of HR outsourcing. In fact, HR outsourcing plays a significant role in the performance of the manufacturing industries as revealed by the overall findings of this study. The study also identified that employees' viewpoint the HR outsourcing has positively influenced in the areas of team work, reward recognition, commitment, competency, involvement, management effectiveness and goal setting. The findings and suggestions made in this study will enormously assist as an eye-opener for manufacturing industries and if these findings and suggestions are executed by the manufacturing industries in letter and spirit, it will immensely help the manufacturing industries to sustain in the competitive environment forever.

3. SUGGESTIONS

Based on the findings of study, the following suggestions have been offered by the researcher to adopt and manage the outsourcing strategy effectively and also overcome the issues in the HR outsourcing.

- Majority of the manufacturing firms are partially outsourced its HR functions. So, the firms should outsource their rest of HR functions to curtail operational costs by reducing HR expenses. Hence, the HR managers should focus firm's cost pressures, pay leadership strategy before thinking of HR outsourcing.
- The sample manufacturing units are selected a vendor for HR outsourcing based on cost effectiveness instead of that the firms should gauge the

area of vendor's expertise in the HR services prior to take decision of outsourcing their HR functions. Hence, firms must observe quality of services and the capability of vendors to provide HR services effectively along with their ability to streamline company's HR functions.

- Some of the sample manufacturing firms are changed the vendor due to high cost followed by poor quality of services. So, the firms should outsource certain part of HR activity initially, to identify the impact and appropriateness with their business goals, if they get satisfied with the expected results, the firm can proceed further. Hence, the vendors should be provided high quality of services at affordable cost to avoid termination of service contracts.
- In the cut-throat competitive era, it is difficult for a firm to hire and retain all necessary human talents. So, initially the firms should assess the talent shortage which organization finds to fill up. The service providers must be hired keeping in mind the wants of the firm to compensate internal talent deficit. Hence, HR outsourcing can be resorted to as a strategic choice to make up of dearth of in-house talents.

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