Research Project Report

ON

RESEARCH ON THE IMPACT ON PRODUCTIVITY BY OUTSOURCING HR ACTIVITIES

GALGOTIAS UNIVERSITY

FOR THE PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION

UNDER THE GUIDANCE OF
Ms. Ratnamanjary Das

Submitted By
Samiksha Agrawal
20gsob2010122

MBA 2020-2022

**SCHOOL OF BUSINESS
GALGOTIA UNIVERSITY**

MAY 2022

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<u>CERTIFICATE</u>

This is to certify that the project report "**RESEARCH ON THE IMPACT ON PRODUCTIVITY BY OUTSOURCING HR ACTIVITIES**" has been prepared by **Samiksha Agrawal** under my supervision and guidance. The project report is submitted towards the fulfillment of 2 year, Full time Master of Business Administration.

Name & Signature of Faculty
Ms. Ratnamanjary Das

Date – 14 May, 2022

Sign-

Declaration

I, **Samiksha Agrawal** Roll No- **20gsob2010122**, student of School of Business, Galgotias University, Greater Noida, hereby declare that the project report on **"RESEARCH ON THE IMPACT ON PRODUCTIVITY BY OUTSOURCING HR ACTIVITIES"** is an original and authenticated work done by me.

I further declare that it has not been submitted elsewhere by any other person in any of the institutes for the award of any degree or diploma.

Name and Signature of the Student
Samiksha Agrawal

Date- 14 May, 2022

<u>Acknowledgement</u>

I take this opportunity to offer my indebtedness to all those whose sincere cooperation and valuable guidance was there during my work in assigned area and preparation of this report.

My sincere gratitude is also to **Ms. Ratnamanjary Das** for her support, guidance and resources without which this task was not easy to accomplish in project report.

Last but not the least I express my sincere thanks to my parents for their constant support and suggestions to accomplish my goals. I thank God for her love and grace that enabled me to complete the project.

Samiksha Agrawal

CONTENTS

ABSTRACT

The project prepared gave me an opportunity of learning at the Organisation. I learned and discussed important points that are related to my report. I learned and study on different activities of P&A like payroll, training and development, recruitment and selection.

The purpose of this report is to provide an accessible account of the key issues currently confirming the industries. The report looks at a couple of the basic function of personnel department and the perception of worker and management regarding "outsourcing of HR activities".

This report contains the pros and cons of outsourcing HR activities on an enterprise.

At last ,I hope this Project Report will be very helpful to those reader who are interested in the topic of **Outsourcing of HR Activities**.

RESEARCH OBJECTIVES -

- To realize economies of scale and achieve standardization of services.

- To define the concept of outsourcing.

- To describe the various procedure followed

- To assess the views of the worker and management in context of these scheme.

Why Outsource?

- Allow HR to focus on core competencies

- Creates strategic opportunities for HR professionals

- Improve quality, efficiency, and effectiveness

- Relief from administrative burdens

- Reduce operating costs

Impact on the Company-

● Employee reactions

● HR executives taking part in operational and strategic

decisions ● Elimination of bureaucracy

● Customer   service

improvements ● Growth of

self-service platform

● Slimming down staff

● Cost savings

Findings

1. Cost-benefit advantage - lower cost of outsourcing viz-a-viz outsourced content/processes

2. Confidentiality of processes - away from in-house leaks

3. Greater objectivity/credibility gain amongst employees

4. Confidence of top management on external professionalism and proven expertise

INTRODUCTION

What is Outsourcing?

The performance by outside parties, on a recurring basis, of tasks that would otherwise be performed in-house.

Outsourcing is subcontracting a process, such as product design or manufacturing, to a third-party company. The decision to outsource is often made in the interest of lowering firm or making better use of time and energy costs, redirecting or conserving energy directed at the competencies of a particular business, or to make more efficient use of land, labor, capital, (information) technology and resources

Human Resource Outsourcing

One very important trend in the recent times has been the growth of human resource outsourcing. HR outsourcing is the outsourcing of peripheral but necessary administrative tasks such as payroll, benefits, education/training, recruiting personnel, administration, to realize economies of scale and achieve standardization of services.

Rapidly changing market dynamics and global competitive pressures have caused organizations to spend more time focusing on their core business. Organizations are fast realizing that they can't be all things to all people. So companies now, be it a software company, a service provider or a manufacturing firm, decide what they are good at and outsource everything else, i.e., focus on their core competency, and let someone else do the rest in a more efficient and cost-effective manner.

As a result, human resources outsourcing is becoming increasingly prevalent. The number of companies outsourcing HR activities continues to rise, and the scope of outsourced HR activities continues to expand. HR outsourcing can happen in HR functions, like payroll administration (producing checks, handling taxes, dealing with sick-time and vacations), employee benefits (Health, Medical, Life insurance, Cafeteria, etc), human resource management (hiring and firing, background interviews, exit interviews and wage reviews), risk management, etc. Outsourcing has become a common response to manage people and technology resources strategically, enhance services, and manage costs more effectively.

Outsourcing noncore activities allows HR professionals to move away from routine administration to a more strategic role. The organization can focus

on higher value-added activities while the outsourcing provider takes care of the day-to-day administration. Critical internal resources, such as technology and talent, can be devoted to company's core business. Outsourcing reduces the need for large capital expenditures in noncore functions. Thus, outsourcing becomes a strategy for reducing the capital intensity of the business. This strategy has gained popularity as companies aim to become more nimble and gain the speed and flexibility necessary to compete in today's business environment. A growing number of executives understand the benefits it can bring in terms of not only cost savings, but also heightened strategic focus. Many recognize outsourcing relationships as long-term partnerships created to further the strategic goals of the organization

The HR outsourcing business opportunity is large and India is likely to garner a larger and larger piece of this pie in the future. India, with its intrinsic advantages such as low cost, ready pool of English speaking manpower and geographic positioning, is emerging as a viable destination for HR outsourcing companies to set up their businesses.

But still here people are not very clear about what exactly is manpower outsourcing all about, and issues like quality and trust needs to be addressed

properly. Experts say the basic reasons hampering the growth of HR outsourcing in India are confidentiality and cost factors. Moreover, the fear of losing jobs, losing control over confidential data, ethics and quality of outsourcing vendors, security breaches and overall confidence in the vendors deters many organizations. The biggest problem - and this is why the HR outsourcing industry in India is on the back foot - is the government and the industry's failure to tackle issues like data security and data privacy. This is where Indian HR outsourcing companies face a major handicap. The Indian government is still grappling with drafting a data protection law designed to quell growing privacy concerns from their offshore clients.

However, the future seems to be very promising. It's set to become a $ 51 billion market worldwide in 2005, representing 39 per cent of the total business process outsourcing revenue. Estimates show that the latent size of HR outsourcing in India is about $ 2 billion with a current market of $ 27 million and it is growing at an alarming rate of about 50 per cent. India has immense potential as more than 80% of fortune 1,000 companies are discussing HR outsourcing as a way to cut costs and increase productivity.

Right now, India is barely skimming the surface of the HR outsourcing market potential. Indian life Hewitt (ILH), FIDELITY, EXULT and MAFOI

are some of the prominent HR outsourcing services providers in India and the clients include giants of manufacturing, software and service industries like GE Capital, Ford Motors, Hyundai Motors, Satyam Group, Infosys, Enron, Haldia Petrochemicals and HSBC, to name a few, but many more needs to be added to that list.

HR outsourcing has a huge potential for employment also. Nasscom numbers are a million software jobs by 2005; HRO would be about a 25 per cent of that. Experts believe that in present times HR outsourcing is undergoing a transition phase, it would still be sometime before we see increased levels of HR activities being outsourced to India as lack of domain knowledge and quality are some of the critical issues.

ACTIVITIES TO BE OUTSOURCED-

- **Payroll**
- **Benefits**
- **Recruiting, Staffing, & Search**
- **Training**
- **HRIS & Web-based services**

: How many of you outsource all of your HR function?

: What led to the decision to consider outsourcing?

Why Outsource?

: Allow HR to focus on core competencies

: Creates strategic opportunities for HR professionals

: Improve quality, efficiency, and effectiveness

: Relief from administrative burdens

: Reduce operating costs

Other Benefits to HRO

: Access to outside HR expertise

: Greater diversity of HR services

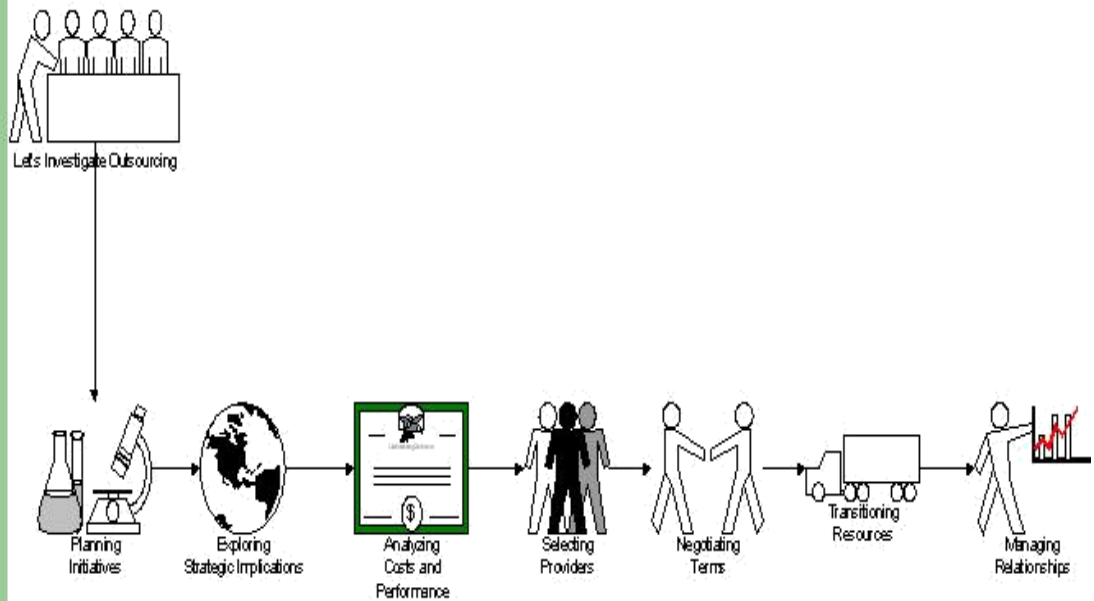: Leverage vendor investments in technology rarely available to HR

organization

: Limit fiduciary, audit, and litigation risks and liabilities

: Upgrade level of customer service

: Ease time pressure demands :"Better, faster, cheaper"

OVERVIEW

Seven steps to successful HR Outsourcing

Let's Investigate Outsourcing

Planning Initiatives → Exploring Strategic Implications → Analyzing Costs and Performance → Selecting Providers → Negotiating Terms → Transitioning Resources → Managing Relationships

Payroll

The term 'payroll' encompasses every employee of a company who receives a regular wage or other compensation. Some employees may be paid a steady salary while others are paid for hours worked or the number of items produced. A payroll specialist calculates all of these different payment methods and the appropriate paychecks are issued. Companies often use objective measuring tools such as timecards or timesheets completed by supervisors to determine the total amount of payroll due each pay period.

Setting up an effective payroll system is not especially difficult for trained accountants, but it can be very time consuming. Some smaller businesses rely on user-friendly computer software to set up a simple payroll system complete with check printers and file storage. Larger companies may assign trained accountants to handle payroll issues as part of their overall duties. But many businesses without the means to maintain their own payroll systems choose to farm out this task to outside specialists.

HR Consultation services

- Personnel Policies

- Records Retention Consultation

- Compensation/Benefits Analysis and Planning

- Employee Training and Orientations

- Succession Planning

- Strategic Planning

- Wage and Hour consultation

- FMLA/OFLA Consultation

- Employee Relations Consultation

- Team Building and Issue Resolution Facilitation

TRAINING

FEATURES

- Increases knowledge and skills for doing a job.

- Bridges the gap between job needs and employee skills / knowledge and behavior.

- Job-oriented process, vocational in nature.

- Short-term activity, designed essentially for operative.

IMPORTANCE OF EMPLOYEE TRAINING

REDUCTION IN COST OF PRODUCTION: Efficient workers do their works in the best possible manner. they make the maximum utilization of materials and machines. thus, the cost of production is reduced.

MAXIMUM UTILIZATION OF MATERIALS AND MACHINES: Training teaches the employees of the enterprise the method of doing their job in the best possible manner.

MINIMUM POSSIBILITY OF ACCIDENT: Trained worker know the methods of doing their jobs in the required manner. the know-how to use the

machines in the best possible manner. it reduces the possibility of accidents to the minimum.

STABILITY IN ORGANIZATION: Training brings stability in organization, because it reduces the rate of absenteeism and labor turnover. it enables the worker to do their works in the absence of any supervision.

HIGH MORALE: As the trained workers are capable in doing their jobs in most suitable manner and can understand the procedures and methods easily, it increases their morale. it gives them satisfaction in their work.

IMPROVEMENT IN THE QUALITY AND QUANTITY OF PRODUCTION: Training increase the efficiency of employee which increases the quantity of production and improves its quality.

MINIMUM NEED OF SUPERVISION: A trained worker can do his work himself efficiently. thus, the training reduces the need of supervision to minimum.

HELPFUL TO MANAGERS: As there is minimum need of supervision, it helps the managers of the enterprise to concentrate upon the important

problems of enterprise. they have not to waste their valuable time on supervising the works.

Risks

: Over promise and under deliver

: Nonperformance of key function

: Cost

: Loss of institutional knowledge

: Difficulty managing vendor relationship

: Change in provider's business or financial stability

: Lack of fit with company culture

: Organizational resistance or unreadiness

Considerations

: Core Competency?

: Best in Class?

1. What is your vision for your HRM business?

2. What metrics will measure progress toward vision?

3. What business outcomes are needed from the HRM aspects of the business?

The Future of HRO

1. Growth-Maturation of HRO market

2. Increasing weight of non-cost drivers

3. "Commoditization" of HR functions

4. New roles for internal HR departments

5. New career opportunities for HR professionals

6. Expansion of small/mid-sized HRO markets

7. Demographic changes

8. Improved HRO metrics

9. Reshaping of industry

Impact on HR Profession

: Internal HR at significant disadvantage in cost per transaction

: Loss of control of key processes

: Enhanced credibility

: Strategic focus

: Decentralized structure

: Internal politics – HR as business partner

: Move to customer service culture

: Management and Organizational Development – big picture view

: New roles – consultant and HR strategist

: Develop competencies to remain valuable

: HR is exposed and more visible as organizational function

: HR is far more measurable

: Align HR strategy with corporate goals

WHY THE OUTSOURCING RUSH?

What are the reasons for the growth in HR outsourcing? How do companies gain by outsourcing their HR activities? HR outsourcing is considered a viable option, if a company lacks internal expertise and confidentiality and requires unbiased opinion on human resources. Outsourcing is also gaining importance as most companies do not have the time or the expertise to deal with situations.

Outsourcing has become popular because companies are finding that external vendors-through technology and economies of scale-can provide more efficient and cost-effective HR services than in-house departments. The best example of a firm that has reaped early benefits from outsourcing is BP. In 1999, it outsourced its activities to Exult in the USA and UK for services like payroll, recruiting, expatriation, records management, vendor management and relocation services for 63, 000 employees.

The only function that remained in-house was BP's learning and development program in the United States. Over the last two years, the company has reaped many benefits from this arrangement. Payroll processing became more timely and accurate. Employees got their benefits questions answered sooner. HR processes have been standardized across the company. And for the first time, BP has measurable data on which HR activities are effective.

As a result, its core HR staff has been slashed by 65 percent-from 100 to 35 people. Such success stories have propelled companies like Sony, AT&T and American Express to outsource HR activities. One of the main reasons for HR outsourcing that most companies quote is that such outsourcing helps them to get rid of routine transactional HR work. Some of the companies

which have gone ahead with even manpower hiring outsourcing practices are Cisco, GE, Honeywell, Sun.

BENEFITS OF OUTSOURCING

When a number of companies are outsourcing their HR activities, there must be certain benefits associated with it. The major advantage is the cost and the time factor. According to India Life Hewitt, Vice-President, Leo Fernandes, "For large organizations to service their mammoth payroll by themselves is a huge drain on their resources. Outsourcing this one activity alone is huge direct cost saving for large legacy companies which could be in the range of 20 to 40 per cent."

The major benefits of HR outsourcing are as follows:

•Fosters Innovation

• Increased speed to market

• Improved quality

• Focus on core competence

• Cost reduction

• Reduced administrative costs

• Improved customer service

- Insufficient staff

- Conserve Capital

INDIA AS AN HR OUTSOURCING DESTINATION

India is emerging as a major player in HR outsourcing. Though there are hardly five to six names in this market, they are trying to make a mark for themselves and tap the potential of providing HR outsourcing services. Companies like Mahindra and Mahindra are expanding their horizons by extending their services to the indian region. However, overseas HR servicing companies are beginning to view the Indian market as a viable investment destination, where they can set up their operations and cater to the rest of the international market. The $450-million Exult Inc. started a 70-people outfit in Mumbai. From the tactical and straightforward handling of payroll and benefits, HR services providers are moving into the strategic world of BPO. HR-enablers are helping HR managers free themselves from the routine jobs and work towards taking employee services to a higher level.

India, with its intrinsic advantages such as low cost, ready pool of English speaking manpower and geographic positioning is emerging as a viable destination for HR outsourcing companies to set up their businesses. The HR outsourcing business opportunity is large and India is likely to emerge as a major player in this market. Patni Computer Systems is looking to leverage its work done on 401K pension plans to get into HR. Daksh has started payroll processing. The $5-billion payroll processor, Automatic Data Processing is also planning to start operations in Hyderabad

The various HR processes that companies are venturing into include data entry, payroll processing, staffing, training, resume management, compensation, employee communications, pension plans, leave administration and HR data analytics. The popular delivery models for HR services outsourcing are self service, call center back up or shared services involving high caliber HR professionals Who play a consultative role to line managers.

When compared to other regions, India holds an advantage in HR outsourcing because of cost factor and education of the workers.

RESEARCH METHODOLOGY

RESEARCH PROBLEM

I have selected that **IS PRODUCTIVITY INCREASE THROUGH HR OUTSOURCING** as research problem for my research report.

As a research problem is the situation that causes the researcher to feel apprehensive, confused and ill at ease. It is the demarcation of a problem area within a certain context involving the WHO or WHAT, the WHERE, the WHEN and the WHY of the problem situation.

RESEARCH OBJECTIVE

How productivity relates with performance appraisal. In addition, the major factors of performance appraisal, which have taken a part in increasing productivity of the organization.

RESEARCH DESIGN USED

As research design is simply the framework or plan for a study i.e. used as a guide in collecting and analyzing the data. Research design can be grouped into three categories-exploratory research, descriptive research and casual research.

I have used **Exploratory Research Design** in my project.

EXPLORATORY RESEARCH

Exploratory research studies are also termed as formulating studies. The main purpose of such studies that of formulating of the problem for more precise investigation or of developing the working hypotheses from an operational point of view. An Exploratory Research focuses on the discovery of ideas and is generally based on secondary data. It consists;

❖ Search of secondary data and literature

❖ Survey

❖ Case study

SEARCH OF SECONDARY DATA AND LITERATURE:-

The quickest and most economical way is to find possible hypotheses from the available literature. The past researcher may be suitable sources of information to develop new hypotheses. The researcher can search them for his research purposes.

❖ SURVEY:-

Survey means the survey of people who have had practical experience with the problem to be study. These individual can be top executives, sales manager, wholesaler and retailer processing valuable knowledge and information about the problem environment.

❖ CASE STUDY: -

The case study method is a technique by which individual factor whether it be an institution or just an episode in the life of an individual or a group in its relationship to any other in the group.

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RESEARCH INSTRUMENT USED

I have used the following research instruments in my project:-

❖ **QESTIONNAIRE: -**

The term questionnaire usually refers to a self-administered process where by the respondent himself read the question and records without the assistance of an interviewer.

❖ **OBSERVATION METHOD: -**

The observation method is useful to know the reaction of handicapped information.

❖ **INTERVIEW: -**

The interview method of collection data involves presentation of oral-verbal stimuli and reply in terms of oral- verbal response.

SAMPLING TECHNIQUE USED

When field studies are under taken in practical life, consideration of time cost and some other factors almost invariably lead to a selection of respondents. The selected respondents constitute a **sample** and the selection process is called **sampling technique.**

A sample design is definite plan determined before any data are actually collected for obtaining a sample from a given population. Samples can be either probability sample or non-probability sample.

I have selected **Simple Random Sampling** in my project,

SIMPLE RANDOM SAMPLING

This type of sampling is also known as chance sampling or probability sampling where each item in the population has an equal chance of being selected in the sample.

SAMPLE SIZE

When a survey is undertaken and when it is not possible to cover the entire population the researcher has to answer the basic question – how large should be sample be? The sample size decision is related directly to research cost.

The intended sample size is the number of participants planned to be included in the trial, usually determined by using a statistical power calculation. The achieved sample size is the number of participants enrolled, treated, or analyzed in the study.

I have taken **50** people in my sample size, as the sample size should be neither so small nor so large.

METHOD USED FOR DATA COLLECTION

The task of data collection begins after a research problem has been defined and research design chalked out. While deciding about the method of data collection to be used for the study the researcher should keep in mind two types of data-

1. Primary data
2. Secondary data

1. PRIMARY DATA

Those data that have been observed and recorded by the researchers for the first time in their knowledge.

Sources;

❖ Questionnaire

❖ Interview method

2. <u>SECONDARY DATA-</u>

Those data that have been compile by some agency other than user.

<u>Sources;</u>
  ❖
  Case study

ANALYTICAL TOOLS USED

The term analysis refers to the computation of certain measures along with searching for patterns of relationship that exists among data group. Analysis is essential for a scientific study and for ensuring that we have all relevant data for making contemplated comparisons. Therefore, I have used **Tabulation, Graphs & Charts** in my project.

RESEARCH ANALYSIS

<u>RESEARCH ANALYSIS</u>

Types of Outsourcing

Business Process Outsourcing

Information Technology - **28%**

Human Resources – **16%**

Sales & Marketing – **15%**

Finance – **11%**

Administrative – **9%**

All Others – **22%**

IT Leading As Most Active Area of Outsourcing

All Others 22%

IT 28%

Administrative 9%

Finance 11%

Human Resources 16%

Sales & Marketing 15%

Least Commonly Outsourced Functions

: Performance Management -**3%**

: Strategic Business Planning – **4%**

: Policy Development/Implementation – **4%**

: Employee Communication Plans – **10%**
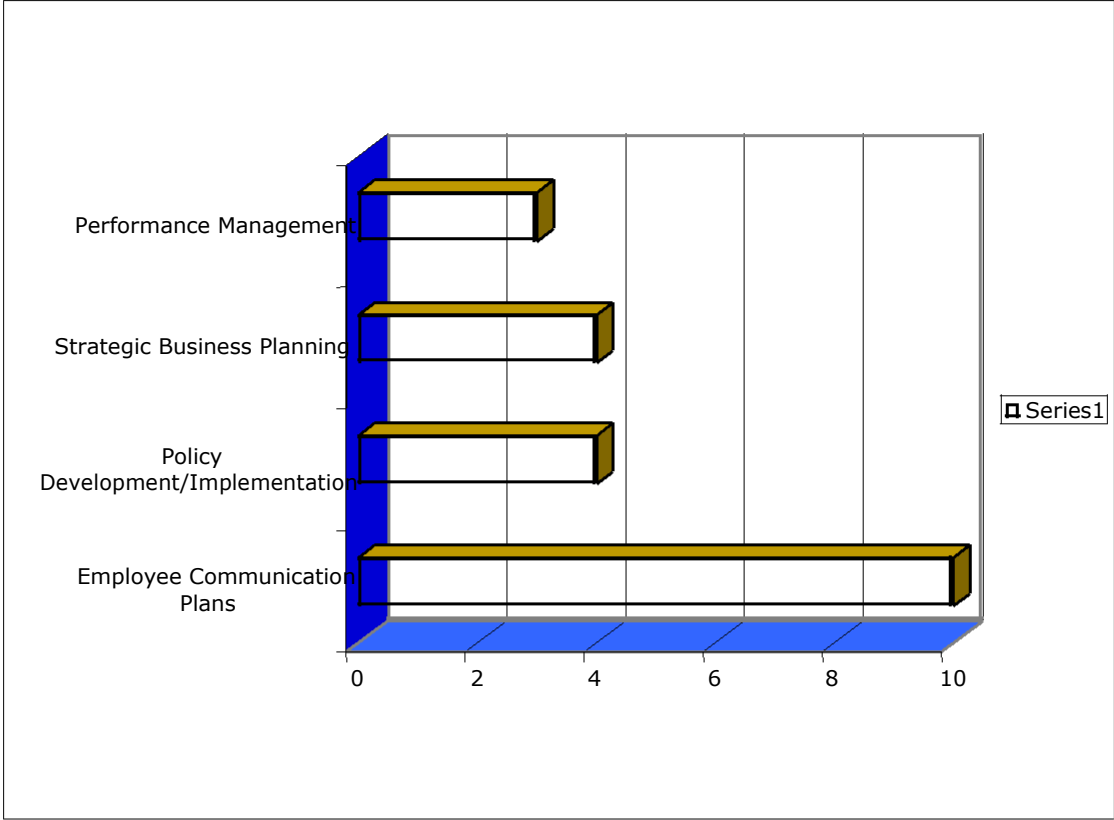
Aware of the objective of outsourcing HR activities
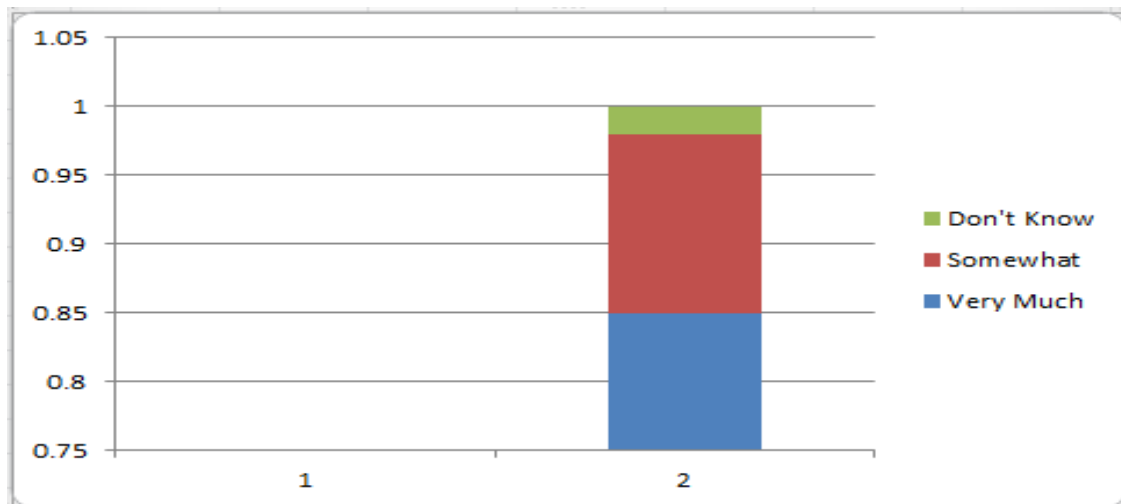
Very much	85%
Some what	13%
Don't know	2%

Strategic Outsourcing helps the organization in achieving goal
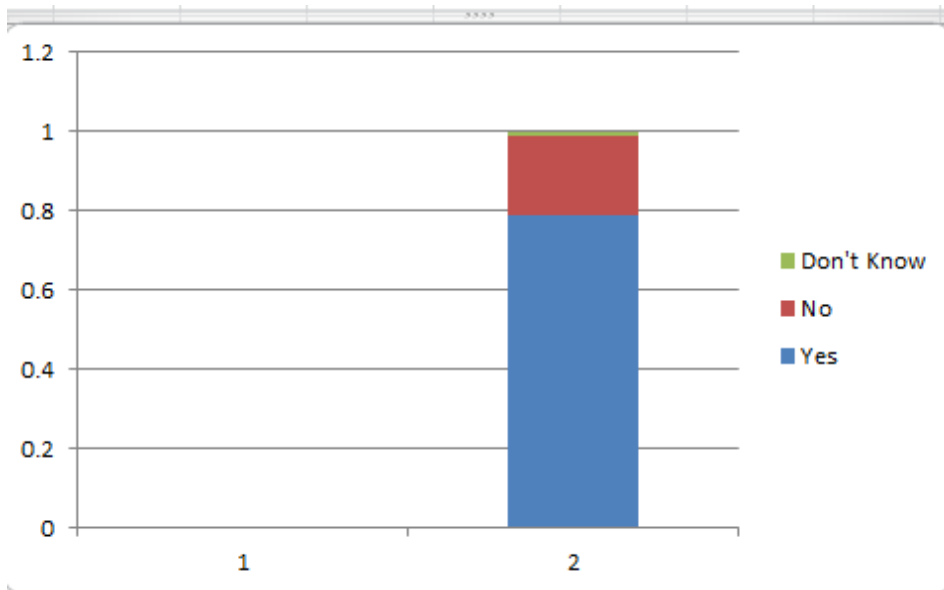
Yes	79%
No	20%
Don't know	1%

Strategic Outsourcing affect the working efficiency of employees
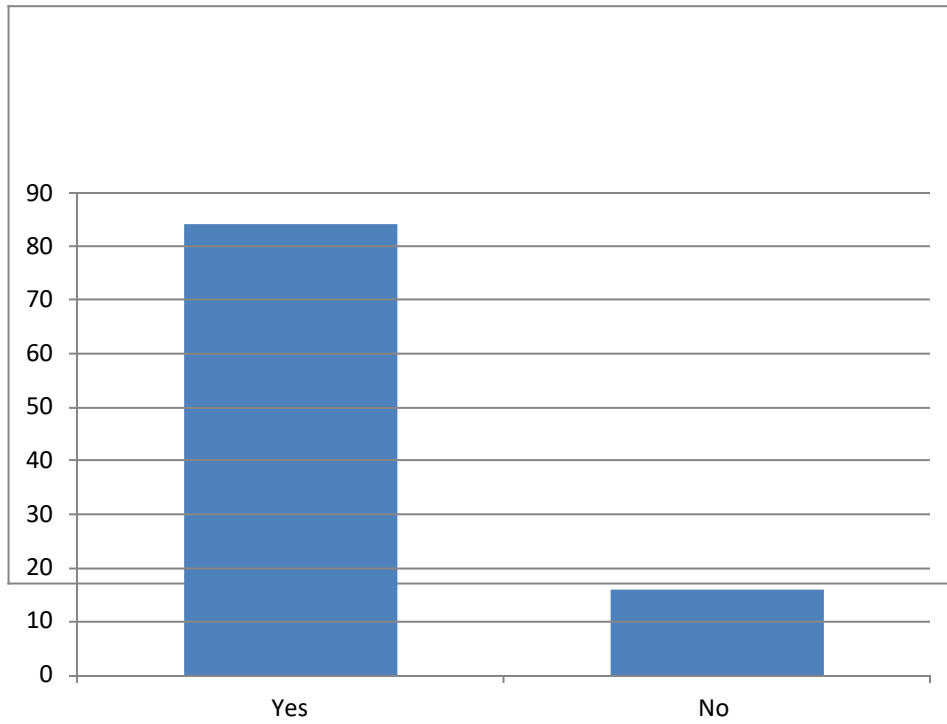
Yes   84%
No   16%

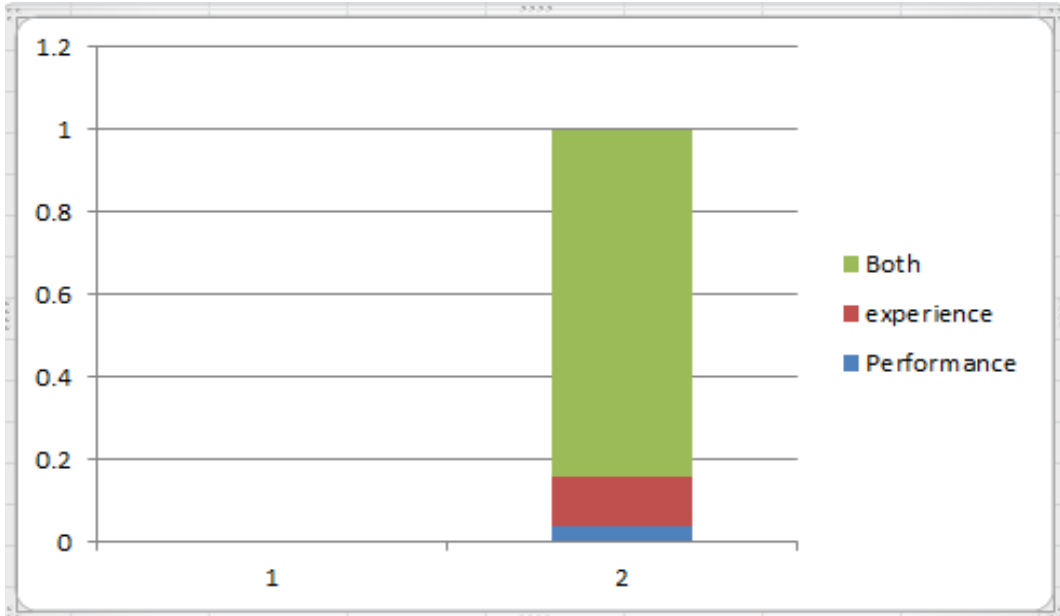**Strategic Outsourcing is able to develop high result orientation approach**

1	2
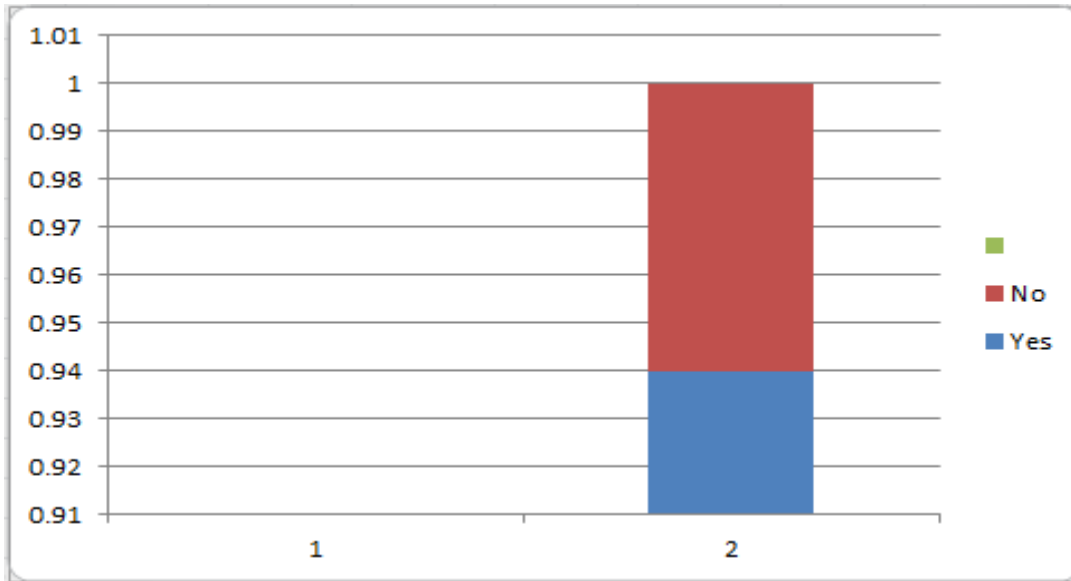
Yes   94%
No   6%

The system will also contribute in potential appraisal
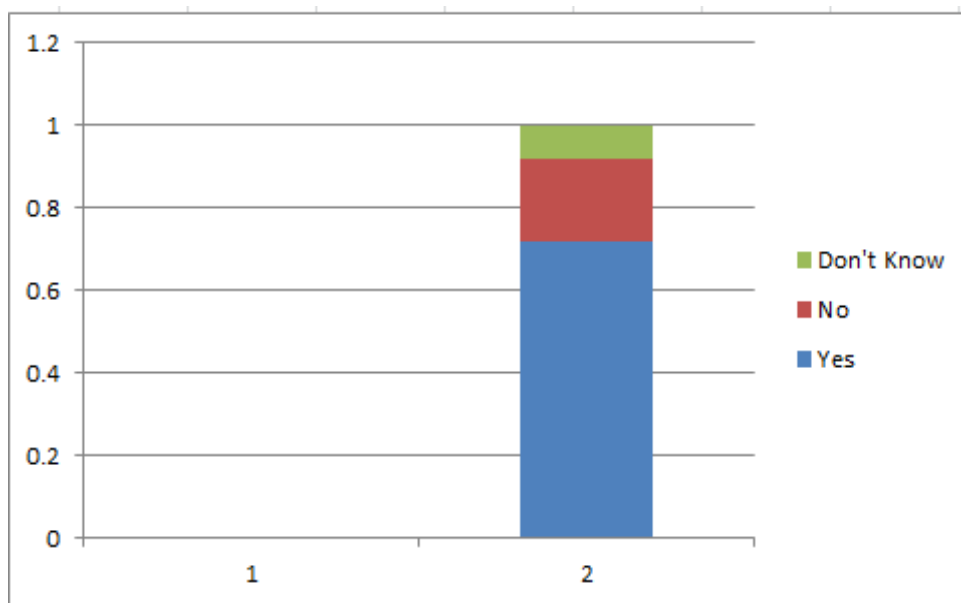
Yes	72%
No	20%
Don't know	8%

OUTSOURCIND DECISIONS IN ORGANISATION BASED ON-
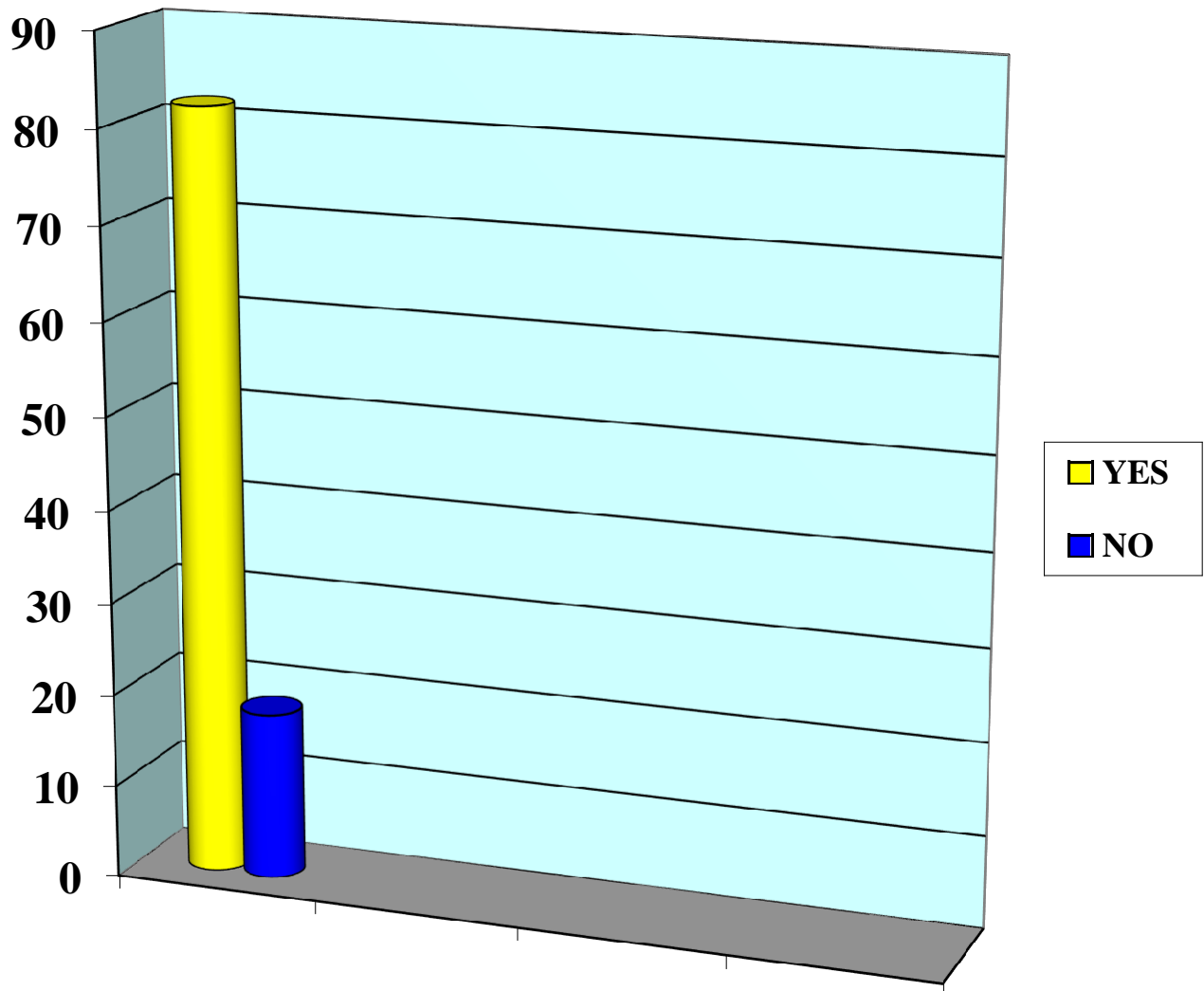
Performance	4%
Experience	12%
Both	84%

TRAINING ANALYSIS

AWARE ABOUT THE TRAINING PROGRAMME
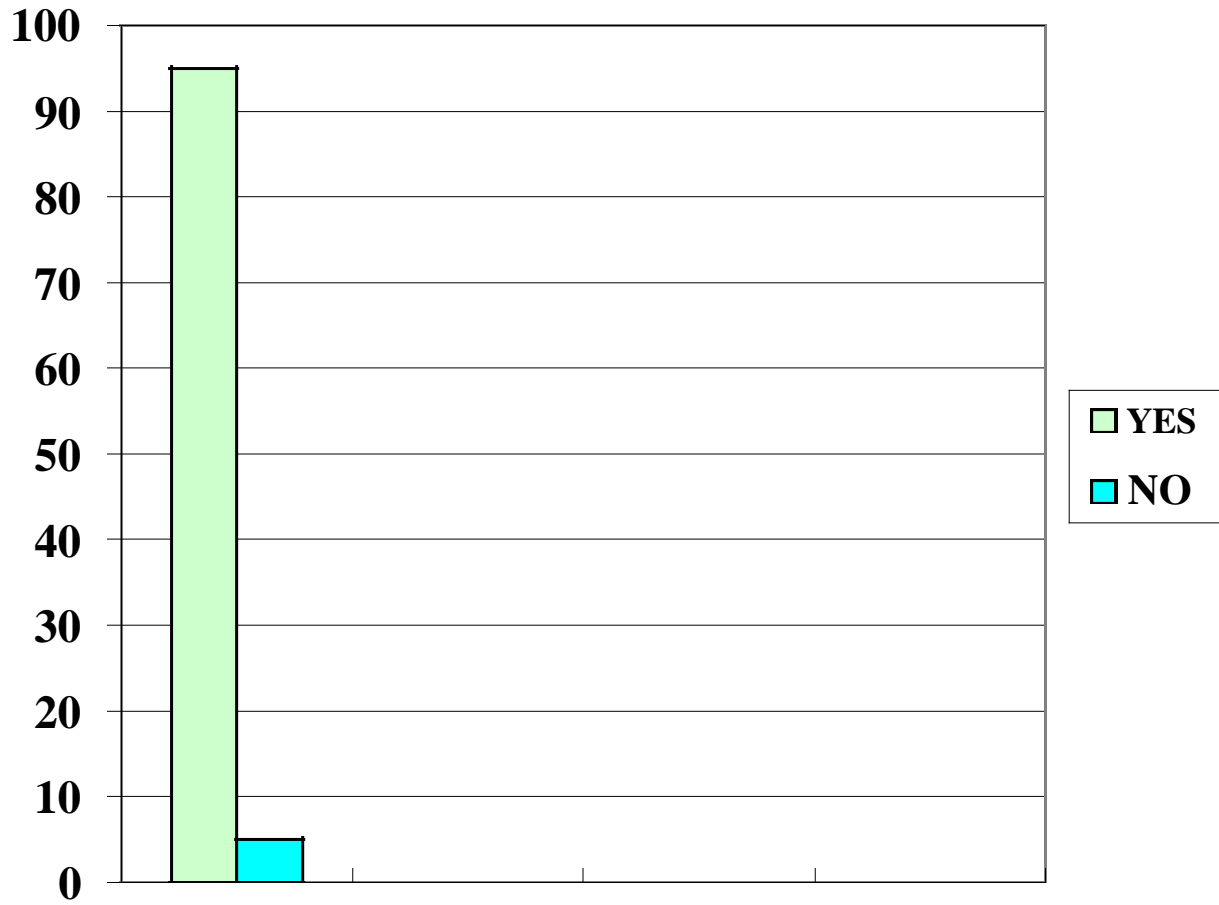
PERFORMANCE IMPROVES THROUGH TRAINING PROGRAME

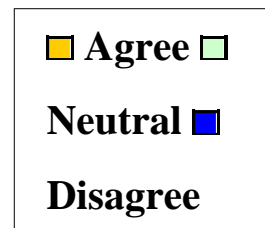Legend:
- YES
- NO

What can be increased through training
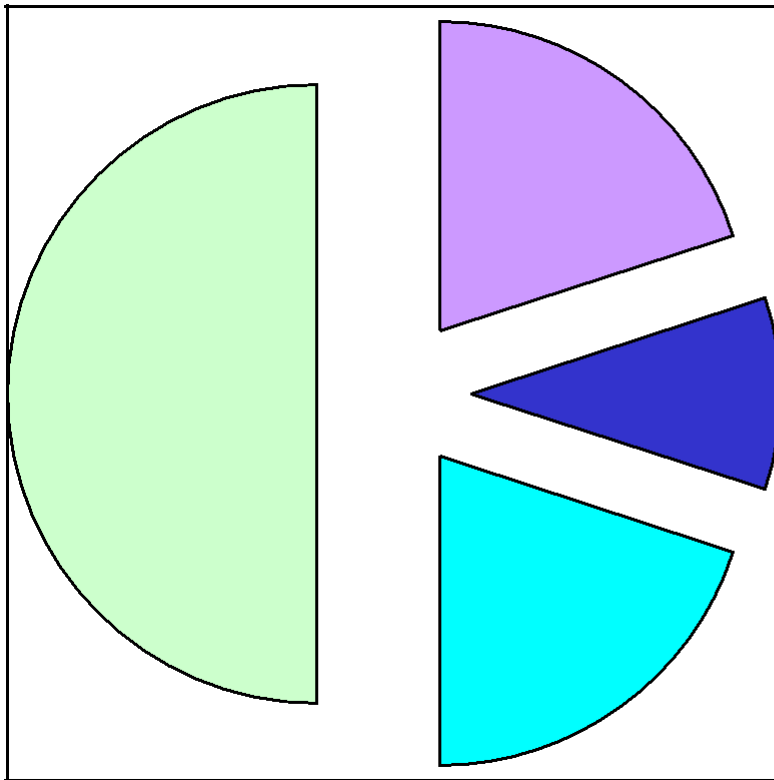
Legend:
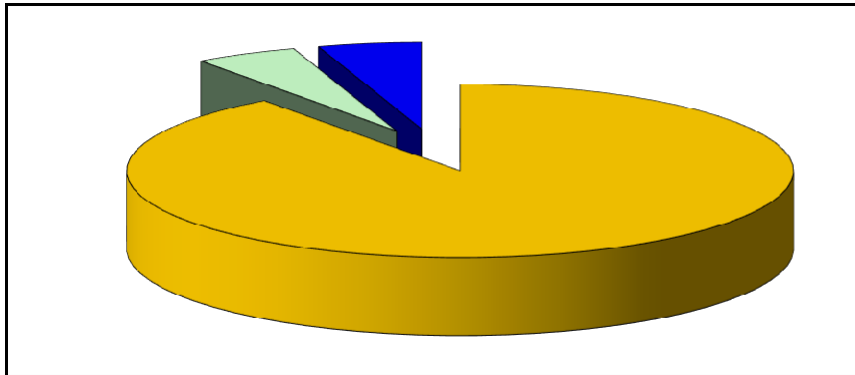- QUALITY
- PRODUCTIVITY
- PERSONNEL GROWTH
- MANAGEMENT DEVELOPMENT

IS THE TRAINING IMPORTANT FOR THE MANAGEMENT DEVELOPMENT

Legend: Agree, Neutral, Disagree

IS TRAINING MORE EFFECTIVE BY THIRD PARTY SPECIALIZED IN IT ?
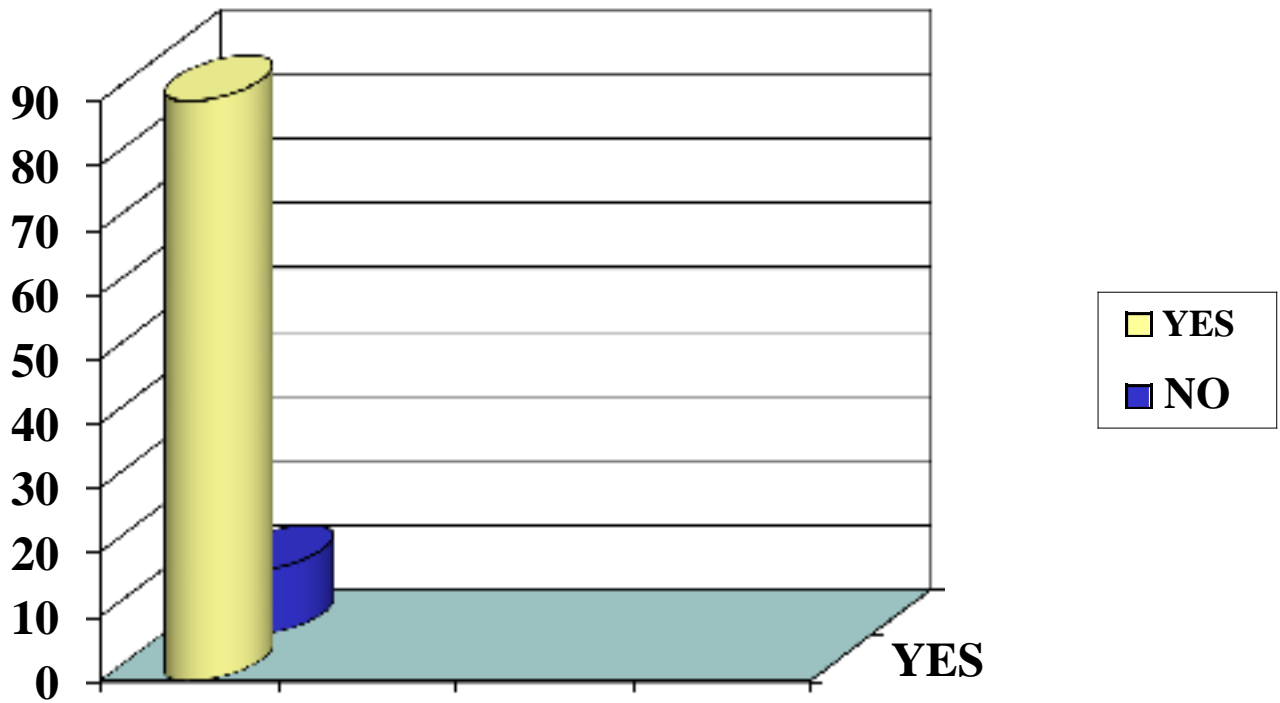
How Common is HRO?

58% of companies outsource some HR function2

: **91%** of companies with $1 billion+ annual revenues are now considering

HRO3

: HRO grew **28%** from second half of 2004 to first half of 20054

Other Types of HR Outsourcing

: Pension Benefits Administration – **55%**

: Temporary Staffing – **54%**

: Retirement Benefits Administration – **47%**

: Payroll & Software Services – **48%**

: Recruiting, Staffing & Search

- Non-executives - **30%**

- Executives - **29%**

: Employee Relocation – **29%**

: Training and Development – **21%**

: Incentives – **19%**

: HRIS & Web-based Services – **15%**

: Reference Checks

: PEOs and ASOs

: Sourcing Consultants & Legal Services

: Screening & Workplace Security

: Process, Project, and Systems Management

Audience Survey

: How many of you outsource part of your HR function?

- Payroll

- Benefits

- Recruiting, Staffing, & Search

- Training

- HRIS & Web-based services

: How many of you outsource all of your HR function?

: What led to the decision to consider outsourcing?

Why Outsource?

: Allow HR to focus on core competencies

: Creates strategic opportunities for HR professionals

: Improve quality, efficiency, and effectiveness

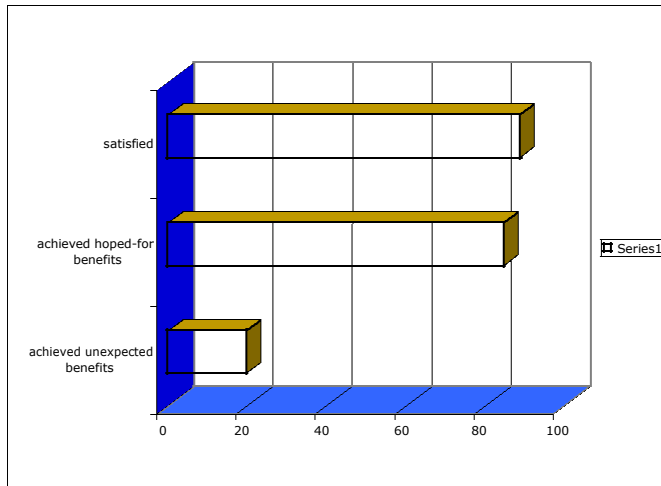: Relief from administrative burdens

: Reduce operating cost

Satisfaction

Recent survey of 129 large companies representing 2 million employees:

: **89%** satisfied with outsourcing arrangement

: **85%** achieved hoped-for benefits

: Additional 20% achieved unexpected benefits

Overview of Process

1. **Planning**

2. **Exploring strategic initiatives**

3. **Analyzing costs/performance**

4. **Selecting providers**

5. **Negotiating terms**

6. **Transitioning resources**

7. **Managing relationships**

Findings -

Till that time, HR outsourcing in India remains to be a gold mine waiting to be unearthed.

1. Cost-benefit advantage - lower cost of outsourcing viz-a-viz outsourced content/processes

2. Confidentiality of processes - away from in-house leaks

3. External expertise as compared to existing in-house expertise

4. Time advantage - timely process completion commitments and easier time-to-market processes/products/services.

5. Focus internally on innovative/creative/strategic work and to do away

with in-house with mundane, time consuming processes

6. Greater objectivity/credibility gain amongst employees

7. Confidence of top management on external professionalism and proven expertise

8. Strategic intent of doing away with high, permanent salary/pay loads

9. Client preference, especially overseas clients

10. Branding/credibility enhancement by associating globally renowned outsourcing Companies

Recommendations

This Corporate Research Forum research identified six trends that will dominate the future of HRO:Increased outsourcing of higher value HR processes such as recruitment.

- Increased use of shared services models.

- Performance issues surrounding HRO deals.

- Continued evolution of electronic HR activities.

- Emergence of new HR roles and competencies.

- Continued debates over HR and HRO measurement.

The report makes recommendations, in particular pointing to areas where mistakes have been made:

- Clients must be clear about what it is sensible to outsource or not, to meet their business needs. This responsibility should not be shared with HRO providers, although consultants' advice may be useful where clients are unsure what to do.

- Outsourcing deals are typically constructed to last many years—the client must think through the implications in the event of significant changes in strategy, structure and operating environment.

- Clients must achieve real understanding of where and how HRO will improve business performance, and when these performance gains may occur over the lifetime of a contract.

- Robust governance systems should be created that spell out the parties' responsibilities.

- There should be timely and honest communication with employees about the purpose, benefits and processes of outsourcing—anticipating and addressing their likely areas of concern, particularly employees within the HR function.

- HR must ensure it has undertaken serious "homework" in mapping its processes before embarking on HRO. Measurement of provider service and of improvement require clarity about the start point.

- The new roles emerging have new skill requirements to manage relationships with HRO providers effectively—posts such as HRO business partner and chief outsourcing officer are being created.

CONCLUSION -

Outsourcing has become a major trend in human resources over the past decade. It's the practice of sending certain job functions outside a company instead of handling them in house. More and more companies, large and small, are turning to outsourcing as a way to grow while restraining payroll and overhead costs. How can you make it work for your business?

First, make sure the company you're hiring can really do the job. That means getting (and checking) references. Ask former or current clients about their satisfaction with the client. Find out what industries and what type of workload the firm or individual is accustomed to handling. Can you expect your deadlines to be met, or will your small business's projects be pushed aside if a bigger client has an emergency?

Also, make sure you feel comfortable with who will be doing the work and that you can discuss your concerns and needs openly. Ask to see samples of work if appropriate (if you're using a graphic design firm, for example).

One outsourcing option is to hire independent contractors. Instead of hiring an in-house bookkeeper, for example, you might outsource the job to an independent accountant who comes in once a month or does all the work off-site. Independent contractors can be more flexible and lower in cost than

outsourcing firms. As with outsourcing firms, however, before hiring an independent contractor, make sure the individual you use can do the job.

If your outsourcing needs are handled by an individual, you're dealing with an independent contractor. The IRS has stringent rules regulating exactly who is and is not considered an independent contractor. The risk: If you consider a person an independent contractor and the IRS later reclassifies him or her as an employee, you could be liable for that person's Social Security taxes and a wide range of other costs and penalties.

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Questionnaire

1). How often will you process payroll for your employees?

❖ Weekly

❖ Monthly

❖ Biweekly (every other week)

❖ Semimonthly (2 times per month)

2). Are most of your employees paid on an hourly or salaried basis?

❖ Hourly

❖ Salary

❖ Evenly mixed

3) Are you aware of the objective of strategic outsourcing?

❖ Very much

❖ Some what

❖ Don't know

4) Is strategic outsourcing helps the organization in achieving goal?

- ❖ Yes

- ❖ No

- ❖ Can't say

5) Do strategic outsourcing affect the working efficiency of employee?

- ❖ Yes

- ❖ No

6) Whether the strategic outsourcing is able to develop high result orientation approach?

- ❖ Yes

- ❖ No

7) Outsourcing decision making in the organization is based on –

- ❖ Performance

- ❖ Experience

- ❖ Both

Give your Suggestion for the strategic outsourcing….

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