CHAPTER 1

1.1 INTRODUCTION

"Organizations need a new kind of management system - one explicitly designed to manage strategy ..."

"Organizations today need a language for communicating strategy as well as processes and systems that help them implement strategy and gain feedback about their strategy. Success comes from having strategy become everyone's everyday job."\(^1\)

In the quest for competitive advantage, organizations continually search for new application, service, business methodology, or unique way of using technology that will catapult them ahead of their competitors and reward them with increased profits. In a volatile business climate where product life cycles are shrinking and global markets make it easier for new
competitors to capture market share, that search - and its result - becomes critical to the organization's survival.

**Information Technology (IT)** is at the core of many business functions, operations, products and services. Today, organizations worldwide spend over 50% of their new investment funds on IT and related communications. Managing these large investments, are of critical importance to organizational efficiency and effectiveness. The proliferation of e-business has further enhanced IT as both the business, and the link between the business model and the critical drivers of success. In a survey article in The Economist, John Browning (1990) wrote: "*Information technology is no longer a business resource; it is the business environment.*"\(^2\) The ongoing advances in Information Technology, along with increasing global competition, are adding complexity and uncertainty of several orders of magnitude to the organizational environment.

One of the most widely discussed area in recent business literature is that of new organizational network structures that hold the promise of survival and growth in an environment of ever-increasing complexity.

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\(^2\) John Browning (1990) The Economist
(Bradley, Hausman and Nolan, 1993; Byrne, 1993; Davidow & Malone, 1993; Eccles and Nolan, 1993; Jarillo & Ricart, 1987; Malone & Rockart, 1993; Miller, Clemons and Row, 1993; Naisbitt, 1982, 1985; Toffler, 1985). Changing technology economics, merging of formerly disparate technologies with different managerial traditions, and the problems of managing each of the phases of IT assimilation in different ways, calls for a major reappraisal of the organization structures designed in the past. Dickson and DeSanctis (1991) mentioned that not much attention has been given to the integration of technology or its use as a coordinating mechanism for organizational units. It is of high contention that IT should be studied as an independent variable affecting the organizational structure4. Huber (1990) recommends a reassessment of certain components of organization theory which are affected by the tremendous changes that have occurred in the capabilities and forms of communication technologies5.

1.1.1 Environmental Change, IT and Organizational Structure:

Researchers (Bakos and Treacy, 1986; Cash and Konsynski, 1985; Kling, 1980; Kriebel and Moore, 1982) have studied the impact of

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globalization, time-based competition, increased market risk, and a greater emphasis on customer service and cost reduction. Bennis (1974: 22) notes that "the organization's response to the environment will continue to be the crucial determinant for its effectiveness." Since post-industrial organizations will be faced with increasing environmental complexity and turbulence, organization's need to process information and make decisions will be substantially increased (Huber, 1984). The capabilities and flexibilities of computer-communication systems make them increasingly relevant to organizations by being able to respond to any specific information or communication requirement (Holt, 1992: 40).

1.1.2 IT as a Solution to Environmental Change:

The cost of IT has plunged since the 1960's resulting in enormous investments in IT applications that have stimulated increasingly complex organizational change (Benjamin and Levinson, 1993). Benjamin and

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Blunt (1992) anticipate that technology cost-performance improvements will sustain this trend over the next decade\(^{13}\).

IT is becoming all pervasive and is having impact on all industries - in service as well as in manufacturing. It is affecting workers at all levels of organizations, from the executives to assembly hands and clerks. IT is increasingly becoming an integral component of all types of technologies craft, engineering, routine, and non-routine (Daft, 1992)\(^{14}\). Drucker (1985) has very rightly defined organization as "a structure in which information serves as the axis and as the central structural support\(^{15}\)."

1.1.3 IT and New Organizational Structures of Interdependence:

Benjamin and Levinson (1993) emphasized that for IT-based change to be effective, technology, business processes, and organization need to be adapted to each other\(^ {16}\). Comparing the present Information Revolution with the Industrial Revolution, Malone and Rockart (1993) indicated that the latest changes in IT would lead to the evolution of new


\(^{15}\) Peter F. Drucker, (1985) Innovation and Entrepreneurship: Practice and Principles,

technology-intensive organizational structures\textsuperscript{17}. They project that the advances in IT would result in dramatic decline in the costs of \textit{"coordination"} which would lead to new, coordination-intensive business structures. \textbf{Rockart and Short (1989)} suggested that IT would enable the firms to respond to the \textit{"new and pressing competitive forces by providing for"}\textsuperscript{18} effective management of interdependence. \textit{"Inter-organizational relations, that are based upon trust and conditions of unstructured authority"} (Litwak and Hylton, 1962) would be created using newer types of coordination mechanisms. \textbf{Malone and Crowston (1991)} believe that in the light of these new possibilities there is need to reassess the current theories of organizations, of markets, and of management\textsuperscript{19}.

To appraise the effectiveness of an organization with the aid of systems theory, the performance must be measured with respect to the four aids of systemic processes – \textbf{input, transformation, output and feedback} effects, as well as their interrelationships. Measurement of the various forms of organizational inputs and outputs is pretty much undeveloped. Moreover, unlike the preoccupation with achieving equilibrium conditions, the

organizational system is seeking to maximize or minimize one or more values, whether they be profit, cost or influence (Evan, 1993). The most commonly accepted approach for organizational research is the goal approach which considers goal achievement or the degree to which an organization attains its goals. As an exception, Evan (1993) has demonstrated the operation of the four systematic processes in a study of inter-organizational relations using the systems theory approach. He suggests that the possibility of developing organizational effectiveness measures without directly and explicitly identifying their goals but indirectly by measuring dimensions of inputs, transformations, and outputs of an organization. The problems encountered in defining an organization's goals can be avoided by indirectly deriving the goals by using Evan's approach.

The impact that Information Technology (IT) brought to our daily life and its role in shaping our environment is of a wide scope to explore. IT as any other technology is a means to ease our life. Developed as well as developing countries, are all responsible for the sustainment of our planet earth. The convergence of IT, telecommunication, and information content has shown its initial impact in different ways.

People are empowered to manage their area of responsibility. They work together to achieve common goals for business success. Full participation, co-operation and open communication leads to superior results. These factors would influence, the managers to consciously focus on the principles that would guide them in value-creation.

Information is not controlled by management hierarchy, but is readily and quickly available to all employees, empowering them to direct participants in the management business. Knowledge is the key to organizational performance. There must be a link between information technology, knowledge and organizational performance. IT provides access to diverse source for specialized information and enhances the ability to analyze, manage and apply to the information at work. It is important to link teams, knowledge and organizational performance. If teamwork is the key to effective organization, information is the key to effective teamwork.

The advent of information and communication technologies has changed the way business organization is acquired, organized and managed. It is vital for managers that the information needs of the organizations in which they serve, be satisfactorily fulfilled. In order to fulfil the idea that the computer as a machine is concerned with the transformation of information,
not material or energy, is extended to other information technologies. Technology is regarded as a radical human construction, in a position derived from Marx and mediated by economics.

On these bases, an understanding of information technology as a form of knowledge concerned with the transformation of signals from one form or medium into another is proposed. Invention, innovation, and diffusion are distinguished as stages in the development of technologies. This needs, a complete understanding of how business seek, adapt and manage information and knowledge which is of great importance. The ultimate objective of this process is to ensure the competitiveness and survival of the organization. This process can be achieved with a combined effort of information technologies and also by means of human resources. Information science has been convincingly characterized as a response to developments in information and communication technologies. Though a general optimism concerning IT's potential, for creating suitable competitive advantages is observed, there exists a lack of empirical support for the positive economic impact of IT on business. Furthermore, investing in IT does not ensure its proper implementation. Consequently there is a need to consider why companies use IT, and its consequences for innovation and a variety of performance measures. Focusing on the use of IT might be a
mising route for studying the relationship between IT and successful 
innovations, and between IT and performance. A number of trade-off's 
between the various performance measures and between successful 
innovations and performance is also present. Though positive effects of IT is 
found, it is often argued that there is a favorable approach in developing 
formation and a knowledge strategy prior to developing an IT strategy.

To strategically align the objectives of information technology (IT) 
business and their delivery focuses on a sequential development of 
strategies and a sequential operationalization. It is very unfortunate to note 
at the reliance on IT has increased to the level where a lack of IT agility 
and responsiveness can create a competitive disadvantage. Business and IT strategies have to be developed simultaneously and implemented 
simultaneously. Because of increasing competition and limited capital 
gets, firms need to carefully assess every information technology (IT) 
opportunity to ensure that their resources are spent judiciously. Conventional 
sdom holds that IT has enormous potential. However, organizations 
continue to question the benefits of IT in conjunction with new corporate 
itiatives such as Business Process Re-engineering (BPR), E-Commerce, 
Enterprise Resource Planning. Despite the potential benefits derived 
from IT investment, traditional capital budgeting models have failed to
estimate true IT values due to their inability to measure complex interactions between IT and organizational performance.

Information technology had a profound influence on the rapid adoption by emerging economies of contemporary business processes. With foreign direct investment and privatization accelerating, basic applications became a given in most organizations from an accounting, communication, operational and marketing stand points. In fact, Computer-based personal productivity tools, enterprise software applications and electronic communications did more to spread best business practices than any other factor. This positively impacted emerging economies businesses, from the affiliates of multinational companies to small businesses discovering the benefits of productivity tools. Into this arena comes yet another new business term: Business Process Outsourcing (BPO). Today, the job market in emerging economies, emphasizes computer skills and the knowledge of common applications as much as it does in developed, mature economies. Success in technology allows India to expand into more and more mainstream business process outsourcing. In 2001, Industrial Design Centre (IDC) ranked Asia as No.2 behind North America in terms of number of IT developers. IDC predicts that Asia will take the lead in absolute numbers by the year 2006.
Outsourcing is a full-fledged business mega trend – both in the USA and around the world (anon., 1995)\textsuperscript{21}. It is bold statements like these that reflect the enthusiasm that outsourcing has generated in the business world. In today's environment, managers are searching for any edge that can provide them with success. Outsourcing is one more approach that can lead a greater competitiveness (Weston, 1996)\textsuperscript{22}. Outsourcing is the process of shifting/ delegating/ transferring a service/ process/ function to a third party/ external service provider which would otherwise be an in-house function/ service/ process.

Outsourcing (from “out” “source”, i.e. External source) is a management approach that allows delegating to an external agent operational responsibility for processes or service previously done within the enterprise. It can be defined as “...the purchase of a good or service that was previously provided internally” (Swink et al., 1996; Lankford and Parsa, 1999; Elmuti and Kathawala 2000)\textsuperscript{23}.

Organization delegates some non-core functions to specialized and efficient service providers. In the era of “global market” and “e-economy”,

\textsuperscript{21} ‘Outsourcing: How Industry Leaders are Shaping the American Corporation’ Fortune Special Section on Outsourcing From the Outsourcing Institute, www.outsourcing.com/cluster/rs/downdize.html

\textsuperscript{22} Weston (1996). ‘It’s Hard To Buck The Outsourcing Tide’ PC Week, 15\textsuperscript{th} July

\textsuperscript{23} Elmuti and Dean Kathawala Outsourcing to gain Competitive Advantage Industrial Management, May 01, 1998
outsourcing is one of the main pillars of the new way to conceive the relationship among companies. The knowledge, experience and creativity of new supplies which the company did not use previously could be used. Outsourcing could be a service outside the company acting as an extension of the company’s business but responsible for its own management. It is a practice of handing over the planning, management and operation of certain functions to an independent third party. **Outsourcing is a product of globalization and is inevitable.** Outsourcing which is also known as contracting out, refers to an arrangement where an agency has an activity or function performed by a private sector or another public sector or Application Service Provider (ASP) organization, under such arrangement the original agency retains overall responsibility and accountability for the activities. Outsourcing or competitive tendering and contracting, refers to an arrangement whereby an Application Service Providers (ASP) agency has an activity, function or service, which was previously undertaken in-house. Job is done cheaper when framed out.

The two main actors of outsourcing processes are the “**outsourced**” and the “**outsourcer**” (Saunder and Gebelt, 1997)\(^2\). The first, i.e. The “customer”, outsource his processes, while the second, the enterprise,

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delivers outsourced services (the term supplier or vendor are also used). The process owner is the organizational interface of the two enterprise during all the outsourcing activities (Valentini, 1999). Outsourcing is a trend, in most HR functions. It is driven by ongoing pressure for companies to reduce costs, improve service and maximize resource availability across their organization. Increasingly corporations are drawing on the strengths of their outsourcing partners to bring in the right mix of people, process and technology. This provides corporations the ability to shift focus from routine tasks to finding and achieving goals that lead to better products, improves customer relations and higher profits. While outsourcing has lived up to much of the hype that surrounded it during the early 90's, it is now reinvesting itself to remain a key management tool.

A decade ago, before outsourcing boomed into the massive business as it is today, management consultants sang its praises without hesitation. Outsourcing will help managers to get rid of their more humdrum tasks and concentrate on what they are good at. This would not only save managers time but would also save business money. Outsourcing has helped business to cut their overheads and they have been able to take advantage of special skills and technology, they could never afford in-house. Most of the studies

in outsourcing reflected the same pattern of findings. Outsourcing represents a good value for money. It helps in cutting costs, at the same time has thrown up problems that were unforeseen both by the business and outsourcing vendors. Outsourcing market has been shifting gradually from a cost focus to a business focus and a new emphasis on access and speed has emerged. The focus is now on business outcomes and not just infrastructure. Since the late 90's the collaborative approach to outsourcing has become a trend.

In the corporate environment, the term Outsourcing refers to a particular type of outsourcing (Business Process Outsourcing - BPO). BPO occurs when an organization turns over the management of a particular business process (such as accounting or payroll) to a third party that specializes in that process. The underlying theory is that the BPO firm can complete the process more efficiently, leaving the original firm free to concentrate on its core competency.
2 STATEMENT OF THE PROBLEM

Traditional Human Resource (HR) and IT organizations may in future be limited in function, compensation and benefits. New departments may involve technology initiatives that require multidisciplinary skills - telecommuting, knowledge management, e-learning and e-recruiting. Nvisioning these new departments and “hybrid” employees with IT, HR and business skills, the OD practitioner will also see opportunities. Internal change leader and consultant may be able to offer employee career paths that cross several functional areas including HR, IT and business operations.

The “hybrid” employees will in turn provide a rich pool of executive candidates as they will have both contacts and experience in several areas of the organization. In defining professional development for business people, change leader and consultants should offer IT professional “soft skills” such as vendor relationship management, negotiating and facilitation. Similarly, business and HR professionals should be offered technology updates to keep abreast of technical trends in their area. External change leaders and consultants will see opportunities to provide HR/OD service to IT organizations that are not able to build HR skills internally and do not have HR departments with IT-specific skills. The driving role of technology in
every area of business means that change leaders and consultants will have to work quickly to develop the "hybrid" employees and executives that corporations are already seeking—those with business acumen, technology, awareness and extensive communication and change management skills. Organizations are turning to external suppliers for outsourcing everything from payroll processing to facilities management. The goal is better quality at lower costs, but too often the outsourcing results are disappointing—to—dismal—simply because many buyers lack a clear outsourcing methodology……..Will the internal and external change consultants find ample opportunities to provide new organizational structures, professional developments and new career paths to produce multidisciplinary professionals and executives?
1.3 IMPORTANCE OF THE STUDY

The New World Economy – Every business and every employer faces unprecedented pressure to be vigilant on all expenditures, including cost of maintaining a staff. Even the small retailers who think that global economic forces do not really affect them in fact are also influenced by them, large domestic companies now aggressively pursue smaller markets which they previously ignored (Sacco, 1993). Business people have always wondered and more so in the last few months what it takes to bring a company from a low profit organization to a healthy high profit one. BPO has appeared as the probable answer to most organizations' problems. While it has provided a means to profitability to large organizations in the western world, it has afforded huge business opportunities to developing countries. India has become capable of offering cheaper and innovative ways of doing the same business, by virtue of its highly educated work force, convenient rupee-dollar rates and efficient infrastructure. BPO thrives on these factors and many more leading to win-win situations at both ends. The main purpose of outsourcing is to allow an agency to concentrate on its core activities and to provide better values for money. It may also be pursued as part of industry development policy. The increased emphasis on outsourcing is a

26 Sacco (1993) ‘All Employment relations are changing’ – Modern Office Technology – May pp.47-48
natural progression in the present competitive industry. As organizations are reshaped:

*Outsourcing ... is one way companies are solving problems created by business reorganization. Because restructuring usually means doing more with a smaller staff, you need to prevent your company and department from losing core competencies – capabilities that may be crucial to future competitiveness. At the same time, you need to make your department more cost effective and contribute more value to the organization. Outsourcing is one way to accomplish these goals (Spee, 1995)*

In the past, Human Resource (HR), was largely administrative role responsible for assisting employees with personal problems and health benefits, organizing staff new year party and so on. Enlightened organization now respect and value Human Resource Management (HRM) for their key leadership role as long-term strategic business partners. Today, HRM is an integral part of the strategic position that an organization assumes - inseperable from key organizational goals, product/market plans, technology and innovation and an organization's strategy to respond to governmental environmental and societal pressures. To be effective, HRM strategy should

be formulated after considering an organization's objectives, threats and opportunities, and the company's internal strength and weaknesses. Human Resource is constantly growing area, which has to be constantly aware of the changing business world, which relies more heavily on advancement in technology and new specialist skills. Organizations are constantly seeking to grow in a competitive and changing business conditions. The HR functions like other functions are under scrutiny to deliver value-adding quality services to the business, coupled with a reducing operating cost.

The biggest issue for HR may be in the definition compelling value proposition to outsource. Defining a workable scope of services is fundamental to outsourcing, but whereas a service such as finance and accounting, for example, has relatively clear demarcation between transactional and value adding activity, it is less easy to map this for HR. There is also a significant element of policy interpretation and application of advice “wrapped around” the HR service, and the delivery of transactional processes.

A consequence of HR outsourcing may be to shift in action and responsibility from HR to line management exposing skills and knowledge gaps, and resulting in resistance from within. Recognizing these challenges,
it is still hard to get away from the fact that HR is typically run as a cost
centre within a business, and as such is expected to provide a value-added
service to the business. The challenge is to do HR outsourcing in a well-
planned way, with clear goals in mind and ensuring that change-
management risks are well managed. With IT outsourcing becoming
commoditized, current outsourcing suppliers may look to use their service-
provider skills in other areas. **HR would be a prime target for most
organizations.**

In our peoplist age, the importance of innovative human resource
management is very much focused upon. **The effective recruitment and
retention of talent can make or break an organization.** However HRM
must constantly be alive to the factors and influences shaping its future. One
such influence playing a prominent role is that of outsourcing. The business
of being in HR is becoming ever complex, with many factors influencing the
increase in outsourcing. Technological advances and the effects of
globalization means that even small business can enter into an international
arena. The demand for talent has ignited technological innovation such as
teleconferencing and telecommunication to encourage the creation of a
“**virtual workforce**”.

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The key point embracing HR as a profession and outsourcing as a business choice is that human resource professionals must be involved in the running of their organization at a strategic level. The World Wide Web (WWW) has made possible the effective outsourcing of administrative HR. Web based HR can be scaled to match a company's changing demands. HR must be adaptable, progressive and far-sighted. There will still be a role for HR to monitor outsourced benefits and to look at the HR processes that make the company an attractive employer. Human Resource Outsourcing (HRO) is one of the fastest developing sectors which follows, the software outsourcing.

Companies today seem to have realized the cumbersome process involving in managing human resources as an in-house project and relative cost associated. This is the reason why most companies have taken to comprehensive human outsourcing resource outsourcing.

A comprehensive human resource involves a company to outsource not only the basic human resource functions but also the major functions like payroll outsourcing, benefit outsourcing, personnel administration, hiring and recruitment, education and training. A comprehensive human resource outsourcing helps the company to cut human resource cost, improves
employee satisfaction levels, lower overhead on HR and Recruitment, shorten employee turnover and increase productivity. Many companies seem to struggle with determining and articulating a differentiated vision of having a strategic approach to HR outsourcing.

Service providers are attempting to sign deals and expand their offerings in response to the growing customer needs for integrated solutions. HR services and business process outsourcing in general attempt in achieving strategic value, with the same rigour with which companies apply analysis to their supply chain. Though this seems fundamental, but its application is still far from widespread.

Outsourcing began as a cost-saving exercise and is now becoming a more extensive move to strategic outsourcing that may fundamentally change the shape and nature of individual companies and affect entire industry value chain. This is becoming known as “transformational” outsourcing.

- Will outsourcing HR functions allow the organization to focus on its core competencies and provide administrative relief from employer-related responsibilities?
• Will HR outsourcing help the organization to concentrate on developing strategies that provide a competitive advantage?
• Will HR outsourcing have a positive impact on the business in terms of productivity and profitability?

The present study on the Business Process Outsourcing (BPO) as an effective HRM strategy has been carried out in the Indian context, with an overall reference to the global outsourcing scenario. **In order to examine the impact of BPO, the following main aspects are examined**

• Is there any relationship between the HR outsourcing and the HR cost reduction of the IT companies?

• Is there any relationship between the HR outsourcing and profitability of the IT companies?

• Does the HR outsourcing reduce the companies overall administration activities?

• Is there any relationship between HR outsourcing and the productivity of the IT companies?
4 OBJECTIVES OF THE STUDY

1. To find out “the association of an effective HRM strategy linked to the overall corporate strategy” in each outsourcing exercise.

2. To identify “the HR activities that could be outsourced”.

3. To identify “the HR outsourcing objectives, benefits, challenges and trends”.

4. To identify “the factors in choosing the right vendor”.

5. To evaluate “the quality of service provided by the HR outsourcing vendors”.

6. To analyze “the outsourcing management issues”.

7. To “suggest improvements that would make HR more productive and outsourcing more attractive”.

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1.5 HYPOTHESES OF THE STUDY

The following hypotheses were framed for the research study

1. There is a significant relationship between the HR outsourcing and the HR Cost reduction of the companies with respect to the overall HR performance.

2. There is a significant relationship between the HR outsourcing and the Profitability of the companies with respect to the overall HR performance.

3. HR outsourcing reduces the corporate HR activities.

4. There is a significant relationship between the HR outsourcing and Productivity of the companies with respect to the management time saved to concentrate on core activities.

5. There is significant relationship between the Success of Outsourcing and the Vendor selection criteria.

6. There is significant relationship between conducting an in-house benchmark analysis and HR outsourcing.

7. There is no significant relationship between reduction of HR staff and HR outsourcing.
8. There is significant relationship between HR cost reduction and hidden cost in HR outsourcing.

9. There is significant relationship between suppliers understanding the outsourcing objectives and HR outsourcing objectives being achieved.

1.6 METHODOLOGY OF THE STUDY

[Sampling Design]

**Introduction:** A sample design is a definite plan for obtaining a sample from a given population.

**1.6.1 Universe:** The universe chosen for the research study is the IT companies in Tamil Nadu;

**1.6.2 Sampling Unit:**

- State - Tamil Nadu
- City - Chennai
1.6.3 Sampling Procedure:

The procedure adopted in the present study is the probability sampling, which is also known as random sampling or chance sampling. Under this sampling design, every item of the frame has an equal chance of inclusion in the sample.

1.6.4 Data Collection Methods:

The data's were collected in the following two methods

1. Primary Data

2. Secondary Data

1.6.4.1 Collection of Primary Data:

The primary data were collected through a survey conducted using questionnaire and interview methods.

1.6.4.2 Collection of Secondary Data:

The Secondary data's were collected from Books, Magazines, News Papers, Reports prepared by research scholars, Internet, Various National and International Journals.
1.6.5 Nature of Research:

It is basically a Descriptive form of research – This involves collecting data, for testing hypotheses or answering the questions concerning the current status of the subject of the study. A descriptive study determines and reports the way things are. Among the other things, the present study provides a report of what has happened and what is happening.

1.6.6 Questionnaire:

A detailed questionnaire was carefully prepared and serially numbered. The questions were arranged in proper order, in accordance with the relevance.

1.6.7 Pilot Study and Pre-Testing:

A Pilot Study was conducted during the month of January 2005. In this regard nearly 20 questionnaires were distributed and all were collected back as completed questionnaires. On the basis of doubts raised by the respondents, the questionnaire was redrafted to its present form.
1.6.8 Sample:

A sample of 150 respondents in total has been randomly selected. Most of the questions were designed on five point scale.

The responses to various elements under each question were totalled for the purpose of the various statistical testing.

1.6.8.1 Measurement of Variables:

The reasons for outsourcing the organizations HR functions were measured in terms of the following variable - **Cost, Internal expertise, Service to customers, Management time, Concentration on core business and Market expertise.** The organization’s satisfaction level regarding the outsourcing of their HR functions are measured in terms of the following variables – **Organizational Transformation, Promptness, Cost effectiveness, Flexibility, and Elimination of administrative burden.**

The following variables were considered for evaluating and choosing the outsourcing vendors by the organization – **Financial Stability, History of providing outsourcing services, Size of the existing customer base, National reach, Global reach, Speed, Cost, Strategic importance,**
orporate culture and the relationship factors. The problems in outsourcing were measured in terms of the following variables – Overpromising suppliers, Hidden costs, Lack of Communication, Standard benchmarks, Lack of understanding mutual expectations.

6.8.2 Application of Statistical Tools:

The following are the statistical tools used for the analysis of the study

i) **Chi-Square** test is used to study the relationship between attributes/Characters

ii) **T-test** is used to compare significant difference between the factors

iii) **Correlation** is used to analyze the relationship between two or more variables
iv) **Frequency Tables**  **Percentage** techniques are used to analyze the factors influencing outsourcing

1.7 LIMITATIONS OF THE STUDY

The study is limited to focus on the impact of Human Resource Outsourcing in a few selected IT companies in and around Chennai city in Tamil Nadu. The respondent included HR consultants, Outsourcing Agents, representatives and HR staff. The results of this study are applicable only to the IT companies situated in Chennai city.
1.8 CHAPTER ARRANGEMENTS

Chapter I - It deals with the Introduction, importance, objectives, hypotheses, methodology and limitations of the study.

Chapter II - It provides the HR activities and HRM strategy linked to the overall corporate strategy during the outsourcing exercise.

Chapter III - It provides the Origin and growth of BPO as a strategy to monitor overall Corporate functions.

Chapter IV - It provides the Factors influencing the IT companies to choose the vendors, based on the quality of services provided by them

Chapter V - It illustrates the ‘Various issues relating to outsourcing methods’.

Chapter VI - Sample study is given in this chapter

Chapter VII - The last chapter provides findings, summary and conclusion, empirical evidence of hypotheses tested, suggestions and scope for further research in this area.