**HR Outsourcing Literature Review: Decisions, Outcome and Its Future Research Directions**

## Abstract

This study aims to systematically synthesize more than 20 years of human resource outsourcing (HRO) studies in a way that is meaningful, concise and, useful to HRO researchers and practitioners. Usinggrounded coding technique blended with integrative literature review, empirical papers published from 1997 to 2018 are examined. This is the first HRO literature review using such techniques to answer three key research questions: What has the existing empirical academic literature revealed about the determinants of HRO decisions and outcomes? What are the key issues emerged from the literature? What are the gaps in knowledge which warrant future HRO research? Other than providing a comprehensive insight into an emerging research area, this review also contributes to laying an important foundation for the initial descriptive HRO theory development. 36 dependent variables and 99 independent variables over 449 relationships were coded

***Key words:*** *HR Outsourcing, HRO Variables, Integrative Literature Review, Grounded Coding Technique, HRO Decisions, HRO Outcome*

## Introduction

HRO is commonly defined as externalising HR activities previously performed in-house to external providers (e.g. Delmotte and Sels, 2008; Cooke, Shen and McBride, 2005; Greer et al., 1999; Turnbull 2002). This concept is not new as the early practice of outsourcing can go as far back as the era of the Roman empire(Beregszaszi and Polay, 2012).Other than outsourcing HR, this practice is also common among other functional areas such as IT, legal and accounting driven by cost reduction when it was first introduced.

Although HRO’s official birth is often traced back to the landmark deal worth US$600 million sealed between BP and Exult (Adler, 2003), there is a bit more behind this development. Back in 1949, Henry Taub founded Automatic Payrolls and subsequently changed its name to Automatic Data Processing (ADP) in 1958. The establishment of ADP marked payroll as one of the first business services to be outsourced (Cullen et al., 2014).

Other than ADP, HRO can be in a form of HR-IT services oriented in which the service provider hosting the technology and providing full technical support while the HR organisation is responsible for owning and handling the entire business process (Beaman, 2004). The best-of-breed approach is another approach to HRO where each HR function is evaluated individually to identify which functions should be outsourced and which vendors are best fit in meeting each functional need (Beaman, 2004). It can also be in a form of business process outsourcing which involves a complete turnover of HR by engaging the outsource provider to handle the full management of all business and transaction processing and usually suitable for well-defined, standardised, IT-enabled and easy measurable processes (Borman, 2006).

Over the years, HRO emerged as part of business process outsourcing (BPO) piggybacked on IT outsourcing boom which in turn led HRO into the global outsourcing market (Cullen et al., 2014). Since its inception, HRO industry has experienced solid growth and is projected to increase by 8.5 percent year over year through 2019, developing into a $100B market (Deloitte, 2020), making it worthwhile for research attention.

**Research gap and purpose**

Although HRO has garnered multitude of attention from practitioners and academics over the years, HRO is still an under-researched topic. Broadly, the outsourcing industry is still at the infant stage of professionalising itself where standard practices, codes of conduct, minimum standards of competence, and understanding of effective outsourcing are still largely absent (Cullen et al., 2014)

.

In the past 20 years, a large number of relationships involving independent and dependent variables have been examined in human resource outsourcing (HRO) research. This leads to a rich yet diverse body of knowledge on HRO which are now timely to summarise, analyse and evaluate. There are few notable HRO literature review papers (i.e. Cooke et al., 2005; Shen, 2005; Seth and Sethi, 2011) in the extant literature. Cooke *et al.* (2005) reviewed arguments for and against HR outsourcing, types of HR activities to be outsourced, current trends in HR outsourcing and the effectiveness of the outsourcing activities. Future research direction was discussed by Cooke *et al.* (2005), so did Shen (2005) who covered literature from 1990 to 2004. In addition to Cooke *et al’s* (2005) work, Shen (2005) extended the discussion to include how should HRO be managed. Further extension work was done by Seth and Sethi (2011), in which issues such as pre-requisites associated with HRO decision were examined and guidelines for making such decision was provided.

Extending from these reviews, this review shall make its contribution toward promoting research in this area by answering the three questions: What has the existing empirical academic literature revealed about the determinants of HRO decisions and outcomes? What are the key issues emerged from the literature? What are the gaps in knowledge which warrant future HRO research?

**Theoretical foundation and background**

Just like any research, a research must fundamentally be grounded in theory and backed up by literature in order to produce a meaningful piece of work. Therefore, it is necessary to understand theories commonly associated with outsourcing studies. Five key theories namely, Transaction Cost Economics (TCE), Resource-based View (RBV), Core Competency Theory, Social Exchange Theory (SET) and Relational Exchange Theory (RET) are among the most commonly associated with outsourcing studies.

The Transaction Cost Economics Theory has been widely used to justify the cost saving rationale behind HRO, particularly in the early wave of HRO. The root of TCE can be traced back to Ronald Coase’s work in 1937 who posited the ‘make or buy’ decision based on transaction costs in the market versus the costs inside the firm. Coase’s work was the first to define transactions cost and considered cost of searching, negotiating and managing, and governing the service relationship as the costs that made up the total transaction cost if the service is to be acquired externally. Then, Oliver Williamson (1975), inspired by Coase (1937), developed his transaction cost economics (TCE) paradigm.

Underlying TCE approach, particularly relevant to outsourcing studies, asset specificity, frequency and uncertainty are important properties affecting transaction costs (Williamson 1975; 1981; 1996; 2008) because the decision to outsource is largely based on the total transaction costs associated with acquiring the service. Williamson argues that all contracts are incomplete and never accurately demonstrate actual working relations. Following this, the outsourcing service providers’ opportunistic behaviour became a key research area in outsourcing domain focusing on the provider’s deviation from the spirit of agreement (Williamson, 2008).

RBV is another theory that is commonly used to understand an outsourcing decision. RBV theorists conceptualised firms as the repository of resources or capabilities which is the source of competitive advantage generation (Penrose, 1959). Capabilities are dynamic and firms use these capabilities to reconfigure their assets in order to sense, shape and seize opportunities created in a rapidly changing environment (Teece, 2009). In order for resources or capabilities to generate competitive advantages, they must meet four criteria: value, rarity, imitability and organisation (Barney, 1991).

Klaas (2008) suggests that valuable resources are critical in creating a firm’s competitive advantage that ultimately determines the firm’s success, and therefore they should be viewed as core elements of the firm that should not be outsourced. Quite commonly, RBV is used to justify an outsourcing decision especially when a firm lacks the necessary resources or capabilities internally. In this way, the firm gets to access complimentary capabilities from external providers (McIvor, 2009) due to internal resource constraints. Dyer and Singh (1998) also argue about the feasibility of firms combining resources by spanning their organisational boundaries to gain an advantage over their competitors. The basis behind this is that firms should channel its scarce resources into developing and sustaining its core competences, of which they normally do best, whilst outsourcing activities in which they have a weaker performance position. This view is consistent with Greer et al. (1999), Quinn and Hilmer (1994), Prahalad and Hamel (1990).

Subsequently, the used of RBV was extended, leading to the development of Core Competency Theory. Prahalad and Hamel (1990) defined core competencies as the collective learning in an organisation, gained through coordinating diverse production skills and integrating multiple streams of technologies. Core competencies are important to ensure the preservation and generation of sustainable competitive advantages of a firm. This explains why focusing on core competencies is consistently observed as one of the top three main drivers of HRO (Adler, 2003; Chiang et al., 2010; Greer et al., 1999; Klaas et al., 2001; Lever, 1997; Susomrith and Brown, 2012; Woodall et al., 2009). Firms need to distinguish between ‘core’ and ‘non-core’ activities, in order not to jeopardise the firm’s source of competitive advantage (Cooke et. al, 2005). Thus, the HRO decision underpins this theory likely explains the type of HR activities being outsourced and the extent to which it is being outsourced.

Social Exchange Theory (SET), is one of the ‘oldest theories of social behaviour’ which posits that any interaction between individuals is an exchange of resources (Homan, 1958: 597). The exchange of resources can include both tangible, such as goods or money, and intangible, such as social amenities or friendship (Lambe, et. al, 2001). The key assumption on this theory is that parties enter into a relationship and maintain it with the expectation and belief that doing so will be rewarding (Blau, 1968; Homans, 1958).

Thibaut and Kelley’s (1959) work explains how parties such as parties involved outsourcing relationship in the exchange relationship weigh the benefits of the relationship and subsequently affect their commitment towards the relationship. They introduced the concepts of comparison level (CL) to represent the standard that one feels deserved in a given relationship in comparison with the outcomes one receives from the relationship. Emerson (1962) also contributed to the Social Exchange Theory on the effects of power and dependence on exchanged relationships. According to Emerson (1962), when power is imbalanced in a relationship, interdependence becomes crucial to continue the social exchange relationships. SET assumes that parties in the exchange relationships cooperate and exchange in a reciprocal manner. Reciprocity is the best-known exchange rule (Cropanzano and Mitchell, 2005). This theory is foundational in its attempt to explain the relational interactions between outsourcing service provider and firm.

Next, is Relational Exchange Theory that was introduced by Macneil (1980) when he puts an exchange relationship on a discrete and relational continuum. The discreteness in an exchange relationship is usually characterised by market-based transactions embedded in a contract (Ring and Van de Ven, 1992). The conditions associated with these transactions are ‘sharp in’ and ‘sharp out’ which means there is a clear cut, complete and monetised agreement while buyer’s debt of payment and seller’s debt of performance are unambiguous (Ring and Van de Ven, 1992) resembling the nature of HRO contract.

However, RET also recognises that contract is necessary but insufficient for outsourcing success (Goles and Chin, 2005). It emphasises the importance of relations in achieving successful outcomes. As Macneil (2000) puts it, although parties in a business-to-business context often start a relationship with a discrete contract yet all discrete transactions are embedded in relations. This applies to HRO as well because the potential operational hiccups that might occur during HRO implementation are difficult to predict.

Given the above theoretical background, HRO research has come a long way and appears very diverse. As such, it warrants a deserving attention to ‘stock take’ specifically on what variables and relationships have been examined and its findings in-depth in the HRO literature. This review is hopeful to laying an important foundation for the initial descriptive HRO theory development.

## Methodology

For the purpose of this review, it attempts to use grounded coding technique - a literature review technique primarily used in outsourcing research, originally developed by Jeyaraj et al. (2006) and blended with integrative and systematic literature review procedure (Jadad et al. 1998), to provide an insightful and updated literature review. This means, while using grounded coding technique the common three characteristics of systematic review requirements: having a protocol and precisely defined research questions, clear documentation of review process and well-defined inclusion and exclusion criteria would be fulfilled too. The grounded coding technique was used in Lacity et al.’s (2010) work to identify, recode, confirm, and examine all variables in the articles. This procedure is also consistent with Torraco’s (2016) integrative literature review process which begins with search, followed by selection, analysis and synthesis. Figure 1 below depicts the literature review process undertaken in this study.

The contribution from this review is threefold. First, it presents two models consist of determinants of HRO decision and outcome. Second, perplexing findings and key issues emerged across past studies are discussed and highlighted. Lastly, gaps in the literature are identified and future directions of research was identified.

Highlight with “+”, “-”, “M”, “++”, “- -” and “MM” depending on consistency in findings in Figure 2 and Figure 3

Yes

No

Are variables similar?

Code as new variable

Yes

No

Independent variables affect HRO Decision and Outcome fulfil rule 1 and 2?

Develop Figure 2 and Figure 3

Integrative literature review

Step 4 (Synthesis)

Do not shortlist

Shortlist of independent variables

Develop Appendix B:

Synthesise relationships between Independent Variables and HRO Decisions and HRO Outcomes

Classify variables into independent and dependent variables by frequency

Develop Master Codes (Appendix A)

Integrative literature review

Step 3 (Analysis)

Integrative literature review

Step 2 (Selection)

Integrative literature review

Step 1 (Search)

Search for HRO journal articles

Compile and select empirical papers

Review, identify and list all variables examined in studies

Code into existing variable

Literature gaps perplexing findings, observations, inconsistencies and key areas are identified and

**Figure 1:** Literature review process

To begin with, all relevant peer-reviewed HRO journal articles published in English language from were searched by using specialised search engines for academic publications; Google Scholar, Proquest, Jstor, EBSCOhost, Wiley, Taylor and Francis, Emerald and Science Direct. The keywords used for the search of the articles include "human resource" and "outsourcing" and "human resource outsourcing". By this means, empirical papers were identified (refer Table 1).

**Table1.** Journal Articles Reviewed

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Author (Year)** | **Journal** | **Theory** | **Sample size** |  |
| Shaw and Fairhurst (1997) | Strategic Change | Core Competence Theory | 60 |  |
| Galanaki et al. (2008) | International Journal of Human Resource Management | TCE, RBV, Economies of Scale, Administrative Innovation Theory | 100 |  |
| Lepak et al. (2004) | International Journal of Human Resource Management | TCE, RBV | 443 |  |
| Ordanini and Silvestri (2008) | International Journal of Human Resource Management | TCE, RBV | 276 |  |
| Tremblay et al. (2008) | International Journal of Human Resource Management | TCE, Institutional Theory | 271 |  |
| Nunez (2009) | Human Resource Management | TCE, RBV | 3047 |  |
| Ee et al. (2013) | Journal of Business Economics and Management | Resource Dependence Theory | 96 |  |
| Delmotte and Sels (2008) | Personnel Review | TCE, RBV | 1264 |  |
| Sheehan and Cooper (2011) | Personnel Review | TCE | 441 |  |
| Zhao et al. (2013) | iBusiness | TCE, Core Competence Theory | 67 |  |
| Hasliza, Norbani and Geare (2009) | Journal of Human Resource Costing and Accounting | TCE, RBV | 232 |  |
| Hasliza and Norbani (2011a) | International Journal of Economics and Management | TCE | 232 |  |
| Hasliza and Norbani (2011b) | Economia, Seria Management | TCE, RBV | 232 |  |
| Lievens and Corte (2008) | Human Resource Management | TCE, SET | 186 |  |
| Klaas et al. (2005) | Journal of Management | TCE, Social Network Theory, SET | 516 |  |
| Gainey and Klaas (2003) | Journal of Management | TCE, RBV, SET | 157 |  |
| Chiang, Chow and Birtch (2010) | International Journal of Human Resource Management | TCE, RBV, Institutional Theory | 99 |  |
| Butler et al. (2010) | Journal of Applied Business Research | TCE | 94 |  |
| Lever (1997) | Human Resource Planning | TCE, RBV | 102 |  |
| Mahmud et al., (2012) | International Journal of Business and Management | - | 50 |  |
| Gilley (2004) | Journal of Business Research | TCE, RBV | 94 |  |
| Shih and Chiang (2011) | International Journal of Human Resource Management | Miles and Snow Typology, Contingency Theory | 125 |  |
| Gainey and Klaas (2005) | Human Resource Development Quarterly | Trust Theory | 323 |  |
| Wehner et al. (2012) | Human Resource Management | Critical Contact Theory, Signal Theory | 158 |  |
| Butler and Callahan (2014) | Journal of Business Research | TCE, RBV, Capital Market Theory | 100 and 180 |  |
| Reichel and Lazarova (2013) | Human Resource Management | Strategic Contingency Theory | 2688 |  |
| Sheehan (2009) | Asia Pacific Journal of Human Resources | TCE | 1372 |  |
| Klaas et al. (2001) | Human Resource Management | TCE | 432 |  |
| Galanaki and Papalexandris, (2007) | International Journal of Human Resource Management | - | 100 |  |
| Klaas et al. (1999) | Personnel Psychology | TCE | 432 |  |
| Hasliza et al. (2014) | Sage Open Access | TCE, RET | 99 |  |
| Chaudhuri and Bartlett (2014)Hasliza (2016)Nguyen and Change (2017) | Human Resource Development InternationalCanadian Journal of AdministrativeSciencesManagement Decision | TCE, Psychological Contract Theory, SETTCE and RBVSocial Network Perspective and Supplier Performance Evaluations | 246232300 |  |

Subsequently, the development of a master list began by listing all the variables studied in all the journal articles. The descriptions from the original authors were noted as well for comparative and mapping purposes. Next, variables with similar descriptions were combined to build a ‘master variable’. Different authors tend to use slightly different terminology to describe the same variables. For instance, the master variable termed ‘Strategic HR involvement’ is derived from variables termed ‘HR Strategic Role’ (Tremblay et al., 2008), ‘Strategic position of enterprise human resource function’ (Zhao et al., 2013), ‘Strategic involvement of human resource management (HRM)’ (Delmotte and Sels, 2008), and ‘HR Manager Strategic Involvement’ (Ordanini and Silvestri, 2008).

A similar procedure was repeated for all the journal articles until all the variables were accounted for and then synthesised into developing a ‘master description’ which is labelled as the Master Codes – Appendix A. Then, these variables are classified into dependant and independent variables. Next, emulatingLacity et al.’s (2010) coding scheme, four different values were used to indicate the various possible relationships: ‘+1’ to indicate a statistically significant positive relationship, ‘-1’ to indicate a statistically significant negative relationship, ‘0’ to indicate no statistically significant relationship and ‘M’ for a significant non-directional relationship.

In order to answer the first research question and identify prominent variables examined in the HRO literature, Lacity et al’s (2010) procedure was adapted with two rules functioning as inclusion criteria: 1) the relationships need to have been examined in at least three incidences 2) at least 50% of the findings yielding consistent results.

To further differentiate the strength of the relationships in the findings, variables with 50 to 80% of consistent positive or negative findings are assigned ‘(+)’ and ‘(-)’ respectively, while those with more than 80% consistent positive or negative findings are denoted with ‘(++)’ and ‘(- -)’ accordingly. Likewise, variables with significant non-directional relationships are marked as ‘(M)’and ‘(MM)’ following similar pattern. The outcome of these coding and synthesis is presented in Appendix B.

## Results and discussion

From the search, analysis and synthesis procedure, 36 dependent variables and 99 independent variables over 449 relationships were coded. Drawing from Appendix B, the results lead to the development of Figure 2 and Figure 3. Both figures essentially representing two models of the key determinants of HRO decision and outcome emerged from the literature and thus laying an important foundation to descriptive theoretical development.

Motivation to Outsource

* Access to Specialised Capabilities (+)

Firm Characteristics

* Industry (MM)
* Sector(M)
* Outsourcing Experience (++)

HR Outsourcing

Decision

HR Characteristics

* Idiosyncratic HR Practices (-)
* HR Devolution (++)

Firm Strategies

* Proactive Strategy (++)
* Breadth Strategy (-)

Relationship Characteristics

* Commitment (+)

Decision Characteristics

* Strategic HR Involvement (+)
* Top Management Support (++)

**Figure 2.** Determinants of HRO decision

Outsourcing Decision

* Outsourcing Decision - Payroll (+)
* Outsourcing Decision- Training (+)
* HR Outsourcing Contract Announcement (++)

HR Outsourcing Outcome

Environment

* Availability of Alternatives – Service Provider (++)
* Uncertainty (++)

Contractual Governance

* Contract Specificity (++)

Relationship Characteristics

* Communication (++)
* Trust (+)

**Figure 3.** Determinants of HRO outcome

Next, we discuss some of the most perplexing findings, issues, observations, inconsistencies and key areas emerge from reviewing the literature. Firstly, the ambiguity in defining HRO is drawn to attention. Secondly, competing theoretical perspectives in outsourcing research are discussed. Lastly, interesting findings emerged from the literature review are discussed too.

*Ambiguity in defining HRO*

Human resource outsourcing is considered as part of business process outsourcing (BPO), an outsourcing segment subsumed in the huge umbrella of outsourcing (Lacity and Willcocks, 2013; Outsourcing Malaysia, 2013). Commonly, HRO researchers define outsourcing by basing it on outsourcing definition used for other organisational activities (Yan *et al.*, 2013), such as ITO. It is thus generally defined as externalizing HR activities previously performed in-house to external providers (e.g. Delmotte and Sels, 2008; Cooke *et al*., 2005; Greer *et al*., 1999; Turnbull 2002). However, the definition can be inconsistent and often implicit (Woodall *et al*., 2009; Yan *et al*., 2013). For example, definitions provided by Greer *et al*. (1999), Cook (1999) and Delmotte and Sels (2008) refer HRO as the performance of HR tasks that were previously performed in-house by outside parties on a recurring basis. This definition emphasises that the HR tasks ought to be previously performed in-house on repetitive basis by external vendor.

Meanwhile, a simplified version of this definition was provided by Turnbull (2002) in which HRO is referred to as placing responsibility for HR function with a third-party provider. However, out of the seemingly convergence definitions provided above it was challenged when Macbeth (2008) takes on a resource-based view and argues that HRO is about gaining resources from other organization in support of the core business and need not be performed in-house prior to the outsourcing decision. Subsequently, the definition of HRO takes on a new perspective when a definition underpinned a structural design view was provided by Gospel and Sako (2010) who regard HR outsourcing as unbundling of corporate structure which is conceptually distinct from the rest of the definitions.

Given this background, the conceptualisation of HRO is still vague due to loose conditions applied when defining them, resulting in freedom of interpretations. Hence, there is little consensus on what is meant by ‘outsourcing’ which can have implications for the validity of findings from the various surveys and case studies (Woodall et al., 2009). Besides, such inconsistency may cause HRO concept be mixed with the concepts of external HR subcontracting, HR expert leasing, and HR shared services (Yan et al., 2013).

Therefore, further clarification on the HRO concept is required. Yan et al. (2013) argue that HR subcontracting such as using external employees including leasing of HR experts to client organisation and temporary contract workers should not be considered as HRO. They based their argument on the fact that these external experts and employees are not directly employed by the focal organisation. However, we maintain that this justification is not fully agreeable. First, there is no clear-cut line between HR subcontracting and outsourcing, in fact, HR outsourcing evolved from HR subcontracting (Woodall et al., 2009; Kakabadse and Kakabadse, 2002). Second, the nature of outsourcing is generally characterised by externalising HR activity on long term basis in which the focal organisation may outsource different HR activity driven by different reasons sometimes to different providers to suit their needs. So, in the case of subcontracting for temporary workers, it is essentially about externalising the hiring and management of temporarily workers and can be long term with dynamic scalability. More so, employees of the providers are often not under the direct employment of the organisation. In this sense, the departure points in deciding whether a practice is deemed outsourcing may need to consider on the two generally agreed upon criterion; long-term engagement of provider and externalisation of activity. So, neither the types of HR activity nor the modus operandi of the HRO initiative such as whether it involves leasing should be considered as the key determinant. In this respect, the researcher is not fully agreeable with Yan et al. (2013).

In other aspect, such as the definition for HR shared services, the researcher is in line with Yan et al. (2013) in which HR shared services providing services to internal clients should not be regarded as HRO. Even though HR shared services centre may sometimes provide services to external clients, it is still considered no externalisation of HR activity internally. The justification is clear because HR services obtained from HR shared services centre owned by the focal organisation has violated the externalisation criteria. The researcher also argues that only when this is made clear, the study of HRO practices in the focal organisation can be of better reliability and usefulness. Meanwhile, a clearer conceptualisation of HRO allows HRO researchers to produce meaningful research with greater depth.

For this purpose, we have incorporated concerns highlighted by other outsourcing researchers particularly Lacity et al. (2010) and Gilley and Rasheed (2000) to advance the definition of HRO. Lacity et al. (2010) define two year contract as long term whereas Gilley and Rasheed (2000) specify the degree of externalisation of an activity to be considered as outsourced. Therefore, we suggest that HRO may be defined as the externalisation of at least 25% of a specific HR activity or function to a service provider through a long-term legally binding contract no shorter than two years.

*Competing theoretical perspectives*

Several theories namely TCE, RBV, Core Competence theory, Relational Exchange theory (RET) and Social Exchange theory (SET) are commonly used in HRO research. It is observed that some of these theories are potentially contradicting one another in explaining the practice of outsourcing. For example, using RBV and Core Competency theory to explain how a HRO decision is made. RBV suggests that a firm’s resources are an important source of competitive advantage (Barney, 1991) and that outsourcing allows access to provider’s expertise which in turn can complement a firm’s competitive resources. On the other hand, Core Competence theory has been used in outsourcing studies to justify what should and should not be outsourced; suggesting that core activities should be retained in-house (Prahalad and Hamel, 1990). This theory explicitly suggests that noncore activities should be outsourced so that internal HR can refocus on activities that matter to business. Core competence theory does not regard outsourcing core activities as a way to acquire or strengthen core capabilities, limiting outsourcing decision to peripheral activities only. In this case, this theory may not be able to provide sufficient explanation when firms move on to outsource core activities following the advancement in outsourcing practices. In sum, RBV revolves around identifying the types of resources that can be the sources of a firm’s competitive advantage rather than prescribing the types of activities that should be outsourced as suggested by Core Competence theory. Potentially, if these two theories were used together, the predictions and explanation that these theories hold on HRO decision might differ tremendously. Relatively, we posit that RBV offers a greater flexibility in explaining the ever evolving and complex outsourcing models as it advances its significance impact on business strategy at the strategic level.

Another set of contradicting perspective involves TCE and, RET and SET which is often seen as the choice between reliance on contract or relationships in outsourcing. TCE is commonly used to justify the cost saving rationale behind HRO, particularly in the early days of HRO. It postulates that an organisation should outsource, provided that obtaining the service externally is cheaper than delivering it internally. It advocates that contractual governance should be used to infuse order, mitigate conflict and realise mutual gain (Williamson, 2005) in order to achieve outsourcing success. It also suggests that managers need to exercise credible foresights into the design of the contract for better governance (Williamson, 2008), placing a greater emphasis on the importance of a discrete contract while undermining the importance of relations. In contrast, there exists an argument that contract is impossibly perfect. Outsourcing researchers used RET and SET to argue about the importance of relationship quality in outsourcing relationships. This view regards parties in an outsourcing relationship as mutually interdependent and involved in an exchange relationship through their interactions. It places greater emphasis on the relational elements instead of the contractual elements in achieving outsourcing success. Obviously, despite the fact that these two theories are relevant in the context of outsourcing, each is sitting at the edge of two opposite poles.

Therefore, it is important for HRO researchers to be aware that some theories may indeed contradict each other when applied in outsourcing studies. We strongly suggest that HRO researchers consider integrating more than one theory into explaining the HRO phenomenon and practices. Meanwhile, other relevant theories such as Stakeholder theory and Social Network theory appeared relatively less explored in HRO research – given that only two papers applied these theories – Klaas et al. (2005) and Yan et al*.* (2013). At this point, we found that the literature is in favour of recognising an inter-disciplinary nature of outsourcing research and any attempt to pre-frame outsourcing practices using a specific theory may seriously be constrained by its explanatory power.

*Interesting findings and issues*

With reference to the literature review and Appendix B, it reveals some interesting findings. Of all the categories, Figure 2 shows the 11 independent variables that have been studied at least three times, with consistent results in at least half of the cases. The variables are separated into their respective categories. Of the 12 categories of independent variables, five – Outsourcing Decision, Environment, HRM Strategies, Outsourcing Outcomes, Contractual Governance and Service Quality Variables – had no variables that fit the criteria. Of the remainder, there is one variable from each of the two groups- Motivations to Outsource and Relationship Characteristics; two variables from each of the three groups- HR Characteristics, Decision Characteristics and Firm Strategies fit into the decision rules. The category Firm Characteristics had the most variables that fulfil the decision rules which shows the degree of research attention here.

From Motivation to Outsource, only one variable was found to have been studied at least three times and to have consistent findings at least half of the time: namely the variable Access to Specialised Capabilities, which has been studied 12 times, with seven (58.3%) of the relationships yielding positive significant results. There were some mixed results worth highlighting – for example, Lever (1997) found that access to specialised capabilities significantly affects HRO decisions on training, but had no significant effects on other variables such as payroll, benefit, HRIS and recruitment; whereas Lepak, Bartol and Gardner (2004) found the exact opposite.

Perplexingly, cost benefits, the most frequently studied variable but yielded equal amount of significant and insignificant results in relation to Outsourcing Decisions. The same results pattern also applies to Flexibility Benefits. Interestingly, Downsizing HR was found six times insignificant of the total seven times being examined. There are insufficient studies to determine whether the remaining variables in the category are significant or not. Although the variable Competitive Advantage was found not affecting Outsourcing Decision, it was found to affect Outsourcing Outcome.

From the category of Relationship Characteristics, it is noteworthy that Commitment is the only variable that stands out when associated with Outsourcing Decision even though it is a variable that is more often believed to influence the outcome. All the other variables in this category were associated with Outsourcing Outcome which suggests that Relationship Characteristics was more often considered as a determinant of Outsourcing Outcome than Outsourcing Decision.

As indicated in Appendix B, Asset Specificity as a key construct of Transaction Cost Economics (TCE) has only been examined twice. The results were equally intriguing, in that, contrary to the TCE proposition which predicts a negative relationship between asset specificity and outsourcing decision. Asset Specificity was found to positively influence the level of outsourcing (Zhao et al., 2013) and to have no effect on HRO Outcomes in terms of the benefits achieved in five of six times this relationship was examined (Galanaki et al., 2008). Hence, Asset Specificity did not emerge in Figure 2 and Figure 3.

From Figure 3, among HR function outsourced only Outsourcing Decision – Payroll and Training yielded consisted results and fulfilled the decision rules. Interestingly, Outsourcing Decision – Benefits was studied three times previously, with all three yielding significant albeit somewhat mixed results. Similarly, Decision – Recruitment/Selection was studied seven times (refer Appendix B), but all yielded mixed results: two showed a positive relationship, two were insignificant, and the remainder yielded negative results. It might be worth to explore further why this outcome was so mixed.

Although Uncertainty had more associations with Outsourcing Decision, the results were surprisingly mostly insignificant (nine out of 15), even though uncertainty was strongly justified as one of the key drivers to HRO for scalability reasoning. In contrast, all four of the results that in relation to Outsourcing Outcome were positively significant suggesting Uncertainty as a key determinant affecting outcome instead of decision that was so believed by academic researchers.

While all the variables in the Relationship Characteristics category were examined at least once in relation to Outsourcing Outcome, only Communication and Trust, were studied enough times to pass decision rules. They exhibit high level of consistent, positive significant results (> 75%). These points to there being a substantial relationship connecting Communication and Trust to Outsourcing Outcome. Clearly, this indicates that relational impact on HRO outcome was underexamined.

Finally, Contract Specificity being the only Contractual Governance variable, was found to be consistently positively significant in relation to Outsourcing Outcome. A majority of these examinations were conducted by Gainey and Klaas (2003, 2005), tying Contract Specificity to Trust and Satisfaction. This shows much rooms for future research in HRO governance.

We came across very few papers examined HRO with moderators and mediators in the literature. However, it is noteworthy that firm size albeit being studied most (eight times) but it was found to have no significant moderation effects (eg. Hasliza et al., 2014; Klaas, McCledon and Gainey, 1999; Gilley et al., 2004). Relatively, there have unfortunately not been many studies on mediators in the HRO context to date, hence, it is not discussed further here.

## Direction for future research

Based on the results, past calls for more studies on the impact of firm characteristics on HRO decisions has been addressed very well but there are some areas remain unaddressed. Generally, it is observed that the relationships examined in HRO literature remained scarce and patchy. HRO researchers have made considerable progress, but there is still a gap in large-scale collective work, leaving many unanswered puzzles. The reasons for this are evident, with more than half (57 out of 99) of the independent variables, and nine out of 36 dependent variables, having been studied less than three times. In short, even within the list of variables previously studied, there is a lack of rigor in studying them. The overall HRO literature gaps and potential future research directions are outlined below:

*More studies on reasons to outsource HR*

Cost benefit, having eight insignificant and significant results is difficult to judge whether it really matters in the decision to outsource HR. It could be assumed that our body of research is representative of reality and hence reflects the fact that not all companies outsourcing HR are motivated by cost benefit. On contrary, it could be that academic studies on HRO have not been representative where HRO researchers’ belief and the facts suggest otherwise.

The study on competitive advantage and its effects on HRO decisions are derived from a single paper by Ganalaki et al., (2008). Political reasons such as sharing the pain of downsizing have also been identified as an important driver of HRO (e.g., Greer, Youngblood and Gray, 1999; Susomrith and Brown, 2012); but unfortunately, their effects on HRO decisions has not been examined adequately.

In comparison with research in a more mature outsourcing context such as IT, Motivation to Outsource HR has been little studied: only 53 times compared with 161 times – more than three times as many – for Motivation to Outsource IT (Lacity et al., 2010). Although a considerable effort has been spent into examining the reasons for or expected benefits of outsourcing HR, there has so far been no consensus on the types of reasons as well as the categorisations of them. For example, Klaas et al. (1999) regarded perceived HRO benefits as a single dimensional construct, whereas Susomrith and Brown (2012) found that the motivation to outsource HR is primarily driven by multi-dimensional benefits. Clearly, more research is required to address these issues.

Meanwhile, instead of adopting measures directly from IT outsourcing literature, HRO researchers may need to expand research in the context of HRO because this will facilitate the identification of differences in findings across other outsourcing contexts. Meanwhile, researchers should refrain from assuming that the same outsourcing reasons apply across different contexts because, although some of the reasons might seem recurrent, outsourcing is a highly contextual and conditional phenomenon (Cullen et al., 2008).

*More studies on HRO outcomes*

Majority of the studies reviewed used cross-sectional data, which may impede understanding the extent to which firms achieve their outsourcing objectives in the longer term. So far, although service quality repeatedly surfaced as the key issue among practitioners (Deloitte, 2016; 2014; 2012), there has been only one paper examining service quality variable by Hasliza et al*.* (2014) – which connotes the paucity of research in this area. The provider’s perspective on various aspects of HRO has received similarly scant attention. No study on HRO client satisfaction and its impact on client loyalty in terms of contract renewal, expansion and referral which again connote another knowledge gap.

Furthermore, more research could be conducted using other streams of literature, such as services and relationship marketing literature because the relevance and usefulness of these literature have already been long acknowledged by a number of outsourcing researchers (e.g. Chakrabarty et al., 2007; Kim et al., 2013; Sigala, 2004; Stank, Goldsby and Vickery, 1999 and 2003; Juga et al., 2010) in other outsourcing contexts such as ITO and logistics outsourcing.

*More studies on HR outsourcing governance*

An interesting yet little studied area is the impact of governance on the effectiveness of HRO (e.g. Klaas et al., 2005; Gainey and Klaas, 2003; Gainey and Klaas, 2005). These findings have prompted a number of further questions, such as: Does contractual governance in the form of contract specificity remain effective over time given that outsourcing involves long term inter-organisational interaction? To what extent does contractual governance help ensure positive HRO outcomes? Is it sufficient to just rely on contractual governance? Does relational governance also affect the effectiveness of HRO? If yes, is relational governance superior to contractual governance? Or does relational governance complement contractual governance?

*More studies on the effect of environment*

Although it seems logical that greater supplier competition is linked with favourable outcomes, it is surprising that only two papers (Galanaki et al., 2008 and Lievens and Corte, 2008) have studied these relationships. Lievens and Corte (2008) found that the availability of suppliers does not affect the likelihood of an outsourcing company continuing with outsourcing. Further research is required to examine this relationship and improve understanding of the logic behind the findings. Additionally, research incorporating other environmental conditions appears still lacking.

*More studies on the effect of relationship characteristics*

Although good relationships are one of the keys to HRO success, it was a surprise to find that very little research conducted on the effects of relationship characteristics. It is observed that there has so far been no consensus on the dimensions of partnership or relationship quality in HRO research. In fact, most of the research did not consider the difference between factors affecting partnership and the quality of partnership (Lee and Kim,1999) which is of concern.

The effects of knowledge sharing, cultural congruency, supplier and organisational capabilities and prior supplier working relationship have been proven to positively influence outsourcing outcomes in other contexts (Lacity et al., 2010), but none of them has been studied in the HRO context.

*More studies beyond direct effects*

Referring to Figure 2 and 3, they are suggesting that HRO literature are largely fragmented into two factor-based models. Moderators such as idiosyncratic HR practices, cost pressures and prospector strategy, for example, have strong potential to be moderators, as each already has two significant findings studied in the literature. While there are some articles doing research beyond direct effects, clearly more are needed.

*Keeping track of emerging models and trends*

Many HR practitioners are interested in cloud solution services, but struggle to understand what these are in practice and how they can improve HR performance. HR big data remains under researched. How can HR managers and outsourcing providers benefit from HR big data? How can different outsourcing approaches, such as outsourcing to a single provider or multiple providers, affect HR performance? How can HR managers enjoy the benefits of outsourcing, yet avoid the potential loss of internal skills and knowledge? What about the HR insourcing trends?

## Limitations

Like every piece of research, this study has its own limitations. First of all, we acknowledge that it is possible that we may have overlooked some papers despite our attempts at searching for them through various databases. We apologise if we have excluded any important work by colleagues. In addition, our analysis focused on 34 empirical papers written in English and not in other languages. We did not analyse the context of each study in depth that is by analysing it by individual, organisational and national level responses. Rather, we analysed at aggregate level based on findings from past studies due to the nature, amount and types of papers available in extant literature for a meaningful contribution.

Second, although we believe that we have done our best in minimising coding mistakes by verifying our coding many times through two independent coders and two senior academics, there is still the possibility of human error due to the large amount of data that needs to be processed. That said, given the amount of checking and verifications we have done, we are reasonably confident that our synthesis of the literature is reliable over the 449 findings.

Third, just like any other method or technique that has its own limitations; the grounded coding technique coupled with integrative literature review procedure used in this paper is without an exception as it neither generates statistical diagrams nor infographics. However, this method is aligned and consistent within the larger outsourcing research domain. In addition, it provided a great extent of quantitative details compared to previous HRO literature review papers.

**Conclusion**

Over 20 years of HRO practice, academic researchers have made progress in producing reliable and objective research. We believe that our efforts to analyse these past studies, through a systematic coding process synthesising the extant literature, have contributed significantly to a better understanding of the HRO literature. Specifically, this review has answered the three key research questions.

Moreover, this paper encapsulates the descriptive phase in theory building given its infancy attempt. In this review, we have summarized gaps and emerging topics in the field that have been under-studied, discussed observations and issues in the literature, while suggesting areas for future research. In sum, we consider that HRO will remain an interesting and growing area for research for many years to come as HRO phenomenon and models continue to evolve.

## References

Hasliza AH, Norbani CH, Geare, A. and Ramayah, T (2016) The pursuit of HR outsourcing in an emerging economy: the effects of HRM strategy on HR labour costs. *Canadian Journal of Administrative Sciences* 33(2):153-168.

Hasliza AH and Norbani CH (2011a) Embarking on HR outsourcing: do organisational size and maturity level matter? *International Journals of Economics and Management* 5(1):19-37.

Hasliza AH and Norbani CH. (2011b) The perspective of Malaysian manufacturing organisation on strategy, HR outsourcing and HR costs. *Economia, Seria Management* 14(1):14-23.

Hasliza AH Norbani CH and Geare A (2009) The influence of business strategy on the decision to outsource human resource activities: A study of Malaysian manufacturing organisations. *Journal of Human Resource Costing and Accounting* 13(4):274-293.

Hasliza AH, Ee E, Ramayah T and Ahmad NH (2014) Human resource outsourcing success: leveraging on partnership and service quality. *Sage Open* 4(3):1-14.

Barney J (1991) Firm resources and sustained competitive advantage. *Journal of Management* 17(1): 99 -120.

Busi M and McIvor R (2008) Setting the outsourcing research agenda: The top-10 most urgent outsourcing areas. *Strategic Outsourcing: An International Journal* 1(2):185–197.

Butler MG and Callahan CM (2014) Human resource outsourcing: market and operating performance effects of administrative HR functions. *Journal of Business Research* 67(2):218-224.

Butler MG, Carolyn M and Smith RE (2010) Human resource outsourcing: long term operating performance effects from the provider’s perspective. *Journal of Applied Business Research* 26(5):77-85.

Carrig, K. (1997). Reshaping human resource for the next century: Lessons from a high flying airline. *Human Resource Management* 36(2):277-289.

Chaudhuri S and Bartlett KR (2014) The relationship between training outsourcing and employee commitment to organisation. *Human Resource Development International* 17(2):145-163.

Chiang FFT, Chow HIS and Birtch TA (2010) Examining human resource management outsourcing in Hong Kong. *International Journal of Human Resource Management* 21(15):2762-2777.

Christensen CM (2006) The ongoing process of building a theory of disruption. *The Journal of Product Innovation Management* 23(1):39–55.

Cooke FL, Shen J and McBride A (2005) Outsourcing HR as a competitive strategy? A literature review and an assessment of implications. *Human Resource Management*44(4):413-432.

Delmotte J and Sels L (2008) HR outsourcing: Threat or opportunity? *Personnel Review* 37(5):543-563.

Deloitte Consulting LLP (2020) Zoom in for value: human resource outsourcing. Available: <https://www2.deloitte.com/us/en/pages/operations/articles/value-of-human-resources-outsourcing.html>. (accessed 20 March 2020).

Deloitte Consulting LLP (2012) 2012 Global outsourcing and insourcing survey executive summary. Available at: <http://www.deloitte.com/assets/dcom-unitedstates/local%20assets/documents/imos/shared%20services/us_sdt_2012globaloutsourcingandinsourcingsurveyexecutivesummary_050112.pdf> (accessed 8 January 2013).

Deloitte Consulting LLP (2014) Deloitte’s 2014 global outsourcing and insourcing survey. Available at: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/strategy/us-2014-global-outsourcing-insourcing-survey-report-123114.pdf> [Accessed 26 August 2018].

Deloitte Consulting LLP. (2016). Delloitte’s 2016 global outsourcing survey. Available at: [https://www2.deloitte.com/content/dam/Deloitte/nl/Documents/operations/deloitte-nl-sando-global-outsourcing-survey.pdf](https://www2.deloitte.com/content/dam/Deloitte/nl/Documents/operations/deloitte-nl-s%26o-global-outsourcing-survey.pdf) (accessed 26 August 2018).

Ee E, Hasliza AH and Ramayah T (2013) HR outsourcing success: does partnership quality variables matter?. *Journal of Business Economics and Management* 14(4):664-676.

Gainey TW and Klaas BS (2003) The outsourcing of training and development: factors impacting client satisfaction. *Journal of Management* 29(2):207-229.

Gainey TW and Klaas BS (2005) Outsourcing relationships between firms and their training providers: the role of trust. *Human Resource Development Quarterly* 16(1):7-25.

Galanaki E and Papalexandris N (2007) Internationalisation a determining factor of HRM outsourcing. *International Journal of Human Resource Management* 18(8):1557-1567.

Galanaki E, Bourantas D and Papalexandris N (2008) A decision model for outsourcing training functions: distinguishing between generic and firm-job-specific training content. *International Journal of Human Resource Management* 19(12):2332-2351.

Gilley KM and Rasheed A (2000) Making more by doing less: An analysis of outsourcing and its effects on firm performance. *Journal of Management* 26(4):763-790.

Gilley KM, Greer CR and Rasheed AA (2004) Human resource outsourcing and organisational performance in manufacturing firms. *Journal of Business Research* 57(3):232-240.

Glaser B and Strauss A (1999) *The Discovery of Grounded Theory: Strategies for Qualitative Research*. Aldine Transaction: New Jersey.

Jadad AR, Moher D and Klassen TP (1998) Guides for reading and interpreting systematic reviews. *Archieves of Pediatrics and Adolescent Medicine* 152(8):127-156.

Jeyaraj, A., Rottman, J. W., and Lacity, M. (2006). A review of the predictors, linkages, and biases in IT innovation adoption research. *Journal of Information Technology* 21(1):1–23.

Klaas BS, Gainey T W, McClendon J A and Yang (2005) Professional employer organisations and their impact on client satisfaction with human resource outcomes: a field study of human resource outsourcing in small and medium enterprises. *Journal of Management* 31(2):234-254.

Klaas BS, McClendon JA and Gainey TW (2001) Outsourcing HR: the impacts of organisational characteristics. *Human Resource Management*, 40(2):125-138.

Klaas, B. S., McClendon, J., and d Gainey, T. W. (1999). HR outsourcing and its impact: the role of transaction costs. *Personnel Psychology* 52(1):113-136.

Kumar N, Stern LW and Anderson JC (1993) Conducting organizational using key informants. *Academy of Management Journal* 36(6), 1633–1651.

Lacity MC, Khan S, Yan A and Willcocks LP (2010) A review of the IT outsourcing empirical literature and future research directions. *Journal of Information Technology* 25(4):395-433.

Lacity MC, Solomon S, Yan A and Willcocks LP (2011) Business process outsourcing studies: a critical review and research directions. *Journal of* *Information Technology* 26(4):221-258.

Lambe CJ, Wittmann CM and Spekman RE (2001) Social exchange theory and research on business-to-business relational exchange. *Journal of Business-to-Business Marketing* 8(3):1-36.

Lee J and Kim Y (1999) Effect of partnership quality on IS outsourcing success: conceptual framework and empirical validation. *Journal of Management Information Systems* 15(4):29-61.

Lepak DP, Bartol K and Gardner SD (2004) Understanding the strategic motivations for outsourcing HR activities in Beaman KV (Ed.) [*Out of site: an inside look at HR outsourcing].* Texas: Rector Duncan, Inc.

Lever S (1997) An analysis of managerial motivations behind outsourcing practices in human resources. *Human Resource Planning* 20(2): 37-47.

Lievens F and Corte WD (2008) Development and test of a model of external organisational commitment in human resource outsourcing. *Human Resource Management* 47(3):559-579.

Mahmud K, Billah MM and Chowdhury SMR (2012). Human resource outsourcing: a study on telecommunication sector in Bangladesh. *International Journal of Business and Management* 7(10):74-84.

Nguyen TTT and Chang ML (2017) Configuraltional examination of successful human resources outsourcing. *Management Decision* 55(8):1681-1697.

Nunez I (2009) Outsourcing occupational safety and health: an analysis of the make or buy decision. *Human Resource Managemen* 48(6):941-958.

Ordanini A and Silvestri G (2008) Recruitment and selection services: efficiency and competitive reasons in the outsourcing of HR practices. *International Journal of Human Resource Management,* 19(2):372-391.

 Palmatier RW, Dant RP, Grewal D and Evans KR (2006) Factors influencing the effectiveness of relationship marketing: a meta-analysis. *Journal of Marketing* 70(4):136-153.

Podsakoff PM, MacKenzie SB, Lee JY and Podsakoff NP (2003) Common method biases in behavioral research: a critical review of the literature and recommended remedies. *Journal of Applied Psychology* 88(5): 79-903.

Prahalad CK and Hamel G (1990) The core competence of the corporation. *Harvard Business Review* 68(3):79 – 91.

Reichel, A. and Lazarova, M. (2013). The effects of outsourcing and devolvement on the strategic position of HR departments. *Human Resource Management,* 52(6):923-946.

Seth M and Sethi D (2011) Human resource outsourcing: An analysis based on literature review. *International Journal of Innovation, Management and Technology* 2(2):127-135.

Shaw SV and Fairhurst D (1997) Outsourcing the HR function – personal threat or valuable opportunity? *Strategic Change*  6(8):459-46.

Sheehan C and Cooper BK (2011) HRM outsourcing: The impact of organisational size and HRM strategic involvement. *Personnel Review*  40(6):742-760.

Sheehan C (2009) Outsourcing HRM activities in Australian organisations. *Asia Pacific Journal of Human Resources* 47(2):236-253.

Shen J (2005) Human resource outsourcing: 1990-2004. *Organisational Transformation and Social Change* 2(3):275-296.

Shih HA and Chiang YH (2011) Exploring the effectiveness of outsourcing recruitment and training activities, and the prospector strategy’s moderating effect. *International Journal of Human Resource Management* 22(1):163-180.

Strauss A and Corbin J (1997) *Grounded Theory in Practice*. Thousand Oaks, CA: Sage.

Thibaut JW and Kelley HH (1959) *The Social Psychology of Groups*. NY: John Wiley and Sons, Inc.

Torraco, R. J. (2016). Writing integrative literature review: using the past and present to explore the future. Human Resource Development Review, 15, 404-428.

Tremblay M, Patry M and Lanoie P (2008) Human resource outsourcing in Canadian organisations: an empirical analysis of the role of organisational characteristics, transaction costs and risks. *International Journal of Human Resource Management* 19(4):683-715.

Vieira AL, Winklhofer H and Ennew C (2014) The effects of relationship marketing on the share of business: a synthesis and comparison models. *Journal of Business-to-Business Marketing* 21(2):85-110.

Wehner MC, Giardini A and Kabst R (2012) Graduates’ reactions to recruitment process outsourcing: a scenario-based study. *Human Resource Management* 51(4):601-624.

Weick KE (1995) What theory is not, theorizing is. *Administrative Science Quarterly 4*0(3): 385-390.

Williamson OE (2008) Transaction cost economics and supply chain management. *Journal of Supply Chain Management* 44(2): 5-16.

Zhao L, Li J and Li J (2013) Empirical research on influencing factors of human resources management outsourcing degree. *iBusiness* 5(3):168-174.

## Appendix A

*Master Codes*

1. Outsourcing Decision – Make or Buy: The client’s basic decision to retain the activity in-house or to outsource it to service providers (e.g. Shaw and Fairhurst, 1997; Chiang, Chow and Birtch, 2010; Galanaki and Papalexandris, 2007; Butler and Callahan, 2014)
2. Outsourcing Decision – Employee Welfare: The client’s decision to outsource activities related to employee welfare such as occupational safety and health (Nunez, 2009). Also, considered as one of the activities in the group “human capital activities” classified by Klaas, McClendon, and Gainey (2001).
3. Outsourcing Decision – Training: The client’s decision to outsource training activities (e.g. Lepak, Bartol and Gardner, 2004; Sheehan, 2009; Lever, 1997; Gilley, Greer and Rasheed, 2004; Shih and Chiang, 2011). Also, grouped under “human capital activities” classified by Klaas, McClendon, and Gainey (2001) as well as under “traditional functions” under Hasliza AH, Norbani CH and Geare (2009). Considered a core HR activity based on Reichel and Lazarova’s (2013) factor loadings. Encompasses both generic and job specific training models studied by Galanaki, Bourantas and Papalexandris (2008).
4. Outsourcing Decision – Recruitment/Selection: The client’s decision to outsource activities related to recruitment or selection (e.g. Lepak, Bartol and Gardner, 2004; Ordanini and Silvestri, 2008; Sheehan, 2009; Klaas, McClendon and Gainey, 2001; Lever, 1997; Shih and Chiang, 2011; Wehner, Giardini and Kabst, 2012). Also, one of the activities classified under traditional functions (Hasliza AH, Norbani CH and Geare, 2009) and core HR functions (Reichel and Lazarova, 2013).
5. Outsourcing Decision – Payroll: The client’s decision to outsource payroll and pay administration activities (e.g. Lepak, Bartol and Gardner, 2004; Sheehan, 2009; Lever, 1997; Gilley, Greer and Rasheed, 2004). One of the activities classified under transactional functions (e.g. Hasliza AH, Norbani CH and Geare, 2009; Klaas, McClendon and Gainey, 2001) and noncore HR activities (Reichel and Lazarova, 2013).
6. Outsourcing Decision – Benefits: The client’s decision to outsource benefits related activities (e.g. Lepak, Bartol and Gardner, 2004; Lever, 1997). Classified as a transactional function (Hasliza AH, Norbani CH and Geare, 2009; Klaas, McClendon, and Gainey, 2001) and noncore HR activity (Reichel and Lazarova, 2013).
7. Outsourcing Decision – Legal: The client’s decision to outsource activities related to legal affairs (e.g. Lepak, Bartol and Gardner, 2004)
8. Outsourcing Decision – HRIS: The client’s decision to outsource Human Resource Information Services activities (e.g. Lepak, Bartol and Gardner, 2004; Sheehan, 2009; Lever, 1997). One of the activities classified under transactional functions (e.g. Hasliza AH, Norbani CH and Geare, 2009; Klaas, McClendon, and Gainey, 2001).
9. Length of Outsourcing: The client’s decision on the duration of the outsourcing contract (Lievens and Corte, 2008).
10. Frequency of Outsourcing: The number of times the client outsourced the HR activity to the same service provider (Lievens and Corte, 2008; Zhao, Li and Li, 2013).
11. Outsourcing Decision – Change Management: The client’s decision to outsource activities related to change management to service providers (Sheehan, 2009).
12. Outsourcing Decision – Performance: The client’s decision to outsource performance related activities such as performance appraisal and performance related pay to service providers (Sheehan, 2009). These activities are classified by Klaas, McClendon, and Gainey (2001) under HR Generalist activities.
13. Outsourcing Decision – Employee Relations: The client’s decision to outsource employee relations activities to an external service provider (Sheehan, 2009). Also classified under HR Generalist activities in Klaas, McClendon, and Gainey (2001).
14. Outsourcing Decision – Compensation: The client’s decision to outsource compensation-based activities to external service providers (Lever, 1997). Also grouped under traditional HR functions (Hasliza, Norbani and Geare, 2009).
15. Degree of Outsourcing: The client’s extent of outsourcing measured by the number of activities outsourced by the client (e.g. Delmotte and Sels, 2008; Sheehan and Cooper, 2011; Tremblay, Patry and Lanoie, 2008; Hasliza and Norbani, 2011a; Hasliza and Norbani, 2011b; Ordanini and Silvestri, 2008; Mahmud, Billah and Chowdhury, 2012).
16. Outsourcing Knowledge, Skills, Abilities: The client’s knowledge, skills, and abilities in dealing with external outsourcing service providers (Gainey and Klaas, 2003; 2005).
17. Outsourcing Success: The client’s HR department and organizational performance and effectiveness after engaging in outsourcing activities (e.g. Ee, Halim and Ramayah, 2013a; Shih and Chiang, 2011; Hasliza, Norbani and Geare, 2009; Sheehan and Cooper, 2011).
18. Satisfaction: The client’s satisfaction with the outsourcing activity and HR outcomes (Gainey and Klaas, 2003; Klaas et al., 2005). This variable also measures the satisfaction with the recruitment process in Wehner, Giardini and Kabst’s (2012) study.
19. Firm Size: The organizational size of the client’s firm, measured by the number of workers in the organization (e.g. Mahmud, Billa, and Chowdhury, 2012; Klaas, McClendon and Gainey, 2001; Galanaki, Bourantas and Papalexandris, 2008; Chiang, Chow and Birtch, 2010; Delmotte and Sels, 2008; Shih and Chiang, 2011; Hasliza and Norbani, 2011a; Lever, 1997; Ordanini and Silvestri, 2008).
20. Size of HR Department: The organizational size of the client firm’s HR department, measured by the number of workers in the organisation’s HR department (Hasliza and Norbani, 2011b; Mahmud, Billah and Chowdhury, 2012; Lepak, Bartol and Gardner, 2004).
21. Outsourcing Outcome – Financial Performance: The client firm’s financial performance, usually measured by the rate of return on assets (Gilley, Greer and Rasheed, 2004; Sheehan and Cooper, 2011).
22. Outsourcing Outcome – Innovation Performance: The client firm’s innovation performance, measured by process innovations, product innovations and research and development outlays (Giller, Greer and Rasheed, 2004).
23. Outsourcing Outcome – Stakeholder Performance: The client firm’s performance in relation with the other stakeholders, measured by employee morale, employment stability, supplier relations, and customer relations (Gilley, Greer and Rasheed, 2004).
24. Firm Attractiveness: The attractiveness of the firm from the perspective of new applicants in the recruitment process (Wehner, Giardini and Kabst, 2012).
25. Job Acceptance Intention: The intention of new applicants in a recruitment process to accept the job offer (Wehner, Giardini and Kabst, 2012).
26. Outsourcing Outcome – Operating Performance: The client’s operating performance, generally measured by the operating return on assets (Butler, Carolyn and Smith, 2010; Butler and Callahan, 2014).
27. Outsourcing Outcome – Capital Market Performance: The capital market returns of the client firm’s stocks, calculated with event study analysis (Butler and Callahan, 2014).
28. Strategic HR Involvement: The extent to which HR managers are involved in making strategic decisions within the firm (e.g. Reichel and Lazarova, 2013; Delmotte and Sels, 2008; Ordanini and Silvestri, 2008; Sheehan and Cooper, 2011; Tremblay, Patry and Lanoie, 2008; Zhao, Li and Li, 2013; Klaas, McClendon and Gainey, 2001; Nguyen and Chang, 2017).
29. Commitment: Encompasses continuance commitment, which is the client’s commitment to continue outsourcing to the service provider; and affective commitment, the client’s emotional commitment to the service provider (e.g. Ee, Hasliza and Ramayah, 2013a; Lievens and Corte, 2008). The variable also covers the client firm’s commitment to occupational safety and health as studied by Nunez (2009).
30. Cost Benefits: Cost-related benefits that the clients of service providers receive from outsourcing their activity (e.g. Galanaki, Bourantas and Papalexandris, 2008; Shaw and Fairhurst, 1997; Lepak, Bartol and Gardner, 2004; Lever, 1997; Nguyen and Chang, 2017).
31. Quality Benefits: Improvements in quality that client firms receive by outsourcing their HR activity to external service providers (Galanaki, Bourantas and Papalexandris, 2008).
32. Flexibility Benefits: The increase in the client’s flexibility and ability to adjust to the demand variability of the HR activity by outsourcing their HR activity (Galanaki, Bourantas and Papalexandris, 2008; Nguyen and Chang, 2017).
33. Contractual Specificity: The level of detail specified in the contracts between a client and outsourcing service provider (Gainey and Klaas, 2003; Gainey and Klaas, 2005; Klaas et al., 2005).
34. Access to Specialised Capabilities: The client’s motivation to gain access to a service provider’s expertise and specialised skills and abilities (e.g. Shaw and Fairhurst, 1997; Lepak, Bartol and Gardner, 2004; Lever, 1997).
35. Downsizing: The outplacement activities of human resources that lead to a reduction in the number of staff in the organization (Ordanini and Silvestri, 2008; Lever, 1997).
36. Risk: The risk that an organization faces when conducting business transactions (Lever, 1997). Encompasses Tremblay, Patry and Lanoie’s (2008) human resource risk, service provider risk, and business risk. Also covers occupational risk, as studied by Nunez (2009).
37. Change in Headcount: Covers employment evolution and the evolution of the HR headcount from Delmotte and Sels (2008). Both capture the changes in the number of jobs in the organisation.
38. HRM Intensity: The intensity of the firm’s human resource management practices, measured by an index constructed in Delmotte and Sels (2008).
39. HR Scorecard: A dummy variable that captures whether a balanced HR scorecard is utilized by the organization (Delmotte and Sels, 2008).
40. HR Devolution: A variable that captures the degree to which HR responsibilities are delegated down to line managers (Delmotte and Sels, 2008; Reichel and Lazarova, 2013; Gottardello and Valverde, 2018).
41. Proportion of HR Employees: The HR ratio, or percentage of employees in the HR department, measured against the total number of employees in the organisation (Delmotte and Sels, 2008).
42. Quality-based Strategy: A firm’s strategy to prioritise the quality of their products (Hasliza, Norbani and Geare, 2009).
43. Proactive Strategy: A firm’s strategy to prioritise flexibility and swift reactions in order to maximise the number of innovations and facilitate change in the industry (Hasliza, Norbani and Geare, 2009).
44. Breadth Strategy: A firm’s strategy to produce a large variety of products, hence requiring fewer specialised skills from HR employees (Hasliza, Norbani and Geare, 2009).
45. Reactive Strategy: The firm makes cost reduction a priority and gains from production efficiency and effectiveness (Hasliza, Norbani and Geare, 2009).
46. Facilitation Strategy: Firms utilize a strategy to facilitate new skills, abilities and knowledge by providing employees with opportunities for free flowing communication (Hasliza and Norbani, 2011b).
47. Accumulation Strategy: A firm’s attempt to attract good candidates and retain employees by practicing lifetime employment, promotional opportunities, and seniority-based reward systems, in order to minimize the need for recruitment activities (Hasliza and Norbani, 2011b).
48. Utilisation Strategy: A strategy employed to minimize the cost of HR functions and encourage the use of part-time employment when needed (Hasliza and Norbani, 2011b).
49. Investment: The amount the firm has invested into the specific activity (Lievens and Corte, 2008; Galanaki, Bourantas and Papalexandris, 2008).
50. Availability of Alternatives – Service Providers: The number of alternative service providers available or the ease to access alternatives for the outsourcing activity (Lievens and Corte, 2008; Galanaki, Bourantas and Papalexandris, 2008).
51. Shared Values: The principles, beliefs, and ideas that are shared by the client and service provider (Lievens and Corte, 2008).
52. Reputation – Service Provider: The perceived positive reputation and status of the outsourcing service provider (Lievens and Corte, 2008).
53. Approachability: The service provider’s ease of accessibility and friendliness as perceived by the client (Lievens and Corte, 2008).
54. Supplementing workload: The firm’s motive to outsource in order to access additional capacity to fulfill a large workload that exceeds the firm’s own capacity (Shaw and Fairhurst, 1997).
55. Project Independence: The degree to which the project is free from other influences (Shaw and Fairhurst, 1997).
56. Frequency of Training: The frequency of transactions for the training activity outsourced (Galanaki, Bourantas and Papalexandris, 2008).
57. Competitive Advantage: The extent which the outsourced activity provides an organization a competitive advantage (Galanaki, Bourantas and Papalexandris, 2008)
58. HR Resource Adequacy: The HR manager’s perception of the sufficiency of their department to fulfill the activities needed (Ordanini and Silvestri, 2008).
59. Technology/Knowledge Intensive Context: Technology intensity as in the STI classification of the OECD (Ordanini and Silvestri, 2008).
60. Percentage of Graduated Workforce: The proportion of employees within an organization who are graduates (or above) – used as a proxy for the organisation’s education level (Ordanini and Silvestri, 2008).
61. Outsourcing Experience: The client organisation’s prior experience with external outsourcing service providers, regardless of function (Tremblay, Patry and Lanoie, 2008; Zhao, Li and Li, 2013; Lever, 1997).
62. Top Management Support: The commitment and intention of the client’s top management to opt for outsourcing, as well as their support for the decision (e.g. Tremblay, Patry and Lanoie, 2008; Ee, Hasliza and Ramayah, 2013a; Zhao, Li and Li, 2013; Lever, 1997).
63. Benchmarking: The client firm’s involvement in benchmarking activities, captured as a dummy variable (Tremblay, Patry and Lanoie, 2008).
64. Pay Strategy: The client firm’s propensity to pay efficiency wages or wages higher than the industry average (Klaas, McClendon and Gainey, 2001; Tremblay, Patry, and Lanoie, 2008).
65. Task Complexity: The difficulty of the problems encountered when performing a specific activity (Tremblay, Patry and Lanoie, 2008).
66. Measurability of Activity: The ease of measuring the performance or quality of a specific activity (Tremblay, Patry and Lanoie, 2008).
67. Business Understanding: The extent to which both parties understand the dealings, behaviours, and policies of each other (Ee, Hasliza, and Ramayah, 2013a).
68. Human Capital Enhancing Services: The degree which the client firm utilizes service providers in activities that affect employee motivation, skill level, level and workforce quality (Klaas et al., 2005).
69. Communication: The degree and frequency of communication between the client and the service provider, also taking into account accuracy and information sharing (e.g. Klaas et al., 2005; Ee, Hasliza, and Ramayah, 2013a; Gainey and Klaas, 2005; Gainey and Klaas, 2003; Lievens and Corte, 2008).
70. Client Receptivity: The extent which the client is willing to accept comments, criticisms, and advice from the service provider to manage their human resources and activities (Klaas et al., 2005).
71. Information Asymmetry: The extent which information is difficult to control and observe, leading to an imbalanced distribution of information between the client and service provider. Nunez (2009) used the ‘Audit’ variable to capture this variable.
72. SHR Index: The human resources index utilized by Nunez (2009) in order to determine how valuable employees are strategically.
73. Integration: The extent which occupational safety and health is incorporated into the primary activities of the firm (Nunez, 2009).
74. Relationship Tenure: The means firms use when contracting with service providers; either through long-term service relationships or one-off encounters (Gainey and Klaas, 2003).
75. Vendor Dependency: The extent that vendors or service providers are dependent upon the clients for business (Gainey and Klaas, 2003; Gainey and Klaas, 2005).
76. Asset Specificity: The extent which the asset or service is specialised or specific to the client firm (Galanaki, Bourantas, and Papalexandris, 2008; Zhao, Li and Li, 2013).
77. Outsourcing Decision – Pension: The client’s decision to outsource pension related activities. Classified under Reichel and Lazarova’s (2013) noncore HR functions.
78. HR Outsourcing Contract Announcement: The announcement of an HR outsourcing contract that is publicly released (Butler and Callahan, 2014; Butler, Carolyn and Smith, 2010).
79. Industry: The client organisations’ industry classifications, from private against public, services against manufacturing, financial against non-financial, to a list of separate industry classifications presented by authors (e.g. Chiang, Chow and Birtch, 2010; Delmotte and Sels, 2008; Shih and Chiang, 2011; Nunez, 2009; Klaas et al., 2005; Klaas, McClendon and Gainey, 2001; Tremblay, Patry, and Lanoie, 2008).
80. Idiosyncratic HR Practices: The extent which an HR activity or practice is specialised or customised to the client organisation’s specific needs (Klaas, McClendon and Gainey, 2001; Tremblay, Patry and Lanoie, 2008; Gainey and Klaas, 2003; Gainey and Klaas, 2005).
81. Positive HR Outcomes: The degree firms are able to achieve desirable outcomes in their human resources, such as teamwork, motivation, and performance (Klaas, McClendon, and Gainey, 2001).
82. Promotional Opportunities: The degree to which employees perceive they have been given the opportunity for promotion. It captures both internal candidate preference and availability of opportunity for higher positions (Klaas, McClendon and Gainey, 2001).
83. Uncertainty: Ambiguity in the environment that manifests in the demand for outsourced activity performance evaluations, and so on (e.g. Klaas, McClendon and Gainey, 2001; Zhao, Li and Li, 2013; Lepak, Bartol and Gardner, 2004; Gainey and Klaas, 2003; Gainey and Klaas, 2005).
84. Competitor’s HR Outsourcing: The level of outsourcing employed by competitors (Klaas, McClendon and Gainey, 2001).
85. Union: A dummy variable to capture worker representation in firms, either by official union status or the establishment of a committee to represent workers (e.g. Shih and Chiang, 2011; Tremblay, Patry and Lanoie, 2008; Nunez, 2009).
86. Business Group Affiliation: A dummy variable to signify the firm’s association with a business group or runs a separate independent variable (Ordanini and Silvestri, 2008).
87. Enterprise scale: A measure used in Zhao, Li and Li (2013) to illustrate a firm’s characteristics.
88. Foreign Ownership: A variable to indicate whether a firm is owned by foreign multi-national corporations or local domestic corporations (Chiang, Chow and Birtch, 2010; Sheehan and Cooper, 2011).
89. Organisational Age: The firm’s number of years in operation since its establishment; also termed the firm’s maturity (e.g. Delmotte and Sels, 2008; Giller, Greer and Rasheed, 2004; Hasliza and Norbani, 2011a).
90. Prospector Strategy: The firm’s strategy to diversify more from their existing products and customer base with greater focus on innovation and creating new market awareness. Shih and Chiang (2011) measured firms’ emphasis on this strategy through a composite index incorporating their range of products and customer base.
91. Sector (Profit/Non-profit): A variable to indicate if a firm is classified into the profit sector or non-profit sector (Sheehan and Cooper, 2011).
92. Service Quality – Tangibles: Assesses service through tangible dimensions such as the physical appearance of staff and facilities, cleanliness, etc. (Hasliza et al., 2014).
93. Service Quality – Reliability: Assesses the service provider’s dependability when providing the service, such as whether performance is always delivered within the intended timeframe or the possibility and number of errors (Hasliza et al., 2014).
94. Service Quality – Responsiveness: Assesses the service provider’s reactions and sensitivity, such as providing prompt feedback and assistance whenever requested (Hasliza et al., 2014).
95. Service Quality – Assurance: Assesses the degree of perceived confidence the client has towards the service provider; ie whether the clients believe the providers are competent (Hasliza et al., 2014).
96. Service Quality – Empathy: Assesses the client’s impression of how much the service provider care for the client’s needs, e.g. whether the client believes the service provider acts based on the client’s best interests (Hasliza et al., 2014).
97. Transactional Activities: The degree which clients depend on service providers to perform or assist their transactional activities (Klaas et al., 2005).
98. Gender: A demographic variable to capture the respondents’ genders (e.g. Chaudhuri and Bartlett, 2014).
99. Education: A variable to identify the education level of the respondents (e.g. Chaudhuri and Bartlett, 2014).
100. Relevance of Outsourced Activity: The respondent’s perception on the level of relevance and usefulness of the outsourced activity (Chaudhuri and Bartlett, 2014).
101. Outsourcing Emphasis: Items measuring how much weight the organization puts on outsourcing (e.g. Klaas, McClendon and Gainey, 1999).
102. HRM Strategies: strategies that concerned with managing people through recruitment, development, appraisal, compensations and work systems to achieve the overall organisational objectives (e.g. Hasliza et al., 2016).
103. Labour Cost: total salary for all the HR employees (e.g. Hasliza et al., 2016).

## Appendix B

*Relationships between Independent Variables and HRO Decisions and HRO Outcomes*

This section presents the relationships between each independent variable studied and the two categories of dependent variables, HRO Decisions and HRO Outcomes. ‘1’ represents a significant positive relationship between the variables, ‘0’ represents no significant relationship, ‘-1’ represents a significant negative relationship and ‘M’ represents a significant non-directional relationship. Relationships examined at least three times in total are bordered by a box; and of these, those that have half or more consistent results are marked with an ‘\*’ next to the total.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Category** | **Outsourcing Decision** | **Outsourcing Outcome** | **Total frequency** |
|  |  |  | **1** | **0** | **-1** | **M** | **Total** | **1** | **0** | **-1** | **M** | **Total** |  |
|  | **Motivation to outsource** |  |  |  |  |  |  |  |  |  |  |  |
| 1 | Cost benefits | 8 | 8 |  |  | 16 | 1 |  |  |  | 1 | 17 |
| 2 | Access to specialised capabilities | 7 | 5 |  |  | 12\* |  |  |  |  | 0 | 12 |
| 3 | Downsizing | 1 | 6 |  |  | 7 |  |  |  |  | 0 | 7 |
| 4 | Competitive advantage | 1 |  |  |  | 1 | 1 | 3 | 2 |  | 6 | 7 |
| 5 | Flexibility benefits | 2 | 2 |  |  | 4 |  |  |  |  | 0 | 4 |
| 6 | Quality benefits | 2 |  |  |  | 2 |  | 2 |  |  | 2 | 4 |
| 7 | Supplementing workload | 1 |  |  |  | 1 |  |  |  |  | 0 | 1 |
| 8 | Project independence | 1 |  |  |  | 1 |  |  |  |  | 0 | 1 |
|  |  | **Total** | 22 | 21 | 0 | 0 | 43 | 2 | 5 | 2 | 0 | 9 | **53** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Outsourcing Decision** |  |  |  |  |  |  |  |  |  |  |  |
| 1 | Outsourcing Decision - Make or buy |  |  |  |  | 0 |  |  | 1 |  | 1 | 1 |
| 2 | **Outsourcing Decision - Transactional Functions** |  |  |  |  |  | 1 |  |  |  | 1 |  |
| 3 |  | Outsourcing Decision - Payroll |  |  |  |  | 0 | 3 | 2 | 1 |  | 6\* | 6 |
| 4 |  | Outsourcing Decision - Benefits |  |  |  |  | 0 | 2 |  | 1 |  | 3 | 3 |
| 5 |  | Outsourcing Decision - HRIS |  |  |  |  | 0 | 1 |  | 1 |  | 2 | 2 |
| 6 |  | Outsourcing Decision - Pension |  |  |  |  | 0 | 1 |  |  |  | 1 | 1 |
| 7 |  | Outsourcing Decision -Performance |  |  |  |  | 0 | 1 |  |  |  | 1 | 1 |
| 8 |  | Outsourcing Decision - Employee Welfare |  |  |  |  | 0 | 1 |  |  |  | 1 | 1 |
| 9 | **Outsourcing Decision - Traditional Functions** |  |  |  |  |  | 1 |  |  |  | 1 |  |
| 10 |  | Outsourcing Decision - Training |  |  |  |  | 0 | 4 | 3 |  |  | 7\* | 7 |
| 11 |  | Outsourcing Decision - Recruitment/Selection |  |  |  |  | 0 | 2 | 2 | 3 |  | 7 | 7 |
| 12 |  | Outsourcing Decision – Compensation |  |  |  |  | 0 | 1 |  |  |  | 1 | 1 |
| 13 |  | Outsourcing Decision - Employee Relations |  |  |  |  | 0 | 1 |  |  |  | 1 | 1 |
| 14 | Outsourcing frequency |  | 1 |  |  | 1 |  |  |  |  | 0 | 1 |
| 15 | Outsourcing Knowledge, Skills and Abilities |  |  |  |  | 0 | 1 | 2 |  |  | 3 | 3 |
| 16 | HR Outsourcing contract announcement |  |  |  |  | 0 | 4 |  |  | 1 | 5\* | 5 |
| 17 | Degree of outsourcing  | 1 |  |  |  | 1 | 1 | 4 |  |  | 5 | 6 |
|  |  | **Total** | 1 | 1 | 0 | 0 | 2 | 25 | 13 | 7 | 1 | 46 | **48** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **HR Characteristics** |  |  |  |  |  |  |  |  |  |  |  |
| 1 | Idiosyncratic HR practices |  | 4 | 5 |  | 9\* | 3 | 5 |  |  | 8 | 17 |
| 2 | Frequency of training |  |  |  |  | 0 |  | 7 | 1 |  | 8 | 8 |
| 3 | HR devolution  | 4 |  |  |  | 4\* |  |  | 1 |  | 1 | 5 |
| 4 | HRM intensity | 1 |  |  |  | 1 |  |  |  |  | 0 | 1 |
| 5 | HR scorecard (Y/N) | 1 |  |  |  | 1 |  |  |  |  | 0 | 1 |
| 6 | Proportion of HR employees | 1 |  |  |  | 1 |  |  |  |  | 0 | 1 |
| 7 | HR resource adequacy |  |  | 1 |  | 1 |  |  |  |  | 0 | 1 |
| 8 | SHR index |  | 1 |  |  | 1 |  |  |  |  | 0 | 1 |
| 9 | Measurability of activity |  | 1 |  |  | 1 |  |  |  |  | 0 | 1 |
| 10 | Human capital enhancing services |  |  |  |  | 0 | 1 |  |  |  | 1 | 1 |
| 11 | Gender |  |  |  |  | 0 | 1 | 1 |   |   | 2 | 2 |
| 12 | Education |  |  |  |  | 0 |   | 2 |   |   | 2 | 2 |
| 13 | Relevance of Outsourced Activity |  |  |  |  | 0 | 2 |   |   |   | 2 | 2 |
|  |  | **Total** | 7 | 6 | 6 | 0 | 19 | 7 | 15 | 2 | 0 | 24 | **43** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **HRM Strategies** |  |  |  |  |  |  |  |  |  |  |  |
| 1 | Innovative HRM Strategy |  | 2 |  |  | 2 |  |  |  |  |  |  |
| 2 | Quality-conscious HRM Strategy |  | 1 | 1 |  | 2 |  |  |  |  |  |  |
| 3 | Cost Efficiency HRM Strategy |  | 1 | 1 |  | 2 |  |  |  |  |  |  |
| 4 | Commitment HRM Strategy |  |  | 2 |  | 2 |  |  |  |  |  |  |
| 5 | Conventional HRM Strategy |  | 1 | 1 |  | 2 |  |  |  |  |  |  |
| 6 | Employee Development HRM |  | 2 |  |  | 2 |  |  |  |  |  | **12** |
|  | Strategy |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Firm Characteristics** |  |  |  |  |  |  |  |  |  |  |  |
| 1 | Firm Size | 5 | 24 | 4 | 1 | 34 | 2 | 8 | 6 |  | 16 | 50 |
| 2 | Industry |  |  |  | 12 | 12\* |  | 1 |  | 1 | 2 | 14 |
| 3 | Sector (Profit/non-profit) |  | 4 |  | 5 | 9\* |  | 1 |  |  | 1 | 10 |
| 4 | Promotional opportunities |  | 5 | 3 |  | 8 |  |  |  |  | 0 | 8 |
| 5 | Outsourcing experience | 6 | 1 |  |  | 7\* |  |  |  |  | 0 | 7 |
| 6 | HR departmental size |  | 5 | 1 |  | 6 |  |  |  |  | 0 | 6 |
| 7 | Foreign ownership |  | 1 |  | 1 | 2 |  | 2 |  |  | 2 | 4 |
| 8 | Organisational age |  | 2 |  |  | 2 |  | 3 |  |  | 3 | 5 |
| 9 | Union |  |  | 2 |  |  | 2 |  | 1 |  |  | 1 | 3 |
| 10 | Change in headcount |  | 2 |  |  | 2 |  |  |  |  | 0 | 2 |
| 11 | Reputation - Service Provider |  |  |  |  | 0 |  | 1 |  |  | 1 | 1 |
| 12 | Percentage of graduated workforce |  |  | 1 |  | 1 |  |  |  |  | 0 | 1 |
| 13 | Business group affiliation |  | 1 |  |  | 1 |  |  |  |  | 0 | 1 |
| 14 | Enterprise scale |  | 1 |  |  | 1 |  |  |  |  | 0 | 1 |
| 15 | Firm attractiveness |  |  |  |  | 0 | 1 |  |  |  | 1 | 1 |
| 16 | Client receptivity |  |  |  |  | 0 |  |  | 1 |  | 1 | 1 |
| 17 | Transactional services |  |  |  |  | 0 |  | 1 |  |  | 1 | 1 |
| 18 | Outsourcing emphasis |  |  |  |  | 0 | 1 |  |  |  | 1 | 1 |
|  |  | **Total** | 11 | 48 | 9 | 19 | 87 | 4 | 18 | 7 | 1 | 30 | **117** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Firm Strategies** |  |  |  |  |  |  |  |  |  |  |  |
| 1 | Pay strategy | 3 | 5 | 1 |  | 9 |  | 1 |  |  | 1 | 10 |
| 2 | Quality based strategy |  | 6 |  |  | 6 |  |  |  |  | 0 | 6 |
| 3 | Proactive strategy | 6 |  |  |  | 6\* |  |  |  |  | 0 | 6 |
| 4 | Breadth strategy |  | 3 | 3 |  | 6\* |  |  |  |  | 0 | 6 |
| 5 | Reactive strategy |  | 6 |  |  | 6 |  |  |  |  | 0 | 6 |
| 6 | Facilitation strategy | 1 |  |  |  | 1 |  |  |  |  | 0 | 1 |
| 7 | Accumulation strategy |  | 1 |  |  | 1 |  |  |  |  | 0 | 1 |
| 8 | Utilisation strategy | 1 |  |  |  | 1 |  |  |  |  | 0 | 1 |
| 9 | Prospector Strategy |  |  |  |  | 0 |  | 1 |  |  | 1 | 1 |
|  |  | **Total** | 11 | 21 | 4 | 0 | 36 | 0 | 2 | 0 | 0 | 2 | **38** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Environment** |  |  |  |  |  |  |  |  |  |  |  |
| 1 | Uncertainty | 5 | 9 | 1 |  | 15 | 4 |  |  |  | 4\* | 19 |
| 2 | Risk |  | 1 | 5 | 3 |  | 9 |  |  |  |  | 0 | 9 |
| 3 | Competitor's HR Outsourcing |  | 8 |  |  | 8 |  |  |  |  | 0 | 8 |
| 4 | Availability of Alternatives - Service Providers |  |  |  |  | 0 | 6 | 1 |  |  | 7\* | 7 |
| 5 | Technology/knowledge intensive context |  |  | 1 |  | 1 |  |  |  |  | 0 | 1 |
| 6 | information asymmetry | 1 |  |  |  | 1 |  |  |  |  | 0 | 1 |
|  |  | **Total** | 7 | 22 | 5 | 0 | 34 | 10 | 1 | 0 | 0 | 11 | **45** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Decision Characteristics** |  |  |  |  |  |  |  |  |  |  |  |
| 1 | Strategic HR involvement | 8 | 6 |  |  | 14\* | 1 | 2 |  |  | 3 | 17 |
| 2 | Investment |  |  | 2 |  | 2 | 1 | 5 | 1 |  | 7 | 9 |
| 3 | Top Management support | 7 |  |  |  | 7\* | 2 | 2 |  |  | 4 | 11 |
| 4 | Asset specificity | 1 |  |  |  | 1 |  | 5 | 1 |  | 6 | 7 |
| 5 | Benchmarking | 1 |  |  |  | 1 |  |  |  |  | 0 | 1 |
| 6 | Task Complexity | 1 |  |  |  | 1 |  |  |  |  | 0 | 1 |
| 7 | Integration |  | 1 |  |  | 1 |  |  |  |  | 0 | 1 |
|  |  | **Total** | 18 | 7 | 2 | 0 | 28 | 4 | 14 | 2 | 0 | 20 | **47** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Outsourcing Outcomes** |  |  |  |  |  |  |  |  |  |  |  |
| 1 | Positive HR Outcomes |  | 5 | 3 |  | 8 |  |  |  |  | 0 | 8 |
| 2 | Satisfaction |  |  |  |  | 0 | 1 |  |  |  | 1 | 1 |
|  |  | **Total** | 0 | 5 | 3 | 0 | 8 | 1 | 0 | 0 | 0 | 1 | **9** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Relationship Characteristics** |  |  |  |  |  |  |  |  |  |  |  |
| 1 | Communication |  |  |  |  | 0 | 8 | 1 |  |  | 9\* | 9 |
| 2 | Commitment | 3 | 2 |  |  | 5\* |  | 2 |  |  | 2 | 7 |
| 3 | Trust |  |  |  |  |  | 0 | 3 | 1 |  |  | 4\* | 4 |
| 4 | Vendor dependency |  |  |  |  | 0 | 1 | 2 |  |  | 3 | 3 |
| 5 | Shared values |  |  |  |  | 0 | 1 |  |  |  | 1 | 1 |
| 6 | Approachability |  |  |  |  | 0 | 1 |  |  |  | 1 | 1 |
| 7 | Business understanding |  |  |  |  | 0 | 2 |  |  |  | 2 | 2 |
| 8 | Relationship tenure |  |  |  |  | 0 | 1 |  |  |  | 1 | 1 |
|  |  | **Total** | 3 | 2 | 0 | 0 | 5 | 17 | 6 | 0 | 0 | 23 | **28** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Contractual Governance** |  |  |  |  |  |  |  |  |  |  |  |
| 1 | Contract specificity |  |  |  |  | 0 | 4 |  |  |  | 4\* | 4 |
|  |  | **Total** | 0 | 0 | 0 | 0 | 0 | 4 | 0 | 0 | 0 | 4 | **4** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | **Service Quality Variables** |  |  |  |  |  |  |  |  |  |  |  |
| 1 | Service Quality – Tangibles |  |  |  |  | 0 | 1 |  |  |  | 1 | 1 |
| 2 | Service Quality – Reliability |  |  |  |  | 0 |  | 1 |  |  | 1 | 1 |
| 3 | Service Quality - Responsiveness |  |  |  |  | 0 | 1 |  |  |  | 1 | 1 |
| 4 | Service Quality – Assurance |  |  |  |  | 0 | 1 |  |  |  | 1 | 1 |
| 5 | Service Quality – Empathy |  |  |  |  | 0 |  | 1 |  |  | 1 | 1 |
|  |  | **Total** | 0 | 0 | 0 | 0 | 0 | 3 | 2 | 0 | 0 | 5 | **5** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Grand Total** |  |  |  |  | 254 |  |  |  |  | 173 | **449** |