then increase profits and/or help the company compete on price.

Some HR departments are responding by outsourcing many functions traditionally done by full-time employees. Compensation and executive recruiting are two of a growing number of areas that are more likely to be outsourced. Stewart argues that an "in-house" HR department will probably cost the company much more money and since it is line management (not the HR staff) that really determines HR effectiveness, the use of outsourced personnel to perform certain HR activities should have little impact on effectiveness. For example, instead of using full-time HR staff to develop and implement a new performance management system, the company could contract with a company to do this work.

Stewart refers the reader to the Washington, DC-based Corporate Leadership Council, which concluded that indirect compensation (benefits), personnel record keeping, and employee services such as outplacement and retirement counseling, and health and safety issues (drug testing, wellness programs, workers' compensation) could all be outsourced to save money.

Stewart goes beyond the council's recommendation. He argues that many HR functions can now be purchased from vendors with considerable savings and no loss in quality. For example, recruiting can be done through "head-hunters" now for even low-level jobs. Personnel testing, performance management, and pay-for-performance systems can be purchased from consulting firms with impressive expertise in these areas. He cites Nucor Steel, which has an HR staff of four for its 6,000-person operation. Nucor farms out most of its HR work.

Stewart is not the only one critical of HR. Says Keith Hammonds, deputy editor of *Fast Company,* in a 2005 article diplomatically entitled "Why We Hate HR," "After close to 20 years of hopeful rhetoric about becoming 'strategic partners' with a 'seat at the table' where the business decisions that matter are made, most human-resources professionals aren't nearly there. They have no seat, and the table is locked inside a conference room to which they have no key. HR people are, for most practical purposes, neither strategic nor leaders."[2]

Hammonds asks, "Why are annual performance appraisals so time-consuming—and so routinely useless? Why is HR so often a henchman for the chief financial officer, finding ever-more ingenious ways to cut benefits and hack at payroll? Why do its communications—when we can understand them at all—so often flout reality? Why are so many people processes duplicative and wasteful, creating a forest of paperwork for every minor transaction?"

Mr. Hammonds pointed to a 2005 survey, which found that only 40 percent of employees thought their companies were effective at retaining high-quality workers. Only 41 percent thought performance evaluations were fair and 58 percent rated their job training as favorable. Most respondents said they had little opportunity for advancement—and that they didn't know how to move up in their organization.

Hammond also recommends serious downsizing and outsourcing of HR functions. There is recent evidence that supports Mr. Stewart's thesis regarding outsourcing some HR activities. For example, one study found that advantages for smaller firms that seek out external HRM assistance.[3]

Assignment

Generate a list of reasons why there may be another side to this story. What key questions would you want to ask Mr. Stewart and Mr. Hammonds regarding outsourcing? Compile a list of advantages and disadvantages to outsourcing that could help a company make thoughtful decisions regarding HR. Review the literature on this subject and look for supportive and contradictory empirical findings.

[1]Stewart, T. A. (1996, January 15). Taking on the last bureaucracy. *Fortune,* 105–108.
[2]Hammonds, K. H. (2005, August). Why we hate HR. *Fast Company, 97,* 40–43.
[3]Sheehan, C. & Cooper, B. K. (2011). HRM outsourcing: the impact of organisational size and HRM strategic involvement. *Personnel Review, 40,* 742–760.

Critical Thinking Application 2-A

What Is the Origin of Your University Apparel?[1]

Chapter 2 discusses the issues, problems, and advantages related to the use of offshore facilities for manufacturing. We've all heard stories about the working conditions in the overseas "sweatshops" where many of our products are manufactured. You may be wearing a shirt or hat right now with your university logo on it. Do you have any idea where the apparel was manufactured and under what conditions?

Twelve students at Florida State University were arrested by FSU campus police for demonstrating in an area not designated for free speech. These students were members of United Students Against Sweatshops (USAS) and were protesting a decision by then university president, Sandy D'Alemberte, to not join the Worker Rights Consortium (WRC), an organization initiated by the USAS that monitors factories worldwide to ensure humane working conditions.[2]

The USAS is an international student movement that fights for sweatshop-free working conditions in factories around the world. Students from more than 30 schools started the organization in 1998. These students wanted to increase awareness of workers' rights issues and coordinate efforts between campuses to address workers' rights as a greater force. A part of the plan was to develop an organization that monitors production facilities. That plan resulted in the Worker Rights Consortium.[3]

The Worker Rights Consortium was started in October 1999 by the USAS.[4] Its purpose is to "assist in the enforcement of manufacturing Codes of Conduct adopted by colleges and universities . . . to ensure that factories producing clothing and other goods bearing college and university names respect the basic rights of workers." The organization is supported by affiliation fees from each member