The Correlate between Outsourced Staff Flexibility and Organizational Profitability

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Abstract: The aim of the study was to examine the correlate between outsourced staff flexibility and organizational profitability. Descriptive survey design was adopted in the study among 271 staff of selected money deposit banks in Enugu. Questionnaire instruction was used for data collection. The study hypotheses were tested using linear regression. The result of the study revealed that there is significant relationship between flexibility of outsourced staff and organizational profitability of selected deposit money banks in Enugu state, Nigeria ($r = .712; p = .000$). The study concludes that, employee flexibility of outsourced staff influences organizational performance. Where human resources are outsourced by the banking industry is in information technology (IT), especially the use of net-work and that the management of money deposit banks should see the urgent need in adopting flexible working employment that can enshrine engagement of flexible human resource outsourcing agents were recommended.

Keywords: Employee Flexibility Outsourced Staff, Organizational Performance.

INTRODUCTION

Dwindling resources and market competitiveness have forced organization to scrutinize their method of producing goods and services and make changes in their processes in order to maximize economic returns. Outsourcing is the process of replacement of in-house provided activities by subcontracting it out to external agents. Consequently, the management and development of innovations in outsourced activities become the responsibility of an agent external to the firm.

Outsourcing avails organizations the opportunity to concentrate her core-competencies on definable preeminence business area and provide a unique value for customers [1] the goal of outsourcing are strategic: improved efficiencies, lower costs, improved flexibility, higher quality, and a greater ability to achieve a competitive advantage. The ultimate strategic goal is to develop core competencies that will strengthen barriers of entry for new firm to survive. By focusing on core competencies and utilizing qualified vendors to provide process that are not one of the organization’s core competencies, such that the organization’s risk can be minimized and share with its suppliers.

Yankelovich [2] indicated that two- third of companies world-wide already outsource at least one business process to an external third party. This practice appear to be most common in the U.S., Canada, and Australia, where 72 percent of outsourcing is been sought. Outsourcing may be used because specialist outside suppliers can apply more specialized skills, and can benefit from the economics of the scale or scope not available within the firm. It allows firms to share any associated risks with their outsourcing partners, thereby reducing organizational loss affirms [3].

Human resources are the backbone of every organization and call for the best way of managing it to overcome the challenges of globalization, service delivery, innovation in information technology etc. An example where human resources are outsourced by the banking industry is in information technology (IT), especially the use of net-work. Chukwu [3] avers, that information technology helps bank to lower the cost of their marketing participation (transaction cost), making it worthwhile for banks to contract with external suppliers instead of using internal sources. As a result, bank can shrink in size (number of employees) because it is far less expensive to outsource work to competitive marketplace rather than hiring employees.

Outsourcing human resources on information technology (IT) is one of the major strategies that give bank competitive edge among others. So the competition has made banks to improve on their customers’ service delivery, such as automated teller machine (ATM), marketing, security tips and
technological know-how. Human capital management and development move beyond cost control to strategic value, hence ensuring high performance. Human resources outsourcing companies use human resources management as a strategic tool to transform deposit money banking in Enugu state, Nigeria. In essence, the organizations are increasingly making decisions to send certain parts of the business. Human resource (HR) outsourcing is about making a decision with far-reaching implications—not just for HR, for the entire organization. It requires careful planning and implementations involving the representatives of all potential users of the service provided. In money deposit banks, often time, due to broad responsibility, all the needed user of the human outsourcing are not collectively involved in the decision making. This have been shown over again to cause employees to be more committed to one part which is mainly involved in the outsourcing process, thereby reducing the performance capability of the employee and increases the chances of discrimination in terms of authority to whom to adhere which stands against the goals and expectations of the outsourcing process which should be well articulated, funded, etc. in a detailed project plan [4]. In view of this, the present study examines the relationship between outsourced staff flexibility and organizational profitability among selected quoted deposit money banks in Enugu state.

REVIEW OF RELATED LITERATURE

Outsourcing or sub-servicing often refers to the process of contracting a firm's services to a third party [5]. A precise definition of outsourcing has yet to be agreed upon. Thus, the term is used inconsistently. However, outsourcing is often viewed as involving the contracting out of a business function—commonly one previously performed in-house to an external provider [6]. Outsourcing can save companies significant costs and is very profitable for firms that specialize in providing these services on a contract basis. U.S. based firms such as EDS, IBM, and Deloitte have developed specific competencies in global production and HR coordination, including managing the HR functions that must support it. These firms combine low labor costs, specialized technical capabilities, and coordination expertise, affirms [7]. Armstrong [8], opines that Outsourcing human resources service which would have previously have been regarded as a business’s own responsibility to manage are now routinely being purchased from external suppliers. Managements are facing, Tom [9] challenges: prove it can’t be subcontracted.

The world has embraced the concept of outsourcing and companies have adopted its principles to help them expand into other market [8]. Outsourcing is promoted as one the most powerful trends in modern management. The rationale for outsourcing some functions and/or processes includes substantial financial economies, increase the ability to demand measurable and improve service level. Outsourcing differs from alliances, partnerships or joint ventures in that the flow of resources is one way, from the vendor to the outsourcer; typically, profit sharing or mutual contribution are not a common practice [10]. Outsourcing is a management strategy by which an organization delegates major non-core function to specialized and efficient service providers. Corbett [8], outsourcing is nothing less than wholesale restructuring the corporation around core competencies and outside relationships. The traditional outsourcing emphasis on tactical benefits like cost reduction. The market for providers of outsourced services of all type is growing rapidly.

Outsourcing also refers to the delegation of one or more business processes to an external provider who then owns, manages and administers the selected processes based on defined and measurable performance matrices and SLA. The specific processes include human resources outsourcing, Knowledge Process Outsourcing (KPO), Tele-work Process Outsourcing (TPO), Recruitment Process Outsourcing (RPO) etc. and varies from organization to organization. While some organization may outsource virtually all of their HR processes, others may opt for selective specific approach or resourcing as an acceptable management tool for restructuring and refocusing corporate affairs and business, it challenges management to build flexible organization centered on the core competencies and activities of their business policy and objectives. In making this strategic decision, organizations gain more by outsourcing non-core activities (of the business) to service providers (transfer of responsibility for one or more activities (or functions) normally performed in-house to a qualified vendor or service provider). This is usually for a specific period of time and a negotiated fee, in accordance with stipulated terms of service level agreement (SLA).

A relatively new trend in outsourcing is employee leasing, in which specialized vendors recruit, hire, train, and pay their clients' employees, as well as arrange health care coverage and other benefit. The growth in outsourcing in recent years is partly the result of a general shift in business philosophy. Prior to mid-1980s many companies sought to acquire other companies and diversify their business interest in order to reduce risk. As more companies discovered that there were limited advantages to running a large group of unrelated businesses, however, many began to divest subsidiaries and refocus their efforts on one or a few closely related areas of business.

Because of resources limitations, few firms have the ability to apply work-class resources to all areas of competition. Thus, in order to gain competitive

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advantage, they must select areas in which they will concentrate their resources [11]. By outsourcing to specialist organizations services not generated by core-competences companies can see an improvement in their organizational performance [12]. Rasheed [13], states that there are three reasons for this. Firstly, the acquisition of non-strategic services allows the organization to center on what it really can do well, that is, on the services whose resources have a high strategic value. Such focuses on services not included in the core competences can increase performance and allow the company to be more flexible. Secondly, increasing the outsourcing of non-strategic can improve both the quality and services [14]. Lastly, the outsourcing of services of low strategic enables the company reduce cost and improve its competitive position.

Companies tried to identify or develop a “core competence”, a unique combination of experience and expertise that would provide a source of competitive advantage in a giving industry. All aspects of the company’s operation were aligned around the core competence, and any activities or functions that were not considered necessary to preserve it were then outsourced. Today, outsourcing is embraced by companies of all sizes and industry orientations. In fact, some companies are putting themselves at risk as a result of using outdated technology and not complying with government regulations. Vendors, by focusing on administration as part of their business model, provide better services enforce by contracts and service-level agreement. Outsourcing human resources to this effect, frees human resources executives and department from the time consuming tasks of managing human resources function. It enables them to focus on allocating work force resources more efficiently to achieve business objectives. Olise [15], posits that outsourcing human resources in the long run, is significant in achieving competitive edge to improved workforce performance through developing skill employees that can service client more efficiently. To him human resource outsourcing is concentrated in this line of production of goods and services by individual firms, and industries through some natural or acquired advantage. These developments are not without controversy, however, offshore outsourcing, as well as the hiring of temporary workers from abroad on special visas, similar to impetrates, presents significant opportunities for cost savings and lower overhead [7].

Ogbo [3] posits that outsourcing human resources helps an organization to get access to skilled expertise. Human resource outsourcing model as an acceptable management tool for restructuring and refocusing the corporate affairs, goals and objectives, will result in cost saving and overhead reduction, staffing flexibility, development of in-house staff etc. It will result in the shading of non-core corporate activities and right focusing of valuable material and human resources or core activities, thereby repositioning the organization for effectiveness, efficiency, staffing flexibility, operational control and competitiveness [16]. Organizations of all sizes (and industries) are outsourcing parts of their human resource business processes to effect improvements in efficiency, service and cost. Service providers are also moving away from the traditional stereotype human resource service delivery model (with increased access to better technology, at reduced cost) to more flexible models and efficient delivery of quality services to the customers.

Varieties of Human Resources Outsourcing

As human resources outsourcing is evolving, varieties of outsourcing activities are equally evolving. With the new focus on outsourcing, there are more opportunities of partnership amongst the service providers (vendors) on long-term basis rather than the just a onetime fling (short term) service contract. Types of human resources outsourcing include: Discrete services refers to one element of business process or a single set of high volume repetitive functions outsourced to a service provider administrator, such as:

- annual open enrollment process, employee data updates and background checks, retiree and pension fund updates and upscale etc,
- Multi-process(blended) services; refers to outsourcing of one or more functional human resources processes or multi-process outsourcing (or blended services), such as the outsourcing of health and welfare benefits administration, defined retirement plan and administration etc to services providers, and
- Total human resources outsourcing refers to the transfer of the majority of human resources services to one of the service provider namely; recruitment, payroll, human resources information system, benefits, compensation, the transition of human resources management and staff etc. However, human resources executive management, strategic planning and management key human resources functions (management) remain within the organization[16].

Relationship between staff flexibility and organizational profitability

Reasons for employers to use short term workers, dual Labor Market model [17], organizations are composed of two main groups of workers: the core (or primary) group and the peripheral (or secondary) group. Core workers are mostly “standard” or permanent employees. These employees work under the so called standard employment relationship (SER), which, according to certain authors [18], has some typical characteristics: it offers continuity of employment, which gives the workers a certain level of
security regarding their working situation; the employees work in the employer’s workplace and receive employer’s supervision.

The peripheral group is mostly “nonstandard” or short term workers, and includes short term agency workers, short-term, and independent contractors [17]. All these types of employment are different from the standard employment in aspects such as working hours, terms of the contract, access to fringe benefits and supervision received. Most of the companies have a certain number of short term workers as a way to deal with periods of decreased productivity or lower demand. This characteristic is considered by many authors as a quantitative (or numerical) external flexibility, concerning employees who belong to the “external” part of the company and not to the “core” [13].

There are three main reasons for employers to use short term workers, flexibility of staffing, reduction of costs and ease of dismissal. Staffing Flexibility due to the rapid innovativeness in science and the ever increasing competitiveness, companies have established policies of flexibility and adaptation to the economic changes in order to keep profits as high as they can [2]. Given that employment situations all over the world has become more competitive and unstable, many companies and organizations have inclined to present more flexible employment conditions, focusing on prospective tribulations (such as lower demand of the market) and the possibility of lay-offs [19]. Most companies experience variable demands of work. When demand is high, the usual response is overtime work sometimes augmented by the recruitment of temporary employees [1]. Reduction of Costs a key benefit in utilizing short term employees is the reduction of recruitment costs [1].

This is especially noticeable with agency workers actively recruited by employment agencies, rather than by their eventual employers [20]. Indeed, recruitment services by the employment agencies are sometimes extended to the recruitment of permanent personnel [21] and in the United Kingdom represent 7 per cent of invoiced sales turnover within employment agencies [22]. Decreasing employee costs within an organization is a critical aspect of strategic human resource management with regard to competitive global market [19].

Relationship theories propounded in the year 1995 was adopted in the study. The theory focuses on cooperation, interactions, and social and economic exchanges as. The major factors in inter organizational relationships (IOR). More specifically, they focus on interactions between parties. Relationship theories often appear in the strategic management and marketing literature, addressing topics such as alliance and partnerships, competitive advantage, supply chain management and supplier-buyer relationship. The underlying notion of relationship theories is that at the root of all relationships is some type of exchange [23, 24]. When applied to outsourcing research, they have been used to identify the key dimensions of ITO relationship, including context, interactions, behavioral [24]. These key dimensions of outsourcing relationship also have been examined by prior literature of their impacts on outsourcing outcomes.

Yeboah [3], carried out research on the relationship between outsourcing and organizational performance in service sector. The objective of this was to examine the relationship between the flexibility of outsourced staff and organizational profitability in the service sector. The population of the study was made up of 50 firms operating in the banking and insurance sectors of economy of Ghana. The researcher used purposive sampling for the same selection of the respondents. Questionnaires were distributed to the respondents for statistical analysis. The study utilized statistical package for the social sciences (SPSS) to analyze the data collected. The study revealed a number of findings including: there is statistically significant relationship between outsourcing and organizational productivity, there is statistically significant correlation between outsourcing and competitive advantage. Based on the findings, there must be thorough background check before outsourcing, and organizations must also have a back- up system to avoid losing vital data as a result of incompetency on the part of external supplier.

**METHODOLOGY**

The research design adopted for the purpose of this study was descriptive survey design. It is because of the sample frame. The study derived its data from primary data and secondary data. The primary data for this study was obtained through structured questionnaire which is the major instrument used to collect data for this study. Out of this 19 money deposit banks operational in Enugu, 5 were purposefully selected based on their liquidity, staff strength both permanent and contract. These banks are quoted in the Nigerian Stock Exchange, this gives a population of the study is 917. A sample size of 271 was obtained using Trek [4]; Bartlett, Kotrlik and Higgins[25] (see appendix 1). The study adopted Proportionate stratified sampling method in order to give a proper representation of the designated banks using Bowley’s population allocation formula.
Description, Validity and Reliability of the Research Instrument

The major instruments used in this research for data collection are closed questionnaires and oral interview. They formed the basis of opinion assessment. The questionnaire was designed in two sections. Section A was for the bio-data of the respondents while section B focused on issues of outsourcing human resources in the Nigerian banking industry. The questionnaire was structured in five Likert scale format. The entire questionnaire collected or returned was adequately analyzed for this study. Appendices I and II in this study formed copies of the questionnaire used. The researcher subjected the instrument to face and content validity by giving it to management’s experts and my supervisors who studied the instrument thoroughly to ensure that they were in line with objective of this study. The researcher pre tested (50) copies of the test instrument before the actual study. The response obtained from the pre study was subjected to Cronbach Alpha’s internal consistency test by using SPSS (statistical package for social sciences) version 23.0. Based on the inter-item correlation of eleven (11) items on the questionnaire the result of the reliability test is 0.762. This indicates that the item on the questionnaire are internally consistent, hence they are highly reliable.

Method of Data Analysis

Data collected for the study was analyzed using three tools: the descriptive statistic in form of tables to present the frequencies and percentages, mean and standard deviations. The hypotheses were tested using inferential statistical technique of linear Regression Analysis and Pearson’s Product Correlation Analysis. All these will be computed using computer software for statistical package for social sciences (SPSS) version 20. The study decision was to reject null hypothesis if P-value is less than 0.05 (level of significant) otherwise acceptance of null hypothesis if P-value is greater than 0.05(level of significant).

Test of Hypotheses

Ho: There is no significant relationship between flexibility of outsourced staff and organizational profitability of selected deposit money banks in Enugu state, Nigeria.
Hi: There is significant relationship between flexibility of outsourced staff and organizational profitability of selected deposit money banks in Enugu state, Nigeria.

Table-1: Questionnaire administered accounting to number of Bank’s staff

<table>
<thead>
<tr>
<th>Banks</th>
<th>Population</th>
<th>No of questionnaire to be administered</th>
<th>Percentage of questionnaire (%) distributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>UBA Bank</td>
<td>245</td>
<td>72</td>
<td>23</td>
</tr>
<tr>
<td>ECO Bank</td>
<td>102</td>
<td>30</td>
<td>10</td>
</tr>
<tr>
<td>FIRST Bank</td>
<td>383</td>
<td>113</td>
<td>44</td>
</tr>
<tr>
<td>ACCESS Bank</td>
<td>77</td>
<td>23</td>
<td>10</td>
</tr>
<tr>
<td>UNION Bank</td>
<td>110</td>
<td>33</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>917</td>
<td>271</td>
<td>100</td>
</tr>
</tbody>
</table>


Table-2: Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexibility of outsourced</td>
<td>2.8253</td>
<td>1.27682</td>
<td>258</td>
</tr>
<tr>
<td>Organizational productivity</td>
<td>3.1613</td>
<td>1.37593</td>
<td>258</td>
</tr>
</tbody>
</table>

Table-3: Correlations

<table>
<thead>
<tr>
<th></th>
<th>Flexibility of outsourced</th>
<th>Organizational productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flexibility of outsourced</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.712(**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>1</td>
</tr>
<tr>
<td>N</td>
<td>258</td>
<td>258</td>
</tr>
<tr>
<td>Organization productivity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.712(**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>258</td>
<td>258</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).
Appendix

\[
\frac{Z^2 \cdot Pq + e^2}{n} = e^2 + (Z^2 \cdot Pq/N)
\]

Where:

- \( n \) = Sample
- \( Z \) = Standard error of the mean (usually 95%, corresponding to 1.96 in the \( Z \)-Distribution table)
- \( P \) = Proportion of the population likely to be included in the sample (50% or 0.5 is assumed)
- \( e \) = Level of significance (assumed to be 5% or 0.05)
- \( N \) = Population size (established at 917).

Interpretation

The descriptive statistics table shows the descriptive statistics of the flexibility of outsourced staff with a mean response of 2.8253 and std. deviation of 1.27682 and a mean response of 3.1613 and std. deviation of 1.37593 for organizational profitability (n = 258). By careful observation of standard deviation values, there is not much difference in terms of the standard deviation scores. This implies that there is about the same variability of data points between the dependent and independent variables.

The Pearson correlation coefficient for flexibility of outsourced staff and organizational profitability. The correlation coefficient shows 0.712 which indicates that correlation is significant at 0.05 level (2tailed) and implies that there is a significant strong positive relationship between flexibility of outsourced staff and organizational profitability (\( r = .712 \)). Since the p-value is less than 0.005, we reject the null hypothesis and conclude that there is significant relationship between flexibility of outsourced staff and organizational profitability in selected money deposit banks in Enugu state, Nigeria (\( r = .712, P<.05 \)).

DISCUSSION OF FINDING

The result of the study revealed that the flexibility of outsourced staff influences the productivity of an organization. Many times, organizations especially in the banking industry outsource certain such as accounting functions, training, administration, customer services, compensation planning, payroll, and other human resources function. The effectiveness of the above function is however dependent on the flexibility of the organization upon which banks outsourced those function. In a prominent circumstance is a glaring case of outsourcing security function to a security agency, the said agency operated a system that does not permit the staff to engage in any other activity of the organization outsourced. This act as observed have over time resulted in low customer satisfaction, for instance, the outsourced security personnel, by virtual of their organization policy are not permitted to give a direction to customers having challenges with the bank ATM. Such customer thereby needs the service of bank main security personnel to operate the said ATM effectively. This finding agrees with previous by Yeboah [3], which reported a statistically significant relationship between outsourcing and organizational productivity, there is statistically significant correlation between outsourcing and competitive advantage. Giving this influence, many organization all over the world as indicated by OECD [26], have inclined to present more flexible employment conditions, focusing on prospective tribulations (such as lower demand of the market) and the possibility of lay-offs

CONCLUSIONS

Companies tried to identify or develop a “core competence”, a unique combination of experience and expertise that would provide a source of competitive advantage in a giving industry. All aspects of the company’s operation were aligned around the core competence, and any activities or functions that were not considered necessary to preserve it were then outsourced. The study concludes that, employee flexibility of outsourced staff influences organizational performance. Today, outsourcing is embraced by companies of all sizes and industry orientations. The decision to outsource is a major strategic one for most companies, since it involves weighing the potential cost saving against the consequences of a loss in control over the product or services. Human resource outsourcing as a relatively new expect of outsourcing as reported in the study is a veritable tool for enhance greater productivity. The growth in outsourcing in recent years is partly the result of a general shift in business philosophy. Because of resources limitations, few firms have the ability to apply work-class resources to all areas of competition. Thus, in order to gain competitive advantage, they must select areas in which they will concentrate their resources. By outsourcing to specialist organizations services not generated by core-competences companies can see an improvement in their organizational performance as acquisition of non-strategic services allows the organization to center on what it really can do well, that is, on the services whose resources have a high strategic value. Such focuses on services not included in the core competences can increase performance and allow the company to be more flexible.

RECOMMENDATIONS

Based on the finding of the study, the followings are recommended:

- Human resources are the backbone of every organization and call for the best way of managing it to overcome the challenges of globalization,

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service delivery, innovation in information technology etc. An example where human resources are outsourced by the banking industry is in information technology (IT), especially the use of net-work.

- Management of money deposit banks should see the urgent need in adopting flexible working employment that can ensnare engagement of flexible human resource outsourcing agents.

REFERENCES