Recruitment Process Outsourcing impact on Human resource Planning and Development in Pharmaceutical Sector.

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Abstract

The growing concept of recruitment outsourcing has its impact on every aspect of business. Cost reduction with profitability, growth and business expansions was high on company's agenda. Many companies started doing cost cutting during economic downturn and tough market competition and thinking to outsource some of its core functions, Greer,Youngblood, and Gray (1999). In order to address the demand of lowering the recruitment cost, human resource planned to outsource it in order to manage this HR services with effective HR planning and development within an organization. Downsizing and strict competition also meant that the HR is also under continuous pressure to demonstrate incurred cost, both efficiently and effectively (Roberts, 2001). HR professionals' stated that an effective and efficient culture of recruitment, selection and positioning of talent has a major impact on survival, growth and development of an organization; Ofori&Aryeetey, 2011. Ongori 2010, recruitment and selection practices are the key factors to ensure the success and growth of an organization. However the typical reasons to outsource recruitment, apart from cost reduction were to seek specialize HR services and expertise and concentration of internal HR specialists on more of strategic role in talent management in the business. In this regard, the following paper is undertaken to examine the impact of recruitment process outsourcing on the human resource planning and development as a whole.

Keyword: Human Resource Management, Challenges, Planning, Development, Acquisition, Recruitment Process Outsourcing.

Introduction

Human resource planning is being done to foresee the employee number and type required by an organization to do business projects. Human resource planning is an integral part of any business planning because an organization has to be talent fit to achieve its goals and objectives. The human being is the most important factor in the operation of any business. A human resource plan must ensure that the organization has a lead over its competitors when measure on the basis of talent acquired and retained. At this stage, Human resource development is introduced in the organization. It ensures that the talent is retained, trained and groomed to achieve targets and company objectives. Till 1970 all HR functions were performed internally. But with the globalization becoming the need for survival and growth, the internal HR team was motivated to adopt the strategic role in the organization rather performing the routine HR activities which lead to HR outsourcing. It was categorized into two parts. One, outsourcing the entire gamut of HR functions may be designing of HR systems, recruitment and selection, training and development, payroll etc. Second, only selective administrative HR functions are outsourced. With such categorization, the fact was realized that outsourcing the complete HR system will have a fundamental impact on the organizational culture and performance of an organization and this can be one of the major issues in organizational decision making.

Human Resource Outsourcing is a process which is being influenced by following range of factors.

- Organization size

- Organizational culture

- Continuous Monitoring RPO vendor activities, recruitment metrics and performance commitment and establish constant communication

- Handling fear of loss of jobs, within the organization by top level management

- Firms emphasizing on reducing costs (competitive needs), re-focus on organization's core resources (customer needs), and better services to employees (internal user needs)

Brown and Wilson (2005) stated following challenges specific to Recruitment Function across industries:

- A switch from domestic to global economy.

- A transfer from manpower to techno power.

- A change from company-led to consumer-driven market forces.

- Replacement of industrial economy to a knowledge economy.

Recruitment Process Outsourcing (RPO)

RPO is a typical derivative of Business Process Outsourcing (BPO) industry and is counted as a specialized service in Human Resource Outsourcing. It works on the strategy, technology, resources and vendor management to improve the recruitment metrics. It works closely with the client to perform and deliver quality hires, fast deliveries and cost attainment. RPO is the fastest growing HRO segment in the world today and is in much demand due to lack of in house talent and skilled expertise. In RPO setup, an employer transfers all or a part of its recruitment activities to an external third party entity. This entity performs the critical and important tasks on behalf of the recruiter in terms of carrying out the entire recruitment or hiring process. Under this concept, the strategic framework for recruitment policy will be formed and remain in-house and only the implementation of these policies will be transferred to the RPO vendor. RPO association helps the companies to reduce the cost and bridge the gap between demand and supply of talents in the market.

Recruitment Challenges Specific to Pharmaceutical Sector is:

- *Attrition*

- *Different League of Candidates*

- *Low Pay Package industry.*

- *Delays in CTC components.*

- *Massive travelling by an employee.*

Operational Benefits of RPO

- Reduced costs.

- Enhance core competencies.

- Highly skilled, culturally aligned recruiters.
- Quality pool of candidate engagement.
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Literature Review

HR Magazine (1995) conducted its survey to analyze the top reasons of outsourcing. "It was found that 91% of responding HR departments currently outsources one or more functions. About 40% of these organizations outsource less than $100,000 annually in HR services, but 16% outsource more than $1 million annually. The reasons for outsourcing includes, the use of specialists expertise (88%), to save time (54%), to save money (41%), to save administrative costs (38%), to focus on more strategic initiatives (30%), to eliminate a function which is not part of the core business (26%), to redistribute increased responsibilities (21%) and finally to reduce liability (7%)".

In the initial studies, Greer, Youngblood, and Gray (1999) observed, "HR outsourcing decisions are frequently a response to an overwhelming demand for reduced costs for HR services. Downsizing and tougher competition increased the pressureto demonstrate value, both in terms of efficiency and effectiveness on the HR functions (Roberts, 2001).

Brewster (2000) reviewed that although some elements of the HR functions may have always been performed by external service providers, but it was observed that a new dimension "is this finance-driven idea connecting outsourcing to human resource management, an idea to save money by outsourcing". It was found that the typical reasons to outsource include seeking specialist services and expertise, cost reduction, and enabling HR specialists to take on a more strategic role (Sisson &Storey, 2000).

According to Elmuti (2003, p. 33), "the market for the outsourcing provider is growing rapidly because outsourcing is the way for organization to generate value. With an outsourcing strategy, an organization can gain a benefit of cost reduction".

2005, Recruitment Process Outsourcing Association (RPOA) was formed by John Younger, Kevin Wheeler, Jimmy Taylor and Mike Mayeux to streamline the RPO activities It is a nonprofit 501(C)(3) organization serving the industry. RPO service providers are the members of RPOA, committed to educating the marketing about RPO, promoting its benefits, incorporating common metrics and comparative information, and developing and enforcing certifications.

Snell and Bohlander 2007 stated recruitment is the process of positioning those individuals who might join an organization and heartening them to apply for current and anticipated job openings while selection is the process of choosing individuals who have relevant qualifications to fill current and anticipated job openings.

Research Methodology

Objectives of the Study

- To study the impact of recruitment process outsourcing on the human resource planning and development of an organization

Research Design

For the present study, initially exploratory type of research was adopted followed by descriptive type of research. The researcher has used both quantitative and qualitative methods for data collection.

Sampling Technique

Stratified probability sampling technique was used for the identification of a representative sample.

Tool for data Collection

For primary data collection, the researcher used questionnaire, to be filled from human resource professional who have adopted RPO.

Sample Size

The questionnaire was sent to 110 professional using RPO, 65 responded, only 38 were found relevant for the study undertaken. The questionnaire had close ended and open ended questions both.

Data Analysis

The collected data were statistically analyzed by using Chi-Square test and SPSS statistical package. The researcher also calculated the percentages of the responses given by the respondents. This method was used because it is the best instrument to identify, compare, describe and reach a conclusion. Data analysis involves converting a series of recorded observations and open ended questions into descriptive statement and/ or inferences about relationships.

Scope and Limitations

The result of the study can be applied majorly to pharmaceutical, informational technology and manufacturing companies. But the challenge lies in the company size and RPO is mainly applicable to big giants in the respective industry. Till the time an organization is a big revenue generator RPO is neither feasible nor economical to implement. Only companies looking for huge expansion plans and massive talent management should look for RPO association. It is definitely not for small grade organizations..

Analysis and Discussions

To study the impact of recruitment process outsourcing on the recruitment function of an organization by overcoming the recruitment challenges, the following two hypotheses have been framed:

- Null Hypothesis (H_o): Recruitment process outsourcing has no significant impact on the human resource planning and development of the organization.

- Alternate Hypothesis (H_1): Recruitment process outsourcing has significant impact on the human resource planning and development of the organization.

Chi Square test

To test the above hypothesis the Chi Square test was used. In addition, graphical analysis was done in which the percentage graphs and pie charts were made to find the impact of RPO on other important components of human resource planning and development in an organization.

RPO impact on achieving cost saving

	Observed N	Expected N	Residual
no change	6	7.6	-1.6
small extent	2	7.6	-5.6
less than moderate	6	7.6	-1.6
moderate extent	8	7.6	.4
large extent	16	7.6	8.4
Total	38		

Table 1: Test for RPO impact on cost effectiveness.

Test Statistics

	RPO impact on achieving cost saving
Chi-Square	14.105[a]
Df	4
Asymp. Sig.	.007

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 7.6.
Table 2: Test Results for RPO impact on cost effectiveness

Result

Chi-square test was applied to find whether there is significant impact on achieving cost saving with the association of recruitment process outsourcing in the organization. Since the chi-square value, 14.105 is higher than the table value of 9.488 at 5%level of significance, hence it is inferred that there is a significant impact of recruitment process outsourcing on achieving cost saving in the organization. Since it can be inferred that companies has significant impact on cost saving by implementing RPO which is the most important accept of HR planning and development therefore null hypothesis is rejected and we accept the alternate hypothesis.

Chi-Square Test

RPO positive impact on human resource planning and development

	Observed N	Expected N	Residual
no effect	2	7.6	-5.6
small extent	2	7.6	-5.6
less than moderate	3	7.6	-4.6
moderate extent	9	7.6	1.4
large extent	22	7.6	14.4
Total	38		

Table 3: Test for RPO impact on HR planning and development

Test Statistics

	RPO positive impact on human resource planning and development
Chi-Square	38.579[a]
Df	4
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 7.6.

Table 4: Test Results for RPO impact on HR planning and development

Result

Chi-square test was applied to find whether recruitment process outsourcing has an impact on human resource planning and development in an organization. Since the chi-square value, 38.579is higher than the table value of 9.488 at 5%level of significance. Hence, it is inferred that there is a significant impact of recruitment process outsourcing on the human resource planning and development and therefore null hypothesis is rejected and we accept the alternate hypothesis.

As seen in the above chi-square tests, the values are higher than the table value, the researcher can deduced that there is a significant impact of recruitment outsourcing process on human resource planning and development in the organization and is contributing to HRM area, therefore we accept the alternate hypothesis. RPO adoption has some major advantages to count upon. It gives complete access to the relevant pool of candidate database, latest technology access to applicant tracking systems, reduced recruiting cost, a consistent and predictable recruit- to-hire process, which no other recruitment mode offers. It was also found that RPO adoption is promoted so that the internal recruiters of the department can be more productive towards the strategic issues of the organization. RPO supports tremendously in HR goal settings, strategy making, and compensation and benefit

structures within an organization. It makes HRM a robust structure as a part of organizational strategy over its competitors.

The other important factors that have a vital role on the study of impact of recruitment process outsourcing on the human resource planning and development of the organization are given henceforth.
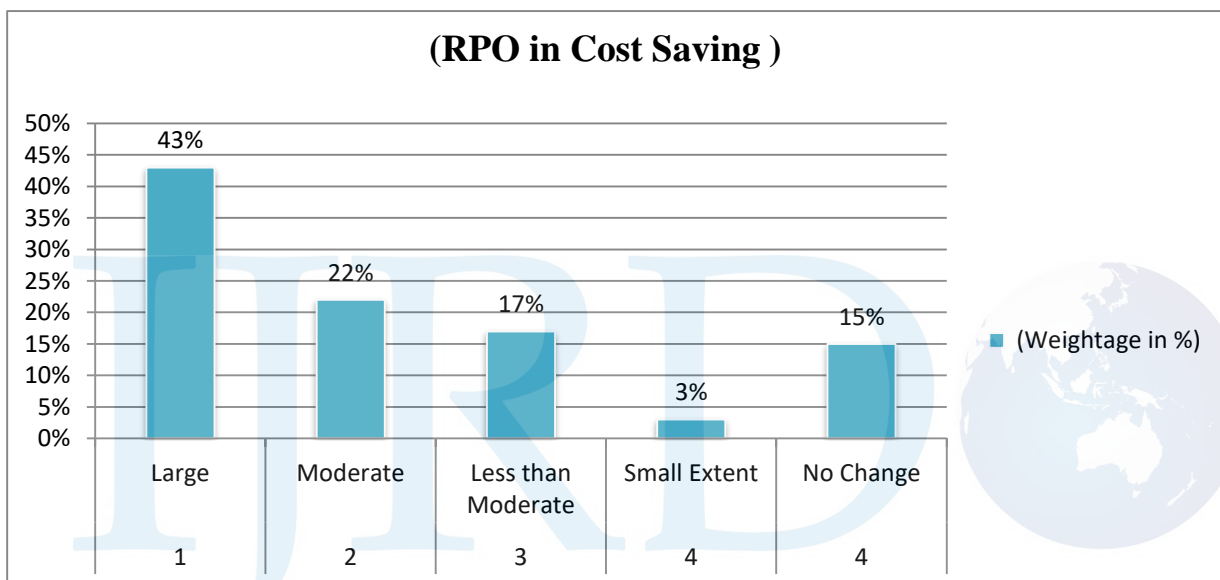
RPO effectiveness in cost saving.

Figure 1: RPO effectiveness in cost saving.

From the percentage chart, it is deduced that cost effectiveness is one of the prime features of RPO association. During the survey it was found that that 43% of respondents that is 16 out of 38 respondents have found RPO to be cost effective up to a large extent. 22% have felt it to be moderate which count to be 8 respondents. 17% that is 2 respondents are said it is less than moderate. Just 3% respondents, 2 out of 38 respondents have stated it to low cost effectives and 15% of total respondents that are 6 respondents have found that there are no changes in the cost incurred in the recruitment activities.
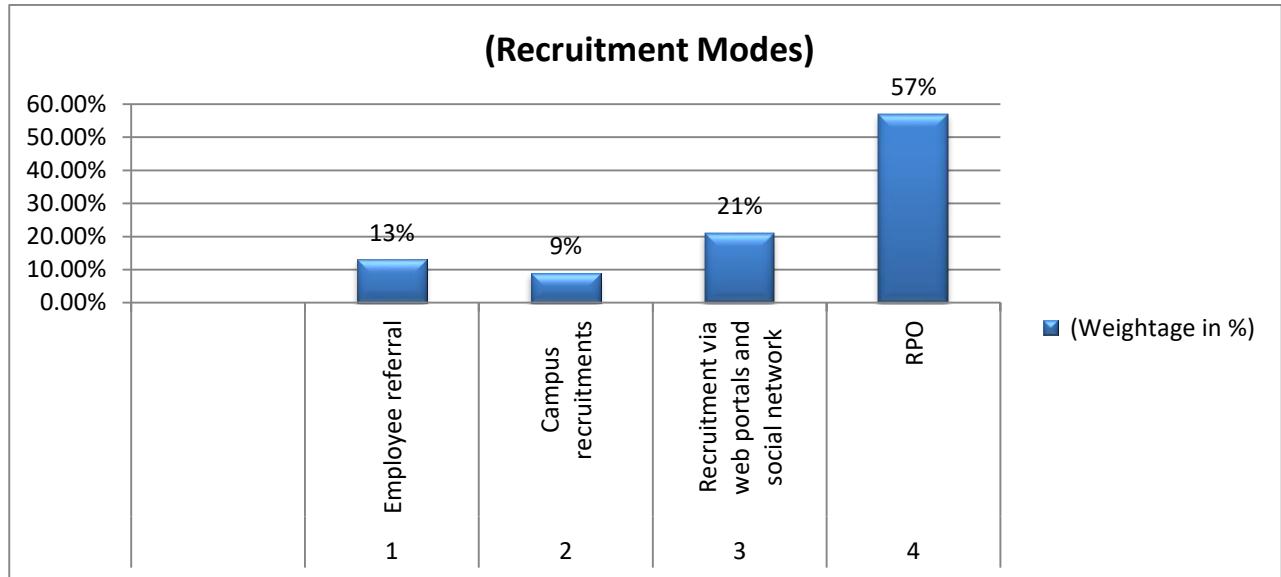
RPO preference over other modes of recruitment.

Figure 2: RPO preference over other recruitment modes.

From the above chart, it is deduced that preference of RPO was studied over other important modes of recruitments. With the above figure RPO was highly preferred as stated by 57% of the total respondents that are 22 respondents out of 38. The next preferred was recruitment via web portals and social sites, 21% of total respondents, 8 out of 38.The third one is employee referral as preferred by 13% of total respondents that are 5. And finally 09% respondents, that are 3 have preferred for campus recruitments.

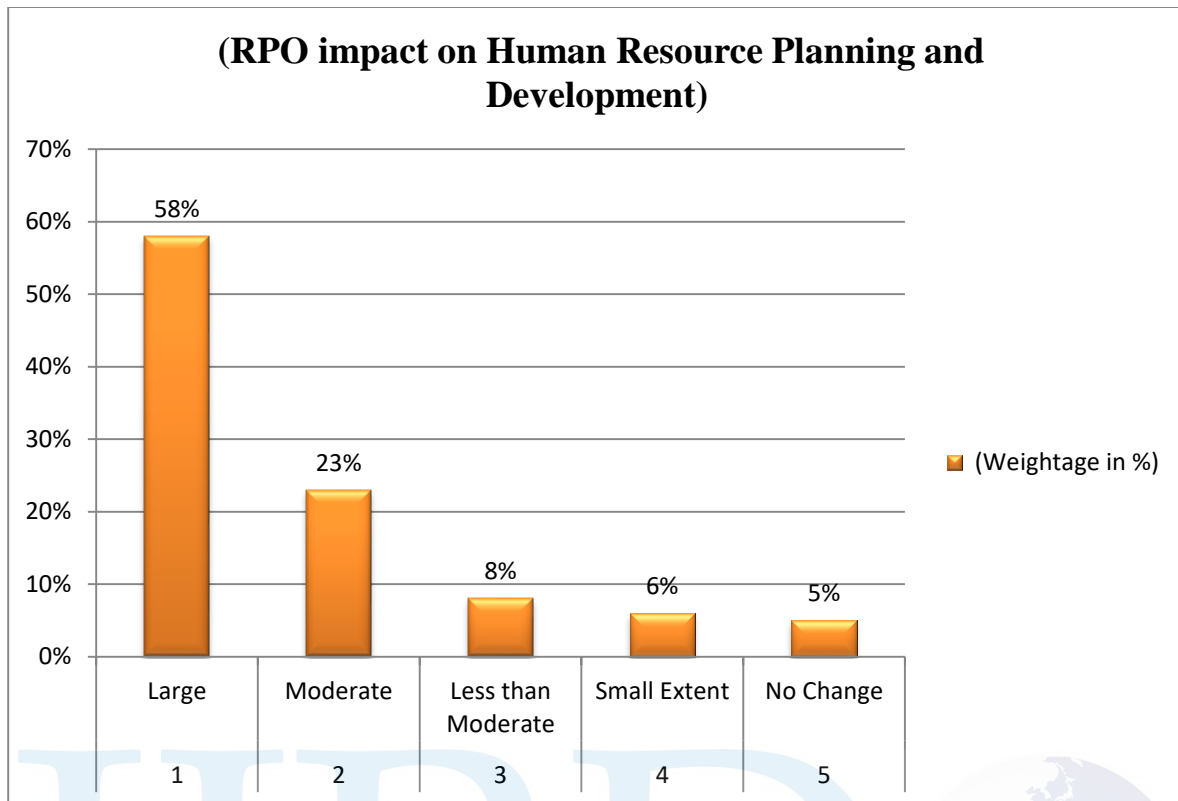RPO impact over Human Resource planning and Development.

Figure 3: RPO impact over Human Resource Planning and Development

From the above figure, it is deduced that RPO has a significant impact on human resource planning and development. 58% of the total respondents felt that the impact is large. 23% of total respondents felt that the impact is moderate. 8% of total respondent felt that it is less than moderate. A very small number of respondents felt that the impact is small, that is just 6% of respondents. However, only 5% of respondents felt no impact of RPO on human resource planning and development.

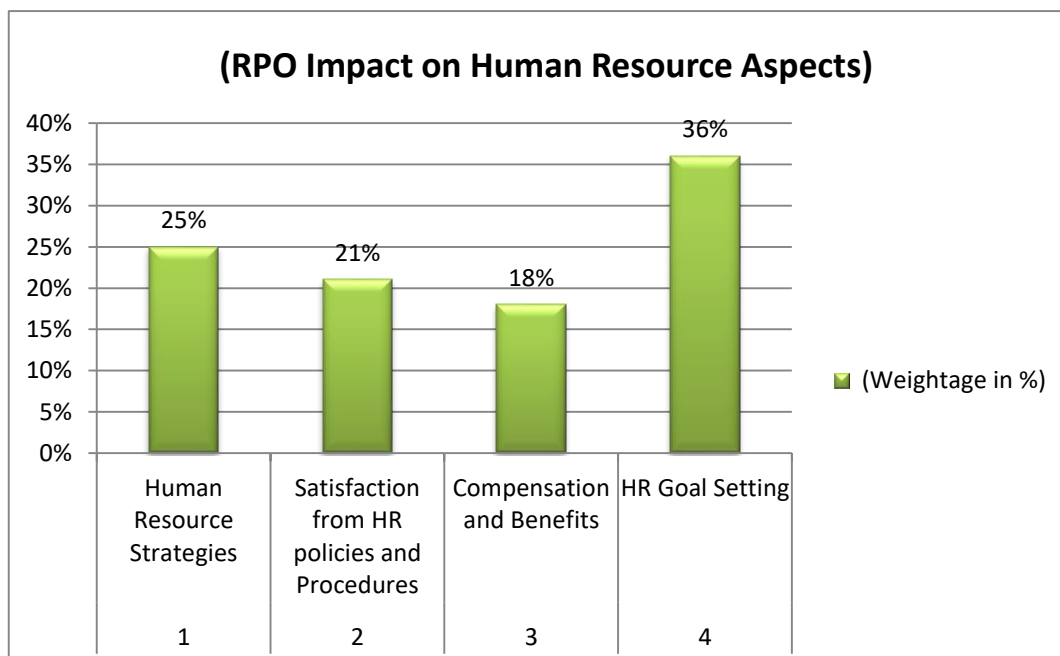**RPO impact over Human Resource Strategies.**

Figure 4: RPO impact over Human Resource Strategies.

From the percentage chart, it is deduced that RPO impacts the internal human resource system of an organization a lot. The system definitely becomes better and robust. The highest impact is on goal setting, with 36% weightage, than is on human resource strategy with 25% weightage. The remaining two are almost equally impacted, 21% weightage to satisfaction from HR policies and strategies, as it gets better. The last important aspect is an impact on employee compensation and benefits with 18% weightage.

Internal HR team coordination with RPO recruiter team.
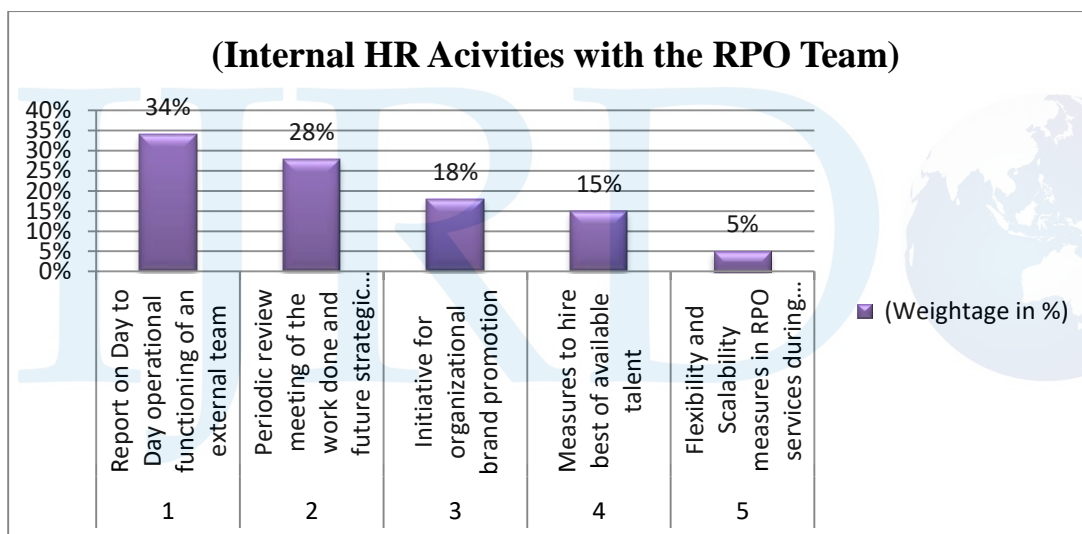

Figure 5: Internal HR activities with the RPO Recruiters.

From the percentage chart, it is deduced that for smooth and productive coordination, following aspects are very important. The respondents were asked to prioritize the challenges. The result shows that day to day operational reporting by internal HR with the RPO recruiters is utmost important, with 34% of weightage. Periodic performance review meeting was next with 28% of weightage. Next is initiative of organization brand promotion with 18% weightage. The remaining two with little lower weightage that is measure to hire best of available talent with 15% and 05% to flexibility and scalability during economy changes.

Conclusion and Recommendations

RPO uniqueness lies in it BIG data management, applicant tracking system and employee engagement which is the back bone of any organization's human resource planning and development. It is concluded

in this study that RPO is definitely an impactful solution to HR strategies. Generally no other mode of recruitment offers such services. It is primarily adopted to have a positive and major impact on HR planning and development to create a talent management as an edge over its competitors and to make a robust internal talent acquisition management system. Once it is achieved an organization can achieve its goals effectively and timely. It has the maximum impact on HR goal setting, being the base line for improving the recruitment function on a whole. One of the most important aspects of the study is integration and coordination of internal team with the external RPO team. Periodic review will help both the parties in minimizing the gap in time effective manner and quality results. There is no doubt that RPO is slightly low in promoting organization as a brand and focus less; therefore it is suggested that little more initiative will add great importance to the whole concept and results to the complete process. Though RPO is the fastest growing process of HRO, but there are pitfalls to its process. More studies are in the process under the same regard and more research can be undertaken.

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