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**Assessment of Perceptions of Human Resource Outsourcing on
Organizational Performance in Selected Multinationals in Nairobi**

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ABSTRACT

Purpose: This study sought to assess the perceptions of Human Resource (HR) outsourcing on Organizational performance on multinational companies in Nairobi. The study was to be guided by the following research objectives; to establish what functions are most outsourced by multinationals in Nairobi Kenya and to investigate the role of Human Resource Outsourcing on organizational performance in multinational companies.

Methodology: The study used descriptive statistics research design. The descriptive study targeted 15 multinational companies in Nairobi. Stratified sampling technique was used to select 60 employees from the multinational companies in Nairobi and structured questionnaires administered. Descriptive statistical analysis was conducted: frequencies, percentages, mean and standard deviation. Further, inferential analysis was conducted on variables of interest at 95% confidence level

Results: The study's findings revealed that the most outsourced functions were recruitment and selection, training and development, HR policy writing, and payroll and benefits. Outsourcing temporary staff is more economical than handling them in house. Outsourcing HR functions did give time for the HR department to concentrate on their core activities and improved overall organizational performance.

Unique contribution to theory, practice and policy: The study recommended that companies should outsource as it makes them flexible in meeting varied customers' and organizational needs.

Keywords: *Business Process Outsourcing, Human Resource, Human Resources Outsourcing*

1.0 INTRODUCTION

Outsourcing has been defined by Parry and Roehrich (2009) as the contracting out of internal business process to an external or third party organization instead of staffing it internally. In the case of Human Resource outsourcing, whereas the HR functions are performed by the employees of an organization, outsourcing contracts parts or the whole of the Human Resource functions to external vendors or service providers (Adler, 2003). While it, at times, involves transferring organizations employees to another, this is not always the case.

According to Banham (2011), Human Resource Outsourcing, though started as a cost reduction move for some companies, has expanded to become a driving force for creating business value. Other advantages are: increased efficiency; access to improved Human Resource information technology systems; improved management information (including human capital metrics); access to Human Resource expertise not available internally; increased flexibility and speed of response, reduced risk and, free HR resources to operate more strategically (Vosbergh, 2007).

According to McKinsey (2008), the global "addressable" outsourcing market was worth \$122 – \$154 billion, of which: \$35-40 retail banking, \$25-35 insurance, \$10-12 travel/hospitality, \$10-12 auto, \$8-10 telecoms, \$8 pharma, \$20-25 is finance, accounting and Human Resource and \$10-15 others. In terms of industry size, India is the leading outsourcing country all over the world, (why outsource to india.com) It has revenues of 10.9 billion USD from offshore outsourcing services. India thus has some 5-6% share of the total Business Process Outsourcing industry, but a commanding 63% share of the offshore component. Besides India, China is also developing as a Human Resource Outsourcing destination. Other locations like Eastern Europe, Phillipines, Morocco, Egypt and South Africa have also emerged to take a share of the outsourcing market (Adsit, 2009).

In Kenya, according to Okello, C.E.O of Consulting International, (Ciuri, 2012), BPO prospects are positive. He points out challenges facing the field in the country and they include; a skewed global market, poor brand recognition and lack of qualified personnel. Okello posits that mushrooming of outsource business and quacks claiming to be consultants have diluted and spoilt the Kenyan BPO market for the professionals who are trying hard to build a name and create trust in their clients. Rapids improvement in technology has played a key role in making outsourcing business in Kenya a realistic and profitable affair to many companies. Outsourcing in Kenya has been taken as key strategy to reinvent their business operations (Ngichiri, 2011).

Tompkins (2005) argues that organizations no longer need to question whether to outsource, but should rather focus on which functions and processes to outsource. He sees outsourcing as a business imperative. Collis and Montgomery (2005) indicate that all organizational functions need to contribute to a new and better competitive advantage.

1.2. Problem Statement

Public outcry on quality of services is not uncommon in public sector local authorities included. Despite government's inputs and concern and introduction of performance contracting, performance of local authorities on service delivery is far below expectation (Afro Barometer

Briefing Paper, 2010). Based on the lower performance ranking of local authorities in Kenya and the continued drop in rank for local authorities, there is a justifiable need for a study to establish factors hindering performance contracting in improving service delivery in Kenyan local authorities. Mitullah (2004) brings out the deteriorating performance of Kenyan local authorities while the Afrobarometer survey of 2004 decries the poor service delivery of local authorities.

The reviewed local studies Akaranga (2010), Kobia and Muhamed (2006), Muganda-Ochara and Van Belle (2008) and Mittullah and Waema (2007) did not critically address the factors hindering performance contracting from improving service delivery of Local Authorities. Studies by Mitullah and Waema (2007) and Muganda-Ochara and Van Belle (2008) were narrow and suffered from conceptual gaps since they only addressed the role of ICT in local authorities service delivery. The study by Kobia and Mohamed (2006) suffered from a contextual gap since it concentrated on the Kenya Institute of Administration while the focus of the current study is on Local Authorities. The study by Akaranga (2010) also faced methodological issues since it was a desk-based study in addition to exploring a different contextual area (the general public sector). It is due to these conceptual and contextual gaps that the current study wishes to establish the employees' perception on the determinants influencing performance contracting results of local authorities in Kenya.

1.3 Objective of the Study

The major objective was to assess Perceptions of HR Outsourcing on organizational Performance in Selected Multinationals in Nairobi. The specific objectives were;

1. To establish what functions are most outsourced by multinationals in Nairobi Kenya
2. To investigate the role of Human Resource Outsourcing on organizational performance in multinational companies.

2.0 LITERATURE REVIEW 2.1 Theoretical Review Agency Theory

Agency theory explains a type of relationship in which one party (the organization) engages another party (the outsourcing agency) to perform some aspect of work for a considerable amount of time and a contractual arrangement is needed to manage the relation between the parties. For this study the principal is the outsourcing firm and the agent is the outsourcing provider (Martin, 2012). There are two main problems that agency theory addresses and these are: self-interest of the agent and the conflict between agents and stakeholders.

The conflict between agency and stakeholders of the firm has long been entrenched in organizational management literature. According to Shankman (1999), agency theory has broadened to include the agency problem that occurs when cooperating parties have different goals and presence of mistrust. The principal who has delegated part of his work does not trust the agent because the agent has information advantage over him which he thinks will be used against him and his business interest. This creates conflict between the two. This can happen in a real situation where a company does not trust the outsourcing agent who has access to confidential information of the company because of the nature of their business relationship.

Resource-Based View

According to Lopez (2005), this theory is of the view that resources, on their own, do not lead to competitive advantage and independently do not achieve anything. It is the efficient coordination and configuration of resources within the organisation that leads to their transformation into competences that the firm needs. Varying performance between firms is a result of heterogeneity of assets. Helfat and Peteraf (2003) say that Resource Based View is focused on the factors that cause these differences to prevail.

Resource Based View highlights the competitive advantages that firms try to derive from the competencies of their human resources, and how they deploy such resources to maintain their existing advantages for as long as possible while diversifying into new fields to create new advantages. Diversification becomes possible due to the fact that managers' competencies are fluid and can be applied to different ends.

What makes a difference is how some organisations are able to hone and refine aspects of their performance that creates - through a process of specialisation and learning- formidable barriers to competitors and increased value to their customers. Kruse and Berry (2004) mention that some organizations have outsourced to effect change that the organization knows it cannot bring about by employing its own resources. The reasons that the organization cannot effect this change themselves vary from not having sufficient skills or resources, to employing external BPO providers to mitigate internal resistance to change. Kimball (2003) however warns that without internal commitment and understanding, BPO will not achieve the desired outcomes.

2.2 Empirical Literature Review

Studies by Mahoney and Brewster (2002); and Eleanna & Papalexandris (2005) reported that the HR services most commonly outsourced fall into one of the following categories: recruitment and selection, training and development, pay and benefits, mergers and outplacement, performance appraisal systems, HR planning, and organizational climate and culture.

There are many reasons why companies outsource their human resource functions with the main one being that outsourcing often saves money. Thompkins (2005) argues that the primary reason for outsourcing some or whole of the human resource function is to ensure that management focus on the core competencies/processes or essential human resource functions. Kruse and Berry (2004) used the term “business simplification” to describe the process of outsourcing to ensure that managers can focus on delivering customer and shareholder value.

2.3: Conceptual Framework

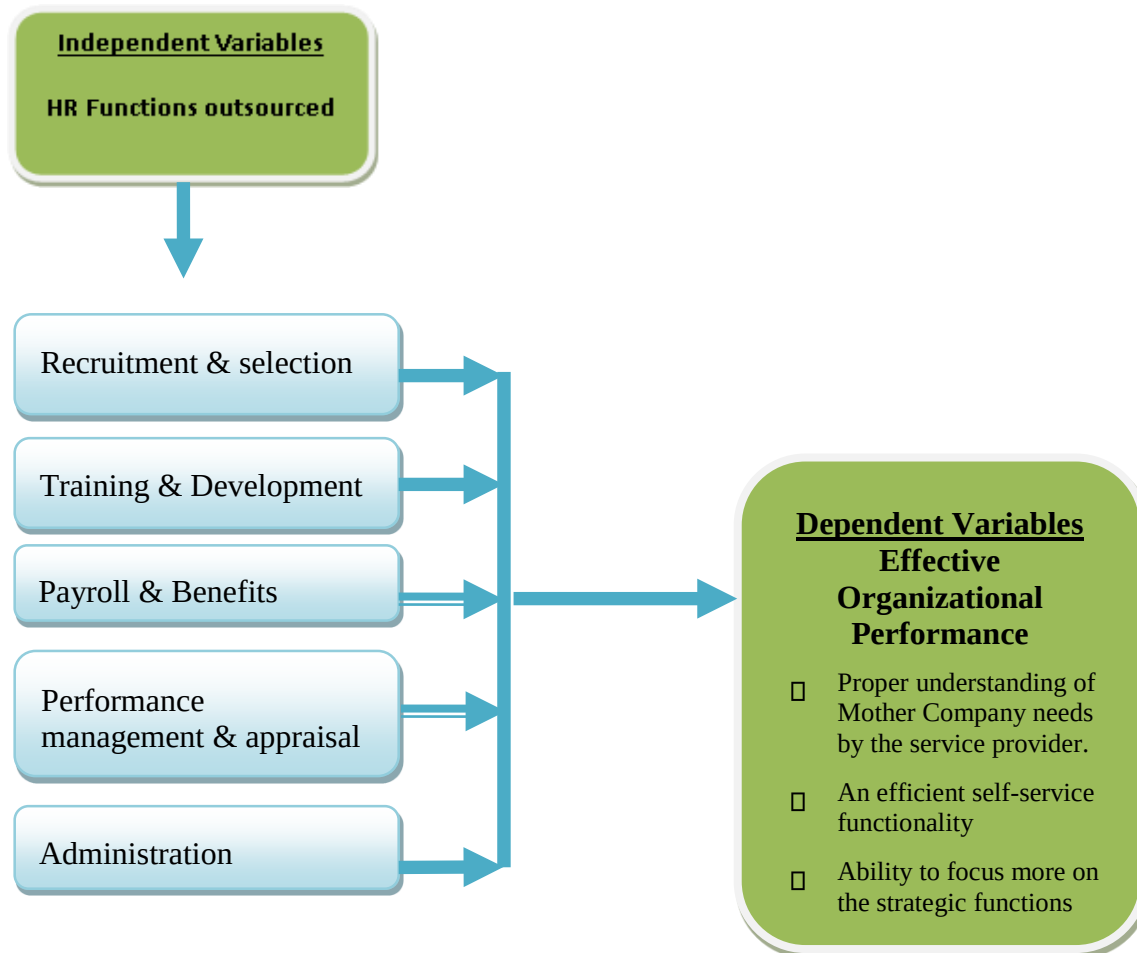


Figure 1: Conceptual framework

3.0 RESEARCH METHODOLOGY .

Descriptive research design was used to conduct the study in 15 multinational companies in Nairobi. The population was 410 employees. Sampling was not done at the organizational level but rather at the employee level. A sample of 60 was selected using a stratified systematic sampling technique.

Table 1 Target Population

Stratum	Population(N)	Sample
HR Department	90	30
Finance Department	320	30
Grand Total	410	60

Questionnaires were used to collect data, Qualitative data was obtained through open-ended questions. Prior to the actual data collection a pilot study of 30 subjects was conducted pre-testing the research instrument. From the results, clarity of the instrument's items was enhanced so as to ensure instrument's validity and reliability besides enabling researcher's familiar with administration procedures of the instrument. The questionnaire was validated by Professor E. Role, reliability of the study was tested using Cronbach Alpha after a pilot study of 30 subjects not included in the sample. This was determined against a Cronbach's Alpha threshold of 0.6; values above the threshold signified reliability (Nunnally, 1978). The Statistical Package for Social Sciences (SPSS) was used as a tool to generate the frequencies and percentages that were used in excel tabulations. The data was presented using data tables and charts.

4.0 RESULTS AND DISCUSSIONS

4.1 Demographic Characteristics

4.1.1 Number of Years Worked

The respondents were asked to indicate the number of years they had worked for their current employers. Figure 2 which presents the findings shows that: 50% of the respondents had worked in their current companies for 1 to 4 years; 32% of the respondents had worked for 5 to 10 years; 11% had worked for over 10 years; and, 7% had worked for less than a year. This implies that majority of the respondents (61%) had worked for at most 4 years.

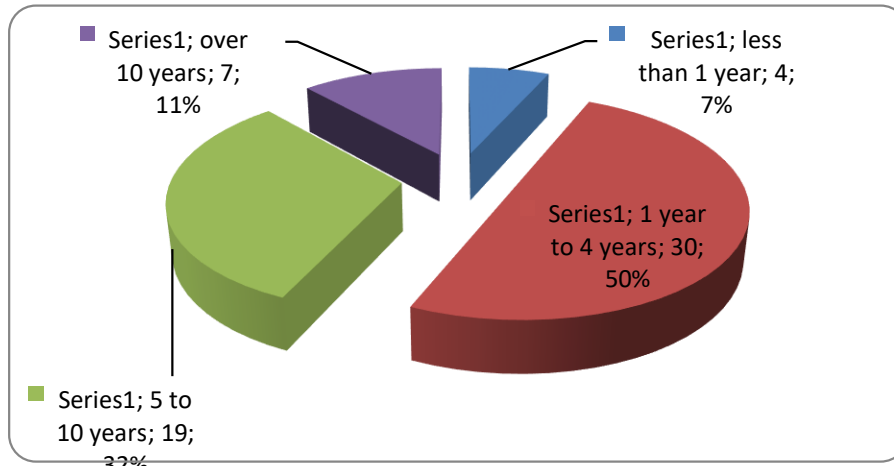


Figure 2: Number of Years Worked

4.1.2 Number of Employees

The study sought to establish the number of employees that were in each sampled multinationals' Nairobi branch as a proxy for the size of each. From the findings presented in Figure 3, 46% of the multinationals had 51 to 100 employees and 27% had below 50 employees. Additionally, 10% of the multinationals had more than 200 employees and 5% had 101 to 150 employees. This illustrates that majority (73%) of the multinationals had under 100 employees of which most had at least 50 employees.

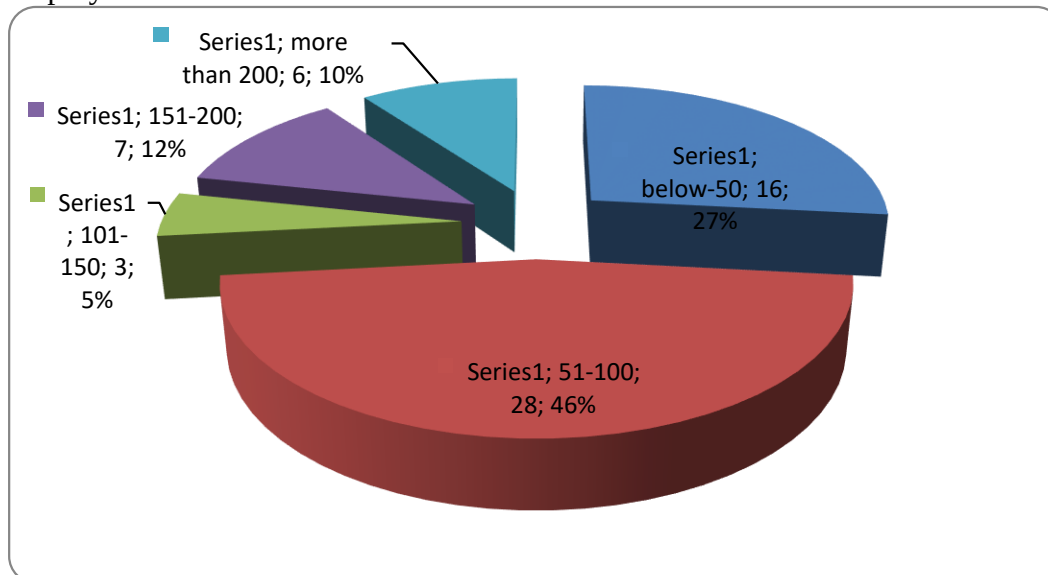


Figure 3: Number of Employees

4.1.3 Level of Education

The respondents were required to indicate the highest level of education they had attained and the results presented in Figure 4. From the findings, 48% of the respondents had master degrees, 47% had bachelors and 5% were diploma or certificate holders. This depicts that majority of the respondents were at least graduates.

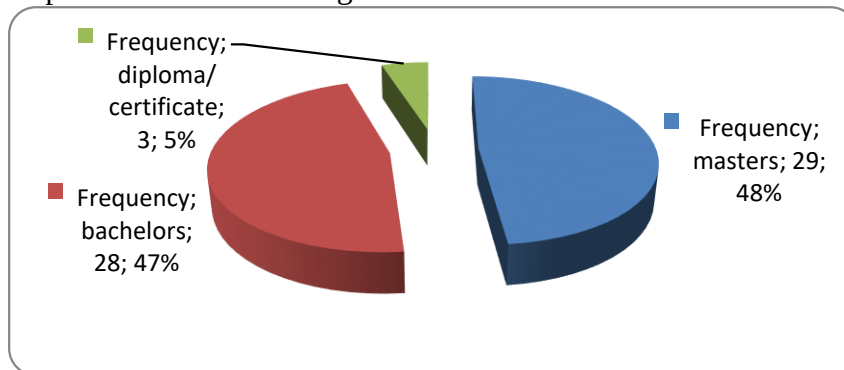


Figure 4: Level of Education

4.1.4 Geographical Area

The respondents were required to indicate the geographical area or niche that the multinationals served. From findings presented in Figure 5, 87% served international markets while 13% served regional market. Thus, majority of the multinationals served the international market; that is, were not limited to regional market. This depicts that most of the multinationals have a wide geographical coverage.

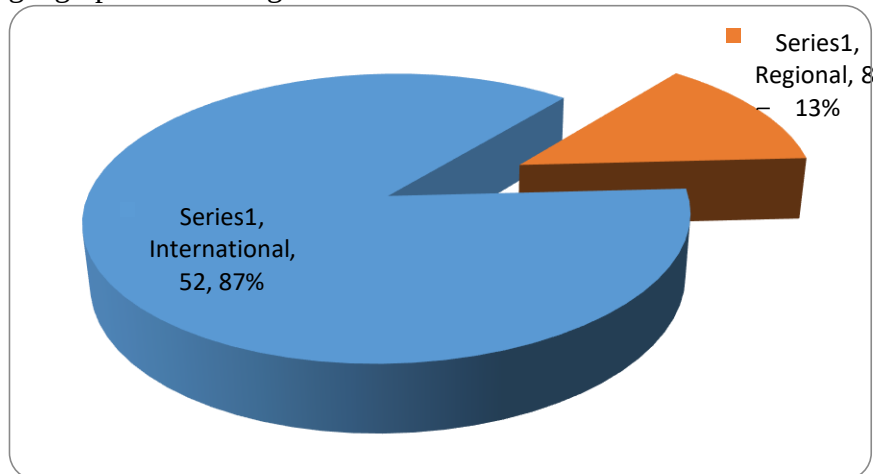


Figure 5: Geographical Area

4.2 Descriptive Statistics

4.2.1 HR Outsourcing

Figure 6 presents the findings on whether the multinationals outsourced HR functions. From the findings, 97% of the respondents indicated that the multinationals outsourced some of their HR functions while the converse respondent to the negative. This implies that nearly all the multinationals outsourced their HR functions. Since multinational target global markets, Dulachaand Gatere (2008) argue that outsourcing enables such companies improve their focus and gain access to world class capability from professionals in the agencies they outsource these functions to.

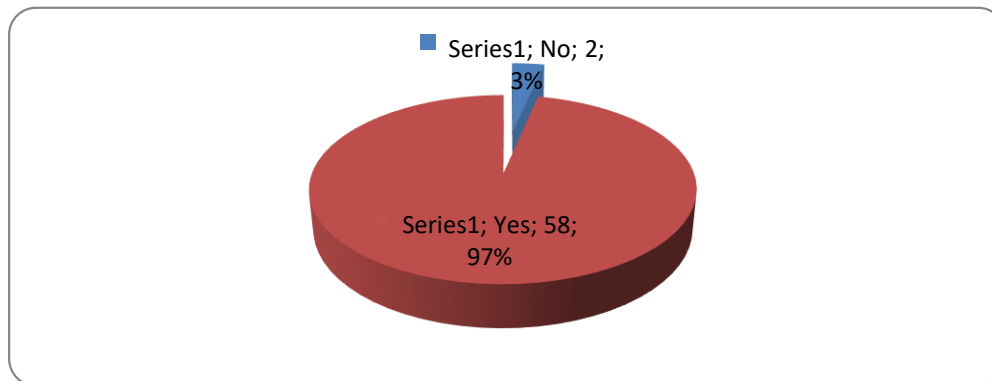


Figure 6: HR Outsourcing

4.2.2 HR Functions Outsourced

This section presents the findings on the HR functions outsourced by the multinational. According to Table 2, 96.7% of the multinationals outsourced recruitment and selection, 78.3% outsourced training and development, 48.3% outsourced policy writing, and 23.3% outsourced payroll and benefits. This concurs with Eleanna and Papalexandris (2005) findings that the HR services most commonly outsourced are recruitment and selection, training and development and pay and benefits. This is mainly true for recruitment because most multinationals have a big workforce and recruitment is always ongoing; this makes it hard for the HR staff to concentrate on any other work because they are always in interviews, therefore outsourcing recruitment.

However, the multinationals rarely outsourced HR functions such as background checks (13.3%), administration (6.7%), performance management (3.3%), succession planning (3.3%) and performance appraisal (1.7%). Most of these functions are not outsourced because of the risk of exposure of too much information to outsiders the companies stand to give to the agencies especially in performance management and appraisal. For succession planning, most organizations would rather handle it in-house since they get to know the right candidates for the job in future and manage their performance to be sure they are making the right choice. Eleanna and Papalexandris (2005) list other outsourced functions which are: performance appraisal systems, HR planning, and organizational climate and culture.

Thus the most outsourced HR functions by the multinationals were recruitment and selection, and training and development. This owes to the low risk perception in outsourcing the two functions. Other HR functions outsourced include HR policy writing, and payroll and benefits. The least outsourced functions are employee background checks, HR administration, HR performance management and appraisal, and succession planning.

Table 2

HR Functions OutsourcedStatement	No	Yes
Recruitment and selection	3.3%	96.7%
Training and Development	21.7%	78.3%
Payroll and benefits	76.7%	23.3%
Performance management	96.7%	3.3%
Performance appraisal	98.3%	1.7%
Succession planning	96.7%	3.3%
Administration	93.3%	6.7%
Temporary staffing	63.3%	36.7%
Background checks	86.7%	13.3%
Policy writing	51.7%	48.3%

4.2.3 HR Outsourcing Performance.

The study sought to establish the link between HR outsourcing performance. A 4-point Likert scale was used in collecting and analyzing the questions through calculation of weighted mean of the factors. The 4 point scale was used to do away with social desirability bias arising from respondents' potential desire not to be seen to give what they would perceive to be a socially unacceptable answer. According to the scale, 1 point was accorded to strongly disagree, 2 points to disagree, 3 points to agree, and 4 points to strongly agree. The results were presented in Table 3 to the question on whether outsourcing resolves issues on costs, 35% of the respondents strongly disagreed, 30% strongly agreed, 25% agreed while 10% strongly disagree. A weighted mean of 2.1 indicates that the respondents generally disagreed. This is contrary to Biney's (2008) findings that outsourcing brings about cost reductions owing to the vendor's access to economies of scale and the unique expertise that a large outsourcing vendor can deliver. To the question on whether outsourcing helps increase efficiency of HR officers in the mother company, 56.7% of the respondents agreed, 26.7% strongly agreed, 15% disagreed while 1.7% disagreed. This resulted into a weighted mean of 3.08. There was general concurrence that outsourcing helps increase efficiency of HR officers in the mother company. In concurrence, Thompkins (2005) argues that the primary reason for outsourcing some or whole of the HR function is to ensure that management focus on the core competencies/processes or essential human resource functions. Kruse and Berry

(2004) using the term ‘business simplification’ asserts that outsourcing enables managers to focus on delivering customer and shareholder value. On whether every HR function should be outsourced, 71.7% of the respondents strongly disagreed with the statement, 26.7% disagreed, while 1.7% agreed. A weighted mean of 1.3 was obtained signifying that the respondents’ responses strongly disagreed with the statement; not every HR function should be outsourced. Likewise, Quinn and Hilmer, (2004) found that for reliability and efficiency, rational companies would outsource everything. However, HRO is faced with risks arising from transactional impropriety, financial distress of the vendor, high transaction costs, potential lower service quality, loss of control over outsourced processes and conflict with service providers.

The study, further, sought to establish whether sharing risks is one way in which HR outsourcing improves the HR department in the company. The findings shows that 55.0% of the respondents agreed with the statement, 41.7% disagreed while 1.7% strongly disagreed. The study established a weighted mean of 2.54. This depicts that the respondents slightly thought that sharing risks is one way in which HR outsourcing improves the HR department in the company. Similarly, Bendor (2001) established that outsourcing decrease risks and create better responsiveness to customer needs. On the contrary, Quinn and Hilmer(2004) established that supplier markets are imperfect and entail risks for both vendor and outsourcing company with respect to time, quality, price and so on.

To the question on whether outsourcing HR functions improves employee performance, 45.0% of the respondents agreed with the statement, 6.7% strongly agreed, 43.3% disagreed and 5.0% strongly disagreed. A weighted mean of 2.53 was established. This illustrates that the outsourcing HR functions slightly or in an insignificant level improves employee performance. Quinn and Hilmer (2004) found that productivity of the outsourced services is initially low, as the vendor learns the needs, policies and preferences of the client.

Table 3 HR Outsourced and Organization Performance

Statement	Strongly Disagree	Disagree	Agree	Strongly Agree	Mean
Outsourcing resolves issues on costs	35.0%	30.0%	25.0%	10.0%	2.1
Outsourcing helps increase efficiency of HR officers in the mother company	1.7%	15.0%	56.7%	26.7%	3.08
Every HR function should be outsourced	71.7%	26.7%	1.7%	0.0%	1.3
Sharing risks is one way in which HR outsourcing improves the HR department in the mother company	1.7%	41.7%	55.0%	0.0%	2.54

Outsourcing HR functions improves employee performance	5.0%	43.3%	45.0%	6.7%	2.53
Average Likert Mean					2.31

Just as aforementioned, the study used 4-point Likert scale. To the statement ‘outsourcing temporary staff is more economical than handling them in house’ the respondents indicated their level of agreement. The findings shows that 61.7% of the respondents were in agreement, 11.7% strongly agreed, 11.7% disagreed with statement while 15.0% strongly disagreed. A weighted mean of 2.7 was obtained depicting general agreement with the statement.

‘Employees are motivated by professional services offered by outsourcing agents’, the findings on this statement reveal that 46.7% of the respondents generally agreed, 11.7% of the respondents strongly agreed, 40.0% of the respondents disagreed while 1.7% of the respondents strongly disagreed. A weighted mean of 2.68 established points to a general agreement with the statement. (Ulrich and Smallwood 2003) established that the vendors have expertise needed to identify areas that need improvement the knowhow of effecting such changes (economies of skill). The employees of the outsourcing company, thus, benefits from such efficiencies.

To the statement ‘cost saving in the company is more important than employee satisfaction’ the findings shows that 86.7% of the respondents strongly disagreed, 10.0% of the respondents disagreed and 3.3% of the respondents agreed. A weighted mean of 1.17 was established. This implies that cost saving in the multinationals was never more important than employee satisfaction. Klass (2003) argues that employee expectations of service may force employers to outsource services that they could not (cost effectively) develop with their own resources thus showing that the companies do care about employee satisfaction more than cost reduction. Most companies today have taken up employee welfare much more seriously than before and sacrificing their welfare because of cost saving is not an option. Especially for the multinational companies because they have a presence in so many countries and cannot afford to ignore each country’s rules and regulations or offend the locals by ignoring their people’s welfare.

To the statement ‘the bigger the company the higher the chances to outsource’ findings reveal that 58.3% of the respondents strongly agreed, 35.0% of the respondents agreed while 6.7% of the respondents disagreed. This translates to a weighted mean of 3.52. Thus, the bigger the company such as multinationals the higher the chances to outsource its HR functions. According to Arbaugh, (2003), the Size of an organization is a factor that can influence the decision to embark on HR Outsourcing. Several researchers have argued on the contrary that smaller organizations have a greater need of external expertise due to their limited scale e.g. Gilley et al., 2004; Klaas, 2003), Unlike larger organizations which can afford to design and implement sophisticated HR functions in house, smaller organizations with meager resources will incur prohibitive costs if they do so.

To the statement ‘turnover of outsourced staff is mainly caused by incompetent services in the agencies and unhappy employees’ the findings reveal that 25.0% of the respondents agreed, 11.7% of the respondents strongly agreed, 56.7% of the respondents disagreed while 6.7% of the respondents strongly disagreed. A weighted mean of 2.42 depicts that turnover of outsourced staff is not caused by incompetent services in the agencies and unhappy employees. According to Bartels, (2005), companies retain intangible knowledge as long as the knowledgeable workers stay with the company. Outsourcing employees implies a change of strategy and course. Employees react to change differently, with some choosing to leave rather than deal with the changes, taking their knowledge with them.

On the level of satisfaction with HR activities outsourced, the findings reveal that the multinationals were generally satisfied with the ability to have internal staff focuses more on strategy, level of improvement in self-service functionality and change in service quality to employees owing to outsourcing. However, the findings established that the multinationals were not satisfied with the reduction of direct and indirect cost owing to or incidental to outsourcing.

4.2.4 Correlation Analysis

The study sought to establish the perception of HR outsourcing and organization performance. Pearson Correlation analysis was used to achieve this end at 95% confidence level ($\alpha = 0.05$).

H₀₁: Human Resource Outsourcing Does Not Significantly Enhance the Performance of Multinational Companies

Table 4.8 shows that significant correlation coefficients were established between HR outsourced functions and organization performance with exception of outsourcing of administration function. This could lead to strategic risks inherent in outsourcing of administration functions. Very good linear relationships were established between organization performance and: payrolland benefits ($R = 0.719$, $p < .001$); temporary staffing ($R = 0.695$, $p < 0.001$); training and development ($R = 0.690$, $p < .001$) background checks ($R = 0.702$, $p < .001$); and, policy writing ($R = 0.691$, $p < .001$). This depicts that there is positive and very good linear relationship between outsourcing HR functions (payrolland benefits, temporary staffing, background checks and policy writing) and organization performance.

Good linear relationship was established between organization performance and: performance management ($R = 0.484$, $p = .001$); and, succession planning($R = 0.484$, $p = .001$). Moderate linear relationship was established between organization performance and: recruitment and selection($R = 0.386$, $p = .002$); and, performance appraisal($R = 0.324$, $p = .002$).

The study’s findings revealed that most multinationals in Nairobi, Kenya outsource some of the HR

On the perceptions of HRO on the multinationals, the findings reveal that outsourcing helps increase efficiency of HR department in the company. Additionally, sharing risks is one way in which HR outsourcing improves the HR department in the company and outsourcing HR functions

improves employee performance. The findings further reveal that, the benefits accruing from outsourcing, notwithstanding, not every HR function should be outsourced. Outsourcing do not also necessarily resolves issues on costs.

Significant correlation results were established between HR outsourced functions like recruitment and selection, training and development and employee satisfaction with the exception of outsourcing of administration function .As discussed before, this could be due to a number of reasons including risks and detachment that come with outsourcing functions that may involve divulging sensitive company information to the agency staff.

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The study findings have a clear implication to the Multinationals in Nairobi. As much as outsourcing HR functions does give time to the employees to concentrate on the core processes, there is need to keep tabs on the service providers to ensure that they give the best services possible. This should not be taken as a sign to micromanage the service providers but as a reminder that the outsourced functions may not be performed in house but do have an impact in overall firm performance, hence still important.

HRO remains a live issue for policy makers in Multinationals in Nairobi. If top level management does not show support for the process, then the process is set to meet recurring obstacles in its due course. Therefore Policy makers need to sell the idea to management and ensure they have their full support to go ahead. When top level management is on board it is then easy to link the outsourcing process with the overall strategic goals, thus giving it an even greater meaning.

The policy makers need to also fully understand the relationship and interdependencies between business processes before making a decision about outsourcing. This helps them know which functions are vital and must be performed in-house, and which ones the organizations can comfortably outsource.

HRO decision should be made very consciously especially when the company needs to onboard a strategic HR team. This move, which many multinational companies are shifting towards, is a conscious decision to outsource the HR admin tasks and have only the strategic team in-house to drive the HR department towards the overall organization goal.

5.2 Recommendations

The study therefore makes the below recommendations:

Companies should consider outsourcing as it optimizes costs and makes them flexible in meeting varied customers' and organizational needs. Where there is a high level of outsourcing, the companies do quite well in cutting, though infinitesimally, operations cost. Multinationals should, however, not outsource all their functions owing to risk predisposition inherent in outsourcing some HR functions.

In addition, successful performance management of a supplier depends on a clear understanding of the nature of the processes before they embark on the outsourcing process. Detailed requirements analysis will allow an effective service level agreement to develop, and this can be used to measure supplier performance. Utmost Care should be taken when developing the service level agreement (SLA) so that it can be used as a practical day to day tool to measure agent performance. The emphasis should be on meeting strategic objectives not imposing penalties on the supplier.

The researcher furthermore calls for the recruitment of vendors only after due diligence has been done through evaluating them and ensuring that they will be able to deliver and exceed the companies' expectations. This is because there appears to be inconsistency on the effect of outsourcing on cost and thus future researchers can consider studying cost in the context of one company to help in better evaluating and finding out the real impact of HR outsourcing on cost.

5.4 Conclusions

From the findings, the study concludes that multinationals companies have embraced outsourcing of HR functions. Owing to risks inherent in outsourcing some HR functions, these companies majorly outsource recruitment and selection, and training and development of staff. They further outsource HR policy writing, and payroll and benefits administration. HR functions such as performance management and appraisal, and succession planning are rarely outsourced owing to the risk of exposure involved.

Outsourcing of these functions increases efficiency of HR department and functions and employee performance, this is owed to cost optimization from HR outsourcing, and the quality and efficient services offered by the vendor due to their specialization. Employees are motivated by professional services offered by outsourcing agents and their performance increases once placed under a professional service provider.

At the same time outsourcing has created two kinds of victims; workers who've lost their jobs to outsourcing and those who narrowly escaped the outsourcing wave but were left behind in a very tense and uncertain environment. Firms need to realise their businesses are the people and take into considerations their welfare.

It can therefore be concluded that outsourcing enhances performance of the multinationals as they only concentrate on their core business and functions. Outsourcing temporary staff is more economical than handling them in house.

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