



International HRM: Outsourcing as Part of People Management in Multinational Firms

Ingmar Björkman

(ingmar.bjorkman@hanken.fi)

Department of Management and Organization
Hanken School of Economics

General Management and Strategic Perspective on People Management in Multinationals

Available from McGraw-Hill

The People Strategy Process

Clarify the strategy (business model) necessary to win in the market

Specify organizational capabilities required to support the business model

Design and deploy HR practices that enable differentiating capabilities

The HR Wheel



HR Practices: Guiding Principles

Starting point: Internal consistency

- Fit across HR practices
- Fit with other parts of the work organization
- Consistency between formal HRM strategy, policies, and *actual* practices

Differentiation?

- *Internally* across employee groups, and
- Across units
- *Externally* from other firms – often neglected!

Balancing dualities: Too much consistency or too high degree of differentiation?

Key HR Practices

Recruitment & Selection

- Workforce planning
- Employer branding
- Recruitment
- Induction & socialization
- Selection
- International transfers
- Termination & outplacement

Development & Training

- Training (on & off-the-job)
- Talent assessment and reviews
- Succession planning
- Career management
- Coaching and mentoring
- Leadership development

Performance Management

- Job evaluation
- Goal/standard setting
- Performance measurement
- Appraisal and feedback
- Compensation and benefits
- Rewards and recognition

Communication

Labor & Industrial Relations

Organizational Outcomes

Human Capital

- Knowledge and skills required to carry out the strategy

Social Architecture

- Social capital
- Share values, beliefs, and norms (corporate culture)
- Global mindset

Change Capability & Strategic Agility

Sustainable Performance

HR Function Roles

HRM Process & Content Development

- Developing policies, tools, and processes that help the firm develop and maintain organizational capabilities required to support the business model

HR Service Delivery

- Ensuring that core HR processes are carried out at low cost and with desired service levels

Business Support

- Contribute to discussions about strategy and organizational capabilities from a people perspective
- Work with line and top managers on people-related issues, e.g.
 - Making sure that corporate HR practices meet the needs of the unit
 - Assuring that HR services meet the demands of the unit
 - Change management efforts

HRM Process and Content Development: Key Challenges for the HR Function

- How to achieve a balance between globally coordinated systems and processes involving some measure of standardization *and* sensitivity to local needs
- How to identify and exploit HR practices found to be effective in some part of the global organization
- Most fundamentally, how to make sure that the HR practices implemented in different parts of the corporation support the achievement of business objectives

HR Service Delivery

The automation of transactional processes allows *self-help*, shifting the work to the users of e-HR tools

Services can be offered by HR *service centers*, often with regional or even global scope

Appropriate HR transactional tasks can be *outsourced*

The three service delivery mechanisms are complementary and are often used in parallel, requiring an overall HR service delivery strategy to meet

Required service levels

At low costs

Self-Help

- e-HR tools offer many promises for improved service and reduced costs
 - 24/7 answers to questions about policies, pay, benefits, and job opportunities
 - Access to e-learning tools, possibly as part of development programs including dialogues and face-to-face sessions
- But do users adopt a self-help attitude?
- What are the costs of users doing things themselves?

Potential Benefits of Shared Service Centers

Cost savings through scale advantages

Allows “one-stop” solutions for the users

Improves international learning and sharing of best practice

More consistent HR service across units

Deeper functional specialization among HR professional

Greater transparency and follow-up of costs & service levels

Allows other parts of the global HR function to focus more on business support and process and content development

Source: Partly based on F.L. Cooke, "Modeling an HR Shared Services Center: Experience of an MNC in the United Kingdom," Human Resource Management 45:2 (2006).

HR Outsourcing

HR Outsourcing is not new – think of management development programs run by business schools, headhunting and recruitment & selection services

Surge in HR outsourcing in the 21st century driven by many of the same reasons behind the use of shared service centers

- Reduction of HR service delivery costs
- Access to the providers' functional knowledge and e-HR solutions
- Objectives to free up HR's time to focus more on business support and HRM process and content development

But does the firm retain the capacity in key areas of HRM to support strategy and organizational capability development?

And what are the “real” long-term cost effects?

Why Outsourcing?

Findings from 91 UK organizations

Source: CIPD 2009

Main drivers:

Access to skills and knowledge: 71%

Quality: 64%

Cost reduction: 61%

Why Outsourcing?

Findings from 104 US firms

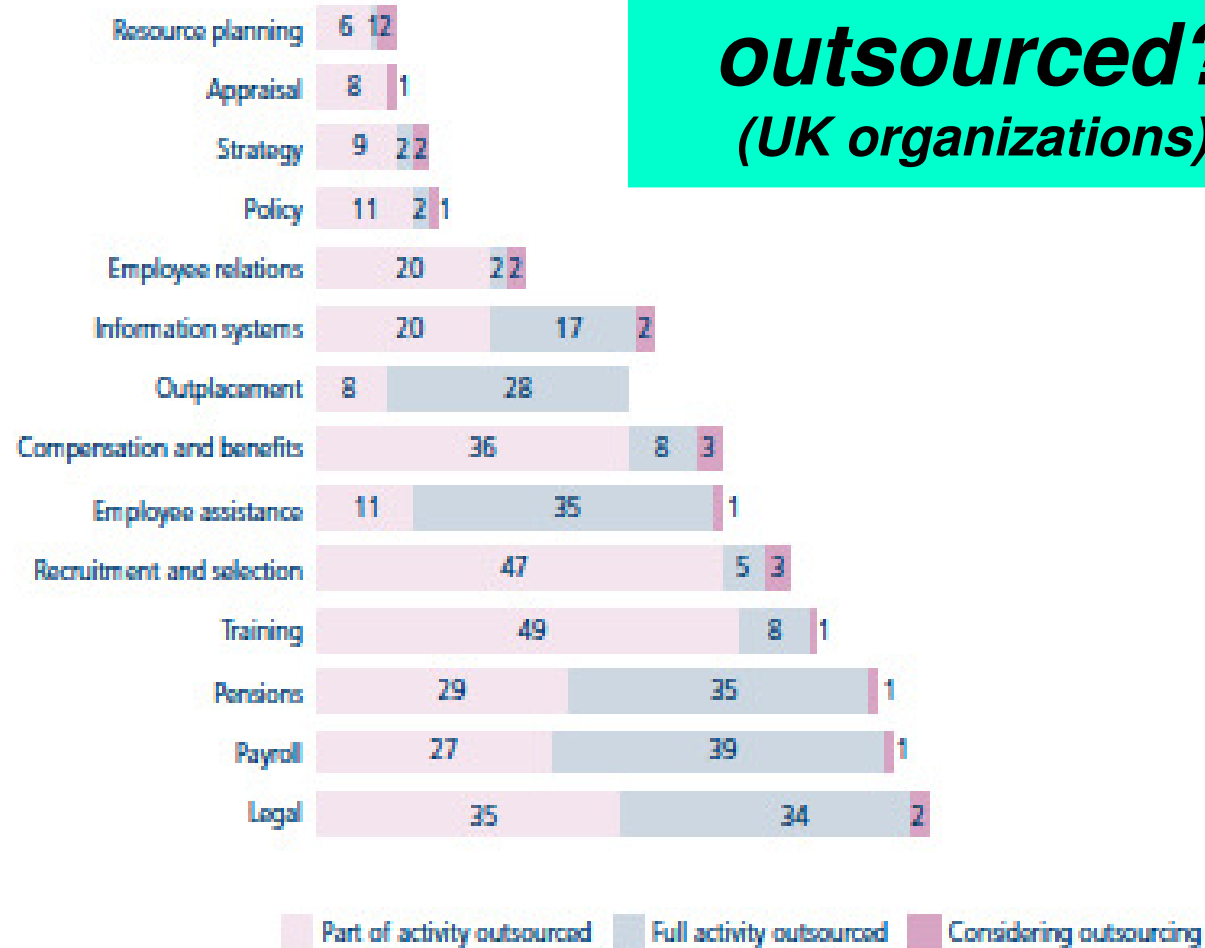
Source: Hewitt 2009

Why HR outsourcing:

Opportunity for cost savings:	78%
Access to outside expertise:	78%
Improve service quality:	74%
Realign resources/focus on strategic HR:	72%
Relief from regulatory/administrative burdens:	70%

HR activities being outsourced: 40% of HR, HR companies are outsourcing these areas to some degree.

Figure 8: HR outsourcing functions (%)



Base: 89

What are firms dissatisfied with?

Findings from 104 US firms

Source: Hewitt 2009

Recruitment: 30% "not effective"

Health and Welfare (11%)

Mobility/expatriate (10%)

Dissatisfaction with recruitment outsourcing has also been reported in other surveys

And how successful overall?

Findings from 91 UK organizations

Source: CIPD 2009

	Achieving greatly	Achieving partially	Not achieving
Relieved internal HR team pressure	15	39	43
Access new technology	12	51	32
Reduced cost	42	46	10
Improved quality	21	59	17
Accessed knowledge and skills	31	59	9

function (see Figure 14). This mixed result is evidenced by the overall perception of whether HRD has been

Effects in UK organizations

(CIPD 2009)

Figure 14: Has HR outsourcing enabled the HR function to take on a more strategic role in your organisation?

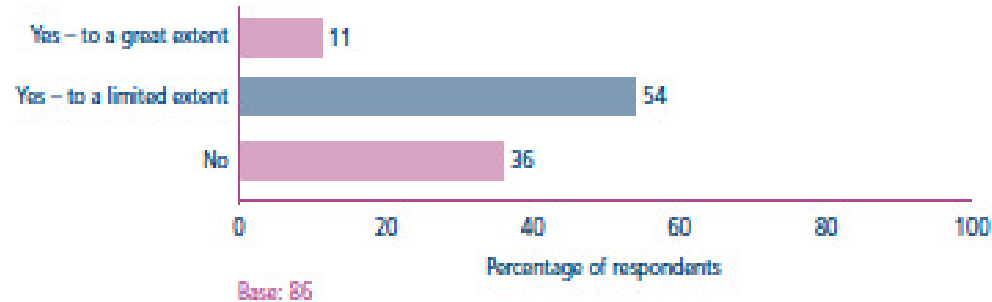
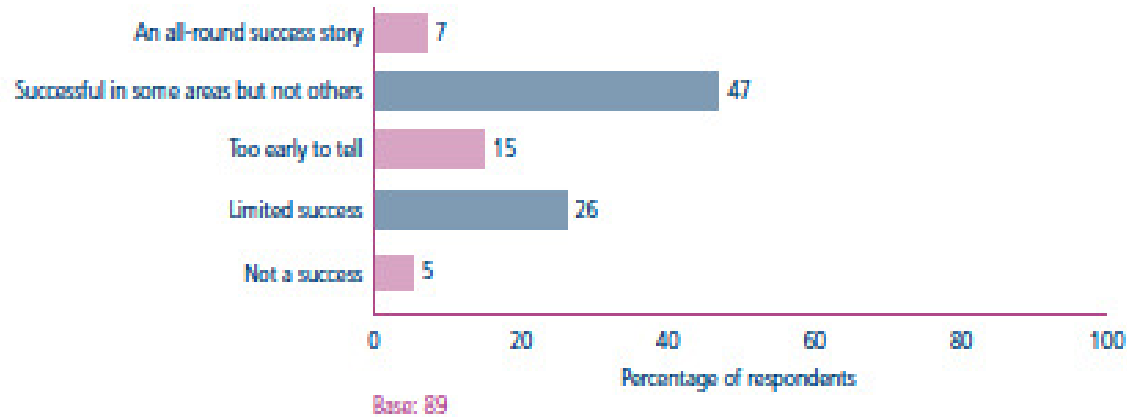


Figure 15: Success of your organisation's HR outsourcing ventures



And how successful overall?

Findings from 104 US firms

Source: Hewitt 2009

	Exceeded expectations	Met expectations	Did not meet expectations	Measured by
Improved service quality	5	76	19	81%
Improved operational efficiencies	9	77	15	79%
Reduced operating costs	3	75	23	70%
Improved employee satisfaction	8	70	23	65%
HR staff realignment and/or reduction	2	76	22	48%

Some potential problems/risks/challenges

- Integration with overall strategy & intended capabilities?
- How to achieve coordination and integration across different HR processes?
- How to “sell” the HR service delivery model to line managers and employees? Change management...
- How to manage the outsourcing project? Whom & how to involve the users (line managers & employees)?
- How to ensure that desired objectives are met?
 - Internal follow-up of success
 - Collaboration (and trust) with outsourcing corporation
- How to deal with necessary subsequent changes?
- Long-term effects on in-house HR capabilities?

Available from McGraw-Hill