



# HR outsourcing for a competitive edge

SUMAN SAHA

**T**HE Bangladesh economy is increasingly being integrated with the global economy because of trade liberalisation. Hence, the country's corporate sector is facing cut-throat competition. They need to be more cost-effective and efficient to survive in a highly competitive world.

Corporate Bangladesh, therefore, should emphasise developing its core business and outsource its non-core activities to a third party, as it will ensure better productivity at minimum costs, say management experts.

"In today's competitive world, the objective of any company is to give better and innovative products and services to customers at competitive prices," says Asif Zaman, director of human resources of Huawei Technologies (Bangladesh) Ltd, a leading telecommunications vendor in Bangladesh.

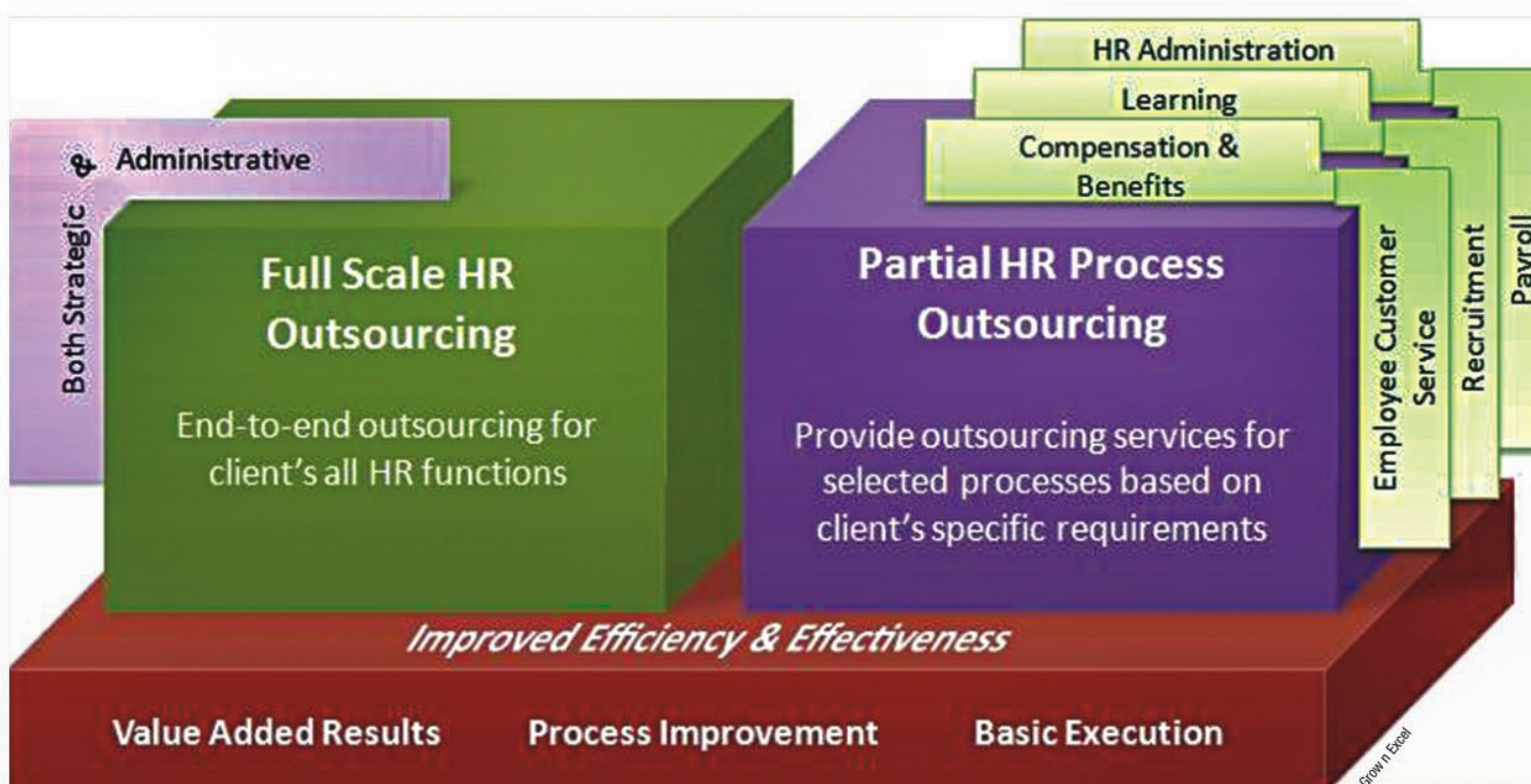
If companies focus and invest in its core business and outsource its non-core activities to a third party, they can leverage the expertise of the third party, who can give better services at cost effective rates, says Zaman.

He says this will result in increased overall efficiency and profitability of the company. These will create a win-win situation for both the company and its customers and stakeholders.

Dilruba Sharmin Khan, head of organisational development at United Commercial Bank Ltd, says, "Usually an organisation wants to avoid distractions from its non-core activities. So they go for outsourcing to reduce costs and enhance efficiency."

HR outsourcing can be classified into partial or full scales. In partial outsourcing, a client's selected HR functions, such as employee customer service, compensation and benefits, recruitment, learning, payroll, and HR administration, are managed by an outsourced company. In end-to-end or full scale outsourcing, all of a client's HR functions are managed by an outsourced company.

M Zulfikar Hussain, chief executive officer



of Grow n Excel, a leading human resources and management consulting firm in Bangladesh, says, "Large organisations usually prefer partial outsourcing by handing over one or a number of tasks under each function to a capable outsourced company, as they want to retain control over HR strategy."

However, the areas of outsourcing can be extended to other functions based on experience and progress, he adds.

Hussain, who is also the lead consultant of the organisation, says, "In recent times, a good number of call centres, IT companies, medium-sized financial organisations and local corporates have flourished in the country."

These small- and medium-sized companies can take on end-to-end HR outsourcing services to ensure the right focus on business growth and manage and develop human resources

effectively, says Hussain.

The director of Huawei, who worked for Paxar (Bangladesh) Ltd, ACME Group and DHL Bangladesh, says, "In 2011, in most countries all over the world, an HR outsourcing strategy is widely used and it is now an established business norm."

Dilruba, who has over 15 years of experience in HR, says, "HR outsourcing is somewhat like Hebrew to us, as we are still fighting to establish HR after erasing the personnel department. For some, these are still trial and error based project initiatives."

She says the "routine admin functions" may be outsourced to third parties with "service contracts".

For example, 'Payroll Management' can be outsourced to a third party in the form of regional shared service centres for multinational-

als. And for a local group of companies, it may be outsourced to third party. In both cases, it would result in saving HR costs and increasing HR efficiency, she adds.

Whether an organisation will outsource its HR non-core activities or not, will typically depend on the necessity of the organisation. The decision to outsource or to continue in-house should be based on logic. Otherwise, HR outsourcing can work as a windfall or a curse, says Dilruba.

She says both the receiver and supplier of outsourcing need to be professional. The outsource service provider has to adopt the most advantageous steps to create brand image, long term visions about their business and compliance issues.

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# Outsiders to help in non-core tasks

Keep hold on tactical, strategic operations, says an HR expert

SUMAN SAHA

**N**OOOR Mohammad, country human resource (HR) manager of Nokia Siemens Networks Bangladesh and vice president of Bangladesh Society for Human Resources Management, boasts a fast-track career in HR, possessing both national and international experience. He has worked for Fonterra, previously known as New Zealand Dairy, as head of HR in Saudi Arabia.

Trained in 'HAY job evaluation' and compensation methodology, he has accreditation for 'Lominger interview architect and Harrison assessments' (a psychometric selection tool). He holds an MBA in marketing from North South University, Dhaka, and a BBA from Madras, India. He also has a postgraduate diploma in personnel management (BIM). He recently shared his views with The Daily Star on HR outsourcing.

What is HR outsourcing?

It relates to the outsourcing of all or a selected specific component of the HR processes, such as payroll or benefits administration (for example, medical scheme) or outsourcing to the third party to increase efficiency and productivity of the company.

How does an organisation outsource HR activities to a third party?

Within the context of HR outsourcing, the specific processes that are included within any outsourcing arrangement will vary from organisation to organisation. Some organisations may outsource virtually all of their HR processes, whereas others might select specific components for the purpose. In large organisations, it is a common practice to have



Noor Mohammad

outsourced the operational elements of delivering HR services whilst retaining control over strategy and decision-making.

There are a number of well-publicised examples of large, mainly global organisations, such as Procter and Gamble, Unilever and BT Group (former British Telecom), who outsource most of their HR operational activities, often in contracts of five to 10 years. Interestingly, small organisations often do the reverse, effectively outsourcing their strategy (to HR consultants and other professional advisers) and keeping the HR

delivery processes internal.

HR functions can be thought of as a value chain -- a chain of events or tasks that begins with planning the organisation's staffing needs and end with an employee's exit from the organisation. These events form the basis of the HR function and serve as a guide for determining which specific HR functions may be outsourced. It is important to distinguish between those functions that are a core element of the organisation-employee relationship, which create value for the organisation, and those that are not.

Organisations can begin by dividing HR services into three categories -- strategic, tactical and administrative -- from the highest value to the lowest. Strategic activities include corporate culture, organisational development, personnel resource planning, compensation and benefit design. Tactical activities include compliance, talent acquisition and retention, performance appraisal, employee relations and training. The administrative activities include day-to-day transactions related to payroll, benefits enrolment and employee record keeping.

The administrative functions are suited to outsourcing, while the tactical and strategic functions are more suited to be managed internally. Once an organisation identifies the function to be outsourced, it floats a RFP (request for proposal) from outsourcing service companies, conducts weigh-ins (cost-benefit analysis) and decides on outsourcing. While generally people think that outsourcing is always done as a cost-cutting measure, they should look at it from the value generation perspective instead.

Why should an organisation outsource its HR non-core activities?

While considering HR outsourcing, an organisation needs to ask at outset why it needs to change its HR function. It has to ascertain what aspects of the existing HR provisions are not satisfactory or would benefit from improvements. Probing into the select processes, experts can then focus on the scale and type of changes that are required and these will help them decide if HR outsourcing might be an appropriate response as opposed to some of the alternatives delineated above. Creating a business case for

HR outsourcing is an important step.

HR outsourcing has a number of potential benefits, such as cost reduction, increased efficiency and strategic usage of HR resources. In practice, these benefits are not necessarily mutually exclusive and a number of them could be achieved through some alternative actions rather than via outsourcing.

What is the present state of HR outsourcing in Bangladesh?

HR outsourcing in Bangladesh is still in its infancy. Functions like payroll and benefits administration (leave and medical benefit administration and provident funds) are outsourced, and resourcing, training and development are outsourced to an extent as well. Mostly international company branches and some multinational companies (for example, Nokia Siemens Networks, IBM, Novartis and Coca Cola) have currently outsourced some HR functions. But the number of outsourcing service providers is quite scanty and the level of services varies widely, which are major impediments to the sector's growth.

What strategy should a company pursue in HR outsourcing?

I think large conglomerates could initially be considering an 'in sourcing' or internalising strategy, which is the opposite of outsourcing. In sourcing (or contracting in) is often defined as the delegation of operations from production within a business to an internal (but stand-alone) entity that specialises in that operation. This approach is also known as shared service centres. Once it works effectively, they might explore outsourcing.

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