

Power Jobs



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Strike a BALANCE

Yes, this is the best thing to do, when you consider outsourcing your HR activities, says **SONALI MAJUMDER**

Ask any company worth its salt about the benefits of HR outsourcing and pat will come the reply, it saves costs. Indeed, what started off as a cost-cutting measure is now big business. And if a Conference Board Report Survey of 120 companies in North America and Europe, with a revenue of over US \$ one billion is anything to go by, HR is one of the major functions that is outsourced and none of the companies has any intention of taking

back in-house. Ditto in India, where HR outsourcing is picking up and companies like PeopleStrong and Hewitt are increasingly handling HR accounts of other companies. Typical HR functions that are outsourced include employee benefits and plans, including health, life and disability insurance, pension, HR management including recruitment, selection, termination, salary, reviews and job descriptions. Then there's also payroll processing and administration, which include issuing of pay cheques and deduction of taxes, and pension contribution. As Pankaj Bansal, CEO, PeopleStrong says, "If implemented well, it creates a win-win situation for both parties. Organisations

that outsource typically look at the following reasons. First, they may not have the competence to implement the process. Second, even if they have the competence, the in-house team may not have the bandwidth to take on the responsibility of execution. Or even if both are possible, it still may not make sense for the organisation to in-source because the cost of in-house execution may be far higher.

In HR, for instance, when you outsource activities like exit interviews, the internal HR team saves bandwidth and can focus on action based on the input from exit interview reports. This, as would agree, has a direct correlation with reducing attrition in a focused and objective manner. "It not only improves the exit management process but also brings discipline in amongst the management who is able to review the reports and take action in a more focused way," says Bansal. In fact, one of PeopleStrong's clients, has to share the reasons for attrition with its shareholders on a regular basis. Hence outsourcing exit interviews leaves the company with enough time to dwell on important jobs.



ILLUSTRATION: ARYA PRAHARAJ

Then there are companies who do not wish to do the routine job of scanning CVs; so this function is outsourced. "This way the company can streamline its hiring process and devote time to getting the right talent on board," says HR consultant Ashok Bhattacharya. Observes Bhattacharya, "The trend developed because of an

organisation's need to build focused areas of specialisation and devote as much time as possible to what is construed as core activity." An example could be outsourcing of the pre-sales calling process that significantly increases the productivity of a sales person of an organisation as he/she focuses on meeting with clients rather than spending

time on fixing appointments. This has a direct positive impact on sales. PeopleStrong's sister concern provides this facility to its US clients and has helped companies there to increase sales. Besides HR, Bhattacharya observes, other facilities like housekeeping, security, legal processes like company registration, legal follow-ups, communi-

cations and publicity, materials procurement are being outsourced as well. "It's not proper to make a blanket statement that all out-sourcing is cost-effective. However, bringing in specialised knowledge and sometimes economies of scale do help in saving costs." However, the question that arises is how far outsourcing can

benefit companies? Statistics have proved that if pursued with the sole objective of cost cutting, then success is bound to be short-lived. "Rather it should be looked at as a partnership based on needs, competence and focus areas of two companies with the intention to arrive at win-win solutions. Only this can guarantee long-term success," says Ajay Oberoi, Senior Vice President, Aptech Limited. Sometimes a company's lack of expertise can cause strained relations with outsourcing service providers, and vice versa. The outsourcing industry in India is still in a nascent stage; hence there is a lack of process domain experts. "The prominent brands in the outsourcing industry do not have the right talent to deliver the best results to clients, and this is definitely a problem," says Bansal. And very often, service providers end up being vendors rather than business partners. An example could be cited of local firms that use sub-standard processes for payroll solutions, and spoil the name of the entire industry. "It's like the film piracy industry, a few rotten eggs end up spoiling the reputation of the entire industry," says Bansal.

Another nagging worry is that key issues of confidentiality could be compromised. The organisation may suffer from a sense of insecurity that its data with the outsourcing agency can easily be passed on to others. For instance, payroll data, if passed on to other organisations, can have serious implications. So the best way to go about it is striking a balance. But as a leading HR consultant puts it, the HR outsourcing industry is still in a nascent stage, and the country is yet to see the best.

Ditto in India, where HR outsourcing is picking up and companies like PeopleStrong & Hewitt are increasingly handling HR accounts of other companies. Typical HR Functions that are outsourced include employee benefits, Says Pankaj Bansal, CEO, PeopleStrong "If implemented well, it creates a win-win situation for both the parties. Organisations that outsource typically look at the following reasons. First, they may not have competence to implement the process. Second, if they have the competence, the in-house team may not have the bandwidth to take on the responsibility for the execution. Or even if both are possible, it still may not make sense for the organization to in-source as the cost of in-house execution might be far higher.

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