

ASSESSING HUMAN RESOURCE OUTSOURCING AND COMPETITIVE ADVANTAGE IN MONEY DEPOSIT BANKS IN RIVERS STATE

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ABSTRACT

The aim is to assess the impact between human resource outsourcing and competitive advantage in deposit money banks in Rivers state. The variables were conceptualized including the dimensions and measures. The paper was anchored on the agency theory. Hence, this paper holds that human resource outsourcing has a positive impact on competitive advantages in deposit money banks in Rivers state and existence of this factors in the organization, may be responsible for the varying level of performances in the organization. The paper recommends that, to improve organizational competitiveness, organizations should improve its training outsourcing strategies. Especially those that ensure the firm maximize low cost of outsourcing.

Keywords: Human Resource, Outsourcing, Competitive Advantage

INTRODUCTION

Attaining high performance for service organizations does not come easily, as these organizations are confronted with challenges that are bedeviling to their existence. Some of these challenges may include; lack of strategic focus, lack of timely and meaningful feedback, lack of leadership support, lack of stakeholder review, lack of training and communication, lack of simplicity in administrative processes. Other factors affecting the attainment of performance especially in the banking sector are as follows; (1), highly aggressive sales targets and customer service benchmarks, (2), lack of continuous coaching and employee mentoring, (3), lack of ability of employees to frequently track goal and performance reviews, (4), lack of adequate workforce planning, (5), poor preparation for millennial workforce and their digital expectations, (6), poor rational compensation and benefits, (7), lack of employee data security and privacy, (8), lack of employee motivation, (9), lack of physical presence of banks in rural communities, (10), non-performing assets, (11), serious competition from non-banking financial institutions, (12), competition with foreign banks, (13), political pressures, etc. Again, some organization don't seem enjoy dealing with issues concerning outsourcing. This may explain some of the reasons why their management sometimes feels uneasy and even intimidated when it relates to outsourcing specific functions. Outsourcing specific functions in the organization is key because the need to be transparent with their employees about the process and provide reassurance that this is the beneficial to the organization on a larger scale.

Nevertheless, proper outsourcing in the human research process does not come that easy, this is because it brings about disconnection with and within employees, it reduces flexibility, brings about problems that take longer time to solve, it leaves employees as well as organizations with fewer choices, it brings about more security challenges in the organization.

In the light of this, there has been an outcry of the way outsourcing is performed in most instances, this is because, Harland *et al.* (2005) noted that the most significant risk in outsourcing includes decision on which activities should remain within the organization and which should be outsourced, whether all or part of the activity should be outsourced, and how to manage relationships rather than internal functions and processes. This goes to show that, there is even a problem identifying core or non-core functions to be outsource. In the light of the above, urgent steps is being taken to curb this unfavourable outcomes to make sure organizations in the banking sector are revived through the application of training and development and payroll administration as measurement tools for HRO in a bid to impact competitive advantage.

Significance of the Study

Theoretically, this study will bridge the gap in literature with the use of cost advantage and technological advantage as against only financial indicators that have been the trend for several researchers, decision/policy makers, top management, investors, creditors, and other stakeholders. Consequently, this will add to literature and expand the scope of knowledge on the variables under review. This study will bring a new perspective of competitive advantage and HRO to the researching public especially based on the links connecting the measuring proxies. In practice, the outcome of this study will offer an insight to all stakeholders into the world of banking in Nigeria. It will particularly reveal banking-specific factors that are responsible for poor HR activities which seem to have plagued Nigerian banks over the past decades. It will thus enable top management of these banks to put in place measures to help curb this ugly trend. Putting regulatory authorities at the point where they reconsider their codes of conducts for banks with respect to relevant labour and employment laws in the land.

Agency Theory

Agency theory has been used to examine competitive advantage (Christen, Iyer, & Soberman, 2006). Agency theory can be applied to situations in which there is a delegation of work by one party (the principal) to another (the agent), who performs the work (Eisenhardt, 1989). For our purposes the principal is the purchaser or outsourcing firm and the agent is the vendor or outsourcing provider. The units of analysis differ from owner and manager and manager and employee relationships most often found in the literature, but are consistent with the conceptual framework (Milgrom & Roberts, 1992; Whitener, Brodt, Korsgaard, & Werner, 1998). There are two sources of agency problems: those arising from asymmetric information such as moral hazard and adverse selection and those arising from asymmetric interests between the principal and the agent (goal conflict). Goal conflict includes problems of risk sharing between the principal and the agent due to differing risk preferences.

Alchian and Demsetz (1972) addressed one problem resulting from asymmetric information (informational problems of monitoring effort in team production) in their suggestion that team production is a reason why firms emerge. Moral hazard — arises from the problem that individuals will sometimes say what they do not mean or what they know not to be true, while adverse selection — stems from the fact that individuals sometimes do things they said they will not do or do not do things they said they would|| (Ben - Ner, Montias, & Neuberger, 1993).

Agency theory predicts that parties seek to ascertain the most efficient contract given their assumptions and boundary conditions, by assuming that individuals are self-interested, risk averse, and act with bounded rationality. Information asymmetry between principals and agents is a source of gain to the party with better information and a source of goal conflict. The outsourcing organization is the source of much of the relevant information about the costs of providing a given HRM service. In many cases HR consultancies are paid to acquire information about the efficiency and effectiveness of HRM process for an organization. The HR consultancy has an incentive to withhold or alter some of this information, especially if their organization or an affiliated entity is selling HRO services. In this case the principal must be aware that for an efficient contract to be reached there is a trade- off between the costs of incentives to elicit performance and the costs of monitoring. This may explain the rise of HRO contract consultants in bidding for HR providers and should be a source of concern when examining a bid from a firm that has recently served as an HR consultant. In situations in which it is difficult to monitor effort, incentive mechanisms are used in contracts between the principal and the agent which are based on the output of the agent. However, a complicated service such as an HRM process has a large quality component that is difficult to measure.

Concept of Human Resource Outsourcing (HRO)

Outsourcing is a strategy toward building a relationship or dealing with a third-party organization for an arrangement in which activities of the firm is done by an outsider (Momme, 2001). Outsourcing happens when an organization's responsibility for business process is exchanged to a third-party. Exchange of control is the key viewpoint to this definition. This definition is unique in relation to third-party commitments where the control of the procedure is held by the subscribing firm, as it were, the subscribing firm does not advise the third-party on how to take the necessary steps in performing this task. This exchange of possession as characterized in Outsourcing and regularly makes it a difficult and excruciating procedure. In Outsourcing, the subscribing firm centers around imparting what results it needs to purchase, and leaves the how in achieving those outcomes to the third-party. Human Resource Outsourcing is drawing in an outside organization to take responsibility for or the majority of the Human Resource activities in an organization. Re-appropriating can be utilized for various distinctive HR related exercises. The most normally redistributed HR capacities are foundation.

HRO is the demonstration of one organization contracting with another organization to give benefits that may somehow or another be performed by in-house workers. Outsourcing is characterized as an agreement administration understanding in which an organization procures out all or some portion of its tasks to an outer organization. Human Resource Outsourcing, then again, is a kind of Outsourcing where the exercises and elements of the human asset bureau of an organization are given to another firm. At the point when an organization on another mainland is include, the right term to utilize is seaward Outsourcing. Close shore re-appropriating alludes to re-appropriated ventures that are outside the nation, yet on a similar mainland.

Human Resource Outsourcing is the way toward assigning human asset exercises or activities from inside generation inside a business to an outer substance that spends significant time in Human Resource Operations. All in all, re-appropriating can be alluded to as settle on or purchase choices on transitional merchandise, to the enlisting of transitory work and to the utilization of outer administrations (Kennedy, Holt, Ward, and Rehy, 2002). As per Beaument, (2006) Human Resource Outsourcing is a kind of re-appropriating which is a sub-sort of dispersed work. It is the assignment of errand or employment from inner generation to outside element. Gilley and Rasheed (2004) gave illuminations to the definitional perplexities, situating Outsourcing as obtaining something that was either initially sourced inside (for example vertical deterioration) or could have been sourced inside despite the choice to head outside (for example make or purchase). This incorporates courses of action that have been named inner versus outside sourcing (Beaument, 2006).

Training Process Outsourcing

Theorists, such as Becker (1964) and Goldstein performance effects of Training, in recent years the theory has been complemented with several studies that have found positive effects of Training on measures of competitive advantage such as cost savings and productivity (Frayne and Geringer, 2000; Jones, 1998). While there have been studies of the performance effects of Training and of the performance effects of Outsourcing in general, no empirical studies have specifically addressed the performance effects of Outsourced Training. Nonetheless, there are several ways in which such Outsourcing may positively affect competitive advantage. One important potential effect is cost reduction, as Outsourced Training provides a means of reducing the fixed costs associated with maintaining a Training staff. Further, Outsourcing of Training can add value through the higher quality available from specialized Training providers. Because many firms may lack the expertise to conduct Training in-house, better performance may be obtained with outsourced training. By Outsourcing training to outside specialist organizations, firms may achieve superior levels of competitive advantage and productivity, thus leading to higher financial performance and improved customer and render satisfaction. Improved Training also should enhance innovation because well-trained employees have a better knowledge foundation for improving processes and products. In

addition, by Outsourcing Training activities, the firm will be better able to focus on the value creating activities that drive competitive advantage.

Payroll Outsourcing

Payroll activities have lower key significance. Notwithstanding when the activities are performed impeccably, they don't have the key effect of other human asset capacities. In any case, while Payroll activities are not key and are value-based as opposed to social, they should be performed well since administration disappointments can have solid negative consequences for representative confidence. As Lepak and Snell (1998) have noted, there is expanded accentuation on making human asset works more cost effective and Outsourcing has been utilized to diminish cost of fringe human asset capacities, for example, Payroll administrations. For sure, an industry of human asset specialist organizations has developed to some degree to give lower exchange expenses to activities, for example, Payroll handling. For instance, firms like collaboration HR Technologies, Strategic Outsourcing, Paymaxx, Paychex, and Pro Pay give Outsourcing of administrations to such activities as Payroll preparing, benefits organization and workforce advancement.

What's more, since Payroll activities are value-based as opposed to social, merchants can perform them with little loss of significant worth to the association. They additionally have low undertaking and social collaboration prerequisites and can be performed in relative detachment necessities and can be performed in relative segregation from other Organizational activities with just constrained measures of data and coordination from other Organizational units.

In this manner, as per the direction given by the Lepak and Snell (1998) display, the speaker typology (Greer, 2001), and the Baron and Kreps (1999) demonstrate, firms ought to redistribute Payroll activities to build firms execution, on the grounds that these activities are low key esteem and value-based in nature, non-one of a kind and don't give a wellspring of upper hand. Because of Outsourcing, HR divisions might probably get better administrations and lower costs from merchants than from in-house sources, since Payroll specialist organizations have the upsides of scale, mastery, and forward-thinking innovation just as additional inside and out procedure learning that may empower them to give better administration just as lower cost (Jarvis, 1999).

Concept of Competitive Advantage

Competitiveness is a multidimensional concept. It can be looked at from three different levels: country, industry, and firm level. Murths (1998) competitiveness originated from the Latin word – '*competer*' which means involvement in a business rivalry for markets. It has become common to describe economic strength of an entity with respect to its competitors in the global market economy in which goods, services, people, skills, and ideas move freely across geographical borders. Firm level competitiveness can be defined as the ability of firm to design, produce and or market products superior to those offered by competitors, considering the price and non-price qualities (D'Cruz, 1992). Competitiveness processes are those processes, which help identify the importance and current goal accomplishment of core processes such as strategic management processes, human resources processes, operations management processes and technology management processes. The competitiveness process can be viewed as a balancing process that complements traditional functional processes such as operations management and human resources management. It enhances the ability of an organisation to compete more effectively.

Traditional economic indicators such as profitability, productivity or market share, which are seen as being insufficient to enable continuous improvement of goal accomplishment (Lu, 2006). D'Cruz (1992) declared that the concept not only reflects past goal accomplishment, but also allows the perception of potential and the improvement of managerial processes. Traditional indicators can only reflect the historic quantitative facts. Competitiveness is a capability and its potential has to be realized in a firm's everyday operations. As Porter (2004) maintained that there is appropriate improvement at the microeconomic level, macroeconomic, political, legal and social reforms will no bear full fruit". In other words, macroeconomic conditions influence microeconomic (business)

environment and vice versa. Further, there are many examples where firms exercise varying competitiveness (both positively and negatively) even though they exist in the same macro environment. Consequently, competitiveness cannot be fully understood if the competitiveness of enterprises is not grasped (Porter, 2004).

Cost Advantage

Reducing costs also have significant effects on business competitiveness (Guzmán *et al.*, 2012; Porter, 2004). Kiptalam, Komene and Buigut (2016) in a scale developed provided validity and reliability for the measures of competitiveness used; consequently, business organisations who want to acquire, maintain or increase their level of competitiveness, first they will significantly improve its financial goal accomplishment, reduce their costs as much as possible and make more efficient use of technology that have. Also, companies will have to align, and incorporate these three variables within their business strategies, that these variables have a similar impact on the measurement of the level of competitiveness, i.e., cannot give preference to any of them or simply to discard it because the results may not be expected or be distorted (Jutla, Bodorik, & Dhaliqal, 2002; Kiptalam, Komene & Buigut, 2016).

On the other hand, given the uncertainty that is currently in business and the growing pressure of the market so that enterprises, especially small and medium-sized enterprises, acquire or improve significantly their level of competitiveness, and be able to maintain its market position, competitive advantages or even survive in a highly globalized economy, it is necessary that companies rethink their business strategies and implement focused strategies to make or strengthen collaboration with its suppliers and customers, as this can significantly improve your return on investment, increase sales and increase their profits, which can be translated as one both significant increase in the market share as in the financial goal accomplishment of the organisation (Jutla *et al.*, 2002; Lau, 2002).

Consequently, reducing costs of organisations be achieved faster if companies implement strategies of collaboration with its suppliers, that an efficient and effective coordination with suppliers can reduce the lifting of orders and the delivery of both organisations providers of these customers and distributors, thereby reducing procurement costs and logistics of commodities costs. Therefore, the reduction of the costs of purchases is an essential variable that can have a significant positive impact both the goal accomplishment and the competitive potential of enterprises.

Technological Advantage

Technology is a concept that has been given a lot of consideration in research work these days, the reason is not far from the obvious as the world is evolving in to a global village as a result of technology and consequently in order to be able to compete well with other firms, managers seeks to improve their technology in use in order to outsmart their competitors (Porter, 2004). Technology involved knowledge and capabilities (such as those found in organisational members and machines), the techniques and procedures available for transforming inputs into outputs, and the processes or activities associated with the application of these technologies. Robbins (1996) defined technology as how an organisation transform its inputs (such as materials and information) into outputs (products and services), and is considered as one of the internal contingency variable that also influenced the structure of an organisation. Earlier study by Woodward (1965) indicated that distinct relationships existed between the three basic forms of technology (unit production or batch technology, mass or large batch, and process production or continuous process technology) and the subsequent structure of manufacturing firms (Porter, 2004).

Technology is the sum total of knowledge and the ways we do things which include inventions, techniques and vast store of organized knowledge about everything (Knootz *et al.*, 2000). Technology can basically be seen as information, hardware, activities and effect of knowledge and the variability of materials and the nature of search processes. In the same way, the appropriate use of the technology on which it counts the organisation or the acquisition of new technology by

the same, is an essential condition to ensure that companies are able to acquire or increase their level of competitiveness, because it is precisely through technology companies can reduce costs production and improve the organisation's processes, generating new products and make its distribution system. Therefore, the use of technology has become the current literature in the field of business sciences, as a key indicator of the measurement of the level of business competitiveness. In this sense, if companies want to improve their current level of competitiveness, additional and invariably to the above, not only they that make more efficient technology use with the organisation, but also acquire, improve or develop an equal or better technology as its main competitors.

CONCLUSION

While past similar studies in human resource outsourcing and competitive advantage discovered that human resource play a vital role in positioning the organization strategically for growth ,the current study also found out that human resource outsourcing approaches is vital in maximizing excellent organizational competitive advantage in the business environment The study has also found that the two variable of human resource outsourcing (training process outsourcing and payroll outsourcing) impact on competitive advantages of the organization . Hence, this study holds that human resource outsourcing has a positive impact on competitive advantages in deposit money banks in rivers state and existence of this factors in the organization , may be responsible for the varying level of performances in the organization .

RECOMMENDATION

Based on findings of the study, the following recommendations were made:

1. To improve organizational competitiveness, organizations should improve its training outsourcing strategies. Especially those that ensure the firm maximize low cost of outsourcing.
2. The management should constantly evaluate its leadership environment. This is to ensure that its style of leadership promotes the outsourcing method used in the organization.
3. More emphasis should be placed on payroll outsourcing to remain competitive in the market.
4. In order for organization to constantly meet and stay competitive in the dynamic environment, a combination of training outsourcing and payroll outsourcing processes should be adopted.
5. Insist on unbiased selection process in during the hiring process and maintenance of standard.

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