



Employee perception on outsourcing as human resource strategy: A study on Visakhapatnam Port Trust (VPT), Visakhapatnam

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Abstract

In any organization HR related decisions play an important role in achieving the objectives of the organization. The human resources both inside and outside the organization have to be properly guided towards this direction. The HR outsourcing which has become a recent phenomenon has been playing an important role in fulfilling the goals of the organization. In this paper an attempt is made to present the perceptions of employees on outsourcing as human resource strategy with special emphasis on Visakhapatnam Port Trust, Visakhapatnam.

Keywords: outsourcing, employee perception, human resource strategy

Introduction

Human Resource Management (HRM) is the management of an organizational workforce, or human resources. It is responsible for the attraction, selection; training, assessment and gratifying employees, and also to manage organizational leadership, culture and ensures compliance with employment and labour laws. The concept of Human Resource is a product of the early 20th century, when researchers began documenting ways of creating business value through the strategic management of the workforce.

One of the four most important factors of production is Human Resource. This resource has some unique characteristics which separates it from other factors of production. Due to this, human resource occupies a special place in the business of any organization.

The success or failure of any organization largely depends on the effective utilization of human resource by the organization. Fortunately, India has abundant qualified and competent human resource. The Management of Human Resource is viewed as a system in which participants seek to attain both individual and group goals ^[1].

Review of Literature

Malik, K.P., *et al.* (2011) ^[1] opined Human Resource Management practices are shaped by the work environment and culture of a specific country. "Localized" HR practices also determine, to a large extent, organizational effectiveness. Nevertheless, with present milieu of globalization and internationalization of businesses the pressure to adopt best practices and follow some form of international standards has become the norm. This is especially in the interest of companies who are either on the path to "globalization" or intend to go that way. Both China and India have strong

indigenous cultures and work environment that has led to creation of unique Human Resource Management systems and practices in the organizational reality of each country.

Pankaj Tiwari, (2012) ^[2], "Human Resource Management Practices: A Comprehensive Review", the purpose of this paper is to develop an understanding of HRM Practices and to examine the unique HRM practices implemented by different companies. Human Resource is the most important asset for any organization and it is the source of achieving competitive advantage. Managing human resources is very challenging as compared to managing technology or capital and for its effective management, organization requires effective HRM system. HRM system should be backed up by sound HRM practices. HRM practices refer to organizational activities directed at managing the pool of human resources and ensuring that the resources are employed towards the fulfillment of organizational goals. This paper has been designed to review the existing literature available on HRM Practices.

Surya Narayan Mohapatra, (2012) ^[3], "Managerial Motivations Behind Outsourcing Practices In Human Resource Management In The Indian Banking Sector – A Study", opined Competition, Computerization & Compulsions in the post financial reforms period forced the banks in India to look beyond their boundaries for management of Human Resource functions. This paper investigates the motivations behind HR outsourcing decisions of the managements of banks to go for Human Resource Outsourcing. Framework for the study was developed basing on the review of the existing literature and then making in-depth interviews with HR managers of different banks. Through structured questionnaire, the views of the senior bankers of major banks in the country were captured. The study found that the main drivers for HR

outsourcing are ‘Reduction of internal HR staff’, ‘Make up shortage of staff’ and ‘Free HR staff for strategic HR functions’. The managers do not feel that HR outsourcing will have overall benefit for the organization. Review of the previous studies on human resource outsourcing shows that most of those studies are theoretical in nature and the researchers mainly focused on the outsourcing activities in the developed countries. Further, there is hardly any study on HR outsourcing pertaining to the banking sector. The present study based on primary data, focuses on HR outsourcing in the Indian banking sector will provide an important extension to the outsourcing.

Vikramjit Kaur, Rumina Kahlon and Sukhraj Randhawa, (2012)^[4], “Human Resource Outsourcing In India” observed globalization of economies over the past years have reduced international trade barriers and have resulted in an increasingly interlinked global economy and intense global competition, putting pressure on business managers across the world to cut costs of operations. At the same time a paradigm shift in the possibilities of communication that the Internet and the telecommunications revolution has brought about has opened up a plethora of opportunities in outsourcing business processes across continents. Traditionally starting with just sub-contracting in manufacturing, now a holistic definition of outsourcing involves transferring any value contributing activities, processes and/or services to the premises of one’s own or an agent primarily to save cost and/or to increasingly focus on its area of core competence. Business Process Outsourcing (BPO) is a vital sector for creation of Job opportunities in developing countries due to the growth of economy especially after the liberalization era in India. The paper analyses why outsourcing is here to stay, basing the argument on sound conceptual reasoning, disregarding the political arguments involved. However, given the political pressures under which many of the MNCs operate the likelihood of more of the value added but not very core activities outsourced while some of the real non-core not outsourced cannot be ruled out.

Cynthia L. Gramm and Jhon F. Schnell, (2013)^[5] “Long-Term Employment and Complementary Human Resource Management Practices”, study identifies human resource management practices that we hypothesize will raise the return to and, hence, complement long-term-employment (LTE) contracts. Compared to firms that do not offer LTE contracts, we find that firms offering LTE contracts make greater use of a wide array of the hypothesized complementary practices relating to training, compensation, information-sharing, job design, employee-customer interactions, and responses to declines in the demand for labor. Additionally, the evidence of complementarities between LTE contracts and above average use of the hypothesized complementary practices in their effects on quit rates, an inverse proxy for employees’ reciprocal commitment to LTE in the light of outsourcing.

K. Alef., *et al.*, (2013)^[6], “The link between perceived human resource management practices, engagement and employee behaviour: a moderated mediation model”, researcher contributes to understanding of the mediating and moderating processes through which human resource management (HRM) practices are linked with behavioural outcomes. Researcher

developed and tested a moderated mediation model linking perceived HRM practices to organisational citizenship behaviour and turnover intentions. Drawing on social exchange theory, researcher model posits that the effect of perceived HRM practices on both outcome variables is mediated by levels of employee engagement, while the relationship between employee engagement and both outcome variables is moderated by perceived organisational support and leader–member exchange. Overall, data from 297 employees in a service sector organisation in the UK support this model. This suggests that the enactment of positive behavioural outcomes, as a consequence of engagement, largely depends on the wider organisational climate and employees’ relationship with their line manager. Implications for practice and directions for future research are discussed.

Rebecca R. Kehoe, Cornell University, (2013),⁷ “The Impact of High-Performance Human Resource Practices on Employees’ Attitudes and Behaviors”, opined although strategic human resource (HR) management research has established a significant relationship between high-performance HR practices and firm-level financial and market outcomes, few studies have considered the important role of employees’ perceptions of HR practice use or examined the more proximal outcomes of high-performance HR practices that may play mediating roles in the HR practice–performance relationship. To address recent calls in the literature for an investigation of this nature, this study examined the relationships between employees’ perceptions of high-performance HR practice use in their job groups and employee absenteeism, intent to remain with the organization, and organizational citizenship behavior, dedicating a focus to the possible mediating role of affective organizational commitment in these relationships. Data in this study were collected from surveys of employees at a large multiunit food service organization. The model was tested with CWC(M) mediation analysis (i.e., centered within context with reintroduction of the subtracted means at Level 2), which accounted for the multilevel structure of the data. Results indicate that employees’ perceptions of high-performance HR practice use at the job group level positively related to all dependent variables and that affective organizational commitment partially mediated the relationship between HR practice perceptions and organizational citizenship behavior and fully mediated the relationship between HR practice perceptions and intent to remain with the organization. The study reviews the implications of these results and suggests future directions for research in this vein.

Need for the study on outsourcing

In more recent times the need for organisations to compete not just locally but nationally and even globally has led to many organisations recognizing the importance of the effective use of the human resource. An approach which has been called human resource strategy acknowledges the contribution that outsourcing makes to organisational effectiveness and requires the personnel function to be more integrated with the broader objectives of the organisation, adopting a proactive rather than reactive approach. HR strategists like top level management, and managers face a tough challenge in anticipating the effect of internal and external changes, the change process occurs in

organizational environments that are themselves changing, resulting in unpredictable outcomes. As organizations develop integrated systems that address both operational and organisational changes, the HR strategy has to be more proactive and HR practitioners must avoid impassiveness and create new initiatives to assist organisations and their employees to cope with change. HR practitioners have a key role to play in ensuring that organisations have a continuous supply of suitably qualified and trained employees. Nevertheless it has been suggested that it is not only their expertise in selection, recruitment and training that is critical in this process but it's success is also influenced by contextual factors hence it is crucial for the organisations to have a sound Human Resource strategies. Since outsourcing activities have an impact on the different categories of existing employees, the need for a thorough study is necessary in the existing employees of Visakhapatnam Port Trust.

Problem Specification

The study has been taken up under the title “Employee perceptions on Outsourcing as Human Resource Strategy – A Study on Visakhapatnam Port Trust (VPT), Visakhapatnam”

Aim of the Study

The major aim of the study is to elicit the views of different categories of employees pm implementation of outsourcing as a HR strategy with reference to Visakhapatnam Port Trust (VPT), Visakhapatnam.

Objectives of the Study

The study has been undertaken keeping in view the specific objectives which constitute the framework for the enquiry.

1. To discuss the genesis and significance of outsourcing as a business strategy of HRM.
2. To study the reasons for implementation of outsourcing as HR strategy in VPT.
3. To analyse the views of existing employees on the awareness of outsourced employees on various issues of strategic management i.e., mission, vision, core values and business plan etc. in VPT.
4. To study the efficiency of outsourcing process in the organization i.e., VPT.
5. To study the perceptions of employees on different activities of outsourcing as a business strategy which was used in different aspects in VPT.
6. To offer findings, suggestions and conclusion of the study.

Hypothesis

The following hypothesis is formulated for the purpose of the present study.

H₀ There are no significant differences in the views of executives, staff and workers on various issues of strategic management like Vision, Mission, Core values and other business plan.

H₀₁ There are no significant differences in the views of executives, staff and workers on efficiency of outsourcing process in the Visakhapatnam Port Trust.

H₀₂ There are no significant differences in the views of executives, staff and workers on transfer of in house activities to third parties and its impact.

H₀₃ There are no significant differences in the views of executives, staff and workers on implementation of outsourcing as a feasible alternative.

The hypothesis is tested by using Chi-square tests for various aspects of the questions in the questionnaire.

Selection of Organisation

Keeping in view the above mentioned objectives, researcher selected Visakhapatnam Port Trust located in the city of Visakhapatnam one of the major ports in India. The researcher purposefully selected the organisation because a study can be made in the organisation where it is transformed into corporate port and the organisation has been in the process of transition and it has made major changes in respect of HRM practices by introducing outsourcing activities.

Method of the study, sampling and data collection

Application of appropriate method and adoption of systematic procedure is crucial in every organized enquiry. This will have its` impact on the collection of reliable and accurate details of the study.

The present study consists of historical, case study and survey methods. The historical method traced the genesis of HRM policies and practices. The case study method was followed to make detailed analysis of human resources management policies and practices. It is needless to mention that case study is a method of exploring and analyzing the life of social unit, be it a person, a family, a cultural group or even an entire community.

Sampling

Keeping in view of the above objectives and methods of study the sample is drawn from different categories of the organisation i.e., 1. Executives 2. Staff and Operatives 3. Workmen

Table 1: Manpower details of VPT as on March 2013

Department	Strength
Administration	96
Personnel	69
Traffic	835
Finance	156
Materials	138
Civil	773
Elec. and Mechanical	2,038
Deputy Conservator	694
Research and Planning	50
Medical	430
Total	5,279

The above table details show the department wise particulars of employees working in Visakhapatnam Port Trust and also category-wise distribution of the employees.

Table 2: Sample Size taken for the study from VPT

Category	Strength	Sample Size (10%)
Executives	330	33
Staff and operatives	3,125	313
Workmen and others	1,824	183
Total	5,279	529

There are 330 employees in the executive category, 3125 employees belongs to the category, while 1824 employees belong to workmen category. The researcher, on the advice of her research director felt that 10 percent of the employees in each category is representative sample. Finally the sample has worked out to be 33 respondents in the executive category, 313 in the staff and operatives category and 183 from the workmen category in Visakhapatnam port trust the total sample number of respondents in these entire three categories i.e executives, staff and operatives and workmen is 529.

Statistical tools

The researcher has used SPSS 16.0 Version Software and M S Excel for the purpose of data analysis.

Findings

Major Findings of the study

Findings from the reliability Statistics from the selected organization suggests that employees / respondents responded in a similar manner in terms of answering the questionnaire / schedule it is evident from the alpha coefficient for the 68 items is 0.908 from VPT respectively suggesting comparable pattern of outcome of the study.

Due to the impact of outsourcing the organization is unable to create standardized HR practices.

1. A majority of respondents believe that outsourcing is preventing the hiring of new employees for the organization and also training for the employees. The tension between Standardization orientation of company and the necessity of localized adaptation has been identified as an enduring them in the internationalization of human resource management and it is evident from the study that organisation under study is unsuccessful in standardizing its human resources practices.
2. Operating costs expenses related to the operation of business and the cost of resources used by VPT to maintain its operations is increasing in the organization and has shown impact on various departments and on organizational performance.

Other Findings of the Study

The following are the findings related to the study

1. The study is dominated by respondents who are in the age group of above 50. Male respondents outnumber female respondents. Majority of respondents are married and more graduates participated in the study.
2. There are three groups of staff who participated in the study i.e., executives, staff and operatives, workmen and others. Majority of respondents have an experience of more than 15 years. The gross income of the majority of respondents is between Rs.10,000/- to Rs.25,000/- per

month.

3. One of the interesting findings of the study is outsourced employees are aware of Vision, Mission and core values, business plan and business strategy of the organisation there by indicating the effectiveness of process of communication with the vendor.
4. It is observed from the analysis that majority of respondents opined Outsourced employees are good as organisational employees at anticipating problems that may come up in the future and understand what employer is trying to achieve in business management and customer satisfaction.
5. When it comes to benefits to administration, the decision to outsource is generally not always driven by cost; instead, companies choose to outsource to gain service efficiencies, commitments and innovations not easily found in-house.
6. It is further observed that vendors of outsourced employees shape relations and job attitudes according to organisational requirements and VPT shares information with the outsourced employees about problems confronting the organization and steps to be taken for organization's growth and stability.
7. Outsourcing is the use of a third-party vendor to perform activities on a continuing basis that would normally be undertaken by the VPT. It is important to understand how to select vendors and how to mitigate associated risks.
8. Several risks associated with outsourcing must be understood and carefully managed; for example, strategic risk, reputational risk, compliance risk, and operational risk.
9. It is evident from the analysis that respondents have grouped the application of outsourcing practices as good.
10. Hiring new staff to meet demands VPT is facing four major constants in the form of hiring process: Recruiting, Selecting, Training, and Motivating.

Suggestions

1. Outsourcing HR function's program is similar to all programs and policies, in that learning comes after implementation; therefore, evaluating and reviewing with 360-degree feedback will ensure a more holistic view and systematic evaluation of the success of the outsourcing HR service.
2. VPT should establish and keep an eye on evaluation system as a follow up activity after implementing the outsourcing service, and need to evaluate how this outsourcing HR function process can be modeled to fit the overall business strategy and objectives so that focus is maintained and employees take the necessary ownership.
3. Lack of attention to the outsourcing process, unable to

meet business requirements and time-frames, and low service standards are all potential difficulties that could happen to any organisation if clear and specific contracts are not created. Hence it is advised that VPT should pay adequate attention over outsourcing contracts.

4. There are many ways to assess the outsourcing provider's knowledge and capacity, including the request for a trial period or the request for a demonstration (i.e. HRIS software demonstration). Moreover, VPT need to ask for a track record and detailed references from outsourcing providers, to provide security to the employees. With employee involvement, organisations can create positive attitudes among their employees through satisfaction, loyalty, and commitment. In turn, it is clear that with employee involvement, organisations can increase organisational efficiency, productivity, flexibility, and competitiveness.
5. Outsourcing contract should clearly define the scope of work, along with including contract cost, contract duration, defining performance measures, defining penalties, and defining evaluation proposals
6. To create an effective communication strategy, it must begin with establishing the "communication committee" to deal with the communication strategy. The communication committee includes a range of employees from different parties, including internal employees from different functions of the organisation, external employees from outsourcing providers, and managers from both the organisation and outsourcing providers.
7. Identifying and communicating a clear vision is one of the most important functions of all organisations. All business leaders should understand the basic elements of visioning and how to communicate a clear vision.
8. Creating a clear and effective vision for VPT delivers many benefits to business. Not only does a clear, shared vision helps to define the values of VPT and its employees, but it also helped to guide the behaviour of all employees including outsourced employees. A strong vision of VPT leads to improve productivity and efficiency.
9. VPT must make sure that any knowledge or techniques used by the outsourcing provider be transferred to the internal employees, otherwise organisations would lose internal skill and knowledge.
10. The practical recommendation is that an organisation should establish an "evaluation committee" to deal with the evaluation system; the evaluation committee should include a range of managers and employees from all departments and parties.

Moreover, the evaluation committee may have to employ an "evaluation form" or other evaluation tools which will be used to check-off the category of the outsourcing process.

The most frequent reasons for addressing HR outsourcing are cost savings and optimization of tasks.

Generally, the main processes outsourced are those considered "administrative" and which do not add value to the business of the company.

Conclusions

For any organization outsourcing of HR will have huge impact on organization's overall productivity and its operations. Outsourcing of HR in an organization will have its own pros and cons. There are many factors to be taken into consideration before going for HR Outsourcing. Some factors which effect the success of HR Outsourcing are i) employee adaptability for the change, ii) job satisfaction, iii) impact of employee morale, iv) operational cost and overall employee productivity. While going for HR Outsourcing, the organization has to take evaluated decisions in terms of its competitive advantage and its core competencies.

To reduce the negativism amongst the employees organization have to take few steps towards establishing effective communication at all levels of the organization and involving employees in the phase of outsourcing. Organization should also provide effective training and other facilities for permanent employees for increasing the employee satisfaction and productivity.

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