OUTSOURCING- NEED FOR A FRAMEWORK

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Abstract
Outsourcing is the act of moving certain internal activities to outside service providers. It is a rising industry with huge amount at stake. India is poised to make big money acting as service provider.

HR activities are mostlyoutsourced, particularly training and development.

There are justifiable reasons for outsourcing. It offers benefits to the organisation and poses challengers too. A framework for outsourcing if is of great help.

Key Terms
- *Outsourcing*
- *Outsourcing framework*
- *HRBPO*
- *Cost- Saving*
- *Strategic thinking*
- *Service Provider*

Outsourcing refers to the act of moving some of the firm's internal activities and decision responsibilities to external service providers. It is glamorous industry. Revenue-wise, more than $200 billion (in IT sector alone) is at stake. Outsourcing service providers perform a variety of activities to client. In addition to critical activates, service provider clean offices, guard premises, feed students, manage heating and lighting, move prisoners from cell to workshop and the like. Outsourcing can be likened to make or buy decisions made in manufacturing organisation. A component can be made in-house or bought from outside.

Our focus here is on outsourcing HR activities of all the functional areas of the organisation, human resource management (HRM)lends itself to outsourcing. So vulnerable is the HRM for outsourcing that all people related activities are hired off to service providers, making the very HR department redundant. Major challenge facing the HR Manager is to retain and justify the existence of the HR department.

Outsourcing of HR services or HRBRO is emerging as a big opportunity for Indian BPO firms, with a total market in this segment estimated at $40 to $60 billion per annum, HRBPO comes out to about 33% of the outsourcing revenue and India has immense potential as more than 80% of fortune 1000 companies are contemplating off-shoring their HR activities.

Why do organisations hire off their HR (any activity for that matter) functions to service providers? First, outsourcing performing cost advantage. Roughly 50% to 55% of cost of performing a functions can be saved if given to outsiders. Second, an activity not crucial to gain competitive advantage for an organisation and will not hollow out its core competence services can be outsourced. Third, mangers will be freed from routine activities and the time saved thus can be utilised for strategic thinking. Fourth, outsourcing reduces the company's risk exposure to changing technology and changing buyer's preferences.

There are problems associated with outsourcing. First, there is dependency factor. The organisation will be made to depend on an outside service provider. Problems of service provider such as labour, financial, machine breakdown and the like recoil on the organisation. Second, quality of the service provided may not be according to specifications. Third, sensitive information may be lost. Fourth, service provider promises several benefits till securing orders, of may not deliver. Fourth, slothful in-house staff are shaken up by mercurial staff of the service provider, leading to resentment. Finally, jobs moved to service providers may raise ethical issues.

Problems notwithstanding, there is no going back on outsourcing. Organisations need to learn to live with it. Here is the need for a framework which helps make outsourcing meaningful and beneficial. A typical framework is shown is the chart. Each step explains itself.

We did a quick survey to get feedback on outsourcing from organisations. We selected 15 firms and approached their HR heads. Their responses are shown in the table.

Majority (80% of the respondents) organisations are outsourcing some or other HR activities. For 87% of them, outsourcing is an on-going process. Of all HR functions, T&D is the one which is outsourced most (40%). Cost saving is the main reason (60%) for outsourcing. Surprisingly, only 87% of the respondents have HR department. It should have been 100%.

Table No: 01
- No of respondents with own HR departments – 87%
- Practice of outsourcing HR functions– 80%
- Outsourcing T&D function – 40%
- Outsourcing benefits administration- 33%
- Outsourcing record maintenance- 20%
- Outsourcing industrial relations- 1%
- Outsourcing as on-going process- 87%
- Outsourcing at random- 13%
- Cost benefit – main reason for outsourcing- 60%
- Better quality of service- 20%
- Freed from routine activities – 20%
- Quality a problem on outsourcing- 60%
- Dependency – a problem in outsourcing – 20%
- Delays– a problem in outsourcing – 20%
- Have a framework for outsourcing – 33%

Chart: 01
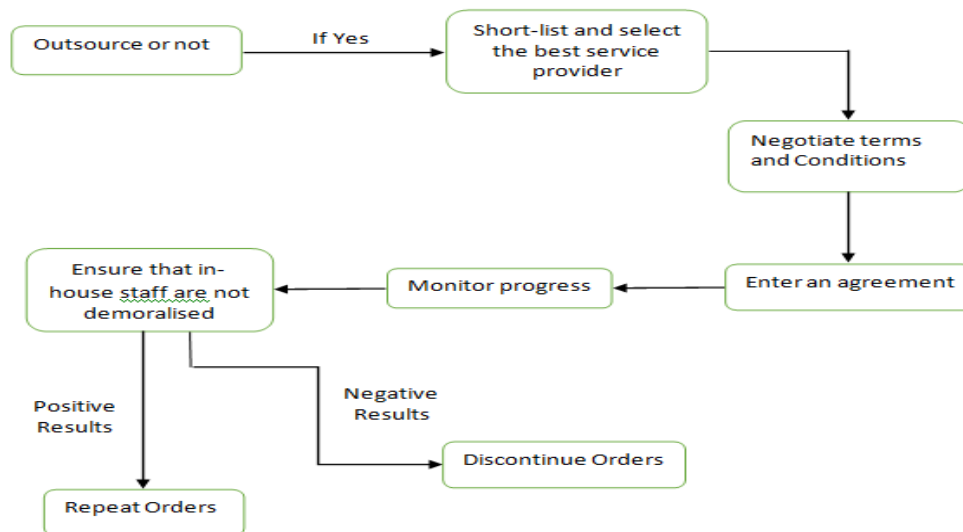
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