

Research on human resource outsourcing decision model of small and medium sized enterprises

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Abstract. In the increasingly fierce market competition, enterprises are increasingly focused on their own areas of expertise, play their own advantages, and focus on cooperation with other enterprises, especially for small and medium enterprises. Outsourcing as an important strategy to make full use of limited resources, reduce enterprise costs and enhance the core ability of the enterprise, has been widely concerned by enterprises. As one of the most important branches of human resources outsourcing, it is developing rapidly. This paper analyzes the model of human resource outsourcing in small and medium enterprises from two dimensions, and the model of human resource outsourcing in small and medium-sized enterprises is analyzed. It is considered that the decision of outsourcing and outsourcing of human resource outsourcing can be determined as long as the matrix quadrant of the nonstrategic activities of the enterprise is located.

1. Introduction

Early in 1980s, the rise of outsourcing in the United States, and then gradually extended to Japan, Europe, and then accepted by the global business community. Now, outsourcing has not only limited to information outsourcing or manufacturing outsourcing. The traditional sense of the enterprise's core business, namely, human resource management activities have begun to be incorporated into the outsourcing service.

Human resource outsourcing refers to: the business of third party service providers or service providers to provide continuous human resource management services, such management is usually carried out by the relevant departments of the enterprise. A service provider shall sign a contract with an enterprise to manage a particular human resource, provide a predetermined service and receive the service charge.

The core idea is: the enterprise in the case of limited internal resources, in order to achieve greater competitive advantage, only to retain its most competitive business, and will be more than the other business to the cost advantage and professional knowledge of the enterprise. It is an important means to enhance the environmental adaptability of enterprises, is a strategic tool to realize the strategic target.

The decision-making process of human resource outsourcing in small and medium enterprises is a complicated process, which needs to consider many factors, balance the interests of all parties, and finally make a comprehensive variety of factors to make a good decision. However, due to the small and medium enterprises, the impact of the entrepreneur is still very large, so many decisions are made in the internal of the early period of the "parent system" decision, a person who said the business. But in the rapid development of small and medium enterprises in the environment and the existence of the problem is far more complex than the start-up period, this "parent system" decision-making methods and cannot fully consider the factors that affect the decision-making, the decision is not rigorous, may lead to the final decision failure. So this article will introduce the analytic hierarchy process (AHP) to analyze the human resource outsourcing decision of small and medium sized enterprises.

2. Analysis on the necessity and feasibility of human resource outsourcing in small and medium sized enterprises

In people's impression, outsourcing is a big company's patent, small and medium enterprises are only passively accept, but in fact, with the division of labor and business competition intensifies, small and medium enterprises also need to be part of the business step by step, and small and medium enterprises in the financial, logistics, logistics and other aspects of the cost conscious than large enterprises more urgent, without the noncore departments directly control in their hands. So these flexible business will have the need of outsourcing.

Necessity analysis of human resource outsourcing in small and medium sized enterprises:

(1) Scale and fund cannot compete with large enterprises. The size of small and medium-sized enterprises and capital cannot be compared with large companies, and this will inevitably affect the setting of its management agency and its functions.

(2) The high risk of the uncertainty of the recruitment of personnel. The loss of talent has been a big problem for the managers of small and medium-sized enterprises, how to better guide people, use people, keep people, reduce the loss of brain drain is the focus of the use of small and medium enterprises.

(3) The attraction of the cost benefit principle. Any enterprise is to profit for the purpose of survival, small and medium enterprises are no exception. How to do better, in exchange for the highest profit at the lowest cost, will always refers to the decision-making management of smes.

Feasibility analysis of human resource outsourcing in small and medium sized enterprises:

(1) The professional service of many human resource outsourcing service organizations. At present, there are a wide variety of human resource outsourcing, outsourcing service is also a variety of types. Including recruitment, training, outsourcing, outsourcing, human resource information system outsourcing, etc.. The specialized institution provides the possibility for the human resource outsourcing of small and medium sized enterprises.

(2) The experience of large scale enterprise outsourcing. Large enterprises, especially the successful experience in human resource outsourcing of foreign enterprises, provide reference and basis for the outsourcing of small and medium-sized enterprises.

(3) The theory of human resource outsourcing at home and abroad provides the foundation for the practice of outsourcing of small and medium sized enterprises. Although the human resources outsourcing is exotic, but through theoretical research and practical experience of many years of accumulation, the research on human resource outsourcing has been relatively mature, which provides theoretical guidance for the small and medium-sized enterprise human resources outsourcing.

3. Human resource outsourcing decision model of small and medium sized enterprises

Adam # Smith in the professional division of labor theory pointed out that the division of labor can increase the degree of skilled workers, save time, reduce the complexity of labor, and improve the labor productivity of enterprises. The outsourcing of human resource management is the extension of the division of labor in essence, and it can not only simplify the management, but also help to improve the degree of specialization of human resource activities. Kos pointed out that in the transaction cost theory, the enterprise organization cost is greater than the market transaction costs, the business outsourcing to other suppliers, can improve the overall efficiency of enterprises, so that enterprises in the face of market changes can quickly make adjustments to reduce production costs.

According to these two theories, we mainly consider two dimensions, namely, the basis of outsourcing to enhance the enterprise human resource activities of the professional degree and income P cost two dimensions of the matrix (Figure 1), and accordingly to the nonstrategic human resource activities further divided, respectively, in the four quadrant of the matrix to make outsourcing decision.

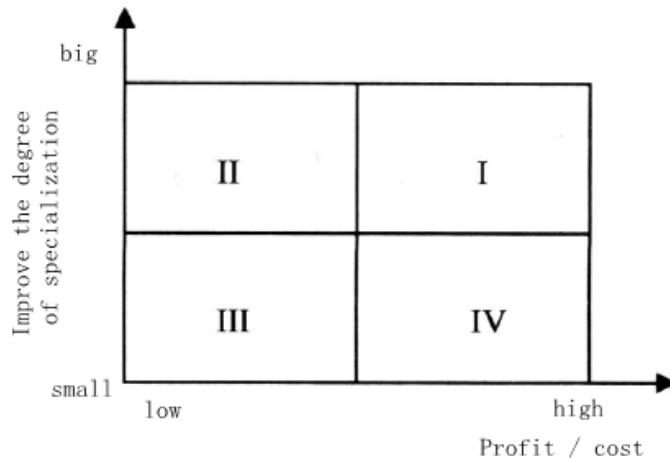


Figure 1 Human resource outsourcing decision model

In the II quadrant, human resource outsourcing can improve the degree of specialization of enterprise human resources activities, but the cost is not good, then it should control the cost of outsourcing, and outsourcing service supplier bargaining power, the cost will be reduced to a reasonable range of its outsourcing.

In the IV quadrant, outsourcing cannot improve the enterprise human resource activities, but the cost is higher, then should be carefully considered whether to carry out outsourcing, outsourcing this business will weaken the degree of specialization of the function, thereby affecting the core competitiveness of the enterprise, and retain the business and can reduce its cost.

As for the III quadrant, some human resource outsourcing cannot improve the degree of enterprise human resource activities, but also the cost of outsourcing is not cost-effective, which belongs to the business should be retained and not outsourcing.

3.1 Analysis Based on the degree of specialization

For small and medium enterprises, many small and medium enterprises, especially private enterprises, private enterprises, most of them are family style enterprises, the use of parents management, this management model for the human irrational and arbitrary management of the drawbacks, and make the enterprise is not professional human resource management, and for outsourcing service providers, the advantages of human resources management expertise and technology, and a wealth of operational experience. Through outsourcing, small and medium enterprises can not only get the advice and guidance of human resources management experts, and can use the latest systems and technology outsourcing services agency, and the process of outsourcing is actually a process of internal personnel management personnel training, is conducive to the improvement of their management capabilities.

Therefore, in the implementation of outsourcing decision-making, small and medium enterprises can provide a comparative analysis of nonstrategic human resource activities, including staff recruitment, training and education, labor relations, compensation and benefits, etc., in the degree of specialization and outsourcing service providers to provide professional degree, and according to the degree of difference, can enhance the size of these nonstrategic human resource activities in the matrix.

Case analysis of 1: A company is a medium-sized property company in a city, mainly for residential quarters, the plant to provide security, cleaning services, the existing staff of about 400 people. Table four analyzes the 1 major human resource activities in the company in the recruitment, employee relationship maintenance, salary calculation, training, and the degree of specialization in the outsourcing.

From table 1 we can see: in the recruitment, employee relationship maintenance, pay calculation of these three human resources activities, the degree of specialization of the outsourcing before and after the difference is large, that is, the degree of specialization can be promoted after outsourcing, should be placed in the I or II quadrant. And in the training, the degree of specialization is not much difference, but can enhance the degree of specialization is low, should be placed in the III or IV

quadrant.

Table1 Analysis and comparison before and after outsourcing

	Before outsourcing	After outsourcing
Recruit	<p>Recruitment channel single: rely on a regular basis to some of the labor market to recruit staff.</p> <p>Recruitment lag: Because of the high turnover rate of employees, the demand is often caused by the shortage.</p>	<p>Recruitment channels: it rely on intermediaries, directly to some of the more rich areas of labor and other provinces and some vocational and technical schools signed a long-term agreement, etc..</p> <p>Personnel reserves: it can easily face the very complex and diverse human resource needs.</p>
Employee relationship maintenance	Using the most original file bag and manual number storage. The lead to not very inconvenient, and easy to cause the lack of information.	Using a professional human resources system software, can be used to maintain and update the employee's personal information, the job status, etc.. In particular, the calculation of wages, the software provides a special module, greatly simplifying the calculation process, and can be derived from various types of reports.
Salary calculation	Only rely on the excel document for payroll calculation, and very time-consuming and laborious.	
Train	<p>Have a special place.</p> <p>Have hired a number of training instructors to carry out special training on security.</p> <p>To carry out special training on fire, traffic, etc..</p>	Some of the outsourcing of training programs are often universal, but the targeted is not strong.

3.2 Analysis Based on income / cost

The first step: To calculate the cost of a specific human resource activities, including the salary, benefits, office space, telephone communications, computer equipment and the use of the use of internal coordination costs, etc.

Second step: calculate the cost of the human resource activities, including:

(1) Outsourcing services:

The service charge of the contractor is C1 per month in the contract.

(2) Negotiation costs:

After determining the good candidate, we need to negotiate with them to determine the final supplier, to sign a cooperation agreement, in this part of the work in the cost of spending and the opportunity cost of personnel, and was called C2.

(3) The cost of supervision and administration:

In the process of outsourcing, the enterprise needs to supervise and manage the outsourcing process to ensure the execution of the contract, which includes the cost of human resources in the implementation of the activities and the necessary expenses incurred when we think we need to improve, and was called C3.

(4) In some other literature, we have also referred to the cost of opportunistic cost (due to vendor opportunism, such as vendor raised prices, etc.), cost of risk (in addition to the cost of the contract

cost and the risk cost incurred by the supplier, such as the loss of core competencies, learning and innovation opportunity cost, loss of work safety risk cost, risk cost of intellectual property), and in the process of human resource outsourcing may also encounter such a situation, we call it Cu.

So, the cost of human resource outsourcing process $C=C1+C2+C3+Cu$.

The third step: the benefits of the human resource activities of the outsourcing / cost = (after outsourcing- before outsourcing) / before outsourcing.

The fourth step: In the various nonstrategic human resource activities for the benefit / cost analysis, in accordance with the level of income / cost to determine the various activities of the matrix quadrant.

Case analysis of a small and medium enterprise 2: To the salary and welfare activities, the income / cost analysis is as follows:

From table 2 analysis can be: the enterprise will pay the benefits of outsourcing, a year will be able to save 100 thousand yuan of cost, the cost of P high, should be placed in quadrant I or quadrant IV. It should be pointed out that table 2 reflects the dominant income that is brought by the original cost savings, and some implicit benefits cannot be ignored, including human resource activities due to the increase in efficiency of outsourcing, outsourcing human resources department to participate in the strategic decision-making, etc..

Table2 Analysis and comparison before and after outsourcing

Before outsourcing		After outsourcing	
Cost of a pay Officer	146750yuan/year	Service charge	96000yuan/year
Annual salary	3200*13=41600	400 company (20 yuan / person / month)	400*20*12 =96000yuan/year
Social security / Fund	salary * 45%=18720	-	-
Office	7*5.0*365=12775	-	-
Traffic expense	2400	-	-
Communication expense	3600	-	-
Administrative overheads	60000	-	-
Computer (6000yuan/3 years)	6000/3=2000	-	-
Cost of 0.5 financial officers	73375yuan/year	Negotiation cost	20000yuan/year
Internal coordination cost	10000yuan/year	Supervision and management cost	12000yuan/year
Total	224470yuan/year	Total	128000yuan/year
Increasing in the number of companies, personnel costs and increased workload		Increasing in the number of companies. The companies enjoy preferential prices.	

Conclusion

Through the analysis of the above two dimensions, small and medium enterprises can determine whether the outsourcing of human resource outsourcing and the order of outsourcing can be determined by the matrix quadrant of the nonstrategic activities. Of course, this is only a theoretical level, combined with the results of professional and cost - benefit analysis. On this basis, the appropriate increase in other factors of restricting decision making can be appropriately added.

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