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## Impact of Recruitment Process Outsourcing in Organizational Performance of IT Industries

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**Abstract:** The term "outsourcing" describes the utilisation of external resources to complete a task. A type of business process outsourcing known as recruitment process outsourcing (BPO) involves an employer contracting out all or some of its hiring processes to a third-party service provider. The ability to save up to 40% on hiring expenses is one of the main benefits for organisations that outsource their hiring process. By utilising the third party's knowledge, skills, and economies of scale, organisations can guarantee the calibre of their hires and expedite the entire process. Recruitment service providers are contracted to handle the hiring process by Indian IT enterprises. The success of their company rests on the hiring of staff members via recruitment service providers. Considering this, efforts were put to find out how far the employees recruited through RPO were successful in their performance. The study reveals that the performance of employees recruited through RPO is only satisfactory. Factor analysis reveals that the influencing performance factors are initiative skill, cooperation, leadership, knowledge, problem-solving ability, and quantity of work. Based on the finding valuable suggestions were given to overcome the problems.

**Keywords:** RPO – Recruitment Process Outsourcing, BPO – Business Process Outsourcing, Time Management, Productivity, Recruitment & Selection.

### Introduction

Outsourcing is a widely practiced strategy where businesses utilize external resources to fulfill tasks, a concept embraced globally for its versatility in supplementing, replacing, expanding, or streamlining operations. Recruitment Process Outsourcing (RPO) falls within this

framework, embodying two fundamental outsourcing motives: acquiring specialized expertise and reducing costs (Norman, 2009). In essence, RPO, a subset of Business Process Outsourcing (BPO), transfers all or part of an employer's recruitment functions to an external service provider.

The primary objective for organizations outsourcing their recruitment lies in cost efficiency. This approach can lead to substantial savings, often up to 40%, in recruitment expenses. Leveraging the third party's experience, proficiency, and economies of scale enhances recruit quality and expedites the entire hiring process. It also introduces a structured methodology to recruitment, preserving the organization's decision-making authority in hiring processes. Typically, outsourced recruitment activities encompass tasks consuming around 70% of total recruitment time, from crafting job descriptions to managing interviews.

Businesses in industries like business process outsourcing (BPO), who struggle with 50–60% employee attrition, find that outsourcing recruitment can be a cost-effective approach that frees up resources for retention and other important issues. Third-party services (consultants) provide job seekers with access to up-to-date work possibilities. A large percentage of hiring in the IT industry happens via RPO agreements. This study explores how RPO affects hired workers' successful performance and emphasises how it shapes organisation.

### **Recruitment Process Outsourcing**

RPO is defined by the Recruitment Process Outsourcing Association as follows: "If a provider handles all or a portion of a company's internal recruitment function, they manage the entire recruiting/hiring process, including staff, technology, method, and reporting, from job profiling through the onboarding of the new hire. "An effective RPO management strategy can expedite the hiring process, enhance the calibre of the candidate pool, yield measurable outcomes, lower

expenses, and boost compliance with regulatory bodies." The acceptance of RPO increased as labour markets grew more competitive.

### **Industry Profile**

With over 52% of the US\$ 124–130 billion information technology (IT) market, India is the world's most popular place for sourcing. About 10 million Indians work in this business, which is still making a major social and economic impact on the nation. In addition to changing India's perception abroad, the IT sector has boosted economic expansion by igniting interest in engineering and computer science at universities and other higher education fields. India's unique selling proposition (USP) in the global sourcing industry is its cost competitiveness in supplying IT services, which is roughly three to four times less expensive than the US.

The four main sectors of the Indian IT market are hardware, software products and engineering services, business process management (BPM), and IT services.

### **Overview of the Company**

The lifetime of money and the function of technology in creating value are subjects that The Polaris Group is quite knowledgeable about. The Group has been offering technological solutions for Banking, Financial Services, and Insurance (BFSI) for more than 25 years. More than 250 financial institutions worldwide are using the high performance financial technology (FT) solutions provided by the company. Polaris is unwaveringly customer-centric, as seen by their 96.5 percent repeat business rating. Leading provider of financial technology for banking, insurance, and other financial services worldwide is Intellect Design Arena, a Polaris Group firm. Intellect is a products company with a distinct specialisation that serves the requirements of financial institutions in varying stages of technology adoption.

### **Review of Literature**

Armstrong (2003) presents the early line of thought with regards to recruitment outsourcing. He states that the use of consultants and organizations providing RPO services is an efficient way to go through the early stages of recruitment that are very time consuming.

According to Leggett (2007) the costly and time consuming recruitment functions are outsourced, the importance of the work that is left for the HR department is emphasized as they are no longer strained with administrative tasks. Consequently, it is important to focus more on value-adding tasks, for example strategy, candidate selection and staff retention.

Hauser (2011) states that engaging in RPO allows firms to scale their recruitment activities up and down based on factors such as economic climate. This might not be possible if recruitment was conducted entirely in house.

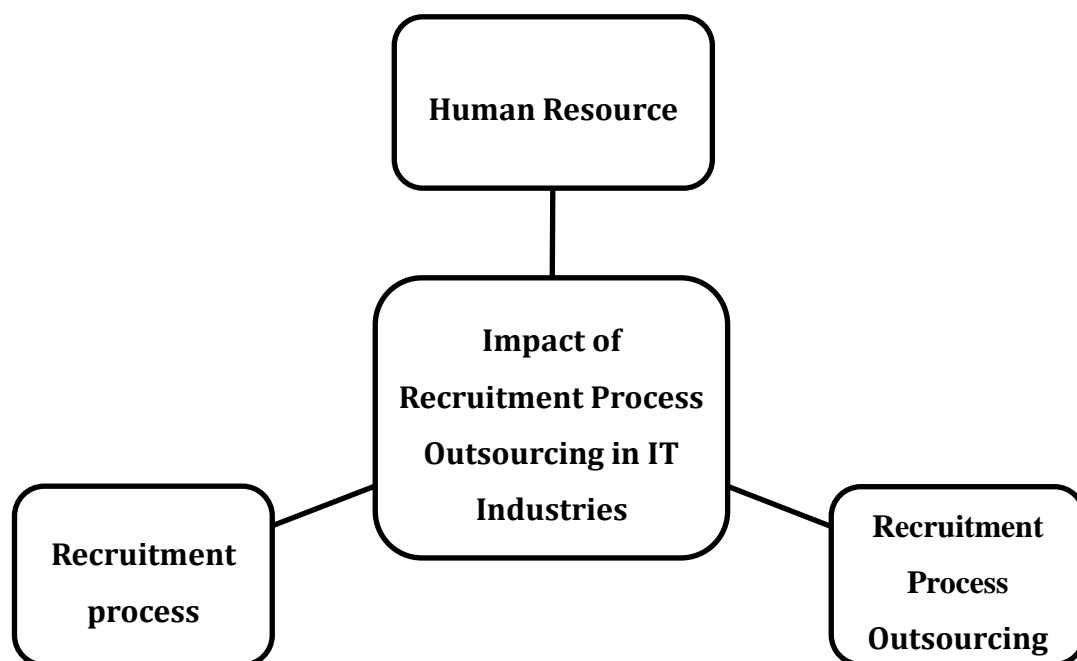
Cappello and Constance (2011) present a more modern notion of the possible next-level benefits of recruitment outsourcing. They feel that in order to make RPO more profitable for both parties, there should be a relationship similar to a strategic partnership between them. Ordanini and Silvestri (2008) discuss the fear of losing control because of Recruitment Process Outsourcing. They present an interesting notion that a firm may consider its recruitment as either a burdensome administrative task or a source of competitive advantage for their company. Hauser (2011) presents a study conducted by Aberdeen Group Inc., which highlighted some of the concerns that companies had with regards to RPO. One of these was the possibility that the recruitment service provider would fail to be able to represent the corporate and employer brand of the recruiter.

### **Statement of The Problem**

RPO is relatively a recent phenomenon in IT industry. While individual corporations may have had some type of centralised program to manage their staffing needs, it has only been within the last several years that RPO have been formalised and more widely adopted. This is expected to grow over the next several years as the issue of human capital management becomes more

important. RPO is clearly still evolving. It is arguably somewhere between late-introduction and early-growth. At this stage there is a need to study the effectiveness of RPO to decide the future directions of using RPO in recruitment process.

### Research Model



### Research Methodology

The research methodology for examining the impact of Recruitment Process Outsourcing (RPO) on the organizational performance of IT industries involves a mixed-methods approach. Quantitative data will be collected through structured surveys distributed to HR managers and employees in various IT firms, measuring key performance indicators before and after RPO implementation.

Qualitative data will be gathered via in-depth interviews to gain insights into perceived changes in efficiency, employee satisfaction, and overall productivity. Statistical analysis will be employed to identify significant correlations and trends, while thematic analysis will help contextualize the quantitative findings, providing a comprehensive understanding of RPO's effects on organizational performance.

### **Sampling and Data Collection**

The sample size is 215 from all different demographics of people who are working professionals in manpower recruitment and selections fields or have some basic knowledge about human resource management specifically IT industries.

The data is collected by using Google Forms and it was given to group of human resource professionals. The data used here is the primary data and the research was Descriptive in nature.

### **Tools For Analysis**

Simple statistical techniques are used, including the Mean, KMO AND BARTLETT'S TEST, and Factor analysis. These were carried out with the help of software like SPSS software.

### **Objectives of The Study**

The specific objectives of the study is to analyse the performance of employees recruited through RPO.

### **Concepts Used**

**Human Resource:** Human Resource as a process is the function, in an organisation, responsible for personnel sourcing and applicant tracking skill development and tracking compensation administration and compliance with associated government regulations.

**Outsourcing:** The department in charge of hiring new employees, managing applicants' skill development, administering their compensation, and ensuring compliance with relevant legal requirements is known as human resources in the Information technology organization.

### **Recruitment process outsourcing**

Establishing and maintaining a contractual arrangement with an outside provider for the supply of capacity that was previously provided internally is known as outsourcing of employees.

### **Recruitment**

The term Recruitment Process Outsourcing (RPO) describes the method by which a business contracts out some or all of its hiring duties. This can involve advertising job openings, sourcing, and screening, arranging and managing interviews, carrying out offers, adhering to system regulations, and entering data into HRIS (human resources information systems).

### **Performance Evaluation of Employees Recruited through RPO**

The systematic examination of an employee's performance is known as performance evaluation. Employee productivity and performance are essential to any business's success. Since RPO firms offer highly scalable and consultative recruitment services that are holistically focused on optimal hiring results, IT companies typically engage RPO providers to supplement their entire talent acquisition function and recruiting activities, or for limited scope services for specific businesses, positions, initiatives, projects, and/or geographies. In light of this, attempts were made to determine the extent to which the workers hired via RPO performed well.

### **Performance Rating Scale**

A lot of companies utilise rating scales to assess employee performance. The performance of the employees was assessed in this study using Likert's five-point rating system.

Likert type or frequency scales measure attitudes or opinions using fixed choice response formats (Bowling, 1997; Burns and Grove, 1997). Levels of agreement or disagreement are measured using these ordinal scales. The following rating was assigned for analytical purposes:

- Excellent – 5 points
- Good – 4 points
- Satisfactory – 3 points
- Sometime Unsatisfactory – 2 points
- Unsatisfactory – 1 point

There are too many variables in the performance evaluation. These could have to do with cooperation, leadership, time management, skill, and so forth. The performance metrics are selected from a number of reviews. A total of seventeen variables were considered.

The team leaders are asked to rate the performance of employees at five points scales from excellent to unsatisfactory. The assigned scores on these scales are from 5 to 1, 5 for excellent, 4 for good, 3 for satisfactory, 2 for some time satisfactory and one for unsatisfactory respectively.

The mean scores for the performance variables have been computed to exhibit the performance variables and are presented in Table: 1.

**Table: 1 Performance of Employees Recruited Through RPO**



S. No.	Variables	Mean Score	$\sigma$
1	Quality of work	3.55	1.09
2	Quantity of work	3.51	1.10
3	Job knowledge	3.48	1.1
4	Cooperation in Teamwork	3.44	1.15
5	Initiative to do work	3.47	1.12
6	Dependability	3.38	1.16
7	Creativity	3.63	1.12
8	Productivity	3.49	1.19
9	Communication skill	3.46	1.18
10	Time management skill	3.45	1.17
11	Punctuality	3.47	1.18
12	Leadership skills	3.47	1.07
13	Achievements	3.42	1.20
14	Decision making ability	3.52	1.15
15	Ability to deal in problem situations	3.49	1.12
16	Willingness to accept new ideas or approaches	3.57	1.15
17	Ability to handle many tasks simultaneously	3.51	1.18

**Source:** Primary Data.

Allotted scores for the performance variables ranges from 5 to 1. Maximum score is 5, hence the average score is 2.5 (5/2). From the above table it is clear that all the performance variables have mean score above 2.5, which indicates that the performance by employees recruited through RPO is above average. However, the score allotted is 5 for excellent, 4 for

good and 3 for satisfactory. Since the mean score for all the variables lies between 3 and 4 it can be concluded that the performance of employees recruited through RPO is only 'satisfactory'.

### **Factors Affecting Employees Performance**

The important factors affecting the performance of employees was analysed with the help of 'factor analyses. The score of the various performance variables have been included for factor analysis. Before concluding the factor analysis, the test of validity of data for factor analysis have been administered with the help of KMO measure of sampling adequacy and Bartlett's test of sphericity. The resulted KMO measure of .522 (<.5) and 0.01 level of significant chi-square value satisfy the condition for validity of data for factor analysis.

**Table: 2 KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.522
Bartlett's Test of Sphericity	Approx. Chi-Square	177.213
	df	136
	Sig.	.010

The rotated component matrix for the performance variables is given in Table: 3.

**Table: 3 Rotated Component Matrix for Performance Variables**

S. No.	Variables	Factors						
		1	2	3	4	5	6	7
1.	Initiative to do work	.509						
2.	Creativity	.603						
3.	Decision making ability	.495						
4.	Communication skill		.579					
5.	Time management skill		.541					
6.	Co-operation in Team work			.530				
7.	Productivity			.523				
8.	Dependability				.518			
9.	Leadership skills				.583			
10.	Job knowledge					.563		
11.	Ability to handle many tasks simultaneously					.553		
12.	Punctuality						.502	
13.	Ability to deal in problem situations						.668	
14.	Quantity of work							.491

**Source:** Primary Data

The above table indicates the rotated factor loading for the variables. From table 4.4 it is inferred that out of 17 variables included in the present study, 3 variables have been excluded from factor analysis since these variables have lesser factor loading ( $>0.5$ ). It is clear from the table that all the 14 variables have been extracted into 7 factors.

The number of variables in each factor, Eigen value and the percent of variation explained by the factors are presented in Table: 4.

**Table: 4 Performance Factors Among Employees Recruited  
Through RPO**

S. No.	Factors	No. of Variables	Eigen Value	Percent of Variance	Cumulative Per cent
1	Initiative	3	1.650	9.706	9.706
2	Skill	2	1.476	8.680	18.386
3	Co-operation	2	1.406	8.272	26.658
4	Leadership	2	1.240	7.292	33.950
5	Knowledge	2	1.170	6.885	40.835
6	Problem solving ability	2	1.086	6.387	47.222
7	Quantity of work	1	1.052	6.186	53.408

**Source:** Primary Data.

The seven important factors in factor analysis are named as Initiative, Skill, Co-operation, Leadership, Knowledge, Problem solving ability and Quantity of work.

The first performance factor 'initiative' consists of 3 variables with the percent of variation explained of 9.706. Second factor 'skill' consists of 2 variables with the percent of variables of 8.680 and the third factor 'co-operation' to the extent of 8.272. The next factor is 'leadership' with the percent of variance explained of 7.296. The fifth, sixth and seventh factors are named as 'knowledge', 'problem solving ability' and 'quantity of work' and the percent of variation explained by them are 6.885, 6.387 and 6.186.

## **Findings of The Study**

### **Performance of employees recruited through RPO**

- (F1) Performance evaluation of the employees recruited through RPO indicates that their performance is 'satisfactory'.
- (F2) To some extent they are good in 'creativity', 'willing to accept new ideas' and 'quality of work' since they have the highest mean scores of 3.63, 3.57 and 3.55. However, their performance is low with regard to 'dependability', 'achievements' and 'co-operation in team work', since they have the lowest mean scores of 3.38, 3.42 and 3.44.
- (F3) Factor analysis revealed that the highly influencing performance factors are 'initiative', 'skill' and 'co-operation' since they have the highest eigen value of 1.650, 1.476 and 1.406.

## **Suggestions**

### **Focusing on current employees for higher positions**

Only those hired using RPO have satisfactory performance (F1, F2, and F4). The organisation can use RPO solutions for lesser roles and concentrate on current personnel for senior and middle level management openings to solve these issues. This focus would ensure "achievements," "dependability," and "cooperation in team work of employees" while also boosting employee morale. Additionally, hiring and training someone for a job that doesn't require as much talent and experience would be simpler and less expensive.

### **Increased emphasis on using social networks for recruitment**

Due to a lack of reaction from the providers during the recruiting process and the recruitment service providers' inability to possess the requisite skills (F21).The business may decide to

increase its social recruitment budget. These days, social networking is one of the best resources for locating excellent prospects in both number and quality.

### **Embracing the concept of Talent Branding**

According to LinkedIn research, when a company has a strong talent brand in place, attrition rates can be dropped by 28% and cost per recruit can be lowered by 50%. Their efficiency is greatly increased by their talent brand. In the upcoming years, the organisation must emphasise its culture in order to attract talent. Better prospects are drawn to them when they have a strong talent brand to promote.

### **Using mobile recruiting**

The number of candidates using mobile devices to look for and apply to jobs is increasing. Companies can decrease recruitment process outsourcing (RPO) and expand their mobile recruiting practices to meet candidate demand.

### **Conclusions**

Performance consistency, cost and a result driven process is an important aspect which companies look exclusively while identifying a right and suitable RPO partner. The expectation goes far beyond the traditional service level agreements of typical recruiting strategies to locate specialized talent, with the global economy increasing recruitment pressure on RPO providers. Forward thinking businesses are looking for long term association with the right partner in talent flows, recruitment strategies and technologies which can integrate new recruiting methods in its solutions. The above study was an effort in such direction, to choose a right recruitment partner for an organization to fulfil its bigger goal of talent management for the business success and growth.

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