

Assessment of Risks Associated with HR Outsourcing in Pharmacy and Information Technology – An Empirical Study

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Introduction

Outsourcing is a common practice among both private and public organizations and is a major element in business strategy. Human Resource Departments are primarily concerned with the management of people within organizations, focusing on policies and systems. They handle multiple areas related to recruitment, training and development, performance management, rewards, compensation benefits etc. As the scope of HR widened, organizations are choosing to outsource practices like recruitment, payroll, benefits administration, training etc., to companies who hold a core competence in it. It also proves to be cost effective. At the same time the companies have to assess the impact of outsourcing on the employee's perceptions. Unless understanding the overview of select industries in terms of business growth and development apart from HR concepts, it is difficult to assess the implications of HR outsourcing services in employee's perceptions perspective.

The Indian pharmaceuticals market is the third largest in terms of volume and thirteenth largest in terms of value, as per a report by Equity Master. The interesting point is that the global pharmacy industry growth rate (which is 5%) is less than Indian Pharmacy industry growth rate. India is the world's largest sourcing destination for the information technology (IT) industry, accounting for approximately 67 per cent of the US\$ 124-130 billion market. More importantly, the industry has led the economic transformation of the country and altered the perception of India in the global economy.

Objectives

1. To identify the potential risks understand the innate feelings of employees while HR is being outsourced in the select industries i.e. Pharmacy and IT.

2. To examine the impact of HR outsourcing on the organizational performance in select industries
3. To analyze the impact of HR outsourcing on the Performance Management System in select industries
4. To examine the impact of HR outsourcing on promotion and strategic performance of employees in select industries
5. To give suggestions and recommendations for the improvement of employees outlook towards HR outsourcing of the select industries.

Limitations Of The Study

This study confined to Pharmacy and IT industry in around the Hyderabad city only. The respondents include different grades of employees of Pharmacy and IT companies.

Methodology

A study was conducted for exploring the implications of typical HR out sourcing services on employee perception in Pharmacy and IT companies in and around Hyderabad area.

Sample design and sample method: The sampling method used in the study is convenience sampling technique. Sixteen Pharmaceutical units were selected from Hyderabad area.

Sample size: The sample size of respondents for Pharmacy and IT companies are 150 and 170 respectively. The sample size for the study was determined using the following formula developed by Yamane (1967). $n = \frac{N}{1+N(e)^2}$, n denotes sample size, N indicates the population size and e is the level of precision (0.056).

Data Collection:

The scaling technique used for the sample variables is Likert scale ranging from 1 to 5 points. Period of study is 2017-2018. For the purpose of this research, both primary (questionnaire) and secondary (published sources) data has been

collected to present a comprehensive overview of the employee’s perception in both Pharmaceutical and IT industry in the select region. The statistical techniques and tool used in the study are mean, standard deviation, mean deviation, independent t-test, scale reliability test (SRT). The internal consistency of the set of variables is measured with Cronbach’s Alpha. It is also called scale reliability test (SRT). It is expressed as a number between 0 and 1.

Cronbach's Alpha	N of Items
.832	15

Source: Author calculation through SPSS20v.

Analysis And Discussion

The collected data has been processed through SPSS and the results have furnished in the table 1 and 2.

Table Showing mean and SD values of employee’s issues over outsourcing

Variables	Industry	N	Mean	SD
Decrease in employee morale	Pharmacy	150	2.8667	1.32435
	IT	170	3.3412	1.20701
Risk & Uncertainty factors	Pharmacy	150	3.1733	1.13957
	IT	170	3.5529	1.00302
Less confidentiality	Pharmacy	150	3.2933	1.09634
	IT	170	3.2471	1.24896
Loss of control	Pharmacy	150	3.1733	1.04108
	IT	170	3.3529	1.31181

Source: Compiled questionnaire data using IBM SPSS20

Employee Morale: It is defined as the [job satisfaction](#), outlook, and feelings of [well-being](#) an [employee](#) has within a [workplace](#) setting. Proven to have a direct effect on [productivity](#), it is one of the corner stones of [business](#). From the table 1, it has been observed that the mean and SD (2.8667 and 1.32436) of employee’s opinion about the impact of outsourcing process on their morale are revealing that there is neither strongly agrees nor strongly disagree in the pharmacy industry. In other words

the HR outsourcing does not alter the morale of employees in the pharmacy industry. Where as in IT industry the mean and SD (3.3412 and 1.20701) shows that there was a considerable decrease in the employee’s morale.

Risk and Uncertainty Factors:

The outsourcing literature warns of the following potential risks: unrealized savings with a potential for increased costs, employee moral problems, over dependence on a supplier, lost corporate knowledge and future opportunities, and dissatisfied customers. It is also noted that outsourcing may fail because of inadequate requirements definition, a poor contract, lack of guidance in planning or managing an outsourcing initiative, or because of poor supplier relations. By observing the mean and SD (3.1733 and 1.13957) of the pharmacy industry, there was considerable impact of HR outsourcing on the risk and uncertainty factors of employees. The mean and SD of IT industry with respect to risk and uncertainty factors are 3.5529 and 1.00302 which means that there is also a considerable impact outsourcing on the same factors.

Less confidentiality:

Larger the outsourcing greater the scope for leaking of confidential information of the company. By observing the mean and SD (3.2933 and 1.09634) of the pharmacy industry, there was considerable impact of HR outsourcing on the risk and uncertainty factors of employees. The mean and SD of IT industry with respect to Less confidentiality are 3.2471 and 1.24896 which means that there is also a considerable impact outsourcing on the same factors.

Loss of control:

Larger the outsourcing greater the dilution of control By observing the mean and SD (3.1733 and 1.04108) of the pharmacy industry, there was considerable impact of HR outsourcing on the loss of control factors of employees. The mean and SD of IT industry with respect to loss of control are 3.3529 and 1.31181 which means that there is also a considerable impact outsourcing on the same factors.

Table 2: Showing f and p-value of employee’s issues over HR outsourcing between IT and Pharmacy industries

Variables	Industry	Sum of Squares	df	Mean Square	F	p-value
Decrease in employee morale	Between Groups	17.942	1	17.942	11.24	0.001
	Within Groups	507.545	31	1.596		
	Total	525.487	31			
Risk & Uncertainty factors	Between Groups	11.483	1	11.483	10.05	0.002
	Within Groups	363.517	31	1.143		
	Total	375	31			
Less confidentiality	Between Groups	0.171	1	0.171	0.123	0.726
	Within Groups	442.717	31	1.392		
	Total	442.888	31			
Loss of control	Between Groups	2.571	1	2.571	1.807	0.18
	Within Groups	452.317	31	1.422		
	Total	454.888	31			

Source: Compiled questionnaire data using IBM SPSS20

H₀: There is no significant impact of HR outsourcing on the employee's morale and risk and uncertainty factors between IT and Pharmacy industries

H₁: There is a significant impact of HR outsourcing on the employee's morale and risk and uncertainty factors between IT and Pharmacy industries

From the table 2, it has been observed that the calculated f value and p-value are; 11.24, 0.001 and 10.05, 0.002 which is less than 0.05 which means that the null hypotheses have been rejected and alternate hypotheses are accepted. Therefore, it can be concluded that there is a considerable negative impact of HR outsourcing on the employee morale and risk and uncertainty factors between IT and Pharmacy industries.

H₀: There is no significant impact of HR outsourcing on the less confidentiality and loss of control between IT and Pharmacy industries

H₁: There is a significant impact of HR outsourcing on the less confidentiality and loss of control between IT and Pharmacy industries

From the table 2, it has been observed that the calculated f value and p-values are; 0.123, 0.726 and 1.807, 0.18 which are more than 0.05 which means that the null hypotheses has been accepted and alternate hypotheses are rejected. Therefore, it can be concluded that there is no considerable significant impact of HR outsourcing on the less confidentiality and loss of control between IT and Pharmacy industries

Conclusion

The focus of this research work is to understand the potential risks associated with HR outsourcing in the select industries. From the above analysis it was found that there could be potential risks on the employee morale, risk and uncertainty factors, improving HR efficiencies, internalizing vendor knowledge, organizing Training & Development, relieving of time consuming and routine functions, enhancing employee productivity between IT and Pharmacy. Further, it was found that there could be potential risks on considerable significant impact of HR outsourcing in the performance planning and goal setting, performance evaluation, training, overall performance management system, performance records for promotional decisions and confidentiality and loss of control between IT and Pharmacy industries. It was interestingly discovered that there is no positive impact of HR outsourcing on concentrating more strategic performance, development planning and improved quality services of employee between IT and Pharmacy industries.

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