



## Study Guides





# Module 1

# Strategic Management



## **Chapter 1**

# **The Role of Human Resources in Organizations**



# The Role of Human Resources in Organizations

## Index

1. Human resource management
2. HR in the 20<sup>th</sup> century
3. HR today – An expanded role
4. HR as a profession
5. Dimensions of change in the HR profession
  - Workforce/workplace issues
  - Globalization
  - Offshoring
  - Ethics
  - Flexible organizational boundaries
6. Effects of change on HR
7. HR management functions
8. Critical management skills for HR professionals
  - Managing projects
  - Managing change
  - Managing third-party contractors
  - Managing technology



# Human Resource Management

Human resource management is a strategic and consistent approach to the management of an organization's most valued assets i.e., the people who are contributing toward the achievement of the goals of the organization.

HRM in other words means employing people, developing the resources, utilizing the human talent effectively and efficiently, and compensating the services according to the organizational requirement.

It is a business tool that provides both theoretical framework and practical tools to handle the workforce.

Rapid technological changes in the contemporary world has expanded the functions of HR which has become more strategic and global in nature. The focus of the business world has shifted from physical assets to intellectual assets. Therefore, there should be an integration of intellectual and human capital with information management in the human resource strategy of the organization.



# HR in the 20th Century

HR as a discipline emerged during the 20<sup>th</sup> century; the main function of the HR persons was to deal with personnel and payroll administration.

The rise of unions and the importance of compliance with the government regulations expanded the scope of HRM. During the industrial revolution, the need for a systematic approach was recognized. When the United States changed from an agricultural economy to an industrial economy, it became necessary for employers to develop appropriate means to recruit and retain effective employees. There were unexpected turns in management theories and practices. Some factors that contributed to the development of human resource management are:

- The industrial welfare movement helped employers to view workers not as objects but as human beings.
- Frederick W. Taylor's celebrated book '*Scientific Management*' depicted various management techniques to increase output from low-level production workers.
- Hazardous working conditions and pressure from labor unions.
- Federal and state regulations in the 1960s and 1970s.
- Human resource programs in colleges during the 1970s.
- Increasing levels of literacy, corporate restructuring, increase in white-collar jobs, and escalating international competition during the 1980s and 1990s.



## HR in the 20th Century (continued)

In addition to the requisite tasks such as recruitment, training, development, and planning, HR professionals offered three other kinds of assistance. They are:

**Advice:** It was the HR professional's responsibility to advise and guide the management in handling the grievances of the employees. HR provided guidance and supervision for people management in the workplace, and suggested different procedures and policies to manage various problems. For e.g., guiding a new line manager in the basic procedure of terminating an employee.

**Service:** HR had a diverse customer base from upper management to employees, peers, regulatory agencies, vendors, and employees' families. An example of HR's service-oriented functions is solving employees' doubts regarding benefit packages.

**Control:** HR professionals had control or authority to assess, review, and measure employees' and overall performance of the organization.

For example, designing a new appraisal system for the organization.



# HR Today: An Expanded Role

Today, human resource professionals play a vital role, contributing to an organization's competitive advantage and ensuring its success. HR professionals' duties should conform with the needs of changing organizations that are more flexible, expansive, quick to change direction, and customer-centered. In such an environment, HR performs strategic, operational, and administrative functions.

## 1. Strategic:

HR professionals have to understand not only the organization but also the environment in which it exists. Strategic HR should have a long-term perspective in roles such as discovering problems, offering alternative solutions, and raising the standards for business decision-making.

HR as a strategic partner strives along with the organization to accomplish its mission. In this role, it performs services such as work system arrangement, recruiting, rewards, recognition and strategic pay, performance development and appraisal systems, career and succession planning, and employee development.



# HR Today: An Expanded Role (continued)

## 2. Operational:

Areas in the operational role of HR include the following:

**Firstly** HR is concerned with day-to-day tasks such as staffing, development, rewards, organization design and communication, recruiting, resolving employee queries and complaints, communication with employees, etc.

**Secondly** HR engages in discussion with managers of other departments regarding employee relations, practices, and policies.

**Thirdly**, HR co-ordinates and motivates employees in accomplishing the organization's objectives.

The above activities should reflect the strategic direction by the HR professionals.

## 3. Administrative:

There are also administrative issues that HR professionals must challenge. HR's administrative role is related to compliance issues and record keeping. During the 1970s, the federal government issued many laws pertaining to human resource management, which imposed an extra burden on HR professionals.

Many of the administrative functions are often managed in diverse ways such as intranets, HRIS applications, outsourcing, and so on.



# HR as a Profession

HR is now seen as a profession. There are five features that distinguish a profession from an occupation.

## **1.National organization**

An occupation, to be qualified as a profession should have a national organization (such as SHRM) that supports its members and promotes the growth of the field.

## **2.Code of ethics**

Another significant characteristic of a profession is a code of ethics that describes standards of behavior relating to fairness, justice, truthfulness, and social responsibility.

## **3.Research**

A profession requires the practice of applied research which is helpful in strengthening the field. In addition to the SHRM that explores new areas of HR every year, colleges and universities too conduct HR research.



# HR as a Profession (continued)

## 4. Body of knowledge

A practical study analysis of HRCI, which is the internationally recognized certifying body for the HR profession, defines the knowledge for practitioners in the HR field, called the professional practice of human resources and the human resource body of knowledge. The body of knowledge varies according to the changes occurring in organizations, the business environment, and regulatory processes.

## 5. Global

A profession has consistent global practices that are recognized.

## 6. Credentialing

A credentialing organization is a necessary requirement to establish professional standards in any field. The HRCI, which issues certifications such as the Professional in Human Resources (PHR) and the Senior Professional in Human Resources (SPHR), meets this requirement. The certification indicates that the certified individuals have the required theoretical and practical knowledge in human resource management.



# Dimensions of Change in the HR Profession

Both external and internal changes affect the HR profession. HR professionals' duties are influenced by modern factors such as:

- Workforce/workplace issues
- Globalization
- Ethics
- Flexible organizational boundaries

The changing labor market, technological changes, and competition have also shaped the HR profession.



# Workforce/Workplace Issues

Workforce and workplace issues include workload, leadership and professional development, scheduling safety, and concerns about how best to maintain a balance between professional and personal life.

Some workforce and workplace issues that challenge the HR professionals are:

**1. Insufficient potential labor force:** Labor shortage is an economic condition where there are not enough skilled employees according to the market requirements. Labor shortage is a long-term issue. Since organizations require qualified candidates, it is necessary to make changes in compensation and reward systems to develop a global workforce.

**2. Concerns about how best to balance employees' work and personal lives:**

Organizations, in order to retain and attract skilled employees, should offer unique options and the flexibility that employees need.

**3. Changing demographics:** Organizations should be able to recognize and adapt to rapidly changing workforce demographics in order to succeed in the future.



# Globalization

A crucial factor that influences human resource management is globalization. This leads to increased competition and demands greater performance from workers, at low labor costs and has made businesses become more systematic and modernized.

As globalization is all about collaboration, it is now possible to conduct business in any part of the world such as broker deals, negotiating contracts, and outsourcing work. Globalization of services increases competitiveness and flexibility in the economy. HR professionals should improve initiatives related to quality, productivity, and innovation to compete at a global level.



# Offshoring

## Offshoring

Offshoring is one of the most important features of globalization. Offshoring denotes the practice of relocating business processes such as production, manufacturing, and services from one country to another to reduce costs.

The central feature of offshoring is that services are rendered overseas. However, there is a difference between offshoring and outsourcing, or offshore outsourcing. While in offshoring, a company uses third party providers located overseas (that is, the work is performed in another country), in outsourcing, a company subcontracts a business unit in the same country.

But if a company subcontracts to a different company in another country, this process can be both outsourcing and offshoring. In offshoring, the offshored entity is considered as part of the company and the workers are its employees, whereas in outsourcing, the third party is a separate business entity and the workers are not its employees.

Offshoring plays an important role in securing domestic and high value-added jobs. Offshoring makes IT services cheaper, e.g., India is the leading provider in this sphere and the United States is the biggest taker.



# Offshoring (continued)

Companies that are offshoring have numerous advantages such as:

- A greater availability of highly skilled and experienced staff
- Cost reduction (HR professionals can help companies reduce costs and improve results)
- Speed
- Elimination of recruiting fees
- Time saving
- Reduction of legal exposure
- Flexibility (companies can immediately expand and contract the number of overseas employees in accordance with their needs)
- Retention and loyalty



# Offshoring (continued)

Though offshoring provides opportunities, it is also risky to HR professionals. For many HR professionals, the top offshoring challenge is to maintain corporate culture and values. Challenges of offshoring in the home country are:

## 1. **Displaced workers**

Offshoring may lead to the termination of many lower grade jobs leaving a number of people out of work. Displaced workers' achievements should be recognized and they should be provided with severance pay, outplacement, retraining, or redeployment within the organization.

## 2. **Changes in work requirements**

HR persons should be well versed in the language and culture of the countries where work is being performed.

## 3. **Decline in morale**

Offshoring creates a somewhat negative impact on employee morale. The ability to foster and maintain a spirit of trust is a key requirement for HR professionals involved with offshoring.

## 4. **Impact on available skills in domestic job pool**

People may choose careers which are less vulnerable to offshoring. Consequently, smaller businesses will be affected by the smaller pool of domestic workers in certain skilled areas.



# Offshoring (continued)

Some of the challenges of offshoring in a foreign country are:

## **1. Recruiting, managing, and training new employees**

HR professionals have to recruit new employees who are familiar with the laws, employment practices, and culture of the foreign country.

## **2. Ensuring communication and coordination**

There should be new procedures and communication infrastructure to deal with differences in time zones.

## **3. Acculturation of new employees**

Cultural differences is another issue that HR professionals face in offshoring. Different cultures have different communication styles, different attitudes, and different ways of getting work done. It is good to train employees according to such cultural differences.

Another way to reduce costs is onshoring, which refers to the relocation of functions to different, usually rural parts of the home country.



# Ethics

Since HR professionals play a central role in the development of human resource or employee policies and programs, they must be sensitive to ethical issues. HR professionals are now dealing with a number of unforeseen challenges, with increased responsibilities in this area, to effectively perform their role as intermediaries between the employees and the organization. The ethical challenges that HR professionals face are often a complex function of the industry (public and private), regulatory environment, and the cultural environment specific to each organization.

HR professionals should deal with challenges such as diversified workforce, retrenchment, recruitment, compensation, benefits, privacy, etc., to adjust specific HR programs with the overall strategic goals of the organization.

HR professionals also encounter issues of fairness. Fairness denotes that communication is clear, employees' voices are heard, laws are obeyed, privacy and respect are maintained. They must also inspire trust, in addition to their usual responsibilities, and create and foster an organizational culture where ethics can flourish.

HR professionals are therefore required to comply with the requirements of the Sarbanes-Oxley Act (SOX) of 2002, which addresses both insider trading and whistle-blowing issues.



# Flexible Organizational Boundaries

New organizational structures that emerged during the 1980s and continued through the 1990s were important changing factors that shaped human resource management. Traditional organizational boundaries have been made more flexible because of marketplace changes, competition, and the need for greater productivity. Three examples of changes in organizational boundaries are:

- **The movement in decision making**
- **The virtual organization**
- **Mergers, acquisitions, and divestiture**



# Flexible Organizational Boundaries (continued)

## 1. Shift in decision making

When organizations expanded their operations and diversified their products and services, the central decision-making systems were unsuccessful in responding quickly to managers' needs and concerns. Therefore, traditional, hierarchical, organizational structures had to be modified.

Companies now choose and follow a horizontal, decentralized management system. Consequently, decision-making authority moves downward in the organization, toward line managers, and outward from headquarters to field. This decentralization has affected the responsibilities of HR professionals.

## 2. The virtual organization

The virtual organization as a business structure emerged due to technological advances and changing expectations on the part of consumers and collaborators. Variants of virtual organization facilitated by modern technology provide economic advantage. Business partners and teams work together across geographical or organizational boundaries, with the help of information technology.

A virtual organization is one in which a team of talented persons builds an organization by communicating through computer, phone, and fax. It can be a large company that, by means of new technology, outsources many of its functions.



# Flexible Organizational Boundaries (continued)

## 3. Mergers, acquisitions, and divestiture

Contemporary business culture is characterized by extreme competition, changing technologies, and changing business relationships. Business mergers, acquisitions, and divestitures offer various challenges to HR professionals.

**Mergers:** A larger business unit is formed by combining separately functioning business units. The objective behind this is market presence or strength.

**Acquisitions:** One company takes over the operations of another company. Usually small businesses are taken over by larger businesses. The businesses seek to add new assets or information that is useful for current operations and products.

**Divestitures:** Occurs when a company sells one of its segments to another company.

M&A actions are now common for many companies. Although most companies favor concepts of mergers and acquisition, experts suggest that they should think strategically before proceeding further. Companies need to identify the strengths, weaknesses, and requirements. HR professionals play a major role in the M&A process from beginning to end. There are four phases in the M&A process:

Prepare for M&A → Perform due diligence → Plan integration  
→ Implement, monitor, and measure



# Phase 1: Prepare for M & A

HR professionals perform the following duties in the initial stage:

**1. Issue identification:** The HR professional is required to collect all information regarding the companies that are involved in the deal.

**2. Team formation and training:** All members of the M&A team should be informed about the organization's strategic objectives and the implications of the proposed M&A on those objectives.

**3. Preparation for change:** It is important to recognize change factors and to design plans for effecting the change.



## Phase 2: Perform Due Diligence

HR has a direct role in this phase. Due diligence refers to identifying risks which may be financial, technical, legal, intellectual, or cultural. Experts suggest that due diligence is a major success factor for any merger or acquisition. Higher quality due diligence processes, better record keeping, improved information, acquisition and retention, are useful for business decisions.

HR professionals should consider some important questions such as:

- a) Are there any differences in the organizations' culture?
- b) How will employees' attitudes be influenced?
- c) What is the degree of redundancy in the merged organization?
- d) How can the differences in compensation and benefits be managed?
- e) Are there any collective bargaining issues?

HR professionals are responsible for assembling, (in the case of M&A) or providing (in the case of divestiture) information regarding benefit and non-benefit issues. In addition, they should also examine all claims concerning equal employment opportunities, the Occupational Safety and Health Act, the Fair Labor Standards Act, and other employment laws and regulations.



## **Phase 3: Plan Integration**

## **Phase 4: Implement, Monitor, and Measure**

### **Phase 3: Plan integration**

For successful integration of the new organization, it is necessary to design a plan that overcomes issues such as:

- Employee communication strategies
- Employee separation and transfer procedures
- Change management processes
- Retention of key employees
- New strategic program
- An organizational blueprint and staffing plan

### **Phase 4: Implement, monitor, and measure**

HR professionals should not stop communication programs even after the entities have been fully integrated. Instead, they should evaluate the acquired organization's activities against the benchmarks identified earlier. This will in turn help the HR analyze whether the M&A has been successful or not.



# Effects of Change on HR

We have already seen that competitive pressures in the new economy has changed the functions of human resources. The HR professional should develop certain skills in such a way that he/she supports strategic management, identifies new business opportunities, defines business strategy, and prepares the organization for change.

## **Development of HR as a partner in strategic management**

HR professionals are regarded as strategic partners:

- When they are involved in the process of defining business strategy.
- When their questions lead strategy to practice.
- When they implement HR practices in accordance with the business strategy.

By performing this function , HR professionals help the organization to execute its strategies.

## **Aligning the development of human capital and corporate strategy**

An important role of the HR professional is to retain and develop the organization's human capital, i.e., their current employees. HR professionals introduce new concepts related to creating value, support employee activities through training and value-enhancing processes, and recruit new employees.

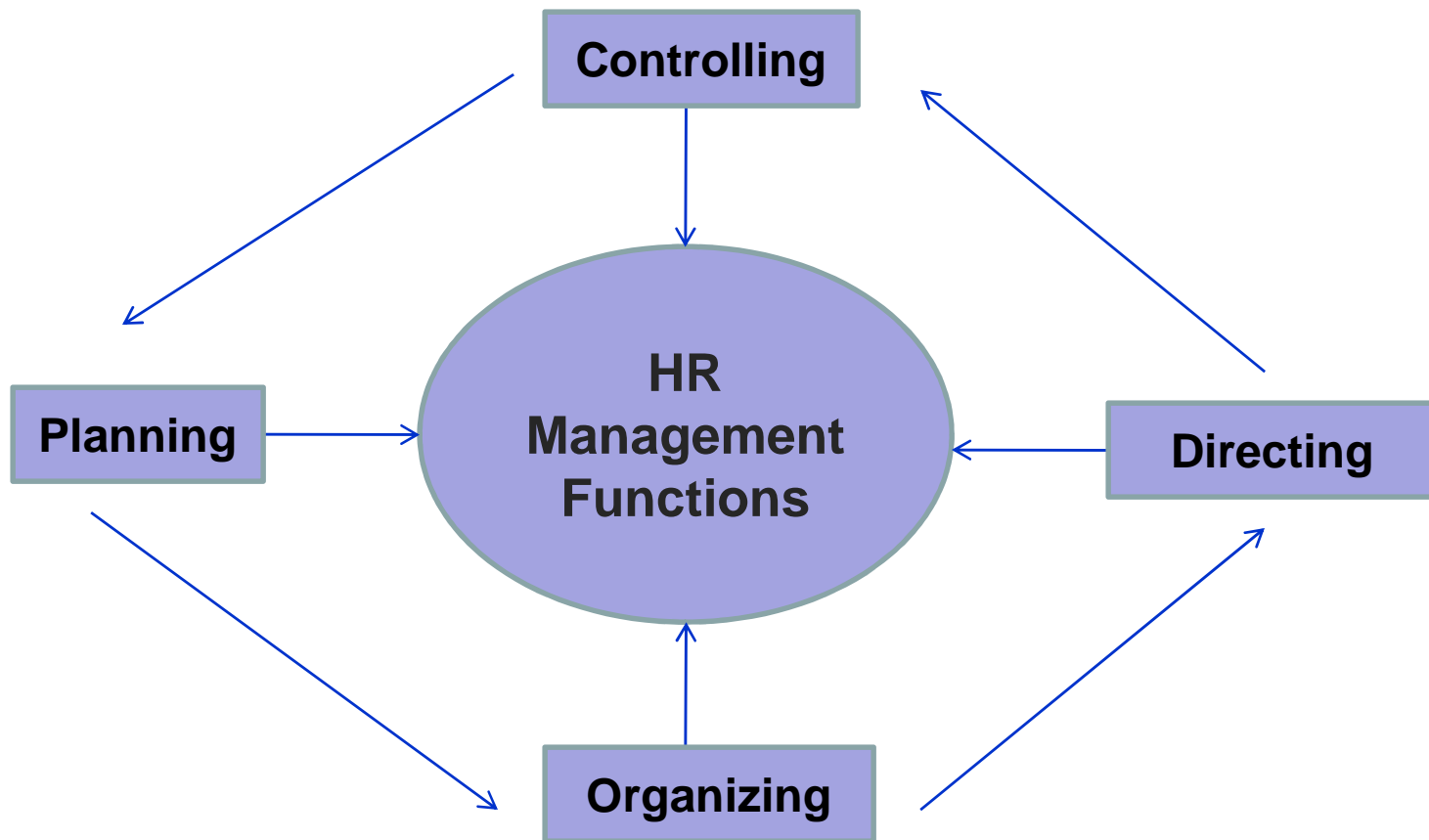
## **Exploiting new technology**

Satellite communication, computers and networking systems, fax machines, and other devices are facilitating rapid change. These modern technologies affect all dimensions of the human resource function and profession.

New technology enables HR professionals to fulfill their tasks more effectively. Many businesses now use a human resource information system (HRIS). This integrated computer-based system gathers, processes, analyzes, keeps, and retrieves information regarding all aspects of the HR functions.



# HR Management Functions





# HR Management Functions (continued)

HR professionals must have a thorough knowledge of the fundamental management functions. There are four basic management functions:

## **1.Planning**

Planning is a decision-making procedure that focuses on the future of an organization and how its objectives can be fulfilled. The planning process includes analyzing the environment, setting goals, determining requirements, assessing resources, and designing action plans.

## **2.Organizing**

Every organization, small or big, needs to organize its activities consistently to achieve its goals. In the organizing process, a viable structure for allocating employees' tasks and coordinating activities toward achieving the organization's objectives is designed.

## **3.Directing**

This process includes activities that ensure effective operation, such as selecting and training employees, and leading and motivating their actions toward objectives.

## **4.Controlling**

This process ensures that everything is performed according to the organizational plan. Controlling includes such activities as establishing targets, monitoring performance, and initiating corrective action.



# Critical Management Skills for HR Professionals

There are four development areas that are critical to the success of HR professionals:

- **Managing projects**
- **Managing change**
- **Managing third-party contractors**
- **Managing technology**



# Managing Projects

HR professionals should focus on developing their project management skills. Project management is a discipline that arranges and manages resources to successfully meet certain project goals and objectives.

A project is a temporary program that has defined start and end dates, and attempts to create a unique product or service that gives rise to a beneficial change.

A project plan can be considered to have five key characteristics that have to be managed:

- **Scope:** defines what will be covered in a project.
- **Resource:** what can be used to meet the scope.
- **Time:** what tasks are to be undertaken and when.
- **Quality:** the spread or deviation allowed from a desired standard.
- **Risk:** defines in advance what may happen to drive the plan off course, and what will be done to recover the situation.



# Managing Projects (continued)

## **Project phases and roles**

Projects should be designed to take advantage of the natural phases that occur as work progresses. Generally, every project runs through the following phases which should be determined in terms of a schedule and also in terms of specific accomplishments.

### **Conception:**

In this phase, the project idea is formed, and the goals and objectives are determined. The project plan must be approved and supported by members of the top management.

A project sponsor from the top management is obliged to support the project efforts in order to ensure success, and also inform all the other members of top management regarding the development of the project.

Projects may also have champions who communicate the benefits of the projects to the organization. Besides, project conception should be documented in a charter. This charter should demonstrate the scope of the project and its intended results.



# Managing Projects (continued)

## Selection of a manager and a team:

In this phase, a project manager and other leaders are selected. The project manager has the overall management and leadership responsibility for the project team, and for defining and tracking the project plan. The leaders handle the day-to-day tasks of the team and are responsible to the project manager. The project manager has three important roles:

- **Interpersonal:** The project manager acts as a leader and a channel for communication, develops team norms, and promotes harmony.
- **Informational:** The project manager collects and disseminates information.
- **Decisional:** The project manager assigns resources, and encourages project progress.

The project manager selects appropriate individuals for the team, who have specific knowledge and skills. The team members must be aware of the project's goals, and their own responsibilities.



# Managing Projects (continued)

**Planning, scheduling, monitoring, and control.** This is the most labor-intensive phase of the process. In this phase, the quality of work, the project's development, and the use of resources are assessed. The project manager should be aware of all obstacles that affect the project's progress and initiate precautionary measures to reduce them.

**Completion.** It is necessary to document project completion. This report should depict the project's accomplishments and gaps, and observations for future success.

**Evaluation.** The project manager must evaluate the project effectiveness at the end of the process. However, It is good to assess progress at various points throughout the process.



# Project Planning Tools

There are numerous tools that can be used to plan, schedule, and manage projects. Two commonly used graphical displays to control and administer various tasks required to complete a project are the Gantt chart and Program Evaluation Review Technique chart (PERT).

**Gantt chart:** Gantt chart, also known as a horizontal bar chart, or a milestone chart, or an activity chart, was developed by Harvey Gantt in 1917. In this model, future time is indicated horizontally and tasks to be completed are represented in vertical lines. It focuses on the sequence of tasks required to finish a project. In addition, it is an excellent tool to easily evaluate the status of a project.

**Program evaluation review technique chart (PERT):** This model was developed in the 1950s by the Navy as part of the Polaris mobile submarine-launched ballistic missile project. PERT is an integrated project management method used to analyze the various tasks needed to complete a project. It is also useful to identify the minimum time required to finish each task and the total project. The major advantage of PERT is that it can simplify the planning and scheduling of complex projects. This methodology is an event-oriented technique. The important factor in this project model is time rather than cost.

The key characteristic of PERT is the "PERT Network", a chart that interlinks timelines. This model is helpful for very large-scale, one-time, complex, non-routine projects.



# Organizational Concerns during Project Implementation

The following points should be considered during project implementation:

- **Continuous communication.** Open and two-way communication is an essential requirement that must be sustained throughout the entire project.
- **Identification of success factors.** All the various elements within the organization that lead to the success of the project should be recognized.
- **Use of established methodology.** The project team should adopt a methodology that is systematic and is appropriate to produce the intended results.
- **Use of contractors.** It is necessary to clarify and determine the respective roles of third-party contractors engaged to execute specific tasks.



# Managing Change

Change is particularly important these days because it appears that the pace of change is rapidly increasing due to globalization, affecting information flow, customer demands, and technical innovation. Project management principles have to be used extensively in order to manage change.

Change is necessary and can often be an unhappy experience for organizations. However, in order to be competitive, it is necessary for organizations to initiate internal change periodically and effectively.

Organizations that have a greater capacity to change will be more competitive. Many businesses strategically use change in order to succeed. Success in utilizing change requires strategic planning, effective communication, and acceptance of employees. How an organization manages change affects its success.



# Understanding Change in Organizations

In *How to Manage Change Effectively*, Donald L. Kirkpatrick provided a model to support successful change management. This model for change consists of the following steps:

- **Determine the need or desire for change:** In the first step, the organization conducts environmental scanning and internal assessments. On the basis of these assessments, the organization decides if change is necessary.
- **Prepare tentative plans:** Tentative implementation plans are made in this step. However, they can be modified based upon further research and planning. Brainstorming is a useful means to generate ideas and tentative plans.
- **Discuss alternatives and probable reactions:** Employee input from all levels of the organization is desired. Employees who are affected by change should be gathered to discuss possible options. Employees may react in one of the following ways: to protest against the change, to remain neutral concerning it, or gladly accept the change.
- **Make a final decision:** A decision whether to continue, is made on the basis of information collected in step 3. In the event of a significant change, top management will decide whether to proceed further or not.



# Understanding Change in Organizations (continued)

- **Establish a project plan and a timetable:** A project plan and a timetable should be put together, so that changes that are common and simple can be made easily. However, more sophisticated changes are likely to encounter resistance. A phased implementation approach and possibly a pilot test may be needed in the event of strong resistance to a change.
- **Communicate the change:** Communication is a necessary requirement and should be continued throughout the entire process to facilitate acceptance of change. In addition to communicating the plan for change, employees' reactions and suggestions on how to make the plan perfect are also considered in this step.
- **Implement and evaluate the change:** It is the final step in implementing the project plan according to the timetable established in step 5. Continuous measurement and evaluation are important at this point. If employees still protest against the change, some adjustments to the implementation plan and/or the timetable can be made.



# Role of HR During Change

HR professionals should know how to manage change and should maintain a proactive approach, rather than a reactive approach. They should make the process of change at least easier, be it a positive or a negative change. Those professionals who are competent in managing change processes demonstrate the attributes of outstanding change agents.

There are three types of changes:

- **Initiative changes** take place when new programs, projects, or procedures are implemented (for example: new organizational structures, quality improvement efforts, etc.).
- **Process changes** put stress on the manner in which the work is performed (central processes are determined in order to improve those processes through varied methods such as work simplification, value-added assessment).
- **Cultural changes** take place when the fundamental concepts in conducting business are altered.

HR professionals as change agents are responsible for enhancing an organization's ability to manage these three types of changes. They have to ensure that:

- Initiatives are determined, formulated, and delivered in a timely manner.
- The processes are begun, ceased, and simplified.
- The organization's fundamental values are altered in an appropriate manner in order to fit the changing environment of a competitive market.



# Role of HR During Change (continued)

Though it is easy to make theoretical commitment to change, the practical efforts involved in change are difficult. HR professionals can be successful when they substitute planning with results and the concern for change with excitement about its possibilities. The process of managing change includes the following steps:

- Identifying an issue and a solution for it
- Developing a plan
- Introducing the solution
- Reinforcing the change

The HR professional acts as a leader, a specialist, and a facilitator in the process of managing change.

Effective change management is ensured only when the HR professional clearly communicates the organization's vision, carefully designs change initiatives, provides information at all phases of the program, and engages both senior management as well as employees throughout the program.



# Managing Third-Party Contractors

Companies approach the third-party providers to boost working capital and to reduce costs. The use of third-party contractors has increasingly affected the HR profession. Outsourcing, which is an arrangement with a third-party, refers to the practice of buying services externally instead of producing them internally.

## **Outsourcing trends:**

Outsourcing has completely changed the structure of business nowadays. Cheaper labor, more skilled expertise, freer cash flow, more flexible working conditions and a much more effective use of staff has made outsourcing a global phenomenon. By outsourcing, companies have the following advantages:

- They can save more money by getting specialists to work at more affordable rates.
- They can utilize their own resources for more productive ventures.
- They can reduce delivery times for HR services.
- They can increase productivity and service offerings.
- They can manage legal risk by improving compliance.



# Managing Third-Party Contractors (continued)

HR professionals play a significant role in the outsourcing of labor. It is the human resource management which decides whether work has to be outsourced or not. The decision is made on the basis of the cost effectiveness of the situation and the time and efforts required for a project.

Since employees think that their jobs are lost because of outsourcing, HR professionals should assure them that outsourcing is not a threat but a way to realize their full potential. The employees have to be convinced that change is a means to get the job done better and more effectively, and to save time, money, and resources.

The most frequently outsourced human resource processes are employee call centers, employee and manager self-service, domestic relocation, training and development, executive recruitment, and payroll management. The least frequently outsourced human resource processes are HR strategy, performance management, organizational development, and succession planning.



# Managing Third-Party Contractors (continued)

HR professionals are required:

- To conduct due diligence in choosing the third-party.
- To establish guidelines for the outsourced function.
- To observe the third-party's compliance.
- To set suitable indemnification for non-compliance.

It is, however, advisable to consider the following points when vendors are used:

- Make an elaborate request for proposal (RFP).
- Determine how to settle complaints.
- Establish a firm bond with the vendor.
- Make the entire organization ready for change.



# The Outsourcing Process

Successful application of the outsourcing concept requires an analysis of whether outsourcing is appropriate for the organization, and if so, how the outsourcing process should be handled. Nine steps included within the outsourcing process are:

**Analyze needs and define goals.** Analyzing needs is the most significant stage. There should be a multi-departmental team including representatives of all potential users of the contractor in order to analyze a project that employs a contractor. Besides, it is necessary to determine project objectives and expectations of the potential third-party contractor.

**Define the budget.** This step includes all the present and future costs of outsourcing.

**Create a request for proposal (RFP).** An RFP, which is the most commonly used document in the proposal stage, is designed to provide the supplying company with the necessary information. Requests for proposals (RFP) include an executive summary, an elaborate description of the process to be outsourced, volume and value metrics of the past 1-3 years' operations, specific process and performance expectations of the outsourcing supply partner, a responsibility matrix defining expected responsibilities of both the buying company and the supplying company, and the proposal guidelines to be followed by the proposing companies.

**Send RFP to the chosen contractors.** In this step, RFP is sent to selected contractors. This request should comprise instructions on the manner and date for submission.



# The Outsourcing Process (continued)

**Evaluate contractor's proposals.** Depending on the organization's size, priorities, and industry, standards used to measure a third-party contractor's proposal may vary. Some criteria for choosing a contractor include scope of resources, ability to meet specifications, results of site visit, price, commitment to quality of product and service, schedule, company reputation, customization options, additional value-added capability, previous/existing relationship, flexible contract terms, location, and cultural similarities. In addition, a contractor is selected based on the compatibility of the contractor's operating philosophy, approach to service and approach to joint planning.

**Choose a contractor.** Once all proposals are carefully evaluated, the next step is to choose a contractor who can fulfill the organization's needs.

**Negotiate a contract.** In this stage, specific terms of the agreement are negotiated and documented. This is the most strategic and most demanding stage, for the supplying and the purchasing companies. It is necessary to create an appropriate vendor agreement with the requisite level of detail, and to set the appropriate business relationship to be entered into by both businesses.

**Implement the project and monitor the schedule.** The final step is to get the project up and running. There should be an initial project planning meeting to set the project schedule.

**Evaluate the project.** In this stage, the contractor provides the activity, and performance is observed using service levels and benchmarks.



# Managing Technology

Technology has and will continue to directly impact the HR role. It is important for HR professionals to know how to apply technology to the business field, as it is significant for accomplishing the objectives. Technology can enhance performance and productivity.

## Trends in technology

HR professionals should always be conscious of technology trends and potentialities in order to be effective strategic partners. Some of the major changes in technology are:

- Business process integration:** Business processes are helpful for business application, integration, and collaboration across multiple companies. There are two kinds of integration: internal and external. Internal integration refers to all the integration within one enterprise. External integration refers to all possible integration patterns across multiple enterprises. If industries take enterprise application integration to the next level, business to business e-commerce will become the dominant business model.
- E-procurement:** Electronic procurement, which is also known as supplier exchange, is the business to business, or business to consumer purchase and sale of supplies and services through information and networking systems: internet, electronic data interchange, and enterprise resource planning. Six major types of e-procurement are web-based ERP (electronic resource planning), e-MRO (maintenance, repair, and operating), e-sourcing, e-tendering, e-reverse auctioning, and e-informing. E-procurement has the advantage of getting the right product, from the right supplier, at the right time, for the right price, and the right quantity.



# Managing Technology (continued)

- **Electronic record keeping:** It is legally required that electronic records be properly maintained and managed. Record-keeping requires planning and budgeting for data migration and conversion. Companies should comply with laws and regulations on how to keep business records.
- **Electronic signatures:** Electronic signature is a method by which one can sign an electronic record. The electronic signature in Global and National Commerce Act (June 2000), mandates that an electronic signature has the same legal effect as a pen-and-ink counterpart. This has enabled companies to legally use e-signatures for things like benefit and loan applications, verification procedures and record keeping.
- **Application service providers:** Application service provider, abbreviated as ASP, is a third-party entity that provides software-based services and solutions to customers across a wide area network from a central data center. HR is well-suited to the ASP environment for dealing with time and attendance tracking, applicant tracking, and other workforce management issues.



# Technology Tools for HR Professionals

The emergence of the human resource information system (HRIS) is an advantage for HR professionals. An HRIS is an integrated computer-based tool for gathering, storing, maintaining, retrieving, and revising information regarding all aspects of the HR functions. An HRIS performs two functions:

- Acts as a repository of information.
- Provides assistance for effective decision making.



# Technology Tools for HR Professionals (continued)

HRIS can be applied to the following functional areas of HR:

HR functional area	Application of HRIS
Strategic management	<ul style="list-style-type: none"><li>• Furnishes environmental scanning results</li><li>• Helps to improve quality and productivity</li></ul>
Workforce planning and employment	<ul style="list-style-type: none"><li>• Tracks promotions, transfers, hiring, and termination rates for each employee by job group</li><li>• Registers the number and percentage of each minority group in apprenticeship and training programs</li><li>• Prints Equal Employment Opportunity Commission (EEOC) data in the required format</li><li>• Prints applicant flow and utilization reports to assist in monitoring affirmative action programs</li></ul>
Human resource development	<ul style="list-style-type: none"><li>• Sketches career path development</li><li>• Maintains data regarding education, skills, and completed training programs</li><li>• Registers employees for courses, monitors costs, schedules trainers and classrooms</li><li>• Assesses employee performance</li></ul>



## Technology Tools for HR Professionals (continued)

HR functional area	Application of HRIS
Total rewards	<ul style="list-style-type: none"><li>• Tracks salary survey results</li><li>• Assists in benefit administration</li><li>• Facilitates employee self-service</li><li>• Observes history of tuition reimbursements</li><li>• Helps in analyzing and comparing salaries across job classifications</li><li>• Tracks retirement planning</li><li>• Tracks Consolidated Omnibus Budget Reconciliation Act (COBRA) and Health Insurance Portability and Accountability Act (HIPAA) documentation</li></ul>
Employee and labor relations	<ul style="list-style-type: none"><li>• Keeps employee discipline records</li><li>• Maintains labor distribution data</li><li>• Maintains union service data</li><li>• Records attitude survey results</li></ul>
Risk management	<ul style="list-style-type: none"><li>• Describes trends in occupational accidents and illnesses, and provides preventive steps</li><li>• Tracks insurance and workers' compensation claims by accident</li><li>• Provides perfect safety records</li><li>• Observes and monitors medical examinations and follow-up procedures resulting from injury or illness</li><li>• Describes high-risk conditions</li><li>• Analyzes accidents and their costs by type and location</li></ul>



# Technology Tools for HR Professionals (continued)

However, it is a complicated task to set up an HRIS. In order to choose a product that will perform effectively for years, it is necessary to seek inputs from business partners such as stakeholders, technical experts, and vendors.

Therefore, we have seen how HR has emerged as a profession and how HR management is very important and strategic in achieving the organizational goals.



# The Role of Human Resources in Organizations

## Summary

In this chapter we have learnt –

What is human resource management?

What has caused a transition in the role of HR?

What are the factors affecting the role of HR?