

## To outsource or not to outsource

### Is human resource outsourcing key to better organisational success?

#### **About HR outsourcing**

From a humble administrative support function, human resource has since developed into an integral and strategic function in today's challenging business environment. Especially with the current job crunch and talent scarcity, effective human capital management is crucial to organisational success.

But with so much on its plate, it makes perfect business sense for HR to outsource certain functions and processes to an external supplier so that it can concentrate on its core functions such as talent management.

Generally, payroll administration or recruitment, transaction or administrative elements of HR activities, and supporting technological and physical infrastructure are the aspects of HR that are commonly outsourced.

#### **To outsource...**

Sub-contracting some or all non-core processes to specialist providers has its benefits. It enhances organisational operations by allowing organisations to concentrate on what they do best. It frees up time for HR professionals to operate more strategically to support organisational performance.

And with outsourcing, firms are better poised to meet shifting business conditions, demand for products and services and technologies. Organisations also have access to improved HR IT systems and expertise which may not be readily available internally. And because HR professionals are not bogged down by non-core functions, firms enjoy increased flexibility and quicker response from their providers.

However, the decision to outsource HR is should not be taken lightly.

#### **Or not...?**

Sub-contracting HR functions is not without its pitfalls. Like any other business venture, it exposes companies to a different range of risks.

Firms can lose control over their outsourced functions, and in the process, lose knowledge to the provider. Outsourcing can also impair organisations' capabilities to integrate processes while standardisation of processes may not necessarily be empowered to organisations as it resides with the provider's preferences.

In more drastic circumstances, outsourcing can lead to disengaged and unmotivated employees as they might feel jobs might be lost to vendors.

And as most outsourcing agreements are for long-term, it takes great commitment for companies to maintain a good working relationship with their vendors.

### **Quick tips to outsourcing**

More and more HR outsourcing arrangements usually require long-term commitments of about five to ten years. It is therefore important that companies assess their current and projected business strategies and potential changing business climate to avoid latent contractual disagreements.

Before signing on the dotted line, companies should have a clear objective of what outsourcing should achieve and understand the extent of services or functions to be sub-contracted. They should also allow the promise of cost savings to obliterate everything else - outsourcing is about enhancing performance and providing improved products and services.

Ultimately, what is important to note is that outsourcing does not liberate firms of the overall responsibility for the provision of HR services.