INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT AND MANAGEMENT

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OUTSOURCING OF HR SERVICES AT ITC MAURYA SHERATON HOTEL & TOWERS

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ABSTRACT

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 and to realize economies of scale. Rapidly changing market dynamics and global competitive pressures have caused organizations to spend more time focusing on their core business. 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 cheques, 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 non-core 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 non-core functions. Thus, outsourcing becomes a strategy for reducing the capital intensity of the business. A growing number of executives understand the benefits it can bring in terms of not only cost savings, but also heightened strategic focus.

KEYWORDS
Competition, human resources, Outsourcing, strategic, technology.

INTRODUCTION

utsourcing is the strategic use of outside resources to perform activities traditionally handled by internal staff and resources. It is a management strategy by which an organization out sources major, non-core functions to specialized, efficient service providers. Companies have always hired special contractors for particular types of work, or to level-off peaks and valleys in their workload. They have always partnered, formed long-term relationships with firms whose capabilities complement their own; companies have always contracted for shared access to resources that were beyond their individual reach whether it be buildings, technology or people. The difference with simply subcontracting and outsourcing is that outsourcing involves the wholesale restructuring of the corporation around core competencies and outside relationships.

The companies strive to achieve efficiencies, improve customer service, to be more competitive and implement best practice while simultaneously reducing costs. Outsourcing, which is also known as contracting out, refers to an arrangement where an agency has an activity or function performed by a private sector provider, or by another organization. Under such arrangements the original agency retains overall responsibility for the activity. The main purpose of outsourcing is to allow an agency to concentrate on its core activities and to provide better value for money. It may also be pursued as part of an industry development policy.

Reliance on outsourcing by organizations to provide human resource functions is increasing. Outsourcing can increase a firm's access to specialized expertise that would not otherwise be available. Yet, in some other cases outsourcing acts to limit the development of organizational competencies or it can create inefficiencies due to the outsourcer's lack of knowledge of the organization.

Outsourcing is a matter of choosing between hiring and training internal staff or relying on external experts or services. Organizations must weigh the cost of staffing and administering an in house function against the cost of outsourcing. They must determine if it is possible to create and rely on an outsourced service or relationship and receive the results the firm needs. Most importantly they must decide if the expertise relative to a given HR function should be developed within the organization or should it allow the expertise to be imported by an outsourcer. Of course, it may be that the expertise of the caliper available through outsourcing is not always available for hire.

Researchers found that firms that have HR practices, which are unique and often not managed in a manner similar to those of their competitors, were not satisfied with the benefits they received from outsourcing. This is probably because these firm's practices are difficult for outsiders to learn and understand, thus making it necessary for either the outsourcer or the firm to make a considerable up front investment. Most likely the firm will have to pay the outsourcer to study its practices making outsourcing expensive or an outsourcer who takes the time to study the organization at own expense may find that providing services for such a company are too expensive and time consuming. In this complicated situation the outsourcer may not be able to gain the understanding or may not spend the time necessary to learn the organization well enough to be successful. With all these complications it is not surprising that executives at such companies feel especially strong that outsourcing services in human capital (training and the like) and recruitment and selection are not beneficial.

However the opinion of HR directors or managers who are at firms that face a great deal of financial and other business uncertainty and who were in industries characterized by volatility perceived strong benefit from outsourcing HR activities and functions. This was also true of firms in which managers are under a great deal of pressure to cut costs or to not create fixed costs such as acquiring additional staff and equipment. Apparently, it is easier to establish a flexible outsourcing arrangement rather than hire employees who will be released later during the next economic down turn. However, they feel that generalist activities were not beneficial when outsourced. This is probably because outsourcing must be managed carefully so that the company's relationship with the outsourcer is what the company needs and full value from outsourcing is received.

The question nobody ever asked was what about everything else? If an organization focuses on its core competencies how does everything else that is considered non-core get done? The rethinking of the corporation that the core competencies philosophy has inspired actually fueled the explosive growth in the use of outsourcing during the 1990's. Spending went from nearly zero at the beginning of the decade to $300 billion by the turn of the century. Not only did outsourcing facilitate the development of core competencies, but it also powered it.

Core competencies are an important way to think about a corporation and building those competencies is the path to success. Michael F. Corbett & Associates, Ltd. uses a simple test for identifying those competencies. First, if starting your company today would you do this yourself? If the answer is yes, then the

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function's criticality is widely recognized. Second, would other companies hire you to do this for them? This gets at your firm's ability to perform the task in question. Third, will tomorrow's CEO come from this area?

This question addresses the importance of the activity to the firm. Importantly, you must answer yes to all three questions before considering a business activity a core competency.

Non-core activities don't merit significant investments of precious capital or management time, but they still needed to be done and done well. The solution that allowed companies to focus on their core competencies was outsourcing. Instead of hollowing out the firm, as critics warned us it would do, outsourcing powered great advances because non-core but essential work could be handed to best-in-c1ass outside providers

NEED FOR STUDY

The major objective of studying this project in detail is to understand and identify the HR functions that can be conveniently outsourced in order to reduce the overall cost of the organization and help in improving the efficiency of the organization.

The significance of the project is to identify the HR functions/activities which can be outsourced in order to reduce cost and improve the efficiency of the HR department.

The objectives of the project were the identification of the HR functions that could be outsourced. After the same had been done based on the literature survey and the analysis of the policies and practices at the ITC Maurya Sheraton, the analysis of the HR activities that could be outsourced in terms of the basic criteria for outsourcing; cost, time and the efficiency. Also the cost effectiveness of the HR services/ areas that could be outsourced was done. This would lay the basis for the recommendation for the HR activities that could be outsourced. Since it is only a feasibility study thus no hypothesis is possible.

Every organization has limits on the resources available to it. Outsourcing permits an organization to redirect its resources, most often people resources, from non core activities toward activities which serve the customer. The organization can redirect these people or at least the staff slots they represent onto greater value adding activities.

The critical study of outsourcing would let a company focus on its core business by having operational functions assumed by an outside expert. In today's era of outsourcing, there are companies that can come to your rescue. You can basically out-source all of your human resource needs and save yourself the hassle, the staff, the administrative requirements and possibly some money as well.

Many companies around the world have turned to outsourcing to gain technological/process competence to manage operations better, cheaper, and faster. The rapid pace of technological change has made it increasingly difficult for companies to attract, retain, and invest in the necessary human and Information Technology (IT) resources required to stay at the forefront of today's business environments.

HR outsourcing delivers a full spectrum of hiring services: hourly and exempt hiring, university recruiting, resume management, test administration, screening of candidates, benefits administration, sourcing and more. First, it helps companies understand what is strategic about the organization's HR function. These tactical things are functions within HR that either a company does not have the core competencies to perform or would rather prefer them to be performed by outside experts.

An external expert will bring in a contemporary perspective, unfettered by your company's past. Cadbury, for instance, is buying the process of competency-profiling for all its managerial positions from Corporate Resources Group India (CRG India), a subsidiary of the Geneva-based HR consultancy.

Outsourcing any activity provides access to new skills and fresh insights. In that sense, it is always valuable. It will keep your operations lean, allowing you to focus on your competencies. New entrants like Reebok India and Heinz India used this principle to outsource their entire recruitment--from the search firms. Moreover, the cross-currents that affect hiring are so complex--from compensation trends to shifting MBA preferences, from the emergence of new B schools to the fortunes of different industries--that tracking them can be a real challenge.

LITERATURE SURVEY

In today's era of outsourcing, there are companies that can come to your rescue. You can basically out-source all of your human resource needs and save yourself the hassle, the staff, the administrative requirements and possibly some money as well.

Competitive advantage is found in the corporate-wide technologies and production skills that are organized into core competencies. The root of competitive advantage lies in core competencies, which allow businesses to adapt to marketplace opportunities. Outsourcing is the tool that allows organizations to focus on their core competencies. As organizations outsource those activities that are non-core, it frees management time and resources to focus on the activities that are core.

The importance and widespread use of the term and concept of core competencies is remarkable. Core competencies are skill and knowledge sets, not products or functions. They are in areas where the company can dominate the competition and they are embedded in the organization's systems.

Outsourcing of activities is now taking place at an increasing rate. It has been extensively used mainly in the areas of construction, business and property, transport and storage, communications, health education, museums, libraries, cleaning, gardening, training, marketing information and public relations, and in the information technology area.

Looking at theses groups two schools of thought regarding outsourcing can be seen. Group one believes in hiring experts to get salient and important functions off the ground and for monitoring functions that tend to require significant amounts of expertise on the part of outsourcers. This group has integrated the outsourcer into the organization by relying on them to provide functions that are a central part of HR such as organizational development, performance appraisal and employee relations. While group two has chosen to limit their reliance to highly technical aspects of HR such as design and implementation of HR information systems, payroll and compensation. Outsourcing any activity provides access to new skills and fresh insights. In that sense, it is always valuable

OBJECTIVES AND SIGNIFICANCE OF STUDY

The significance of the project is to identify the HR functions/activities which can be outsourced in order to reduce cost and improve the efficiency of the HR department.

The objectives of the project were the identification of the HR functions that could be outsourced. After the same had been done based on the literature survey and the analysis of the policies and practices at the ITC Maurya Sheraton, the analysis of the HR activities that could be outsourced in terms of the basic criteria for outsourcing; cost, time and the efficiency. Also the cost effectiveness of the H R services/ areas that could be outsourced was done. This would lay the basis for the recommendation for the HR activities that could be outsourced. Since it is only a feasibility study thus no hypothesis is possible.

OBJECTIVES

Identification of the HR functions that could be outsourced

Literature survey and the analysis of the policies and practices at the ITC Maurya Sheraton

Analysis of the HR activities that could be outsourced in terms of the basic criteria for outsourcing – in terms of cost and time.

Cost effectiveness of the HR services / areas that could be outsourced.

Recommendations for the HR activities that could be outsourced.

RESEARCH METHODOLOGY

SAMPLE

The sample consisted of telephonic interviews and E Mail exchanges with selected managerial and non managerial staff of the HR and other user departments.

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NATURE AND SOURCES OF DATA

The nature of data as applicable in this case is the primary (telephonic and E mails) data and secondary data. The primary data consists of the opinions of the HR functionaries about the goals of the HR department, their work load and efficiency. It also consists of some selective views of the managerial and non managerial staff of the user departments and the HR department regarding outsourcing. The secondary data consists of the review of the HR policies and the review of the various manuals and documents.

TOOLS AND TECHNIQUES

The tools and techniques used for primary data collections were questionnaires exchanged through E Mails and telephonic interviews. The tools and techniques for secondary data collection being the HR manual, induction manual, Training manual, HRD audit report and the training department report. The project thus aims to make contributions at the policy level regarding recommendation for outsourcing; in terms of the process level for outsourcing of activities to reduce cost and time and is expected to improve the efficiency and the effectiveness of the HR department.

LIMITATIONS OF THE PROJECT

The limitations are the non availability of any prior data on the said subject. The sample collected, especially the primary data has been very limited in nature. Also the time and cost are also a limiting factor.

ANALYSIS AND FINDINGS

Analysis of the findings revealed that a majority of the respondents were totally aware and some were partially aware of the outsourcing concept. Thus the awareness level was quite high among both the HR and the non HR functionaries.

AREAS WHERE THE CONCEPT CAN BE APPLIED

AREAS	PERCENTAGE OF RESPONDENT
human resource	13%
housekeeping	26%
security	21%
finance	15%
information technology	12%
marketing	8%
administration	5%

AREA WHERE THE CONCEPT CAN BE APPLIED

FIGURE 1
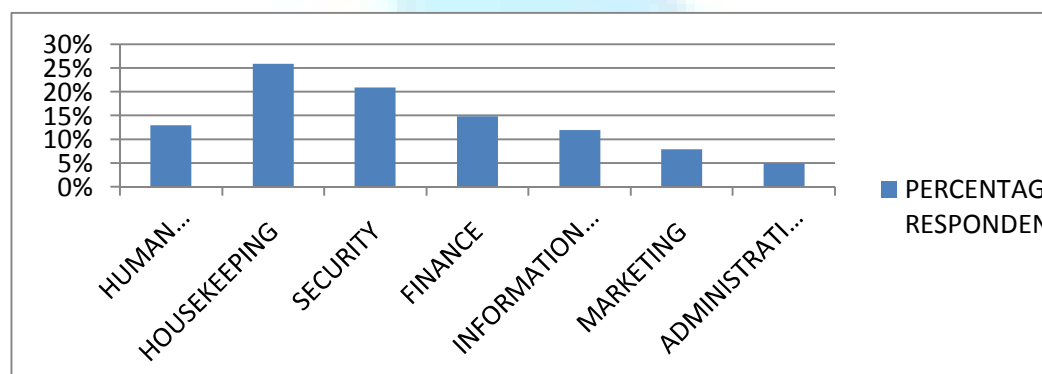
Analysis of the responses regards the probable areas for outsourcing among the functional areas i,e. Human Resources (screening of applications, training and development, employee benefits, industrial relations, appraisal and payroll / salary administration) Administration (mail room management) Marketing (direct mail, advertising, telemarketing, field sales) Information Technology (maintenance/repair, IT training, applications development; mainframe data centers) Finance (payroll processing, purchasing) Security and others (housekeeping and laundry) 26% responses were received for others e.g housekeeping, 21 % said that security could be outsourced , 15% said that the finance function could be outsourced , 13% said that human resources could be outsourced followed by information technology at 12% and 8% for Marketing and 5% for Administration. Thus a functional area like HR there was not very common as an area for outsourcing.

OUTSOURCING OF HR FUNCTION AT ITC

AWARENESS LEVEL	PERCENTAGE OF RESPONDENT
AWARE OF OUTSOURCING	60%
NOT AWARE	20%
DO NOT RESPOND	20%

AWARENESS LEVEL

FIGURE 2

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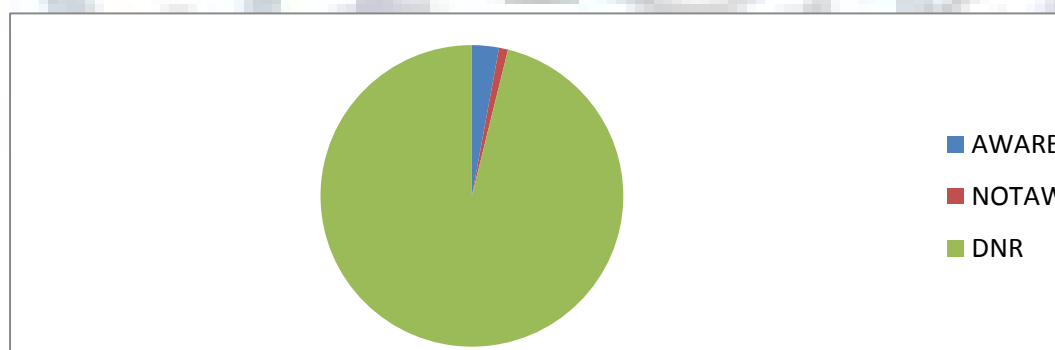
20% said that they were not aware whether the company currently outsourced the human resources function whereas 60% said that the company does outsource and balance did not respond. It was found that the company was resorting to outsourcing in some selected fields.

HR AREAS FOR OUTSOURCING

hr areas for outsourcing	percentage
screening	36%
payroll accounting	35%
training and development	15%
employee benefits(cafeteria,ir,appraisal and others)	14%

The human resources areas that could be outsourced among the ones identified which are screening, payroll accounting, training and development, employee benefits such as cafeteria, industrial relations, appraisal and others. Screening was the maximum with 36%, Payroll administration received the next highest number of responses at 35% followed by the training and development at 15% followed by appraisal at 5%, industrial relations at 4%, employee benefits at 3% and others 2%. Thus the most preferred areas identified were the payroll followed by initial screening in the recruitment process.

DECISION REGARDING OUTSOURCING

52 % of the responses received led to the finding that the decision lay with the functional heads. 39% said that the decision was made at the senior management level and only 9% said that the decision was with the top management. Thus it was the functional head who was the authority regarding outsourcing.

CRITERIA

The criteria that was most important while deciding on the activity to be outsourced, out of efficiency, in terms of time, service time, cost, expertise involved, nature of activity and any other criteria, Service time emerged as the as the most important. The next important criteria was the cost involved, the distinction between the core and non core, followed by expertise and others. Thus the most popular criteria was the service time and the cost involved. The organization could thus look into these criteria for the decision of outsourcing.

ANALYSIS OF TIME SPENT BY HR FUNCTIONARIES ON HR AREAS

62% responses found that **they** would like to spend less time at the jobs than they currently spend and 38% revealed that they would like to spend more time than they currently spend. Thus the respondents would like to spend more time making the need for outsourcing necessary. Out of the time spent respondents handling payroll spent an average of 35% time in payroll which cost 45% of the human resources department cost whereas they would like to spend only 10% leading to the finding that the payroll function cost could be reduced to 13% if the function was outsourced. Similarly for screening job responsibility the average time was 37% which cost 35%. In this case they would like to spend 19% of the time which would reduce the cost to 18%. Thus it can be easily concluded that payroll and screening could be outsourced.

AREA OF HR AND COST INCURRED

AREA OF HR	COST INCURRED (PERCENTAGE)
payroll accounting	**42%**
screening	**35%**
t&d	**9%**
appraisal	**6%**
employee benefits	**4%**
others	**3%**
ir	**1%**

AREA OF HR AND COST INCURRED

FIGURE 3
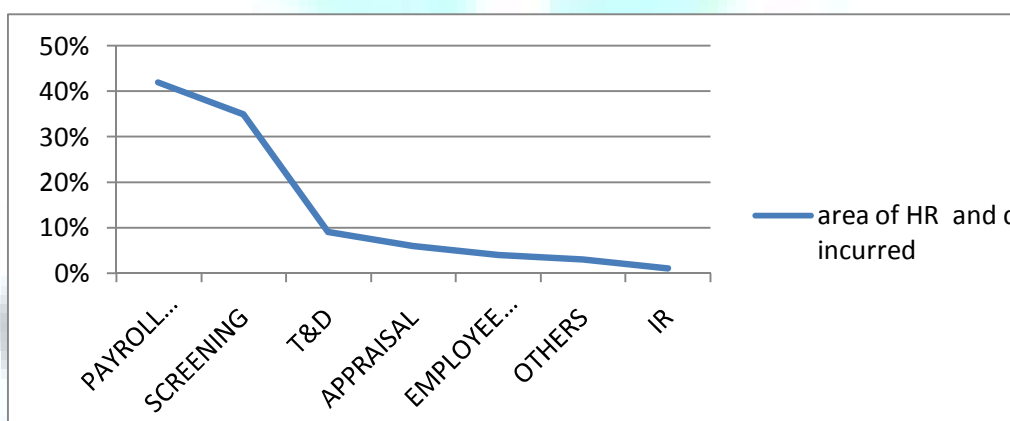
Payroll accounting incurred the highest with 42%, screening was the next highest at 35%, training and development at 9%, appraisal at 6% , employee benefits at 4%, others at 3% and industrial relations at 1 %. Thus the organization could look at cutting down these costs and spending more on other areas such as training and development, employee benefits.

COMPLAINTS / DELAYS FACED

Payroll accounting received the highest percentage of complaints with 31% , screening was the next highest at 27% followed by appraisal at 12%, training and development at 11%, industrial relations at 10%, employee benefits at 7%, others at 2%. Thus the highest percentage of complaints or delays were in payroll accounting followed by the screening. The organization should thus outsource its payroll accounting system and the screening keeping in the criteria established.

SUGGESTIONS AND RECOMMENDATIONS

Outsourcing thus has emerged as a key concept in shaving off a fat slice of the corporate cost structures. Outsourcing offers a cost benefit as well as better use of the manpower time in terms of the time spent. The global market for outsourcing is currently valued at $15 billion. Thus this will not only help in savings in terms of the costs and time but also in terms of more value addition to the tasks performed by the employees.

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The organization could thus look at outsourcing certain functions such as payroll and the initial screening process. Also a similar study could be conducted for other departments and functional areas. The service time was the most important criteria followed by the cost involved. Thus the most popular criterion were the service time and the cost involved. The organization could thus look into these criteria for the decision of outsourcing. The time spent by respondents handling payroll spent an average of35% time in payroll which cost 45% of the human resources department cost whereas they would like to spend only 10% leading to the finding that the payroll function cost could be reduced to 13% if the function was outsourced. Similarly for screening job responsibility the average time was 37% which cost 35%. In this case they would like to spend 19% of the time which would reduce the cost to 18%. Thus the payroll and the screening could be outsourced. Payroll accounting incurred the highest cost and screening was the next highest. Thus the organization could look at cutting down these costs and spending more on other areas such as training and development, employee benefits. Payroll accounting has the highest percentage of complaints and screenll1g the next highest .Thus the highest percentage of complaints or delays were in payroll accounting followed by the screening. The organization should thus outsource its payroll accounting system and the screening keeping in the criteria established.

It is thus recommended that while determining the worthiness of an outsourcing decision, it is important to put all financial figures into a model for financial analysis ensuring that the sourcing option with the highest value to the firm will be selected. Comparing current budgets to proposed budgets, helps determine if the outsourcing decision is financially sound. The items used in the comparison are operating budget, overhead budget, and capital budget. By comparing these budgets we can determine the budgetary cost savings associated with outsourcing.

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