Human Resource Outsourcing: Is The HR Function Losing Its Relevance in Organizations?

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Abstract

Human resource outsourcing (HRO) is one of the emerging practices in the Business Process Outsourcing market. Available research shows that most organisations are increasingly outsourcing most of their human resource functions. Given these developments, a pertinent question arises whether the continued retention of the human resource function in organisations is justifiable. Why should organizations continue to have the human resource function if that function can be outsourced? In this paper, we examine the nature of human resource outsourcing and argue that that HR functions are even more important than ever but with HR outsourcing, there is need to shift focus from traditional human resource activities such as recruiting, payroll, and pension's administration to outcome-oriented activities that enrich the organisation's value to customers, investors, and employees.

***Key words*:** Outsourcing, HR outsourcing, HR function, Organisations.

INTRODUCTION

The human resource function is one of the most critical assets of an organization. The extent to which an organisation is able to realise its goals depends, largely, on its ability to attract, develop, maintain, and retain the right quality and quantity of human resource (HR) capital. The HR function has the responsibility of ensuring that the required quality and number of employees are available when and where they are needed in the organisation. The overall goal is essentially to enable the organisation to achieve its objectives by taking initiatives and providing guidance

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and support on all matters relating to its employees (Armstrong, 2001). This role extends to creation of a salubrious work environment where employees' potential is fully utilised to the benefit of both the employees and the organisation. Despite these critical roles, there has been an on-going debate whether the HR function should not be done away with (Ulrich, 1998). This debate is believed to arise out of serious and widespread doubts about HR's contribution to organisational performance (Ulrich, 1998) with a prevailing notion that HR responsibility is merely administrative and does little in terms of actual value-addition for employees (Nagpal, 2008).

In an increasingly competitive global business environment where the rapid development of technology and the updating of knowledge makes the competition among enterprises to be one of pace and time (Zhang & Ma, 2005), there is a corporate imperative to be proactive and flexible, as well as reduce costs while providing better services. In the search for HR solutions to these challenges, reducing HR operating costs has become a top concern for HR management (Hewitt, 2009). In addition, with people and people related expenses being the number one cost in most businesses, getting HR right carries a huge premium for those who make the investment (Davies, 2009. HR is required to do more with less (Rosenthal, 2002) with enormous pressure to show how it contributes to the 'bottom-line'.

Outsourcing HR is thus becoming a way to simultaneously cut costs and improve service (Rosenthal, 2002) in many 21st century organisations. The thesis of outsourcing derives from the core competency theory which prescribes that for organisations to become, and remain competitive, they must concentrate resources and efforts on their core competencies or core activities and allow others (professional agencies, vendors/outsourcers) to deliver their noncore activities and processes (Nagpal, 2008; Taplin, 2008; Zhang and Ma, 2005; Saha, 2005). It is also believed that by outsourcing noncore activities, the business will have access to specialised skills and knowledge, improve the quality of service, have access to new technology, and reduce operating costs by reaping the benefits of a supplier's lower cost structure, which may result from economies of scale or other advantages associated with specialisation in the outsourced activity (Saha, 2005; CIPD, 2009). Human resource outsourcing (HRO) is one of such emerging practice in outsourcing (Chakprapani, 2009) and represents the biggest portion of the overall Business Process Outsourcing (BPO) market (Gartner, 2003).

A Chartered Institute of Personnel and Development (CIPD) (2009) Survey Report on the current state of HRO among members and their organisations indicate that most organisations are increasing their use of HRO. According to the Report, almost every aspect of the HR function (human resource planning, appraisal strategy, employee relations, information systems, outplacement, compensation benefits, employee assistance, recruitment and selection, training, pensions, payroll, and legal) is currently being outsourced or is being considered for outsourcing. If every aspect of HR appears noncore and amenable to outsourcing, why then should we not do away with HR in organisations? After all, the HR function has always been classified as a 'staff' function whose role is indirectly related to the organisation's core business. In this paper, we examine the nature of HR outsourcing and attempt to clarify why its emergence is not an indication of the failure of the HR function in organisations, but a strategy that enables the HR function scale up to the challenges posed by today's business environment.

Perspectives on Outsourcing

Intense global competition is putting pressure on firms to deliver quality goods and services on demand at lower costs. Firms are searching for ways to remain competitive and one of the ways they are doing it is through the outsourcing of business processes. Outsourcing is a term that is being used more frequently as an ever increasing number of organisations explore it as a potential delivery option for some of their activities (CIPD, 2009). Outsourcing thus, has been defined as "the situation where an external vendor provides, on a recurring basis, a service that would normally be performed in-house" (Saha, 2005:867). It has also been defined as the delegation of one or more business processes to an external provider, who then owns, manages and administers the selected processes based on defined and measurable performance metrics (CIPD, 2009).

Linder (2004) defines outsourcing as the purchase of on-going services from an outside company that a company currently provides, or most organisations normally provide for themselves. The increased interest in outsourcing today is in sharp contrast with the sixties and seventies where mergers and alliances held sway in the economy, and businesses pursued a strong focus on integration and diversification. However, in the eighties and nineties it became clear that neither integration nor diversification was contributing to the efficiency of the organisation (Houtzagers and Janssen, 2008). The core competency theory initiated the movement towards focusing resources on the core business and the noncore processes were

subject to outsourcing and since then, outsourcing of several parts of the organisation or processes has become commonplace in today's businesses (Houtzagers and Janssen, 2008). In other words, by outsourcing, companies concentrate on those aspect of their businesses which give them a competitive advantage (core-business) and contract out the more peripheral or noncore aspects to other firms (Saha, 2009).

Terms that are related to outsourcing include insourcing, back sourcing, and offshoring. Taplin (2008) defines insourcing as the process of bringing in external contractors to assist with processes that are understaffed in the host company, or that the company is trying to expand. Backsourcing occurs when a process that has been outsourced is brought back in-house. This often occurs where outsourcing partners have been found to be underperforming, negligent, or even engaged in criminal activity (Taplin, 2008). Offshoring is a term that is often erroneously used interchangeably with outsourcing. Offshoring occurs where a firm get some parts of its processes delivered from an offshore location. While it is possible to outsource to an offshore location, not all offshoring arrangements constitute outsourcing. A firm can offshore without outsourcing.

Outsourcing, according to Saha (2009), creates tremendous value and gives companies the ability to be more productive and create significant business impact. By outsourcing, companies can gain competitive advantage by exploiting an outsourcing service provider's economies of scale, best-in-class service process execution, better and cheaper labour, and capital at more competitive rates in order to customise offerings more effectively and efficiently.

Human Resource Outsourcing

Human resource outsourcing (HRO) has been defined as the purchasing of HR services from a third party supplier (CIPD, 2009). It is also defined as "the purchasing by an organisation of ongoing HR services from a third-party provider that it would otherwise normally provide for itself" (Tian, 2007: 55). The specific processes that are included within any outsourcing arrangement vary from one organisation to another. While some organisations may outsource virtually all of their HR processes, others select specific components such as payroll and resourcing (CIPD, 2009).

Beginning with humble payroll processors, HRO providers now offer to take over virtually any HR activity or even the entire function (Saha, 2009). In a recent survey by CIPD (2009) on HRO and the HR function, it was reported that legal activities, payroll, and pensions

were the most commonly outsourced HR activities. According to the report, very few organisations have outsourced their entire HR function while large organisations were commonly found to have outsourced the operational elements of delivering HR activities while retaining control over HR strategy and decision making. As Saha (2009) notes, experts are suggesting that in a couple of years, up to 90 percent of the HR function will be fully automated and this is expected to bring huge savings to both the client company and the company providing the outsourcing.

Research evidence (Rosenthal, 2002) suggests that most companies are pleased with their HRO initiatives, and that this initial satisfaction with the transactional and administrative side of HRO is making companies comfortable with outsourcing non-transactional functions like employee communications, Human Resource Information System (HRIS), and recruiting. Saha (2009) observes that the current HR offerings by outsourcing companies are becoming standardised and increasingly effective, and are characterised by:

- A transparent process that allows both HR system managers' and employee-users' facile access to required information, usually e-enabled.

- Processes that are linked across the HR programme spectrum through creating the ability to use an 'event-based' approach where all relevant HR responses are provided to the employee in a comprehensive and non-friendly manner.

- An integrated method of service delivery for HR programmes so that employees will see all HR-related responses to a work-life event.

- A 'single platform' concept of integrated technology, resulting in end-to-end administration and processing of data from a variety of sources.

Several factors are driving HR outsourcing in today's organisations. To remain competitive, organisations must deliver quality products and services at competitive prices and this means that organisations must have the right kind of people, doing the right kind of things always at the right time. These kinds of people, wherever they may be found, become critical resources for organisational profitability and survival. The rationales behind outsourcing HR activities are often of a strategic or of an operational nature (Kang and Wu, 2009); Saha, 2009; Houtzagers and Janssen, 2008). Saha (2009) identified the following as the factors driving HR outsourcing.

The Need for Specialised Expertise. The need to 'let those who can do it better than you to do it' is one of the driving forces for HR outsourcing. Where companies require more specialised HR, the best alternative is to have external vendors perform such activities that were formally performed in-house, bringing their expertise to bear and thus improving the organisation's ability to deliver quality.

HR Information Technology. Many outside vendors have integrated or enterprise software with human resource information system (HRIS) components installed. These systems provide the capability for HR executives to make informed business decisions on both operational and strategic issues.

Time Pressures. HR outsourcing enables HR executives to cope with time sensitive and competing demands. Due to their expertise, experience, and the ability to supply generic offerings that can be readily customised, HR vendors are able to meet the specific needs of client organisations.

Cost Savings. Cost savings was the most weighted rationale for HR outsourcing before now (CIPD, 2009) and still remains an important rationale for HR outsourcing. It is believed that by outsourcing, organisations are able to reduce cost since the reason for outsourcing in the first place is the assurance that the HR vendor can perform the outsourced activity more economically.

The Capacity of the Firm's HR. Peculiar circumstances in the organisation often result in the outsourcing of HR activities. Such circumstances could be when the activity level in the organisation is too overwhelming for in-house employees to perform. In addition, outsourcing could also be chosen when organisations are operating at full capacity and do not have additional staff to handle increased activity. Because such levels of business are expected to decline at some point in the future, companies may prefer to outsource some HR activities or part of their current load rather than hire more staff.

Reduction of Liability and Risk. Risk reduction is also a partial rationale for outsourcing an HR activity. Organisations eager to reduce the liability and risk of managing people, particularly as it relates to the legal aspect of HR programmes often turn to outsourcing – specialists who are well and better informed to deal with those issues.

Apart from these factors, there also exist a strategic rationale side to HR outsourcing. Rather than seeing outsourcing merely as a cost-cutting exercise, organisations are increasingly using it as a

strategic tool for gaining competitive advantage. These strategic reasons for HR outsourcing as identified by Saha (2009) are:

- To improve the overall business performance

- To sharpen business focus

- For accessing external skills

- For improving quality and efficiency of outsourced process

- To create new revenue sources

Benefits of HR Outsourcing

When organisations put up a business case for HR outsourcing, there are many potential benefits that are cited (CIPD, 2009). According to a CIPD (2009) outsourcing survey, the top three reasons cited for undertaking HR outsourcing are access to skills and knowledge (71%), quality (64%), and cost reduction (61%). The potential benefits of HR outsourcing as contained in the literature (CIPD, 2009; Saha, 2009; Tian, 2007, Nagpal, 2008; Kang and Wu, 2009; Houtzagers and Janssen, 2008) include:

Focus on Core/Strategic Issues. Every business has limited resources and every manager has limited time and attention. Outsourcing allows the organisation's HR to shift its focus from peripheral activities and concentrate on the organisation's core business activities.

Cost Reduction. Outsourcing reduces both operational and capital costs. The client company benefits from the outsourcer's smaller cost structure which often results from economies of scale, along with the efficiency derived from specialisation. This reduction in the company's operational costs provides a clear competitive advantage. Also, outsourcing reduces the need for large capital expenditures on non-core functions. For instance, companies need not invest capital to maintain and upgrade HR systems and infrastructure as it is left to the outsourcer.

Access to Expertise. The imperative for high quality HR delivery in today's organisations requires specialised HR knowledge. The constant improvements in technology and the likelihood that organisations may be losing HR expertise through corporate restructuring, mergers and acquisitions, or repeated downsizing is causing greater complications in the tasks of HR. Outsourcing however gives organisations access to HR expertise not available internally and helps them to avoid the cost of continually keeping abreast of developments in technology and training.

Flexibility. With outsourcing, there is increased flexibility and speed of response to HR problems. This is borne out of the experience, specialisation, and technological infrastructural base of the outsourcer.

Reduced Risk. By outsourcing, organisations shift risks and uncertainty to a third party to reduce personal risks by sourcing troublesome activities. There are risks involved in compliance, finance, technology, legislative, and corporate restructuring issues. However, when outsourcing is made, there are lesser risks as they are passed to the outsourcer, who assume and manage the risks.

Increased Efficiency. Outsourcing means allowing experts to get the work done. Improved efficiency implies reduced costs, faster response time and convenient access to benefits and other HR data, improved quality and better service.

Access to Latest Technology. To effectively manage employee data in the 21st century IT driven business environment, organisations must have highly developed programs or software. Outsourcing allows organisations to access the latest HR technology.

Risks and Costs of HR Outsourcing

HR outsourcing, despite its benefits is not without risks (Bahli and Rivard, 2003; Tian, 2007) and costs (Saha, 2009). Examples of the risks of HR outsourcing as identified by Tian (2007) include:

Strategic Risk. One of the strategic importances of HR outsourcing is that it allows the organisation to concentrate on its core activities. However, as far as HR functions are concerned, companies are often unclear about which are core or no-core functions for them. If those core functions are outsourced, organisations are likely to lose their survival superiority in the long run.

Contractual Risk. Executives are often tempted to view a well drafted contract as a proxy for effective risk management. However, many outsourcing contracts are either not flexible enough to accommodate changes in the business environment or are not cost-effectively enforceable in foreign jurisdiction.

Operational Risks. Operational or performance problem is another common set of risk associated with HR outsourcing. Problems such as declining levels of service quality, unexpected cost overruns, or business interruptions can seriously undermine the potential benefits of outsourcing. These risks appear greater when the client company and the outsourcer do not share a clear

understanding of required service levels or when performance monitoring and management are weak and inadequate.

Cultural Risk. Differences in the work cultures of both the client company and the outsourcer may have implications for the perception of quality and what constitutes quality service delivery, and hence, the likelihood of loss of quality.

Dependency Risk. Outsourcing can result in not only the loss of control over those activities that are outsourced, but also in the loss of in-house knowledge. This then means that the client company is fully dependent on the outsourcer. If things were to go wrong with the outsourcer, the consequences may be dire for the client company.

Apart from these risks, there are also costs associated with HR outsourcing. Some of these costs as identified by Saha (2009) include a) Coordination Costs. These are costs related to the increased costs and difficulties of coordinating production and exchange with several service providers rather than an in-house control; b) Transacting Costs. Transacting costs refer to search and selection costs to find an appropriate outsourcer. The premise of transaction theory is that internal transactions are less costly than external ones, which is why firms arise in the first place, to internalise and coordinate market transactions; c) Monitoring Costs. These are monitoring costs associated with the client company's need to intensify the monitoring of the outsourcer's performance in order to minimise the outsourcer's incentive to shirk or cut back on quality and service.

With the increasing trend of human resource outsourcing, the question that readily comes to mind is whether the HR function is losing its relevance in organisations. If HR activities are being outsourced, why then should it still be necessary for organisations to keep the HR department? There is no doubt however, that today's business environment has greatly changed from what it used to be some decades ago. To understand the role of HR in today's organisation, it is pertinent to look at the changing environment of today's businesses.

The changing environment of business poses new challenges for human resource management in organisations. Organisations are faced with challenges at the environmental, organisational, and individual levels. Environmental challenges are forces external to the firm and are largely beyond the control of management but which influence organisational performance. They include rapid change, workforce diversity, globalisation, legislation, evolving work and family roles, and skill shortages and the rise of the service sector. Many organisations

face a volatile environment in which change is the only thing that is constant. Survival and prosperity depends on the ability of these organisations to adapt quickly and effectively to changes taking place in the environment. Human resources are almost at the heart of an effective response system. There is increasingly shifting workforce demographics in today's workplaces. This trend presents both a significant challenge and a real opportunity for managers. Firms that formulate HR strategies that capitalise on employee diversity are more likely to survive and prosper.

This is about the most significant environmental challenges facing organisations in the 21st century. With the rapid expansion of global markets, managers are struggling to balance the paradoxical demand to think globally and act locally - "globalisation" (Campbell, 2010) and there is greater pressure on them to increase their ability to learn and collaborate and to manage diversity, complexity, and ambiguity (Ulrich, 1998). How successfully a firm manages its human resources depends to a large extent on its ability to deal effectively with government regulations and extant laws relating to the management of human resources. Most firms are deeply concerned with potential liability resulting from personnel decisions that may violate laws enacted by the State. Thus there is increasing need to operate within the established legal framework and this requires keeping track of the external legal environment and developing internal systems to ensure compliance and minimize complaints. Rapid technological changes are currently occurring in the computer and telecommunication industries at such a great pace that constant updating of knowledge and skills is required. The advances being made are influencing every area of business including human resource management.

The proportion of dual-career families is increasing around the world. However, women still face the double burden of working at home and on the job, and they are likely to drop their job to attend to their families when they can no longer cope with the pressure of working and raising a family. Fortunately, the 21st century organisation is a knowledge organisation and hence, more and more companies are introducing 'family-friendly' programmes that give them competitive advantage in the labour market and allow them to hire and retain the best qualified employees, male or female. Alternative workplaces and flexible scheduling of working hours (flextime scheduling) are some of the ways organisations are trying to facilitate the women workers.

There is a growing expansion of the service-sector employment which is linkable to factors such as changes in consumer tastes and preferences, legal and regulatory changes, and advances

in sciences and technology that have eliminated many manufacturing jobs, and changes in the ways businesses are organised and managed. Organisational challenges, which are often by-products of environmental challenges, refer to concerns that are internal to the firm. These issues include competitive position (cost, quality, and distinctive capability), decentralisation, downsizing, organisational restructuring, self-managed work teams, the rise of small businesses, organisational culture, technology, and outsourcing. Unlike environmental challenges, managers are usually able to exert much more control over organisational challenges, and the test of an effective manager is the ability to spot organisational issues and deal with them before they become major problems. Only managers who are well informed about important HR issues and organisational challenges can do this.

HR issues at the individual level addresses concerns that are most pertinent to decisions involving specific employees. These individual challenges often reflect what is happening in the larger organisation which may in turn affect organisational challenges. For example, technology will have implications for individual productivity, and how individuals are treated in the organisation will affect the employee turnover rate. If many employees were to leave an organisation and join competitors, the organisation's competitive position will definitely be affected. The most common individual issues include matching people and organisation, ethics and social responsibility, productivity, empowerment, brain drain, and job security.

All these changes taking place in today's business environment are creating some metamorphosis within organisations. To remain relevant in the constant wave of change in the business environment, it is necessary that organisations constantly test their theory of business to ensure that it fits reality (Drucker, 1994). As Drucker (1994) further notes, a theory of business has three parts which must all fit reality. These three parts are assumptions about the environment; assumptions about the mission of the organisation; and assumptions about the organisation's core competencies. The assumptions about the environment define what an organisation is paid for. The assumptions about the mission define what an organisation considers to be meaningful results, while the assumptions about core competencies define where an organisation must excel in order to maintain leadership. Thus, an organisation may change the way it functions in order to make its theory of business fit the present reality. No doubt rapid changes in the environment of businesses have resulted in a shift in the way businesses operate and consequently, the way HR functions (BeakWare, 2008).

The Changing Face of HR

The HR function is taking on a new perspective which is radically different from how it used to be. In the past, according to BeakWare (2008), HR had the misfortune of being considered a necessary, but yet unessential or unproductive department in an organisation. It was considered an administrative doer rather than a strategic partner and catalyst. In that context, HR merely meant regular administrative and record-keeping functionalities, and no more. However, in today's business world, with the growing recognition of a high-knowledge, multi-skilled workforce as the most important resource available to an organisation (ASTD, 2003), the role of the HR function is changing in a manner that will enable it to ensure that the organisation is able to gain and maintain competitive advantage through the people it employs or those it uses to get its work done (as in outsourcing).

Thus, in a highly volatile and competitive business environment, where technology, trends, and consequently workforces are in a constant state of flux, the HR function is taking on a new role of in leadership and as a strategic partner (BeakWare, 2008); divesting itself of routine administrative elements (by way of outsourcing) to a more strategic role. Ulrich (1998) advanced a new role for HR if is to remain relevant in the face of a rapidly changing business environment. In this new role, HR assumes a more strategic role by contributing towards the planning, formulation, and accomplishment of organisational objectives (Ulrich, 1998; BeakWare, 2008). HR is able to do this because it has good knowledge of the organisation's line of business in terms of its long-term strategic purpose and share responsibility with the line management to ensure the success of the organisation. As a strategic business partner, HR is aware of the business environment of the organisation in terms of the opportunities, threats, strengths and weaknesses and their human resource implications, as well as the critical success factors that will create competitive advantage (Armstrong, 2001). HR also plays a pivotal role in identifying the capability gaps that arise out of environmental dynamism and unpredictability and works closely with management to fill these gaps by obtaining the appropriate resources, training available resources, and through other means possible. Organisational success lies largely on flexibility and the ability to adapt quickly, and the HR department plays a crucial role in this process of adapting.

Today's HR executives play a key role in advocating cordial relations between the employee and the employer and hence, there is increasing need for the HR professional to have a deep understanding of people and their roles, so as to create a work environment that is friendly,

motivating and productive (BeakWare, 2008). As an advocate of the employee, the HR function creates development and growth opportunities, and several other programmes that benefit the employee. It also develops strong employee relations that ensure a collective responsibility, not only in the early detection of problems, but also in providing solutions to them. As the employer's advocate, is the responsibility of HR management to build a spirit of employee ownership of the organisation, create a sense of responsibility and urgency and set goals which are in line with the organisation's objectives. Once this is done, it is HR management's role to measure and maintain these and ensure that the organisation is on its way to achieving its objectives.

It is also the responsibility of HR to champion the necessary change in today's organisations. This change must be brought about with the least amount of employee dissatisfaction. All forms of reengineering or restructuring that take place in organisations have people issues and it is the role of HR to ensure that such transitions are achieved with minimal negative impact on employee morale and satisfaction. To be able to drive the required change in the organisation, it is pivotal for HR to have a strong understanding of the different departmental functionalities, stays up-to-date which each of these, and develops strong consultative skills to keep communication flowing between the departments and the management. It is a fact that some of these duties have always been performed by the HR department. However, it is in the increasingly consultative and strategic partnership role that we find the new and changing role of the HR function (BeakWare, 2008).

Human resource management has been traditionally responsible for ensuring that the organisation attracts, develops, maintains, and retains the right kind of people it needs to effectively and efficiently deliver competitive value at the marketplace, thereby ensuring organisational profitability and survival. It is the people in organisations that make the difference, and as long as organisations remain, it will be the role of the HR department to help the organisation achieve its goals through the people it employs. It is a fact nevertheless, that HR seems to have been weighed down by complex administrative functions that leave it with little or no time to contribute to strategic issues (Ulrich, 1998; BeakWare, 2009). If HR should remain in this mould, it will further be relegated to the background in the scheme of things in organisation, particularly in the face of diverse challenges posed by a rapidly changing business environment. Thus, there is increasing recognition of the value of freeing HR from costly, time-consuming,

and increasingly complex administration across a growing number of HR processes and transferring the day-to-day management of one or many HR functions to an HR outsourcer. In so doing, HR can help the organisation to reduce cost, gain economies of scale and efficiencies from the latest technology and have time to focus on strategic issues and practices that will result in the organisation's long-term success and competitive advantage (Tian, 2007).

Outsourcing Human resources cannot be taken to be a "vote of no confidence" on the HR function. In short, there is hardly any way organisations can effectively execute HR outsourcing without inputs from HR. For HR outsourcing to yield desirable results, the HR department must be involved (CIPD, 2009). HR's involvement in outsourcing will not only ensure that the organisation does not unintentionally lessen its HR capabilities in the process of outsourcing (Davies, 2009), but will also ensure that there is a greater emphasis on cultural fit between the vendor and the organisation; a greater emphasis on quality venture outputs; a greater trust between the organisation and the vendor, and a more tailored outsourcing solution (CIPD, 2009). Thus, HR outsourcing and the HR function are not mutually exclusive. HR outsourcing is a major strategy used by organisations to free the HR function of mundane HR activities thereby allowing it to focus on more strategic issues and practices that will earn it the much desired 'strategic business partner' status in organisations.

CONCLUSION

Over the past few years, there have been tremendous changes in the way businesses operate, and consequently, the HR department. The challenges imposed on organisations by the rapidly changing environment have meant that the HR function assumes a new role that transits it from that of a mere administrative 'doer' to that of a 'strategic business partner'. As a strategic business partner, HR concerns itself with major long-term issues concerning the management and development of people and the employment relationship. It ensures that top management focuses on the human resource implications of the organisation's business plans by persuading management to develop plans that make the best use of the core competencies of the organisation's human resources, thus ensuring that the organisation is able to achieve competitive advantage through the people it employs.

However, for the transition to happen, HR needs to divest itself of time-consuming mundane administrative activities, hence, HR outsourcing. HR outsourcing is increasingly becoming a widely accepted practice because of its potential to help organisations reduce cost

and leverage technology and expertise, while staying ahead of competition. However, without the existence of an effective, well-resourced HR team within the organisation, HR outsourcing cannot be effective. Thus, HR outsourcing and the HR function are not mutually exclusive, and neither is HR outsourcing an indication of the failure of the HR function in organisations. Rather, HR outsourcing is a strategy that enables the HR function scale up to the challenges posed by today's business environment by allowing it time to concentrate on core strategic issues that ensures that the organisation is able to achieve competitive advantage through the people it employs, and practices that truly makes it a value-driven strategic 'business partner'.

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