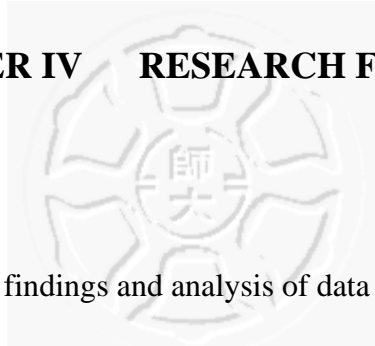


CHAPTER IV RESEARCH FINDINGS



This chapter illustrates findings and analysis of data collected for the study. Data was collected via structured and in-depth interviews conducted to five HR professionals from companies that engage in adequate level of HR outsourcing. This section of the study outlines the chief findings, presents the results, and discusses their meanings and significance that will eventually lead to the conclusion.

Obtained data are primarily divided into the following sections: 1. Overview of Implementation of HR Outsourcing, which illustrates “what” of the main five functions of HR tend to be outsourced, and the factors that affects organizations’ decisions to outsource certain or parts of these HR functions, criteria to be considered in selecting vendors, and an overview of the results of using outsourcing services, 2. Collaboration and Coordination with the HR Outsourcing Service Providers, which explains the steps, or “how” the HR outsourced process is implemented and discuss the problems that are associated with the HR outsourcing process, 3. New Roles and Competencies of HR Professionals Under HR Outsourcing, which identifies the roles and duties internal HR professionals must take on when certain HR functions are outsourced, and discusses what must they still be capable of under their new roles after certain HR functions are outsourced.

Overview on the Implementation of HR Outsourcing

This section shows which of the five HR functions tend to be outsourced based on the investigated companies. Factors and reasons for such outsourcing decisions

will be discussed. Next, the criteria of selecting vendors and how the collaboration is formed will be discussed. Subsequently, the results after HR outsourcing will be summarized.

HR Functions Being Outsourced

The companies being investigated include two local companies and three multinational companies of different industries as described in the research design section of this study. In investigating such a sample group of diversified industries, it was found that these companies that do engage in HR outsourcing only outsource some, or parts of a function. In other words, they do not outsource their entire HR function. All of the investigated companies do engage in a certain level of HR outsourcing but varies on which of the five HR functions: Recruiting and Selection, Training and Development, Performance Management, Compensation and Benefits, and Labor Relations, is outsourced. In most cases, only one part of certain HR functions is outsourced and the primary determinants of such decision are the needs of the company and how outsourcing brings effectiveness. More of these issues will be discuss in latter parts of this chapter.

Based on the finding from investigation of the five companies, training and development is the most frequently outsourced HR function in comparison to the rest five functions; all five companies outsource a certain part of employee training. However, in all of the cases, only one part of the whole training process is outsourced – training facilitating or lecturing. Subsequently, recruiting is frequently outsourced as well, in a way that headhunters are utilized as the primary means of recruiting or in another way where vendors organize large recruiting events for clients. Compensation and benefits is one other HR function frequently outsourced by

companies, including payroll outsourcing, as well as compensation and benefits analysis outsourcing. Three of the five companies outsourced their compensation and benefits functions. Companies least frequently outsource performance management and labor relations. Only one company outsources each of these two functions.

A table that illustrates HR functions being outsourced by the five subjects is shown as follows:

Table 4.1: HR Functions Being Outsourced

Company	1	2	3	4	5
Recruitment and Selection	X		X	X	X
Training and Development	X	X	X	X	X
Compensation and Benefits	X	X		X	X
Performance Management		X			

Labor	X
Relations	

Reasons and Factors Affecting Outsourcing HR Decisions

Factors that affect outsourcing decision include the structure of the company, cost effectiveness, capability of the company, the value or the nature of the specific HR function, and very commonly the know-how of service providers in their specific area of expertise.

1. Company Structure as a Factor of HR Outsourcing

Outsourcing strategy depends on structure of the company in terms of its multi-national system. One major difference between foreign-based companies (headquarters outside of Taiwan) and local-based companies (headquarters in Taiwan) is the scale involvement and the relative size of the HR department. Local-based with headquarters in Taiwan, such as in Case 1, Case 3, and Case 4 companies have a greater size of HR, being responsible of a complete scope of HR functions, both planning and implementation. Foreign companies with headquarters outside of Taiwan such as Case 1 and 5 companies follow the system developed by headquarter, and therefore have a minimal scale of HR department in Taiwan for implementation. Consequently, this arrangement affects the outsourcing decisions. Consulting companies are usually sought by companies when the HR function involves in planning and strategies. HR service providers, such as headhunters, are often sought by those HR functions that are implementation oriented.

2. Cost Effectiveness as a Factor of HR Outsourcing

Cost effectiveness is often a primary strategy for companies in the competitive business environment today. HR functions aim toward having a contribution to the organization in the form of work output. Consequently, there is a strong focus on organizational and individual development, in which case service from consulting companies are often sought by HR departments. Moreover, companies aim at a one-time success in all projects, avoiding the necessity of revision in order to maintain the trust from employees. Redundant or failure resulted from lack of expertise help will incur more cost. In addition, the reputation of and confidence in HR professionals among employees are very important.

3. Inadequate Capabilities and Resources as a Reason for HR Outsourcing

One other major reason for outsourcing HR is to refocus the capabilities and resources of the company. One interviewee stated that often times, the manpower in the HR department is not adequate to support all levels of responsibilities. If the trainer were to come from the company internally, the trainer would have less commitment in training. It's impossible for the company to bare the cost of developing a professional solely used as a training facilitator. An internally developed trainer would also be responsible for other duties, therefore he would not have optimum skills in conducting presentations, as opposed to professional training facilitators. When certain functions that are less valuable or important to the company are outsourced, internal HR professionals can concentrate on the core, strategic aspects of their responsibilities.

4. Obtaining the Know-How of Service Providers as a Reason for HR Outsourcing

Most of the companies outsource their HR functions in order to obtain the

“know-how” from the professional capabilities of service providers. Often times, cost is not a primary concern in deciding to use HR outsourcing. The know-how of the service provider remains a primary factor. Internal HR, even having an adequate level of know-how, is still less comfortable in with implementing the activities that would otherwise be implemented successfully by the consulting company, having years of experience and benchmark methodologies. Having serviced other companies, these service providers and consulting companies can bring advantages to company from these past experience. The perspective of the internal HR is more limited, and have a constraint in terms of knowledge of the market. Therefore, having a consulting deliver is more effective than deliver internally. Using the service of outside consulting company such as DDI is a strategy because of the their 30 years accumulated knowledge and know-how for Case 2 company. As an interviewee stated, “We can trust our consulting company in developing our competency model, with their years of experience researching and well-built database.” According to the interviewee, DDI research is done by erudite scholars. In addition, obtaining the talents can also help the company gain new perspectives and improved of doing things. Besides years of experience and know-how’s, consultant companies are frequently used because they can be well trusted for their professionalism in keeping confidentiality. For example, information on benchmark of employee commitment for Case 2 company is performed by Watson Wyatt because their internal website system is confidential and can be well-trusted by employees.

Criteria in Selecting Vendors

Once a company decides to outsource its HR outsourcing, the next step is to form the collaboration with an outsourcing service provider, after a thorough process

of selection. Upon looking for the right vendor, the company must consider the quality of service, compliance with company needs, and the cost of the service it provides. Surveys must be performed in the process of selecting the most suitable vendor.

1. Quality of Service

Upon looking for the right vendor, the most important criterion is the quality and professionalism of service of these consulting companies. In order to do so, the company will examine the benchmark of their past services, and consider the reputation of the vendor. The approach that most companies has taken in this process is performing surveys to see which service providers are in the top of the industry and provide service that best matches their demand. The most important criterion to keep in mind that when looking for a consultant company to collaborate with, the company must choose one that is highly reputable in the industry with high quality service. Taking the example of selecting training facilitator, it was found that the quality of the training facilitator is significantly considered. The facilitator's influential power is essential. His or her reputation and image directly affects trainees' perspectives toward him and therefore, how much their tendency to trust in him. If the trainer's abilities are perceived as under average, his authority would be lowered for trainers will not be convinced by him.

2. Compliance of Service With Clients' Needs

Another criterion that companies seek is the compliance of the type of services vendors provide with organization's needs. The relationship is established if the service matches the functions needed to be outsourced. When selecting the vendor, care is taken that the vendor does not only provide experience sharing, like many

local consulting companies do. According to an interviewee, the consultants from local, or small-scale consulting companies usually come from corporate human resources and therefore their knowledge would be somewhat equivalent to internal HR of client companies. Companies take in precaution that the vendor with professional research results that yield solid methodology, and not just experience sharing. Taking the example of Case 2, the company looks for step-by-step consulting on implementation methodology. In other words, the consulting company should provide instructional help, and not just raising awareness for the client company. In order to find the best fitting consulting company, HR professional must also study, compare, and analyze market methodologies and approaches to better identify one that is most suitable. In addition, companies consider if the service obtained is really what the employees desire since the ultimate purpose is to service the internal customers, or employees.

3. Cost of Service

Since cost effectiveness is one major principle that HR outsourcing users keep in mind, they seek the best quality service, with the most affordable price. As Case 5 company suggests, it's important to compare the price of the vendor with the market price when selecting vendors. Generally speaking, all of the service users value the quality of service as priority, and less importantly, the price. Best quality service with a low price is the ideal situation. However, this is not always the case. Just as presented by Case 5 company, some headhunters offer service for free but provide low level quality of candidates.

When the service is not specifically professional or irreplaceable, such as employee event planning or job fairs, the service seeking companies usually consider a few vendors at once. Several suitable vendors will provide proposals to the client,

from which the client will analysis compatibility and select the most suitable to establish a contract with.

Results of HR Outsourcing

Many common reactions are reported by the interviewees that are users of HR outsourcing. According to these client companies, as a result of outsourcing many the routine activities and functions that bear less values to their company, their HR professionals can now focus on the more strategic, core functions. As a result, the headcount of the HR department is decreased while many administrative works are owed by the employees of service providers. The content of their work shifts toward more of planning and strategic side with a high level of coordination and monitoring involved. The company can now focus on functions that are valued more highly, and thus increase the whole working standard of the organization.

Collaboration and Coordination with HR Outsourcing Service Providers

This section describes the ways a HR outsourcing service user, or client company collaborates with a service provider of HR outsourcing, or vendor. The methods, procedures and details of HR outsourcing approaches will be presented for each of the five HR functions.

Recruiting and Selection

HR professionals collaborate with headhunters when engaging in the outsourcing of recruiting and selection. Companies utilize recruiting and selecting services from a vendor in two different ways. First, the service provider takes on the form of a

headhunter and acts the main, or an extra channel recruiting. Second, the service provider acts as a event organizer and set up large recruiting events such as campus recruiting or job fairs for the clients.

1. Headhunter as a Channel

The headhunter serves as one channel or option of recruiting, in which the process of collaboration between the client and the headhunter is more long term and is similar for all of the investigated cases. This sort of collaboration is used when the service-seeking company is looking for a candidate to fill a job opening that is more professional, high-end and more managerial, or technical. According to Case 1, the company goes through headhunter in recruiting for the following circumstances: first, when recruiting higher level management positions, second, when the position is industry-specific and require professional knowledge, and third, when a greater scope of the market and networking is needed to be reached.

The process of collaboration is as follows. First of all, with understanding in the headhunter market, HR professionals from the company seeking recruiting services searches for the most appropriate headhunter that is most compliant with its specific industry, job openings being sought, and company needs. When certain headhunter is targeted, the HR professionals then communicate its needs with the headhunter, which eventually leads to formulation of a proposal from the headhunter's side. In order to find the right headhunter, the HR professionals have to possess a good understanding of the headhunter market and good price negotiation skills, because it is now up to the HR professional to evaluate on the choice of headhunter and negotiate the price of the service. After the contract is being set up, the HR professionals must instruct the headhunter in terms of the needs and volume of

desired candidates to the recruiting service provider. Information that the HR professionals from the client company must provide for the headhunter includes: the position being requested, job specs, offered compensation, qualifications such as educational level and years of experience.

Usually, the headhunter performs first contact and screening, and internal HR professionals perform subsequent interviews. The reason why the headhunter is responsible for the first contact is to avoid getting in contact with any competitors. Discomfited situation might arise if the recruiter has to contact candidates that are currently working for a competitor.

According to four out of the five cases investigated, finding the right headhunters requires experience from both the side of the client's HR professional and the headhunter in the specific area of profession. As stated by the interviewee from Case 1 company, recruiting is a challenging task, in which finding the best person-to-job fit is the key. The HR professionals utilize their experience and knowledge relating to headhunter services and evaluate the best choice of headhunters and the most efficient way of collaboration. On the other hand, the headhunters utilize their experience and resourced they have accumulated in a specific industry or types of job openings. As a headhunter stays in one certain industry or specific field for a period of time, it also gains experience and resources and thus becomes an expertise in hunting talent in that specific territory. For example, as stated by the interview from Case 5 company, a headhunter might be an expert for recruiting for the IT industry. Within the IT industry, its expertise in recruiting further divides manufacturers or service providers, and then, categorized further into R & D (Research and Development), or technical support and so forth. Taking another example from Case 1 company, within the financial industry, certain headhunters specialize in finding professionals in banking, others might focus on equity. Often times, the longer a

client collaborates with a certain headhunter, the better its needs can be met and agreement can be made.

2. Large Recruitment Events Provided by Vendors

When a company hires an HR outsourcing solution company to organize large recruitment events, it is usually a short term collaboration. Such mean of recruitment is to recruit candidates on entry-level jobs and therefore tend to be more large scale. These large recruitment events take in the forms of campus recruiting, large job fairs, and company recruitment day.

The steps for such type of collaboration are as follows. Similar as the last recruiting outsource approach, the service-seeking company must find the most suitable vendor they can work with, based on the proposals presented by different vendors of choice. Once the collaboration goes in effect, the client company's HR professionals commonly layout expectations and needs. In doing so, the client company acts as the primary director and initiator, while the service provider plans, creates ideas, and implements the event.

Training and Development

When a company outsources its training function, it only outsources a portion of it, usually the instruction part of training. If training is divided into the following steps: 1. Needs analysis, 2. Training design, 3. Instruction development, 4. Training implementation/facilitation, and 5, Evaluation, usually only the instruction development and training implementation phases of training are outsourced.

The internal HR professionals plan and define the needs and directions of the training project, and instruct the service providers who mainly implement by providing

instructors and materials. Usually, internal HR professionals would sit-in during a lecture and in order to monitor and give comments on adjustments. The evaluation process is usually collaborated by both the client and the service provider.

1. Training Facilitation Outsourcing

In training and development, the first and foremost HR professionals must realize is the company situation. By doing so, they can then decide what vendor is suitable for the training needs of company. Once vendor is chosen, internal HR must also perform training needs analysis by distributing questionnaires to trainees. Like performance management, discussion between management of the client company and trainer from vendor is needed. Combining trainee questionnaire and discussion with the vendor, situation and needs of company can be understood.

The service provider is responsible for preparing and printing training material, handouts and deliver to the client. These training materials include props such as posters and video tapes. Usually, the client company, having own classroom, does not require vendor to provide lecture rooms. However, vendors do provide lecture locations with extra fees. Internal HR professionals are responsible for class notification and invitation to trainee because they can better make the contact with their own colleagues. They also join the class to evaluate if the lecture and the facilitator's skill match up to expectations. The tone of the facilitator also needs to comply with client's desires. As the Case 2 interviewee stated, "We like the lecture facilitator to carry a more relaxed tone. Once we got a very serious one, we immediately reacted to the vendor and asked for a change." Although skills of training facilitators are all up to a standard, the tone is just as important.

When the internal HR sit in the class, they monitor and may interrupt in the middle of class should they feel changes or addition of class material is needed.

They also review the training materials before hand to ensure the quality of the training material is up to their expectation and fulfills their needs. On the other hand, the vendor also assigns officers to sit in and monitor who also give suggestions.

In this vendor-client relationship, the primary decision making lays on the side of the client, therefore, it's critical that internal HR professionals gives opinions from their perspectives. In the end of the training project, the evaluation process is usually the responsibility of both sides. There's a common evaluation report. The reaction level of evaluation is usually assessed right after class by trainees, facilitated either by the service provider or HR professionals monitoring the class. The internal HR professionals from the client company, having sit-in the class and knowing the training material, need to study and perform follow-up actions. One example of follow-up action from Case 2 is having supervisors that are trainees of the training session: "how to coach employees", practice and record the actual coaching technique. Another follow-up action is have trainee perform experience sharing and give opinion on improvement and advancement of the training. All the actions taken are for one purpose from the client's side: cost effectiveness.

Compensation and Benefits

When a company outsources its compensation and benefit function, it collaborates with the service providers two different ways. The first way of compensation and benefits outsourcing is when a company outsources the payroll function to an accounting company. The second way of compensation and benefits outsourcing is when the user-company collaborates with an consulting company on compensation and benefit analysis in which the service provider acts as the planner by providing expertise and specific information related to compensation and benefits,

while the user company acts as the supporter in completing the task. Nevertheless, responsibilities are shared amongst both the service provider and the user company. Depending on the priority and needs of the user company, the way to collaboration between the two parties may vary. The following section illustrates different ways a company outsources its compensation and benefits function.

1. Payroll Outsourcing

Based on the findings from Case 1, a large foreign-based financial corporation, and Case 5, a foreign-based system-integration company, compensation and benefits outsourcing takes in the form of payroll outsourcing. In such case, the function is outsourced to a CPA, accounting company. The main purpose is to outsource the more routine function of salary calculation and payment to the vendor. The user-company HR professionals are responsible for the providing information and give instructions to the vendor prior to completing the task of payroll. These information include information of the employees and its hours of work, information should there be new employees, information on leaving employees, bonus standards and amount for all positions. Based on the information provided by the client, the accounting company is responsible for calculating and distributing the salary to the compensation and benefit team of the client, while the function of salary adjustments remains on the part of the user-company itself. The accounting company then formulates monthly payroll reports that are examined thoroughly by the compensation and benefit team in the user-company, as well as the HR department. This examination process is essential and must be treated with tremendous care, as the compensation and benefits aspects of a job is valued heavily by all employees. Aside from salary calculation, it involves many important matters, including: taxation, labor insurance, health insurance, special benefits, and pension. Therefore, mistakes

can easily be made. In addition, specific functions relating to compensations such as the pension plan selection are taken on by the service providers to suggest the most suitable program for the clients, as this allows the vendor to apply their expertise on specific matters of compensation and benefits.

2. Compensation and Benefits Analysis

The second way of outsourcing compensation and benefits takes in the form of compensation and benefits analysis. As shown in Case 2, a large local telecom company, the aspect of compensation and benefits analysis is highly valued. These companies strive to offer employees the most competitive package and therefore sees the task of compensation and benefit analysis as important as it is an useful mean of comparison with competitors and leverage against the employee performance. It is important to know that the standards and results of compensation and benefit analysis is closely related and established on the basis of employee performance, as stated by Case 2.

When compensation and benefits analysis is outsourced, the consulting firm, or service provider, is responsible for collecting information regarding the market standard in compensation and benefit for certain positions in that particular industry and provide the information to the clients. Company in Case 1 collaborates with Watson Wyatt in compensation and benefits analysis, utilizing their strong market survey of salary structure. Watson Wyatt possesses a strong database of salary structure for all industries. In this particular case, the client seeks the salary structure for the telecom industry, and determines its own salary standard against the market standard to define the salary level for specific positions. Such method of defining compensation and benefits requires the solid and abundant base of database as

provided by Watson Wyatt. In determining the salary standard against the market standard, the consulting company also provides information on factors that affects such decision, including salary standards of competitors and workers' qualifications in market value. When making a comparison on the salary standard against the market, the consulting company must make an equal comparison; meaning one all cases being compared are jobs of the same industry, same types of companies, same technical area, and same level of positions. In making such comparison, the client company is able to establish benchmarking in its own salary system, as opposed to having a completely wrong standard and thus affecting its cost-effectiveness. The consulting company then gives advice or suggestions in setting up the company's compensation system. When an employee leaves for compensation-related reasons, the consulting company also analyzes the causes and makes suggestion on adjusting the compensation or benefits plan.

Performance Management

Outsourcing of performance management is yet a common practice. Only one company out of the five studied cases outsource this function of HR. It takes in two forms: 1. Establishment of a competency model by the consulting company, and 2. Employee survey conducted by the consulting company to obtain benchmark information on employee commitment, which is directed related to employee work performance.

1. Establishment of Competency Model

The first form of outsourcing of performance management starts with defining the strategy and objectives of the client company. It serves as a basis for the

competency model that is established with the aid of the service provider. The key to establishing the competency model is to identify the employee's performance gap and identify the core competencies that lead to success.

When a consulting company is hired to establish a performance management system for an organization, it facilitates a workshop that instructs and advises the formulation of company strategy in the subsequent year to each division head. The workshop serves as guidance for management in setting company's key objectives, identifying key issues to be addressed in operation meetings, and the methods to interconnect the all aspects of strategy planning. In this process, the skills and knowledge in goal setting is critical. Therefore, it's important to find a well-established, experienced consulting firm to collaborate. In Case 2, the service user collaborates with DDI. With 27 years of experience, DDI offers a standard of competency model, identifying the critical competencies to achieve organizational goals and has extensive, well-built database. This system of performance management (competency model) is well trusted by the client.

The performance management system seeks to ensure that individual performance objective aligns with the company's needs. Steps of collaboration in developing competency model are as follows. Initially, two key elements are critical and must be assessed as pre-requisites in establishing the system: 1. "What" is needed by the organization, (strategy and goal-setting), 2. "How" to achieve it (competency needed to fulfill the goal). The consulting company must first learn and understand the client's organizational vision and mission to get a sense of the future direction of the organization. In order to do so, questionnaires are provided by consultant to understand client's situation. Next, consultants must discuss with every manager on every job function and its scope. In order to develop the competency model for the organization, HR professional must collaborate with the consultant in pinpointing out

a few examples outstanding performance, analyzing the reasons and key factors, and identifying the competencies that drive the success, which then becomes the “Critical Success Factor”, which is also the core competency.

In this collaboration, internal HR professionals play the role of a communication bridge with the consulting company, being the most familiar on the needs of the company, and direct the consultant. Expectations on outcome are always discussed prior to implementation. During the process, there is continuous communication via meeting, telephone and in person between the two parties. Without communication prior delivery of service, lack of agreement on company situation and needs results in waste of time and money. Besides providing info on company needs, internal HR professionals also examine if outcome fulfills the needs. They are responsible for monitoring, justifying, and modifying the outcome.

2. Employee Survey

The second way performance management is outsourced is when the consulting company is hired to perform employee surveys in order to obtain information on the benchmark of the corporate world. Employee survey is performed to understand what employees need, what they need help in, and what can be improved to make work better. In this process, the client company seeks market information on employee benefits, performance, and development by conducting surveys.

According to the interviewee from Case 2, employee’s commitment to work directly correlates to work performance. Therefore, survey is also performed on employee commitment to get benchmark of the market. Such information of benchmark on employee commitment is performed by Watson Wyatt because their internal website system is confidential and can be well-trusted by employees.

Labor Relations

Labor relations remain one area that is least outsourced among HR functions. The outsourcing of labor relations take mainly in two forms. The first one is the outsourcing of the implementation of internal employee events, in which the client company initiates and plans the events and the service provider implement. The second form of obtaining EAP (Employee Assistance Program) service from vendors. Both of these approaches aims at motivating and taking work pressure off of employees, and ultimately reach a result of better work performance.

1. Internal Employee Events

It mainly takes in the form of implementing activities, such as year-end dinner, employee trips, health educational seminars, etc. This kind of collaboration is project-based. The HR professionals surveys to see which service provider provides service that best matches their demand, communicate their expectations to the service provider, and form a project team to assist the service provider while implementing the event. Even though the implementation of the event is outsourced, internal HR professionals are responsible for certain preparation works and controlling of the event. Internal HR professional coordinates the event, while the service provider executes.

2. EAP (Employee Assistance Program)

Some companies improve their labor relations function by hiring a service company to provide the EAP (Employee Assistance Program). It is still a very new approach of the labor relations function of HR. When EAP is adopted as part of the company strategy, the implementation musts be performed by an external consulting

companies that provide professional services.

Due to pressure from work, it's not suitable for internal professionals to perform labor relations, in addition to the fact that Taiwanese people are more conservative and reserved about inner feelings toward colleagues. This serves as a key purpose to this program; when it comes to employee counseling, such as those dealing with emotional issues, it's the most suitable to go through a third party. EAP is more than just psychiatric counseling; it's about providing help to employees on all problematic issues, whenever they need it. Examples of EAP services include childcare during the day, personal financial management counseling, and aid to improve mental health, helping those suffering from depression. All of these services are very well-thought-out. Taking the example of childcare service of EAP from Case 2, the service is so thoughtful that users can even make a phone call anytime in the day care center to inspect on his/her child. The financial service provided by EAP consultants also provides services that aid employees in taxation issues and personal finance. Some EAP service providers even collaborate with financial consulting service or law consulting firms to provide users with more professional help.

Since employee problems take in many different forms that directly, or indirectly, affect their work performance, all these services aim at letting employees focus on work, being free of worries. According to Case 2's example of using EAP, the cost for this kind of service is relatively inexpensive.

Problems Encountered in Outsourcing HR and Coping Methods

Several problems may arise under the system of HR outsourcing, including discrepancies in expectation, miscommunication, lack of service providers' knowledge on clients, and inadequacy of service providers' capabilities.

1. Discrepancies in Expectations

One of the most common problems is when the two parties have different expectations of results for the project being implemented. According to Case 3 interviewee, the consulting might perceive the results of their service as being more successful than how the client perceives it. It is important that the two parties come to an absolute agreement on what is predicted as the result of the service.

2. Miscommunication

Miscommunication is another common problem in the process of implementing projects. It is important to ensure that messages that come back and forth amongst the two parties is clear and understood completely. Often times, constant reminders from the client side, as well as progress reports from the service provider side are helpful in reaching agreement. When communication remains difficult with the consulting company and agreement cannot be reached, the client sometimes takes care of the matter by itself. An example of communication problem an unable to reach an agreement is when once a consultant was very stubborn and fails to follow the client's instruction in making changes.

3. Lack of Service Providers' Understanding on Clients

Thirdly, the service provider might have difficulties fully understanding the culture or situation of the client company and therefore unable to provide service that best satisfies the demand of the client. As one interviewee stated, "One of the instructors we hired was too serious when teaching. He didn't know that we like our

classroom atmosphere to be relaxing and lively. We first tried to communicate with him on that demand, yet he was stubborn. The only thing we could do is to ask the consulting company to change the instructor.” The method in dealing with such problem is to continuously communicate with the service provider. When that option fails to improve the situation after repeated attempts, another option is to end the collaboration and change a service provider that provides more suitable services.

4. Inadequacy of Service Providers’ Capabilities.

It was found that one common problem in HR outsourcing is to find the service providers incapable. One interviewee stated, “X-consulting company tends to have consultants that are rather junior, which makes it hard to for client to communicate with.” According to a user of a consulting service, that consultant company often contain professionals that are rather junior in their profession. These junior consultants often cannot catch what the client really wants to analyze and making the collaboration pointless. It would be difficult for an consultant to provide solutions for others if the consultant is too novice and lack experience. When the consultant is too junior, he or she is only able only provide suggestions on methodology, but unable to provide a step-by-step guidance. As mentioned earlier, in choosing vendors, quality is very important.

5. Coping Methods

When problems arise during collaboration, the first solution often adopted by internal HR professionals is to take on the responsible internally and make some modifications. Another solution to problems is to change the vendor or project facilitator. When the project is in progress, it is often awkward and inappropriate to

switch the vendor in the middle of a running project. One way to solve the problem as suggested by Case 2 interviewee is to secretly communicate with the coordinator on the vendor's side and change the facilitator.

The New Roles and Competencies of HR Professionals Under HR Outsourcing

The New Roles of HR Under Outsourcing

Under the strategy of outsourcing HR activities, HR professionals within the user companies continue to play critical roles. While many roles found to emerge are closely reflect Ulrich model (HR being Strategic Partner, Administrative Expert, Change Partner and Employee Champion), new names of these roles emerge in this study based on the interviewee's perspective. According to interviewee's phrasing, HR professionals now play roles such as the communication bridge, the project counselor and coordinator when collaborating with consulting companies or other outsource service provider. More importantly, HR professionals now take on a more strategic role.

HR professional performing labor relations must know the company and other employees well.

1. Communication Bridge

As the communication bridge with the consulting company, HR professionals act as the center coordinator between the company and the service provider. They are the ones who are responsible for (interconnections of all parties) connecting process and system, therefore it is their roles to specify the expectation and needs of the company, as well as the current situation so that the most suitable service is designed.

Subsequently, while the project is being implemented, the HR professional will be the means of communication between the service provider and the management of the organization. They are responsible for reporting the results or problems in the process of HR outsourcing to management, and may participate in the discussion to make improvements or adjustment.

Taking the example of working with DDI in performance management. The system is now electronic, therefore communication with the IT professionals on how to design and set up the systems is needed and performed by HR professionals who have the best understanding of the consultant's approach. Since IT activities are performed in-house, HR professionals must communicate with the IT professionals in building the system.

Moreover, HR professionals are responsible for conveying corporate messages. HR professional must play the role of communicating company strategy, letting employee feel the unity of the organization, and make them feel their input is of great values to the company. This is very much like the role of the Employee Champion in Ulrich's model. In yearly performance review, HR professionals need to facilitate awareness for all the services implemented, such as refresh memories of training content for employees. Some means in achieving this including periodicals are published regularly, weekly, every two weeks, or quarterly, for the purpose of internal communication.

2. Project Counselor

Internal HR professionals need to take on the roles of the project counselor. Being project counselors, HR professionals need to educate consulting company regarding the organization's situation, direction, and needs, and expected outcome. It is important to consistently answer questions for the service provider and give

appropriate advice. HR professionals act as a consultant internally. More importantly, HR professionals monitor the progress and make adjustments.

Internal HR must analyze the company's state of affairs and identify the required solutions in order to guide outside vendors, and being dominated by the vendors.

Even though the collaboration's purpose is to utilize the know-how of service providers, internal HR professionals must study the matter in advance.

Taking the example of performance outsourcing. Internal HR professional must first be aware of current performance of employees, and identify the suitable skills and services provided by vendors. Besides scrutinizing the internal needs, HR professional must also study, compare, and analyze market methodologies and approaches to better identify one that is most suitable.

3. Strategic Planner

In HR outsourcing, internal HR professionals need to contain the abilities in business thinking and planning. More importantly, HR professional need to take on an even more strategic role under the system of HR outsourcing. While the more routine, administrative, and implementing portion of responsibilities are taken on by the service providers, it is critical that HR professionals redefine their identities by being more technical and strategic. Instead of being solely responsible for implementation, now HR professionals need to act as decision makers and strategic partners for the management team. They must be exceptionally familiar with the company's strategy and situation and acting a "strategic role".

New Competencies of HR Under Outsourcing

Competencies needed by HR professionals is closely related to their roles.

Related Literature of the study suggested that the professional competencies of HR

professionals need to be strengthened after HR outsourcing. This is a very close reflection of the finding for this study, which has further identified the specific competencies that are needed by the HR professionals under the system of HR outsourcing. Three types competencies were found in this research to emerge as higher in importance and requirement for internal HR professionals in HR outsourcing. Based on the “Model for Excellence” suggested in the literature review, it was found that business competencies, interpersonal competencies, and intellectual are critical for HR professionals when their company engages in HR outsourcing.

1. Business Competencies

According to the “Model for Excellence”, business competencies include the following:

1. Business understanding
2. Cost-benefit analysis skill
3. Delegation skill
4. Industry understanding
5. Organization behavior understanding
6. Organization development theories and technical understanding
7. Organization understanding
8. Project management skill
9. Records management skill

From the results of the research, it was proven that HR professionals do need to possess most of the business competencies under HR outsourcing. It was found that in all cases, HR professionals need to have thorough, in-depth understanding of the organization, including strategy, goals, needs, operation, business situation, etc, in order to let consulting company have thorough understanding of needs of organization,

expected outcome, and current situation of the organization. In such case, leadership and delegation skills are also important. In analyzing the need for HR outsourcing and choosing the most cost-efficient collaboration, cost-benefit analysis skills and industry understanding are necessary. As Case 5 interviewee suggested, an HR professional must be familiar with the market price for service providers, weighed against the service it provides, in order to best choose the right vendor. In addition, as Case 4 interviewee stated, many of the HR outsourcing are project-based, therefore, project management skills are also imperative.

10. Interpersonal Competencies

According to the “Model for Excellence”, communication competencies include the following:

1. Coaching skill
2. Feedback skill
3. Group process skill
4. Negotiation skill
5. Presentation skill
6. Questioning skill
7. Relationship building skill
8. Writing skill

Interpersonal competencies were found to be necessary for HR professionals to possess when the company outsources its HR functions. In particular, coaching skills, feedback skills, negotiation skills, questioning skills, relationship building skills are essential. When collaborating with vendors, HR professionals need to be precise in communication needs and giving feedback. Their job, under the

outsourcing system, is to provide clear and concise information to the service providers and make sure all information flowing back and forth are correctly and thoroughly understood by the opposite party. Therefore, HR professionals need to have the abilities mentioned above in order to perform activities such as conducting meetings, proposing concerns and giving suggestions or feedbacks accurately, in communicating needs with consulting company.

11. Intellectual Competencies

According to the “Model for Excellence”, intellectual competencies include the following:

1. Data reduction skill
2. Information search skill
3. Intellectual versatility
4. Model building skill
5. Observing skill
6. Self-knowledge
7. Visioning skill

As they monitor the service provider in implementing the project, they need to have an even more advanced understanding of the subject matter so they can identify the problems and make adjustments. In order to achieve this, HR professionals need to do reading in advance whenever there's a new program to study the different approaches and schools of thinking. In this case, intellectual competencies are also required. The intellectual competencies that are particularly involved are information searching skills, self-knowledge, and visioning skills. An interviewee suggested that books from the United States contain an abundant of information, having different perspectives of analysis on one topic. Some workforce related

websites are also an useful reference to study on different approaches of running different programs, and the benefits and disadvantages for each approach. These reading counts as self-improvement and therefore most part of it is done at home, outside of work. Some shorter readings can be done while planning the project. Some larger reading are done at own pace during their own time. It is necessary for HR professionals to acquire certain technical knowledge that are in any way related to any new programs being conducted.

Taking the situation of monitoring training facilitators as an example. An internal professional must know just as much as a training facilitator, in order to know if he is using the appropriate approach. Only knowing just as much can HR professionals perform monitoring and adjustment. Regardless of whether an internal HR professional or a consultant has more involvement, the internal HR professional must be even more familiar with the subject matter. This is because professionals from the vendor's side, such as consultant, would only know aspects on "their" side the best. Being an internal HR professional must know "all" of the aspects. Only having a clear and thorough understanding of "all", the whole picture, as well as the details, would an internal HR professional be able to judge whether an approach is good or bad, or if the service is suitable for the company or not.