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THE INFLUENCE OF BUSINESS STRATEGY ON OUTSOURCING HUMAN RESOURCE FUNCTIONS: A STUDY OF THE MANUFACTURING SECTOR IN SRI LANKA

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In the process of enhancing the wealth of the shareholders, in the last few decades, many organizations have tried to achieve their objectives by using many strategic decisions and decisions through different managerial techniques; Total Quality Management (TQM) and Business Process Re-engineering (BPR), Rightsizing, Downsizing, Restructuring and Business Process Outsourcing (BPO). Outsourcing HR activities fell under this BPO. This research study examines how outsourcing human resources functions have any relationship with the business strategy that is of basically quality-based strategy, proactive strategy, breadth strategy and reactive strategy. It explained how business strategy jointly and collectively influences outsourcing HR activities and which business strategy has the most influence on transactional and traditional HR activities in the manufacturing sector in Sri Lanka. With the intention to answer the above this study selected manufacturing companies in Sri Lanka. The selected sample is public quoted companies in the Colombo Stock Exchange. A survey was conducted to collect primary data with a questionnaire. According to the findings the payroll, training, recruitment and selection have been outsourced by most of the organizations. The most outsourced activity was payroll. The hypothesis tested on this study shows that quality based strategy has a relationship with both transactional nor traditional HR activities outsourcing. Statistically there is a positive relationship between proactive business strategy and transactional HR activities. However, the relationship between the outsourcing of traditional HR activity, only outsourcing of training has a positive relationship with the breadth strategy and the reactive strategy, also has no relationship with both business strategies and transactional and traditional HR activities. Among all business strategies, the proactive strategy is the most influential business strategy in outsourcing of HR activities especially in traditional HR activities. Overall the transactional HR activity is the most influenced HR activity by business strategies.

Keywords: Outsourcing, Human Resource Management, Business Strategy, Manufacturing Sector, Sri Lanka