

OUTSOURCING OF HUMAN RESOURCES FUNCTIONS AND ORGANIZATIONAL COMPETITIVENESS IN NIGERIA

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ABSTRACT

The study examined “outsourcing of human resource functions and organizational competitiveness in Nigeria” with focus on First Bank, Airtel Nigeria, and National Board for Business and Technical Education, all in Benin City. The objectives of the study were to examine the extent to which outsourcing of human resources functions enhances organizational effectiveness, to determine: the relationship between outsourcing of human resource functions and organizational efficiency in Nigeria; the relationship between outsourcing of human resource functions and cost reduction in Nigerian organizations; the relationship between outsourcing of human resource functions and employee commitment in Nigerian organizations; and the extent to which the outsourcing of human resources functions in Nigerian organizations meets the expectations. The population of the study consisted of employees of First Bank, Airtel Nigeria, and National Board for Business and Technical Education (NABTEB), all in Benin City. Stratified random sampling was used to select the respondents; research data were analyzed using descriptive statistics such as mean and standard deviation; as well the least squares. The research findings indicated that: outsourcing of human resources functions enhances an organizations’ cost reduction specifically. To this end, it is a viable strategy for competitiveness. It may also help to enhance efficiency; however, outsourcing also has negative implications on employees’ commitment. The needs for management to evaluate the outcomes of outsourcing on a regular basis with a view to ascertaining its usefulness and to review same from time to time in line with ethical considerations were suggested among others.

INTRODUCTION

There is no gainsaying that today’s marketplace is complex owing to the dynamic nature of business environment coupled with the high perceived uncertainties associated with most industries. It is highly probable that tomorrow’s marketplace would be even more multifaceted. To this end, business players encounter the necessity to continuously innovate in order to survive, maintain

competitive positions and grow (Beregszaszi & Hack-Polay, 2012). It is for this reason that organizations utilize diverse alternatives in an attempt to adjust to the rapidly changing external environment, outperform competitors and achieve strategic objectives.

For many business owners, especially small business owners, dealing with the multitude of employer responsibilities –

creating competitive benefit packages to complying with ever changing government regulations can cause significant hassles. Unlike large businesses, small firms cannot afford to run a dedicated human resources department to deal with these issues. Consequently, the responsibility often falls on the owner, who may not have either the time or the experience to handle these tasks effectively. In the light of the foregoing, one increasingly popular option at the disposal of small business owners is to outsource human resource responsibilities to a professional employer organization (PEO) which are essentially human resources specialists that can provide a variety of support functions without huge overhead. Even the large firms often need to concentrate on their core areas in order to gain competitive advantage over competitors, thus making outsourcing an option for other areas. This underscores the importance of outsourcing of human resource functions.

Outsourcing is a type of Make-or-Buy decision that has gained prominence since the 1990s. Organizations outsource when they decide to buy something they had been making in-house. To this end, outsourcing refers to a reversal of a previous make decision (Leenders & Fearon, 1997). Tas and Sunder (2004) see outsourcing as the contracting of the operations and responsibilities of specific organizational functions (or processes) to a third-party service provider. Although, originally, outsourcing was associated with manufacturing firms that outsourced large segments of their supply chain, it has become a viable option for most modern organizations. Overby (2007) sees outsourcing as involving the contracting out of business function, previously performed in-house, to an external provider. In line with this definition, two organizations may enter into a contractual agreement involving an exchange of services

and payments. There is also a recent development of great concern – the ability of businesses to outsource to suppliers outside the nation, which is sometimes referred to as offshore outsourcing or offshoring (McCue, 2006; and Gibson, 2006).

A huge wave of outsourcing and privatization (in the public sector) has hit most organizations in recent times. In the urge to down-size, right-size, eliminate headquarters staff; as well as focus on value added activities and core competencies so as to survive and prosper, public organizations have outsourced a broad range of functions and activities formerly performed in-house. Such activities include janitorial, food and security, services, among others. Basically, human resources outsourcing is the process of contracting an organization's human resource functions hitherto performed in-house to external organizations, which are often specialist organizations. The changing business landscape in major economic climes has seen Nigerian companies catching on the outsourcing bug. From the banking sector to oil and gas, manufacturing to information technology and telecommunications; major companies are increasingly embracing outsourcing for their business solutions to enable them achieve best results in a faster and cheaper way (Nkanga, 2006). In a way outsourcing is a contracting transaction through which one company purchases services from another while keeping ownership and ultimate responsibility for the underlying processes (Nkanga, 2006) from functional outsourcing that includes cleaning and gardening functions to core business outsourcing like IT, human resources, marketing, finance and accounting, etc. outsourcing seems to be a viable option, now, for most organizations. Like many other countries, Nigeria has witnessed a growing trend of outsourcing in recent times. This development is attributable to many factors,

including the budding competition among most organizations, the need to embrace market share, and the need to make more profits while seeing to the running of the core areas. This has made outsourcing a very attractive option for most organizations (Nkanga, 2006).

Objective of the study

This study examines the extent to which outsourcing of human resources functions enhances organizational competitiveness. The specific objectives were to determine: the relationship between outsourcing of human resource functions and organizational efficiency in Nigeria; the relationship between outsourcing of human resource functions and cost reduction in Nigerian organizations; the relationship between outsourcing of human resource functions and employee commitment in Nigerian organizations; and the extent to which the outsourcing of human resources functions in Nigerian organizations meets the expectations.

Review of related literature

The objective of an organizations' human resources management strategy is to minimize return on investment in the organization's human capital as well as maximize risk. It seeks to achieve this by aligning the supply of skilled and qualified individuals and the capabilities of the current workforce with the organizations' ongoing and future business plans and requirements to maximize return on investment and secure future survival and success. To ensure that such objectives are achieved, the human resource functions will, as much as possible, implement the organization's human resource requirements effectively but also pragmatically, taking cognizance of legal and ethical issues in a manner that retains the support and respect of the workforce (McLean, 2006).

Reasons for Outsourcing

Organizations that outsource do so in order to gain certain benefits which are key to the achievement of their goals. Some of the issues, most of which are strategic, include:

Focus on core business: one of the major reasons for outsourcing is to enable the organization to focus on value-added activities and core-competencies in order to survive and prosper (lenders & Fearon, 1997). By outsourcing some of its business functions, resources (such as investment, people and infrastructure) are focused on developing the core business.

Knowledge: Outsourcing of organization's business processes or human resources to specialists in such domains gives the outsourcing organization access to intellectual property, as well as wider experience and knowledge (Engardio & Kripalani, 2006).

Quality Improvement: Outsourcing of some organization's functions to organizations, which are professionals or specialists in such functions, allows the outsourcing organization to achieve a steep change in quality.

Cost Savings: Outsourcing also results in the lowering of the overall cost of the service to the business; which will involve reducing the scope, re-defining quality levels, re-pricing, re-negotiation, and cost re-structuring; as a result of access to lower cost economics through offshoring called "labour arbitrage" generated by the wage gap between industrialized and developing nations (Engardio & Kripalani, 2006). The point being made is that by outsourcing human resources or business functions to a specialist, and probably larger, organization, the outsourcing organization is able to partially leverage the economics of scale which the specialist organization enjoys; resulting in cost savings for the organization.

Cost Restructuring: Operating leverage is a measure that compares fixed cost to variable costs. By offering a move from fixed to variable cost and also by making variable cost more predictable than fixed cost, outsourcing changes the balance of this

ratio and hence stimulates restructuring of the organization's cost structure.

Access to Talent: Outsourcing of human resources leads to a larger talent pool and a sustainable source of skills, particularly in science and engineering (Lewin & Couto, 2006).

Operational Expertise: Outsourcing also gives the outsourcing organization access to operational best practice that would, otherwise, be too difficult or time consuming to develop in-house.

Capacity Management: Outsourcing leads to an improved method of capacity management of services and technology where the risk involved in providing excess capacity is borne by the supplier. On the other hand, owing to the legally binding contract inherent in outsourcing, the specialist company to which the services are outsourced is liable for any deficiency in capacity (Rothman, 2003).

Catalyst for change: An organization can use an outsourcing agreement as a catalyst for major step change that cannot be achieved otherwise. In this case, the outsourcer becomes a change agent in the process.

Risk Management: A convenient approach to risk management for some types of risks is to partner with an outsourcer who is better able to provide the mitigation (Roehrig, 2006).

Enhancement of capacity for innovation: Outsourcing of human resources functions gives the outsourcing companies access to external knowledge as well as access to external service providers to supplement limited in-house capacity for product innovation (Lewin and Conto, 2006).

Tax benefits: some countries offer tax incentives to outsourcers with a view to moving manufacturing operations to outsourcing companies in order to counter high corporate taxes within the countries of the outsourcing companies.

Commodification: The trend of standardizing business process, information technology (IT) services and application services; which enables business to buy at the right price, gives them

access to services which are only available to large corporations.

Reduction in Inventory cycle time: The acceleration of the development of production of a product through the additional capability brought about by the specialist reduces the average age of inventory and hence, time to market.

Scalability: Another benefit of outsourcing is scalability, which arises from the preparedness of the outsourced company to manage a temporary or permanent increase or decrease in productions.

Creation of leisure time: Individuals may wish to outsource their work in order to optimize their work-leisure balance (Ellen, 2007). The outsourced work eases overall work pressure in the outsourcing organization and thus provides opportunity to optimize work-leisure balance.

Fearon and Leenders (1995) identified cost reduction, head-count reductions; focus on core competencies, acquisition and deployment of peripheral knowledge or process technology; minimization of inventory, materials handling, and other non-value added costs; reduction in development and production cycle times; improvement in efficiency and reaction to positive media reports; as the major benefits of outsourcing to organization.

Risks of Outsourcing

Despite the numerous benefits associated with outsourcing, there are certain risks that outsourcing organizations face, the major risk is that of loss of control which often manifests in higher exit barriers, exposure to supplier risks; financial strength, loss of commitment to outsourcing, slow implementation, promised features not available, lack of responsiveness, poor daily quality, unexpected fees or "extra use" charges, difficulty in quantifying economies, conversion costs, supply restrictions, attention required by senior management, possibility of being tied to

obsolete technology, concerns with long-term flexibility, and meeting changing business requirements (Sasser, 1982).

Forms of Outsourcing

Crammer (2000) observed that outsourcing which was originally perceived as a common tactic for reducing the costs of back-room functions such as payroll and IT metamorphosed into a critical management tool in the early 1990s as companies began to outsource more strategically significant functions such as manufacturing and logistics, and even product design and other innovation related activities. Some of the popular forms of outsourcing include Human Resources Outsourcing, Training and Development; as well as Recruitment and selection. Human resources outsourcing can also be categorized into professional employer organization (PEO), business process outsourcing (BPO), application service providers (ASP), and e-services. Here, support staff outsourcing (SSO) falls under the professional Employer organizations (PEO) because the organization owns the employees which it deploys to perform non-core duties in the offices of the client organizations (Fajimi, 2006). Client organization that adopt and implement support staff outsourcing service model in services sector in any developing economy should expect a dividend in service delivery quality, cost reduction, and increased productivity.

An organization can drive top-line performance, increase its organizational capacity and operational efficiency if it concentrates its resources on its core business and outsources the others, SSO service engenders improved productivity for the client organization. By adopting SSO; the client organization focuses its ability on harnessing and developing the potentials of its core employees, converting them into sources of competitive advantage that yield long-term

benefits. SSO services offer the Human Resources Managers the flexibility and innovation they require to drive their human resource agenda to achieve optimum degree of strategy execution and organizational effectiveness.

Pertinent Questions connected with SSO

Some human resources managers argue that the drawbacks of SSO service far outweigh the benefits owing to some pertinent questions that arise in the course of implementing SSO; the questions include the following:

Can the quality of service rendered by employees who are not on the payroll of the client organization be guaranteed on a continuous basis? Will there not be disparity in remuneration and welfare of employees of both organizations in the SSO service model? Can the employees of the provider organization demonstrate enough work ethic of loyalty in tandem with the vision and mission of the client organization? Can the provider organization continue to supply quality staff to the client organization? Can the provider organization vouch for the integrity of data and safety of information which its employees handle in the client's office? Will client organization enjoy high level of commitment to exceptional quality service and customer care from the employees of the provider organization? Will the employees of the provider organizations deployed to the offices of the client organizations be well paid to avoid disruption exit and defection to competition? How will labour commission and human right provision agencies interpret the tri-partite relationship of the parties in SSO service – casualization of labour, exploitation or contract staffing? What are the legal implications of adopting the SSO service model? How does the provider organization handle the security issues regarding the client organization given the employees of the former access to the sensitive information

belonging to the customers of the later? How does the provider organization mitigate against hiring, character and competence risks of its employees before deploying and whilst serving in the client's organization?

A well-articulated and carefully implemented SSO service is designed to anticipate the objections identified as drawbacks and punctiliously provide avenues to blocking them before consuming the SSO service contract, and during the period of executing the service (Fajimi, 2006). Human resources outsourcing consultants or professional lawyers with specialty in outsourcing/business services should be engaged to prepare Service Level Agreements (SLAs) to provide a platform for determining responsibilities, accountabilities, deliverables, performance measurements, exceptions and exit clauses. The decision to use SSO service is an investment. If the client organization gets it right and the provider organization implements it in line with the SLA, it will translate to high yield and remarkable profitability in terms of service delivery, customer retention, and revenue generation.

Theoretical Framework

The framework of this study is hinged on economic theories (Economies of Scale, Transaction cost economics, Asset-specificity and idiosyncratic activities, as well as the Agency theory). Consultants and managers most often explain the decision to engage in human resource outsourcing (HRO) using economic justifications. In particular, most justifications refer to the notion of creating economies of scale or extensions of the theory of the firm (Coase, 1937; and Chandler, 1977). Neoclassic economic theories suggest both a rationale for the development of HRO as well as limits on the types of HRM activities that are suitable for outsourcing. In a nutshell the economic theories provide economic justification for HRO in line with the profit

maximization assertion of the theory of the firm. Thus, human resource outsourcing is justified from the economic perspective on the basis of its perceived tendency to cut cost.

Findings from empirical review

Numerous studies have provided evidence that human resource outsourcing affects employee productivity or organizational effectiveness. Many of the studies in this area struggle with determining causality. However, the evidence of a link between HRO and organizational outcomes should help focus additional attention to the area and will hopefully motivate the design of studies better able to determine the direction of any relationship discovered. Beregszaszi and Hack-Polay (2011) wrote on "developments in human resource outsourcing (HRO) in recent years," particularly in light of the severe economic recession prevailing since 2007. They observe that companies are increasingly outsourcing routine HR processes, and in some cases, critical HR processes in a bid to cut costs. Their article takes the view that while such a strategy could be viable in the short term, its long-term strategic effectiveness is questionable. Their view is founded on widely accepted assumptions that people are critical assets in organizations, thus, demanding that companies maintain a strong hold on vital employee commitment processes coupled with the fact that outsourcing may not be the only valid framework for the future; companies must consider alternatives.

Javaligi (1998) notes that successful implementation of an outsourcing strategy has been credited with helping to cut cost, increase capacity, improve capacity and improve quality. Kotabe (1998) argues that there could be negative long-term consequences of outsourcing resulting from a company's dependence on independent suppliers. Such reliance on outsourcing may

make it inherently difficult for the company to sustain its long-term competitive advantage without engaging in the developmental activities of the constantly evolving design and engineering technologies. This view point was corroborated by Corley (2000) when he examined the outcomes of technology sourcing partnerships from the sourcing firms' point of view and found out that, equity-based alliances were more effective than contract-based outsourcing.

Steensma, Kevin and Corley (2000) suggest that the outcomes from technology partnerships for sourcing firms depend on the interaction between technology attributes and the interdependence between source and sourcing firms. Klaas, McGledon, and Gainey (2001) suggest that the influence of organizational characteristics is highly contingent, suggesting that organizational characteristics have different effects on various types of outsourcing activities. As such, it appears that many factors such as pay level, promotional opportunities and demand uncertainty should be considered when deciding to outsource functions or activities.

Kotabe (1998) identifies three types of performance measures as necessary components in any outsourcing performance measurement system: strategic measures; financial measures; and quality measures. Malhorta (1997) used additional dimensions of market performance such as costs savings, cycle time, customer satisfaction, and productivity to measure the effectiveness of outsourcing strategy.

Foster (1999) argues from a different perspective, obstacles such as poor choices of sourcing partners, inadequate planning and training/skills needed to manage outsourcing activities and poor organizational communication have also been identified as key determinants of the success of outsourcing projects. Lau and Hurley (1997) examine the relationship between outsourcing

and profitability margin and they found that Chrysler's profit margin is four times as high as that of GM due to effective outsourcing strategy. Frayer, Scannell, and Thomas (2000) suggest that companies are increasingly viewing outsourcing strategies as a means of reducing costs, increasing quality, and enhancing a firm's overall competitive position.

According to Ellram et al. (2007), outsourcing has implications for day-to-day management and performance, as well as strategic implications. Therefore, companies must outsource intelligently. Outsourcing decisions may affect company's cost structures, long-term competitive situation and can also alter the nature of risks that the company must manage (Brannemo, 2006); hence, it is crucial for management to understand and have a clear conceptual framework of their outsourcing decision.

Research Design

The study adopted the survey research design since it sought to ascertain the perception of selected respondents from some organizations (First bank, Airtel Nigeria and National Board for Business and Technical Education (NABTEB)) about the research problem – "Outsourcing of human resources function and organizational competitiveness in Nigeria" This is consistent with Agbonifoh and Yomere (2002) and Shuaibu (2010) on survey research design as one which involves the systematic gathering of information from respondents for the purpose of understanding and/or predicting some aspect of the behavior of the population of interest. The study population consisted of employees of Airtel Nigeria, First bank and National Board for Business and Technical Education (NABTEB), all in Benin City. The choice of the three organizations was informed by the fact that they are currently outsourcing one form of HR function or the other. Stratified random sampling was used to

select the respondents for the study. The sample sizes from each organization were 144, 86 and 20 each from NABTEB, First bank and Airtel respectively. The sample sizes were determined through proportional allocation. The questionnaire served as the instrument with which the research data were collected.

It consisted of two main parts; part one featured items on respondents' personal data (Bio-data), while part two featured items that addressed the research problem. Research data were analyzed, using least squares method

RESULTS

Table 1 Model Summary

Model	R	R-Square	Adjusted R Square	Std. error of the estimate	Change Statistics					Durbin-Watson
					R square Change	F change	df1	df2	Sig. F change	
1.	0.99	0.98	0.96	0.00684	1.00	118.72	4	1	0.022	2.181

- Predictors (constant), organizational efficiency, cost reduction, employee commitment and realization of expectations of HR outsourcing,
- Dependent variable – outsourcing of HR functions and organizational effectiveness

Table 2 ANOVA table

Model	Sum of Squares	df.	Mean Square	F	Sig.
Regression	0.233	4	0.056	101.4	0.027
Residual	0.00	1	0.00		
Total	0.233	5			

- Dependent variable – outsourcing of HR functions and organizational effectiveness
- Predictors (constant), organizational efficiency, cost reduction, employee commitment and realization of expectations of HR outsourcing,

Table 3 Coefficients

Model	Unstandardized Coefficients		Beta	t	Sig.
	B	Std. Error			
Constant	2.652	1.094		2.424	0.249
Organizational efficiency	0.044	0.043	0.067	1.013	0.496
Cost reduction	0.716	0.052	0.766	13.88	0.046
employee commitment	-0.570	0.124	-0.697	-7.586	0.047
Expectations of HR outsourcing	0.862	0.275	0.350	3.136	0.197

Dependent variable – outsourcing of HR functions and organizational effectiveness

Discussion of findings

The computed value of the Durbin-Watson Statistic was 2.181, which is within the permissible range (4-du, du), where du is the upper limit of the Durbin-Watson Statistic; thus indicating that the stochastic error terms are not

serially correlated and that the regression results are reliable (see table 1). The Adjusted R-Square is approximately 0.96, thus indicating that 96.0% of the variation in outsourcing of human resource functions is explained by variations in the

independent variables (predictors) – organizational efficiency, cost reduction, employee commitment and expectations of HR outsourcing,

The F test for the overall significance of the Multiple Regression Model had a calculated value of 101.4 and an associated asymptotic significant probability of 0.027, thus indicating that the overall significance of the model is good, at the ninety-five percent (95%) confidence level. In other words, the multiple linear regression model is a good fit to the data.

The regression model equation is given as:
 $HRO = B_0 + B_1EF + B_2CR + B_3EC + B_4EO$; where
HRO = human resource outsourcing,
EF = efficiency,
CR = cost reduction,
EC = employee commitment and
EO = expectation of outsourcing.

Results in table 3 indicate that the coefficients are 2.652, 0.067, 0.766, -0.697 and 0.350 for constant (B_0); organizational efficiency (EF); cost reduction (CR); employee commitment (EC); and realization of human resource outsourcing expectations. Thus the model equation with the estimated coefficients is:

Human Resource Outsourcing
 $= 2.652 + 0.766 CR + 0.067 EF + 0.197EC - 0.350EO$

The corresponding t values and associated significant probabilities are 2.424 [0.249]; 1.013 [0.496]; 13.88 [0.046]; -7.586 [0.047]; and 3.136 [0.197] for constant, organizational efficiency, cost reduction, employee commitment, and realization of human resource outsourcing. The implication is that there is a positive (direct) relationship between Human resource outsourcing and cost reduction as well as realization of the expectations of outsourcing. This is consistent with economic theories since one of the major goals of the use of human resource outsourcing is to reduce over manning with a view to cutting overhead cost and other

related costs. Furthermore, realization of the expectations of outsourcing is not significantly related to outsourcing but cost reduction is significantly related. The result is consistent with Javaligi (1998), Brannemo (2006) as well as Frayer, Scannell, and Thomas (2000)/. The implication is that although organizations may not realize the expectations of outsourcing when they outsource, they still end up cutting cost significantly. Furthermore, it shows that cost reduction is not the only goal of human resource outsourcing. The results further showed that outsourcing of human resource functions is positively (directly) related to organizational efficiency. This is also consistent with theory because outsourcing aims at enhancing organizational efficiency. Outsourcing has implications for day-to-day management and performance, as well as strategic implications (Ellram et al. 2007 and Brannemo, 2006). Lastly, there is a negative (inverse) relationship between outsourcing of human resources functions and employee commitment. It is interesting to note that this relationship is significant; the negative (inverse) relationship between outsourcing of human resource functions and employee commitment is an indication that the outsourcing of human resources functions can get employees agitated and thus influence their commitment; especially when some feel threatened and begin to seek employment in other organizations. This is consistent with Kotabe (1998) and Corley (2000).

Contribution to Knowledge

This study utilised multiple regression model. Rather than treating HRO as an independent variable like was done in most previous studies, it treated HRO as the dependent variable while organizational efficiency, cost reduction, employee commitment, and realization of human resource outsourcing expectations served as the explanatory variables. This design is due to the fact that if Y

= $f(X)$, X can also be expressed as an inverse function of X such that $X = f^{-1}(Y)$. The merit in this design is that it allows the effect of the interactions between the explanatory variables to manifest. Thus, the study presupposes that if HRO is a predictor of any of the variables (organizational efficiency, cost reduction, employee commitment, and realization of human resource outsourcing expectations), a causal relationship must manifest when the same variables are made to predict HRO as is the case here. The significant positive relationship between HRO and cost reduction indicates that an increase in cost reduction increases HRO; which means that an increase in HRO leads to increase in the cost reduction of the firm. Similarly, the significant negative relationship between HRO and employee commitment indicates that a reduction in employee commitment causes an increase in HRO. In other words an increase in HRO precipitates a decrease in employee commitment. This approach is a point of departure from most previous studies. The study also shows that outsourcing can judiciously be managed to enhance an organization's competitiveness owing to its cost reduction propensity.

Implications for managers

It is often profitable for management to concentrate on organization's core functions while outsourcing the human resource responsibilities for its support functions to a professional employer organization (PEO) which refers, essentially, to human resources specialist that can provide a variety of support functions without huge overhead. By so doing, they will be able to save cost and thus enhance the profitability of their organizations. Concentrating on their core functions will, *ceteris paribus*, enable them to compete with competitors in the industry.

Furthermore, since outsourcing of HR functions is very effective in cost reduction, it

can be judiciously used by firms as a competitive strategy by allowing a proportion of cost savings to reflect in price reduction for customers. Effective management of HR outsourcing could therefore contribute to a firm's cost leadership strategy, depending on the magnitude of the cost savings occasioned by outsourcing of HR functions. To the extent that outsourcing of HR functions meets the expectations of the outsourcing organizations, it can be said that outsourcing enhances organizational effectiveness which refers to the accomplishment of organizational goals. To this end, managers should consider the option when it is available so that they can help to reduce overhead cost and optimize the wealth of shareholders.

However, while thinking of the gains of outsourcing on the short run, owing to cost reduction; management should not be unmindful of the possible long-run negative implication on employee commitment. From time to time, outsourcing organizations should attempt to evaluate the outcome of outsourcing strategies with a view to ascertaining the extent to which such strategies have achieved stated goals. The outsourcing strategies should be retained only when they are deemed to have achieved stated goals substantially otherwise they should be reviewed or discontinued. Management should also be mindful of the ethical implications of human resource outsourcing, especially when it concerns outsourcing a function that was hitherto performed by the organization and outsourcing of such function (s) precipitates downsizing of employees.

Limitation and Future Research

In using sample estimates to predict population parameters it is often assumed that the sample is representative of the population from which it is chosen. One way to guarantee this representativeness is to use probability sampling

techniques as was done in this study. However, it is uncertain whether complete randomization was achieved since the employees sampled in the three organisations were those that were within the reach of the researcher. There are some other employees who were not available either because their schedule does not permit interface with the public or that they were on assignment as marketers. Furthermore, the timing of the fieldwork was not programmed to ensure the presence of all the employees, thus indicating the probability that all employees did not have equal chance of being included in the sample. To this end, complete randomization is not guaranteed. Future studies should attempt to rectify this lapse.

CONCLUSIONS

The research conclusions are as follows: outsourcing of human resource functions confers certain benefits on outsourcing organizations. One of such benefits is cost reduction. It may also lead to improvement in efficiency on the long run. The outcomes of outsourcing of human resources functions appear to meet the expectations of the outsourcing organizations to the extent that cost reduction, which is a primary aim of HR outsourcing, is met. Furthermore, human resource outsourcing may have negative implications on employee commitment on the long run. Lastly, outsourcing of HR functions is a good strategy for competitiveness owing to its impact in cost reduction.

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