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The Impact of Human Capital Management on HR Outsourcing in Karachi Pharmaceutical Industry

Rana Tariq Mehmood , Syed Qamar Ali Zaidi, Muhmmad Sajid and Gobind M. Herani

ABSTRACT

Purpose: The aim of this research is to examine relationship between Human Capital Management (HRM) and its impact on HR Outsourcing in the Pharmaceutical sector. The specific objective is to find out that how important is Human Capital Management for an Organization to perform its operations more efficiently, and at what level it affects Human Resource Outsourcing. **Literature review:** Literature review shows that HR outsourcing has positive impact on HRM for an Organization to perform its operations more efficiently. **Methods:** In order to conduct this research the methodology that has been used is quantitative in nature and closed ended Questionnaire was used to collect data. The universe of study was the employees of Pharmaceutical industry in Karachi Pakistan. The responses of each respondent were thoroughly analyzed by using SPSS software, and the results show that there is a negative relationship between the Human Capital Management (Gaining Knowledge, Current Trend of Business Environment, Organization Managing Their Human Asset and Practices and Policies Regarding Human Resource) and HR Outsourcing. **Conclusions:** It is concluded that all Independent Variables have the strongest Positive correlation with each other. There are lots of constraints, which any organization faces in terms of time, finance and, in some cases factors like strategic focus.

JEL.Classification: D24; G32; L26; M12;

Keywords: Human Capital Management, Karachi, Pharmaceutical, Outsourcing

1. INTRODUCTION

1.1 Background

Human Resource Outsourcing can be characterized as a method in which any business values the services of any third party to gaze after its HR functions. Any business can outsource a couple of or all of the undertakings associated to HR from any one-by-one association or from figures of service providers from all over the world. HR outsourcing assists to slash charges, to focus on centre competencies and most significantly, it assists us to double-check worker approval, and this makes associations adept to get access to the world-class methods, comparable benefit and expanded shareholder value. The companies "which provide" the HR outsourcing services classify these services in four categories: PEOs, BPOs, ASPs, or e-services (Karen 2004). HR Outsourcing assists associations to organize its Human Capital furthermore, which is called a Human Capital Management. Human Capital administration entails to find, evolve, inspire, pay, coordinate and contain or keep those gifts for the business and outsourcing makes this method cost productive and profitable (Baron and Armstrong 2007). The companies who supply the HR outsourcing services desires a comprehending of human capital administration know-how, so they can evolve, sustain and

administer the HR methods and technologies effectively. Therefore, in the altering scenario of enterprise every business desires well organized Human Capital if it is an outsourcing business or the business, which is being outsourced. Previously there was no much work on this theme and presently more attention is being given on the them. Usually the associations universally are utilizing these schemes, but the associations in Pakistan are not much involved in to it and if they are utilizing it then they do not glimpse the factual essence of HR outsourcing and Human Capital Management.

People of Pakistan realize the concept of HR outsourcing but the concept of Human Capital management is residual folded. Organizations are outsourcing Human resource but they just manage this to operations the activities and all undertakings, which are essential to be finished by them. Most of the Organizations are ignorant from the factual essence of this idea that it is highly cost productive and assists to gain competitive advantage. Apart from these, the outsourcing firms assist not only to provide the human resource, they aid in developing, training and compensating the workers.

Now in changing economic environment human intellectuals is essential for each organization because to contending up with this financial and economical environment, therefore we need intellectual minds and talented people, which are lacking. Keeping these drawbacks, this study is carried out in Pharmaceutical industry of Pakistan to discover all the influences in the sector.

Therefore the statement of the problems is:

Human Capital Management has significant impact on HR Outsourcing in Karachi Pharmaceutical Industry

1.3 Purpose Of The Study

The purpose of this study was:

- To gain the knowledge from the upper level of management about Human Capital Management
- To know the current trends of business environment
- To study the practices and policies regarding outsourcing of Human Resources
- To know how organizations are managing their human assets

1.4 Research Question

- What is the impact of Human capital on HR Outsourcing?
- What HR Outsourcing functions are adopted in pharmaceutical industry?
- What practices of HR outsourcing use in pharmaceutical industry?
- What practices has been adopted to change the Human Resource in to Human Capital?
- Which factors of Human Capital Management are most affected from HR Outsourcing?

1.5 Research Scope

The Pharmaceutical industry in Pakistan is now attempting new models of HR in their practices. Previously they followed the traditional methods in which people were considered as the on more resource in the supply chain, and they had focus on the basic administrative and regulatory related tasks. Today pharmaceuticals companies are considering in the contribution made by their workers and formulating new models for HR and these models need to be scalable, reliable, secure and integrated business solutions that can provide

intelligence to lower the operating cost.

In future, this will allow pharmaceuticals firms to achieve workforce efficiency by transforming traditional HR practices in to a process of developing and delivering programs, which improves organizational effectiveness and productivity from outsourcing recruitment and technology implementation.

2. LITERATURE REVIEW

2.1 Human Resource

According to **Abelson (1993)**, Tracey quoted that: “The people that staff and operate an organization, as contrasted with the financial and material resources of an organization. The organizational function that deals with the people” is the Human resource of the Organization.

2.2 Human Resource Management

Human Resource Management (HRM) is a strategic and coherent approach to the management of the Organization’s most valued assets: the people working there, who individually and collectively contribute to the achievement of its objectives (**Armstrong 2003**).

The aim of HRM is to help the organization to accomplish success through people. As **Chang (1996)** remark, HRM systems can be the source of organizational capabilities that allow firms to learn and capitalize on new opportunities (**Armstrong 2003**). HRM is concerned with both meeting human capital requirements and the development of process capabilities: in other words, the ability to get things done effectively. To get these things done effectively HRM has some activities.

2.3 Human Resource Management Activities

Human Resource Management is a body of knowledge and a set of practices that define the nature of work and regulate the employment relationship (**Bratton and Gold 2001**). HRM covers the following five functional areas: Staffing, Rewards, Employee development, Employee maintenance and Employee relations.

According to **Bratton (2001)**, Staffing refers to find the people with suitable skills, abilities, knowledge and experience to fill jobs in the work Organization. Pertinent practices are Human Resource Planning, Job Analysis, and Recruitment and Selection. Human Resource planning is about assessing future people requirements in terms of both numbers and levels of skill and competence, and formulating and implementing plans to meet those requirements (**Berg 1991**).

2.3.1 The Resourcing Plan

This needs to consider approaches to obtaining people from within the organization, to recruiting them externally, and to attracting high quality candidates (becoming ‘the employer of choice’) (**Armstrong 2003**). This planning helps to plan about resourcing also, which can be Internal Resourcing or External Resourcing.

2.3.1.1 Internal Resourcing

Internal resourcing should be based on data already available about skills and potential. This should have been provided by regular skill audits and the analysis of the outcomes of performance management reviews. A 'trawl' can then be made to locate available talent, which can be accompanied by an internal advertising campaign (Barnett 1995).

2.3.1.2 External Resourcing

External resourcing requirements can be met by developing a recruitment strategy. The aims of this strategy would be, first, to make the organization 'the employer of choice'. Secondly, the strategy should plan the best methods of defining precisely what is needed in terms of skills and competencies. Finally, the strategy should be concerned with planning the use of the most effective methods of obtaining the number and type of people required. As indicated by Spellman (1992), the strategy should be concerned with the following activities:

Define skill and competency (behavioral) requirements

Analyze the factors affecting decisions to join the Organization

Competitive Resourcing

Alternative Strategies for satisfying human resource requirements

The last activity, which is concerned about the alternative Strategies, consists of, re-engineering, increasing flexibility, skills training, multi-skilling, downsizing and Outsourcing.

2.4 Outsourcing

Campbell and Campbell (1997) Outsourcing is a term that is being used more frequently as increasing numbers of organizations are exploring this as a potential delivery option for some of their activities. It can be defined as '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 metric.

Within the context of HR outsourcing, the specific processes that are included within any outsourcing arrangement will vary from organization to organization. Some organizations may outsource virtually all of their HR processes where others select specific components such as payroll or resourcing. The most common component to be outsourced is payroll. (Campbell and Campbell 1997) suggested that outsourcing is often specific to certain activities and limited in extent training, payroll and resourcing of temporary positions were most commonly outsourced. So far, very few organizations have outsourced their entire HR function. In large organizations it is most common to have outsourced the operational elements of delivering HR activities whilst retaining control over HR strategy and decision-making. There are a number of well-publicized examples of large, mainly global organizations that have outsourced large parts of their HR operational activities, often in contracts for between five and ten years, for example BT, Boots The Chemist, Procter & Gamble and Unilever. Interestingly, small organizations often do the reverse, effectively outsourcing their strategy (to HR consultants and other professional advisers) and keeping the delivery of HR processes internal.

According to Karen (2004), HR Outsourcing is expanding and evolving at a phenomenal pace. Everyday there are new developments in outsourcing appearing in the business news new vendors and alliances being formed, new deals and partnerships being cemented, new products and services offered. Outsourcing is really

about raising overall business performance. With the promise of both cost savings and quality improvement, it's not surprising that outsourcing is growing so vigorously and Human Resource Outsourcing is the fastest growing domain of all.

Outsourcing is one method that companies have to help them cope with external forces. Once functions are outsourced, the company no longer needs to worry about staying up on the "latest and greatest" technology or finding the "best business practice" the outsource provider does this. Many companies tend to approach outsourcing tactically, looking for short-term savings at the expense of long-term gains (Scholl and Stone 2003). In the hurried frenzy to reduce costs, organizations rush into outsourcing and end up suffering from miss-set expectations, inadequately defined requirements, and or poor communications.

Increased awareness and further experience will help the early adopters better understand the issue around outsourcing and avoid the pitfalls so that they can take better advantage of the benefits (Karen 2004). Although there are many different ways to label and categorize the options, there are basically three types of outsourcing,

2.4.2 Selective or Partial or Multi-outsourcing

A functional, best of breed approach, in which business processes are evaluated individually, function-by-function to determine which processes should be outsourced and which vendors are optimally suited to meet each functional need (Billings and Wemmen 1993).

2.4.3 Comprehensive Business Process Outsourcing

The complete turnover of an entire business area, such as HR or Finance, to the outsource provider to handle the full management of all business and transaction processing. With BPO, the outsourcer completely owns the business process, handling the technology and infrastructure, as well as all the people and all the necessary business processing. (An inside look at HR Outsourcing (Billings and Wemmen 1993).

2.5 Major Trends in HR Outsourcing

There are several major trends in HR outsourcing that should be carefully evaluated when considering an HRO effort:

- Shared services as a gateway to outsourcing
- Move toward comprehensive Outsourcing
- Growth in off shoring
- Expanded service offerings
- Focus on process quality and measurement

2.6 Evolution to HR Outsourcing:

When people hear the word outsourcing they start to think; cost cutting, downsizing, job elimination. That's not what it's all about. Sure, some companies see outsourcing as a way to control costs, and some providers sell outsourcing as a cost control strategy, but the company that goes into human resource outsourcing to save money or reduce head count is missing the point. Outsourcing means different things to different companies but, in general, HR outsourcing is a method for achieving competitive advantage. The best reason for a

company to get into HR outsourcing is to get better HR services faster and possibly cheaper (Jason, Stephen and Laspisa 1997).

2.7 Why HR Outsourcing

Companies that opt for an aggressive total HR outsourcing strategy will be motivated by one or a combination of the following three goals, Enhanced Value, Increased Speed and Reduced Costs.

2.7.1 Enhanced Value

Companies today are turning their attention more consistently to their core businesses to those competencies through which they achieve preeminence and are pressing HR and other non core functions to enhance the value of the services they provide. One obvious way to enhance the value of HR is to turn to an organization that specializes in providing human resources services (Chew.1996).

2.7.2 Increased Speed

According to Bluedom (1982) as the pace of change in business accelerates, companies are realizing that they need to dramatically change the way they perform the key HR roles in order to keep up. Many companies realize that while they may be able to respond to change and get where they need to be on their own, they can get there faster and be more confident of success by outsourcing to an experienced provider.

2.7.3 Reduced Costs

Cost reduction for HR functions can come from one of two sources. Companies can reduce costs either by improving efficiencies to provide services for less or by having the flexibility to convert fixed costs to variable costs. HR outsourcing can help on both fronts. Organizations that provide HR outsourcing services can be more efficient than individual companies can, particularly in the administrative and transactional activities (Karen 2004).

2.8 Strategic Objectives for Outsourcing

Several theoretical perspectives provide insights regarding an Organization's rationale for utilizing outsourcing to deliver HR practices. First, transaction cost economics (Widimson 1995) directly addresses the issue of "make" versus "buy" for organizational activities and suggests that firms perform either in-house or via market-based arrangements based on which source enables the most efficiency by minimizing the costs of performing an activity. A second explanation for HR outsourcing is that, in addition to focusing on the costs associated with HR practices delivery, firms may also base outsourcing decisions on their ability and actually carry out the practice relative to the expertise and abilities of other providers in the external market.

2.8.1 Cost Benefits

One primary factor that influences outsourcing decisions are the costs associated with establishing, monitoring, and enforcing contracts with external providers. For example contracting with an external vendor to design and deliver a training program involves the cost of the agreement, the cost associated with the

evaluating potential vendors, as well as costs of monitoring the content and quality of the delivery by the vendor. At the same time, firms must consider transaction costs related to bureaucratic costs that are incurred by performing the same activity in-house (Scholl and Stone 2003). There are obvious costs associated with building the skills internally to perform certain HR activities such as training program.

2.9 HR Outsourcing Competitive Advantages

Here's the issue each company must ask itself whether its internal HR function is "best-in-world." Unless human resources are the competency on which a company bases its preeminence, odds are it's not "best-in-world." Assuming a company's internal HR is not best-in-world (and it has no intention of investing to make it so), continuing to expend resources to do it internally will cost it competitive advantage against the company that strategically out sources its human resources function. Through outsourcing, the competitor has access to the best-in-world HR services to do it better, faster and cheaper. the Organizations can attain competitive advantage by Human Capital Management also which can be achieved through HR Outsourcing (Jeffay, Bohannon and Laspisa 1997).

2.10 Human Capital Management

HCM (Human Capital Management concerned with obtaining, analyzing and reporting on data that informs the direction of value adding strategic, investment and operational people management decisions at corporate level and at the level of frontline management. It is, as emphasized by Baron and Armstrong (2007) ultimately about value.

The defining characteristic of HCM is the use of metrics to guide an approach to managing people that regards them as assets and emphasizes that competitive advantage is achieved by strategic investments in those assets through employee engagement and retention, talent management and learning and development programmed. HCM provides a bridge between HR and business strategy.

HCM is sometimes defined more broadly without the emphasis on measurement. (Spellman 1992) states that 'Human Capital Management is an integrated effort to manage and develop human capabilities to achieve significantly higher levels of performance.'

2.10.1 Aims of HCM

According to Baron and Armstrong (2007), the four fundamental objectives of HCM are to:

- Demonstrate that HR practices produce value for money in terms, for example, of return on investment. (ROI)
- Provide guidance of future HR and business strategies
- Provide diagnostic and predictive data that will inform strategies and practices designed to improve the effectiveness of people management in the organization.

2.11 Human Capital Strategy

The real and competitive advantage comes not merely from the people, but more importantly from the way firms manage them. We call that set of management tactics, policies, and practices, an organization's human

capital strategy. Human capital strategy is the sum of all actions in both line and staff functions used to manage people throughout an organization.

3. METHODOLOGY

This segment methodology consists of the set of the practices that are required to conduct a research or an investigation. It includes approaches helped for the research the research purpose used for the research and the information about the population and size of the sample. It also contains techniques for the collection of the data and analysis.

3.1 Research Approach

The approach that has been used by the researcher here is quantitative approach. To measure the HR outsourcing through practices and policies of the organization we need to find out what extent there. HR outsourcing depends upon practices and policies .this can be better understood by using the quantitative approach.

3.2 Research Purpose

The research purpose explains that how the researches approach has further been conducted. As the Quantitative research the appropriate research design that has been selected in the Descriptive, just to collect the information about the relationship between two variables and there was not any kind of treatment with the variables.

3.3 Population and sampling

For this research purpose, as far as quantitative research is concerned, the population was the people/employees (management level) which were present in the companies at the time of survey. The pharmaceuticals firms, which are being visited in order to get the data, are as follows:
Bayer, Abbott, Hamdard, Reckitt and Benckiser, and Sanofi Aventis.

Besides selecting the sample size, the convenience had been taken in consideration and to get the estimate of the relationship less biased so 100 samples from pharmaceuticals firms of Karachi mentioned above has been selected.

3.4 Data collection Technique

The data collection techniques that had been used was Survey Method with the help of Closed ended Questionnaire, that was self administrated to be filled by the samples selected from Karachi pharmaceuticals firms.

3.5 Data Analysis Technique

The data that had been collected through quantitative approach was analyzed through SPSS software.

3.6 Ethical Consideration

Ethical consideration is the part that has been considered the most important part in the research. The researcher followed the following things: respondent were completely informed about the purpose of the research. The respondent's name or any personal information related to the respondent will not be disclosed by the researcher to anyone. The responses that have been are only requirement of the current research and these responses will not be used in any further research.

4. CONCEPTUAL FRAMEWORK

Source: **Lepale and Snell (1998)**

5. HYPOTHESIS

The study examines the following hypothesis.

| |
|--|
| H1. gaining knowledge from the management affects on HR Outsourcing |
| H0. gaining knowledge from the management does not affects on HR Outsourcing |

| |
|--|
| H2. Current trend of Business Environment affects by the HR Outsourcing |
| H0. Current trend of Business Environment does not affects by the HR Outsourcing |

| |
|--|
| H3. Practices and Policies of organization Regarding Human Resource affects by HR Outsourcing |
| H0. Practices and Policies of organization Regarding Human Resource does not affects by HR Outsourcing |

| |
|---|
| H4. Organization Management of their Human Asset affects by HR Outsourcing |
| H0. Organization Management of their Human does not affects by HR Outsourcing Asset |

6. RESULTS

Table 1: Descriptive Statistic

| | Mean | Std. Deviation | N |
|---|--------|----------------|-----|
| Human Resource Outsourcing | 4.0150 | 0.78075 | 100 |
| Gaining Knowledge | 4.4033 | 0.76971 | 100 |
| Current Trend of Business Environment | 4.1466 | 0.87413 | 100 |
| Practices and Policies Regarding Human Resource | 4.6289 | 0.73750 | 100 |
| Organization Managing Their Human Asset | 4.0210 | 0.65034 | 100 |

According to respondent’s opinions, the rating on independent variable Practices & Policies Regarding Human Resource was highest with a mean of (4.62). The rating on Gaining Knowledge was second highest with a mean of (4.40). The Current Trend of Business Environment third highest mean of (4.14). The Organization Managing Their Human Asset was fourth highest mean of (4.02) and lowest on Human Resource Outsourcing (4.01).

The standard deviation of respondents’ opinions on “Organization Managing Their Human Asset” was the least (0.65), as compared to the other dimensions. This indicates that there is less Participation in Human Resource Outsourcing dimension. The standard deviation of respondents’ opinion on Current Trend of Business Environment was the highest (0.87), as compared to other dimensions. This indicates that there is a high involvement of Current Trend of Business Environment in Human Resource Outsourcing

The data was analyzed through SPSS software by using correlation and regression. The correlation test indicates that shows the correlation between the variables. The correlation values show that there is a Negative correlation of Dependent Variable Human Resource Outsourcing with Independent Variable Gaining Knowledge, Current Trend of Business Environment, Practices & Policies Regarding Human Resource and The Organization Managing Their Human Asset.

The dependent variable “Human Resource Outsourcing” has the strongest Negative correlation with Practices & Policies Regarding Human Resource with of (-0.910**), with The Organization Managing Their Human Asset (-0.902**), with Current Trend of Business Environment (-0.890**) and with Gaining Knowledge (-0.860**).

The all Independent Variable has the strongest Positive correlation with each other Gaining Knowledge, Current Trend of Business Environment, Practices and Policies Regarding Human Resource and The Organization Managing Their Human Asset.

Table-2: Correlations

| | HR Outsourcing | Gaining Knowledge | Current Trend Of Business Environment | Practices And Policies Regarding HR | Organization Managing Their Human Assets |
|-------------------|----------------|-------------------|---------------------------------------|-------------------------------------|--|
| HR Outsourcing | 1 | -.860(**) | -.890(**) | -.910(**) | -.902(**) |
| Sig. (2-tailed) | | .000 | .000 | .000 | .000 |
| N | 100 | 100 | 100 | 100 | 100 |
| Gaining Knowledge | -.860(**) | 1 | .752(**) | .874(**) | .819(**) |

| | | | | | | |
|--|---------------------|-----------|----------|----------|----------|----------|
| Current Trend Of Business Environment | Sig. (2-tailed) | .000 | | .000 | .000 | .000 |
| | N | 100 | 100 | 100 | 100 | 100 |
| Practices And Policies Regarding HR | Pearson Correlation | | | | | |
| | | -.890(**) | .752(**) | 1 | .886(**) | .881(**) |
| Organization Managing Their Human Assets | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .000 |
| | N | 100 | 100 | 100 | 100 | 100 |
| Pearson Correlation | | | | | | |
| | | -.910(**) | .874(**) | .886(**) | 1 | .827(**) |
| Pearson Correlation | | | | | | |
| | | -.902(**) | .819(**) | .881(**) | .827(**) | 1 |
| Pearson Correlation | | | | | | |
| | | .000 | .000 | .000 | .000 | .000 |
| N | | 100 | 100 | 100 | 100 | 100 |

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

Model Summary

| model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|--------|----------|-------------------|----------------------------|
| 1 | .860a) | .739 | .736 | .36951 |

a) Predictors: (Constant), Gaining Knowledge

The R-value show Coefficient of Correlation is the numerical measure of strength of the linear relationship between two variables. The R value (.860) is show that there is correlation between the Gaining Knowledge and Dependent Variable Human Resource Outsourcing.

The R Square show Coefficient of Determination defines the square of Coefficient of Correlation. The R Square values (.739) mean 73% reliable to be used for estimation of population. The Std. Error is important because they reflect how much sampling Fluctuation a statistic will show. The Std. Error value show that 36% Fluctuation of Sampling Mean.

ANOVA (b)

| Mode l | | Sum of Squares | df | Mean Square | F | Sig. |
|--------|------------|----------------|----|-------------|---------|---------|
| 1 | Regression | 37.859 | 1 | 37.859 | 277.275 | .000(a) |
| | Residual | 13.381 | 98 | .137 | | |
| | Total | 51.240 | 99 | | | |

a) Predictors: (Constant), Gaining Knowledge

b) Dependent Variable: HR Outsourcing

The Sum of Square shows the total variability around the mean, the Sum of Square Residual mean the Sum of Squared Errors in Prediction and Sum of Square Regression mean the improvement in Prediction by using the predicted value of (Y) Dependent Variable over just using the mean of (X) Independent Variable.

The degree of freedom means number of sample minus one.

The F Test value (277.275) shows the combination of all variable, overall significances of the Model its mean one independent variable Gaining Knowledge on Dependent Variable Human Resource Outsourcing and Observation of Independent Variable met.

Coefficients (a)

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|-------------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 1.407 | .113 | | 12.410 | .000 |
| | Gaining Knowledge | .604 | .036 | .860 | 16.652 | .000 |

a) Dependent Variable: HR Outsourcing

The Std. Error is important because they reflect how much sampling fluctuation a statistic will show. The Standard Error of a statistic depends on the sample size in the general the larger sample of the Standard Error. Standard Error of Constant (.113) value shows the 13% of fluctuation of sampling mean and the Standard Error of Independent Variable (.036) value shows the 3% of fluctuation of sampling mean.

Standardized Coefficients are the coefficient that you would obtain if the Predictors and the outcomes variable were standardized prior the analysis and the Comparing the size of the coefficient across variable. The t value of Independent Variable Perception about internet banking (16.652). According to the rules if t value is greater than 2 ($t > 2.5$) than null hypothesis will be rejected and alternate hypothesis will be accepted.

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|---------|----------|-------------------|----------------------------|
| 1 | .890(a) | .792 | .790 | .32948 |

a) Predictors: (Constant), Current Trend of Business Environment

The R value show Coefficient of Correlation is the numerical measure of strength of the linear relationship between two variables. The R value (.890) is show that there is correlation between the Current Trend of Business Environment and Dependent Variable Human Resource Outsourcing.

The R Square show Coefficient of Determination defines the Square of Coefficient of Correlation. The R Square values (.792) mean 79% reliable to be used for estimation of population. The Std. Error is important because they reflect how much sampling Fluctuation a statistic will show. The Std. Error value show that 32% Fluctuation of Sampling Mean.

ANOVA (b)

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|---------|---------|
| 1 | Regression | 40.601 | 1 | 40.601 | 373.994 | .000(a) |
| | Residual | 10.639 | 98 | .109 | | |
| | Total | 51.240 | 99 | | | |

a) Predictors: (Constant), Current Trend Of Business Environment

b) Dependent Variable: HR Outsourcing

The Sum of Square shows the total variability around the mean, the Sum of Square Residual mean the Sum of Squared Errors in Prediction and Sum of Square Regression mean the improvement in Prediction by using the predicted value of (Y) Dependent Variable over just using the mean of (X) Independent Variable. The degree of freedom means number of sample minus one.

The F Test value (373.994) shows the combination of all variable, overall significances of the Model its mean one independent variable Current Trend of Business Environment on Dependent Variable Human Resource Outsourcing and Observation of Independent Variable met.

Coefficients (a)

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|---------------------------------------|-----------------------------|------------|---------------------------|-------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .780 | .129 | | .045 | .000 |
| | Current Trend Of Business Environment | .657 | .034 | .890 | 9.339 | .000 |

a) Dependent Variable: HR Outsourcing

The Std. Error is important because they reflect how much sampling fluctuation a statistic will show. The Standard Error of a statistic depends on the sample size in the general the larger sample of the Standard Error. Standard Error of Constant (.129) value shows the 12% of fluctuation of sampling mean and the Standard Error of Independent Variable (.034) value shows the 3% of fluctuation of sampling mean. Standardized Coefficients are the coefficient that you would obtain if the Predictors and the outcomes variable were standardized prior the analysis and the Comparing the size of the coefficient across variable. The t value of Independent Variable Perception about internet banking (9.339). According to the rules if t value is greater than 2 ($t > 2.5$) than null hypothesis will be rejected and alternate hypothesis will be accepted.

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|---------|----------|-------------------|----------------------------|
| 1 | .910(a) | .827 | .826 | .30052 |

a) Predictors: (Constant), Practices and Policies Regarding HR

The R value show Coefficient of Correlation is the numerical measure of strength of the linear relationship between two variables. The R-value (.910) is show that there is correlation between the Practices & Policies Regarding Human Resource and Dependent Variable Human Resource Outsourcing.

The R Square show Coefficient of Determination defines the Square of Coefficient of Correlation. The R Square values (.827) mean 82% reliable to be used for estimation of population. The Std. Error is important because they reflect how much sampling Fluctuation a statistic will show. The Std. Error value show that 30% Fluctuation of Sampling Mean.

ANOVA (b)

| Mode | | Sum of Squares | df | Mean Square | F | Sig. |
|-------------|-------------------|-----------------------|-----------|--------------------|----------------|----------------|
| 1 | Regression | 42.389 | 1 | 42.389 | 469.369 | .000(a) |
| | Residual | 8.850 | 98 | .090 | | |
| | Total | 51.240 | 99 | | | |

a) Predictors: (Constant), Practices And Policies Regarding HR

b) Dependent Variable: HR Outsourcing

The Sum of Square shows the total variability around the mean, the Sum of Square Residual mean the Sum of Squared Errors in Prediction and Sum of Square Regression mean the improvement in Prediction by using the predicted value of (Y) Dependent Variable over just using the mean of (X) Independent Variable. The degree of freedom means number of sample minus one.

The F Test value (469.369) shows the combination of all variable, overall significances of the Model its mean one independent variable Practices & Policies Regarding Human Resource on Dependent Variable Human Resource Outsourcing and Observation of Independent Variable met.

Coefficients (a)

| MMode | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|--------------|--|------------------------------------|-------------------|----------------------------------|---------------|-------------|
| | | B | Std. Error | Beta | | |
| | | | | | | |
| 1 | (Constant) | .807 | .114 | | 7.073 | .000 |
| | Practices And Policies Regarding HR | .712 | .033 | .910 | 21.665 | .000 |

a) Dependent Variable: HR Outsourcing

The Std. Error is important because they reflect how much sampling fluctuation a statistic will show. The Standard Error of a statistic depends on the sample size in the general the larger sample of the Standard Error. Standard Error of Constant (.114) value shows the 11% of fluctuation of sampling mean and the Standard Error of Independent Variable (.033) value shows the 3% of fluctuation of sampling mean.

Standardized Coefficients are the coefficient that you would obtain if the Predictors and the outcomes variable were standardized prior the analysis and the Comparing the size of the coefficient across variable. The t value of Independent Variable Practices & Policies Regarding Human Resource (21.665). According to the rules if t value is greater than 2 ($t > 2.5$) than null hypothesis will be rejected and alternate hypothesis will be accepted.

Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|---------|----------|-------------------|----------------------------|
| 1 | .902(a) | .814 | .812 | .31203 |

a) Predictors: (Constant), Organization Managing Their Human Assets

The R value show Coefficient of Correlation is the numerical measure of strength of the linear relationship between two variables. The R value (.902) is show that there is correlation between the Organization Managing Their Human Asset and Dependent Variable Human Resource Outsourcing.

The R Square show Coefficient of Determination defines the Square of Coefficient of Correlation. The R Square values (.814) mean 81% reliable to be used for estimation of population. The Std. Error is important because they reflect how much sampling Fluctuation a statistic will show. The Std. Error value show that 31% Fluctuation of Sampling Mean.

ANOVA (b)

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|---------|---------|
| 1 | Regression | 41.698 | 1 | 41.698 | 428.286 | .000(a) |
| | Residual | 9.541 | 98 | .097 | | |
| | Total | 51.240 | 99 | | | |

a) Predictors: (Constant), Organization Managing Their Human Assets

b) Dependent Variable: HR Outsourcing

The Sum of Square shows the total variability around the mean, the Sum of Square Residual mean the Sum of Squared Errors in Prediction and Sum of Square Regression mean the improvement in Prediction by using the predicted value of (Y) Dependent Variable over just using the mean of (X) Independent Variable. The degree of freedom means number of sample minus one.

The F Test value (428.286) shows the combination of all variables, overall significances of the Model its

mean one independent variable The Organization Managing Their Human Asset on Dependent Variable Human Resource Outsourcing and Observation of Independent Variable met.

Coefficients (a)

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|---|-----------------------------|-------------------|---------------------------|---------------|-------------|
| | | B | Std. Error | Beta | | |
| | | 1 | (Constant) | 1.063 | .108 | |
| | Organization Managing Their Human Assets | .578 | .028 | .902 | 20.695 | .000 |

a) Dependent Variable: HR Outsourcing

The Std. Error is important because they reflect how much sampling fluctuation a statistic will show. The Standard Error of a statistic depends on the sample size in the general the larger sample of the Standard Error. Standard Error of Constant (.108) value shows the 10% of fluctuation of sampling mean and the Standard Error of Independent Variable (.028) value shows the 2% of fluctuation of sampling mean. Standardized Coefficients are the coefficient that you would obtain if the Predictors and the outcomes variable were standardized prior the analysis and the Comparing the size of the coefficient across variable. The t value of Independent Variable Organization Managing Their Human Asset (20.695). According to the rules if t value is greater than 2 ($t > 2.5$) than null hypothesis will be rejected and alternate hypothesis will be accepted.

7. CONCLUSION

The purpose behind the entire research was to analyze the factors of Human capital management which have an impact on HR Outsourcing and how the policies and practices regarding. HR outsourcing helps to increase the overall performance of Organization and to get competitive advantage. As the employee or the people has become more important for the organizations nowadays to have an edge over competitors and for better performance so it has become very important for all organizations to see all the aspects by which they maintain and excel the performance and having less expenses while bearing lower costs. Performance of the employees is entirely dependent upon the management efforts, to develop the employees' knowledge, skills, expertise and how they are managing the people who become the capital and asset for the Organization. This study is focused towards the practices of the management that how an outsourcing affects their employee managing practices and on which factor of human capital management it affects more.

The objectives of the study were to find out what the importance of HR Outsourcing practices and policies is and how it helps to gain competitive advantage. What the factors of human capital management are effected

by the HR outsourcing, and finally to know whether there is a positive or negative impact of HR outsourcing on human capital management or not.

The research approach that has been used is the quantitative research because it provides the factual data, which makes it easy to judge the right result and the knowledge about the HR activity adopted by the Organizations to perform better and get competitive advantage. For conducting the quantitative research, the closed ended Questionnaire has been used just to know the experiences of those Organizations who outsource the HR.

The researcher has come to know about the importance of the HR outsourcing that in current crunch situation, the competition has been increased and there are many constraints, which any organization faces in terms of time, finance and, in some cases factors like strategic focus. So to coping up with these things while, maintaining market share and gaining competitive advantage with less expenses HR outsourcing is mandatory to do because through HR outsourcing the fixed cost of organization decreases because of the economies scale that vendors have and organization have a lower employment budget because number of employees reduces due to the outsourcing. Other than that organization get experts to perform the jobs and in result, it gets uninterrupted service, which reduces the administrative hassles and gives people of the organization time to focus on core areas of business. These all benefits directs the organization towards the better performance and competitive attitude among the industry members by having required numbers of employees, who become the human capital for the company and who are the big contributors in achieving goals and overall objectives of the organization.

Therefore, researcher analyzed that there is a **Negative relationship** between human capital management and HR outsourcing regarding HR followed by the organizations. All the respondents were highly agreed about the increasing importance of HR outsourcing and its Negative impact on the human capital management. Some of the themes are also identified as well, which increases the importance of HR outsourcing, which are cost, expertise, administrative burden and headcounts.

7. Findings

- The HR outsourcing has importance in the organizations as compared to perform all kinds of activities by the organization itself and organizations are outsourcing their HR processes to get the benefits and bearing less expenses.
- There is a positive relationship between the HR outsourcing and human capital management and organization gets good results by outsourcing the non core areas of the organization and focus on the core capabilities and concentrate on the productive side of the business and if they do not, then organization do not get those benefits which are attached with the outsourcing.
- The main factor for outsourcing is the gaining expertise because due to this organizations have experts to perform all activities and get uninterrupted services and because they have worked for no. of other companies in different industries or sectors so they have a multicultural experience and this makes them expert in dealing different kinds of issues and problems and they have expertise to develop the HR system for any kind of culture.
- Cost factor impacts the “rewards” factor of the of the human capital management as the cost reduces and organization is able to reward the employees and appreciate them.
- Success of the outsource plan is measure by cost and benefit analysis and the motivation level and

performance of the employees.

- Employee turnover and economic condition of Pakistan is the hindrance to outsource employees for the HR department.
- The economic condition of the Pakistan is also acts as a barrier for the organization who considers the social responsibility and don't outsource their whole function of HR due to the higher rate of unemployment.

8. Recommendations

Organizations should implement HR Outsourcing on the smaller section of the unit first, to know the impact and suitability with their business objectives, if they do not then they may not get the expected results and by this employees also have time to be adjusted with it.

Nowadays organizations are more relying on the external sources to get best by having lower cost and lower quantity of employees. So it is highly recommended that further researches must be conducted related to the HR outsourcing that gives more insight about the HR outsourcing, methods of outsourcing, and its long term effects on the organization's performance.

Researcher determined few of the factors during the research that helps to increase the impact of human capital management on HR outsourcing. Other factors can also be explored by further research which may helps organizations to implement the outsourcing techniques effectively.

Researcher conducted research in the pharmaceutical industry only, and it is found that there is a positive relationship between HR outsourcing and human capital management. The results may be different if the research is conducted in any other domain, or the research can give better ways to increase the performance of the human capital.

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