

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

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**A research report submitted to the University of Sri
Jayewardenepura in partial fulfillment of the requirements
of the Master of Business Administration on 5th December 2011**

Declaration

“The work described in this research was carried out by me under the supervision of Dr. (Ms) Bhadra Arachchige and a report on this has not been submitted in whole or part to any University or any other institution for another Degree/Diploma”.


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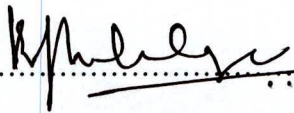
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Supervisor's Recommendation

I certify that this research; A study of the Influence of Business Strategy on Outsourcing Human Resource Functions of the Manufacturing Sector in Sri Lanka, made by P.C.K.M.Asanka (Reg. No: 5266FM2009010) is true and that this research is suitable for submission to the University for the purpose of evaluation”.


.....

Date: 05.12.2011

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P.C.K.M. Asanka

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ABSRTACT

In the process of enhancing the wealth of the shareholders, in the last few decades, business organizations have tried to achieve their objectives by using many strategic decisions and doing those through different managerial techniques; 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 whether outsourcing human resources functions have any relationship with the business strategy that consists of basically quality-based strategy, proactive strategy, breadth strategy and reactive strategy. Further it explained how business strategy jointly and collectively influences outsourcing HR activity and which business strategy has the most influence on transactional and traditional HR activity in the manufacturing sector in Sri Lanka. With the intention to answer the above this study selected the manufacturing companies in Sri Lanka. The selected sample is public quoted companies in the Colombo Stock Exchange. It consists of thirty four manufacturing companies and all are selected for the sample. A survey was conducted to collect primary data with a structured questionnaire.

According to the findings the payroll activity, training, recruitment and selection activities have been outsourced by these manufacturing companies in Sri Lanka. The most outsourced activity was payroll. The hypothesis tested on this study shows that quality based strategy has a relationship with neither transactional nor traditional HR activities outsourcing. Statically there is a positive relationship between proactive business strategy and transactional HR activities. However, the relationship with the outsourcing of traditional HR activity, only outsourcing of training has a positive relationship. In 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 business strategy is the most influential business strategy in outsourcing of HR activities especially on Payroll HR activities. Overall the transactional HR activity is the most influenced HR activity from business strategies.

TABLE OF CONTENTS

Content	Page
<i>Title page</i>	<i>i</i>
<i>Declaration</i>	<i>ii</i>
<i>Recommendation of the Supervisor</i>	<i>iii</i>
<i>Acknowledgement</i>	<i>iv</i>
<i>Abstract</i>	<i>v</i>
<i>Table of Contents</i>	<i>vi</i>
<i>List of Tables</i>	<i>x</i>
<i>List of Figures</i>	<i>xii</i>
<i>List of Abbreviation</i>	<i>xiii</i>
1 INTRODUCTION	1-9
1.1 Introduction to the study	1
1.2 Statement of Problem	4
1.3 Problem Justification	6
1.4 Significance of the Study	7
1.5 Objectives of the study	8
1.6 Scope of the study	8
1.7 Organization of the Research	8

2.	LITERATURE REVIEW	10-43
2.1	Introduction	10
2.2	Outsourcing	10
2.3	Outsourcing Human Resource Functions	27
2.4	Business Strategy	37
2.5	Influence of Business Strategy on HR Outsourcing	42
2.6	Summary	43
3	CONCEPTUALIZATION AND OPERATIONALIZATION	44-57
3.1	Introduction	44
3.2	Conceptualization of Reseach Problem	44
3.3	Conceptual Model	49
3.4	List of Hypotheses	50
3.5	Definition of key Concepts	51
3.6	Operationalization Variables	53
3.7	Summary	57
4.	RESEARCH METHODOLOGY	58-64
4.1	Introduction	58
4.2	Survey	58
4.3	Method of Data Collection	59
4.4	Population and Sampling	61
4.5	Respondents	62

4.6	Administration of the Survey	62
4.7	Data Analysis Techniques	63
4.8	Reliability and Validity of the Research	63
4.9	Pilot Test	64
4.10	Summary	64
5.	ANALYSIS OF DATA	65-93
5.1	Introduction	65
5.2	Sample Distribution	65
5.3	Reliability and Validity of the measurement	67
5.4	Justification of Factor Loading	72
5.5	Descriptive Statistics and Data presentation of Business Strategy & HR Activities	72
5.6	Analysis of Structural Model	80
	5.6.1. Testing Hypotheses	81
5.7	Influence of Business Strategy on Outsourcing HR Functions	87
5.8	Summary	92
6.	DISCUSSION AND FINDINGS	94-104
6.1	Introduction	94
6.2	The Outsourced HR Activities	94
6.3	Influence of Business Strategies on outsourcing HR activity	97
	6.3.1 Discussion with Correlation	97

6.3.2	Discussion with Multiple regressions	102
6.4	Summary	104
7	CONCLUSION	105-107
7.1	Conclusion	105
7.2	Limitation of the Study	107

Reference

Appendix	I	-	Research Questionnaire
Appendix	II	-	Sample List
Appendix	III	-	Statistical Analysis - Regression

LIST OF TABLES

Table No.	Description	Page No.
2.1	Definition of Outsourcing	11
2.2	Expected benefits sought from Outsourcing	17
2.3	Potential risk of outsourcing	21
3.1	Operationaliazation of Variables	54
5.1	Sample Distribution	66
5.2	Reliability of Business Strategies	68
5.3	Exploratory Factor Analysis of Integrated Business Strategy	70
5.4	Descriptive Statistics of Business Strategies	73
5.5	Descriptive Statistics of HR Activities	75
5.6	Correlation - Quality-Based Business Strategy and Transactional HR Activities	83
5.7	Correlation - Quality-Based Business Strategy and Traditional HR Activities	83
5.8	Correlation – Proactive Strategy and Transactional & Traditional HR Activity	84
5.9	Correlation Coefficient – Breadth Strategy and Transactional & Traditional HR activity	86
5.10	Correlation Coefficient – Reactive Strategy and Transactional & Traditional Activity	86
5.11	Analysis of Variance – Business Strategies and each HR Activity	88
5.12	Critical Vale of F	90

5.13

Regression Analysis - Business Strategies and Payroll Activity 91

LIST OF FIGURES

Figures No.	Description	Page No.
2.1	Outsourcing different types of Training	37
3.1	Conceptual Model	49
5.1	Graphical Presentation of Payroll Activity	75
5.2	Graphical Presentation of Benefit Activity	77
5.3	Graphical Presentation of Training Activity	77
5.4	Graphical presentation of recruitment activity	78
5.5	Graphical Presentation of Selection	79

LIST OF ABBREVIATIONS

BPO	Business Process Outsourcing
HR	Human Resources
HRM	Human Resources Management
HRO	Human Resources Outsourcing