HR Outsourcing for the Management Level Undertakings: An Empirical Study of the Corporate Domain of Bangladesh

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Abstract—This paper attempts to scrutinise the challenges that the corporate domains in Bangladesh may face and to explore the prospects that these domains can manage to have derive while pursuing an effective HR outsourcing strategy in the management level. The major objectives of this study have therefore been set to examine the likely correlations between the HR outsourcing and networking activities, to identify the types of industry(ies) that is/are very likely to seek the HR outsourcing service as well as to check the length of time of obtaining the outsourcing service. This study observes that networking activities do play a big role in HR outsourcing activities for about a couple of years usually. The findings of this research can be treated very useful in the sense that it can enable strategic apex managers to redesign their work methods towards effective HR outsourcing, resulting in positive effects on their work performances, thus creating a possibility of moving upward on the corporate ladder. Since service sectors are growing fast in Bangladesh, the resulting outcomes of effective HR outsourcing would enable these sectors to overcome inherent lacking in their management skills. This study, thus, can be claimed to be a step forward to fill out the research gap in the area of HR outsourcing and managerial work style in Bangladesh corporate world.

Index Terms—Bangladesh corporate world, HR outsourcing, Networking, Strategic apex managers

I. INTRODUCTION

Human resource (HR) leaders worldwide are being asked to do more with less, to enhance productivity while controlling costs, and to find new ways to increase profitability. At the same time, retaining qualified, motivated employees is as important as ever.

Optimize the rate of return (ROI) of human capital is one of the challenges in HR horizons. Maintain a strong connection with employees while focusing on organization's strategic goals instead of time-consuming administrative tasks is never easy [1]. With up to 65 percent of corporate spend related to people costs, it is critical that one should get the most from organizations' HR strategy, programs/plans and delivery [2]. But it is a natural tendency of employees to leave the job after acquiring the training, development or skills. As a result, organizations are less interested to develop HR from within, rather head-hunt or outsource the HR activities, which, in short run, more costly. In this backdrop, what the corporate world should do to be efficient?

General thoughts regarding “self reliant organizations” are the most preferable as they create efficiency in their activities. But that’s not what appears to happen in reality.

Organizations usually do the work by their existing own HR or develop the existing HR to do those works, or headhunt from their competitors, or do the HR outsource.

HR outsourcing services generally fall into four categories: Professional Employer Organisations - PEOs, Business Process Outsourcings - BPOs, Application Service Providers - ASPs or e-services [3]. The terms are used loosely and widely so a clear definition is needed to know exactly what makes the square.

A PEO assumes full responsibility of a company's human resources administration. It becomes a co-employer of that company's workers by taking full legal responsibility of the employees, including having the final say in hiring, firing, and the amount of money employees make. The PEO and business owner become partners, essentially, with the PEO handling all the HR aspects and the business handling all other aspects of the company. By definition, a service is only a PEO when it takes legal responsibility of employees. But take note -- some HR outsourcing services like to use the recognized term "PEO" when they handle the primary aspects of HR like payroll and benefits, yet they do not take this legal partnership. [4]

BPO is a broad term referring to outsourcing in all fields, not just HR. BPO differentiates itself by either putting in new technology or applying existing technology in a new way to improve a process. Specifically, in HR, a BPO would make sure a company's HR system is supported by the latest technologies, such as self-access and HR data warehousing. [5]

ASPs host software on the Web and rent it to users-some ASPs host HR software. Some are well-known packaged applications (People Soft) while others are customized HR software developed by the vendor. These software programs can manage payroll, benefits, and more. [6]
E-services are web-based HR services. Both BPOs and ASPs are often referred to as e-services. These services listed are fairly straightforward in their own right. But the confusion comes as these services increasingly cross over into other types of services, or shed some of the services for which they are known [7]. For example, some BPOs will take over legal responsibility in much the same way as PEOs, while others do not. And many ASPs/e-services will also consider themselves to be BPOs because they are implementing new technology by hosting software and allowing self-service for employers and employees. So we know these service terms, but do not get too sidetracked by the names when interviewing potential outsourcing firms. The key to hire the right outsourcing firm is known what services the concerned company needs and then find an outsourcing firm that can provide services to them. [8]

To incorporate HR outsourcing requires organizational readiness to accept the change. Usually, HR outsourcing is expected to be done with networking activities regardless of effectiveness and efficiency of the process of output. [9]

The objective of this study has been to find out, “Whether there is any correlation with the HR outsourcing and networking activities; and what type of industry/industries is most likely to render the HR outsourcing and for how long?”

The answer to the question is important and will be helpful, because it can help other mid level or strategic apex managers to design their work for HR outsourcing, which in turn, would positively effect their work performance, efficiency and at the same time up-word movement in corporate hierarchy.

II. FORMULATION OF HYPOTHESES

A. Prior Research
Researchers usually start their investigations by examining secondary data. To find out if the problem can be partly or wholly solved. But so far no studies regarding HR outsourcing in strategic apex level and time allocation, have been found. As a matter of fact, no information even the subject “HR outsourcing and managerial work style of Bangladesh” has been found.

A few comprehending studies have been done in the world outside of Bangladesh, regarding HR outsourcing, general time management, managerial jobs and managerial behavior; and then suggestions were made and strategies were given. [10]

Web search has filtered to the following synopsis. “The organizations’ goals and strategies determine the need for Human Resources (HR), as it is a critical component of organizations’ well beings. Demand for HR is a result of demand for organization’s products or services by the target audience. On the basis of organizations’ estimate of total revenue or advancement, managers can attempt to establish the number and type of HR needed to reach that esteemed goal. In some cases, however, that situation might be reversed. When particular skills are necessary but in short in supply, the availability of appropriate HR determines revenue.

The knowledge organizations today have realized that employees are the back-bone of an enterprise and hence, it is imperative that employee processes, especially those impacting employees relations and employee satisfaction need to be managed well. But most of organizations are not yet ready to accommodate an HR Department, let alone providing a comprehensive suite for HR processing services ranging from acquisition, development, motivation and maintenance. The reason behind the sloth change of organization’s infrastructure of maintaining HR department might be organizations lack in HR experts or budget to properly handle the nitty-gritty details of HR. As a result, more and more organizations are beginning to outsource their HR needs. In fact, the HR outsourcing industry is expected to grow from $ 13.9 billion in 1999 to $37.7 billion in 2009 in USA, according to the market research firm Dataquest. In Bangladesh, the industry is estimated about $ 0.78 million (1$ = 59 taka) in 2008, according to an informal market research. And this industry is still green to be ventured in future.

There is no clear-cut price ranges with HR outsourcing. The fee or retainer hikes are usually kept “sweeten” but ranged greatly between services, as well as within the services. Usually VAT encompasses the outsourcing income. According to The Income Tax Ordinance (ITO 1984) under section 52 A, The Deducted at Source (TDS) from fees for professional and technical service provider are 5% and 10% of the bill respectively. The VAT for consulting & supervisory firm is 4.5 % over the bill (Computation of Value for Charge of VAT, Section 5, sub-section 4).

The definition of professional services means rendered by a person in the cause of carrying on legal engineering or architect profession or the profession of accountancy or technical consultancy or interior decoration or advising [ITO-52(A): explanation (a)].

Fees for Technical Service means any consideration for rendering of any managerial, technical or consultancy service but does not include consideration of any construction, assembly, mining or like project undertaken by recipient or consideration which would be by the income of the recipient classifiable under the head salary, and also include royalty, technical know-how fee, technical fee, or technical assistance fee [ITO-52 (A): explanation (b)].”

It is not claimed, that all of the literatures regarding HR outsourcing and management related issues been reviewed by the researchers. But normally available literatures had been reviewed and none of them were found specifically written in the horizon of particular issue.

B. Hypotheses
With a view to fulfilling the objectives of identifying the correlation between HR outsourcing and managerial
activities of top executives/managers, some relevant hypotheses have been formulated for this study:

1. \( H_1 \): HR outsourcing has positive effect on the effectiveness of the organization.
2. \( H_2 \): Networking has positive effect on the HR outsourcing.
3. \( H_3 \): Large organizations likely to need more HR outsourcing.
4. \( H_4 \): Organization with large HR dept. is more prone to HR outsourcing.
5. \( H_5 \): Lack of infrastructure development of organization affect on HR outsourcing.
6. \( H_6 \): Organization with more HR outsourcing has positive effect on the effectiveness of the organization.
7. \( H_7 \): longer duration of HR outsourcing has positive effect on the effectiveness of the organization.

III. RESEARCH METHODOLOGY

A. Sources and Collection of Data

The data of this study were collected through questionnaire interview conducted in Dhaka City by the researchers in person in summer 2010. The interviews, mostly with the top-level executives (mostly Managing Directors, HR Directors, Managers) of leading Bangladesh corporations and companies, NGOs, developing agencies, IT firms, were conducted with a pre-designed semi-structured questionnaire. Secondary sources including the literature review of different journals, articles, research publications of managerial skills were consulted.

B. Sample Frame

The sample frame of this study is consisted of the top executives of Bangladesh corporate world and developing agencies. The sample frame was derived from the lists of Company and Corporation of Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE), Dhaka Chamber of Commerce and Industries, Foreign Investors’ Chambers of Commerce and the Bangladesh Export Processing Zones Authority (BEPZA) and bulletin of UN bodies.

A total of 124 companies and agencies were selected according to the required criteria of this study. Of 124 companies, 87 were approached considering the size of the company, industry, duration of operation and performance in the last five years. Then 65 top executives from those companies were selected and interviewed by the researchers in person. Because of resources and time constraints, and the exploratory nature of this investigation, only 65 interviews were planned from strategic apex level, working for different companies and developing agencies only in Dhaka city.

To obtain a probability sample, our effort was concentrated for our sampling approach. Our population was defined as top level managers of Dhaka city, who are working for an organization more than 5(five) years and HR outsource at least once.

Because to us, "Number of HR outsource" been selected as critical decision factor. To us, the more HR outsourcing an organization has done, the most inefficient the organization is. In the absence of lists of managers from which a sample could be drawn, stage wise area sampling was combined with systematic sampling so that every office and their managers in Dhaka City had an equal opportunity of being selected.

Two wards (three) each of three C/A’s (commercial area) and 2 (Two) wards of Dhaka Chamber of Commerce were selected. The areas were Motijhill, C/A, Dilkusha, C/A, Mohakhali, C/A and Mohammadpur ward and Mirpur. It is known that, these are the prime areas of commercial set ups and offices and Development agencies.

From each area famous business streets, office block and offices were randomly selected. Using systematic sampling.

C. Basis of the Size of Sample

After preparing the sample frame, the researchers wrote to those companies with a request in seeking interview. Out of the 87 companies 59 companies replied. Of these 59, 36 companies agreed to cooperate, and the rest of them regretted.

During the end of the interviewing process of these companies, the researchers took an initiative to approach and persuade other companies which did not respond to the first request for giving interviews. During the process of interviewing, the researchers faced some difficulties, like few managers and offices did not bequest the interviewers; interviews and some time even behaved harshly with the researchers.

As it is mentioned earlier, 65 interviews were planned from managers, working for different companies only in Dhaka city and all 65 been surveyed were ultimately collected. Of the total number of completed surveys, we felt that 5 surveys had problems like, missing data, do not wish to answer, and biases. So they were dropped from the pool. So, altogether, 60 were taken for analysis.

A preliminary version of the questionnaire was developed. A total of 14 questions were there. Among the 14, 7 were open-ended questions, and the rest 7 were close ended questions.

The set of questionnaire was reformed, amended, updated several times to ensure that the wording, format, length, and sequencing of questions were appropriate and did a test circulation among a group of executives to determine the validity and reliability of the questionnaire.

IV. FINDINGS OF THE STUDY

For analysis of data SPSS was used in the personal computer. For entering the data, coding option was used at the initial stage. Both Parametric and non-parametric statistical tools were used to come to conclusion from the empirical data. The techniques of ANOVA, measure of dispersion, correlation co-efficient, chi-squares, index numbers etc., were applied in the analysis of data. In addition, basic statistical techniques of different measures of central tendency were also used in analyzing the data.
Hypothesis Testing Results:

Ho: HR outsourcing has “no positive effect” on the effectiveness of the organization.

In other words, \( H_0: \mu = 2.50 \)

\( H_A: \mu > 2.50 \)

N=60

Here \( \xi = 2.77 \)

\( SD = 1.06 \)

\( \rho = 0.21 \) (Correlation between organizational effectiveness and no. of HR outsourcing)

\[ Z_{cal} = (\xi - \mu) / (SD/\sqrt{n}) = 1.97 \]

At 5% level of significance, follows \( Z \)- distribution \( Z_{0.05} \)\( = 1.645 \)

Since \( Z_{cal} > Z_{tab} \), we reject the null hypothesis. So at 5% level of significance, we can say that HR outsourcing has positive effect on the effectiveness of the organization. Here we can also say that the population correlation coefficient between positive effect of HR outsourcing and No. of HR outsourcing is significantly different from zero and positively correlated.

Ho: Networking has “no positive” effect on the HR outsourcing.

In other words, \( H_0: \mu = 2.50 \)

\( H_A: \mu > 2.50 \)

N=60

Here \( \xi = 2.77 \)

\( SD = 1.11 \)

\( \rho = 0.37 \) (Correlation between networking activities and no. of HR outsourcing)

\[ Z_{cal} = (\xi - \mu) / (SD/\sqrt{n}) = 1.88 \]

At 5% level of significance, follows \( Z \)- distribution \( Z_{0.05} \)\( = 1.645 \)

Since \( Z_{cal} > Z_{tab} \), we reject the null hypothesis. So at 5% level of significance, we can say that Networking has positive effect on the HR outsourcing. Here we can also say that the population correlation coefficient between positive effect of networking and HR outsourcing is significantly different from zero and positively correlated.

Ho: Large organizations likely to need “more” HR outsourcing.

In other words, \( H_0: \mu = 2.50 \)

\( H_A: \mu > 2.50 \)

N=60

Here \( \xi = 3.03 \)

\( SD = 1.06 \)

\( \rho = 0.02 \) (Correlation between Lack of infrastructure development of organization and no. of HR outsourcing)

\[ Z_{cal} = (\xi - \mu) / (SD/\sqrt{n}) = 3.875 \]

At 5% level of significance, follows \( Z \)- distribution \( Z_{0.05} \)\( = 1.645 \)
Since $Z_{cal} > Z_{tab}$, we reject the null hypothesis. So at 5% level of significance, we can say that Lack of infrastructure development of organization has “effect” on HR outsourcing. Here we can also say that the population correlation coefficient between effect of infrastructural development of organization and HR outsourcing is insignificantly different from zero but positively correlated.

**H₀:** Organization with more HR outsourcing has “no positive” effect on the effectiveness of the organization.

**H₁:** Organization with more HR outsourcing has “positive” effect on the effectiveness of the organization.

In other words,  

$H₀ : \mu = 2.50$

$H₁ : \mu > 2.50$

$N = 60$

Here $\xi = 2.40$

$SD = 1.01$

$p = 0.05$ (Correlation between Organization with more HR outsourcing has positive effect and no. of HR outsourcing)

$Z_{cal} = (\xi - \mu) / (SD/\sqrt{n}) = -0.77$

At 5% level of significance, follows $Z$ - distribution $Z_{0.05} = 1.645$

Since $Z_{cal} < Z_{tab}$ we accept the null hypothesis. So at 5% level of significance, we can say that Organization with more HR outsourcing has “no positive” effect on the effectiveness of the organization. Here we can also say that the population correlation coefficient between effect of more HR outsourcing in organization and no.HR outsourcing is insignificantly different from zero but negatively correlated.

**H₀:** longer duration of HR outsourcing has positive effect on the effectiveness of the organization.

**H₁:** longer duration of HR outsourcing has positive effect on the effectiveness of the organization.

In other words,  

$H₀ : \mu = 0$

$H₁ : \mu > 0$

$N = 60$

Here $\xi = 2.60$

$SD = 1.04$

$p = 0.15$ (Correlation between positive effect of longer duration of HR outsourcing with no. of HR outsourcing)

$Z_{cal} = (\xi - \mu) / (SD/\sqrt{n}) = 0.75$

At 5% level of significance, follows $Z$ - distribution $Z_{0.05} = 1.645$

Since $Z_{cal} < Z_{tab}$ we accept the null hypothesis. So at 5% level of significance, we can say that longer duration of HR outsourcing has “no positive” effect on the effectiveness of the organization. Here we can also say that the population correlation coefficient between positive effect of longer HR outsourcing in organization and no.HR outsourcing is significantly different from zero but negatively correlated.

**V. CONCLUSION**

Perhaps those HR outsource rendering organizations might wonder why they are not very successful in providing HR outsourcing despite of working very hard. May be the findings from this paper will help them with the answer. May be they will realize that they should pay a little more attention to networking activities into the large unstructured organizations. The findings of this paper may also alert the emerging HR consultancy firms for taking networking seriously so they can make the path of success well paved. But HR outsourcing (service seeker) organizations should embed in their mind that they should not depend too much on HR outsourcing, thus hindering the possibility and their potentials to create own excellence and uniqueness.

**REFERENCES**


T. Sharif is a British citizen and was born in Bangladesh on 28 December 1972. The author’s major area of study is economics and minors are marketing & HRM. He obtained BA (Hons) & MA in Economics degrees from Aligarh University (India) in 1994 & 1996 respectively, MSc in Quantitative Economics from Stockholm University (Sweden) in 1998, MBA in Marketing from Darul Ihsan University (Bangladesh) in 2004 and PhD in International Business from London South Bank University (UK) in 2011. The author also obtained a full British teaching qualification from the University of Sussex (UK) in 2009. He is currently serving in Alhosn University (UAE) as an ASSISTANT PROFESSOR of Business & Economics. Prior to this, he worked for London South Bank University (UK), 2009-2011, Central Sussex College (UK), 2007-2008, American University-Bangladesh, 1999-2004, among others. He also worked as an ADJUNCT FACULTY in Economics in Murdoch University (Australia). The author has keen interest in research in the area of technology transfer, public economics, and development economics. He has so far published in ten regional and international journals in economics & business, and presented papers in UK, Thailand, Indonesia and Bangladesh as keynote speaker. Currently, he has research interest in market orientation. Dr. Sharif is a member of a number professional bodies. To mention a few: Royal Economic Society (UK), Development Studies Association (UK), European Association for Practitioner Research on Improving Learning (Belgium), European Economic Association (Italy), European Marketing Academy (Belgium), Middle East Economic Association, World Economic Association (UK). Dr Sharif has been a member of the editorial board of ‘AUB Journal of Business & Economics since 2002. The author received Commonwealth scholarship (India), awards for excellence (twice) from Notre Dame College (Bangladesh), merit certificates from Darul Ihsan University (Bangladesh) & Aligarh University (India), among others.