

## **Small and Medium-Sized Enterprise Human Resources Management Outsourcing Feasibility Study in China**

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### **Abstract**

*Small and medium-sized enterprise is promoting national economy development, the structure of the market economy the main body, social stability foundation strength. In this paper, based on the actual management status of small and medium-sized enterprises and the importance of human resource management, and to explore from the perspective of human resource outsourcing is suitable for small and medium-sized enterprise development model of human resource.*

**Keywords:** Small and medium-sized enterprises; Human resource management; Outsourcing; risk

### **1. Introduction**

Human resource management refers to the economics and under the guidance of humanistic ideas, by recruiting, screening, training, compensation, and other forms of management of inside and outside the organization related human resources effectively Use, meet the needs of the organization's current and future development, at the same time on a person's thoughts, psychological behavior properly induction, control and coordination, give full play to people's subjective initiative, make person, things have to the person and the personnel, to achieve organizational goals.

SMEs (Small and Medium Enterprises), also known as the Small and medium-sized Enterprises, or SMEs, it is compared with large Enterprises industry personnel scale, assets scale and the scale are relatively Small economic units. Such enterprises usually provided by a single person or a minority of funds, its employment and turnover is small, so in business, for the most part, is direct management by the owner, less from outside interference.

By the end of 2012, our country small and medium-sized enterprise profit income 3.674 trillion yuan, accounting for 59.3% of total profits, small and medium-sized enterprises provides about 75% of the town employment opportunity. In the total export in recent years, there is more than 60% of small and medium-sized enterprises to provide. Small and medium-sized enterprises or alleviate employment pressure, maintaining social stability, strength, is the motive force of economic growth and social progress, is the main driving force of deepening reform.

Human resources as the first resource in the competition, plays a decisive role to the development of small and medium-sized enterprises. Reasonable and effective human resources management is helpful to promote the enterprise production and business operation smoothly, is helpful to arouse the enthusiasm of enterprise staff, conducive to the establishment of modern enterprise system, to improve economic benefits. Therefore, human resource management is small and medium-sized enterprise stand firm footing in the fierce market competition and the important guarantee of healthy and rapid development.

Enterprise managers often will focus on product research and development, production, market development and other fields, for the recognition of the importance of human resource management is insufficient, not enough attention, more on the management concept is limited to save manpower cost. Although some managers have idea and consciousness of modern human resource management, but due to the lack of funds, personnel, technology, etc, in the beginning did not make clear enterprise development strategy and to form a complete set of human resource planning, supply and demand for human resources, management development and general lack of foresight and planning, cause in the process of enterprise development human resource reserves and inadequate development and make the developing power shortages.

## **2. Current Problems**

### **2.1 The Lack of System of Human Resource Management Concept**

Human resources occupies the core position in the enterprise resources, optimize the integration of human resource, arouse the enthusiasm of employees, initiative and creativity, is an important guarantee of the enterprise eternal vitality, which is a key link in the process of enterprise competitiveness, and it depends on the effective management of human resource management department. But throughout the current small and medium-sized enterprise human resources management present situation, although the managers of the importance of human resource management was strengthened, but the status of human resource management department in the corporate sector is still low, most small and medium-sized enterprises in the process of our development tend to focus on recruitment, attendance, salary, etc., and for staff training, enterprise culture construction is not enough, not enough attention to human resource management, people-oriented management concept is not absorbed by small and medium-sized enterprise really, employees in the enterprise initiative and competition consciousness is not strong, the lack of the identity of the enterprise.

### **2.2 HRM Making Little Contribution to the Development of the Enterprise**

HRM's contribution to the enterprise including increasing the benefit of the enterprise, promote enterprise development, and improve enterprise competitive advantage, improve staff performance, etc., however, many current human resource management of small and medium-sized enterprises still remain in the traditional management level, not implemented the crossing of the personnel management, is still in archives management, compensation calculation, welfare management centered on things such as personnel management phase, not assume the responsibility of the human resource management department, although its plays a role of support and assist other departments of the enterprise, but due to the lack of insight, long-term development of the enterprise and enterprise from other departments. This management model also determines it cannot take the core position in the enterprise, which could make contributions to enterprise development.

### **2.3 The Lack of Inspiring Enterprise Culture**

The enterprise culture is coagulated penetration, in the development process of enterprise value and spirit, each corporate culture is different, to the employee's behavior habits and ways of doing things will have a serious impact on. At present a lot of medium and small enterprises do not pay attention to the construction of enterprise culture, the staff did not understand what is the relationship between corporate culture and its development, they have to make money and not as a business hero posture, resulting in personal values and corporate values deviate, cannot produce a strong cohesion, unable to retain talent, this is one of the main reasons for the defects of the existing human resources management of small and medium enterprises.

## **3. The Value of Human Resources Outsourcing**

Enterprises through human resource management outsourcing can obtain economic value, technology value and strategic value, thus improve the enterprise human resources management level, the enhancement enterprise's core competitiveness.

### **3.1 Economic Value**

Human resource management outsourcing can make the enterprise under the condition of limited resources, advanced and perfect human resource management services, enterprise and outsourcing service provider through the establishment of risk-sharing, benefit sharing mode, can put the cost of human resource management and risk management to disperse and transfer, effectively circumvent the risk of human resource management.

At the same time, outsourcing can make the enterprise use the outsourcing service provider of economies of scale advantage and low cost service for better services, human resources management and the ability to keep receiving outsourcing the changing of advanced equipment, advanced technology and space expansion of the human resources management advantages, cost savings for the enterprise human resources management and human resource management in terms of investment.

### **3.2 Technology Value**

Enterprises can gain through human resource management outsourcing outsourcing service provider to provide more comprehensive, faster and more diversified services, human resource management at the same time, access to human resources management function activities need professional technology and strengthening human resources management informationization technology needed for the performance. Due to outsourcing service providers have the ability to acquire new technology more than enterprise. Therefore, human resource management outsourcing can meet the demand of enterprise staff's high level unceasingly, can stimulate staff's work enthusiasm and motivation, to create value for the enterprise.

### **3.3 Strategic Value**

Cale Parker, the chairman of the human resource management council pointed out that chaos: enterprise reengineering, restructuring, streamline scale movements require human resources to become chief executive of strategic partner, help, planning, implementation of organizational change. Enterprises through human resource management outsourcing can focus on core business development. Promote the process of enterprise reform and reorganization, make the human resources department from transactional work bound, the strategic change of work function. Therefore, the enterprise human resources department goalkeeper become enterprise managers's right-hand man, more involved in the enterprise culture construction, learning organization construction strategy, technology innovation, the enterprise, improve enterprise's strategic decision-making ability.

The traditional strategy theory with the individual companies as the research object, studies the enterprise how to interact with the environment, with the right strategy to change the existing living conditions and the elimination of environmental threats, and that individual firms if they can better control of their core resources and operating range, can obtain good living space, create profits and growing the I knife. However, changes to the environment in the information age force enterprises and other enterprises to unite to depend on each other, common development, the formation of interest together, a consortium of risk-sharing, operating the resources needed for and against the power of the environment. Between enterprises and enterprises formed a complex network, any enterprise in the study strategy and organizational problems, must attach importance to network between enterprises. Along with the Internet technology developed and rapid growth of the global market, enterprise network relations to win competitive advantage will be more and more important. "Cooperation" and "interdependence" will become the core concept of the operation of enterprises in the 21st century. Therefore, for the people, wealth and physical resources such as limit of technology-based SMES, must build the value of the enterprise development network. To cultivate its own core competence, promote enterprises to develop competitive advantage.

## ***4. The Risk of Human Resources Outsourcing***

### **4.1 Risk of Enterprise's Own Capacity Constraints**

Enterprise's own ability to include whether outsourcing decision-making ability, ability of outsourcing can adapt to change and contract negotiation team negotiations and contract relationship management team management ability, as well as for effective human resource management outsourcing of monitoring ability, etc. Due to the limitations of their own capabilities, in the enterprise of outsourcing activities tend to face the shortage of capacity, the risk of supervision and control, it is not surprising that the outsourcing failure.

### **4.2 The Cost of Outsourcing Error Estimation Risk**

Cost reduction is the most original motive outsourcing, using the services of specialization and scale effect can reduce cost, but before signing the contract should be to accurately predict the cost. Under normal circumstances, the enterprise could cost of dominant decomposition and comprehensive analysis, such as salary, benefits, office equipment, venue rental, etc. However, for some hidden costs, such as maintain good relationship with service providers, enterprise employees to do outsourcing work satisfaction, etc., many enterprises are not enough, therefore, cause company when making outsourcing decisions made the wrong decision.

### **4.3 The Risk of Outsourcing Service Provider Selection**

Outsourcing service provider of choice is a key link in the whole work of human resources outsourcing, outsourcing service providers to choose the correct or not directly related to the enterprise and the cooperation of success.

Due to the industry's low barriers to entry, at present, the domestic market of human resources outsourcing service provider is numerous, the number of human resources management consulting, executive search firm have sprung up. However, these institutions of different levels, both of the world's top service providers, there is also a person independent consultant of a computer. Sometimes due to the asymmetry of information, enterprise can't really know the actual technical strength outsourcers, personnel strength. At the same time, in the aspect of enterprise, it is due to the relevant person in charge of the human resources department no ability or not strictly comply with the code to understand the actual operation situation and background of service providers, also does not have the stability of the financial situation of the service providers, such as a serious check and analysis, to grasp from the providers of risk; it is due to the direct charge is personal bias, although its more information from the service, but there is no good feedback to policy makers to the background, the background decision-makers lack sufficient effective information to support decision making. Decisions of this kind of information asymmetry makes the enterprises chose by mistake is not suitable for their own actual situation, lead to enterprise loss occurred.

#### **4.4 The Risk of Information Security and Business Security**

In the human resources outsourcing, enterprises will usually work such as recruitment, performance appraisal, compensation management, some or all of the outsourcing of these jobs, such as the policy of attracting talent, compensation standards, compensation structure, etc., all belong to the commercial secrets of the enterprise. Enterprises in the process of outsourcing cooperation must be disclosed to service a large number of information, especially in some projects, often involving human resources outside information (such as market, technology, etc). If these information, the enterprise will in a very dangerous situation. The cause of outsourcing enterprise information has two kinds: one kind is outsourcing service provider of relevant policy information to enterprise consciously leak competitors; Another kind is unconscious of outsourcing service providers have leaked the outsourcing strategy of enterprise information, this is mainly because of the particularity of human resources.

### **5. Human Resources Outsourcing Risk Prevention Countermeasures**

#### **5.1. Select the Suitable for This Enterprise Outsourcing Mode and Service Providers**

Outsourcing service mode and the choice of outsourcing service providers is a key link in the process of outsourcing implementation, implementation of the enterprise human resource management outsourcing has the vital significance. Enterprise and outsourcing service provider is not in the traditional sense of the principal-agent relationship, but the strategic partner relationship. Characteristics from the macro level analysis, therefore, enterprises, according to human resource management outsourcing business characteristics and the choice of a target set standards, carefully select outsourcing mode and outsourcing service providers. First of all, when choosing outsourcing service model should follow four principles: one is the principle of enterprise core competitiveness: the second is to obtain the principles of advanced production technology and expert services; it is to reduce the cost of principle; Four is to reduce risk and improve the efficiency of management principles. Secondly, choosing outsourcing service providers should combine the characteristics of the enterprises and the actual demand for consideration.

Fully considering the scale of the enterprise, the enterprise culture and enterprise development prospects of the specific circumstances, adjust measures to local conditions, carefully evaluated to identify, select carefully, give good entrance. Should stick to match with the demand of the enterprise, can not blindly pursue the big brands. In addition to the cost price, should be the strength of the outsourcing service providers and customers as a whole, professional guidance, customer word of mouth and other comprehensive consideration. Once again, we need to outsourcing service provider for further detailed investigation. Before inspection of outsourcing services, outsourcing companies to a similar outsourcing units consultations and advice, learning experience. When enterprises should fully communication and communication with outsourcing service provider of outsourcing service providers have service commitments, whether to have the idea of software and hardware construction, whether has the rich operation experience, can strictly abide by the relevant laws and regulations of the country. At the same time, should also consider is working with a outsourcers or cooperation with several companies respectively.

#### **5.2 Establish Outsourcing Risk Incentive Constraint Mechanism and Monitoring Mechanism**

Enterprise and outsourcing service provider after signed a cooperation agreement, there is the risk of major is moral hazard.

Moral hazard refers to: hypothesis in others when signing a contract with the principal and agent information can be regarded as basically is symmetrical, but after a contract, the principal cannot observe agent certain behaviors, or the change of external environment only was observed by the agent. In this case, the agent after the contract assurance, may take some action against the client, to damage the interests of the client. Against this risk, can also take effective measures in addition to the supervision, to reduce the risk of moral hazard, companies can provide appropriate incentives in the contract, give outsourcers must have incentives. At the same time, enterprises in the outsourcing contract, should be put forward clear requirements of service in the contract, the service standards and regulations should be achieved, set up a corresponding monitoring mechanism.

### **5.3 A Sound System of Laws and Regulations Standard Outsourcing Market**

For enterprises, human resource management outsourcing how effective they are, after both sides after a dispute to solve, by which all of these become enterprises consider the most problems. To solve this problem, the government should be a good "referee", should by formulating relevant legal norms, indicate the direction for the development of the industry. One is to strengthen the legislation, establish targeted as soon as possible, perfecting the system of laws and regulations. This needs through practice constantly sum up and refine, and to practice the experience to rise to the level of laws and regulations. The second is to actively encourage, support and promote human resource management outsourcing industry association in the outsourcers and enterprise play a role and coordination; Three is in terms of market regulation, the government should try to lead the industry rules and codes, and supervise the enforcement of the law, with unified standard and price, in order to strengthen the management of human resources outsourcing provider's qualification: four is the government department should play its universal binding force and authority, build a fair and just competition environment, strict management outsourcing market.

### **5.4 Establish Outsourcing Risk Early Warning Mechanism**

Ready to implement the outsourcing enterprises must set up corresponding organizations to outsourcing to conduct a comprehensive planning, managers should be focusing on the analysis of outsourcing risk source, to estimate the probability of the risk, to estimate the possible consequences, defining the responsibility of stakeholders, etc. By the early warning mechanism to predict and analysis the risk of outsourcing implementation, strengthen the feed forward control work, making possible outsourcing risk losses to a minimum.

## **6. Conclusion**

In the field of human resources outsourcing is human resource management in recent years more and more common an innovation activities, is paid attention to all types of enterprises day by day. In human outsourcing is, however, there are a lot of risk factors, such as selection of outsourcing service providers risk, the risk of enterprise culture conflict, the risk of information security and business security, employee retention and resist risk, and so on. The cause of these risks are theoretically, there are other aspects of the causes, this paper mainly from the transaction cost theory, principal-agent theory, resource-based theory and resource dependency theory analysis its theoretical origin. Main countermeasures for preventing the risks of human resources outsourcing outsourcing system research and planning, prudent choice, to set up the outsourcing of outsourcing service providers risk early warning mechanism, establish a mechanism of incentive and constraint, outsourcing risk associated with the enterprise staff, outsourcing service providers to communicate effectively to implement effective communication and monitoring, etc.

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