

IMPACT OF HUMAN RESOURCE OUTSOURCING (HRO) ON ORGANIZATIONAL PERFORMANCE

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Session: 2019-2020

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December 2020

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**Dissertation submitted to the University of Dhaka in Partial Fulfillment of the
Requirements for the Degree of Doctor of Philosophy in Management**

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ACKNOWLEDGEMENT

At first, I express my profound gratitude to the most beneficent and the most merciful Almighty Allah for blessing me with the opportunity to undergo Ph.D. program at the University of Dhaka under the supervision of Prof. Dr. Md. Serajul Islam, Department of Management. I am grateful to Almighty for guiding me towards the path of peace and prosperity.

I am heavily indebted to my thesis advisor, Prof. Dr. Serajul Islam, Department of Management at the University of Dhaka for his continuous support, valuable guidance and inspiration to accomplish my research. His door was always open for me, whenever I fell in any trouble, I used to run to him for help without hesitation. His whole-hearted support and co-operation have paved the way for my journey towards writing the research report.

I would like to thank the experts who were involved in the validation survey for this research project - Prof. Dr. Md. Aatur Rahman Khan, Prof. Ali Akkas, Prof. Ali Ahsan, and Dr. Syed Golam Maola, Dr. Shyam Sundar Karmaker, Dr. Faruq Ahmed, Dr. Mohammad Thoufiqul Islam and Dr. Nadia Newaz Rimi. Without their passionate participation and input, the validation survey could not have been successfully conducted. I would like to thank the rest of the members of thesis committee for their co-operation. I am particularly grateful to Prof. Dr. Nurul Ahkam, Prof. Dr. Raisul Awal Mahmood and Prof. Dr. Abbas Ali Khan for their unconditional support to enrich my research report.

I thank my associates in Eastern University - Abu Md. Abdullah, Dr. Md. Aftab Anwar, Kursia Zahan, Afroza Akter, Farhana Khan and Dr. Naila Al Mahmuda for their inspiration. I express my gratitude to those colleagues (Mozumder Arifa Ahmed, Lamya Bint Islam, Fatima Satter and other officials and staff) who were psychological help to me in this voyage of higher investigations.

I might want to thank those specialists - HR experts: Md. Akbar Hossain, CEO and Managing Director of Briddhi; Farhana Hossain, Chief Consultant, HR Hub; Wahidur Rahman, HR manager, Ananta Group; Shibli Ahmed, AGM, Meghna Group of Industries and Apu Hasan, Director, Operations at Intel Ltd. who provided me valuable inputs of my research.

Finally, I must express my profound gratitude to my parents, Jesmin Akter and Dr. AKM Mukter Hossain, my siblings, my husband, my mother-in-law, my cousins and my relatives for their continuous support and encouragement.

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DEDICATION

Humbly dedicate to my dearest parents

DECLARATION

I do hereby declare that this PhD dissertation is based on my original work except quotations and citations which have been duly acknowledged. I also declare that it has not been previously or currently submitted for any other degree at any other institutions.

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LETTER OF TRANSMITTAL

15 November 2020

Prof. Dr. Md. Serajul Islam
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Subject: Submission of Thesis paper for the degree of Ph.D. titled “Impact of Human Resource Outsourcing (HRO) on Organizational Performance”.

Dear Sir,

Please find the enclosed Thesis Paper titled “Impact of Human Resource Outsourcing (HRO) on Organizational Performance” as the final requirement for the degree of Doctor of Philosophy under the University of Dhaka, Dhaka, Bangladesh.

May I further state that I am always ready to deal with any sort of query at your end.

Very sincerely yours,

(MAKSUDA HOSSAIN)
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CERTIFICATE

This is to certify that the dissertation titled “Impact of Human Resource Outsourcing (HRO) on Organizational Performance” has been prepared by MAKSUDA HOSSAIN, Assistant Professor of Eastern University, Dhaka under my supervision. This dissertation is the independent work of the researcher. I deem, this work fulfils the requirements of Ph.D. thesis. Therefore, I recommend that MAKSUDA HOSSAIN may be awarded the degree of Doctor of Philosophy.

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ABSTRACT

In the present business world, one of the trendy business words is ‘outsourcing’ that means using another source beyond the organization for completing various functions. Outsourcing has many branches: Information Technology (IT), Human Resource Management (HRM), Audit, Logistics, Business Process Outsourcing (BPO) etc. This thesis focused on the contribution of Human Resource Outsourcing (HRO) to Bangladesh business world. Generally, HRO means outsourcing of HR activities, like- recruitment, training, performance evaluation etc. on behalf of its clients with the intention to save time and avoid other hassles and focuses more on core activities. In spite of the fact that significance of HRO is expanding day by day in the nation, still many organizations are bearing misconception with outsourcing and unconscious of the issue. Moreover, academicians are not giving significance on this zone of HRM for their exploration. This is one of the reasons for undertaking the research. The research attempted to examine every single part of HRO practice in Bangladesh and discover its effect on organizational performance as well.

HRO in Bangladesh is still at the starting stage. Many outsourcing firms are entering in the business. But there was no registered list of authorized service providers in the country. Online portals were the most important source to reach HRO vendors. The research used mixed method of study: both qualitative and quantitative analyses to ensure more validity of the study. As a part of triangulation, qualitative part was verified with the quantitative information in this research. In the qualitative part, in-depth method was used to interview the Human Resource (HR) head and senior HR managers using unstructured questionnaire. For quantitative analysis, purposive sampling was used to interview supervisors, team leaders, or managers with the help of Google form.

The focus of qualitative part was to explore the current situation of HRO in Bangladesh (BD). Besides measuring the organizational performance based on HRO practice in the country, other important issues like, nature of service takers, nature of service providers, motivation for utilizing HRO, challenges of HRO etc. were also explored to bring out the full picture of HRO in the country through the in-depth study. To measure the organization performance based on the qualitative discussion of HR professionals, some assumptions were developed on (a) organizational growth, (b) time and cost effectiveness, (c) adverse effect on employees, and (d)

customers' perspective. In quantitative dimension, those assumptions were measured using correlation and regression model.

Though, qualitative part showed good relationship between dependent and all independent variables; but from the quantitative analysis only one independent variable 'time and cost effectiveness' showed significant positive relationship with dependent variable 'organizational performance'.

As there was insufficient information regarding HRO in the country, in-depth interview was very helpful. Once the good number of information was collected through in-depth study, interview using Likert scale was appropriate to justify the same situation from another point of view. As qualitative study was uncomfortable and more time consuming than other method, like questionnaire using Likert scale and as there would-be chances of non-focus of some important areas; using mixed method for this investigation was much legitimized.

In Bangladesh, the absence of scholarly research in this field and lack of quantitative examination on it have made an incredible effect for the future analysts. The investigators can pick other piece of HRO for research or can accomplish progressively broad examinations on this theme. For the policy makers this exploration was an achievement. The policymakers can use these findings as a guideline for future policies. Again, vendors can use this paper to make their service more customers oriented as the paper also describe the inadequacy of HRO services in the country.

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List of Abbreviations

Abbreviations	Meaning
ASP	Application service provider
BCG matrix	Boston Consulting Group
BD	Bangladesh
BDO	Business process outsourcing
BPO	Business development officer
BSC	Balanced scorecard
CEO	Chief executive officer
CFO	Chief financial officer
COO	Chief operational officer
CRF	Corporate research forum
CV	Curriculum vita
DMKL	Del Monte Kenya Limited
DV	Dependent variable
HR	Human Resources
HRIS	Human resource information system
HRM	Human resource management
HRO	Human resource outsourcing
ICT	Information & Communication Technology
IDC	International data corporation
INDSERV	Industrial service quality
IT	Information technology
ITO	Information technology outsourcing
IV	Independent variable
KSAO	Knowledge skill ability and others
KPI	Key performance indicator
MNC	Multinational company
NAPEO	National association of professional employment organization
NIIT	National institute of information technology
OE	Organizational effectiveness
OP	Organizational performance
PEO	Professional application software
RBV	Resource based view
RDT	Resource dependency theory
RFP	Request for proposal
ROA	Return on assets
ROE	Return on equity
ROI	Return on investment
R & D	Research and development
SERVQUAL	Service quality
SHRM	Strategic human resource management
SME business	Small and medium sized organization
SWOT	Strength weakness opportunity threats
TC	Transaction cost
TCE	Transaction cost economics
TCO	Total cost of ownership
UK	United Kingdom
US	United States
VIF	Variance inflation factor
VRIO	Valuable, rare, costly to imitate and efficiently organized

CHAPTER 1

INTRODUCTION

1.1 Background of The Study

Every organization, large or small, utilizes a variety of capital to make the business work. Capital includes money, resources, or goods used to generate income for a business. All organizations have one thing in common: they have individuals to make their capital work for them. In this way, Human Resources (HR) or the individuals working in the organization are the most significant assets. As ‘Human Resource (HR)’ deals with people working in an organization and as the success of an organization depends mostly on the proper utilization of these people, HR gets the highest importance than other business areas. Traditionally, all HR activities, like recruitment, selection, training, and development, handling compensation policies and employee maintenance, are governed by the organization, considering them as confidential issues. But nowadays, many organizations are thinking beyond this. Cost minimization without hampering the quality is one of the most significant challenges in the age of globalization. Organizations are now focusing more on their core activities to ensure cost and time efficiency (Zhang & Ma, 2005) to meet these challenges. At the same time, organizations handover their day-to-day non-core activities to the expert body and reduce the hassle (Hewitt, 2009). At present, most business areas, like HR, marketing, information technology (IT), audit, and many more, are being practiced through outsourcing. In this way, Human Resource Outsourcing (HRO) becomes an imperative phenomenon in today’s business world and Bangladesh (Mahmud, Billah, Chowdhury, & Mustafizur, 2012). For outsourcing human resource

functions, organizations in Bangladesh are hiring one or more third parties or Professional Employers' Organization (PEO) and get their work done partially or wholly, according to their need (Mahmud et al., 2012).

This study focuses on the literature review and pilot study to identify the research gap. Even though Bangladesh has spent ample time working on Human Resource Outsourcing, in comparison to in the United Kingdom (UK), the United States of America (USA), etc. the field has not reached a satisfactory level. Scholarly research on Human Resource Outsourcing (HRO) in our nation is constrained in several ways. Even the connection between Human Resource Outsourcing (HRO) and its impact is unfocused by Bangladesh's academicians. Organizations do not know what type of organizational set up is required to tap Human Resource Outsourcing (HRO) success in Bangladesh. Most of the literature, reviewed from 2000-2017 for this study, irrespective of the country, is based on secondary data, like advantages, disadvantages of outsourcing, reasons for outsourcing, outsourcing models, etc. practical examples are absent there. (Schniederjans, 2005). Some studies (Abdul-Halim, Che-Ha, 2009; Gaspareniene & Remeikiene & Startiene, 2014) also focused on organizations' characteristics, culture, strategy, and outsourcing relations. Abdul-Halim & Che-Ha (2011a) also observed a comparison of HRO practice between two or more countries. However, in the study by the United States (US), the United Kingdom (UK), Russia, China, and Australia, those previously mentioned issues were found. Malaysia, Kenya, Nigeria, and the Philippine also came forward to develop the Human Resource Outsourcing (HRO) study. Some constructive reviews on Human Resource Outsourcing (HRO) were also made by Malaysian researchers (Abdul-Halim, Che-Ha, 2009, 2011a, 2011b & 2011c). India worked on IT outsourcing. But in Bangladesh, studies on Human Resource Outsourcing (HRO) is inadequate. The pilot study found that many organizations have a wrong and misleading perception regarding this critical and emerging side of Human Resource Management (HRM). Discussion on the above subject matters has the paramount importance to make the right decision on Human Resource Outsourcing (HRO). This study enlightens the impact of Human Resource Outsourcing (HRO) on organizational performance, considering its success factor in various corporate settings. The insufficient and imprecise information on Human Resource Outsourcing (HRO), especially on Bangladeshi perspectives, has motivated this

study's development. To fill this gap, first of all, the study explored the present situation of Human Resource Outsourcing (HRO) in Bangladesh, and then, the impact of Human Resource Outsourcing (HRO) activities on organizational performance.

The main research question is to explore the impact of HR outsourcing on organizational performance. Based on this leading question, the study investigated the following questions:

1. Observation of new phenomenon related questions: which HR activities are being outsourced? To what extent? By whom?
2. Impact of Human Resource Outsourcing related questions: What is the effect of Human Resource Outsourcing (HRO) on organizational performance from the perspective of cost and time? What is the effect of Human Resource Outsourcing on organizational performance from the standpoint of organizational growth? What is the effect of Human Resource Outsourcing on organizational performance from the perspective of an adverse impact on employees? What is the effect of Human Resource Outsourcing on organizational performance from the standpoint of customers?

These sub-questions also fall into two question categories: The first category falls into observation and predictive or problem-solving question category. The second category falls into the explanatory question type as it answers 'why' instead of 'what' and 'how'.

1.2 Problem Statement

Human Resource Outsourcing (HRO) is a contemporary issue in today's business world. Though in Bangladesh, the concept of Human Resource Outsourcing (HRO) is comparatively new, the demand for Human Resource Outsourcing (HRO) is uprising day by day. Besides, it is also true that many organizations restrict themselves from taking such services due to confidentiality issues or other misconceptions. The reason behind it may be the absence of quality academic and non-academic studies in the country. Studies

on the subject are required to remove misunderstanding and misrepresentation of the situation and add value to it. The existence of knowledge may increase customer awareness, benefits of Human Resource Outsourcing (HRO), and help minimize the gap regarding the dark side of Human Resource Outsourcing (HRO). The vendors can smoothly expand their market if more customers know the relevance and importance of Human Resource Outsourcing (HRO). At present, the country's clients are motivated towards Human Resource Outsourcing (HRO) only because of its time and money-saving nature. Still, most of them do not utilize Human Resource Outsourcing (HRO) as a source of expertise, the new knowledge, and business sustainability. Research on Human Resource Outsourcing (HRO) by different authors from a different perspective may contribute to more dimensions. Though Human Resource Outsourcing (HRO) has passed a century of its journey, it is still one of the unprivileged areas by human resource management researchers. Even there is no registered list of Human Resource Outsourcing (HRO) service providing firms in Bangladesh.

The research focused on our client organizations' factors and characteristics that are generally taking Human Resource Outsourcing decisions and getting success. Elements and attributes, like, organization size, maturity level, ownership of the organization, and management style of the organizations, are measured against the current Human Resource Outsourcing (HRO) users. This part will also be helpful for future outsourcing users to make their decision and their success.

Though in the country the number of Human Resource Outsourcing services is not vast as in the western countries, the discussion on their advantages and disadvantages will be obliging for the future clients in deciding such activities as recruitment, training or benefits administration or others that to be outsourced.

The research focused on some previous literature-based assumptions and tested them in Bangladesh contexts to reduce the gap and remove the delusion. Though many clients take Human Resource Outsourcing (HRO) services because of its cost and time effectiveness, public organizations are still lagging in this regard. The research focuses light on cost and time effectiveness as an indicator of organizational performance that can be achieved by

outsourcing human resources. The research also narrated employee satisfaction and commitment due to human resource outsourcing decision and implementation. The role of Human Resource Outsourcing (HRO) in providing unique and creative services, especially for the clients who want customized services, is also explained here with practical examples. And at last, the researcher tried to find out the perception level of the current human resource outsourcing clients to help make outsourcing decisions for future clients.

In this way, the research gives the answer of 5 W's: who (type and nature of the organizations/clients), when (level of the operation), what (outsourcing activities), where (country/ context), and why (drivers and outcomes).

1.3 Research Objectives

Primary objective: The primary objective of the research is to identify the impact of Human Resource Outsourcing on organizational performance.

Secondary objectives: The secondary objectives of the research are:

- ✓ To explore the impact of Human Resource Outsourcing on organizational performance from the perspective of organizational growth
- ✓ To assess the impact of Human Resource Outsourcing on organizational performance from the perspective of time and cost effectiveness
- ✓ To examine the impact of Human Resource Outsourcing on organizational performance from the perspective of adverse effect on employees
- ✓ To examine the impact of Human Resource Outsourcing on organizational performance from the perspective of customers.

1.4 Justification for the Research

The demand for Human Resource Outsourcing (HRO) increases daily, though the pace of increase is slow due to lack of awareness, but nobody can deny its potentiality. The most recent literature on Human Resource Outsourcing (HRO) has been used here by the researcher. Being comparatively a new phenomenon, academic research on this field is limited. The most comfortable access to information on this topic was the electronic blog and newspapers. The United States of America (USA) and the United Kingdom (UK) based human resource outsourcing research findings were also available. Still, the study on Human Resource Outsourcing (HRO) in Asia is minimal. These limitations may have two reasons; one is the practice of Human Resource Outsourcing not so revolutionary, and another is the academic researchers do not feel interested in this field. Being the confidential part of the organization, data on it is not also available. But the scenario of Thailand, Nigeria, and Malaysia is quite different. Research on Human Resource Outsourcing of these countries is the only pathway for this study. Studies found mostly are quality based. This study developed a mixed-method combination, including qualitative and quantitative studies, where hypotheses were designed to decide its importance for organizational performance. The qualitative part explored the current situation of Human Resource Outsourcing (HRO) in Bangladesh and its impact on organizational performance. On the other hand, the quantitative part triangulated Human Resource Outsourcing (HRO) success in terms of organizational performance based on assumptions set on the qualitative part.

The researcher hopes that the study will be a milestone in academia interested in this field. It will help the policymakers who want to heighten Human Resource Outsourcing (HRO) of Bangladesh at an apex. The study expects to help vendors looking for a business environment where Human Resource Outsourcing (HRO) matches the best. Again, potential clients can also use the research findings to re-examine their Human Resource Outsourcing decision. In this way, this study is distinctive from previous studies.

1.5. Definition of Key Terms

Human Resource Outsourcing: Human resource outsourcing (HRO) is one of the wings of outsourcing practices where an organization (a client) outsources or hire a third party to undertake specific tasks related to human resource practices, like, recruitment, training, evaluation of employee performance, etc. on behalf of the client company in terms of commission. Sometimes, these firms are called human resource consultancy firms.

Organizational performance: Organizational performance is a way to ensure that the organization is utilizing its resources appropriately to achieve its goals. There are three components of organizational performance: operational performance, financial or accounting performance, and market-based performance. Operational performance includes new product introduction, product/service quality, marketing effectiveness, and customer satisfaction. Financial and accounting performance means profitability. And the component of market-based performance includes a return to shareholders, annual return, and market value-added.

Organizational effectiveness: Organizational effectiveness means achieving the end-result. Organizational effectiveness has four components: sustainability of the organization, the worth of the performance, process efficiency, and legitimacy of the organization. All these aspects are obligatory to reach organizational effectiveness. Organizational performance is also used simultaneously with organizational effectiveness.

Organizational efficiency: Organizational efficiency means achieving the corporate goal without wasting time, effort, and resources. The efficiency is time-based, effort-based, and quantifiable.

1.6. Preview of the Chapters

The full research titled ‘Impact of Human Resource Outsourcing (HRO) on Organizational Performance’ is divided into seven chapters (Figure 1.1). The first chapter is the introduction, dealt with the background of the research, problem statement, rationale of the study, a summary of the methodology, scope of the research, and related terms of outsourcing. The first part of this chapter is the background of the study focused on the

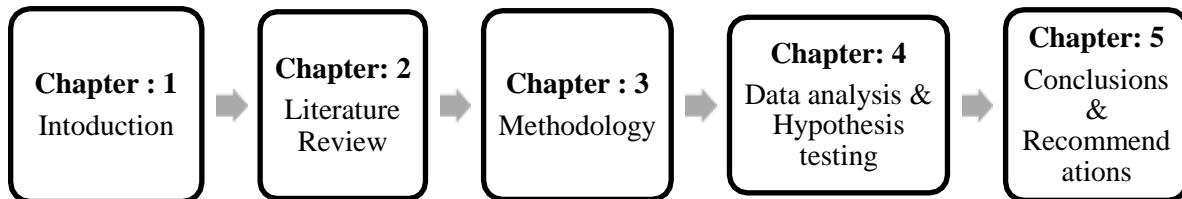


Figure 1.1: Organization of Chapters

research gap, research question, and research aims and objectives. The researcher undertook a pilot study on the existing situation of Human Resource Outsourcing (HRO) in Bangladesh to identify the research gap. Research questions focused on the items that are answered through the study. And based on the research questions, research objectives were set. The second part of the chapter is a problem statement that focused on the study's need, the value addition of the study in the current and future study area. The problem statement part answered five questions: (a) for whom the research is necessary, (b) when the research is necessary, (c) what part of the study has future implications, (d) the reasons behind it, and the last is (e) in what context the research is necessary. In the third part, the rationale of the study dealt with the reasons behind the research conducted, including an explanation for the design and methods employed in the research and justification of the study both in the present and the future context. In the next part, the outline of the report dealt with the chapter summary of the report. It is helpful for the readers to get the study at a glance without going through the whole. Scope, the sixth part of the introduction,

discussed the included and excluded issues in the research. The researcher started the inclusion and exclusion criteria from the literature review part. The researcher banned all the literature on Human Resource Outsourcing (HRO) before the year 2000; in some cases, the literature was not accessible before that timeline was used. Literature from the methodology part did not follow this period. The seventh part discussed the related terms of outsourcing, like, in-sourcing, back-sourcing, off-shoring, sub-contracting, right sourcing, near sourcing, etc. that sometimes create confusion to the readers.

The **second chapter**, the literature review, is divided into two parts: (a) literature review on outsourcing and (b) literature review on Human Resource Outsourcing. The first part incorporates literature study design, history of outsourcing, definition, and components of outsourcing, making or buying decisions of services, drivers and debates of outsourcing, the theoretical perspective of outsourcing steps, and risks associated with outsourcing, and the secret of outsourcing success. In the second part of the literature review, the researcher talked about literature on human resource outsourcing. In this part, the researcher discussed the Human Resource Outsourcing concept, its features, challenges, and determinants and challenges. The writer also elucidated some of the crucial determinants, like organization size, maturity, the management style of organization, ownership of the organization, business, and human resource strategic influence in making Human Resource Outsourcing decisions and success. The most crucial element in this part is literature on the impact of Human Resource Outsourcing (HRO) decisions on organization performance based on organization growth, cost and time effectiveness, adverse effect on employees, and customers' perspective. In this part, the writer developed a summary of available literature on Human Resource Outsourcing (HRO) in Bangladesh, the conceptual framework, and the dependent and independent variables.

In **chapter three**, the essential part of the research, 'methodology,' was discussed. As it was a mixed method of study, the methodology was divided into qualitative and quantitative approaches. The physical form of data, sampling procedure, interview technique, questionnaire method, study period, data analysis procedure, and reliability and validity tests were undertaken in both parts.

In chapter four, the researcher divided the analysis part into (a) qualitative analysis and (b) quantitative analysis. In the qualitative analysis part, the current scenario of Human Resource Outsourcing, its motives, its determinants, future potentials, PEST analysis were discussed from Bangladeshi perspective. Interview transcriptions were coded and enumerated here. In the second part of the investigation, the hypotheses were developed, analyzed, and tested. The researcher triangulated the qualitative part with the quantitative part of the research.

In chapter five, the researcher incorporated the summary of the main findings, the future implications, limitations, and future research direction in the conclusions and recommendations part.

CHAPTER 2

REVIEW OF LITERATURE ON OUTSOURCING & HUMAN RESOURCE OUTSOURCING

2.1. Introduction

This part of the literature focuses on the general information on outsourcing history, its types, positive and negative impacts, etc. Generally, outsourcing involves a third party or an outsider to complete one or more activities for the organization. There are two parties in the contractual relationship: the 'vendor' who provides services and the 'client' who takes the services. Though there are many potential reasons for outsourcing evolution, lack of one's resources, or expertise to complete the work, the company engages a third party or parties for outsourcing. Clients undertake outsourcing from the tactical to the strategic level activities. When outsourcing deals with a 'general lack' of an organization is considered as tactical level outsourcing. When organizations undertake 'outsourcing' considering their core and non-core activities, it can satisfy outsourcing's strategic need. Due to diversification and competition in the market, outsourcing can be Business Process Outsourcing (BPO) and Information Technology Outsourcing (ITO). Outsourcing of various business functions, like, HR, accounting, finance, etc. are within Business Process Outsourcing (BPO). Information Technology Outsourcing (ITO) is a separate branch dealing with the outsourcing of communication and technology. Similarly, whether an organization outsources or keeps the activities in-source, the decision goes through four stages: planning, evaluation, analyzing, and selection. Organizations outsource for various reasons like cost reduction, strategy-driven, and politically driven motive.

Cost driven motive of outsourcing shows that organizations emphasizing their strategy engage in outsourcing for their non-core activities. They try to achieve competitive advantages by keeping core work within them. If any organization fails to distinguish core and non-core activities and undertakes to outsource, it creates disaster. Due to political motives, the government and non-government organizations have different outsourcing perceptions. Many countries and many organizations avoid outsourcing for lack of expertise and fund availabilities. As many as five models impact outsourcing inception: transaction cost economics, resource-based view, cost assessment model, agency theory, and social exchange theory. The outsourcing process faces various risks and uncertainties. A wrong identification of core and non-core activities, outsourcing goal myopia, developing flawed outsourcing contract, absence of clear guidelines for evaluating outsourcing results, selecting a low-quality service provider, etc. are some of the risks of outsourcing. But the buyers and sellers of this service can avoid these risks through proper monitoring and maintaining a good relationship between them. This writing aims to make comfortable readers with the present outsourcing trend and development of various fields of outsourcing.

2.2. Literature Study Design

The researcher acquired the literature review information from ScienceDirect, Emerald publications, JSTORE, Wiley Online Library, AMDISA, and Research gate. The keywords used for the search were outsourcing, HR outsourcing, Bangladesh, recruitment outsourcing, organizational performance, business strategies, HR strategies, training outsourcing, outsourcing of compensation and benefit, etc. The inclusion criteria of the study were: studies conducted on HR outsourcing of the countries, academic and non-academic articles published in peer-reviewed journals, newspaper articles regarding the topic. The selection of literature on Human Resource Outsourcing ere restricted from 2000-2018. Very few were selected before the year 2000 because of their nature of the discussion. Exclusion criteria included any subjects not related to outsourcing, mostly not

related to HR outsourcing, like offshore outsourcing and international outsourcing. The researcher used the following flow chart (Figure 2.1) to select the literature for final reviews.

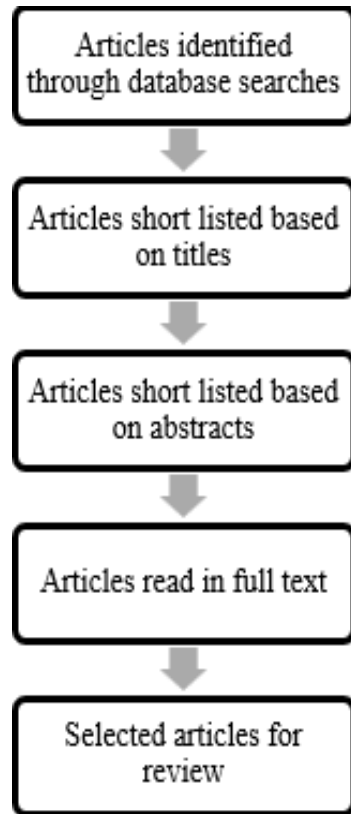


Figure 2.1: Articles Selection Flow Chart
Ahmed, Haynes & Taylor (2018).

2.3. History of Outsourcing

There is always a debate about when ‘outsourcing’ began. Scholars discussed it from different points of view. ‘Outsourcing’ means using other sources or delegating someone the responsibility to complete a task when an employee of their organization does not have the necessary expertise to perform the task. In this way, the practice of outsourcing started. Over time, this practice of outsourcing led to people being trained in specific, specialized professions. From this perspective, there is no particular time and date of starting of

outsourcing. From the late 1800s to the mid-1900s, some countries became self-sufficient due to the industrial revolution. Simultaneously, the development of railroads, telegraphs, and other means of transport and communication helped those great production countries sell or export their products to other countries after satisfying demand. Again some countries had their production cost uprisings due to the high tax and price of raw materials. A few organizations began to move to other countries for manufacturing purposes or redistribute responsibilities to dispose of the circumstance. Independent architecture, engineers, and foreign experts were also started to move to highly waged countries as the means of brain drain. In history, Japan was the primary nation that employed the outside specialists and prepared them just as their nearby natives for smooth financial growth. Afterward, Russia likewise pursued a similar bearing. Outsourcing was first started in the British car industry in 1979 when the British car industry outsourced German specialists. Within a few years, outsourcing spread its area to the Information Technology sector said in the 1980s. The following Figure 2.2 represents the evolution of outsourcing:

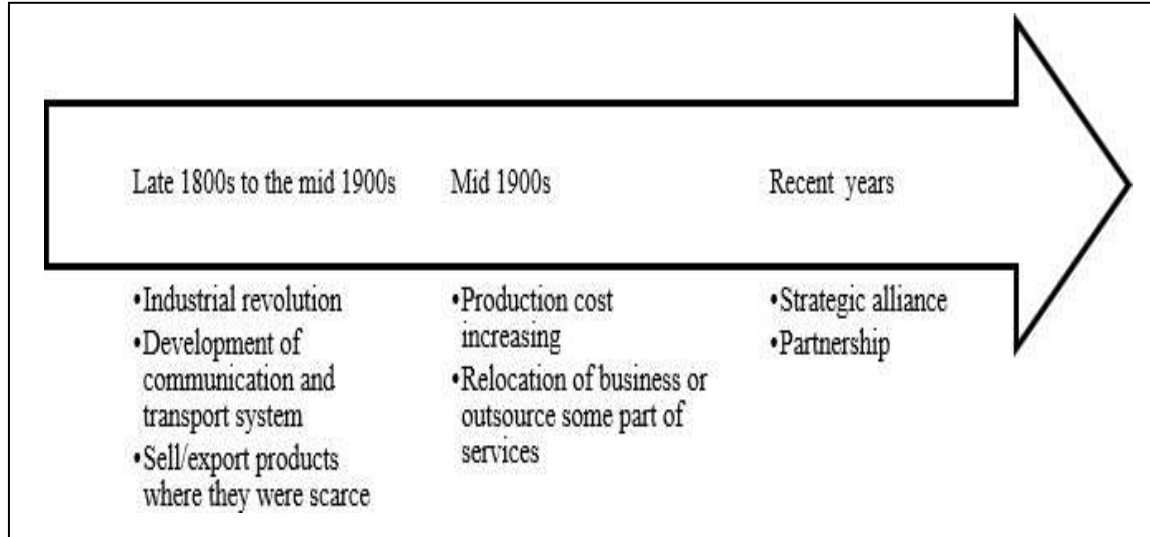


Figure 2.2: Evolution of Outsourcing

Based on the outsourcing impact on business organizations of different ages, Schniederjans, Schniederjans & Schniederjans (2005) divided organizations into three

classes: traditional, present, and future organizations. Traditionally, organizations were engaged in subcontracting, product outsourcing, a small portion of domestic business activities outsourcing. A large part of international outsourcing is undertaken in the present day, where both tangible and intangible products and services are outsourced. In the future, organizations will focus on global outsourcing and virtual organizations.

2.4. Definition and Components of Outsourcing

Not all the organizations are independent or capable of itself; they must depend on other firms or outside specialist organizations to get their works done in terms of payment, like hiring employees, getting IT solutions, or market survey for launching a new product. Conceptually, this process of taking services from others is called ‘outsourcing’ and the firm/firms from whom services are received named ‘outsourcing firm’ or ‘vendor.’ Therefore, outsourcing uses another source (out + source) contractual basis. But in terms of strategy, outsourcing is considered a long-term activity designed to guarantee the survival and the prosperity of the enterprise (Andone & Pavaloaia. 2010). Client organizations considered outsourcing as a substitute for domestic services is often accompanied by a transfer of material and human resources to the chosen provider based upon a medium to long-term relationships, on an average of five to six years with the customer enterprise. As the business is becoming globalized day by day, the need for outsourcing is increasing as the outside experts produce or serve a good more effectively and efficiently.

According to the Oxford English dictionary, “Outsourcing is to obtain (goods, a service, etc.) by contract from an outside source; to contract (work) out.” The outsourcing concept came from the American terminology ‘outside resourcing,’ meaning to get resources from the outside. Later, the term was used in the economic terminology to indicate external resources for developing a business. In the term outsourcing, the first part of the word ‘out’ suggests externality, the foreign nature of something, or in other words, ‘sourcing’ something that is owned by others. The second part refers to supplements, origins, or

equipment, amongst others. In this way, outsourcing signifies the use of outside resources to accomplish a task.

The layman uses outsourcing and consultants interchangeably. But outsourcing goes beyond the use of consultants; consultants advise clients on how to do something. Outsourcing providers do it. As a matter of practice, the activities are transferred, but production and decision rights are often assigned in outsourcing. McCarthy & Anagnostou (2004) emphasized three characteristics of outsourcing: contractual agreement, time-based agreement, and transfer of staff and vendor.

In Economics, ‘international outsourcing’ tends to develop countries to find the advantage of lower-wage and cheaper raw materials available in developing countries retaining specialized activities. The concept of ‘domestic outsourcing’ is undertaken with the same intention within the organization- vendors and clients within the same country. So, lower cost, quicker and better performance are some of the outsourcing preferences, whether domestic and international.

Based on the above definitions derived from the literature, outsourcing can be defined as a long-term or short-term contractual agreement of a firm (client) with the outside service provider(vendor) to complete specific activities on behalf of the client with the intention of value addition to the clients’ products and services and to achieve competitive advantage. This definition thus embraces the following features:

1. Outsourcing is using a source that is outside the client organization.
2. It is the agreement between two parties: clients (service takers) and vendors (service providers).
3. The duration of outsourcing can be short-term or long-term.
4. It is the substitute for domestic or insource services.
5. Outsourcing decision is strategic as it is connected to competitive advantage and value addition to its product and services.
6. Domestic and international are the two forms of outsourcing concept.

Zitkiene, 2015 identified three components of outsourcing based on outsourcing drivers; they are:

Table 2.1

Components of Outsourcing

Level of outsourcing	Discussion
Tactical/Transactional	Organizations have some limitations, like, lack of personnel, lack of fund, etc. and they go for outsourcing to take care of the issue.
Transformational	Organizations need restructuring and go for the experience of professionals, and outsourcing companies.
Strategic	Long-term contracts are undertaken for non-core activities that would be outsourced and core activities are kept internal.

Zitkienė (2015)

Outsourcing has changed its view from tactical to more strategic approaches that aim to achieve and maintain a competitive advantage. The lowest total cost of ownership (TCO) and lowest risk to the supply line can give the organization a competitive advantage through continuous improvement in quality, delivery, price, and service both for the customer and supplier. Tactical sourcing, considered as a reactive approach, on the other hand, is a short-term, transactional activity commonly practiced in small to medium-sized manufacturing organizations. Tactical sourcing is the part of traditional outsourcing that makes day to day make-or-buy decision in a cost-cutting manner. It does not strive to understand vendors' core capabilities to support the company's broader needs. Transformational outsourcing provides a platform for growth that considers both present and future requirements. Though many organizations consider outsourcing as a measure of cutting costs, some other organizations use outsourcing as a transformational outsourcing source, like, to give the company a change, enterprise transformation. Due to service diversification and competition in this market, outsourcing may take many forms.

Table 2.2

Forms of Outsourcing

Information technology outsourcing (ITO)	Management of information application	application development, testing, implementation, maintenance
	Co-sourcing	Outsourcer controls full or partial IT infrastructure
	Hosting	Outsourcer provides network infrastructure and technologies for server applications and the client remains the proprietor of the infrastructure. In Bangladesh, GP will go for hosting services for its network system.
Business process outsourcing (BPO)	Accounting service outsourcing	Financial accounting, managerial accounting, etc.
	Outsourcing the economic and financial analysis	Auditing, economic census, etc.
	Human resource outsourcing	Recruitment, salary & benefit development, etc.
	Sales and procurement	Identify customer and supplier, obtain catalog and order, deliver products, receive and send payments.
Hybrid outsourcing firm	Combination	If the company is not entirely comfortable in handling off all their HR activities, then they consider some time consuming and labor-intensive HR tasks. For example, using 3 rd party only for the recruitment process and retain control of staffing activities such as hiring-firing of employees.

Andone & Pavaloia (2010)

But according to Collings & Wood (2009, p.21), vendors undertaking outsourcing services are usually grouped into two models: Business Process Outsourcing (BPO) and Application Service Provider (ASP). IT outsourcing has become an inevitable part of the modern world, and the rate of information technology (IT) outsourcing is increasing day by day. The most common IT outsourcing services are application development and maintenance, infrastructure management, help desk, independent testing and validation, data center management, research, and development (R&D), managed security, and cloud

computing. Cost reduction, technical consideration, need to focus on core activities, avoiding political and legal risk, financial risk, and expertise are the main reasons for IT outsourcing, a separate stream of outsourcing.

Business process outsourcing (BPO) is the outsourcing concept beyond the industrial boundaries, where at least one business activity is undertaken by an outsider (Krstic & Kahrovic, 2015). Horizontal and vertical are two mainstreams to classify the BPO services. In horizontal BPO, the vendor specializes in carrying out function/functions across different industry domains, recruitment, and selection service in various industry domains. Again, it can be the generalists as they can work with any client and any industry. This process is sometimes considered as ASP model (Colling & Wood, 2009, p.23). In vertical BPO, services are provided in an industry area; like, a vendor provides services only to the health care industry. Vertical HR BPO is a specialist who works with just one kind of industry.

Experts divided HRO service into four categories: PEOs, BPOs, ASPs, and e-services. PEOs: A Professional Employer Organization (PEOs) recruits, hires, and employs on behalf of the client company. Business Process Outsourcing (BPOs) separates itself by either putting in innovation or applying existing innovation in another manner to improve a procedure. Specifically, in Human Resource (HR), a BPO would ensure a company's HR system is supported by the latest technologies, such as self-access and HR data warehousing. Application Service Providers (ASPs) have programming on the Web and lease it to clients – a few ASPs have HR programming. Some are well-known packaged applications (People Soft), while others are customized HR software developed by the vendor. These software programs served by the third party can manage payroll, benefits, etc. E-services are those web-based HR services. Both BPOs and ASPs are the two forms of e-services. Notwithstanding these classifications, one of the present patterns is for organizations to decide on a blend of outsourcing and innovation to locate a model reasonable for their specific needs.

2.5. Stages of Outsourcing Decision

Outsourcing, as a strategic issue, creates an impact on organizational plans, goals, and strategies. Whether to make internally or purchased externally, before making such a decision, the decision-makers must make a Strength, Weakness, Opportunity, and Threat (SWOT) analysis of outsourcing for their organizational environment and culture. Bardhan & Kroll (2003) showed some conditions for outsourcing services: virtual communication, high information content, telecommute and internet-enabled work process, high wage differentials, low barriers to setting up, and low social networking requirements. ‘Make or buy decision’ of the organization can be undertaken considering the following steps:

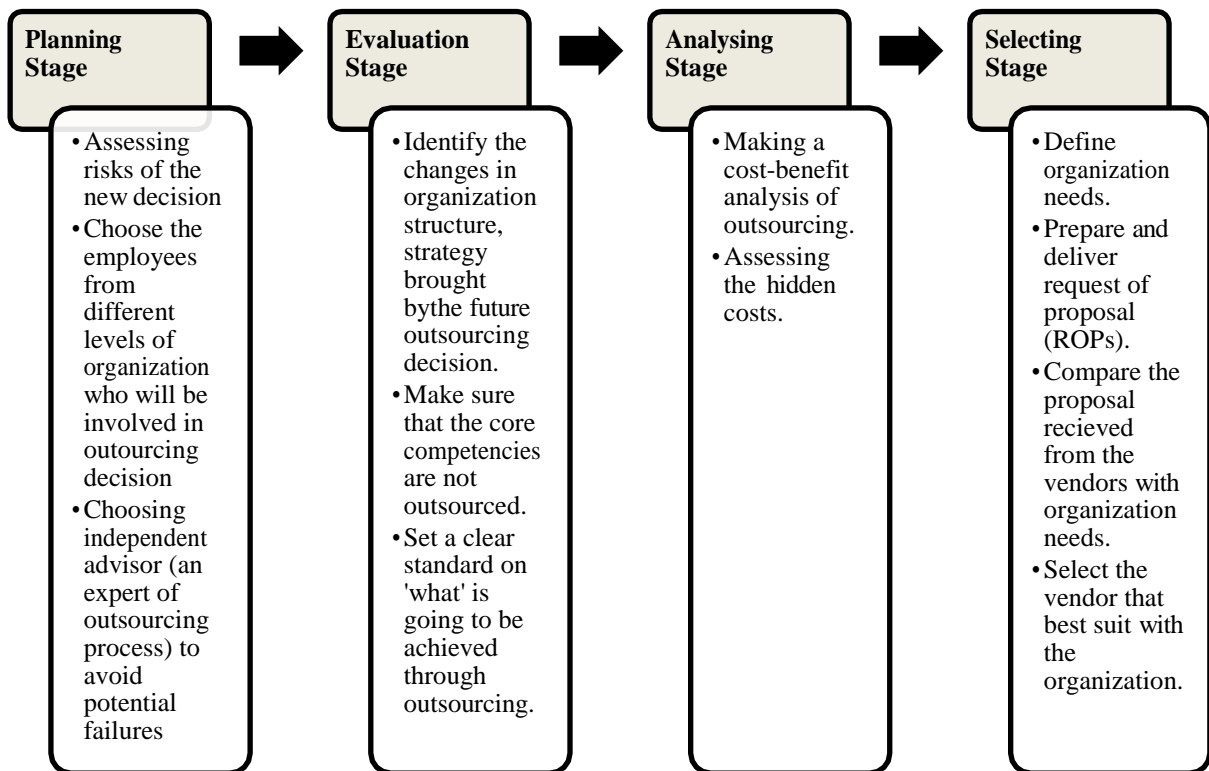


Figure 2.3: Make or Buy Decision Steps
Bajec & Jakomin (2010).

Before making an outsourcing decision, the organization must evaluate the 4Ts of its HR department that includes Time, Talent, Treasures, and Technology. 'Time' is for looking at the time of doing HR undertakings inside and by the outsider. 'Talent' is for accessibility of in-house ability for doing HR tasks. 'Treasures' is the mastery accomplished through re-appropriating. 'Technology' reduces the cost that is required to operationalize the outsourcing program.

2.6. Drivers and Debates of Outsourcing

2.6.1 Drivers of Outsourcing

During the 1990s, organizations concentrated more on cost-saving measures. They began to redistribute their non-core activities, like bookkeeping, HR, data processing, inward mail dispersion, security, plant maintenance, and so on. Though once cost saving was the main reason for outsourcing but, getting expertise knowledge, risk evasion, focusing more on core activities, etc. are some other reasons that made outsourcing decisions more viable in the present days.

Kremic, Tukul & Rom (2006) classified the general motives of outsourcing into three areas, cost-driven motives, strategy-driven motives, and political-driven motives. In a **cost-driven motive**, companies agree to outsource when they find that their outsourcing (supplier's) cost is less than their production cost. Specialization and economies of scale are the two main reasons for such cost-saving nature (Kakabadse & Kakabadse, 2000a). 'Economies of scale' is an economic concept that describes when production increases, the per-unit fixed cost of production decreases. Specialization can prompt economies of scale since it enables laborers to consummate one task instead of concentrating on many. Outsourcing provides a more efficient approach in controlling operating costs, like per additional employee's salary, overhead, equipment/software, training/education, other supplies, and possibly facility costs. Even outsourcing also eliminates costs for employees' future development, current training, recruitment, payroll, and benefits. In this way, through outsourcing, operational efficiency can be achieved. Outsourcing can also reduce

costs by shifting variable costs into a fixed cost (Liu & Tyagi, 2017). A study on the accounting department of an organization of Romania by Andone & Pavaloaia (2010) showed that the organization turned its fixed cost into variable costs, as it need not maintain the department's employees during the off-peak sessions. Even employees need not be provided with professional training, which was very expensive. The 'cost-driven motive' of outsourcing is used as the 'finance-driven motive' of outsourcing is uniform.

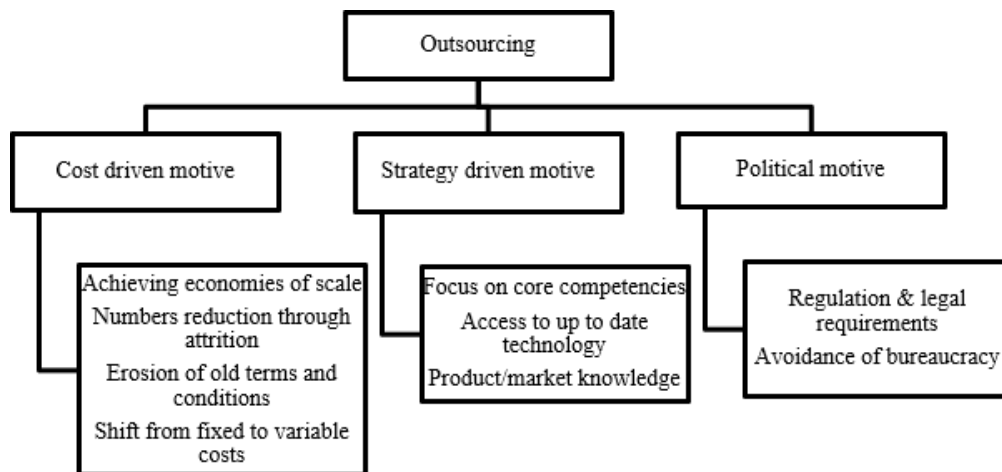


Figure 2.4: Motives of Outsourcing

Source: Kremic, Tukel & Rom (2006)

Although organizations may outsource for cost-related reasons, there is no guarantee of cost reduction because of outsourcing; costs sometimes may increase after outsourcing. In 2006, a study made by Smith, Vozikis & Varksina (2006, p.310) on Russian and United States' outsourcing practices found that 59% of Russian and Russian-based companies and 7% of US companies were unable to achieve cost savings through outsourcing. The reason for not achieving cost saving is hidden cost; because of the hidden cost, many organizations explore cost increase after outsourcing. The pressure between the purchaser's desire to purchase at a low cost and the vendor's desire to sell at high overall revenue, at the core of the issue, lays a conflict of interest that is available in any outsourcing choice. The hidden cost is also considered as an indirect cost that includes the

cost of vendor selection, contract monitoring and oversight, contract generation and procurement, change in a contract if necessary, intangibles and transaction cost also increase the cost of outsourcing (Kakabadse & Kakabadse, 2000a; Overby, 2003). The Deloitte consulting survey on 25 world-class organizations from various fields concluded that 25% of businesses back to in-source due to higher cost. Among them, 50% identified a hidden cost as a common problem in increasing cost while implementing outsourcing decisions (Tadelis, 2007). Overby (2003) identified four sources of hidden costs of outsourcing:

Table 2.3

Sources of Hidden Costs

Selection of vendor	Transition costs	Loss of layoffs	Cultural costs
<ul style="list-style-type: none"> • Documentation • Evaluation • Sending RPFs • Project leader • Outsourcing advisor 	<ul style="list-style-type: none"> • Transportation and communication 	<ul style="list-style-type: none"> • Retention and severance bonus (may not be applicable for Bangladesh) • Communication with staff to avoid misleading behavior 	<ul style="list-style-type: none"> • Experience/orientation/training costs • Employee turnover • Communication problem

Overby (2003)

The social cost is another issue that can also increase outsourcing costs, though ignored by many literary works. Outsourcing will often dislodge employees across the organization and creates a cultural problem; in many instances, the organization will experience resistance to outsourcing, a loss of productivity, low employee morale, high absenteeism during and after the transition (Kakabadse and Kakabadse, 2000a).

Strategy driven outsourcing can be achieved by focusing on core competencies and adopting new technologies (Kakabadse & Kakabadse, 2000b). An organization can maximize its competitive advantage by identifying its core competencies and organizing activities around these competencies. Quinn and Hilmer (1994) viewed that core competencies are not things we do very well or very often; instead, are the strategically important activities". For example, a skill or knowledge sets or areas where the company

can dominate, organizational system, or its people but not its products. Considering core competencies as the collective learning of an organization, Simchi-Levi, Keminisky & Simchi-Levi (2004) urged that it should be kept in-house; conversely, non-core activities should be considered for outsourcing to the best-suited expert service providers. But few non-core activities should be done internally within the organizations that have a big impact on a firm's competitive advantages.

The concept of core and context does not stay static over time. 'Core' means any activities that make an organization or its products and services unique from its competitors. On the other hand, 'context' means the activities without which the organization cannot sustain in the industry (Munro, 2014). Take an example of an educational institution. The context of it is to provide quality education. The core activities may be its teachers' quality, strong connection with the job market, or students' strong aptness in extracurricular activities. These core activities may change over time as the organization grows. Initially, the core can be the teachers' quality to invent. After ensuring teachers' quality, the organization wants to ensure students' quality or other internal service quality in the 'deploy' stage. In the third stage, 'manage', when competitors start to follow its path, the institution will spend more time managing their existing works accurately to ensure its position. In the last stage, the educational institution may feel a high time to change its core activity and take a new one. In this situation, the institution starts to outsource the activity from the third party that is considered core to the vendor and non-core to the education institution. This is 'offload.'

Mission critical (Failure to create immediate and serious impact)	Deploy/ Standardize	Manage/ Optimize
Non-mission Critical (Everything else)	Invent/ Centralize	Offload/ Outsource
	Core (Creating differentiation that wins customers)	Context (Everything else)

Figure 2.5: Core-Context Matrix
Source: Munro (2014)

Another major factor in strategy-driven outsourcing is innovativeness. As the business condition changes quickly, and organizations need to adjust with client requests, organizations must always be refreshed with ongoing advancement. Such organizations utilize outsourcing options to increase flexibility without investing in employee training and capital structure. As Lichtenthaler (2011, p.77) held, innovation requires firms to systematically perform ‘knowledge exploration, retention, and exploitation both inside and outside an organization’s boundaries throughout the innovation process.’ In developed countries, larger systems producers frequently experience outsourcing capabilities in their production; Ford evolved from 70% in-sourced to 70% outsourced, BMW to 80% outsourced, Dell, and Gateway to essentially 100% outsourced (Kabiraj & Sinha, 2011).

Outsourcing decisions also depend upon some factors, like, nature, the structure of an organization, and the expected benefit of outsourcing help to make outsourcing decisions. It is the **politically driven outsourcing motive** (Kremic, Tukel & Rom 2006). To illustrate, Kremic et al. (2006) incorporated the example of public and private

organizations with different motives for outsourcing. The nature of goals, recruitment policy, procurement process, nature of accountability, etc. in the heart of different outsourcing motives for both firms. The public sector focuses on serving the general public and looking after their interests. The private sector's fundamental concern is creating markets to enable earning profits and answer stakeholders and customers; so, their goals are fundamentally different. In employee recruitment, policy differences are also found. In the private sector, hiring decisions are made quickly based on the business cycle, while a bureaucratic red tape and extensive documentation make the decision lengthier. Such a bureaucratic nightmare is applicable in the procurement process of the public sector too. As the funds come from government, tax revenue, or other governing bodies, procurement decisions also depend upon their 'yes' card, making the decision slow. Private companies are free from such a lengthy process. Public organizations face unique accountability. Government organizations are subject to a specific kind of scrutiny. As taxpayers or the public funds them, they are questionable to the public about the effectiveness and efficiency of money expenditure and fairness and equity. However, leaders of private corporations are not accustomed to this level of scrutiny because they are accountable primarily to their board of directors and shareholders. Even sometimes, a public organization cannot make its own decision. They are influenced by political bodies, legislative mandates, and outside forces, while private sector managers often benefit from analytical thinking, business-friendly, and creative marketing techniques. In the study, Burnes & Anastasiadis (2003) also agreed with the structural differences between private and public sector organizations are the main reasons for outsourcing decisions used the cases of InsuranceCo, a private organization, and a public organization (PoliceCo) in their study. Besides private and public organizations, non-profit organizations may have a politically driven motive for outsourcing (Kremic et al., 2006).

In a nutshell, outsourcing depends upon three basic motives: cost-driven, strategy-driven, and political motive. When an organization makes an outsourcing decision to minimize its costs, it is considered a cost-driven outsourcing motive. When organizations want to achieve competitive advantage and give importance to non-core activities, it turns into the strategy-driven motive of outsourcing. Politically driven motive depends upon some organizational components that lead them to decide whether to outsource or insource.

2.6.2 Debates of Outsourcing

Outsourcing decision is not beyond negativity. Again, sometimes, outsourcing results are not immediate; apparently as positive in starting, may come into negative into the long run. Barthélemy (2003) identified some curses of outsourcing experienced in various stages of the decision. Barthélemy (2003) named them as ‘seven deadly sin’ of outsourcing (Table 2.4).

Table 2.4

Seven Deadly Sins of Outsourcing

Timetable	Deadly sin	Lesson learned
Original idea to outsource	Outsourcing activities that should not be outsourced	Only activities that do not belong to the core business can be safely outsourced. The core vs. non-core approach can be implemented both at the firm and activity level.
	Selecting the wrong vendor	Outsourcing clients should look for vendors that are able to provide state-of-the-art solutions and are trustworthy.
	Writing a poor contract	The contract is the main tool to establish a balance of power in outsourcing relationships. Good contracts have four characteristics: precise, complete, balanced and flexible.
Beginning of the relationship	Overlooking personnel issues	Loss of key employees and lack of commitment can seriously threaten the viability of outsourcing efforts. However, good communications and ethical behavior towards employees can help avoid such problems.
	Losing control over the outsourcing activities	In order to keep control over outsourcing activities, clients must retain a small group of qualified managers. An active manager of vendors is also crucial.
	Overlooking the hidden costs of outsourcing	The hidden costs threaten the viability of outsourcing efforts. These costs must be lower when commodities are outsourced.
Vendor switch or reintegration of the outsourced activity	Failing to plan an exit strategy	The end of the outsourcing contract must be planned from the opening and building reversibility clauses into the contract is crucial.

Barthelemy (2003)

2.7. Models of Outsourcing

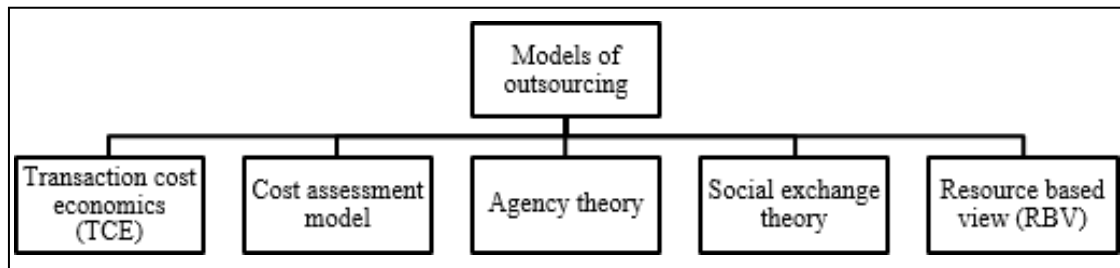


Figure 2.6: Models of Outsourcing

2.7.1. Transaction Cost Economics (TCE)

A study by Siew-Chen, & Seow-Voon (2016) found that in Malaysia, in the HR outsourcing field, transaction cost economics, and the resource-based view are the two prime drivers of outsourcing. Depending upon the transaction costs, negotiation costs, information costs, and observation costs, an organization decides to buy a product or manufacture it internally. If transaction costs become high, it is viable to procure the country's product or service and vice versa. If the transaction costs are low, it will give more possibilities to offer an attractive product to the international market (Vasiliauskiene & Snieska, 2009). In 'transactions' make or buy decisions are composed of three key elements: (a) degree of uncertainty, (b) frequency of transaction, and (c) specify of activity and investments. Specification of activity/investment can be assured by location specification, specification of tasks/skills needed for the activity, and human and other resources (Reilly & Wolfe, 2004, p.17). Supporters of this point contend that using transaction cost economics can help an organization assess the relative difference between the 'market price' and 'production costs.' Outsourcing decisions based on transaction cost economics are likely to focus on the economies of scale and specialist skills available through vendors. However, the impact of these advantages may reduce with the availability of competitors and make a loss of competitive advantages (Figure 2.9). As an impact of economies of scale, firms can get an advantage from wider distribution

channels, a more diversified customer base, and bigger market shares from competitors. According to the outsourcing contract, 2009, the following are the key factors of transaction cost stages (Figure 2.7). There are five types of transaction costs experienced in five stages of the contract in an outsourcing contract. In the information-gathering stage, the first stage, the client seeks various service providers according to their requirements. In the second stage, the client has to undertake some costs of communicating or collecting information to search for suppliers. After selecting a supplier, the contract is undertaken. Some costs regarding the negotiation of price and delivery are made called negotiation costs. It is the third stage. When the service is ready to deliver, fulfillment costs are settled in the fourth stage. Costs of maintenance and disposal are the costs for maintaining the new service and costs to adjust the change. It is the last stage.

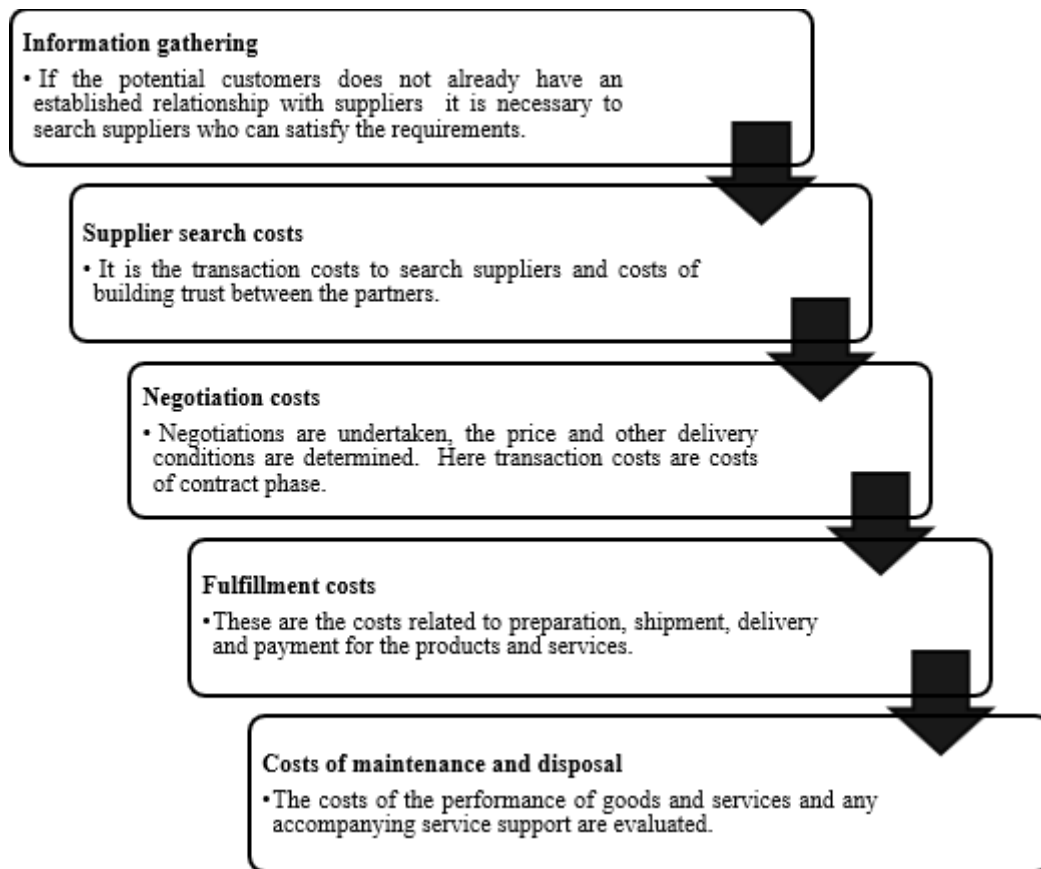



Figure 2.7: Details of the Factors of Transaction Costs for Outsourcing Contract 2009 Vasiliauskienė & Snieška (2009).

The impacts of these dimensions on outsourcing decisions are shown in Figure 2.7. At present, transaction cost plays a vital role in international outsourcing and domestic outsourcing. The value of goods and services depends not only on production costs but also on the exchange rate, contact cost, costs of information search, negotiation costs, etc. for making or buying the product. Transaction costs may be eliminated or lower if the activity is performed with the supervision of the experts. These experts may be outsourcing firms. The elements of transaction costs are the distinctive form of contract law, predicted interpretation of the industrial environment, the appliance of the institutional analysis, frequency-uncertainty-specificity of assets, and structural costs (Vasiliauskiene & Snieska, 2009). The three levels: contact, contract, and control of a trade contract are also included in transaction costs (Den Butter & Mosch, 2003). The purchaser is searching for data about the favored item, its value, quality, and potential providers in the contact stage. In the contract stage, the purchaser and the provider meet one another and settle to arrange. Here arranging expenses are exchange costs. The control stage comprises of observing and authorization of the agreement.

Table 2.5: *Williamson's Transaction Cost Analysis (simplified)*

	Investment characteristics		
		Non-specific	Specific
Transaction frequency	Occasional	Outsource (0)	Outsource (2)
	Frequent	Outsource (1)	In-source (3)
		 Uncertainty	

Reilly & Tamkin (1996).

Table 2.5 suggested that outsourcing (1) is undertaken where transactions are non-specific, irrespective of their frequency or uncertainty. In this situation, buyers benefit from the inherently lower production costs of using a supplier. These highly standardized transactions should be relatively easily managed, and if the contractor fails, the client can also turn to other sources because the task is not that specific. Thus, the threat of using a market alternative should keep opportunism in check. Outsourcing (2) can also be chosen where the transaction is specific and infrequent. Production costs will be high if done in-

house because of infrequency. Equally, managing contract is also expensive as it requires a huge investment in physical capital for this task only. (3) Companies could decide to retain activities in-house where transactions are very specific, frequent, and subject to high uncertainty. There is unlikely to be a true market to exploit in specific transactions and thereby gain a cost advantage. The situation is especially true where the specificity comes from employees' knowledge, skill, ability, and others (KSAO). These are not easily movable assets (although legislation might try to make them so) and take time to replicate. This diagram is more appropriate to manufacturing choice; it is equally applicable to acquiring or providing all goods and services externally and internally. Outsourcing (0) is undertaken work quality is occasional and non-specific. As the work is occasional, the organization may not have suitable expertise to do so. Investment or money expenditure is not also very high to avoid a third party. In this situation, the organization can take outsourcing decisions.

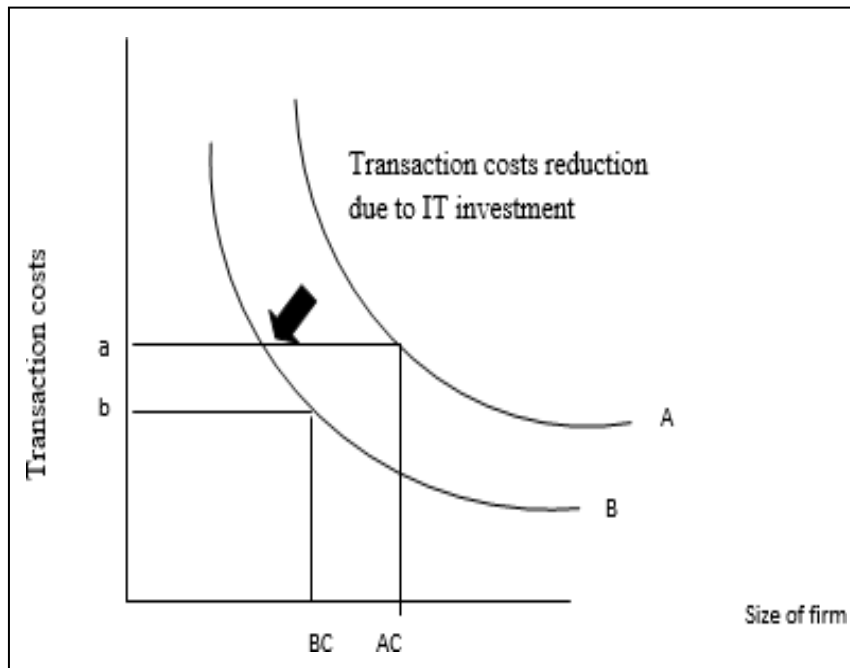


Figure 2.8: Reduction of Transaction Cost Due to Outsourcing
Schniederjans, Schniederjans, Schniederjans (2005, p.11).

Transaction cost theory proposed that venture on outsourcing can lessen exchange costs by increasing its productivity. Information technology development reduces transaction costs and coordination costs as a presentation on the internet is lower than other physical presentations. Figure 2.8 shows that due to IT or outsourcing investment in a business transaction, costs reduces from “A” to “B.” Similarly, the firm’s costs reduced from “a” to “b” due to a reduction of the number of employees and other physical facilities, which may also result in a downsizing in the firm’s size “AC” to “BC” (Schneiderjans et al., 2005).

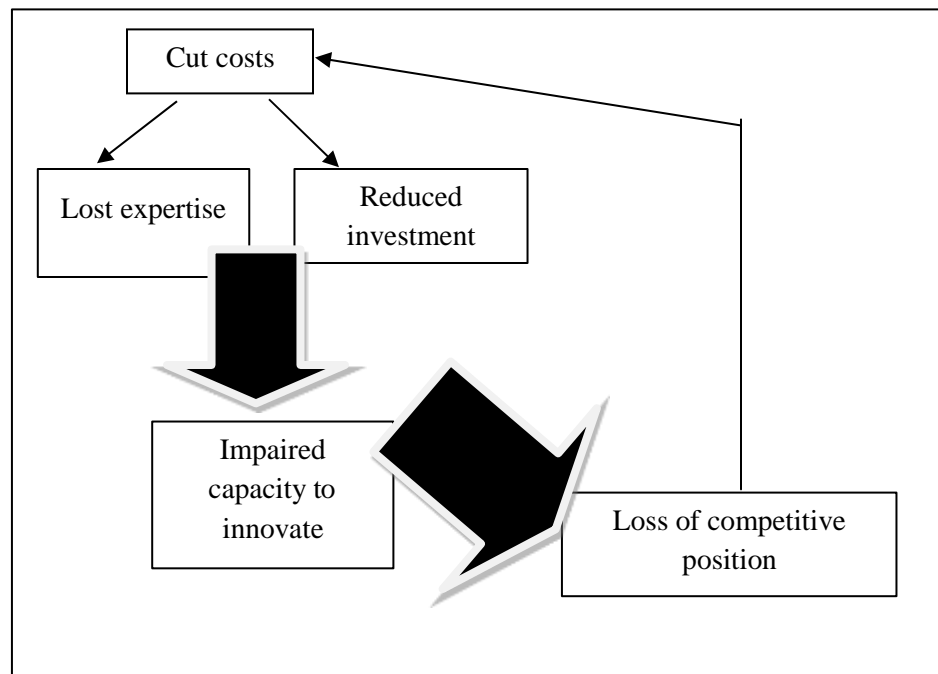


Figure 2.9: Loss of Competitive Advantage through Outsourcing
 Reilly & Tamkin (1996)

2.7.2. Cost Assessment Model by Benaroch

The model was produced by Benaroch, Webster & Kazaz (2010). The key issue of this new study is the capital-to-labor cost relationship and whether it is high or low.

Table 2.6

Cost Analysis in Outsourcing Decision Making

Situation A	Situation B
INSOURCE or OUTSOURCE Internal fixed costs > external Internal variable costs < external	ALWAYS OUTSOURCE Internal fixed costs > external Internal variable costs > external
Situation C	Situation D
ALWAYS INSOURCE Internal fixed costs < external Internal variable costs < external	INSOURCE or OUTSOURCE Internal fixed costs \leq external Internal variable costs > external

Benaroch et al. (2010)

As shown in Table 2.6, the model suggested four possible cost-based decisions by examining fixed and variable costs (both insourced - in the house - and outsourced). According to the authors, organizations should always outsource (situation B) when internal, fixed, and variable costs are higher than the fixed and variable external expenses. Conversely, where the external market would entail higher expenditure for fixed and variable costs, organizations should retain services in-house (situation C). Situation A is applicable in the IT industry where there are relatively low labor costs (variable costs) compared with relatively high investments in capital expenditure (fixed costs). Organizations in this industry choose the option of ‘outsourcing’ to avoid high investments in technologies. Situation D is the opposite: a low capital-to-labor relationship, typical of low-cost production activities, as in the call centers. The organizations may have a low contractual charge ‘but incur high fixed costs (relative to in-house processing) in monitoring and quality assurance expenses. The model proposed that organizations consider outsourcing costs before making the outsourcing decision, including any hidden fees (Reilly, 2014).

2.7.3. Resource Based View (RBV)

The ‘resource-based view’ model considers resources as the ‘key’ to firms’ success and if these resources exhibit valuable, rare, costly to imitate and efficiently organized (VRIO) attributes developed by Barney & Wright (1997, p.11) that can help the organization to gain sustainable competitive advantages (Table: 2.7).

Table 2.7

VRIO Framework

V	VALUABLE	Resource must be valuable for the organization.
R	RARE	Resource must be rare or unique among the competitors.
I	COSTLY to IMITATE	The rarer the resource would be, it is difficult to imitate.
O	EFFICIENTLY ORGANIZED	Resources must be organized properly to capture value from them.

Source: Barney & Wright, 1997, p.11

In the resource-based view, organizations should first clarify its internal resources before looking for assistance from outside assets because only the internal resources can give a competitive advantage to the company. According to resource-based view proponents, it is substantially more possible to use inside opportunities utilizing existing assets in another manner instead of attempting to get new abilities for each unique chance.

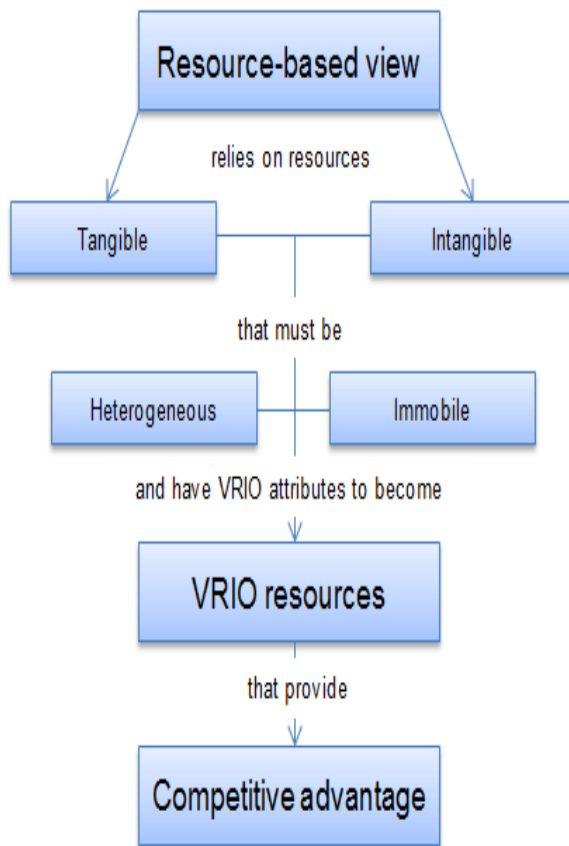


Figure 2.10: Resource Based View
Jurivicius (2013)

In the Resource-Based View (RVB) model (Figure 2.10), resources may be tangible and intangible that must be heterogeneous and immobile. Tangible resources are the physical resources, like, land, building, machinery, equipment, and capital, etc. can easily be bought in the market, so they confer little advantage to the companies in the long run because rivals can soon acquire the identical assets. Intangible assets are everything else that has no physical presence but can still be possessed by the company. Brand reputation, trademarks, intellectual property are all intangible assets. Unlike physical resources, brand reputation is built over a long time and is something that other companies cannot acquire from the market. Intangible resources usually stay within a company and are the main source of sustainable competitive advantage. Resources should be heterogeneous, not homogenous, so that they easily yield core competency. But the disadvantage is that heterogeneity will be fleeting as the contenders would attempt to reproduce them. Resources are not mobile and do not move from company to company, at least in the short

run. Due to this immobility, companies cannot replicate rivals' resources and implement the same strategies. Intangible resources, such as brand equity, processes, knowledge, or intellectual property, are usually immobile.

2.7.4. Resource Dependency Theory

The theory is developed by Pfeffer & Salancik (1978). The resource dependency theory examines the relationship between organizations and the resources they need to operate. Resources may be raw materials, workers, and even funding. If one company maintains the majority of a resource, another company will become dependent on it to operate, creating a symbiotic relationship. Too much dependency creates uncertainty and risk of external control. According to Kakabadse & Kakabadse (2000b), outsourcing may create opportunistic behavior when too much dependency increases and can significantly affect operations, such as funding or personnel policies. The manager directs alternative business plans to lower this risk. This 'imbalance' situation is applicable both for the vendor and the client. To minimize such environmental dependencies, Pfeffer & Salancik proposed five options: (a) mergers/vertical integration, (b) joint ventures or other inter-organizational relationships, (c) board of directors, (d) political action, and (e) executive succession. Here outsourcing is an example of an inter-organizational relationship.

2.7.5. Agency Theory

Agency theory is one of the important theories of business and management. The theory explains the relationship between the principal and the agents. It also indicates the conflict of interest between two parties. The principal delegates work to another, the agent who performs the work. The principal is the customer or outsourcing user, and the agent is a service provider. Agency costs include structuring, monitoring, and bonding a set of contracts among agents and principals with conflicting interests. The value of output lost

when the cost of enforcing the contracts exceeds the benefits of the contracts. In an outsourcing relationship, agency problems, the value of service, communication gap, and measuring an agent's performance are also visualized when a contract is undertaken between the parties. Agency theory deals with outsourcing on employees or agents who work for the owners of client businesses. According to this theory, as a firm grows and its supply chains and employee interactions increase, the owners need to increase the number of employees who work as agents to support the organization's complexity. Thus, the investment in outsourcing saves a firm's time, improves its control over its business activities by moving non-core activities outside the firm, and requires fewer employees.

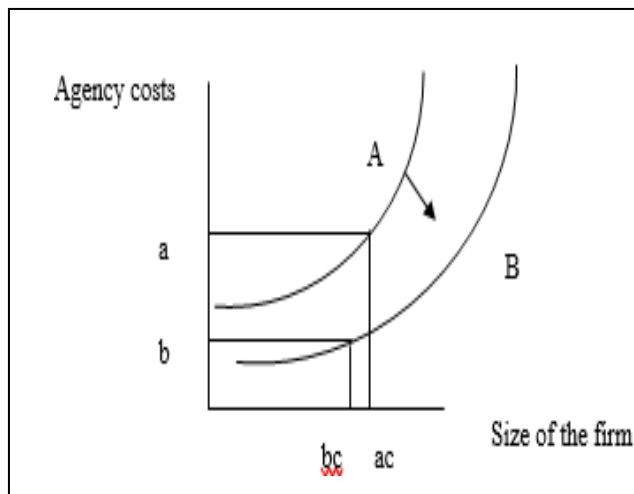


Figure 2.11: Agency theory
Schniederjans, Schniederjans & Schniederjans (2005, p.06)

Figure 2.11 shows these agency cost reductions (from A to B) move the agency cost curve from 'a' to 'b,' causing a reduction in the firm's size from 'ac' to 'bc,' principally a reduction in employees.

2.7.6. Social Exchange Theory

The social exchange theory developed by George Homan in 1958 is another non-economic theory to explain outsourcing. The theory proposes social behavior resulting from the exchange process between two parties in a business where one party tries to maximize benefit and minimize costs. According to the theory, people weigh the potential benefits and risks of social relationships. When the risks outweigh the rewards, people will terminate the relationship (Cherry, 2018). In social exchange theory, examples of costs are to put money, time, and effort into a relationship, etc. whereas benefits are revenue, income, fun, companionship, and social support. Social exchange theory is also called a sociological or psychological theory. However, the theory is similar to John Adam's Equity theory, where people compare their input and outcome level of their work. In his working paper, Redmond (2015, p.2) identified three situations of social exchange theory (Table 2.8).

Table 2.8

Situations of Social Exchange Theory

Situation 01: Exchange	Trade something of value (cost) for something needed/valued (reward)
Situation 02: Rewards-costs	Positive outcomes (profits) or negative outcomes (net loss)
Situation 03: Inequity	Cost > Reward or My costs > Your costs or My rewards < Your rewards

In an outsourcing relationship, the client outsources part/whole activities of the organization to cost and timesaving or get expert work. If the third party (the vendor) satisfies this need, the relationship continues over the year, and if not satisfied, the inequity situation arises, and the relationship comes to an end. The social exchange theory is called 'inter-organizational relationship theory' as in the organization, a client-supplier

relationship creates several reasons that may change over time. To measure outsourcing success, the client must explain the basis of exchanges in different organizational structures. In this way, the theory also explains the other economic theory, like the transaction cost theory, to better explain the outsourcing process's efficiencies-inefficiencies.

Based on the above discussion of five outsourcing theories, the following Table 2.9 is developed, which summarizes each model and its connection to outsourcing decision making.

Table 2.9
A Brief Comparison of Outsourcing Theories

	Resource-based	Transaction cost	Agency theory	Social exchange	Cost assessment model
Theory in brief	If the organizations have resources within to achieve competitive advantage they should not go for outsourcing for those activities and resources.	When activities are produced more cost effectively by a 3 rd party, a client company should consider outsourcing decision.	The outsourcing concept is compared with agency relationship when an agent is a service provider and the principal is the client and to complete the relationship successfully the agent must follow the demand of principal.	When the benefit is high, and the risk is low, the outsourcing or the in-sourcing decision is selected.	When both fixed and variable costs are high in producing internally, outsourcing should be considered.
Point of difference	Resources	Cost effectiveness	Relationship between parties	Cost-benefit analysis	Fixed and variable cost assessment

The cost assessment model and transaction cost model are similar to some extent. Transaction cost (TC) focuses on three elements: the degree of uncertainty, the frequency of transaction, and the specific investment and activities. On the other hand, the cost assessment model creates three situations: 'always in-source,' 'always outsource,' and 'in-source or outsource' assessing fixed and variable costs keeping the organization's activity.

2.8. Steps and Risks Associated with Outsourcing Process

Not all outsourcing decisions ensure success for organizations. Various studies suggested that half of the organizations cannot make risk analysis properly in outsourcing. Some organizations do not understand which activities should be outsourced and which should not. Risk avoidance is one of the outsourcing purposes, but some organizations outsource to transfer the third party's risk. As a result, the quality of work deteriorates, and inherent risks associated with outsourcing can flourish again more significantly Figure 2.12 shows nine typical activities in the outsourcing process, developed by Schniederjans (2005, p.14).

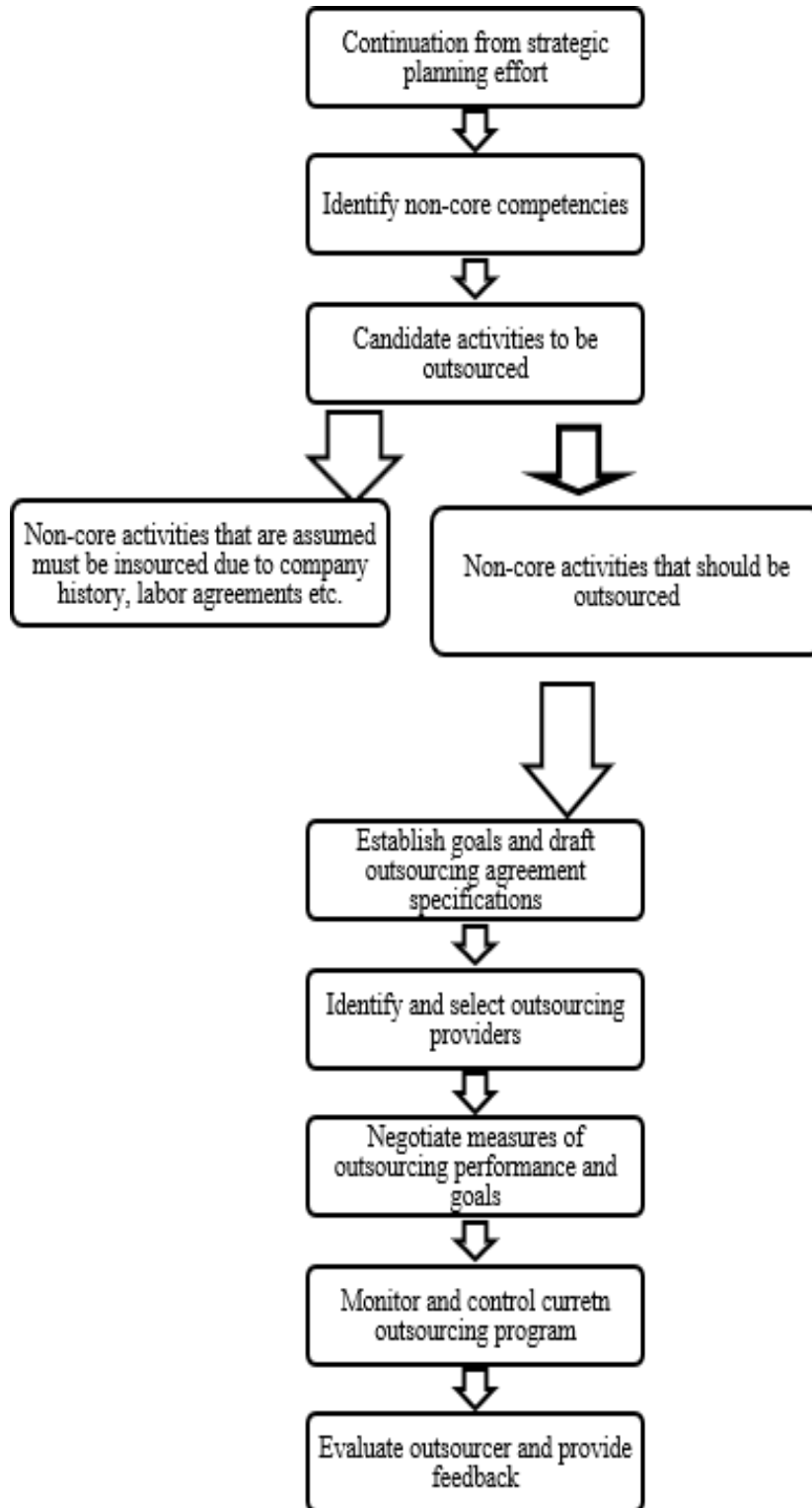


Figure 2.12: Activities of typical outsourcing process
Source: Schniederjans, Schniederjans & Schniederjans (2005, p.14).

Figure 2.12 explains that outsourcing decision is a part of organizations' strategic decision. First of all, the client organization identifies the area of non-core competencies. The non-core activities or non-core competencies connected with company history and labor arrangements are avoided for outsourcing. The organization makes outsourcing goals and specifications for the activity to be outsourced. Client organization, in this stage, select an outsourcing vendor that match with outsourcing goal. Once the vendor is selected, his work is monitored and compared with both parties' standard: vendor and client. At the last stage, feedback is generated, and the client decides whether it employs the same vendor for the future.

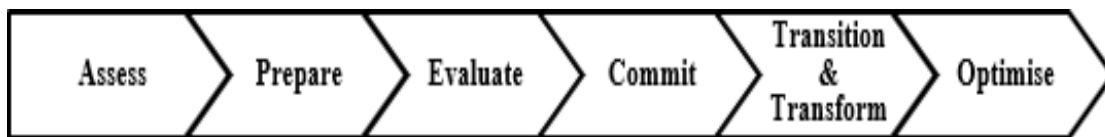


Figure 2.13: Phases of Outsourcing Undertaken in Deloitte
Deloitte (n.d).

On the other hand, The United Kingdom and senior European members of Deloitte identified the following six phases (Figure 2.13) in outsourcing's lifecycle. The first stage of the outsourcing deal is to assess the initial determination of outsourcing-whether to outsource or not. If the decision is 'yes,' the client organization must analyze the size, shape, and scope of the deal. Every pro and con of outsourcing should be identified; the triple constraint must be defined. After this stage, the organization can assess the benefits and risks of outsourcing and how to minimize and mitigate them. The preparation phase focuses on selecting the right vendor(s) through market examination and develop a request for proposal document. The outsourcing lifecycle evaluation phase focuses on a structured evaluation of the vendor's proposals, followed by negotiations and a short-list of vendors. The commitment stage deals with the signing of an outsourcing deal by the parties. During this phase, the clients try to achieve maximum advantages from the deal, and the vendors try to ensure a long-term benefit through this small piece of activities for both parties. The transition and transformation stage is the implementation of the agreement. Optimization manages the new contact through evaluation of activities, vendor relationship, monitoring

contractual obligations, and tracing the vendor charges against the original business case. Through this stage, the vendor ensures whether to renew the contract, renegotiate, or exit.

The following Table 2.10 is developed based on risks associated with each phase of outsourcing activities.

Table 2.10
Risks Associated with The Parts of Outsourcing

Phases	Activities	Examples of possible risks
Assess	Identify non-core competencies	Incorrectly identify non-core competency or failure to differentiate core and non-core competencies
	Identify the activity to be outsourced	Incorrectly identify the activity to be outsourced
	Identify non-core activities assumed that must be in-sourced	Incorrect assumption since historic needs change
	Identify non-core activities assumed that should be outsourced	Incorrect assumption unless an outsource provider can be found who will complete the job more efficiently
Prepare	Establish goals and drafts outsourcing agreement specifications	Setting too high goals to establish
		Language in an agreement may not be clear enough for understanding and compliance by the outsourcing provider
		A poorly written contract or agreement where specifications are not transparent
	Identify the outsource provider that may satisfy needs	Can incorrectly identify those who should be excluded as candidates
Evaluate	Negotiate measures of outsourcing performance and goals	Misinterpretation of measures and goals, how they are measured, and what they mean
		Cost of negotiations might be greater than the cost advantages of outsourcing
		Unable to align outsourcing efforts with organizational goals
Commit	Select outsource provider	Select wrong outsource provider
	Consider a future change to meet future requirements in the new market conditions	Inflexibility regarding the change
Transition & transform	Planning and implementing a retained organization re-design so that the key staff are retained, and they know their future role in the organization	Technical problems delay handoff of activities
		Outsource provider experiences startup problems

		Employees of the client firm resent and resist the transfer of their work
	Practical, open communications and change management to ensure that the organization understands the plan and the impact	Management of client firm does not willingly participate in the handoff of activities to outsource provider
		Employees reacting negatively
Optimize	Monitor and control the current outsourcing program	Inability to timely monitor or control operations
		Inability to control finished product quality
	Evaluate the outsource provider and provide feedback	Inability to evaluate outsource provider accurately
		Inability to provide timely information to outsource provider
		A non-responsive outsource provider (i.e. one that ignores feedback)

Schniederjans, Schniederjans & Schniederjans (2005, p.06).

2.9. Secret of Outsourcing Success

Kim & Chung (2003) posit that there are two indicators for outsourcing success: satisfaction and perceived benefits. Outsourcing success depends upon two factors: satisfaction level achieved by the clients utilizing the service and perceived benefits that the Satisfaction involves evaluating all aspects of the perceived effectiveness of the inter-organizational relationship. In contrast, perceived benefits are the client's firm's perception of benefits gained from a specific outsourcing relationship. The researchers at Portsmouth University had identified eighteen success factors (18Cs) of outsourcing based on a series of interviews with the pharmaceuticals giant Eli Lilly, UK division ('Eighteen (18) secrets of', 2013). The study identified the overall factors from buyer-side attributes, supplier-side attributes, and the qualities of the relationship between the two. The Table 2.11 summarizes the attributes:

Table 2.11

Success Factors (18Cs) of Outsourcing

Buyer-side attributes	Presence of commitment of top management from developing to implementing outsourcing program through its evaluation
	Clear aims and objectives from both sides regarding the outsourcing service to meet the best result
	Confidence in the supplier and considering them as a partner who can provide service at low cost than that of doing internally
	Comparative treatment ensures ‘no discrimination’ for the outsourced staff to make the program successful
	Proper control of the contract and a disciplined implementation is also the secret of success
Supplier-side attributes	A quality vendor can attract qualified staff through ensuring career opportunities
	Consistency between demand and supply of outsourced employees or other resources is one of the secrets of success
	Clearly defined roles are the key to success whereas unclear roles are the most frequent cause for the collapse of outsourcing relationships
	It is the positive attribute of a supplier to be flexible enough to ensure continuous improvement in service quality
	Continuity and succession planning from the side of a supplier is also obvious in the success of outsourcing
	The delivered service must be as per need of the client; any service avoiding customer focus may spoil the entire effort
	Besides the knowledge of their working area, the supplier must have the knowledge of clients’ expectation and perception regarding their performance
	The supplier must be competent enough in doing work
Relationship factors	Enough communication between parties regarding the objectives and operational activities are the critical success factor of outsourcing
	The contract must not be too big, or too small, it must be commercially significant
	It is not only the connection between the buyer and seller of the parties but also a connection between the leaders of both parties
	The contract should be flexible enough to adjust the need of clients
	The cultural fit between the parties also brings success to outsourcing

Kim & Chung (2003).

2.10. Human Resource Outsourcing and Types

Society of Human Resource Management (SHRM), America defined HR outsourcing in the following way:

"A contractual agreement between an employer and an external third-party provider whereby the employer transfers responsibility and management of certain HR, benefit, or training-related functions or services to the external provider" (Outsourcing the HR function, 2015).

Considering HRO as an evolving industry, Corporate Research Forum (CRF) defined HRO in the following way:

"The purchasing by an organization of on-going HR services from a third-party provider that it would otherwise normally provide for itself."

From the above definitions, it can be said that Human Resource Outsourcing (HRO) is a contractual agreement between a service taker and a service provider where the client organization (service taker) hire a third party (service provider) to complete specific HR functions in terms of a fee to achieve competitive advantage in the industry.

Being a strategic tool, Human Resource Outsourcing accompanies different strategies and performance models through capability development, whether it is organizational or regarding HR, increasing scale of ROI through HR in the organization, and to access improved technology through shared services and outsourcing.

Though once HRO was considered the least taking outsourcing services, it is getting more importance in the area of HRM. In the last of the nineteenth century, HRM achieved the place of '2nd most likely corporate business function to be outsourced' by the American Management Association (Smith et al., 2006). No doubt, nowadays, Human Resource Outsourcing is moving forward rapidly. New developments appear in this field; new vendors are coming up and offering new products and services.

Table 2.12

Human Resource Outsourcing (HRO) Categories

Business process outsourcing (BPOs)	Transferring an entire business function (e.g. payroll), a production process (e.g. ready to install windshield manufacture) or a portion of a related processes (e.g. mailing paychecks, windshield glass delivery)
Professional employers outsourcing (PEOs)	Without being legal partner when outsourcing vendor take certain responsibilities of work of a client organization.
Application service providers (ASPs)	Vendor rents specific applications or a software to a client company on a-fee-for-service basis for human resource outsourcing services and the vendor maintains the system at its own web location.
E-services	Using information and communication technologies (ICTs), like online tax service, E-government portal etc.

Sharif (2012), p.34

Adler (2003) classified HRO services and HRO firms in a wide range of areas (Table 2.13). The HR outsourcing industry has three main segments: (a) HR consultants, (b) HR administrative service providers and (c) HR technology enablers. On the other hand, HRO firms may be specialists or generalists.

Table 2.13

Types of Human Resource Outsourcing

Human Resource Outsourcing		
HR industry	HR consultants	Provide consultancy services for compensation, employee benefits and workplace diversity
	HR administrative service providers	Handle large-scale HR business activities such as payrolls and benefits processing and other areas
	HR technology enablers	HR technology enablers work on information system implementation, maintenance, data management, network activities and continuous information system monitoring services that might traditionally been performed by IT consultants
HR firms	Specialists	Human resource outsourcing firms work only on one type of industry, like the travel industry or education industry
	Generalists	Provide services based on single segment, whereas others provide services irrespective of the segments

Adler (2003)

2.11. Benefits of Human Resource Outsourcing (HRO)

The cost of running a business is increasing rapidly. Organizations try to maintain HR expenses at a lower level without disturbing their quality. For this reason, many of them are giving their HR responsibilities to the third party. Cost reduction, time and money savings, specialized services, avoiding lots of paperwork are some important motives for Human Resource Outsourcing (HRO) (Hesketh, 2006). Outsourcing saves cash to allow investments in core activities and improves organizational focus. Again outsourcing saves management time and reduces staff costs as well as giving more organizational flexibility. Another important thing about Human Resource Outsourcing is that it allows the company to focus on its core businesses. A list developed by Reilly (2014) is given in Table 2.14.

Table 2.14

Differentiating Features of Core and Peripheral Activities

Core activity	Periphery activity
Skills specific to the firm	General skills requirement
Limited labor supply	Minimal supply restrictions
Hard to define tasks	Well defined or limited tasks
Activities which are well integrated	Jobs easily separated from other tasks
Easy to fund work	Resource intensive (especially in financial terms)
Stable work demands	Fluctuating work demands
Mature technologies	Those subject to rapid technological change

Reilly (2014)

A survey by Goldsmith (2003) found that there are five main reasons for outsourcing whether it is HR or other fields are the cost savings, gaining outside expertise, improving service, focusing core competencies, and gaining outside technology. But his study avoided risk saving and image building nature of outsourcing as the components of outsourcing advantages. A survey conducted by Society of Human Resource Management (SHRM) on 500 USA based companies revealed that cost minimization is the main reason for taking HR outsourcing services and the second one is to control legal risk and legal compliance (Esen, 2004). National Association of Professional Employment Organizations (NAPEO) and SHRM found that 89% of PEO customers reported that PEOs significantly reduced the time that it took to perform HR transactions (Financial opportunities of Human Resources Outsourcing, 2019). On the other hand, the survey also explored that worsening of the quality of work and loss of control are the fears that hinder to take HRO services from a third party (Esen, 2004). Impact of HRO on HR profession is another negative side for which many organizations are not willing to take outsourcing services. There is a myth that public sector service is incompetent and old fashioned, whereas private sector service is contemporary.

From the above literature, a good number of Human Resource Outsourcing (HRO) advantages and disadvantages are drawn. Table 2.15 shows both advantages and disadvantages of HRO. Cost minimization, time saving, specialized and improved service and technology, avoidance of paperwork, risk avoidance, focus on core functions, and a positive image associated with outsourcing provider are some of the advantages of Human Resource Outsourcing. On the other hand, increased hidden cost, loss of control, negative impact on employees and customers, difficulties in managing relationships, breach of confidentiality, negative impact on company culture and choosing a wrong vendor are some of the weaknesses of Human Resource Outsourcing derived from previous literature.

Table 2.15

Summary of Literature Reviews About Outsourcing Advantages and Disadvantages

HRO advantages	References	HRO disadvantages	References
Cost minimization	Noe, et al, 2006; Goldsmith, 2003; Esen,2004; Fan, 2000; Jennings, 2002; Roberts, 2001; Brown, 2010; Masinga & Kiarie, 2014; Tayauova, 2012; Andone & Pavaloaia, 2010	Increased hidden cost	Kakabadse & Kakabadse, 2000b
Time saving	Esen, 2004	Loss of control	Esen,2004
Specialized and improved service and technology	Goldsmith, 2003; Lee et al.2002; Thibodeau, 2003; Esen,2004. Jennings, 2002; Brown,2010; Susomrith & Brown, 2013	Negative impact on outsourced employees	Esen, 2004; Story, 2000
Risk avoidance	Lee et al. 2003; Esen, 2004; Thibodeau, 2003	Negative impact on in-house employees	Esen, 2004
Focus on core	Hesketh, 2006; Seth and Sethi, 2011; Reilly and Tampkin, 1996; Goldsmith, 2003. Lee et al.2003; Thibodeau,2003; Esen,2004; Tayauova, 2012. Roberts, 2001; McIvor, 2008; Lee & Kim, 2010; Susomrith & Brown, 2013	Negative impact on customers due to poor quality of work	Smith, et al. 2006; Esen,2004; Roberts, 2001;

Positive image in association with an outstanding provider	Lee et al. 2003; Thibodeau, 2003	Difficulties in managing relationships	Norman, 2009
		Negative impact on company culture	Esen, 2004
		Lack of qualified vendors	Esen, 2004

Human resource outsourcing practice not only saves time and money of the organization, but also restricts human resource job opportunities in future. Esen (2004) found three types of impact of human resource outsourcing on future job markets, like, increased human resource job opportunities, no impact on human resource job opportunities, and decreased human resource job opportunities (Figure 2.14).

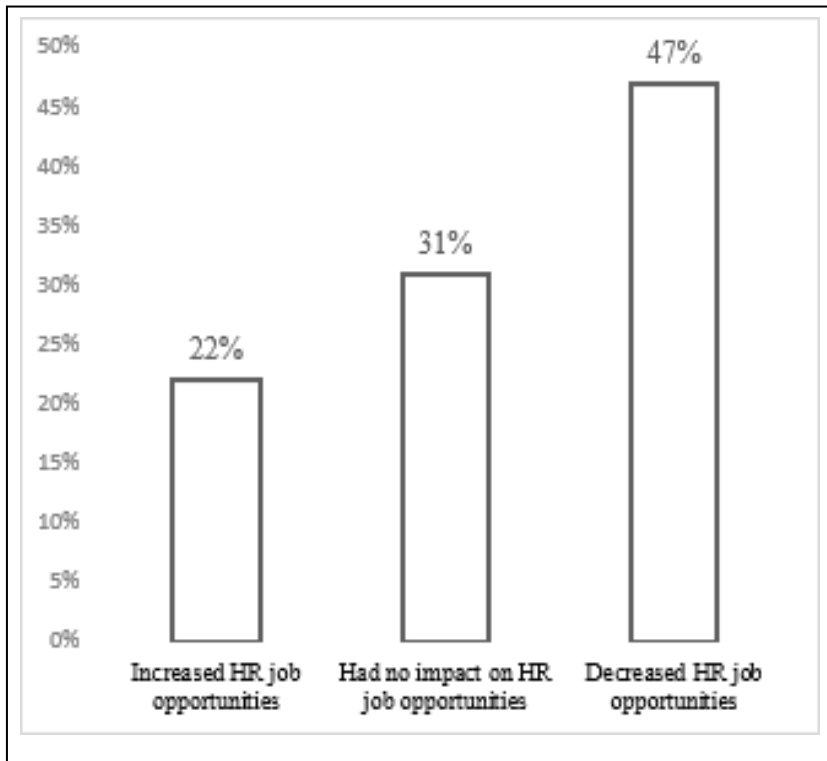


Figure 2.14: Impact of Human Resource Outsourcing on HR Professional's Job Opportunities
Esen (2004)

So, from the above discussion, it is said that basically six drives motivate new organizations towards human resource outsourcing practices. These are organizational drive, improvement drive, financial drive, revenue drive, cost drive, and employee drive. These drives with their ways of motivation are presented in Figure 2.15.

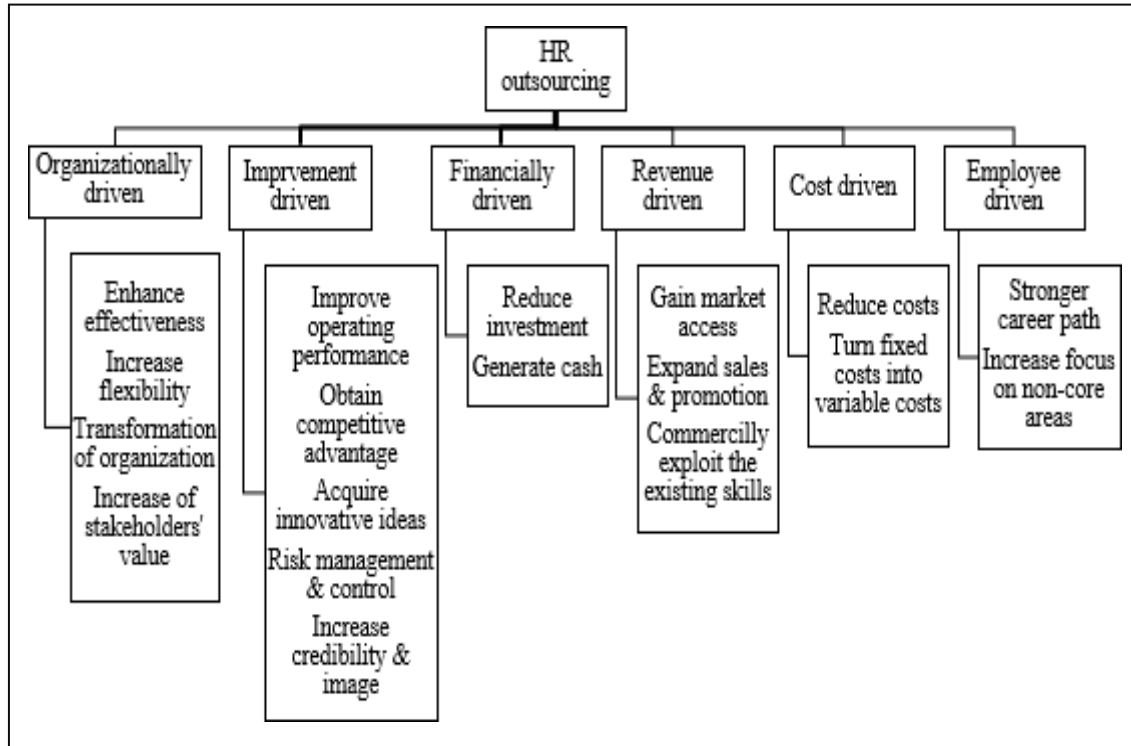


Figure 2.15: Motives of Human Resource Outsourcing

2.12. Challenges Associated with Human Resource Outsourcing (HRO)

Loss of control, influence on organization culture, loss of employments, absence of qualified sellers, negative cultural impact and so forth are some of the negative effects of HRO as indicated by the study. Scott-Jackson, Newham, and Gurney (2005) discussed about three sources of challenges that may bring about fruitless HRO choice: challenges

from vendors, challenges from employees and challenges from management and culture (Table.2.16).

Table 2.16

Challenges of Human Resource Outsourcing

Challenges of HRO	
Challenges from vendor	Lack of prior outsourcing experience Might not be able to locate right vendors Inability to understand what to look for in vendors Existing vendors might not be qualified
Challenges from employees	Resistance from employees in general Fear about job loss in HR Resistance within HR Customer service of employees might be affected
Challenges from management and culture	Fears about loss of control Resistant within senior management Fears that outsourcing might impact company culture

Source: Scott-Jackson et al. (2005).

Recruitment, selection, training, and compensation- all HR areas face some challenges when HR outsourcing is undertaken. The literature on recruitment and selection challenges is available because of its frequency of use; rather than training and compensation outsourcing. However, they are discussed below:

2.12.1. Quality of Work

As organizations employ the third party for their inner work, the work might usually be replicated; the organization system would understand which hampers quality over the long run. A study by Fisher, Wasserman, Wolf & Wears (2008) identified five characteristics of HRO and showed the impact of those characteristics on personnel and organizational

performance. These five characteristics are: physical location, temporal nature exclusivity, voluntariness, and strategic value of the work; based on these characteristics, organizations face challenges in designing work, employee transitions, managing performance and turnover, and legal obligations. The study concluded with the proposition that the more socialized the outsourced employees are, the better the performance would be. When the quality of service increases, it reduces mistakes and reworks, and input can be used effectively to expand profitability. Clients also become happy by taking such quality services. Yeboah (2013) added that more outsourcing is increased, the more competitive advantage of the organization will be decreased value. But in the study (Yeboah, 2013), he failed to show a strong correlation between outsourcing and organizational productivity.

The inability to choose the right vendor also directly results in poor service quality. In an outsourcing decision, as service is produced outside the organization or by outsiders (3rd party), the right vendor selection is the precondition for Human Resource Outsourcing success. Findings from the study by Smith et al. (2006) on HRO practice on Russian and U.S. firms proposed that 17% of organizations found difficulties in finding vendors, 24% of firms believe that there is a lack of qualified vendors, and 49% of respondents agreed that vendors have lack of outsourcing experience in general. Selecting a vendor or outsourcing partner is very important as it helps to control costs and increase value while ensuring quality and mitigating risks. The vendor's performance is important to ensure continued success. Khanduja (2010) identified five key features to find out a successful vendor: the market reputation of the vendor in a similar field, customer turnover during the last five years, certificates of the vendor, employee turnover, and consistency of financial growth. Ee, Ramayah & Abdul-Halim (2013) found that trust between both parties, business understanding of each party in terms of operational dealings, behavioral goals, business procedures, policies, and communication efficiency positively impacts Human Resource Outsourcing success. These are also the common consideration of vendor selection.

Scholarly written works are not all that much existing on the dark side of training outsourcing. Non-academic sources revealed that training by a 3rd party is generally

expensive. Poor vendor selection with average expenditure may result in poor service quality. Again, too much focus on training except practicing it hamper productivity.

2.12.2. Loss of Control

Loss of control is one of the reasons for the poor quality of service. Loss of control in outsourcing exercises does not just happen as the representatives remain outside the customer association; additionally, the communication gap, their working nature, and clients' organizations' culture are some of the reasons. When organizations hire a third party to avoid day-to-day responsibilities, loss of control becomes a common phenomenon. In the third party's case of training, the client company has no control over it. As third parties retain their training materials' copyright, the client organizations cannot modify or use for their own need.

2.12.3. Sudden Cost Fluctuation

Though a third party said from the starting of contact that the decision would save money, Human Resource Outsourcing decision may incur a hidden cost, like, cost of using outdated technology, cost of management and coordination of contractors, unplanned logistic activities, cost of poor or substandard quality, cost of cash flow and unforeseen risks, etc. (Burton, 2013). So, Human Resource Outsourcing may increase costs rather than cost-saving after starting work. Specialists recommend that compensation and benefits outsourcing be kept in-house as they require unexpected changes or modifications for the business condition's changing idea. If a third party holds the work, it may increase both time and cost. Some vendors develop so-called 'customized benefits packages,' including less important options, which may increase the costs of the client (Foxall, 2016).

2.12.4. Changed Company Culture

Like the quality of service, the practice of company culture is greatly influenced by a good selection of outsourcing vendors. Maintaining a good relationship between the two parties: service takers and providers to tap the providers' best services. He added that though this relation is easy to start, harder to terminate. Before developing such an agreement, the client needs to consider environmental factors. Even though an ideal outsourcing process is considered as well planned and clear goal-oriented, but in reality, this is not found; rather, outsourcing agreement and its decision is highly challenging. Murrell (2015) showed HRO's impact on company culture by demonstrating three interviews in his study. In the first interview, Murrell showed that the employees became frustrated as outsourcing results in many changes in salary and benefits. In the second interview, a negative wave of cultural change was minor as the client organization maintained adequate communication with outsourced employees and outsourcing firms. But in the third interview, the total HR was outsourced. The impact of the change was terrible as the general employees of the organization dealt with the outsourced HR. So, it can be said that the sooner the relationship between the parties becomes well developed, the good result will be closer.

Poor working morale is another negative outcome of outsourcing for in-house employees. Continuous dependence on the third party may reduce the implicit or tacit knowledge of in-house employees. Again, as the third party does not have the experience, their decision non-considering the environment may impact company culture (Woodwall, Scott-Jackson, Newham & Gurney, 2009).

Confidentiality is another issue bothered by the corrupt service provider if it is a question of compensation and benefits outsourcing service. A poor-quality vendor tends to leak the strategies of the competitors for its interest.

2.12.5. Negative Impact on Economic Growth

The negative results of human resource outsourcing depend upon the reasons for which outsourcing is undertaken. If outsourcing is undertaken for cost minimization, it must minimize costs sacrificing the quality of service. Again, if human resource outsourcing is undertaken for company improvement, it may increase cost without impeding quality. Maximum international outsourcing or offshore outsourcing is undertaken for cost reduction that can endanger the domestic economy by destroying domestic employment opportunities and creating offshore employment, as well (Mohlmann & Groot, n.d). It is said that such unemployment, due to outsourcing, occurs more with low-skill employees than with the high-skilled (Bandyopadhyay, Marjit& Yang, 2010). The reasons are natural; organizations need not pay employees who are not adaptive to the changing situation. Though academic research is not adequate on domestic outsourcing and its impact on employment, Fredman (n.d) described the issue in the following way:

".....domestic outsourcing that results in lower wages and benefits may or may not result in price savings to that company's customers, but it always hurts domestic consumption, because the replacement workers earn less, and the replaced workers find themselves out-priced in their field. Thus, as a whole, this kind of outsourcing has a depressing effect on economic growth, which contributes to unemployment in the aggregate. Only jobs that get outsourced to higher-quality workers have an unambiguously positive economic effect."

2.12.6. Employee Poaching

It is hiring employees from the competitor's organization by alluring them by higher salary and benefit or professional growth. It is polished for the most part in those businesses where talented representatives are required, as in the IT sector. In the past, the process of employee poaching was comparatively hard; the organizations had no direct connection or network with the person who would be hired. But nowadays, the process has become easier with the help of LinkedIn or other professional sites. In some cases,

organizations hire a third party or executive firm to avoid legal issues, vengeance, and negative image regarding the poaching. However, whether employee poaching is ethical or unethical is a controversial issue. Some contend that poaching is eligible for a new organization as it needs talented, set up, and experienced representatives for their sustenance. Again, some others said that poaching is not acceptable by an organization; instead, it is acceptable by an employee.

The absence of certainty on an outsider for secrecy issues, absence of outsourcing experience, the reluctance of senior administration towards outsourcing choice, in-house worker protection from outsourcing are a portion of the impediments in settling on an HR outsourcing choice.

2.13. Determinants of Human Resource Outsourcing(HRO)

Outsourcing strategies affect and are also affected by the other aspects of business and firms' environment. Nowadays, to sustain in the competitive business world, organizations focus more on core competencies. To ensure quality, they adopt various strategies; outsourcing is one of them. Though motives of HRO are the same, the decision of outsourcing irrespective of level and activities; even does not give a similar result in all organization environment, culture, and strategy. Outsourcing decisions and its success depend on the following issues, shown in the outsourcing decision tree (Figure 2.16). Besides, countries' outsourcing preparedness depends upon (a) cost, (b) control, (c) experience/stage of outsourcing development, and (d) human resource management strategic issues.

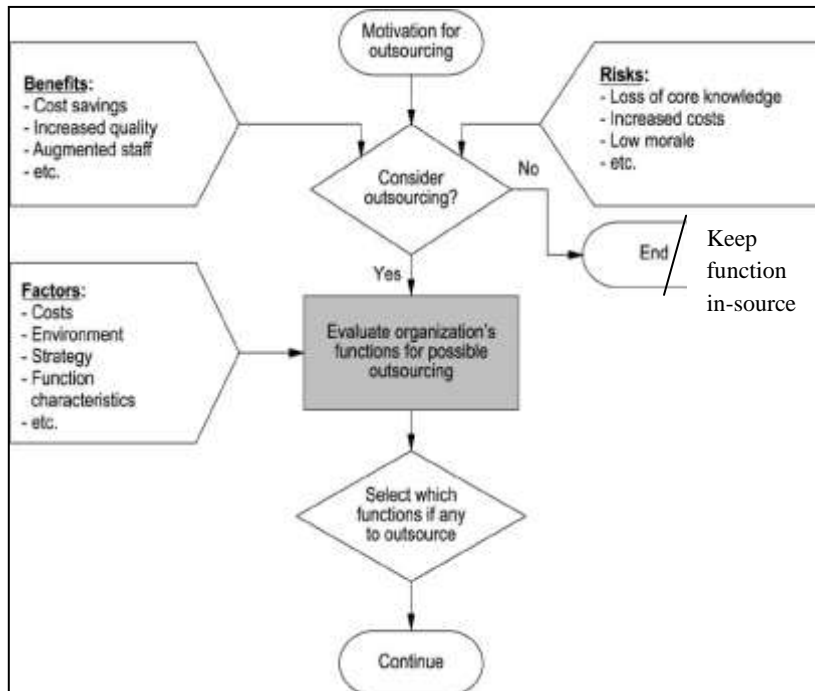


Figure 2.16: Outsourcing Decision Tree
 Source: Kremic, Tukul & Rom 2006

2.13.1. Organization Size

Organization size is an important criterion in making HRO decision. Organizations can be classified as small, medium, and large by the number of employees or capital size. In the paper, the size of the organization is explained by employment size. A study by Leung, Rispoli & Gibson (2011) on the Canadian economy defined that a small organization consists of 1 to 99 employees; a medium-sized business consists of 100 to 499 employees, and a large business has 500 employees or more. In Bangladesh, small, medium, and large organizations may differ based on manufacturing and non-manufacturing operations (Table. 2.17).

Table 2.17

Organization Size According to Number of Employees

	Number of employees	
	Manufacturing	Non-manufacturing (service industry/business)
Micro industry/enterprise	10-24 or less	10 or less
Small	25-99	10-25
Medium	100-250	50-100
Large/MNCs	250 and above	

Source: Bangladesh Bank (2018)

In Bangladesh, multinational organizations are considered as large organizations where the employment size starts from 250. A firm's size is a strong determinant for outsourcing decisions directly or indirectly (Abdul-Halim & Che-Ha, 2011c). Small firms having small capital are not very much interested in developing specialized HR tasks. But large firms having huge capital want to make them different and make an investment in outsourcing specialized HR activities (Siew-Chen, Voon-Seow, 2016). A study by CIPD showed a different result that smaller firms outsource considerably more than large organizations, and 64% of organizations having 250-500 employees outsource their HR activities to a great extent (CIPD, 2009). Again, some small firms, due to not having HR experts in-house, but interested in developing themselves, or new ideas and innovation may take HR outsourcing decision though the benefit may not be up to the mark (Sheehan & Cooper, 2011; Bartram, 2005). By involving outsourcing practice, a large organization can easily reduce its operation cost by reaching economies of scale that may not be possible by a small organization. Small organizations with much flexibility and control over their work do not feel the need to outsource (Abdul-Halim & Che-Ha, 2011a). Even their outsourcing decision to achieve economies of scale, access to new know-how, technology, and other issues that a large organization can enjoy may increase cost drastically in small organizations (Abdul-Halim & Che-Ha, 2011a). So, it is clear that large organizations come forward to experience new issues, like human resource

outsourcing, then the smaller ones. Again, small firms go for outsourcing as they have limited funds to work by them; especially, when the nature of work is non-core. Galanaki & Papalexandris (2007) found that firm size did not influence the degree of Human Resource Outsourcing (HRO).

2.13.2. Organizational Maturity

The difference in Human Resource Outsourcing decisions is also found in a mature and new-established organization (Delmotte & Sels, 2008 and Arbaugh, 2003). New organizations having a lack of competitive advantages and experience cannot identify core and non-core activities. In an organization's learning period, it cannot understand which should be kept in-house and which one to submit to the third party. So, it becomes too difficult to make an outsourcing decision. On the other hand, the client must have a minimum level of maturity to absorb the outsourcing services. Another reason is a lack of capital to invest in outsourcing may lead them against outsourcing decisions. Outsourcing decisions in this early stage may sometimes be destructive for them (Arbaugh, 2003). On the other hand, a vendor's maturity plays an important role in effective outsourcing performance. The more mature the vendor is in providing services, the more quality service they can provide. Because past experiences play a significant role in making successful human resource outsourcing decision than the need for specialization, quality, and cost (Al-khachroum & Kennawi, 2010). But Abdul-Halim & Che-Ha (2011c) argued that the impact of maturity level of organization on human resource outsourcing needs more research to make a good conclusion on it.

2.13.3. Management Style (public & private)

Nature and structure of an organization and expected benefit from outsourcing help an organization to make outsourcing decisions. To illustrate, Kremic et al. (2006) incorporated some examples of public and private organizations with different

outsourcing motives. The nature of goals, recruitment policy, procurement process, and nature of accountability is the heart of different outsourcing motives for both firms. The public sector is focused on serving the general public and looking after their interests. The private sector's fundamental concern is creating markets to enable earning profits and answer stakeholders and customers; so, their goals are fundamentally different. In employee recruitment, policy differences are also found. Private sector hiring decisions are made quickly based on the business cycle, while a bureaucratic red tape and extensive documentation make public organizations' decision lengthier. Such a bureaucratic nightmare is applicable in other procurement processes of the public sector too. As the funds come from government, tax revenue, or other governing bodies, procurement decisions also depend upon their 'yes' card, making the decision slow. Private companies are free from such a lengthy process. Public organizations face unique accountability. Government organizations are subject to a specific kind of scrutiny. As taxpayers or the general public funds them, they are accountable to the public for the effectiveness and efficiency of money expenditure and fairness and equity. But leaders of private corporations are not accustomed to this level of scrutiny because they are accountable primarily to their board of directors and shareholders. Sometimes, a public organization cannot make its own decision, and they are influenced by political bodies, legislative mandates, and outside forces. Simultaneously, private sector managers often benefit from analytical thinking, business savvy, and creative marketing techniques. Gaspareniene, Remeikiene & Startiene (2014) also reported that the structural differences are the main reasons for outsourcing decisions in private and public organizations by taking the case of a private (InsuranceCo) and a public organization (PoliceCo) in their study.

2.13.4. Multinationalism of Business (local & MNC) and Human Resource Outsourcing Decision

Before going through MNCs and outsourcing decisions, a deep look is needed towards MNCs' flow of components and resources. Kotabi, Mol & Murray (2007) opined that to serve both in the local and foreign market, MNCs manage their resources from two

sources: (a) from their parents or their foreign subsidiaries on an 'intra-firm' basis or insourcing, and (b) from independent suppliers on a 'contractual' basis or outsourcing. This outsourcing part can be undertaken through 'domestically or offshoring' and 'internationally or offshoring' basis.

MNCs, take help more often from a third party than a local organization for various reasons (Galanaki & Papalexandris, 2007; Abdul-Halim & Che-Ha, 2011a). First, MNCs have a poor understanding of the local country culture, their HR practices and policies, wage rate, benefit pattern, legal and compliance issues, etc. a third party can provide HR service in a hassle-free manner. Second, human resource management, like other production processes, cannot be standardized across culture. To reach an idiosyncratic HR practice, a third party helps an MNC a lot. Third, the study (Abdul-Halim & Che-Ha, 2011a) also revealed that recruitment is the most frequent HR outsourcing practices for the MNCs. As the corporate culture avoids personal preference during recruitment, they take help from a 3rd party, and the third party plays a role as a 'reference' of the local country for MNCs. Fourth, Galanaki & Papalexandris (2007) found that MNCs are more sophisticated, updated, and know well their HRM needs. For quality assurance in the operational process, some MNCs keep experienced HR personnel and ok for their greater openness to hiring a third party. Fifth, MNCs are most often restructured oriented business. To make them restructure more successful and risk-free, they take assistance from expert HR consultants (Galanaki & Papalexandris, 2007). Sixth, outsourcing helps reduce fixed investment in in-house manufacturing facilities, and lower the breakeven point and boost its ROE, return on investment (Kotabi et al., 2007).

Jirawuttinunt (2015) discussed the impact of human resource outsourcing in multinational organizations in Thailand. He found that human resource outsourcing decision can reduce operational costs, increase human resource development and its flexibility. On the other hand, organizational culture developed by the nationalities of the countries affect human resource outsourcing decision and its success. A comparative analysis was undertaken under the context of Russian and American companies' outsourcing practices in terms of its reasons, obstacles, and problems (Smith, Vozikis & Varaksina, 2006).

2.13.5. Business and HR strategy and Human Resource Outsourcing Decision

The strategy is a long-term action plan related to organizational goal setting to resource allocation to achieve an organizational goal (Long, Ajagbe, Nor & Suleiman, 2012). The strategy has become an indispensable part of the organization to sustain today's turbulent business world as it can proactively manage the unforeseen events towards the goal. To attain a 'sustainable competitive advantage,' Michael Porter in 1980 identified three strategic choices: focus strategy, cost leadership strategy, and differentiation strategy. By making easy access to raw materials, components, labor, or other input and producing many standard products, 'economies of scale' is achieved through cost leadership strategy. Differentiation strategy follows the policy of 'make your product different or unique from others.' In focus or niche strategy, the firm concentrates on a few target markets to achieve cost advantage and differentiation.

On the other hand, addressing the company's entrepreneurial, operational, and administrative problem, Miles & Snow developed four general types of strategies: prospector, defender, analyzer, and reactor. Defender strategy secures its operation rather than expanding by offering a good quality product at a low price. In prospector strategy, organizations look for innovative and creative ideas. Analyzer strategy is the combination of both prospector and defender; in the strategy, organizations work for new ideas and flexibility, take a risk and at the same time try to capture the existing business environment through efficient current product lines. Reactor strategies generally do not follow any specific strategy and are developed based on the organization's environmental demand. From the above classifications, four business strategies were developed: quality-based, proactive, breadth, and reactive strategy (Abdul-Halim, Che-Ha & Geare, 2009). A quality-based strategy is nothing but urges for developing the best quality products and services. In a proactive strategy, organizations focus on research and development to develop new ideas and enjoy the first-mover advantage. Breadth strategy is the focus strategy that develops various product lines to attract segmented target customers.

Organizations with reactive strategy come after the competitors and try to serve products at a low price.

Strategies within HR functions or the HR department to collect, develop, and retain employees are inevitable for every organization, whether it is local or foreign, public or private, government or non-government organizations as people or their human capital are not easily replicable by competitors. Generally, HR is classified with basic types of strategy: overarching HR strategies and specific strategies relating to the different aspects of HRM (Armstrong & Baron, 2002, p.501). In the overarching HR strategy, the organization intends to attract and retain people for the organization's overall success. On the other hand, in specific strategies, organizations undertake specific strategies for each HR function.

The link between Porter's business strategy and HRM is classified into three groups: accumulation, facilitation, and utilization strategy (Itika, 2011). On the other hand, Miles and Snow connected HR strategy with business strategy under the umbrella of defender, prospector, and analyzer. Table 2.18 shows a brief association of HR strategies developed from Porter's business strategy, and Miles & Snow's business typology.

Table 2.18

Linking Business Strategy with HR Strategy

Business strategy by Porter	HR strategy derived from Porter's strategy	Business strategy by Miles & Snow	HR strategy derived from Miles & Snow typology
Cost leadership repetitive and predictable behavior, short-term quantity focus and result oriented	Utilization HR strategy short-term performance, explicit job descriptions, hierarchical pay and few incentives, narrow career path with, limited employment security, limited participation and training	Defenders Resist change and favor strategies which encourage continuity and security	Bureaucratic approach, maintains policies and lean HR, emphasis on training programs and internal promotion
Differentiation Long term oriented, focus on creativity and moderate concern for quality and quantity	Facilitation HR strategy Broad career path, Extensive training, Equal & fair pay and incentives, many incentives, employment security and employee's participation	Prospectors Thrive on change and favor strategies for development	Creative and flexible management style, Little opportunity for long-term HR planning, emphasize recruitment, selection & performance-based compensation
Focus High concern for quality and moderate concern for quantity	Accumulation HR strategy Equal & fair pay with many incentives, low job security, broad career path with extensive training	Analyzers Seek to match new ventures with the present business set-up	Low level monitoring & coordination, buy as well as make key human resources, emphasize HR planning

Source: Khatri (2000)

From various literature, HRO decisions, and HR strategy derived from Porter's strategy, like utilization, facilitation, and accumulation, are evident. An organization with a facilitation HRM strategy encourages to work in a dynamic work environment and focuses

on the innovation of new products. Keeping HR activities within in-house will require significant investment both in physical and human capital. Shifting of monitoring and implementing these activities to a third party will minimize the client's risk and maximize expertise at the same time (Abdul-Halim & Che-Ha, 2011a). Facilitation and utilization strategy of human resource management stimulates human resource outsourcing decision (Abdul-Halim & Che-Ha, 2011b). Organizations with accumulation strategy work traditionally. The policy and practice of the strategy attract prospective candidates from the labor market, and through continuous nurture and grooming, make them eligible for future succession. The strategy facilitates lifetime employment and seniority. Focus more on in-house skills rather than outsourcing is the important criterion of the strategy (Abdul-Halim & Che-Ha, 2011a). Accumulation strategy seeks to reduce HR costs through minimizing training and other development expenditures. To be more cost and time effective and to minimize risk, organizations heavily rely on part-timers or other contingent workforces. They sometimes use subcontractors or the third party in their operations (Abdul-Halim & Che-Ha, 2011a).

2.14. Human Resource Outsourcing (HRO) in Bangladesh

Compared to western countries (such as Europe, Canada, and North America), Asian countries are lagging in HR outsourcing; instead, Human Resource Outsourcing (HRO) impact on those countries is not meager. Very high. Academic and non-academic research on this issue is also inadequate in this field. Some of the studies are found in Human Resource Outsourcing (HRO) in Malaysia, Nigeria, Bangladesh, and China. Such unavailability of study is the Asian market has just started its journey on it and lack of awareness on it. But it is also found that HR executives of some Asian countries feel that Human Resource Outsourcing is a key solution for future HR challenges.

The history of outsourcing in the country is not new at all. In Bangladesh, outsourcing is practiced from the very past differently, in a different form. Mahmud, Billah & Chowdhury (2012) outlined the outsourcing of farmers during harvesting crops, outsourcing of carpenters, masons, etc. at the domestic level as examples of outsourcing

in Bangladesh. They (Mahmud et al., 2012) also added that the govt outsources different construction sectors. for a long.

According to Goldsmith (2003), the most commonly outsourced functional area is an information technology (IT), and the least commonly outsourced is human resources (HR). In Bangladesh, outsourcing came as 'global outsourcing' or 'offshore outsourcing' in the IT sector where the client stays outside the country's territory. Such type of outsourcing is familiar as freelancing or e-lancing in Bangladesh. Several types of IT-enabled outsourcing services are exported from Bangladesh, like core software development, graphic design, web design, website development, desktop publishing, photo manipulation, core animation, and much more. By utilizing competitive costing, geographical benefits, real-time service, on-time quality, high standard quality, skilled IT professionals, government and language support, efficient and standard project management facilities, Bangladesh became one of the best among twenty outsourcing countries of the world, according to EU (Bose, Uddin & Huda, 2013).

In 2000, many other sectors like marketing, the legal system, human resource management, etc. started outsourcing. It was the beginning of domestic outsourcing. The actual time and date of Human Resource Outsourcing (HRO) in Bangladesh is unknown, but it is assumed that from the year 2005, the idea of HR outsourcing was initiated. When a human resource manager, like HR planning, recruitment, selection, pay plan, performance appraisal, career counseling, etc. are handed over to a third party to complete, the agreement is called HRO.

The practice of Human Resource Outsourcing outside of Bangladesh is more extensive. Some organizations outsource a list of HR services, especially in the west, whereas in the east, they take one or two types of services. In the Asia Pacific, Human Resource Outsourcing's decision is influenced by the client company's confidentiality and security issues. It takes more time to build trust in outsourcing. For this reason, eastern organizations do not take many services at a time (Abdul-Halim & Che-Ha,2011a). In Bangladesh, the most demanding Human Resource Outsourcing services are recruitment and selection, training, labor law, and compliance services. (Hossain & Abdullah, 2017).

The number of studies on Human Resource Outsourcing is not especially striking in Bangladesh. Most of them are information technology, Information Technology, and information and communication technology (ICT) outsourcing. Some other studies (Mahmood, 2015; Hossain, 2017&; Hossain and Abdullah, 2017) also showed the problem-prospect-based general picture of outsourcing irrespective to IT firms and other public and private organizations. Later, Jahedi (2016) worked on HRO in the public sector. According to his study, 50% of public organizations are taking HR services from third parties, within which 87.5% of firms took services with the expectation to save costs by reducing the number of HR staff. 75% of organizations acknowledged that their expectation exceeded as the outsourcing firms also have a good quality of service (Jahedi, 2016). Mahmud et al. (2012) gave an overview of HRO in our telecom sector. In the study, they identified some motivational factors of outsourcing. So, the prime focus of the research on human resource outsourcing in Bangladesh was what, how, and when based. Outsourcing advantages and disadvantages were also found in some previous studies (Jahedi, 2016 and Mahmud et al., 2012). The previous study by Hossain & Abdullah (2017) gave a general picture of Human Resource Outsourcing of various private and public organizations.

With the interview of Noor Mohammad, country Human Resource (HR) manager of Nokia Siemens Networks Bangladesh and vice president of Bangladesh Society for Human Resources Management, Saha (2011) summed up the Human Resource Outsourcing situation in Bangladesh is this way:

'HR outsourcing in Bangladesh is still in its infancy. Functions like payroll and benefits administration (leave and medical benefit administration and provident funds) are outsourced, and resourcing, training, and development are outsourced to an extent as well. Mostly international company branches and some multinational companies (for example, Nokia Siemens Networks, IBM, Novartis, and Coca-Cola) have outsourced some HR functions. But the number of outsourcing service providers is quite scanty, and the level of services varies widely, which are major impediments to the sector's growth.'

2.15. Conceptual Framework

2.15.1. Framework Development

A conceptual framework is a graphical illustration to explain the expected progression of a study. From a statistical perspective, it is a study of the relationship between the variables with a picture's help to show their relationships. The framework makes the whole research easy for both the researcher and the non-researchers. Again, it is widely used by researchers where existing theories are not available in creating a study of structure.

In brief, the term 'conceptual framework' means the guideline of research, especially the relationship between the dependent and independent variables. Generally, the framework is presented through a graph to make the whole research easy for non-researchers.

A model is proposed from the literature review, and through the field study, the model is proved. In the first phase, an organization makes a Human Resource Outsourcing decision. This decision may include recruitment outsourcing, training outsourcing, compensation outsourcing, and many more. After making an outsourcing decision, organizational performance is measured based on the change taken place by Human Resource Outsourcing. This outcome may be positive, or sometimes it may be negative.

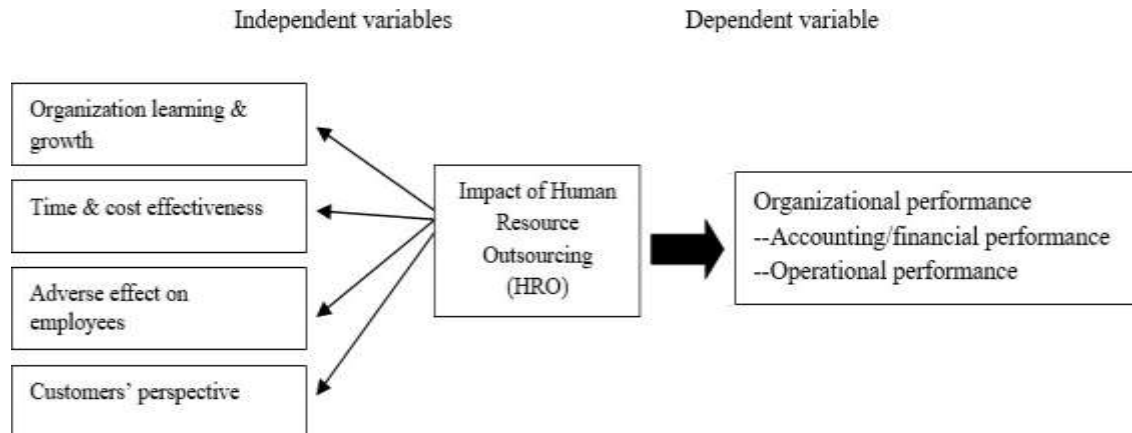


Figure 2.17: Conceptual Framework

2.15.2. Dependent and Independent Variables

According to the framework, the dependent variable is the organizational performance measured by four independent variables: organizational learning and development, cost and time effectiveness, employee commitment, and clients' perspective. From these independent variables, two variables: organizational learning and growth, and the other is customers' perspective were chosen from the balanced scorecard developed by Garrison, Norean & Brewer (2012, p.486). Rest two variables: adverse effect on employees and cost and time effectiveness were generated from literature. To measure organizational performance through HRO, the whole balanced scorecard model was not used due to the chance of not getting information from the respondents.

2.15.2.1. Independent Variables

(a) Organizational Growth: In the research, qualitative measures were considered to discuss the element of 'organizational growth.' The organizational learning and growth component of a balanced scorecard refers to how much the company has learned and improved during its operation years. This component's success can be measured by the success of the training program towards achieving the organizational goal,

continuous improvement, and change in the organization. Doe (2017) emphasized on proper utilization of training funds to align employee training with business needs. Kaplan & Norton (1992) included organizational responsibilities and adaptability to the market in this component. Service provided by a third party through HRIS keeps the organization updated and market responsive.

(b) Adverse Effect on Employees: Fear of job loss, low salary, and benefits structure, the tendency to employee poaching are some of the adverse effects on employees resulting from HRO. Organizational performance from the human resource domain is significantly connected with employee job security. As organizational performance is the combination of individual performance and individual performance within an organization is measured by employee performance. An employee's positive feeling towards job continuity assurance from their employer plays a vital role in organizational performance (James, 2012). Bumi (2011) and Hassan (2010) studied the job security of an ethnic group of people who were also considered as a minor group of employees in the organization. They gave more importance to the ethnic group job security than the general employees to get an equal outcome from the significant and minor employees. A different result was also found from research by Subramaniam, Shamsudin & Ibrahim in 2011. They found that small and medium-sized organizations and their employees did not give weight to job security in Malaysia. Ismail, Joarder & Majid (2015) found a positive association between organizational benefits and employee performance. The Herzberg two factor theory proved that money could satisfy employees' lower-order needs. It cannot help employees in the long run if there is no challenging work, training, and development program. Employee poaching has a lot of arguments in favor of and against it. Employee poaching creates both positive and negative impacts for the industry and the organization as well. It helps acquire competitive intelligence from other firms and identify more 'would be poached' employees from the competitors. On the other hand, employee poaching can weaken or break down corporate culture by cutting internal promotional policies.

(c) **Cost and Time Effectiveness:** In the economic analysis, cost-effectiveness compares related costs and outcomes, or associated costs and utility received from various actions (Pettinger, 2017). Again, cost-effectiveness compares the two results based on relative costs to examine which of the two provides the best opportunities for success (Pettinger, 2017). Similarly, time effectiveness compares the two outcomes based on relative time to examine which of the two provides the best opportunities for success, considering the situation before and after outsourcing. Before outsourcing, the organization found that undertaking HR activities are time-consuming, risk-bearing, and troublesome. Utilizing Human Resource Outsourcing, clients can save their time and no risk and hassle to plan and implement them. Concerning costs and time, clients feel that HRO is more cost and time effective.

The literature on Human Resource Outsourcing cost-effectiveness and organizational performance relationship is insufficient. Experts agreed about the strong positive relationship between cost-effectiveness and organizational profitability. Organizational profitability is one of the vital measures of organizational performance. Organizations can increase their profit in many ways; decreasing relative cost and achieving economies of scale is related to cost efficiency. By reducing costs, an organization can earn more profit. Again, reducing fixed costs helps organizations achieve economies of scale more easily (Pettinger, 2017) and allows the organization to transfer fixed costs into variable costs (Esen,2004).

In some cases, efficiency and effectiveness are used interchangeably, though it is wrong. Effectiveness means anything adequate to accomplish a purpose in producing the intended or expected result. In contrast, efficiency means achieving the desired result in the best possible manner with the least waste of time and effort (Goh, 2013). Goh (2013) also argued that if any organization wants to grow aggressively and has considerable resources to invest, such organizations can go for 'effectiveness.' On the other hand, a small organization with limited resources to maximize their outputs can pursue 'efficient' operations.

(d) Customers' Perception: Customer consideration is another important factor for measuring organizational performance in any organization. Product or services acquired from a third party is also subject to customer satisfaction. Here, the customer is not the outsourcing service taker; instead, it is the organization or the individuals taking services from the service taker. The customers are the end-users, not the internal customers and partners (BSC designer). The concept of 'customer perspective' is extracted from the idea of a 'balanced scorecard' showed in Figure 2.18. The balanced scorecard includes four performance metrics or perspectives: customers, internal processes, financial process, and learning and growth directed at achieving organizational vision and strategy (Garrison, Norean & Brewer, 2012). There are four categories that managers must consider while addressing a customer: quality, time, performance, and service. The customer's standard benchmark can be classified into two gatherings: core measurement group and customer value proposition. The first group consists of market share, customer acquisition, customer retention, customer satisfaction, and customer's profitability. Meanwhile, the proposition group is classified into three subgroups: 1. production attributes (price, quality, and function), 2. customer's relationship, image and 3. reputation (Huang, 2009; Wu, 2012; Nielsen et.al, 2012) cited in (Minto, Huda, Soetjipto, Sumiati & Handoyo, 2016). These studies considered customer acquisition, customer retention, customer satisfaction, and price and quality as the factors of the customer's perspective.

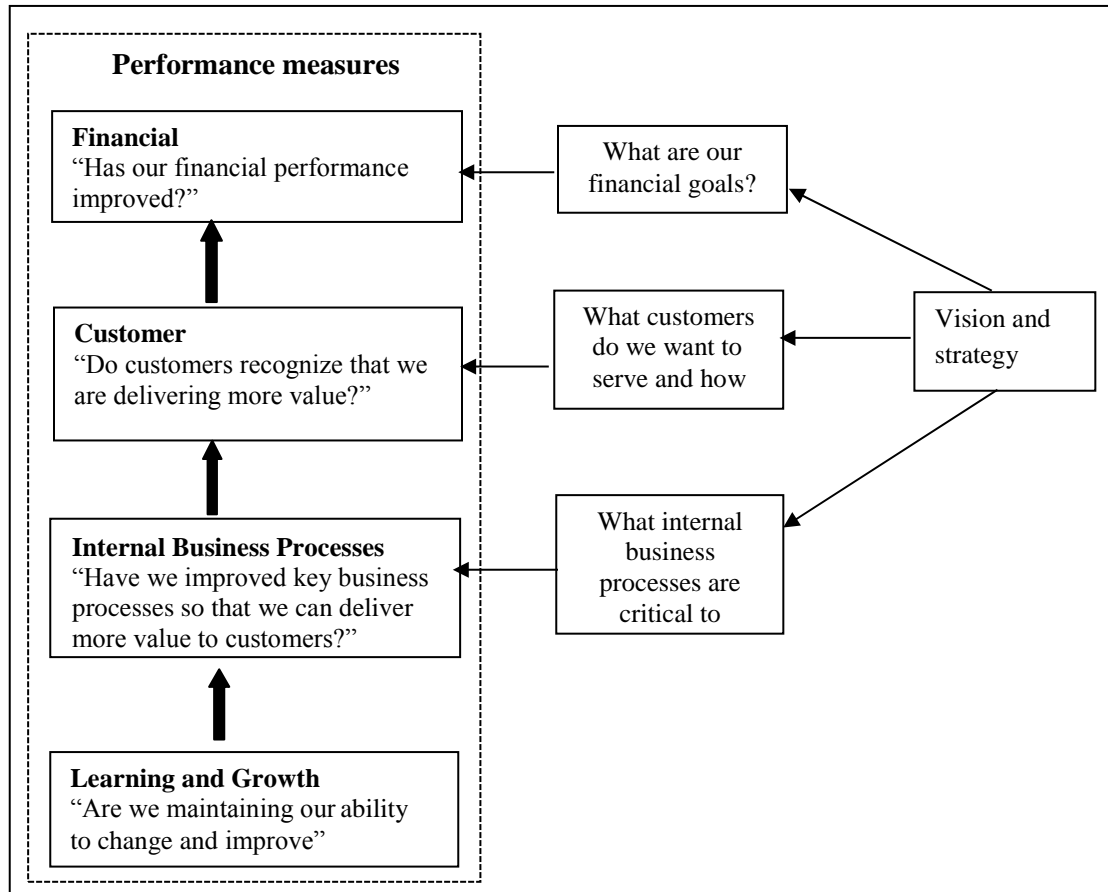


Figure 2.18: From Strategy to Performance Measures: The Balanced Scorecard
 Source: Garrison et al. (2012, p.486)

The customer point of view inside the Balanced Scorecard – BSC for short, empowers organizations to focus on available sections in which they have succeeded. Previously, this section was not a point of convergence of the Balanced Scorecard, as organizations accepted item execution and innovation advancement to be the spines of business achievement. By and by, client social patterns have slowly underscored the need for understanding what clients need. From the viewpoint of outsourcing vendor, clients and customers are differentiated in the following way (Figure 2.19).

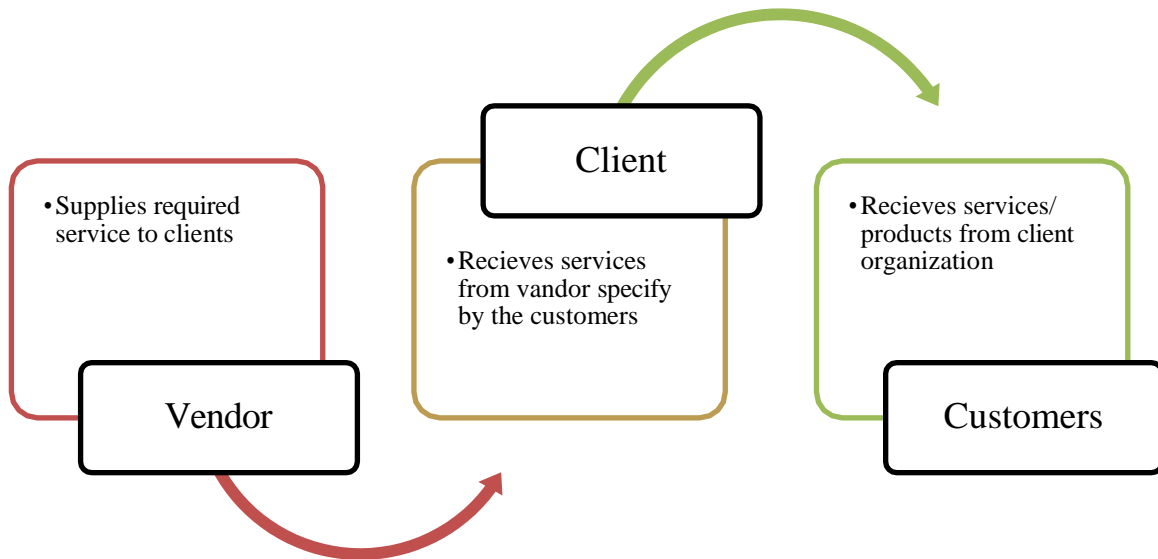


Figure 2.19: Vendor-Client-Customer Dependency

Source: Interview

2.15.2.2. Dependent Variable

Organizational Performance: Generally, performance is the organizational ability to effectively and efficiently attain its goals by using its resources (Abu-Jarad, Yusof & Nikbin, 2010). Effectively means achieve the expected result, whereas efficiently means performing with the least waste of time and effort. The term ‘performance’ creates confusion with ‘productivity.’ Productivity is a ratio depicting the volume of work completed in a given amount of time. The performance is a broader indicator that includes Productivity and quality, consistency, and other factors. The concept of organizational performance (OP) is often restricted to its financial facet, like ROI, sales, profit per share (Morin, 1989), etc. But later, stakeholders’ and employees’ interest, which is also called ‘relevancy’ (Peterson, Gijbers & Wilks, 2003), should also be considered besides financial performance within an organizational account. Some authors use organizational performance (OP) and organizational effectiveness (OE) interchangeably (Morin & Audebrand, 2014). According to them, there are four components of organizational effectiveness: sustainability of the organization, the worth of the performance, process efficiency and legitimacy of the organization; emphasizing that no single elements can create an organization successful; and also added that sustainable position could be

reached after satisfying last three components. Hubbard (2009) summarizes a balanced scorecard for sustainable organizational performance, including financial process, internal process, customers/markets, learning and development, social performance, and environmental performance. Later, DuBois, Kerry, Reeves & Vandelanotte (2019) agreed with them and renamed the four components of organizational performance index: effectiveness, efficiency, relevance, and sustainability. Jahanshahi, Rezaei, Nawaser, Ranjbar & Pitamber (2012) developed a model of organizational performance elements (Figure. 2.20). In this study, accounting and operational aspects of organizational performance are used as dependent variables. In operational performance, new product introduction, product/service quality, marketing effectiveness, and customer satisfaction—these components are used. In financial or accounting performance, only the profitability component is used. In financial or accounting performance, only the profitability component is used. Various academic and non-academic journals used profitability as a widely accepted tool of organizational performance. But it is also said that accounting-based figures are misleading due to its lack of inconsistency (Kaplan & Norton, 1992, cited in Jahanshahi et al., 2012). Later, to avoid criticism, the operational performance was used as one of the elements of organizational performance.

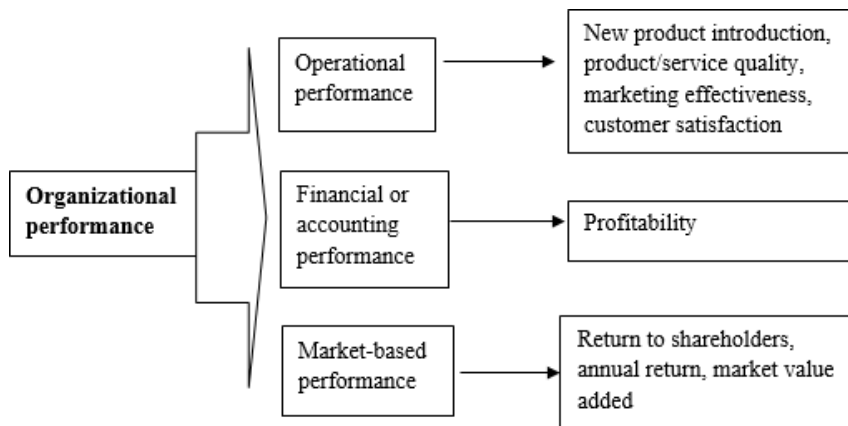


Figure 2.20: Components of Organizational Performance
Source: Jahanshahi et al. (2012)

But others made a distinction between organizational performance and organizational efficiency (Richard, Devinney, Yip & Johnson, 2009). OP refers to financial performance, product market performance, and shareholder return; on the other hand, OE's scope is vaster. Besides financial performance, it also indicates operations effectiveness, customer satisfaction, corporate social responsibility, and different outcomes that reach beyond financial qualification. The study by Agndal & Nordin (2009) examined non-financial consequences of outsourcing, like employee satisfaction, commitment, quality of services are examined as the parts of organizational performance. Organizational performance is derived from four sources: financial result, market outcome, HR-related outcome, and organizational outcome. These four sections have different indicators to measure performance: ratios on assets, return on equity, etc. are some financial indicator of performance; while, market share, stock price, and growth stand for market performance indicator and job satisfaction, employee commitment, etc. are the indicators of HRM performance. Productivity, service quality, new product development, innovation, etc. are the organizational outcome. Lau & Ngo (2004) found the direct impact of design on organizational performance. For instance, shedding specific assets allows a company to increase return on assets (ROA), return on investment (ROI), and decreasing the headcount increases revenue per employee (Rossetti & Choi, 2005). Butler, Callahan, and Smith (2007) added that outsourcing in HR reduces cost and increases company performance.

In a study, Singh, Darwish, Potocnik (2016) opined that measurement of organizational performance might be subjective and objective. The subjective measure is generally influenced by personal judgment and opinion and had a greater chance of inaccurate performance assessment and bias (Meier & O'Toole, 2013). On the other hand, as objective measures include accounting data, it is comparatively free from prejudice and subject to confidentiality to protect competitive advantage. Subjective information can be used after adequate scrutiny and judgment (McCraken, McIlwin & Fotter, 2001). But the same objective measures may not apply to firms across varieties of industries (Meier & O'Toole, 2013; Shea, Cooper, Cieri & Sheehan, 2012).

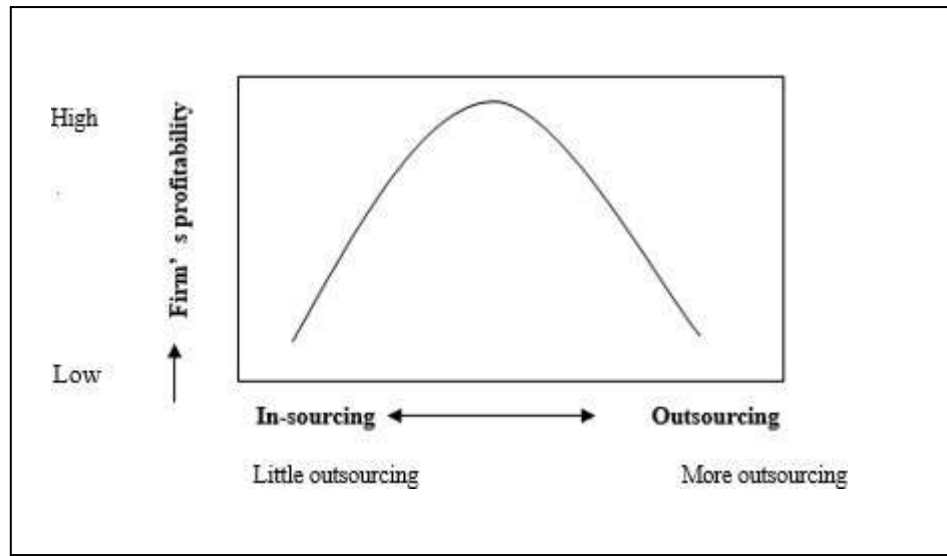


Figure 2.21: Relationship Between Degree of Outsourcing and Organizational Performance

Source: Kotabe et al. (2008), p.42

Outsourcing decision has both positive and negative implications. If implemented correctly, outsourcing can dramatically improve organizational effectiveness (Scott-Jackson et al., 2005), and on average, a company can save a 9% cost through outsourcing. Besides, quality and capacity can be increased about 15% through the process. On the other hand, a study by Gottfresson, Puryear & Phillips (2005) found that about 50% of firms in their sample reported that their outsourcing programs fell short of expectations; 10% were highly satisfied with cost savings, and 6% were satisfied with their overall outsourcing process. According to Lilly, Gray & Virick (2005) and Abdul-Halim & Che-Ha (2011b), a quality HRO supplier can create an impact on organizational performance through their services and cost reduction. But this relation can be influenced environmental uncertainty. Another study by Chiang, Chow, Hau-Siu & Birtch (2010) found that the organizations started to outsource in Hong-Kong with cost-cutting intention, finally they prefer in-sourcing. The opposite is also true. Human Resource Outsourcing can satisfy other advantages, too. Hojnik (2010) said, initially organizations used to outsource for cost reduction (called as initial stage), but later outsource for quality, expertise, innovation etc. Braun & Pull; Alewell & Stormer and Thommes (2011) agreed

with Hojnik (2010). Organizations that do not experience cost reduction due to outsourcing, Troaca & Bodislav (2012) argued that in the beginning cost will increase and later it might diminish.

The performance of outsourcing depends on selecting core and non-core activities. 'Core' activities are the top-level strategy, HR policies, and line management strategies, which are generally transformational and non-routine activity. 'Non-core' activities are the specialist activities; routine personnel administration and professional HR advice are generally transactional. Kotabe et al. (2007) proved that outsourcing and performance have an inverted-U shape relationship (Figure 2.21). In the initial stage of the curve, outsourcing is undertaken less than in-source (outsource < in-source). If the firm in-source the activities having no competitive advantage, it becomes dangerous for the firm. In the last stage, the right-hand side of the curve, outsourcing is undertaken more than in-sourcing (outsource > in-source). As the organization becomes more experienced, it should keep some work in-source; otherwise, depending wholeheartedly on outsourcing can increase their costs and decrease their quality. For example, in the last stage, if a firm starts to outsource the top management, it must hamper the organization's performance. In the middle stage, the firm can manage a balance between in-sourcing and outsourcing. The profitability of the organization is highest in this middle stage.

From the above discussion, it is said that Human Resource Outsourcing creates a positive impact on organizational performance through cost minimization for employee maintenance, providing quality services through expertise, and strategy formulation and implementation (Siew-Chen & Seow-Voon, 2016; Jirawuttinunt, 2015, Susomrith & Brown, 2013; Masinga & David, 2014; Mola, 2015). Though many researchers found a relationship between Human Resource Outsourcing and organizational performance, Yeboah (2013) did not find a strong correlation between them. Not all HR outsourcing activities have a positive impact on organizational performance. Outsourcing of HR traditional activities positively impacts HR performance, and outsourcing HR transactional activities harm HR performance and organizational performance (Abdul-Halim & Che-Ha, 2009). According to Rana, Syed, Muhmmad & Herani (2011), employee turnover is one of the hindrances of outsourcing in the human resource

department. But this hindrance makes HRO one of the cost-effective strategies that organizations can undertake in tough economic times (Borland, Frost & Wright, n.d).

CHAPTER 3

METHODOLOGY USED IN MEASURING THE IMPACT OF HUMAN RESOURCE OUTSOURCING ON ORGANIZATIONAL PERFORMANCE

3.1. Introduction

This study is explorative and followed a mixed method. Both qualitative and quantitative dimensions were used as a part of triangulation to give a more accurate result. Each dimension includes a physical form of data used, sampling procedure, interview technique, questionnaire method, study period, data analysis procedure, reliability, and validity test. As the alpha value is more than 0.8, that is 0.847; the data are reliable in the quantitative part. On the other hand, content validity is achieved as they are collected by transcribing the experts within the field. In the quantitative part, transcriptions were hypothesized and measured using correlation and regression model.

3.2. Nature of Study

As the research is explorative, the research satisfied the following features: first, the study is comparatively new in the context of Bangladesh; hence no theory was developed to compare the actual situation. Secondly, to explain the occurrence of specific phenomena, hypotheses have been created. Finally, as a part of exploratory research, the study focused

on secondary data, personal interviews, case studies, and projective techniques (Pratap,2018). Projective techniques are used to explore information where the respondents do not want to share information directly and clearly; deep communication with the respondents and in-depth interviews gave significant results. In the present study, the opposing sides of HR outsourcing and the change in organizational performance due to Human Resource Outsourcing are some of the sides where qualitative techniques were used.

The research supports methodological pluralism, where both qualitative and quantitative methods are explicitly used. One of the advantages of this systematic integration or 'mixing' is to use qualitative data to explore quantitative findings (Wisdom & Creswell, 2013). Besides medical science, in the business field, such a method is getting importance by the researchers. In a dual dimensional study, the first dimension is qualitative, and the second dimension is quantitative. The qualitative measurement includes general information regarding Human Resource Outsourcing, the nature of the business organization in making Human Resource Outsourcing decisions, and the impact of HRO on organizational performance to achieve a better understanding and insights into the situation. In the quantitative part, information regarding Human Resource Outsourcing performance gathered from the qualitative aspect is verified. According to Hammerberg et al. (2016, p.499), the qualitative method is used to answer questions about experience, meaning, and perspective from the standpoint of respondents". This type of study is also helpful in reaching the anonymous respondents. These issues worked as the rationale of choosing some of the parts of the study as qualitative. As in Bangladesh, research on Human Resource Outsourcing is relatively non-existent; this study's primary task is to identify the perspective and experiences regarding HR outsourcing in the country. Again, as there was no government-approved list of HRO service takers and providers to reach them for the interview was very difficult, and such anonymity reinforces the development of a qualitative study.

However, the study used the deductive approach of qualitative analysis as it accepts the following criteria:

- I. The deductive approach starts with testing theories or hypotheses developed by the previous literature. This study also tested a list of hypotheses generated by the earlier literature considering the timeline of 2000-2018.
- II. The deductive approach generally emphasizes causality. Organizational performance is explored as an outcome of Human Resource Outsourcing based on time and cost-effectiveness, organization learning and growth, the client's perspective, and employee commitment.

3.3. Qualitative Dimension

3.3.1. Physical Form of Data Used

Generally, researchers can use four forms of data in a study: (a) spoken (as in the case of interviews), (b) written (biographies, diaries, letters, etc.), (c) printed (official documents, newspapers, or magazines, books, etc.), and (d) electronic form (films, tapes, videos or computer disks, etc.) (Cropley, 2002, p.56). In this study, data in spoken, printed, and electronic form are used. Due to a lack of availability and confidentiality issues, the clients' written documents could not be collected. These data are also divided into two sources:

- a) Primary data: Collected through the interview
- b) Secondary data:
 - Books
 - Offline documents; like articles, annual report, brochure, etc.
 - Online documents from the website, blog, etc.

3.3.2. Sampling Procedure

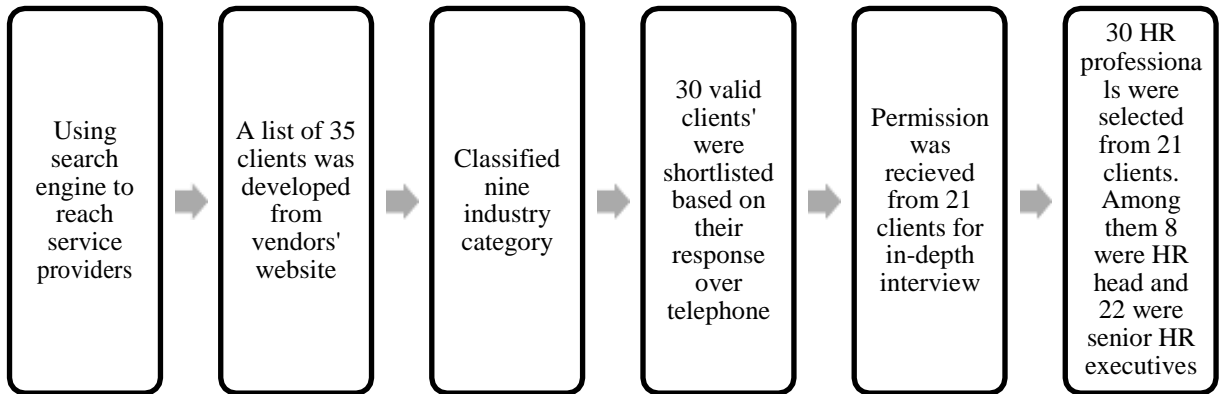


Figure 3.1: Sample Selection Method

The Figure 3.1. shows that, to reach outsourcing clients or service takers, twenty outsourcing firms (service providers) were identified. Due to the unavailability of Government approved lists of outsourcing firms in Bangladesh, various search engines, like, Google, Ask.com, were used. Word of mouth is also played an essential role in reaching the Human Resource Outsourcing firms. From the official website and social media page of the HRO firms, their clients were identified. Before selecting the clients, they were classified into nine industry categories, and from them, a list of thirty clients was developed. Permission was sought from all thirty client organizations for the HR head, but only 21 organizations responded to the study. From each of the clients, one of the HR professionals (Head of HR or Senior HR executives) was approached for an interview.

At last, eight head of the HR and twenty-two senior executives were interviewed. Due to the absence of the HR head for some unavoidable reasons, like, attended the meeting, workshop, staying abroad, etc. The senior HR executives were interviewed. It must be noted that the HR Head referred to that person for taking the interview. Before setting the interview schedule, a permission letter was sent to the public relations department on the respondent's name or contact with their secretary or, in some cases, both. Permission letter is given in Appendix B. Table: 3.1 shows the demographic characteristics of respondents.

Table 3.1

Demographic Characteristics of The Respondents (Head of HR & Senior HR Staff)

	Industry category		Number of respondents from different types of organization	Number of respondents	Year of experience with this organization	Year of experience with HR outsourcing (maximum)	Gender			
	Private	Public					M	F		
HR executives	Commercial banks	3	2	5×1	5	2-5	3	√	√	
	Food and beverage	3	1	4×1	4	2-4	3	√	--	
	Insurance	2	1	3×1	3	2-4	3	√	--	
	Infrastructure development company	4	1	5×1	5	2-4	2	√	√	
	IT firm	3	2	5×1	5	3-4	4	√	√	
	Mobile company	4	1	5×1	5	3-4	4	√	√	
	Garment/related organizations	2	1	3×1	3	2-5	3	√	--	
	Client list: 30 organizations	Total number of vendors 30			Total respondents 30					

Note: MNCs are five in number including three mobile companies and two private commercial banks.

Samples for subjective examinations are a lot smaller than those utilized in quantitative investigations due to 'diminishing return to a qualitative sample' (Ritchie, Lewis, and Elam, 2003). The qualitative investigation does not ensure the more the sample size, the more the information. Qualitative research focuses with the meaning of the responses rather than the frequencies (Crouch & McKenzie, 2006). Dealing with a large sample size in a qualitative study is labor-intensive, time-consuming, and impractical too (Mason, 2010). So, the small sample size in a qualitative study is not illogical. Morse (1994), Bernard (2000), Creswell (1998) and Bertaux (1981) made a list of sample size for various qualitative study areas, like Ethnography and Ethno-science, grounded theory methodology, phenomenology. In most of the cases sample size should place 30-50 interviews (Morse, 1994). Bernard (2000) stated that it would be 30-60 interviews for

ethnoscience. For phenomenology, Creswell (1998) suggested that the sample size would be 5 to 25. On the other hand, Charmaz (2006) suggested that for small projects 25 samples are adequate. Bertaux (1981) opined that for all qualitative research 15 is the smallest acceptable sample. Considering these literature and Ph.D. thesis context and to avoid sampling error the research kept its sample size at 30. Opinion from Jette, Grover & Keck (2003) and Lee, Woo & Macenzie (2002) suggested to keep the sample size at 50. Jette, Grover & Keck (2003) opined that it is the researcher's freedom to reduce sample size in the needed study if required. On the other hand, Lee et al. (2002) suggested that if any research uses more than one method can use fewer participants. This research is a mixed method and for it, the qualitative part kept its sample size at 30.

3.3.3. Interview Technique and Questionnaire Design: Qualitative Part

For data collection, an in-depth interview was used because of two reasons: first, it was thought very helpful to make rapport with the interviewer to collect various unfold issues, and the other is, the right amount of detail can be available through this method. In-depth interviews as it is beneficial to make rapport with the interviewer to collect various unfold problems. According to Crompton, the in-depth interview may seem almost like a conversation, except that the interviewer asks some questions that give the interaction a certain degree of direction. There are two fundamental tasks for the interviewer: (a) to create an appropriate atmosphere, (b) to formulate questions so that respondents can give answers without distorting their views. The former means being friendly but maintaining a certain personal distance, making respondents feel that they are being taken seriously, avoiding being judgmental with them about their views (i.e., not agreeing or disagreeing, showing signs of approval or disapproval, or indicating belief or disbelief), and avoiding challenging or 'grilling' respondents". In this study, these issues were highly maintained. Before interviewing, a list of questionnaires was developed based on research objectives. The survey was divided into two sections: In the first section, general information and nature of an organization that influences Human Resource Outsourcing decision was collected. In the second part, the impact of Human Resource Outsourcing on

organizational performance was measured (Appendix D). Likert scale or other scaling methods were not used as it might limit the free flow of discussion between interviewer and interviewee. The questions in this method were ‘What?’ ‘When?’ ‘Where?’ and ‘How?’ based to encourage respondents to express their views. Each interview took 30-45 minutes. An appreciation letter was sent in their email after the interview (Appendix. F).

For easy understanding, the questionnaire pattern was divided into two phases based on the objectives of the study:

A. Phase 1: ‘which HR activities are being outsourced,’ ‘to what extent,’ or ‘by whom’ and ‘when.’ What attributes of business process best suit to make HRO decisions were discussed under the umbrella of ‘whom.’

B. Phase 2: ‘what are the impact of HRO on organizational performance’ from organizational growth, cost and time effectiveness, adverse effect on employees, and customers’ perspective.

3.3.4. Study Period

The overall data collection process took two years’ (from Feb’17 to Feb’19). The qualitative data collection process took 18 months (February’ 17 to July’ 18) and their activities are given below (Table 3.2)

Table 3.2

Timetable for Qualitative Data Collection

July'18									
June'18									
May'18									
April'18									
March'18									
February'18									
January'17									
December'17									
November'17									
October'17									
September'17									
August'17									
July'17									
June'17									
May'17									
April'17									
March'17									
February'17									
	Make list of HRO firms in the country from websites and other sources.	Classify industry category	Communication with vendors over telephone	Shortlist of vendors based on their response over telephone	Collect contact information of HR head and send email seeking interview permission. In case of non-responding of email phone calls were made to their secretary.	Waiting for response for granting permission.	Non-responding organizations were called and emailed again for reminder. Received consent for giving/not giving of interview.	Interview was held and recorded manually.	

3.3.5. Data Analysis Procedure

Transcriptions from the respondents are the prime sources of data in this qualitative part. Transcriptions are gathered, coded, and summarized on the basis of the objectives of the study.

There are some well-known qualitative software for data analysis including Atlas/ti, Nvivo 2 and Hyper Research, etc. Unfortunately, this study did not use any of the software

due to the unavailability and its insignificant nature for the study. Cropley (2002) opined, computer software is not in a position to take over the key tasks of qualitative data analysis such as gaining insights, formulating a provisional hypothesis, or recognizing emergent themes and grasping their significance”.

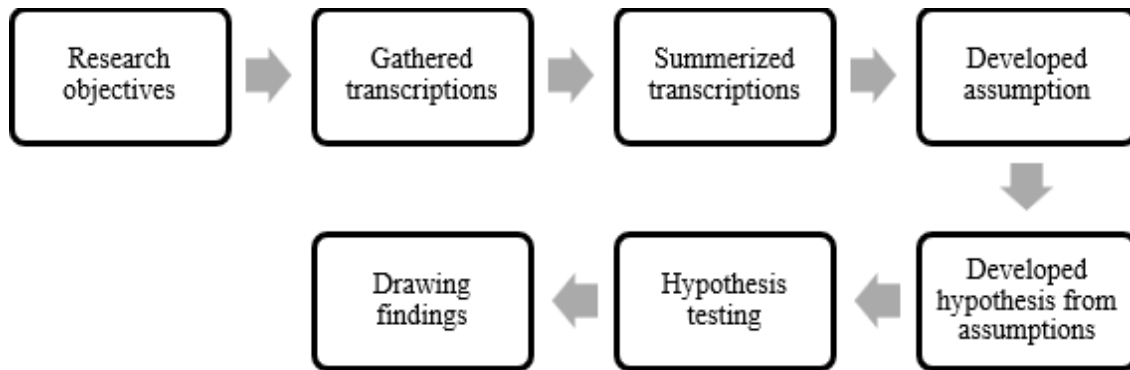


Figure 3.2: Data Analysis Procedure

3.3.6. Reliability and Validity Tests for Qualitative Analysis

Briggs, Coleman & Morrison (2012), in their book 'Research Methods in Educational Leadership and Management,' made a good summary of 'reliability and validity' tests for findings. It is found from the book that reliability refers to the consistency and stability of measurement and is concerned with whether the result of a study is replicable (Hatras, 2010, cited in Briggs et al. (2012). Again, methodological triangulation and cross-checking of findings are ways; repetition of the same questions in both processes helps achieve the questionnaire's reliability. On the other hand, validity is used to judge whether the research accurately describes the proposed phenomenon. Internal and external validity are the two types of validity given by the researchers to measure validity. According to Scott & Morrison (2006) cited in Bush (2007), internal validity demonstrates the exactness and realness of the findings that accurately map the question's facts. External validity is the ability to generalize the results beyond the context of the study (Hatras, 2010, cited in

Briggs et al. (2012). The book also added that it could not add value to the researcher if anything reliable but not valid. For this reason, establishing validity is more important than establishing reliability in such research.

To measure the reliability and validity of a qualitative study, Cropley (2002) developed the following Table 3.3. describes the characteristics of the reliability and validity of qualitative research.

Table 3.3
Measuring Reliability & Validity Using Cropley Model

Property	Characteristics	Description	Remarks
Reliability	Stability	The procedure could be reproduced by another researcher	Yes, this procedure can be reproduced by another researcher.
	Confirmability	Another researcher would obtain similar results	If another researcher undertakes this research in the same country and time context the result will be similar. Because the narratives collected through the interview and findings developed from the research are free from researcher's bias.
Internal validity	Accuracy	The representations of the object of study and the findings are not distorted	The context of the situations is accurate. But using their names in the research is avoided.
	Truthfulness	The project is presented without being biased by the researcher's preconceptions	The researcher tried to bring the true picture from the respondents. Researcher's presumption did not influence the findings.
External validity	Credibility	The findings make sense to knowledgeable observers	The questionnaire or the topics asked for responses were checked by the academicians, and HR professionals. So the findings make sense to knowledgeable observers.
	Usefulness	The practical implications of the	The research has future directions and implications for future

		findings are spelled out in a realistic way	researchers, policy makers and business owners.
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Source: Cropley (2002)

Based on the above Table 3.3. reliability and validity of qualitative data are ensured. The remarks section shows the details of the reliability and validity of this research. In qualitative research, reliability is achieved by providing stability and confirmability. As the researcher developed unbiased findings collected from the respondents' narratives, the results of the research are confirmed and stable. On the other hand, internal validity and external validity are the two crucial factors in achieving validity. By ensuring accuracy and truthfulness, the researcher conducted internal validity. And by guaranteeing credibility and usefulness, the external validity is achieved. The detailed discussion is shown in Table 3.3.

3.3.7. Process of Qualitative Analysis

The process of qualitative data analysis has five stages (Figure 3.3) are shown below:

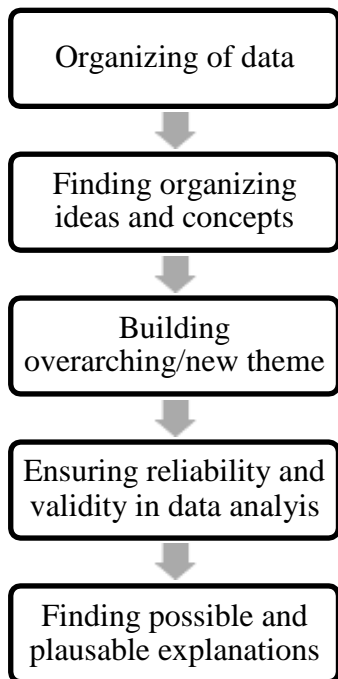


Figure 3.3: Flowchart of Qualitative Analysis
 Source: O’Conner & Gibson (2003)

In the first stage of qualitative data analysis, respondents were familiarized with the interviewer and the context. From their experiences, respondents selected information and shared it with the interviewer. The responses were recorded manually or electronically. This part is also called transcription (taking the researcher’s note) that mainly focused on the respondents. The responses collected manually were recorded in the following way (Table 3.4):

Table 3.4

Organizing Interviews

Topics	Interview 1	Interview 2	Interview 3	n th number interview
Impact of HR outsourcing				

Source: O’Conner & Gibson (2003)

In the second stage, from each interview against the common question the underlying ideas, languages were developed, and they were developed not only from the narratives of the respondents but also considering their body languages, gestures, and postures (Table 3.5).

Table 3.5

Finding Organizing Ideas and Concepts

Topics	Interview 1	Interview 2	Interview 3	n th number interview
Impact of HR outsourcing				
	New word/s from response 1:	New word/s from response 2:	New word/s from response 3:	New word/s from response n th number:

Source: O’Conner & Gibson (2003)

In the third stage (Table 3.6), the most repeated, and frequently used word/ theme was developed for the purpose of coding or categorization.

Table 3.6

Finding Overarching/new Themes

Topics	Interview 1	Interview 2	Interview 3	n th number interview
Impact of HR outsourcing				
	New word/s from response 1:	New word/s from response 2:	New word/s from response 3:	New word/s from response n th number:
Overarching theme/s developed from all responses	1. 2. 3. 4.....and more			

Source: O’Conner & Gibson (2003)

Examples regarding these tables used for qualitative analysis are added in the findings and data analysis part.

In the fourth stage, validity and reliability were ensured in data analysis and findings. According to O'Conner and Gibson (2003), validity does not have a place in some different examination phases. Yet, preferably as a continuous standard all through the whole research process and on the other hand, reliability requires firm action and harmonizing throughout interviewing, transcribing, and analyzing the findings. For measuring the validity of the qualitative part, triangulation was used with the quantitative dimension's help. Besides, Cropley (2002) model (Table 3.3) was used to show qualitative reliability.

In the fifth stage, a summary was developed of the main findings. How the previous literature match with present research findings was explained. Some literary issues contradictory to the research findings were clarified.

3.4. Mixed Method: Triangulation

Qualitative research is often criticized as a biased and unreliable method for a study as it descriptively describes human behavior. Qualitative research needs more qualitative judgment, detailed description, great attention to understand and explain human language (Anderson, 2010). Though traditionally, reliability and validity tests were used to give credibility and objectivity to quantitative research, researchers are using the concepts in qualitative studies. Triangulation is used to validate contradictory evidence, respondents' validation, and constant comparison (Anderson, 2010). According to O'Conner & Gibson (2003, p.74), 'findings become more dependable when they are collected from several independent sources. Again, validity can be enhanced when confirmed by more than one 'instrument' measuring the same thing.' Triangulation or methodological triangulation or mixed method of the study is developed using different sources, using various methods,

or participating other researchers to make the research findings more dependable and confirmed. The technique is also called a mixed method of study.

In this study, to avoid measurement and sampling bias triangulation method is used. In the first part of the study, an in-depth analysis was undertaken with only thirty HR professionals from 30 private and public organizations within nine industry categories to explore the outcome of Human Resource Outsourcing service in the organization.

In the second part, the first part is triangulated using the quantitative method. For the quantitative purpose, the four HR outsourcing impacts, like (a) organizational learning and development, (b) time and cost-effectiveness, (c) adverse effect on employees, and (d) customer’s perspectives, are measured using correlation and regression model. In the quantitative part, the sample size was seventy, including supervisors, officers of HR, or other departments in the organization who had close contact with the outsourced employees. The triangulation criterion is discussed below clearly (Table. 3.7)

Table 3.7

Triangulation Criteria

Qualitative part	Quantitative part	Triangulation criteria met
Sample size: 30 HR professionals (Head of HR dept. & senior HR staff)	Sample size: 70 Employees who had strong ideas with the outstanding performance variables, specially supervisors or team leaders of outsourced employees.	Triangulation from different sources.
In-depth interview with semi-structured questionnaire	Interview using ‘5-point Likert Scale’ questionnaire.	Triangulation of qualitative and quantitative methods.

3.5. Quantitative Dimension

3.5.1. Sampling Procedure

This part of the methodology is quantitative. Seventy employees and executives from various departments were interviewed from previously mentioned organizations from nine industry categories. In a quantitative study, where the regression method is used, the sample size should be a minimum of 10 observations for each independent variable. In this research, four independent variables were used, so the expected sample size is minimum $4 \times 10 = 40$. The method is called the 10k rule of thumb (Trout, 2004). However, the research used seventy observations. In this case, purposive sampling, which is a type of convenient sampling, is used. The purpose of using such respondents was their experience of working with or supervising outsourced employees. The respondents work with outsourced employees in the field or practice; they can better measure the impact outsourced employees' work on organizational performance.

Table 3.8: Demographics of respondents for quantitative study

Employees/executives from various departments	Industry category		Number of respondents from different types of organizations Number of respondents	Year of experiences with this organization	Year of experience with HR outsourcing (maximum)	Gender (number)	
	Private	Public				M	F
Commercial banks	3	2	$5 \times 2 = 10$	2-7	4	10	
Food & beverage	3	1	$4 \times 2 = 8$	2-5	5	8	
Insurance	2	1	$3 \times 2 = 6$	3-7	5	4	2
Infrastructure development company	4	1	$5 \times 2 = 10$	2-6	5	10	
IT firm	3	2	$5 \times 3 = 15$	2-8	7	11	4
Mobile company	4	1	$5 \times 3 = 15$	2-10	8	7	8
Garment /related organizations	2	1	$3 \times 2 = 6$	3-6	4	6	

	Client list: 30 organizations	Number of vendors 30	Total respondents 70				
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3.5.2. Interview Technique and Questionnaire Method

To measure the impact of Human Resource Outsourcing on organizational performance four dimensions were developed and under each dimension there were 5 statements (Table 3.9). Respondents' answers were recorded on 5-point Likert scale against the statements.

For face to face interview 5-point Likert-scale is used to collect answers anchored by '1-strongly agree' to '5-strongly disagree'.

Table 3.9

Questionnaire Pattern using 5-Point Likert Scale

Sections	Variables	Related questions	Scale	Form of answer
Section 1 Specification of respondents	ID			
	Sex		Nominal	2-answer
	Age		Ordinal	5-answer
	Working experience		Ordinal	5-answer
Section 2 Dependent variable	Overall organizational performance • Operational performance • Accounting or financial performance	1-4	Ordinal	5-point Likert scale
Section 3 Independent variables	Organizational growth	1-5	Ordinal	5-point Likert scale
	Time and cost effectiveness	6-10	Ordinal	5-point Likert scale
	Adverse effect on employees	11-15	Ordinal	5-point Likert scale
	Customer's perspective	16-20	Ordinal	5-point Likert scale

The detailed questionnaire is given in Appendix E. Before undertaking the interview, permission was sought through the Public Relations Officer of the organization (Appendix

C). After completing the interview, an appreciation letter was sent through email to the respondents (Appendix F).

Likert scale is the most widely used method for investigation in social science and business fields where respondents are requested to show the level of their agreement and disagreement against any statement. The original Likert scale developed in the 1930s, by the name of psychologist Renesis Likert, was ranged from strongly disapprove through disapproving to approve strongly. The Likert scale may take various forms as it is an n-point ordinal scale, but the 5-point and 7-point scale gain popularity. But the more the point in the scale cannot ensure more effectiveness of the questionnaire. The reasons behind the wide suitability of the Likert scale is its convenience and time effectiveness to use. But the difference between the ratings, like, strongly agree, and agree or strongly disagree or disagree, may not clear to the respondents. Another problem is giving midline responses, like “neutral” when respondents avoid answering negatively.

3.5.3. Study Period

The overall data collection process took two years’ (from Feb’17 to Feb’19). The quantitative data collection took seven months and their activities are given below (Table 3.10):

Table 3.10

Data Collection Process for Quantitative Analysis

Activities	August 2018	September 2018	October 2018	November 2018	December 2018	January 2019	February 2019
1. Make list of respondents of the same organizations used in qualitative study							
2. Contact with organization over telephone and received permission							
3. Construction of questionnaire							
4. Send questionnaire through email.							
5. Received filled questionnaire.							

3.5.4. Assuring Reliability and Validity Analysis

Validity shows the degree of soundness of the research instrument. An instrument is said to be valid when it can measure its desire to measure. There are three types of validity: content validity, predictive validity, and construct validity; in this research, only content validity and construct validity are used. This study addresses content validity by reviewing the literature and adapting instruments used in previous research and the professor's consent regarding the questionnaire.

Convergent validity, one of the types of construct validity, is also used by Pearson Coefficient analysis (Table 3.11). In this validity, the obtained value of the responses is compared with that of critical value. When the obtained value is greater than the critical value, the responses are considered valid and vice versa. All the responses on organizational growth, time and cost effectiveness, adverse effect on employees,

customer's perspective, and organizational performance have obtained value .749, .705, .780, and .475 that are more than critical values (Appendix G). The critical value with degrees of freedom $(N-2) = (70-2) = 68$ responses is .306. As, in these four cases, obtained value $>$ critical value, the responses are valid. In the case of time, effectiveness obtained value $<$ critical value, so responses are not valid.

Table 3.11
Construct validity using Pearson Correlation

		Organizational growth & development	Time & cost effectiveness	Adverse effect on employees	Customer's perspectives	Organizational performance	Total new
Organizational growth & development	Pearson Correlation	1	-.475**	.711**	.781**	-.037	.749**
	Sig. (2-tailed)		.000	.000	.000	.764	.000
	N	70	70	70	70	70	70
Time & cost effectiveness	Pearson Correlation	-.475**	1	-.438**	-.438**	.234	-.113
	Sig. (2-tailed)	.000		.000	.000	.052	.353
	N	70	70	70	70	70	70
Adverse effect on employees	Pearson Correlation	.711**	-.438**	1	.636**	.013	.705**
	Sig. (2-tailed)	.000	.000		.000	.913	.000
	N	70	70	70	70	70	70
Customer's perspectives	Pearson Correlation	.781**	-.438**	.636**	1	-.052	.780**
	Sig. (2-tailed)	.000	.000	.000		.671	.000
	N	70	70	70	70	70	70
Organizational performance	Pearson Correlation	-.037	.234	.013	-.052	1	.475**
	Sig. (2-tailed)	.764	.052	.913	.671		.000
	N	70	70	70	70	70	70
Total new	Pearson Correlation	.749**	-.113	.705**	.780**	.475**	1
	Sig. (2-tailed)	.000	.353	.000	.000	.000	
	N	70	70	70	70	70	70

** . Correlation is significant at the 0.01 level (2-tailed).

Reliability differs from validity because it relates not to what should be measured but instead to how it is measured. For the internal consistency of quantitative research instruments, the application of Cronbach's alpha is widely applicable. Though the more alpha value does not ensure high reliability within the instruments, the overall Cronbach's Alpha with an acceptable cutoff point at 0.70 demonstrates that all attributes are internally consistent (Lai et al. 2007). The overall Cronbach alpha for this study is 0.847 for the variables that meet the cutoff point criteria.

3.5.5. Data Analysis Procedure

For data analysis SPSS 17 version was used. The following stages were undertaken to analyze the quantitative part (Figure 3.4):

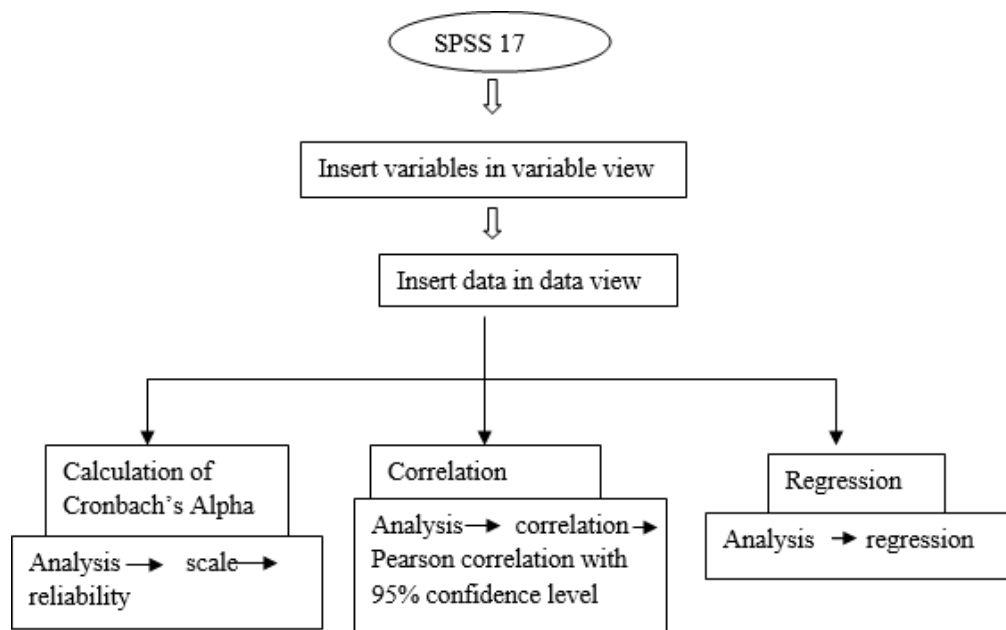


Figure 3.4: Flowchart of Quantitative Part

In the first part, overall organizational performance variables' reliability is measured, including each dimension: organizational growth, cost and time effectiveness, adverse effect on employees, and customer's perspective using Cronbach's Alpha. The value of overall performance is also > 0.07 . In correlation, the association of the variables is measured with each other, with a 95% confidence level. The values of correlation achieved a significant relationship. In regression, relationship modeling was developed between the dependent variable or scalar response and independent variables or explanatory variables of the study.

3.6. Data Collection from Vendor Firms

For the purpose of explaining the human resource outsourcing scenario in Bangladesh. For this purpose, data are collected from fifteen vendors' firms. The procedure is discussed below:

3.6.1. Sampling Procedure

For sample selection, ten vendor firms were chosen. A senior consultant or a consultant, from each vendor organization was interviewed over their personal mobile phone. Demographic features of the respondents are shown in Table 3.12.

Table 3.12: Demographic Characteristics of Vendor Respondents

Sample unit	Sample size	Gender of respondent		Qualification of respondent	Age of vendor
		M	F		
MRK consultant	1	√		Senior consultant	1994
Grow & Excel	1	√		Consultant	-----
Z N consultant	1	√		Consultant	2009
HR connections	1	√		Senior consultant	2006
Enroute	1		√	Assistant consultant	2008
HRBD	1		√	Consultant	----
Manpower Bangladesh	1	√		Consultant	----
HR solutions	1	√		Consultant	2016
Business development services	1	√		Consultant	2005
HR outsource	1	√		Senior consultant	----
WARD academy	1		√	Consultant	----
HR hub	1		√	Chief consultant	----
Bridhi	1	√		Chief consultant	----
Response BD	1	√		Senior consultant	1995
People scape	1	√		Consultant	2006

3.6.2. Interview Technique and Questionnaire Method

This interview was helpful as it was faster, cheaper, and comfortable both for the respondent and interviewer. As the interview was a short survey and did not require any confidential information, a telephone interview was reliable. The only disadvantage was the interviewer made repeatable calls as some of the respondents were not reached once or twice.

Before starting the interview, ten structured questionnaires were made with the opportunity of open-ended answers (Appendix I). After taking each interview, the data collector writes down the responses on each answer sheet. The questionnaire included age of the organization, number or types of service provided, reasons for taking outsourcing services by the clients, the most demanding use, types of problems the vendor faces from vendors and the government in providing services, and to mention a PEST criterion for his organization.

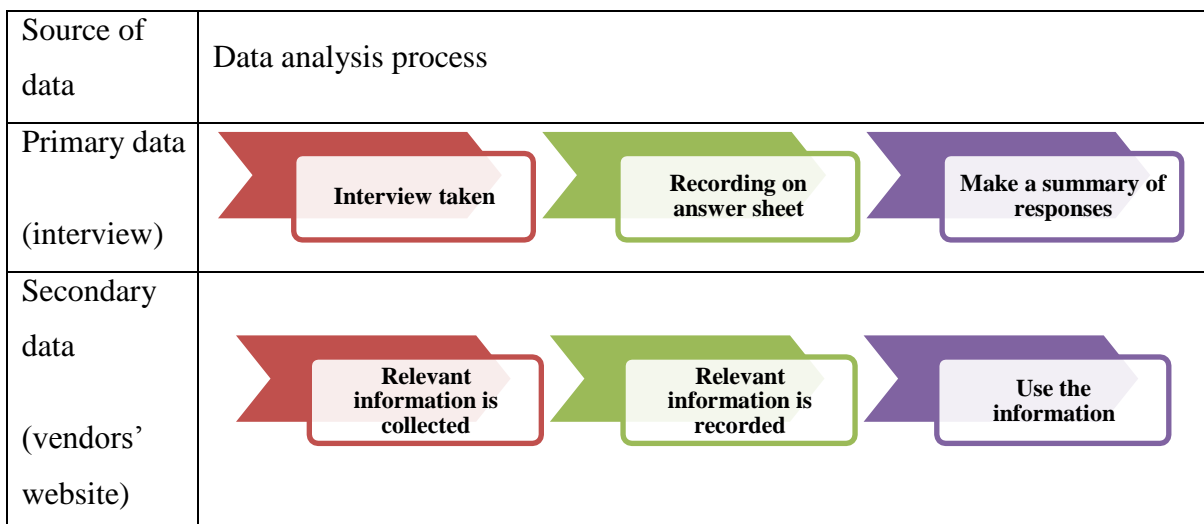
3.6.3. Study Period

The interviews took one month (April 2018) to complete.

3.6.4. Data Analysis

Both primary and secondary data were used in this section (Figure 3.5). After completing all interviews a summary of the answer sheet was developed based on each criteria or question. Some relevant information was also collected from the vendors' websites for detail clarification.

Figure 3.5: Sources of Primary and Secondary Data for the Qualitative Study



3.7. Development of Assumptions

Based on the qualitative data analysis based on the codes and variables some assumptions were developed (Table 3.13). These assumptions will be the foundation in hypothesis development for quantitative analysis.

Table 3.13

Summary Table for Variables and Assumptions

Variables	Assumptions
Variable-1 Organizational learning & growth	<ol style="list-style-type: none"> 1. Candidates with creative quality are selected in recruitment outsourcing. 2. HR practice utilizing a third party develops a creative organizational culture. 3. Human Resource Outsourcing brings new technologies and process in day to day activities. 4. Human Resource Outsourcing makes a flexible work environment. 5. Practice of Human Resource Outsourcing provides adaptive unique ideas in various HR functions.
Variable-2 Time and cost effectiveness	<ol style="list-style-type: none"> 1. Practice of Human Resource Outsourcing reduces maintenance costs of an HR department. 2. Practice of Human Resource Outsourcing reduces error rate as delivering responsibilities to a 3rd party creates opportunities to focus more core work 3. Hiring a 3rd party reduces investing money on technology as it is included in their contract, if required. 4. Outsourced employees are paid lower than the internal employees. 5. Through handling over HR responsibilities to a 3rd party time is saved of a client organization.
Variable-3 Adverse effect on employees	<ol style="list-style-type: none"> 1. Human Resource Outsourcing creates fear of job loss. 2. Human Resource Outsourcing initiates sweat shop problem. 3. In Human Resource Outsourcing practice, performance of outsourced employees is not up to the mark. 4. Human Resource Outsourcing creates identify crisis of outsourced employees in the client premise. 5. Human Resource Outsourcing increases chance of employee poaching.

Variable-4 Customer's perspective towards HR outsourcing	<ol style="list-style-type: none"> 1. A good Human Resource Outsourcing practice can retain existing customers. 2. Human Resource Outsourcing is helpful to acquire new customers by providing quality service to the client. 3. Human Resource Outsourcing can reduce repetitive complain rate of customers by providing good services to the clients. 4. Human Resource Outsourcing helps its client in providing adequate services to the customers. 5. Human Resource Outsourcing helps its client in providing service delivery on time.
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3.8. Lists of Hypotheses from Qualitative Assumptions

Following hypothesize were developed based on the assumptions:

Hypothesis 1:

H₀: Organization learning and growth created by Human Resource Outsourcing has no impact on organizational performance.

H₁: Organization learning and growth created by Human Resource Outsourcing has an impact on organizational performance.

Hypothesis 2:

H₀: Time and cost effectiveness created by Human Resource Outsourcing has no impact on organizational performance.

H₁: Time and cost effectiveness created by Human Resource Outsourcing has an impact on organizational performance.

Hypothesis 3:

H₀: Adverse effect on employees created by Human Resource Outsourcing has no impact on organizational performance.

H₁: Adverse effect on employees created by Human Resource Outsourcing has an impact on organizational performance.

Hypothesis 4:

H₀: Customers' perspective created by Human Resource Outsourcing has no impact on organizational performance.

H₁: Customers' perspective created by Human Resource Outsourcing has an impact on organizational performance.

CHAPTER 4

RESULTS & FINDINGS DRAWN FROM THE IMPACT OF HUMAN RESOURCE OUTSOURCING IN ORGANIZATIONAL PERFORMANCE

4.1. Introduction

In the findings and analysis part, there are two sections: First, to explore the current scenario of Human Resource Outsourcing in Bangladesh and second, hypothesis testing and analysis. In the second section, hypothesis testing and analysis are segmented into (a) qualitative findings and analysis and (b) quantitative findings and analysis.

This first part of the data analysis explores the current scenario of Human Resource Outsourcing (HRO) in Bangladesh. The study tried to show the Human Resource Outsourcing trend from inception to development, nature of Human Resource Outsourcing, components of HRO in the country. Then positive and negative experiences are shared by the HRO service takers. The study found that recruitment is the most demanded task in the Human Resource Outsourcing field of the country. Then comes the name of training and compensation and benefit development. Though this is an emerging field in Bangladesh being at its nascent stage, no authorized data are available regarding their number and nature of tasks. All information incorporated here is based upon an in-depth interview with Human Resource Outsourcing (HRO) clients. If proper policies are developed, Human Resource Outsourcing will grow as a business to achieve expertise in a hassle-free manner. Finally, a PEST analysis has also been done with particular reference to Human Resource Outsourcing services in our country as a part of vendor-client awareness making.

In the part of hypothesis testing, organizational performance is measured based on four variables.

4.2. Scenario of HRO in Bangladesh

In the last of 2005, many companies, especially private commercial banks, multinational organizations, and telecom companies began outsourcing significant portions of their recruitment (Hossain & Abdullah, 2017). It was the starting point of HR outsourcing in Bangladesh. Though there is no information about the first HR outsourcing firm in the country, there are about a hundred outsourcing firms providing HR services, and many are waiting for their inception. In Bangladesh, there are two types of Human Resource Outsourcing firms: some are generalists, offering a wide variety of services, like consultancy, etc., while others are specialists, focusing on specific areas such as payroll or recruiting outsourcing. HR outsourcing is classified into partial or full scales. In partial outsourcing, a client selects one or more HR functions, such as employee customer service, compensation, and benefits, recruitment, learning, payroll, or HR administration managed by an outsourced company. In full-scale outsourcing, a client outsources all the HR activities for the organization.

From the in-depth study of the HR outsourcing industry in Bangladesh, it is observed that outsourcing vendors offer a variety of services, like recruitment, selection, training, HR audit, payroll processing, etc. But the most dominating outsourcing services are headhunting, training and development program, and payroll processing. Discussion with the vendors explored that, in the Human Resource Outsourcing (HRO) industry, about 97% of firms are providing headhunting services. In contrast, 63% and 51% of firms offer training and payroll processing service, respectively (Figure 4.1).

Table 4.1

Some Well-Known HRO Service Providers and Their Working Areas

Company name & profile	Service areas							
	Headhunting & related tasks	Training	Payroll processing	Job analysis & evaluation	HR audit	Career planning	HRIS	Compliance & labor law
Monowar associates, 1994								
HR Bangladesh								
Grow & excel								
HR connections BD, 2006								
HR kites								
Talent centric								
HR services								
Consumark								
Corporate hub								
FDB Front desk Bangladesh								
ZN consultant								
HR rico								
First selection Bangladesh								
HR solutions								
BDO global								
Young consultants								
Optima HR solutions								
Lighthouse Bangladesh								
Business consulting services, BDO								
Yes private limited								
Ward academy for research & development								
A4 consultant								
e-zone limited								
HR@PO								
Manpower com bd								
Payroll HR								
Infinity HR								
Enroute business consultant								
People scape								
Knowledge Hub								
HR hub								
Bridhi								

ResponseBD								
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4.2.1. Contents of HRO in Bangladesh

HR outsourcing in Bangladesh is still at its nascent stage. Figure.4.1 shows the pattern of outsourcing services in the country and the nature of such services' demands. Figure 4.1 found that in the Human Resource Outsourcing (HRO) industry of Bangladesh, 97% of firms are providing headhunting-recruitment-selection and its related tasks, like the interview, publishing job advertisement, etc. In contrast, the second and third places are held by the training and payroll processing outsourcing estimated at 63% and 51%. Clients' demand for these services is also high for outsourcing clients is 84%, 50%, and 42%, respectively. Job analysis and evaluation are also getting importance to new organizations, which is about 2%. Today's young generation depends mostly on experts for their career planning, and guidelines accounted for 9%.

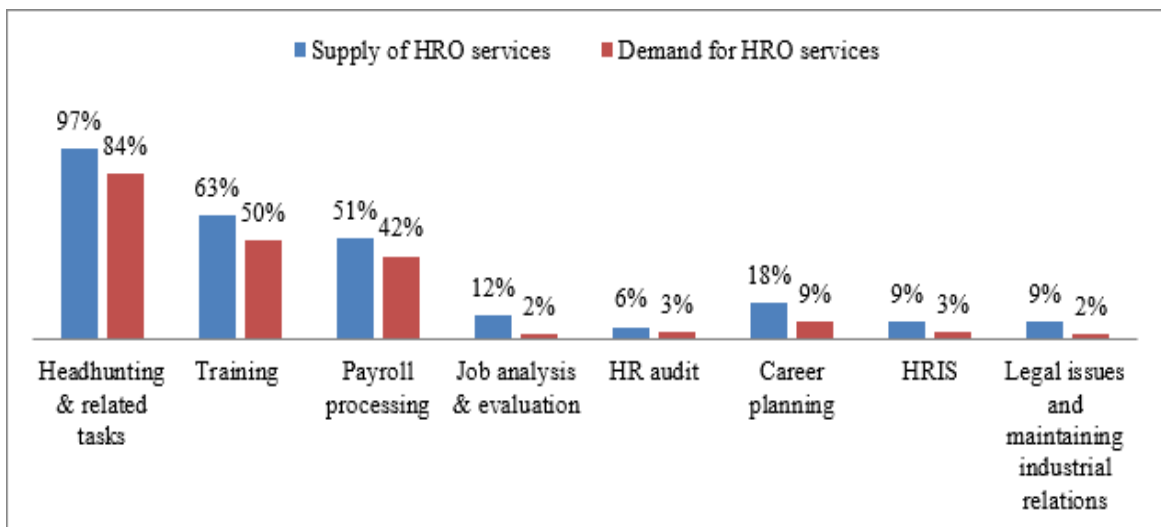


Figure 4.1: A Comparison Between HRO Content Coverage and clients' demands against the contents

Source: Interview with vendors

(a) **Headhunting, Recruitment and Selection**

Mostly international company branches and some multinational companies (for example, Nokia Siemens Networks, IBM, Novartis, and Coca Cola) use outsourcing for recruitment and selection. Generally, top-level, and lower-level managers, IT executives, marketing executives, care line representatives are recruited through outsourcing firms (Figure 4.2). To reach the candidates, the vendors have a large pool of CV banks. Very frequently, they use their networks to get the candidates. Sometimes poaching is used by the vendors to reach talented candidates, especially high-tech employees from the competitors. Headhunting firms hire both full and part-time employees. Though most of the vendor firms only make a liaison between the job seekers and the job providers, some firms undertake advertisements, shortlist candidates, background check, written and oral exams, medical tests, and at last, provide placement letters on behalf of the client organization. Based on different factors, a search can last from six to ten weeks. Technical criteria, candidates' personalities, charisma, communication skills, and experiences are the main criteria for choosing a candidate. The firms guarantee the replacement without any extra cost for the candidates who do not meet the clients' expectations depending upon the position.

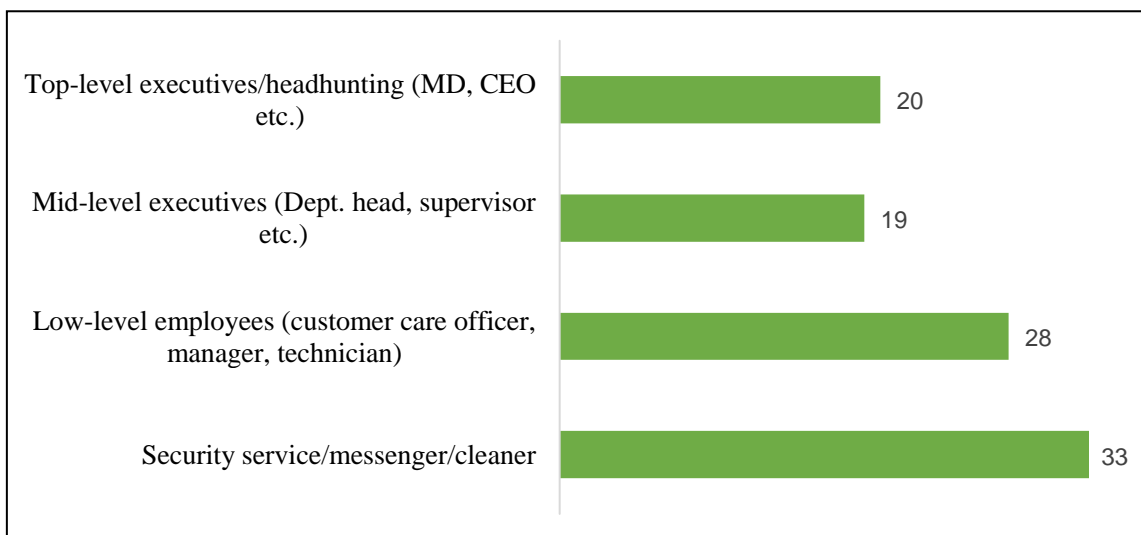


Figure 4.2: Level of Recruitment through Human Resource Outsourcing Firms

Source: Interview with vendors

The cost of searching for recruiting executives in Bangladesh depends upon the degree of difficulty of the respective recruitment. Generally, HR third party does not charge any extra fee from the client. Before the hiring, they develop an agreement regarding their fees or remuneration of service. At present, two types of agreement are in practice in the country; first, the client has to pay a specific percentage of the hired employees' salary to the third party as a service charge. For example, A client hires 50 employees from a third party at a salary of Taka.5000 each. According to the agreement, the client has to pay 5% of their first month's total salary. So, overall service charge of third party will be = $\text{Taka.}(5000 \times 50) \times 5\% = \text{Taka.}12,500$. In the second case, the vendor does not maintain any connection for service charge with the client; rather, the vendor charges a specific percentage from the outsourced employees' first-month salary. Suppose AB vendor-provided 50 employees with Taka.5000 salary to a client and the outsourced employees agreed that each of them has to pay 5% of their first-month salary. So, the service charge will be = $\text{Taka.}(5000 \times 5\%) \times 50 = \text{Taka.}12,500$.

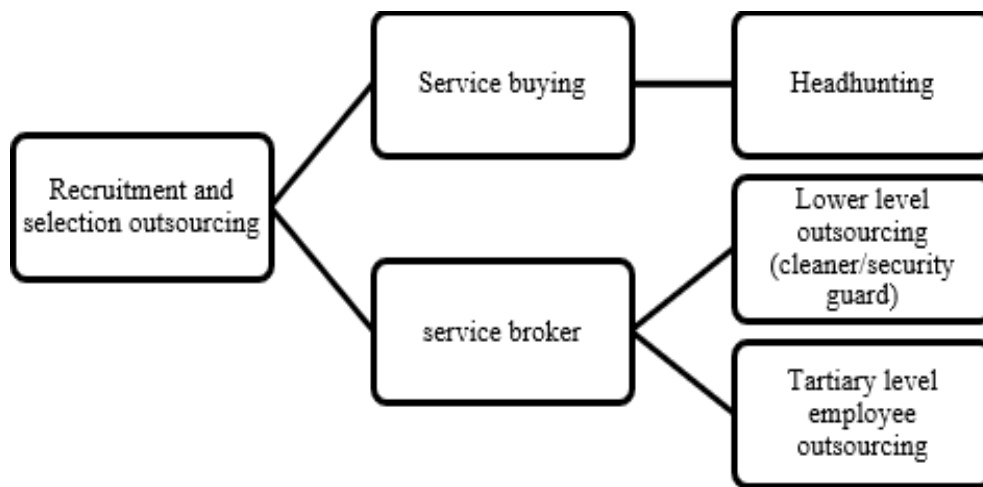


Figure 4.3: Nature of Recruitment-Selection Outsourcing Practice in Bangladesh
Hossain (2018a)

In our country, recruitment and selection outsourcing is divided into service buying and service brokers (Figure 4.3). In headhunting, top, and mid-level employees are recruited through a third party. In headhunting, the third party sells its services to the clients; after

selling the service, the seller generally has no responsibility. So, it is considered as service buying from the clients' perspective. But in case of recruitment of cleaner/ security guard or other employees (newcomers) or call center executives, the third party has the responsibility of maintaining payroll and sometimes the responsibility of replacement if required. It is called a service broker. A sample recruitment advertisement by a Human Resource Outsourcing firm is provided in Appendix A.

A flowchart (Figure 4.4) for recruitment and selection practiced by the outsourcing firm is given below:

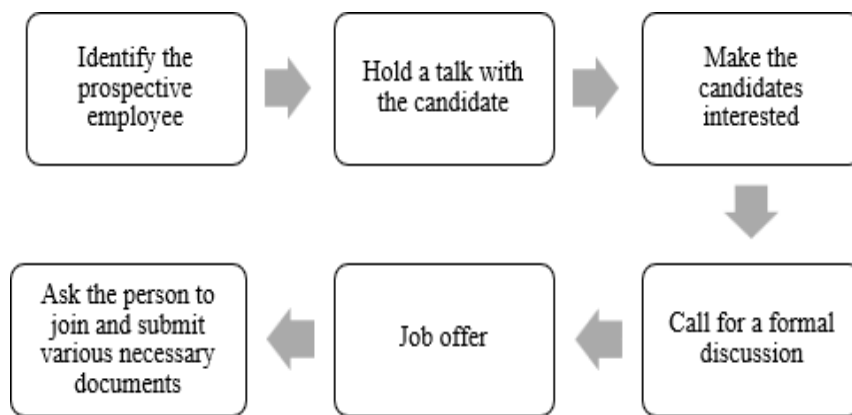


Figure 4.4: Skeleton of Recruitment Process by Human Resource Outsourcing Firms
Hossain (2018 a)

First of all, the vendor organization finds out or collects the prospective candidates through their channel and calls the candidates for the initial meeting, which will be undertaken to show the rules and regulations of registration with the third party. Mostly, candidates feel interested in third party services. After a formal discussion about candidates' experience, preferred job, and department, they get a call for the job interview. A successful interview leads them to their dream job after verifying the necessary documents (Figure 4.4). The Care-line officer, front desk executives, IT program coordinator, sales representatives, cash officer, HR staff, project coordinator, industrial engineer, and head of sales are some of the outsourcing firms' positions in Bangladesh.

(b) Payroll Processing

Payroll is another essential service provided by outsourcing firms in Bangladesh. Payroll processing service includes all financial records of salaries for an employee, wages and bonuses, tax withholdings, deductions from a paycheck, contribution in provident fund and gratuity, workers participation in company's profit, and other welfare facilities, and benefits, etc.

Outsourcing payroll operation to professional service providers ensures that foreign businesses are compliant with Bangladesh's compensation and taxation laws. Outsourcing payroll services prepare monthly employee payroll, deposit slips, payroll ledger, and expatriates' payroll in Bangladesh (with tax gross-up calculation) for their clients. As per requirement, they also make competitors' survey before developing a compensation plan for their clients. For medium-sized companies or organizations, in-house payroll management is effective and manageable, but it will increase the management cost considerably for small-size companies. Again, big organizations working with many employees need extra staff members to manage all payroll management with high expenditure on total payroll management. Outsourcing payroll management can be beneficial and cost-effective for both small and large companies. Outsourcing benefits and salary administration help an organization develop a salary structure for the first time or want to revise it. Organizations need to make an extensive competitors survey to build it- the third party can run it with its expertise at low costs.

(c) Training

Training outsourcing may take various forms: (a) individual learner contract with training institutes for regular training; (b) an organization recommends a group of their employees for training to a particular institute/expert; (c) many organizations hire consulting firm/firms to deliver training in the client's place. A large number of training institutes are available for professionals and freshers throughout the country. They offer IT-based training, managerial training, and so on. Individually, or recommendations from organizations, employees, join the training courses. WARD, BD jobs training, NIIT are

worth mentioning training institutes in Bangladesh. Demand is also increasing in labor law and compliance training. It keeps employers and employees updated and clarifies the comparative understanding of changes in Bangladesh labor laws for executives and managers responsible for managing human resources, industrial relations, and employee relations to ensure appropriate workplace applications. Such training provides practical insights regarding all aspects of Bangladesh labor laws and particular emphasis on Bangladesh labor (amendment) law 2016.

Besides, many organizations hire third parties or consultancy firms to deliver soft skill-based training. The duration of these programs is generally one or two days. Such training includes digital marketing, leadership skills, communication skills, career guideline, etc. Some consultancy firms also have their venue to organize the training program, and participants have to join with them in their place. CV writing, job preparation, presentation skill development, marketing and sales, and trainers training are such types of training. The number of participants in the training program varies from 100 to 500 as per their nature. Some organizations arrange training on hard skills, like, HR practices, KPI, Basic English knowledge, knowledge of EXCEL and power-point, etc. Some Human Resource Outsourcing firms provide entry to mid-level executives, including orientation course, foundation course, credit and risk management, time management, relationship banking and quality awareness, banking laws and regulations, Basel II accord, etc. Training programs, whether it is a soft skill or hard skill-based, follow some stages (Figure 4.5).

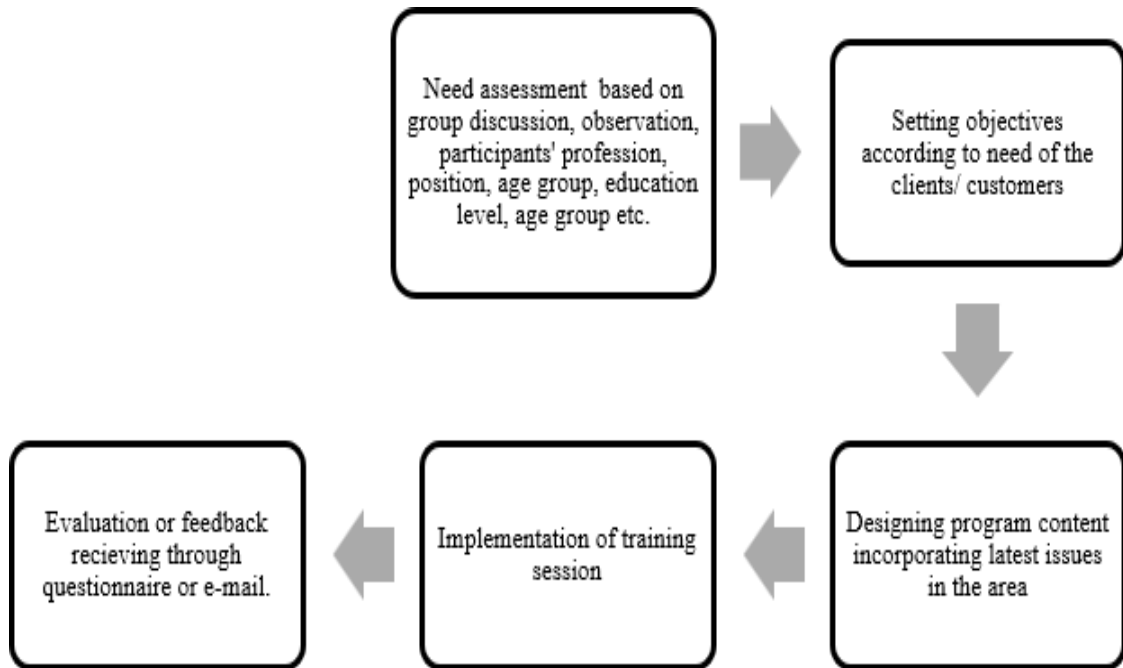


Figure 4.5: Training Outsourcing Stages

Source: Interview

The most considerable advantage of appointing a third party for training is that they are well equipped with their trainers and training modules, and contents are developed by their experts that are more reliable and effective than the in-house training. Alternatively, the absence of training modules for further use, too many participants, communication gaps with the trainer, too long, or too short sessions are some of the uprising opposing sides of training outsourcing in the country.

(d) Labor Law and Compliance

Tragedies, one after another, galvanized the world's attention around worker safety, especially in the country's garment sector. Understanding and upholding labor law and compliance are now given importance by many of the owners of the garments and other manufacturing organizations. Besides providing training on this, the outsourcing firms are providing additional services like understanding different modes of employment separations, understanding misconducts and its classifications, disciplinary actions & domestic inquiries, handling of grievances, variety of workers and their differences,

conditions of service & employment, working hours/ overtime entitlements and calculations, annual leave/ other leaves and holidays, maternity benefits and payments, fire & safety provisions and accident preventive measures, etc.

4.2.2. Components Wise Importance in Hiring 3rd party

Though there are many reasons for using HRO, like cost and time minimization, reducing risk, efficiency, employee development, etc. in Bangladesh, most of the organizations are using outsourcing for two reasons. The most apparent benefit of outsourcing human resource functions is saving the organization money through cutting costs. Setting up an in-house HR department needs plenty of back-office expenses, which do not generate any new revenue throughout the year. Also, a fully functioning HR department needs highly trained staff and extra office space, all of which can cost huge sums of money. HRO reduces costs in the following ways: (a) it saves operating costs, (b) it improves compliance, which reduces legal risk, (c) HRO reorganizes HR functions, (d) Human Resource Outsourcing helps to focus on one's core business, which ultimately reduces wastage, (e) it also reduces the number of HR staff and the cost of maintaining them, and the last is (f) it also reduces the cost of investment in technology investment. The second benefit from Human Resource Outsourcing in Bangladesh is it provides more expert work than an in-house HR department. It happens in the following ways: (a) Human Resource Outsourcing allows using the expertise of vendors, (b) it provides consistent and improved services, and (c) it provides access to vendor's technology (Table. 4.2):

Table 4.2

Rationale of Taking HRO Services from Vendors in Bangladesh

Sectors	Importance
Recruitment/selection/headhunting	Low cost Less uncertainty regarding quality Facility for replacement in case of turnover
Training	Recent and demanding training topics are easily recognized Easy access to skilled trainers Easy access to large numbers of candidate pool Availability of training venue with the help of third parties
Compensation and benefit plan	Competitors' strategy can easily be identified New policy can be included with higher expertise
Compliance and labor law	Keep updated with recent labor law and compliance policy of the country
Human Resource (HR) audit	To identify the gaps, lapse, irregularities, shortcomings, in the implementation of the policies, procedures and practices of human resource department and to suggest remedial actions To know the factors that are harmful to the non-implementation or wrong implementation of the planned programs and activities
Human Resource Information System (HRIS)	Use and easy access to update technology Low cost
Performance appraisal	Maintains transparency in performance management

Source: Interview

4.2.3. Features of Organizations Influencing HRO Decision in the Country

Being an essential part of an organization, HR outsourcing decisions and its success depend upon organization size, nature, structure, and environmental context. The

organizational structure includes the size of the organization, its maturity level, and the heart of the organization. On the other hand, the business strategy includes Porter's business strategy: cost leadership, focus, and differentiation strategy. Further, HR strategies, like accumulation, facilitation, and utilization strategies, are also analyzed as an impact factor of Human Resource Outsourcing (HRO) decisions. The connection of the elements of the organizations in Human Resource Outsourcing decision making in Bangladesh is summarized below:

a. HRO and Size of the Organizations

According to the Bangladesh Bank definition, organizations having a minimum of 250 employees are considered large organizations (Table 2.17). Some medium-sized organizations and MNCs have 250 employees. So both of them are regarded as a massive organization in the country. As the numbers of MNCs are very few in the study, the medium-sized organizations are also included in the extensive organization list with MNCs. In the study, from 30 client organizations engaged in outsourcing (Table 3.1), the numbers of MNCs are five within which three come from the telecom industry, and the rest of two are from private commercial banks. Twelve medium-sized organizations with the number of employees are of a maximum of 100. Seven organizations are found with 30-45 employees who are not enlisted as a small or large organization but do outsourcing in a limited context. Six small organizations are found who use outsourcing on an irregular basis, precisely once or twice in their company lifetime. So, it is found that 57% of organizations are engaged in outsourcing regularly, which is medium to large size organizations. On the other hand, only 20% of small organizations outsource any of their work once or twice and do not confirm whether to outsource again. 23% of organizations do not fall any of the three categories of organizations: micro, small, medium, and large but are doing outsourcing regularly (Table 4.3).

Table 4.3

Different Types of Organization and their HRO Nature

Types (size)	Number of organizations	% of organizations engaged in HRO	Outsourcing nature
MNC	5	17	} 57% ————— Regular
Medium	12	40	
No category	7	23	Regular
Small	6	20	Not regular

Source: Interview

So, it is found that larger organizations outsource more frequently than smaller organizations. The high-profit motive, large working capital, and easy maintenance of non-core activities are reasons for using outsourcing in large organizations. MNCs (being a large organization) for using Human Resource Outsourcing in Bangladesh are discussed in the point'. To avoid the hassle of trade unions developed by the internal employees, some large organizations are going for Human Resource Outsourcing. Again, large to medium-sized organizations take training and compensation outsourcing frequently to avoid hassle and ensure quality. Large organizations also take 'HRIS set up' decisions by the 3rd party, which cannot be thought of by the small organization due to cost factors.

b. HRO and Ownership of the Organizations

In the study, nine government organizations are reached using HR outsourcing, which is only 30% of the total sample size. Dependency on public organizations' HR outsourcing is limited to non-managerial level, like, driver, cleaner, security guard, etc. accounted for 94% (only 7 in number). Public organizations outsource such types of employees by asking for outsourcing tender. The rest, 6% (only 2 in number) of public organizations outsource officers like account officers or other temporary officers. Findings suggest that public organizations do not rely more on outsourced employees are due to confidentiality issues. Government organizations believe that if managerial posts are outsourced, it would be susceptible to share internal information with the competitors through third parties. Another reason is the availability of an adequate budget and time to implement the plan.

Public organizations generally do not focus on the 'cost minimization approach' like private organizations. As they have an adequate budget and get considerable time for recruitment to implement any other plan. Again, the government organizations create many experts through their extensive training programs absent in the private sector. So government organizations need not hire a third party. The study also revealed that some outsourcing organizations hire trainers from government organizations for training outsourcing services.

On the other hand, 74% of private organizations, including MNCs, rely on Human Resource Outsourcing, especially for regular recruitment, 19% for regular basis training, and 7% for infrequent HR outsourcing. Private organizations face continuous pressure from their authority to increase productivity through cutting costs and saving time. At the same time, to ensure quality, private organizations have to rely upon a quality vendor. If requires, as discussed earlier, the third-party combines experts from various sources as per clients' demand.

In this way, government organizations depend on the third party to a small extent. So, private organizations are engaged more in HRO than public organizations (Figure 4.6).

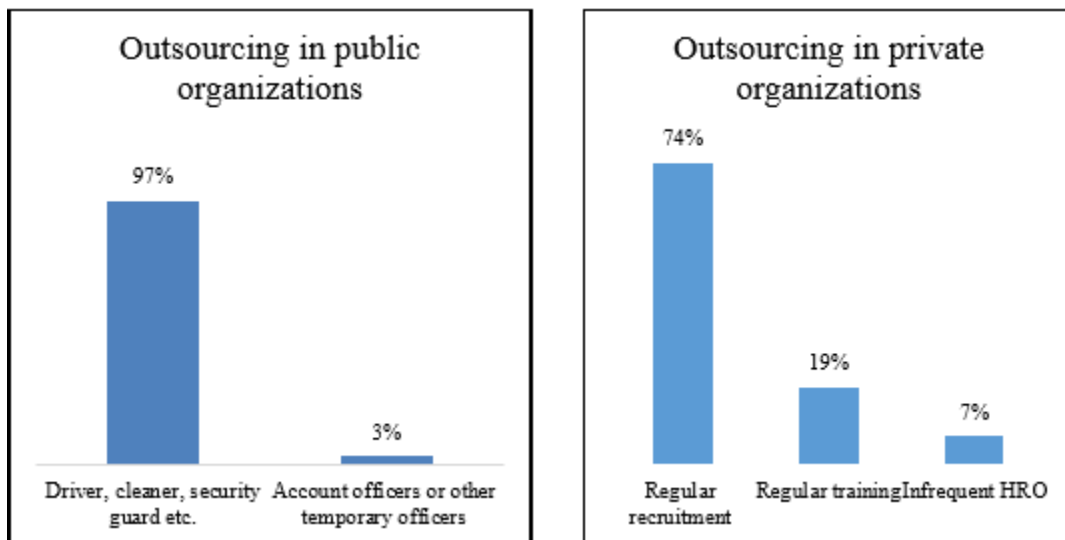


Figure 4.6: Situation of HRO In Public and Small Sized Private Organizations
Source: Interview

c. HRO and Organizational Maturity

Literature is not adequate for the nature of the mature organization. But generally, an organization can be matured based on the length of work in the industry or the nature of the work the organization delivers. For convenience, organizations with an age of 20 years and more are considered matured organizations in this study. 44% (22) organizations from the sample organizations are found as matured. All the 22 matured organizations are engaged in the tertiary level of outsourcing, like- security guard, cleaner, or messenger. But only five matured organizations engaged in mid-level employee outsourcing.

On the other hand, among the 28 new organizations, only 18 organizations that are 64% of new organizations are engaged in both tertiary and managerial level Human Resource Outsourcing. So, it is found that the engagement level with HR outsourcing of new organizations is higher than the old organizations. Actually, outsourcing decision not only depends upon the maturity level of the organization but also on the types and nature of works. Government/public organizations have a lower need to outsource due to their fund and expert availability. Again, for an IT organization, it is tough to get experts at low cost by the client organization solely, so they depend upon third party. Owing to globalization, flourishing the subsidiaries of MNCs' subsidiary in our country is increasing. Such new organizations have a lack of cultural orientation in our country, so they rely on more 3rd parties. It is also revealed that generally matured organization works traditionally, they do not like to take the challenge. An outsourcing culture creates some challenges in any organization, like, working nature and environment, employee satisfaction level, etc. In Table 4.4, it is observed that maximum matured organizations are engaged in the tertiary level of outsourcing only. So it is said that both types of organizations are engaged in Human Resource Outsourcing, but matured organizations are more in tertiary level outsourcing, and new organizations are more in managerial level outsourcing.

Table 4.4

Percentage of Human Resource Outsourcing Decision by Matured and New Organizations

Sample size 50 organizations		Outsourcing tertiary level	Outsourcing managerial + tertiary level
	Matured organization (22)	22 (100%)	5 (23%)
New organization (28)	8 (29%)	18 (64%)	

Source: Interview

d. HRO and Management Style of Organizations

The study gave similar results to the previous studies discussed in the literature. Among the five MNCs, three are mobile companies, and the others are banks that are examples of service based MNCs. It is already shown that (Table 3.1) MNCs are engaged more in HRO irrespective of their position and types. The first reason is the cultural difference as the MNCs lack a proper understanding of the host country's culture and people. Second, the tendency to focus more on core activities than the local organizations underpin MNCs to hire a third party. They want to avoid the hassle of non-core activities by rendering these duties to outsourcing firms. Both private and public organizations are included in local organizations. Similar MNCs, the local organizations, whether it is public or private, cannot think strategically. As government patronizes the public organization, they need not be the highest revenue earner. Many of them stay at the 'cash cow' level of the BCG Matrix, where they have a high market share with low market growth. Some of them monopolize the market and exercise a high entry barrier for the competitors. So they do not feel about undertaking outsourcing services that can give them high quality and cost-saving service. Uneven Human Resource Outsourcing practices are also present in some private organizations due to lack of finance, a high value of confidentiality, and a proper understanding of the matter. In this way, it can be said that MNCs rely more on Human Resource Outsourcing than local organizations, including both private and public organizations.

e. HRO and Strategic Concern

In this study, utilization, facilitation, and accumulation- these three HR strategies are used due to easy understanding, acceptability, and evident cohesion with country company culture. In Bangladesh, it was very tough to identify the business strategies and the HR strategies the organization involves due to confidentiality issues and information gaps.

The study revealed that about 39% of organizations undertake HRO with the intention of cost-saving. Such organizations outsource the recruitment part; they outsource the non-core employees at low cost. Care-line officers, security guards, drivers, cleaners are also hired in large numbers at a low price; employees are also paid a lower salary when engaged by the third party. In one of the studies, the author (Hossain, 2018a) revealed that an organization could save Taka. 5,85,000 in the maintenance cost if the third party maintains its whole HR activities. However, recruitment and selection are not always directed by the cost reduction motive. 2% of organizations hire mid-level to higher-level employees through a third party to ensure quality service for the customers; it is also familiar as headhunting; organizations following differentiation strategy use this platform. The second demanding outsourcing task in Bangladesh is training that is undertaken to get a quality trainer. This is also the strategy of service uniqueness.

Table 4.5

Summary Table for the list of Different Strategies Followed by Organizations and HR Department for HRO

	Utilization/ cost leadership	Facilitation/ differentiation	Accumulation/ focus	Avoiding hassle & stay risk-free	Follow competitors' strategy
Public organization	√				
MNC	√	√			√
Large private organization				√	√
IT firms	√	√		√	
Small firms				√	

Source: Interview

HR-related tasks are non-core functions for many IT firms, recruitment, training, etc. So, to be risk-free and avoid the daily hassle of these tasks, third parties are hired. They also depend on the third party to meet the IT experts. In Bangladesh, though they started hiring the third party with a cost-saving approach, the telecom companies are now extending their outsourcing journey to quality ensuring approach and cost-saving by differentiating their network services. Such organizations work with more than one strategy when engaging in outsourcing. The scope of compensation and benefits outsourcing service is comparatively limited in the country. 4% of organizations, especially MNCs and some large private-owned firms, need vendors to adjust to competitors' strategy. Small organizations with small working capital also depend upon the third party, very infrequently, as they have no HR department and want to avoid the hassle of maintaining HR staff; do not hold a specific strategy.

Most of the country's organizations are backed by the intention to cost saving for outsourcing non-core activities. Organizations that require extensive quality service use differentiation strategy and outsource HR services. In this research, organizations that are using outsourcing to satisfy the focus strategy was not found. The potential reasons for it can be a small sample size and limited HR outsourcing services in the country.

Organizations working with differentiation strategy follow the facilitation strategy for their HR. To collect the top-level employees who can make a unique organization, one utilizes the highest pay structure and incentives. With the help of a vendor organization, a client organization sometimes uses 'employee poaching' from the competitors. The job may be permanent or contractual. In the case of the unavailability of quality employees, contracts are extended. In this way, human resource outsourcing differentiates its clients from others.

Table 4.6

Summary table of Organizational Determinants and HRO Decision

Determinants	Decision
Size of organization	Large organizations outsource frequently than small organizations.
Ownership of organization	Private organizations are engaged more in HRO than public organizations.
Maturity level of organization	Matured and new, both types of organizations are engaged in HRO, but matured organizations are more in tertiary level outsourcing and new organizations are more in managerial level outsourcing.
Management structure of organization	MNCs rely on HRO more frequently than the local (private & public) organizations.
Strategic concerns within firms	Relying on HRO is higher in firms where HR is involved in strategic concerns within business.

Source: Interview

4.2.4. Malfunctions of HRO in Bangladesh

The concept of Human Resource Outsourcing (HRO) is new in Bangladesh. Proper understanding has not developed yet in the mind of both service takers and providers. Besides, obstacles from the client-side and legal loopholes make outsourcing services challenging. And for these reasons, the path of outsourcing various HR functions is not

very easy. As it is a new practice, both clients and vendors experience new and negative issues in their day to day transactions. These negative experiences came from two sources: a) Obstacles related to laws and legislations, and the other is b) Obstacles related to vendors and clients. They are shown in Figure 4.7.

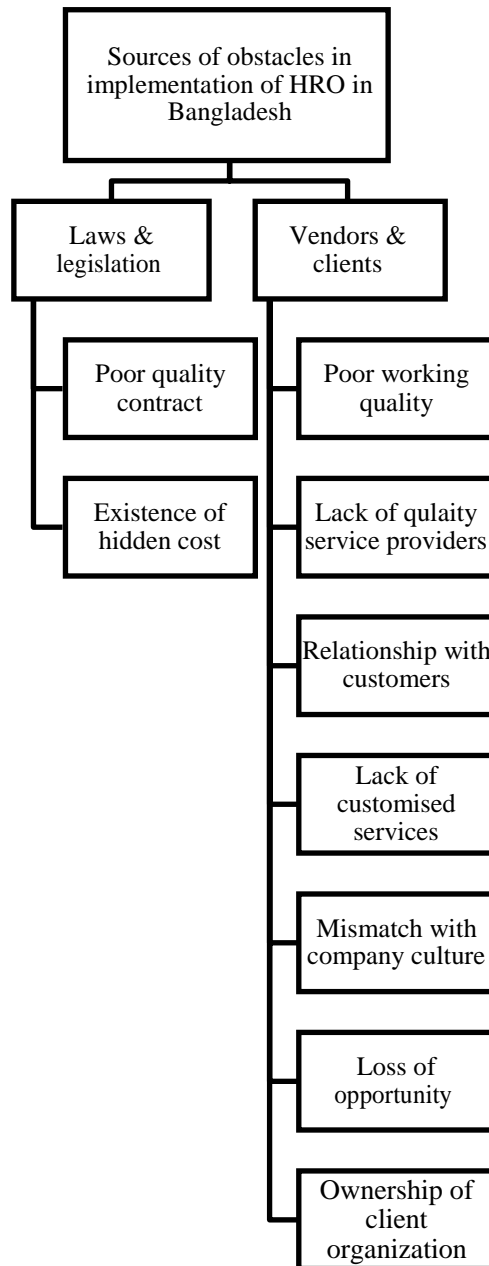


Figure 4.7: Sources of Obstacles in Implementation of Human Resource Outsourcing in Bangladesh

Source: Interview

4.2.4.1. Obstacles from Laws and Legislations

(a) **Poor Quality of Contract:** A contract made between a vendor and a customer always not right in quality, not transparent according to expectation. Sometimes rules and regulations and conditions are not written down properly in the contract. In developing an outsourcing contract, the following issues must be present: i) introduction of both parties with clear understanding, ii) a detailed explanation of the service required from both parties, iii) the rights of the parties, iv) steps to be taken in an unexcused failure and v) end signature of both parties. In the absence of these features, the outsourcing contract will become unhealthy. Following are the two examples showing the financial loss of the client resulting from the flawed outsourcing contract:

Case 01:

In 2005 Mr. and Mr. B (both names kept hidden) signed an outsourcing contract between themselves. Mr. A was the representative of the vendor and Mr. B was of customer. After few days of signing contact, it was revealed that Mr. A was not a member of vendor and made financial loss to the customer.

Case 02:

In 2008, a contract was developed between an IT consultant Y and an outsourcing firm Z (the names kept hidden) in Dhaka city. Y ordered for 50 care-line officers from Z where the qualities of the candidates were not written down properly. When Y received the candidates their expectation did not match. After waiting for 2 months, Z replaced the employees as per their expectations.

(b) **Existence of Hidden Cost:** There are many hidden costs in the contact, including bargaining costs, monitoring costs, costs from currency fluctuation, costs of technical maintenance, cost of outdated outsourcing strategy, cost of unforeseen risks, cost of poor or substandard quality, etc. These are not described adequately while making

contact. For example, several executives even instructed that "X levels of outsourcing are achieved by Y date" without any analysis at all. Moreover, companies become confused about the difference between price and total landed cost, and they failed to consider all of the cost factors associated with outsourcing. These hidden costs typically add up to somewhere between 14 percent and 60 percent of the purchase price. The study suggests that many organizations in Bangladesh are still far from outsourcing decisions because of hidden costs.

4.2.4.2. Obstacles created by own resources

(a) Poor Working Quality: The top risk of a service provider is its low working quality.

Like other business organizations, the outsourcing company is also motivated by profit. Since it is a fixed price contract, the only way to increase profit is to decrease expenses. To reduce the costs, sometimes both parties compromise their quality. 56% of respondents agree that there is a lack of good quality HR outsourcing firms in Bangladesh. And to maintain quality, 44% of clients have more than one vendor at the same time. When vendors' quality of service is deemed unsatisfactory, an alternative solution's cost increases and any immediate improvements may be difficult to materialize. In the country, there is no ISO certified quality outsourcing firm. While undertaking HR audits in the client organization by the third party, quality cannot be appropriately managed because of pressure from authority and management. In our country, very frequently, a client organization's government wants such a report from the auditors that shows no discrepancies.

(b) Lack of Service Providers: As the outsourcing business is still in the inception stage, there is a lack of quality service providers. Some of them also lack expertise. In our country, at present, there are only 8-10 service providers who can provide quality services. They have created a monopoly in the market. They are the price maker, and the clients have no option if they want to ensure quality. Service providers agreed that there is no authentic list of HR outsourcing firms in Bangladesh.

- (c) **Relationship with Customers:** Maintaining a good relationship is an integral part of an outsourcing agreement. Sometimes this relationship is hindered because of continuous poor-quality service, failure to outcome delivery, and lack of business knowledge of the vendors. This situation is not a common issue, but not also exceptional, told by the 10% respondents.
- (d) **Customized Services:** As the vendor has to work with many firms, some vendors tend to provide standard products instead of customized ones; they deny adding customized features as per customers' needs. The example applies to setting HR software in the case of HRIS outsourcing. In benefit outsourcing, the vendors also have their pre-set customized packages, and sometimes their packages include unwanted elements, too, ensured by the 33% clients.
- (e) **Loss of Opportunity:** Loss of opportunity to get experience in the labor market is one of the dark sides of recruitment outsourcing practice. The general nature of recruitment outsourcing is vendors select the candidates' details on behalf of clients and send them to clients. The clients never get the CV bank or details created by the vendor for the job position. So, the client has to depend upon the vendor for every hiring again and again. In the opposite situation, the client would recruit directly. After each selection, the client may keep the details of prospective candidates for further use.

4.2.4.3. Obstacles created by clients

- (a) **Mismatch with Company Culture:** Though it is not very much evident in outsourcing within the same country, sometimes employees provided by the vendor are not matched with the client company. According to the vendors, about 5% of clients scare the mismatch with company culture. Public organizations avoid outsourcing because of this culture.
- (b) **Ownership of client organization:** It also influences the quality of work of a vendor. A vendor engaged in service, providing both for a domestic and international country, gets the two's differences. From the interview, it is found that international organizations are more cooperative than that domestic. The detailed interview is added in case 3.

Case 03:

I have served the industry as a freelance recruiter for 3 years (mostly in the ICT industry) and later found my own consulting firm and work with a low profile but with high end clients. I have one US based client whose head office is in San Francisco; California and they are of my major clients. Other than them, I have worked and still am working with a few local companies with whom I have faced some challenges. Some of those are disclosed here:

1. Information Gap: Clients are always busy and they are reluctant to provide us with a complete and proper Job description. Sometimes they tend to just mention the job title and give the salary range. All other details we have to collect from them with a lot of effort most of the time. Some clients submit a proper JD but with a lack of information and very typical copy-pasted ones. So getting the PROPER JOB DETAILS is a challenge.

2. Delayed feedback: Most of the time, our local clients push us for submitting some good resumes within a very short deadline, but after we submit the resumes, their screening part becomes very slow sometimes. They sometime take months to process (they probably keep the resumes unopened for weeks!).

3. Placing work order but not hiring from us at all: Sometimes our clients casually place work orders and we deliver CVs on time, but they hire from other sources. So all our effort goes in vein. This can take place because in Recruitment outsourcing industry the practice is to follow a "no hire-no pay" policy! So they have nothing to lose if they place an order/requirement to 5 different firms.

4. Negotiation before payment: Another problem is the clients sometime try to negotiate AFTER our candidate gets a job placement with them. Usually, we mention the service charge in our terms & conditions document which they signs after mutual agreement and then we proceed. If we knew that they are not willing to pay our service charge then we may not have taken the case at all. So this adds some embarrassment and adds up some unnecessary conversations in the end.

These are the major challenges that I have faced in past 5-6 years of this service. But my foreign clients and some decent local ones are very professional and quick in every exchange.

*By the Chief consultant
X HR outsourcing firm*

(Name of the vendor intentionally kept hidden)

4.2.5. Future Potentials of HRO

HR itself is also locked in a debate over its future (Hesketh, 2006). Though an organization may have different strategies and performance models, all are related to Human Resource Outsourcing somehow. In Bangladesh, though there are various mixed feelings regarding Human Resource Outsourcing (HRO), there are also several reasons underlying the future potentiality of Human Resource Outsourcing.

- a) **Critical vs. Peripheral Point of View:** In the past days, an organization was engaged both in core and non-core activities. But nowadays, they think more strategically. Organizations do not want to be ‘multi-dimensional’ my own. They want to focus on their core areas from which competitive advantages can be achieved and deliver peripheral activities to third parties. Using the outsourcing concept, the organization can differentiate and work differently based upon the core and non-core activities.
- b) **Cost Minimization:** Interview with the clients revealed that outsourcing could minimize operational costs by 50%-70% of the organization by providing services at a shorter period using their expertise. Besides, many fixed costs may turn to variable costs, like keeping unnecessary employees has reduced with the inception of outsourcing. As organizations always try to reduce their costs without compromising quality, outsourcing is a good option for organizations in the future.
- c) **Risk Evasion:** With the increasing number of business organizations, business risks are also increasing. Though all the risks cannot be evaded, some risks can be measured and avoided; like loss of employee turnover risk, the risk associated with industrial relations, employee collision, etc. As the vendor takes responsibilities for the employees provided by them and replaces them if anything unexpected happens and clients need not calculate hiring cost, orientation cost for new employees, etc. which ultimately saves clients time and money. Again, outsourced employees have no power to form labor unions and trade unions, which are the source of disturbance in the organization. In this way, clients can escape their risks to their vendors, third party.

4.2.6. PEST Analysis of HRO Industry in Bangladesh

A PEST analysis is a strategic business tool used by organizations to determine, assess, establish, and track external factors of a business that can impact the business environment at present and future. To use PEST as a form of industry analysis, four components need to analyze that are:

Political analysis (P): The human resource outsourcing vendors pay 5% to 7% taxes to the government, huge for some new, struggling organizations. There are very few government-enlisted service providers in this industry. Even there is no list of the human resource outsourcing firms to the government. The vendors do business under the criteria of service organizations. There are no specific criteria for outsourcing firms to operate a business. The process makes the business run business easily without complex documentation.

Economic analysis (E): For inception, such firms do not require too much investment. A service charge of human resource outsourcing firms is satisfactory. Though many organizations in western countries experience hidden costs, in Bangladesh, its rate is zero. When outsourcing firms work with human resource information systems (HRIS) outsourcing, they sometimes lack funds to bring unique technologies.

Social analysis (S): Physical structure of the firms are attractive and updated. The demand for human resource outsourcing services is increasing day by day, and most of the clients are satisfied with their quality services. But the opposite is also viewed. The category of services is more or less similar to all firms. Human resource outsourcing firms are mostly Dhaka based.

Technical analysis (T): The quality of outsourced employees are not satisfactory. Very few organizations follow a rich website that provides full information to the clients for the service.

Opportunities derived from PEST analysis: As the demand for human resource outsourcing is increasing day by day with business growth in the country, new and unique services with the existing services will create opportunities for the vendors. Competition in this market is still low, so there is an excellent opportunity to position clients' hearts by

giving quality services. Investments in this business also provide a remarkable return to the stakeholders.

Threats derived from PEST analysis: A little dissatisfaction can bring a curse for a business. Dissatisfaction created from the human resource outsourcing service must be mitigated as soon as possible. Without proper guidelines from the government or other stakeholders can destroy the economy of the business.

4.3. Analysis of Qualitative Data

Deductive codes were used to develop transcriptions from the interviews. These codes came from previous literature, pilot study, or from the researcher's knowledge that he was interested in analyzing. Deductive coding is also called concept-driven coding. Four variables are developed for deductive coding to measure organizational performance due to the outsourcing of HR. These variables are:

- (a) Organizational growth & development
- (b) Cost and time effectiveness
- (c) Employee commitment and
- (d) Customers' perspectives

However, the analysis of qualitative data follows 5 phases (Figure 3.3):

They are now discussed below:

Phase 1: Organizing of data and interview

For the research, 30 respondents were selected, where 8 are Head of HR, and the rest of 22 are senior HR executives of various organizations. Their brief details are given below (Table 4.7):

Table 4.7:
Organization of Respondents

Topic of interview	No. of interview	Respondents
Impact of human resource outsourcing on organizational performance	1	Senior HR executive, Infra-structure development company
	2	Senior HR executive, Infra-structure development company
	3	Senior HR executive, Commercial bank
	4	HR head, Food & Beverage
	5	Senior HR executive, Food & Beverage
	6	Senior HR executive, Commercial bank
	7	Senior HR executive, Telecom company
	8	Senior HR executive, Telecom company
	9	Senior HR executive, IT firm
	10	HR head, Food & Beverage
	11	Senior HR executive, Food & Beverage
	12	Head of HR, IT firm
	13	Senior HR executive, Prime Insurance
	14	Head of HR, Insurance company
	15	Senior HR executive, Insurance company
	16	Head of HR, Commercial bank
	17	Senior HR executive, Mobile company
	18	Head of HR, Insurance firm
	19	Senior HR executive, Commercial bank
	20	Senior HR executive, Telecom company
	21	Senior HR executive, Infrastructure development company
	22	Senior HR executive, Commercial bank
	23	Head of HR, Garment & related company
	24	Senior HR executive, IT firm
	25	Head of HR, Infra-structure development company
	26	Senior HR executive, Garment & related company
	27	Senior HR executive, IT firm
	28	Senior HR executive, Garment & related company
	29	Senior HR executive, Garment & related company
	30	Senior HR executive, infra-structure

Phase 2: Finding and segmenting organizing ideas and concepts (coding)

The Table 4.8 presents the codes gathered from the thirty transcripts. For easy understanding, codes are segmented into outsourced services, positive and negative experiences by the clients, the impact of outsourced work on organizational performance, and suggestions from the respondent.

Table 4.8:
Segmenting and Coding of Ideas Collected from Transcriptions

Impact of Human Resource Outsourcing on Organizational Performance						
Codes	<i>Segment</i>	<i>Outsourced service</i>	<i>Positive experiences</i>	<i>Negative experiences</i>	<i>Impact on organizational performance</i>	<i>Factors need to be improved</i>
	<i>No of interviews</i>					
	1	HR dept.	Maintenance cost		Cost minimization	Professionalism, service charge
	2	HR executive	Cost and time effectiveness, hassle-free, se service quality		30%-50% hiring cost is saved,	
	3	Cleaners & messengers	Cost competitive, employee replacement	Average quality	Core work	Trustworthiness, quality of work
	4	Non-managerial posts, like, customer care & sales executive	Reduce wastage, saves time & money, core work		Time & cost effective, error free	Quality
	5	HR staff	Time saving, cost & hassle		Time saving, cost reduction, hassle free	
	6	Credit card officer		Salary structure		
	7	Care-line officers, security guard	Less costly and risk free	Insecure job		Proper monitoring
	8	Care line staff security staff	Quality work, time saving	Customer complaints, lay-off	Customer trust	Rigorous training, new performance standard

9	IT officer	Time saving, core work	Salary structure	Image of organization, poor morale of employees	Salary structure
10	HRIS, Security service	Customized service, good quality, & secured		Paper-free work, customized service	
11	Customer care department	Hiring cost, easy, and free replacement		Hiring cost, hassle-free	
12	Managerial level-headhunting, IT employee			Expertise	Poaching, high charge, more vendors
13	HRIS Benefit service	Customized service, new ideas, maintenance cost		Updated technology, cost reduction, positive image	
14	survey associates	Easy to recruit, time saving	Work quality		
15	Salary & benefit		Time & money consuming	Employee inequality	
16	Officers		Employee dissatisfaction, working quality	Negative image	More services
17	Care line entry level officer	Cost save from salary & benefit	Employee dissatisfaction		Quality, timely service.
18	Officers	Good with customers, trustworthy		Retain customers	More services
19	Officer, accounts officer, cash officer	Time frame of hiring		Prompt service	
20	Care line officer	Competition within employees	Unhappy internal employee, poor service quality, customer complaints	Cost & time saving, opportunity to work for more employee, loss of customers & their trust	Good providers, costly providers
21	HRIS	Hazard-free		New technology, hazard-free	Hidden cost
22	Non-managerial services			Not connected	Not worthy to hire for hire positions
23	security staff, technicians	Expertise		Saving time and getting work on time, expertise	
24	Security staff and people engage in product	Expert work		Saves time, makes tasks easier, quality	Important

		promotional activities				
	25	technicians, computer operator etc.	Average quality	Charge is high	Saves time, reduces risk to collect unknown people, quality	A good option for organizations lack in proper networking for hiring people
	26	Training service	Employee development	Cost is high	Employee development	
	27	Performance appraisal of employees			Transparent evaluation of employees	
	28	Technician, engineer, supervisor	Core work		Saves time	Quality of work, high service charge
	29	Training services, Security staff	Saves time, rich in quality		Updated, quality	New subjects for training, longer but impulsive training
	30	Head hunting service		Price is high		Supply of vendor
<p>New words:</p> <ol style="list-style-type: none"> 1. Poaching 2. Discriminatory salary structure 3. Number of vendors need to be increased 						

Phase 3: Finding overarching theme

The most frequently used word in transcription was working quality, cost and time saving, technical cost, data set, salary and benefit, employee satisfaction, job insecurity, etc.

Phase 4: Reliability and Validity Test

Discussed in methodology chapter.

Phase 5: Developing summary

Among the segments, the impact of outsourced activities on organizational performance is the research objective. Responses or codes collected in this segment was developed under pre-determined variables. The respondents' factors as indicators of corporate performance are cost-effectiveness, time effectiveness, hassle-free or less risk in work, quality of work, the trust of the customers, employee satisfaction, employee development, and technical development, etc.

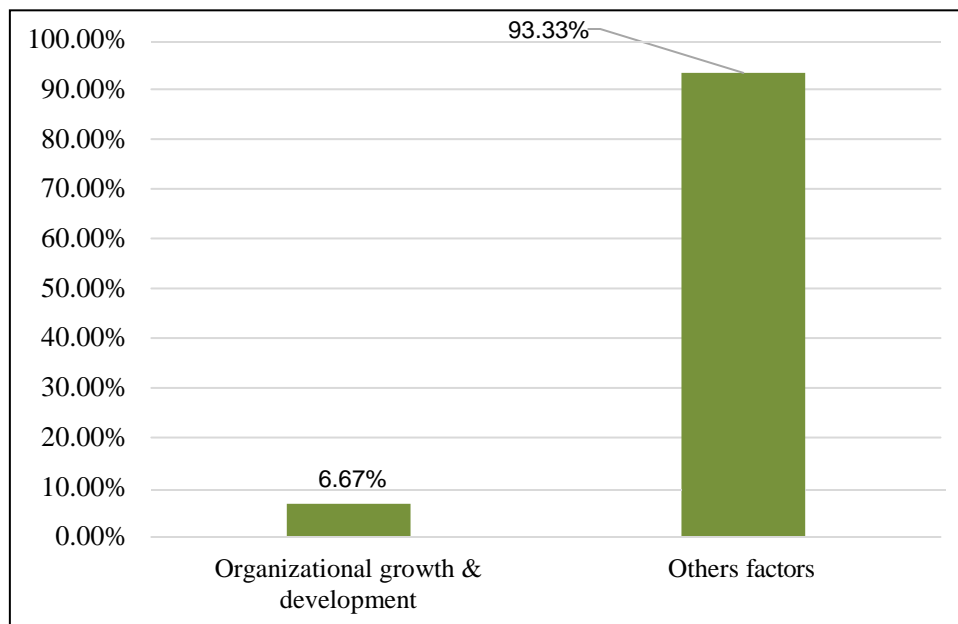
The summary of the variables are discussed below:

(a) Variable 1: Organizational growth and development

Organizational growth and development are achieved by utilizing an organization's ability to change and improve (Garrison et al., 2012). In Bangladesh, the outsourced services are not generally creative in nature; even outsourced employees need not show creativity to their works, or their nature of work does not expect creativity. Typically, traditional works, as well as non-core works, are outsourced in our country. Introducing HRO also brought a change in organizational culture. Working together, both outsourced and in-sourced employees can develop a new corporate culture. Though respondents were happy with the unique ideas of outsourced employees, some negative responses also, like the conflict between employees to accept the technical change as they are time and money consuming. About 6.67% agreed with it as an essential factor influencing organizational performance.

Figure 4.8:

Percentage of Responses Regarding the Organizational growth & Development impacting Organizational Performance



Source: Interview

(b) Transcription on variable 2: Cost and time effectiveness

Setting up an in-house HR department needs plenty of back-office expenses, which do not generate any other new revenue throughout the year. Besides, a fully functioning HR department needs highly trained staff and extra office space, all of which can cost huge sums of money. On the other hand, as the literature suggested, the outsourcing concept sometimes includes hidden costs. In our country, only 3% of respondents have experienced hidden costs in the HR outsourcing service.

The reasons for outsourcing may be different: getting expertise, avoiding the complexity of labor union, to reach low-cost labor, etc. But at the end of the day, the most obvious advantage of outsourcing the client receives is cost saving by charging inequitable distribution in the salary structure between original and outsourced employees (Pearlstein, 2012). The following table is developed based on a discussion with respondent 1 (Appendix H1). The Table 4.9 summarizes maintaining the HR department's cost of a leading telecom company before and after the HR outsourcing action.

Table 4.9

Comparison of Costs Before and After HRO In A Leading Telecom Company

Maintaining cost before outsourcing (monthly)		Maintaining cost after outsourcing (monthly)	
Items	Cost (salary & other benefits in tk.)	Items	Cost (salary & other benefits in tk.)
Head of HR	2,50,000	Head of HR	2,50,000
HR manager – 1	85,000	HR manager – 1	85,000
HR manager – 2	79,000	HR manager – 2	79,000
HR manager – 3	75,000	-----	-----
Others – 1 (# employee = 10)	40,000×10	Others – 1 (# employee = 5) [no. of employees reduced by 5]	40,000×5
Others – 2 (# employee = 17)	30,000×17	Others – 2 (# employee = 10) [no. of employees reduced by 7]	30,000×10
Office space & PC	6,00,000	Office space & PC	5,00,000
Maintenance of HR department	19,99,000	Maintenance of HR department	14,14,000
Money saving	19,99,000-14,14,000		5,85,000

Source: Interview with respondent 1

In Bangladesh, the prominent clients of Human Resource Outsourcing are large telecom companies, producers of consumer products, private commercial banks, and call centers. These organizations generally outsource care line officers, trainers, cash officers, market surveyors, SME business development officers, etc. By hiring a third party, the concerned client organization staff, who were previously engaged in non-core works, can give attention to core activities through saving time.

Table 4.10

Number of Working Hours Given in Recruitment and Selection of 50 care-line officers for a Telecom company

Recruitment & selection through HR Department		Recruitment & selection through a third party	
Requisition collected from various departments	15 days	Selection of a third party	7 days
Procurement	7 days	Requisition collected from various departments	15 days
		Procurement	7 days
Selection of the candidates by HR Department	60 days	Selection of the candidates by HR Department	30 days
Total days required	82 days×8 hours = 656 hours	Total days required	59 days×8 hours = 472 hours
Time saving			23 days or 184 hours

Source: Interview with respondent 5

The above Table 4.10 is developed from the discussion with the respondent 5 that shows saving of 23 days by his organization by utilizing HR third party for recruitment and selection of 50 care-line officers.

The following Table 4.11 presents a brief comparison between in-house and outsourced care-line officers. The comparison focused basically on salary and benefit packages of both classes of employees. The table is also developed from the interview with the respondent 17.

Table 4.11

A Comparison Between In-House and Outsourced Care Line Officers

Particulars	Outsourced care-line officers	In-house care-line officers
Nature of work	Contractual, temporary, and part-time.	Full-time or part-time, but Permanent.
Working hours	Fixed working hour, 4-9 hours.	Flexible working hours, 4-9 hours.
Handover the responsibilities	Restriction in handover the responsibilities to other in case of absence.	Flexibility in handover the responsibilities.
Salary range	Tk.9,000-Tk.13,000	Tk.15,000-Tk.30,000
Day-off	Not specific	Fixed
Performance evaluation	Performance is evaluated. But no chance for promotion.	Performance is evaluated. Limited chance for promotion.
Other facilities	Organization makes a restriction on cell- phone bill and transportation allowance.	Organization provides cell- phone bill and transportation allowance.

Source: Interview with respondent 17

But the situation reverses when employees are top-level employees. The third-party negotiates with the client for salary and other facilities when the outsourced candidates are CEO, CFO, COO, or head of any departments.

To verify the discussion of the respondents on cost saving approach by an outsourcing firm an interview was taken of an officer working in the Account's Department of a garment organization.

Case 4:

I am working in the Account Department from 2012 to the present. We arrange training sessions frequently on various issues. The training on 'Export-Import Policy in Bangladesh' is prevalent and was undertaken after a few years interval. It is a 16-hour training session. As a training coordinator, I had to take stress before each training session. Communicate with the trainer, select the trainees, select venues, develop

brochures, choose refreshments and gifts for the trainer—I undertook all these issues. In 2016, I suggested the Head of the department gives the responsibilities to a third party. You can see the changes from the shared documents. My department saved Tk. 8,500. And a hassle was removed from my office duties.

The following table 4.12 is developed from the documents supplied by him that shows a comparison of before and after training outsourcing in the organization.

Table 4.12:

Training cost before and after outsourcing

Training particulars	2013 (before outsourcing)	2016 (after outsourcing)
Trainer	30,000	32,000
Venue	25,000	20,000
Training materials	(15×200) = 3,000	3,000
Refreshment & certificates	(15×500) = 7,500	6,500
Internet charge	(15×200) = 3,000	1,000
Program coordinator's salary	5,000	3,500
Efficacy research	(15×300) = 4,500	3,000
Others	-----	500
	78,000/-	62,500/-

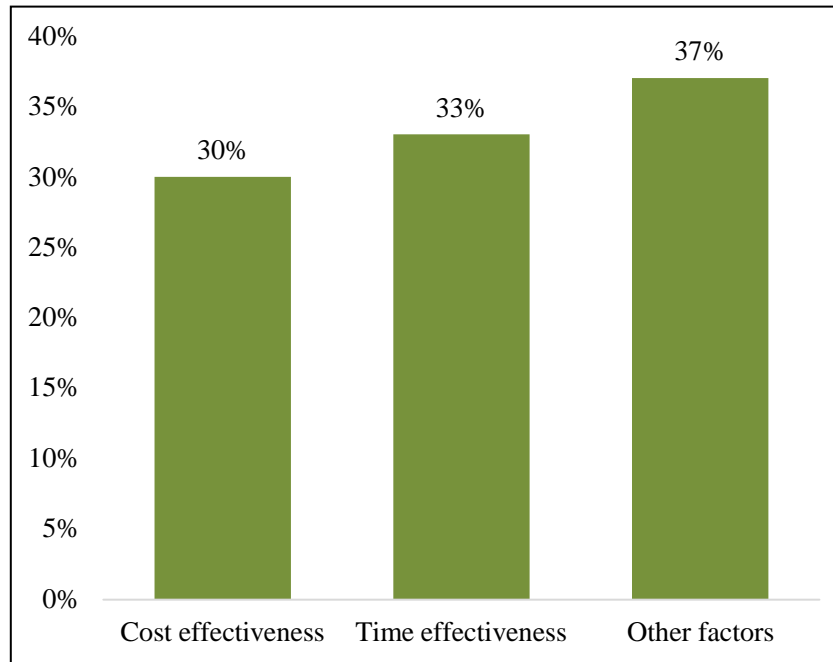
Notes:

- *Number of participants in both cases is 15
- *Number of trainers in 2013 was 2, they were internal experts.
- *Number of trainers in 2016 was 1 that was an external expert.
- *Tk.13,500 was saved after giving the training responsibility to the outsourcing firm.
- *Besides, 16 working hours of internal experts and program coordinator was released when service was outsourced.

Source: Interview with Account's department with reference to respondent 23

However, Figure 4.9 shows the percentage of responses consider time and cost effectiveness as an important organizational performance indicator.

Figure 4.9: Percentage of Responses Regarding the Cost & Time effectiveness impacting Organizational Performance



Source: Interview

(c) Transcription on variable 3: Adverse effect on employees

This impact on employees due to Human Resource Outsourcing is two-folded: the first is outsourcing impact on regular (in-house) employees of the client organization. The second is outsourcing impact on the outsourced employees working in the client organization. The study reveals that when the organization starts to outsource, it creates a mixed effect on its general employees. The '20/50/30' change management rule is applicable in the situation. According to the rule, 20% of employees are changing friendly, whereas 50% of employees are changing neutral, and 30% of employees are change resisters in the organization. In the research, it is also found that when outsourcing is undertaken, the change neutral employees wait with loyalty to see the impact of outsourcing, the difference friendly employees appreciate the changing situation, and the resisters cannot accept the change. The resisters take part in rumors regarding the change, stay in fear of job loss. Employees in this category try to exit the job, and if not possible, they work with

low morale. The number of organizations in Bangladesh is minimal, making it clear to the employees regarding the change and its impact before it occurs.

However, discrimination becomes high when both in-house and outsourced employees work for the same position in the same place. Outsourced employees generally receive lower pay than internal employees. Their working condition and employee identity are also discriminating compared to internal members (Hossain, 2018b). The rate of commitment and service quality of outsourced employees is not reasonable; the error rate is high in some service sectors due to outsourcing. Their job is not secured to some extent.

Recruitment and selection outsourcing generates job uncertainty in 2 ways: one is by downsizing the existing workforce of the client organization. The other is the replacement of poorly performed outsourced employees to buy a new one. The job cut of the current employees through outsourcing is a common phenomenon throughout the world. In Bangladesh, Human Resource Outsourcing is generally practiced for the lower to mid-level employees, who have less chance for career progression.

Besides cost reduction, Table 4.8 shows a practical example of a diminishing number of employees in an HR Department before and after hiring a third party. Though this study failed to present adequate literature evidence on the job security of outsourced employees; but, in Bangladesh, the outsourcing practice makes the employee placement and replacement option more prudent and available. The negative side of this is, clients even do not try to keep outsourced employees when their performance is comparatively low. Again, no replacement charge from the third party increases the chances to change outsourced employees very often.

The 'poor performance' is one of the reasons for dependency on HR outsourcing, but the 'intention of removing internal employees to minimize costs' also plays a vital role in hiring HR outsourcing. However, the following respondent focused on the long-term disadvantages of outsourcing created by the inadequate facilities provided to them.

According to US labor law, when any business establishments violate two or more labor laws regarding poor working conditions, like, unfair wages, unreasonable working hours, child labor, lack of benefits, etc. are considered sweatshops (Moodle, 2018b). In some cases, Bangladesh, and China, where labor costs are low, are suffering from sweatshop problems, especially the labors of garment and tannery sectors. It seems that recruitment outsourcing for non-managerial positions is directed to a sweatshop in Bangladesh. They practice a low level of payment with nominal to zero benefit plans, long working hours, etc.

It must be noted that though sweatshops are not unethical as employees enter such low paid contracts willingly ('Sweatshops are ethical'...n.d), it is a form of employee exploitation (Starak, n.d).

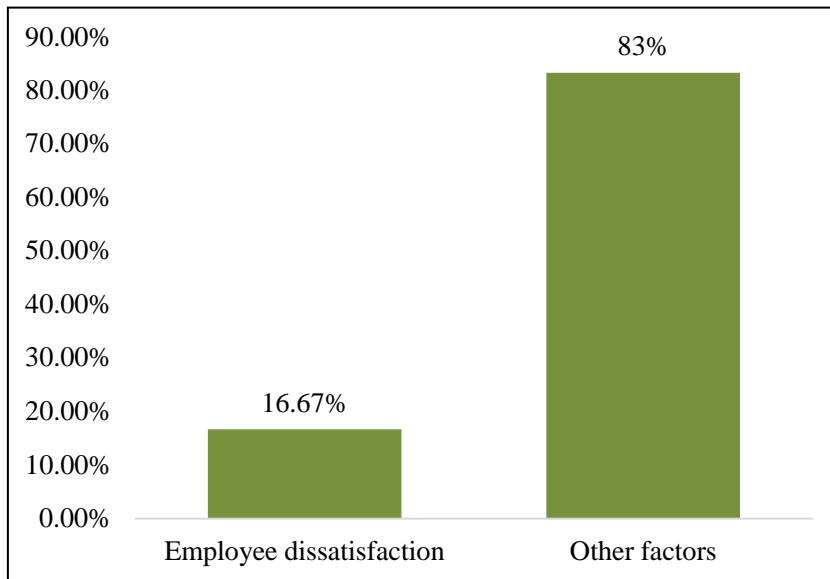
It is already discussed that outsourced employees are not provided with equitable salary structure, benefit plan, or other facilities that may create dissatisfaction within them, directly impacting their performances. In labor economics, efficiency wage theory suggests that when employees are provided above-average salary, it will increase employee morale and reduce employee turnover and dissatisfaction (Moodle, 2018a).

But sometimes, employee turnover becomes apparent when it is for poor performance. In today's competitive business world, employees always have to challenge keeping them updated with the changing business environment. He, who cannot cope with this, must find him in the garbage.

In a client organization identity of an outsourced employee becomes doubtful. Though both types of employees, in-sourced and outsourced, are working side by side, the outsourced employees feel discriminated against from salary-benefit and working conditions. They are not considered the client organization; they are considered the employees of a third party. Even they get known by the name of the third party to others in some organizations.

Very few vendors agreed that they engaged in poaching in their professional life when they had no available, expected candidates in their network. To avoid negotiation, legal complexities, clients do not contract directly with the candidate; they rely on a third party. Sometimes they make the liaison between new employers and employees from the competitor on the clients' request. Generally, agreement with a poached employee is commenced for three to five years if required contact is extended. Figure 4.10 shows the percentage of the respondents feel 'adverse effect on employees' is an important factor of organizational performance.

Figure 4.10: Percentage of Responses Regarding the Employee Dissatisfaction impacting Organizational Performance



Source: Interview

(d) Transcription on variable 4: Customers' perspectives

"Customers" are one of the important factors of measuring organizational performance. When customers are happy with the organization's goods and services, it becomes very easy to retain them and create a positive image in the market. Connection of a third party, or the outsourcing firm, or the vendor with the vendors' client's customers is indirect; by

receiving stipulated service from the vendor, a client can easily reach its customers, the end-users. For example, in supply chain management, the product quality received from the vendor by a client is of low quality. It must impact organizational performance through the customers. Again, the recruitment of poor performing sales assistants through a third party cannot satisfy customers' queries and drops clients' revenue from that product. An outsourcing service provider or vendor helps retain his clients' customers through timely and adequate service.

The figure 4.11 shows that the respondents gave importance to the customer perspective as a factor of organizational performance. Error-free service, quality service, and trustworthiness are essential elements of customer perspective towards human resource outsourcing.

Figure 4.11: Percentage of Responses Regarding the Customer's Perspective Impacting Organizational Performance



Source: Interview

From the above discussion, assumptions were developed against each variable of transcripts. The assumptions will be further used in quantitative analysis as the statements of the Likert scale.

4.4. Reliability and Validity Tests in Quantitative analysis

In a quantitative study, the reliability of instruments is tested by using Cronbach's alpha. The overall Cronbach alpha for this study is 0.754 for the variables that meet the cutoff point criteria. The alpha of individual dimensions is given below (Table 4.13):

Table 4.13

Reliability Test Using Cronbach's Alpha of Dependent and Independent Variables

	<i>No. of items</i>	<i>Alpha value</i>
*Organizational learning and growth	5	.737
*Time and cost effectiveness	5	.620
*Adverse effect on employees	5	.832
*Customers' perspective	5	.747
**Organizational performance	4	.723

**Dependent variable

*Independent variable

According to the rule of George & Mallery (2003) if, $\alpha = .9$ (excellent), $\alpha = .8$ (good), $\alpha = .7$ (acceptable) and $\alpha = .6$ (questionable). Except time and cost effectiveness all other values are good to acceptable limit.

For determining the validity of the questionnaire, content credit was used. Content credit of this questionnaire has been justified by guide professor, Ph.D. supervisor, and also through initial distribution of questionnaire among several experts, scholars, and considering their corrective comments, it was affirmed to have the necessary credibility.

4.5. Demographic Characteristics of Respondents

Table 4.14:

Industry-wise respondents' outsourcing experiences

Crosstab					
			Experience in dealing outsourced employees		Total
			3-6 yrs.	6-9 yrs.	
Industry-wise respondents	Commercial bank	Count	10	0	10
		% within respondent in this industry	100.0%	0.0%	100.0%
	Food & beverage	Count	8	0	8
		% within respondent in this industry	100.0%	0.0%	100.0%
	Insurance	Count	6	0	6
		% within respondent in this industry	100.0%	0.0%	100.0%
	Infra-structure development	Count	10	0	10
		% within respondent in this industry	100.0%	0.0%	100.0%
	IT firm	Count	0	15	15
		% within respondent in this industry	0.0%	100.0%	100.0%
	Mobile company	Count	0	15	15
		% within respondent in this industry	0.0%	100.0%	100.0%
	Garment/related industry	Count	6	0	6
		% within respondent in this industry	100.0%	0.0%	100.0%
Total		Count	40	30	70
		% within respondent in this industry	57.1%	42.9%	100.0%

The above Table 4.14 shows respondents are collected from 7 industrial sectors commercial banks, food, and beverage, insurance, infrastructure development, IT firm, mobile company, and garment or its related industries. During experiences in dealing,

outsourced employees were divided into three classes: 1-3 years, 3-6 years, and 6-9 years. Among 70 respondents, 40 respondents, that is, 57.1% fall into 3-6 years' experience in dealing outsourced employees, whereas 30 respondents that are 42.9% fall into 6-9 years' experience in dealing outsourced employees. No respondents were found in the 1-3 years' experience category. From this crosstab data, it is clear that human resource outsourcing in organizations is mostly not over six years.

Table 4.15:

Gender-wise respondents in human resource outsourcing experiences

Crosstab					
			Experience in dealing outsourced employees		Total
			3-6 yrs.	6-9 yrs.	
Gender	Female	Count	2	12	14
		% within gender	14.3%	85.7%	100.0%
	Male	Count	38	18	56
		% within gender	67.9%	32.1%	100.0%
Total		Count	40	30	70
		% within gender	57.1%	42.9%	100.0%

Table 4.15 shows the experience of employees in dealing with outsourcing employees. They are categorized into 1-3 years, 3-6 years, and 6-9 years. No respondents were found in 1-3 years' experiences. Among the 70 respondents, 56 were male, and 14 were female respondents. Twelve females with 85.7% have experience of 6-9 years, and 38 males that are 67.9% have 3-6 years' experience of doing the job. The result also indicates that it is a male-dominated position.

4.6. Descriptive Statistics

Table 4.16

Frequency Table (percentage) for Dependent and Independent Variables

Dimensions/ statements	Strongly agree (SA)	Agree (A)	Neutral (N)	Disagree (D)	Strongly disagree (SD)	Mean	Std. deviation
Organization growth*						4.55	.33
A1. Recruitment outsourcing has helped in selecting candidates with creative quality.	74.3	25.7				4.74	.44
A2. HRO practice has created a creative organizational culture ¹ .	45.7	54.3				4.46	.50
A3. HRO has brought new technologies and process in day to day activities.	31.4	68.6				4.31	.47
A4. HRO has made a flexible work environment ² .	57.1	42.9				4.57	.50
A5. Practice of HRO has provided adaptive unique ideas ³ in various HR functions.	68.6	31.4				4.68	.47
Time & cost effectiveness*						4.59	.31
B1. HRO has reduced maintenance costs of our HR department.	68.6	31.4				4.68	.47
B2. HRO has reduced error rate and has created opportunities to focus more core work ⁴ .	71.4	25.7	2.9			4.68	.53
B3. Hiring a 3 rd party has reduced investing money on technology as it is included in their contract, if required.	45.7	54.3				4.45	.51
B4. HRO has helped our organization in saving money. As, outsourced employees are paid lower than the internal employees.	54.3	45.7				4.54	.51
B5. Handling over HR responsibilities to a 3 rd party has saved time of our organization.	60.0	40.0				4.60	.49
Adverse effect on employees*						4.13	.33
C1. HRO has created fear of job loss.	42.9	57.1				4.42	.49

¹ Organizational culture is the combination of values, beliefs, behaviors, and assumptions to act or react by the employees within the organization.

² Flexible work environment is considered as part time work.

³ New ideas that has the capability to adjust with organizations.

⁴ Core work is something that is most important for the organization.

C2. HRO has initiated sweat shop ⁵ (poor salary-benefit) problem.	10.0	58.6	31.4			3.78	.61
C3. Performance of outsourced employees is not up to the mark.	100					5	.00
C4. HRO has created identity crisis ⁶ of outsourced employees in the client premise.		71.4	28.6			3.71	.45
C5. HRO has increased chance of employee poaching ⁷ .		71.4	28.6			3.71	.45
Customers' perspective*						3.93	.59
D1. HRO practice has retained existing customers.		45.7	54.3			3.45	.50
D2. HRO has helped to acquire new customers by providing quality services to the client.	32.9	40.0	27.1			4.05	.77
D3. HRO has reduced repetitive complain rate of customers by providing good services to the clients.	34.3	45.7	31.4			3.85	1.14
D4. HRO has helped our organization in providing adequate services to its customers.	22.9	45.7	31.4			3.91	.74
D5. HRO has helped our organization in delivering service on time to its customers.	68.6		31.4			4.37	.94
Organizational performance**						4.27	.52
HRO improves organizational performance through structural expansion	14.3	60.0	25.5			3.88	.63
HRO improves organizational performance through increasing profit.	68.6	28.6	2.9			4.65	.54

*Independent variables **Dependent variables

*Number of respondents 70

Source: Interview

From the frequency Table 4.16, it is found that under the dimension of 'organizational growth,' the mean is 4.55 and the std. deviation is 0.33, which is very close to the mean level, indicates that the data points tend to be very close to the mean result. The respondents feel that HR outsourcing is creating organization growth. The statements under the 'organization growth' dimension achieved 'strongly agree' and 'agree' points meant that respondents agree with the situation stated there. The second dimension, 'time

⁵ Sweatshops is a situation featured by poor working condition, unfair wages, unreasonable working hours etc.

⁶ Identity crisis of employees is a feeling of incapability to own the organization due to receiving counterproductive work behavior from the organization.

⁷ Hiring current or former employees of competitors organization by alluring financial or non-financial benefits.

and cost-effectiveness,' got the mean of 4.59 and std. deviation .31, that is also near to the mean value. Almost all of the statements of this dimension reached 'strongly agree' and 'agree' levels. The third dimension of organizational performance is an 'adverse effect on the employees. Mean level in this part is 4.13, and std. deviation is .33 indicating most of the respondents 'agree' or 'strongly agree' with the statement. The last dimension of organization performance is 'customers' perspective' towards outsourcing. The mean level is 3.93, and std. deviation is .59 indicating diversified responses regarding the dimension. It can also be said that as std. deviation is not close to 0; it is not relative to the mean value. The mean of the dependent variable 'organizational performance' is 4.27 and std. deviation is .52, which is also not close to the mean value. From the frequency table, it is found that some statements achieved 'neutral' responses. According to some experts, 'neutral' is not a good range on the Likert scale as when respondents want to escape from some questions, they put check on the 'neutral' scale (Ahmad, 2014).

4.7. Tools used in Quantitative analysis

4.7.1. Correlation Analysis: Hypothesis Testing

Pearson correlation between the variables is discussed below:

Table 4.17

Pearson Correlations Between Dependent and Independent Variables

	1 Organizational learning & growth	2 Cost & time effectiveness	3 Adverse effect on employees	4 Customers' perspective	5 Organizational performance
1 Organizational learning & growth (2-tailed)	1				
2 Cost & time effectiveness (2-tailed)	-.475** .000	1			
3 Adverse effect on employees (2-tailed)	.711** .000	-.438** .000	1		
4 Customers' perspective (2-tailed)	.781** .000	-.438** .000	.636** .000	1	
5 Organizational performance (2-tailed)	-.037 .764	.234 .052	.013 .913	-.052 .671	1

**Correlation is significant at the 0.01 level (2-tailed)

Following decisions on hypothesis are drawn from correlation analysis presented in the Table 4.17:

Hypothesis 1:

H₀: Organization growth created by HRO has no relation with organizational performance.

H₁: Organization growth created by HRO has a relation with organizational performance.

Sig or p-value: Correlation is -.037 with sig. level .764.

Decision: There is an insignificant (as sig. level > .5) negative relation between organizational growth and development with organizational performance. So, null is rejected.

Hypothesis 2:

H₀: Time and cost effectiveness created by HRO has no relation with organizational performance.

H₁: Time and cost effectiveness created by HRO has a relation with organizational performance.

Sig or p-value: Correlation is .234 with sig. level .052.

Decision: There is a significant (as sig. level = .5) positive relation between cost and time effectiveness and organizational performance. So, null is rejected.

Hypothesis 3:

H₀: Adverse effect on employees created by HRO has no relation with organizational performance.

H₁: Adverse effect on employees created by HRO has a relation with organizational performance.

Sig or p-value: Correlation is .013 with sig. level .913.

Decision: There is an insignificant (as sig. level > .5) positive relation between adverse effects on employees and organizational performance. So, null is rejected.

Hypothesis 4:

H₀: Customers' perspective created by HRO has no relation with organizational performance.

H₁: Customers' perspective created by HRO has a relation with organizational performance.

Sig or p-value: Correlation is -.052 with sig. level .671.

Decision: There is an insignificant (as sig. level > .5) negative relation between customers' perspective and organizational performance. So, null is rejected.

4.7.2. Relationship among Independent Variables

From Table 4.17, following relationships are developed between different independent variables:

1. **Organizational Growth & Development:** Organizational growth and development have a significant negative relation with cost and time effectiveness (-.475 with sig. level .000). Organizational growth and development have a significant positive association with employees' adverse effects (.711 with sig. level .000). Organizational growth and development have a significant positive relationship with customers' perspective (.781 with sig. level .000).
2. **Cost & Time Effectiveness:** Cost & time effectiveness has a significant negative relationship with organizational growth & development (-.475 with sig. level .000). Cost & time effectiveness has a significant negative relationship with adverse effects on employees (-.438 with sig. level .000). Cost & time effectiveness also have a significant negative relationship with customers' perspectives (-.438 with sig. level .000). It means that cost & time effectiveness results from HRO have a significant negative relation with other independent variables. It means that when the organizational growth & development and the customer's perspective increase, the cost & time effectiveness decreases.
3. **Adverse Effect on Employees:** Adverse effect on employees has a significant positive relation with organizational growth & development (.711 with sig. level .000). A significant negative correlation exists between the adverse effect on employees and cost & time effectiveness (-.438 with sig. level .000). A significant positive correlation exists between customers' perspective and adverse effect on employees (.636 with sig. level .000).
4. **Customers' Perspective:** Customers' perspective has a significant positive correlation with organizational growth & development (.781 with sig. level .000). Customers' perspective has a significant negative relationship between cost & time

effectiveness (-.438 with sig. level .000). And a significant positive relationship is found between customers' perspective and adverse effect on employees (.636 with sig. level .000).

4.7.3. Multicollinearity Analysis

The correlation Table 4.147 shows a high correlation between some independent variables. Correlation between (a) organizational growth and adverse effect on employees and (b) organizational growth and customer perspective are .711 and .781, respectively, indicating interdependency between these independent variables as $IV > .70$, which should not be included in multiple regression. The existence of collinearity tends to deceive the regression result. For this reason, VIF estimation is required to avoid collinearity. The rules for measuring multicollinearity shows, if $VIF = 1$, not correlated; $1 < VIF < 5$, moderately correlated; and $VIF > 5$, highly correlated (Daoud, 2017).

Table 4.18

VIF Value of All Independent Variables with Model Summary

	Unstandardized coefficients		t	Sig	Collinearity statistics		R	R ²	Adjusted R ²
	B	Std. Error			Tolerance	VIF			
Organizational learning & growth	1.031	1.800	.573	.569			.268 ^a	.072	.015
Cost & time effectiveness	0.047	0.336	0.140	.889	.305	3.282			
Adverse effect on employees	0.484	0.227	2.132	.037	.767	1.338			
Customers' perspective	0.226	0.271	.832	.408	.468	2.137			
Organizational performance	-.033	0.169	-.197	.844	.373	2.680			

Dependent variable: Organizational performance

a. Predictors: (constant), organizational growth, cost-time effectiveness, adverse effect on employees, consumers' perspective

From the above Table 4.18, it is observed that no VIF value indicates high collinearity. So, removal of variable due to collinearity can be escaped.

4.7.4. Regression Analysis: Hypothesis Testing

Based on nonstandard coefficients the following regression model is obtained:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Here,

Y = organizational performance

α = constant

β = beta

X_1 = organizational growth

X_2 = cost & time effectiveness

X_3 = adverse effect on employees

X_4 = customers perception

ε = system error

Fitted regression line using Table 4.18:

$$Y = 1.031 + 0.484X_2$$

The alternative and null hypotheses are formulated as follows:

$$H_0 = \beta_1 = \beta_2 = \beta_3 = \beta_4 = 0$$

H_1 = not all β coefficients are equal to 0

Following decisions on hypothesis are drawn from correlation analysis:

Hypothesis 1:

H_0 : Organization growth & development created by HRO has no impact on organizational performance.

H₁: Organization growth created by HRO has an impact on organizational performance.

Sig or p-value: $\beta = .047$ with sig. level .889.

Decision: Organizational growth has an insignificant positive impact on organizational performance. So, null is rejected.

Hypothesis 2:

H₀: Time and cost effectiveness created by HRO has no impact on organizational performance.

H₁: Time and cost effectiveness created by HRO has an impact on organizational performance.

Sig or p-value: $\beta = .484$ with sig. level .037.

Decision: Time & cost effectiveness has a significant positive impact on organizational performance. So, null is rejected.

Hypothesis 3:

H₀: Adverse effect on employees created by HRO has no impact on organizational performance.

H₁: Adverse effect on employees created by HRO has an impact on organizational performance.

Sig or p-value: $\beta = .226$ with sig. level .408.

Decision: Adverse effect on employees has an insignificant positive impact on organizational performance. So, null is rejected.

Hypothesis 4:

H₀: Customers' perspective created by HRO has no impact on organizational performance.

H₁: Customers' perspective created by HRO has an impact on organizational performance.

Sig or p-value: $\beta = -.033$ with sig. level .844.

Decision: Customers' perspective has an insignificant negative impact on organizational performance. So, null is rejected.

The R column (Table 4.18) represents multiple correlation coefficients, considered to be one measure of the quality of predicting the dependent variable, here organizational performance. The value of $R = 0.268$ in this study presents a low level of prediction. R^2 also called the coefficient of determination, determines the independent variable explains only 7.2% variability of the dependent variables, as $R^2 = 100\%$ indicates a strong relation between DV and IV. Adjusted R^2 reports only 1.5% of variation explained by the independent variables that affect the dependent variable. Some independent variables other than described in this research, influence the dependent variable as well.

Table 4.19

Statistical Significance Through ANOVA

Model		Sum of squares	Degrees of freedom (df)	Mean square	F	Sig.
1	Regression	1.315	4	.329	1.255	.297 ^b
	Residual	17.028	65	.262		
	total	18.343	69			

- Dependent variable: organizational performance
- Predictors: (Constant), organizational growth, cost & time effectiveness, adverse effect on employees, customer's perspective

The ANOVA table indicates the statistical significance of regression model or whether the overall regression model is a good fit for the data. In the table 4.15, F value > 1 indicates that the variation among group means is more than the expectations. The regression model is insignificant.

From the above discussion, the following framework (Figure 4.12) can be developed based on the relationship between dependent and independent variables:

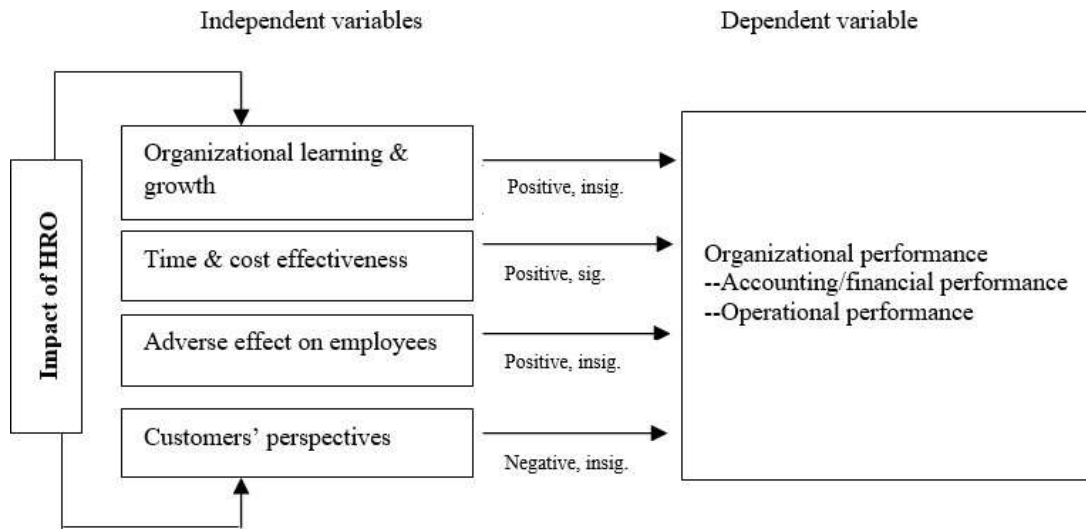


Figure 4.12: New Framework Showing Relationship Between Dependent and Independent Variables

So, it is concluded that the null hypothesis (H₀) is rejected in all cases of hypothesis 1, hypothesis 2, hypothesis 3, and hypothesis 4 as the independent variables impact the dependent variables. But the impact is not significant in all cases. Hypothesis 1 shows an insignificant positive impact of organizational learning and growth on organizational performance. Hypothesis 2 presents a significant positive impact on time & cost-effectiveness on organizational performance. Hypothesis 3 shows an insignificant positive impact of the adverse effect on employees on organizational performance. And hypothesis 4 presents an insignificant negative impact on customers' perspective on organizational performance.

CHAPTER 5

CONCLUSIONS & RECOMMENDATIONS

5.1. Summary of Findings of the Research

The summary of study findings with its contradiction with literature (if any) is briefly discussed below:

5.1.1. General information of Human Resource Outsourcing (HRO) of Bangladesh

- (a) Nature: In the area of Human Resource Outsourcing, Demand for recruitment and selection is the highest. Then comes training outsourcing, which is occupied by professional training and motivational speech. The MNCs hire compensation and performance appraisal outsourcing, as it requires more expertise, not available within the organization. Outsourcing of non-managerial employees is frequent than the mid to top-level outsourcing of employees due to a lack of quality vendors.
- (b) The attraction of Human Resource Outsourcing: Outsourcing is an adequate substitute for the in-house HR department for many organizations. It provides just-in-time services at a 30% to 50% cost reduction. Outsourcing also results in creative ideas in HRIS and compensation and benefits field. As the quantity of good Human Resource Outsourcing (HRO) firms is inadequate in the country, clients have a limited bargaining option for good work.

- (c) Negative Experiences with Human Resource Outsourcing: HRO decision creates a negative impact on the commitment and satisfaction level of internal employees, as with the starting of outsourcing, some of them lose their job. Mismatching of client company culture and poor-quality service provider can give below the moderate result of HRO, though the number is low.
- (d) Nature of Human Resource Outsourcing Clients: Most of the medium to large organizations regularly outsource, whereas some small organizations outsource irregularly to cut down the maintenance cost of the HR dept. The engagement of public organizations is limited to Human Resource Outsourcing (HRO) due to their capital and experts' availability and high confidentiality issues. In Bangladesh, the new organizations use outsourcing technology more than the old organizations as the senior organizations value privacy and traditional methods of achieving results. MNCs rely more on HRO due to their limited cultural orientation and a strong focus on core activities. Organizations want to strategically achieve their goal, whether differentiation and cost leadership make outsourcing decisions more.

5.1.2. Impact of Human Resource Outsourcing on Organizational Performance

Impact of HRO on organizational performance and their contradiction with previous literature are discussed below:

Decision from Hypothesis 1:

Organizational growth and development has an insignificant positive impact on organizational performance.

From the respondents' transcriptions, it is found that organizational growth is attained through unique services, creative organizational culture, and adaptive unique ideas and techniques. But regression analysis found no significant positive relationship between organizational growth and development and organizational performance. This study's

result is matched with the study undertaken by Kamanga & Ismail (2016) and Greer & Youngblood, Gray (1999). Literature found under this title is mostly qualitative or descriptive. Very few (Kamanga & Ismail, 2016) quantitative analyses was found to ensure a strong relationship.

On the other hand, Kamanga & Ismail (2016) did not find any significant relationship between organizational performance and technology adaption. Still, he opined that a quality outsourcing vendor could bring a positive impact in this regard. The flexible work environment is one factor of organizational learning and growth by HRO, though accepted by this research but criticized by Greer & Youngblood, Gray (1999).

Decision from Hypothesis 2:

Time & cost effectiveness has a significant positive impact of on organizational performance.

The qualitative analysis found that time and cost-effectiveness are achieved after undertaking HRO and impacting organizational performance by reducing maintenance cost and time. HRO also reduces the error rate, pays lower to outsourced employees, reduces investing money on new technology, and impacts organizational performance. The regression coefficient also found a significant positive relationship between time-cost effectiveness and organizational performance. The quantitative part matched with the qualitative aspect of the research.

Though there is considerable literature on the cost and time effectiveness role of human resource outsourcing, very few tried to determine the relation and impact of it on organizational performance. Smith, Vozikis & Varksina (2006) and Tadelis (2007) argued that due to hidden costs, client organizations could not experience cost minimization through HRO, and some organizations had back to in-source; that indicates a negative impact on organizational performance. However, Yaboah (2013) did not find a strong correlation between organizational performance and outsourcing decisions.

Decision from Hypothesis 3:

Adverse effect on employees has an insignificant positive impact on organizational performance.

From the qualitative analysis, it is found that the commitment of internal employees becomes low with the starting of outsourcing as they turn into the fear of job loss. On the other hand, the commitment of outsourced employees is also low as they are maltreated. This can impact organizational performance. From the quantitative part, regression analysis shows an insignificant positive impact between dependent and independent variables. This part is similar to the study of Esen (2004), Story (2000), and Haines (2009).

Brockner, Sprietzer, Mishra, Hochwarter, Pepper & Weinberg (2004) argued that when organizations start to practice downsizing or pay low salaries or discriminate between the employees, it creates employee de-motivation that makes a poor performance. Some employees who want to survive in this turbulent situation become more motivated and increase organizational performance (Brockner et al., 2004). On the other hand, in his study, Gift (n.d) found that downsizing increases organizational profitability and productivity if it is handled properly, which indicates a positive relationship between the variables.

However, it is also observed that there is a positive correlation exists between employee satisfaction and financial indicators of organizational performance; like total asset turnover, current asset turnover, revenues over expenses ratio, ROA, return on equity (ROE), ROCE (Return on Capital Employed), revenue per employee, earnings before taxes per employee, labor costs per employee, index BEX (Bakotic, 2016). According to Herzberg Two Factor Theory, employee satisfaction is the outcome of money and employee development programs, challenging work, employee recognition, etc. influence a lot to satisfy an employee. From this viewpoint, if outsourced employees feel the organization's adverse effect but have the opportunity for self-development, organizational performance may not be hindered.

Decision from Hypothesis 4:

Customers' perspective has an insignificant negative impact on organizational performance.

From the qualitative analysis, it is found that positive customers' perspective is maintained correctly by employing a third party through retain old customers, getting new customers, reducing complaint rates, and providing on-time quality services. The same result was reached from Goldsmith's (2003) studies, Susomrith & Brown (2013). Conversely, Esen (2004) and Roberts (2001), in their studies, showed that the low quality of work of a vendor created a negative impact on customers. The regression coefficient found no significant relationship between the two variables that are contradictory to the previous results. However, the small sample size, respondents' characteristics, etc. may be responsible for this different result.

Though the qualitative part accepted all the independent variables (organizational growth, cost-time effectiveness, adverse effect on employees' and customers' perspective) as the good predictors of the dependent variable (organizational performance), the quantitative part only accepts cost-time effectiveness as a good predictor of organizational performance. These show an inconsistency in the research findings. Such inconsistency can be biases of the investigator to record the qualitative data or from the respondents in giving answers. Another reason is that the small sample size failed to grasp the real scenario of Human Resource Outsourcing in the country presented in the qualitative part and vice versa. Finally, as Human Resource Outsourcing is a new practice in the country, it was difficult for the respondents to measure its single impact on organizational performance.

5.2. Uniqueness of the Study Compared to Other Studies

The findings of the research are different from the previous results from three perspectives: (a) cultural context, (b) source of data, and (c) time of the study.

- (a) The researcher undertook the study from the Bangladesh context. Bangladeshi organizational structure, financial structure, and even the employees' attitude influence Human Resource Outsourcing decisions and outcomes derived from it. Though some parts of the findings match with previous studies, other parts stay contradicted. One of the reasons for it is a different cultural context. For example, in other countries, mature organizations outsource more; but in Bangladesh, new organizations experience this as they are more likely to embrace change. On the other hand, some countries, especially those countries that are matured on the HRO side, get expert touch through outsourcing. But in Bangladesh, it is a new field, and quality services are not available here. Many firms are struggling with their quality.
- (b) The Source of data for the study is comparatively unconventional. Generally, studies focus on either qualitative or quantitative data collection or analysis methods. But this study used a mixed method that is getting interested recently by the researchers. The qualitative part is undertaken to explore the situation of HRO in the country. And the quantitative aspect is used to measure the impact of HRO on organizational performance, which is also discussed in the quantitative part. In this way, the researchers used the triangulation method. A combination of both components has given strong and valuable findings than using a single method.
- (c) Most of the studies in these subject matters are undertaken when the country experienced matured services of Human Resource Outsourcing. But in Bangladesh, it is being conducted in the primary stage. So, the research mainly focused on the positive and negative experiences of Human Resource Outsourcing. This result will help predict the future HRO situation in the country and take the necessary steps for its development.

5.3. Contribution and Implications of the Research

This contribution is described from the research area's perspective, methodology and solving trending issues, and developing a unique approach and model.

- (a) **From the Perspective of Research Area:** The research area is Bangladesh, one of the developing countries in Asia. Research on HRO is undertaken in other Asian countries like Malaysia, Pakistan, India, Nigeria, Thailand, and some other countries. Still, in Bangladesh, no research was conducted confirming organizational performance using human resource outsourcing. More researchers come forward to work on this problem using the same or some other variables. In the research, most of the variables proved little relations with organizational performance. New researchers also work on a country's impact on such a result.
- (b) **From the Perspective of Methodology:** As it is said earlier that previous studies undertaken in this concept are secondary data based; primary data is absent in this field. This study used both primary and secondary data and used both qualitative and quantitative study methods simultaneously. The triangulation process makes the research more critical to the researchers. But the fact that the research got insignificant results in most of the cases. New researchers can choose only qualitative or only quantitative methods using different respondents to reach a significant finding.
- (c) **From the Perspective of Working with Trending Issues:** No doubt that outsourcing, especially HR outsourcing, is an emerging issue in today's business world. European, American, and other western countries did a lot of studies on it. But Asian countries are lagging behind both in practicing and doing studies on Human Resource Outsourcing as well. In Bangladesh, the situation is more vulnerable. Though it is about one century of starting Human Resource Outsourcing in the country, awareness is little. Research from the academic side on this part, especially on the impacts of this service on organizations, and its performance is scanty. So, the real picture is still unavailable regarding Human Resource Outsourcing in Bangladesh. Future

researchers may also work on different indicators of organizational performance to get a touch of trending issues.

Implications of the study deal with the importance of findings for policy development, practice development and theory development. Study implications are discussed below:

- (a) **Implications for Policy Development:** The research revealed insignificant relationships between the dependent and independent variables. But insignificant relations do not mean 'no relations.' So, good policies should be developed regarding the independent variables, like, cost & time effectiveness, adverse effect on employees, organizational growth & development, and customer's perspectives. Good policies and practices must increase organizational performance.

- (b) **Implications for Practices:** The significant relationship between human resource outsourcing and organizational performance ensures that users are very concerned about their time and money saving through outsourcing services. Some people love to take outsourcing for other reasons, instead, time and cost-saving. More academic and non-academic writings will help users take outsourcing decisions for a variety of practical reasons.

- (c) **Implications for Theory:** The study also has implications in developing theories. It is known that every theory starts with a hypothesis. The result already proved that time and cost-effectiveness results from human resource outsourcing significantly impact organizational performance. Doing more studies on other variables or variables that are given insignificant results in this thesis can help theory development on human resource outsourcing from the perspective of Bangladesh.

5.4. Limitations of The Research

The study is not beyond limitations. The following are some of the limitations that had an impact on the outcome of the research.

- (a) HRO is a new phenomenon in the country. As there is no authentic and government and non-government approved data source, like a registered list of outsourced employees and outsourcing companies, more sample cannot be reached. The study cannot categorize the sample as their nature, size, and quality, resulting in the narrow analysis. For example, if the sample was large, the outsourced employee satisfaction based on their gender can be categorized, or satisfaction based on working experience may be developed.
- (b) There are no statistics regarding the performance improvement of an organization after using HRO. In such a case, interviews and face-to-face conversations are the only sources of information that may be biased. Another way, it is said that as most of the study is conducting on qualitative data, may face-selective memory, telescoping, or exaggeration problem. However, triangulation is undertaken to recover this limitation.
- (c) Previous research on the topic is inadequate, especially in the country context. Even there are too many gaps in the literature that most of them were unfocused by the researchers. For this reason, the researchers cannot reach the depth of the problem; they just explored the overall situation.
- (d) HR issues are confidential to many organizations, especially regarding employee satisfaction and organizational performance against HR. For this reason, the research may not give an actual picture of HRO and organizational performance relationship.
- (e) Although organizational performance is also a function of employees' knowledge, skills, abilities, and others (KSAOs), are not included in the model. Again, organizational performance is an interdependent issue; the departments' functions,

implementation of organizational policy and procedures by the departments have a great impact upon it. This study did not focus on these issues.

5.5. Direction for Further Research

The present research also gives direction for further research in the following ways:

First, the research only made a practical discussion on the nature of organizational strategy and structure for making Human Resource Outsourcing decision. But no analysis was used. In the future, besides these, other issues like the impact of budget, top management support, etc. can be analyzed on the Human Resource Outsourcing decision. Second, the impact on organizational performance for Human Resource Outsourcing decision is measured subjectively. It can also be measured in a financial context, like liquidity, profitability, asset management, risk management, and market analysis by future academicians. Third, the research did not measure the service quality of Human Resource Outsourcing firms working in the country. So, researchers can also use the perceived service quality of Human Resource Outsourcing firms can be measured by using the SERVQUAL method. Finally, researchers can also use the INDSERV method where perceived service quality is measured in business to business (B2B) context.

5.6. Conclusions

The objective of the thesis was to explore the impact of human resource outsourcing on organizational performance. To measure the impact four dimensions of client organizations were chosen. Organizational growth and development, cost and time effectiveness, and adverse effects on employees' and customers' perspectives are the four dimensions influenced by human resource outsourcing decisions. But the collected data and statistical analysis failed to find significant relationships in most cases between the

dependent and independent variables. Only the variable cost and time effectiveness found a significant positive relationship with organizational performance. As a Ph.D. dissertation, the result is disappointing, though it is not abnormal, as I cannot change the actual data. There are some potential reasons for such insignificant results. First, the sample size is too small to present the actual scenario. Second, there may be some characteristics of the population, like confidentiality issues, knowledge and experiences of the respondents, age of human resource outsourcing practice in the organization etc. that has given a different result than expected. Again, there may be some other factors beyond the researcher's chosen area that impact result significance. This insignificant result has some positive implications for future researchers that already discussed 'implication of the research.' Besides, such a finding opens a venue for the researchers who can use a different method, different populations, and various variables for the same topic. In this way, this study is expected to be a milestone for policymakers and future researchers.

Even though the research's primary focus is to analyze the HRO impact, the thesis presented the whole scenario of HRO in the country that will also guide the new area of study.

5.7. Recommendations

Findings drawn from qualitative and quantitative analysis are a little bit different from one other. However, respondents in qualitative analysis expressed a close relationship between the dependent variable (organizational performance) and independent variables (a. cost & time effectiveness, b. organizational growth & development, and c. customers' perspectives, but quantitative analysis showed a strong positive impact only between organizational performance cost & time effectiveness.

Certainly, it is the right side for Human Resource Outsourcing organizations to save time and money for their clients. But too much cost saving tendency may hamper the service quality. The research reveals that the source of money-saving through outsourcing is practicing the discriminatory salary structure with the employees. In the short run, the

practice may save money, but in the long run, undoubtedly, it will beat workers' quality, organizational performance, and country economy, as well. So, vendors must set a suitable salary range for their supplied employees to hire by the clients.

The findings posit a positive relationship between organization growth and development with organizational performance, though the result is not significant. From such a result, it can be said that all respondents do not know the role of human resource outsourcing in organizational growth and development, or people in the country still do not hire outsourcing firms for their organizational development. The research suggests that the vendors should promote this role of human resource outsourcing firms to the clients and bring more developmental dimensions.

The research also revealed a positive relationship between the adverse effect on employees and organizational performance, but not significant. Though it seems odd that the more damaging effect increases on employees, like, lay off, salary reduction due to the economic crisis, the more organizational performance experienced. It is true in some cases. Some employees are very loyal to the organization or some employees who want to sustain in this crisis, improve their working standard than the previous, and lead the organization to achievement. As employees are the stepping-stone of an organization's success, the authority must consider the issue with greater importance. Researchers also should come forward to work on it to reveal the real picture.

Appendix A

Sample recruitment advertisement by HRO firm on behalf of a client

Excellent Career Opportunity in a Telecom Operator Company

Job location: Anywhere in Bangladesh

Job title: SME business development officer (BDO)

Main responsibilities of BDO:

- To reach allocated monthly and yearly target by approaching to the right segment and by ensuring quality scale
- To build, maintain and flourish relationship and, also, have close follow up with the SME segment by establishing a positive image in the market
- To run sales operation by close monitoring of BDO activities through proper guidance and leadership
- To maintain all steps of sales process and ensure proper documentation and follow up
- Demonstrate basic use of skills of most key components depicted in 'operational effectiveness & process management' under effective supervision.
- Ensure consistent availability of the products across all touch points through effective distribution plans.
- Use all relevant business data, e.g. Zero usage, churn report, dormant report to drive the business forward through taking day to day decisions.
- Have good understanding on the core elements of sales & distribution and how they work.
- Apply satisfactory selling techniques to deliver consistent sales performance
- Your service will be transferred any other SME operation which is run by this organization.

Required skills: Meeting sales goals, Sales planning, Closing skills, Territory Management, Negotiation, Self-confidence, Product knowledge, Client relationships, Motivation for sales.

Qualification and experience: Graduate with sales experience in telecom sector is preferred but not a must. Candidates must be smart, self-confident, proactive and highly motivated to sales. Fresh candidates are also encouraged to apply.

Age up to 30.

Package: Attractive salary and benefits will be offered to the deserving candidates.

Appendix B

Letter for questionnaire survey (Qualitative study)

<p>Date:</p> <p>To The Head of Public Relations Office Name of the organization:</p> <p>Sub: Permission for conducting in-depth interview with the Head of HR department of your organization.</p> <p>Sir/Madam,</p> <p>I am informing that I am a Research Scholar in the Department of Management, Dhaka University under the supervision of Prof. Dr. Serajul Islam and my research topic is "Impact of Human Resource Outsourcing on organizational performance". In this regard, I am conducting in-depth interview for data collection among the HR Heads of different organizations who are the clients of various HR outsourcing companies. The main objective of this study is to explore current scenario of HR outsourcing in the country and to assess the impact of these third-party services on organizational performance.</p> <p>Therefore, I am requesting you to kindly grant permission to conduct interview with the Head of HR department in pre designed questionnaires. Information provided by the respondents will be kept confidential and used for academic purpose only.</p> <p>Thanking you with warm regards.</p> <p>Yours sincerely, Maksuda Hossain Research Scholar Department of Management University of Dhaka</p>
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Appendix C

Letter for questionnaire survey (Quantitative study)

Date:

To

The Head of Public Relations Office

Name of the organization:

Subject: Permission for conducting questionnaire survey with the employees, team-leaders, and supervisors who are directly connected with outsourced employees who are collected through third parties in your organization.

Sir/Madam,

I am informing that I am a Research Scholar in the Department of Management, Dhaka University under the supervision of Prof. Dr. Serajul Islam and my research topic is "Impact of Human Resource Outsourcing on organizational performance". In this regard, I am conducting questionnaire survey for data collection with the employees, team-leaders, and supervisors who are directly connected with outsourced employees who are collected through third parties in your organization. The main objective of this study is to assess the impact of third-party services on organizational performance.

Therefore, I am requesting you to kindly grant permission to conduct the interview with pre designed questionnaires. Information provided by the respondents will be kept confidential and used for academic purpose only.

Thanking you with warm regards.

Yours sincerely,

Maksuda Hossain

Research Scholar

Department of Management

University of Dhaka

Appendix D

Qualitative questionnaire

Structure of the questionnaire			
Part 1 General information	Name and address of the respondent		
	Current organization/position		
	Year of working experience in the organization		
	Year of working experience with HRO		
	Type of HR practices organization outsource		
	Regarding Structure of the organization		
	Features of organizations engaged in HRO	Large vs. small	Whether the organization is large or small based on number of employees How do size impacts in decision making
		MNC vs. local	Whether the organization is MNC or local based on the nature of work How do this nature impact in decision making
		Private vs. public	Whether the organization is govt. or private How do this nature of ownership impacts in decision making
		Matured vs. new	Whether the organization is matured or new based on age How does age help in making HRO decision
Cost Leadership Differentiation Focus Utilization Facilitation Accumulation		Which strategy does underpin organization to outsource?	
Part 2 Specific information	Organizational performance	Adverse effect on employees	Easy way to get job Job security salary and benefit structure employee poaching identity crisis
		Organizational growth	Introduce new ideas/ techniques
		Cost and time effectiveness	Saves time and money
		Customers' perspective	Acceptance of HRO to the clients

Appendix E

Quantitative questionnaire

The Impact of Human Resource Outsourcing (HRO) On Organizational Performance

The following questionnaire titled ‘Impact of human resource outsourcing on organizational performance’ was developed only for data collection purpose on Ph.D. thesis. The information collected as a response will be kept confidential and no use except this research.

General information

Name:

Gender: Male / Female

Position:

Year of experiences in human resource outsourcing services:

What is the most significant advantage of human resource outsourcing in your organization (answer anyone)?

- Get timely work
- Focus on core activities
- Cost reduction
- Error free quality work

What is the most significant drawback your organization is facing through human resource outsourcing decision?

- Quality of work is not up to the mark
- Loss of confidentiality
- Cultural distance between vendor and client
- Hidden costs

Does human resource outsourcing decision impact your organizational performance?

- Yes
- No

Specific part

The specific part of the questionnaire is designed to identify the impact of human resource outsourcing on organizational performance. There are four dimensions of organizational performance: organizational growth, time and cost effectiveness, adverse effect on employees and customers’ perspective. Each dimension has five (5) statements and each statement contain five (5) point measures in Likert scale. Here, strongly agree (SA)=5, agree (A)=4, neutral (N)=3, disagree (D)=2 and strongly disagree (SD)=1. Please mark the rating against the statement that best match with your response.

DIMENSIONS/ statements	SA (5)	A (4)	N (3)	D (2)	SD (1)
Organization growth*					

A1. Recruitment outsourcing has helped in selecting candidates with creative quality.					
A2. HRO practice has created a creative organizational culture ⁸ .					
A3. HRO has brought new technologies and process in day to day activities.					
A4. HRO has made a flexible work environment ⁹ .					
A5. Practice of HRO has provided adaptive unique ideas ¹⁰ in various HR functions.					
Time & cost effectiveness*					
B1. HRO has reduced maintenance costs of our HR department.					
B2. HRO has reduced error rate and has created opportunities to focus more core work ¹¹					
B3. Hiring a 3 rd party has reduced investing money on technology as it is included in their contract, if required.					
B4. HRO has helped our organization in saving money. As, outsourced employees are paid lower than the internal employees.					
B5. Handling over HR responsibilities to a 3 rd party has saved time of our organization.					
Adverse effect on employees*					
C1. HRO has created fear of job loss.					
C2. HRO has initiated sweat shop ¹² (poor salary-benefit) problem.					
C3. Performance of outsourced employees is not up to the mark.					
C4. HRO has created identity crisis ¹³ of outsourced employees in the client premise.					
C5. HRO has increased chance of employee poaching ¹⁴ .					
Customers' perspective*					
D1. HRO practice has retained existing customers.					
D2. HRO has helped to acquire new customers by providing quality services to the client.					
D3. HRO has reduced repetitive complain rate of customers by providing good services to the clients.					
D4. HRO has helped our organization in providing adequate services to its customers.					
D5. HRO has helped our organization in delivering service on time to its customers.					

⁸ Organizational culture is the combination of values, beliefs, behaviors and assumptions to act or react by the employees within the organization.

⁹ Flexible work environment is considered as part time work.

¹⁰ New ideas that has the capability to adjust with organizations.

¹¹ Core work is something that is most important for the organization.

¹² Sweatshops is a situation featured by poor working condition, unfair wages, unreasonable working hours etc.

¹³ Identity crisis of employees is a feeling of incapability to own the organization due to receiving counterproductive work behavior from the organization.

¹⁴ Hiring current or former employees of competitors organization by alluring financial or non-financial benefits.

Organizational performance**					
HRO has increased profit of the organizations					
HRO has increased operational performance (like, new product introduction, product/service quality, marketing effectiveness and customer satisfaction) of the organization.					

*Independent variable **Dependent variable

Would you like to add some other factor/factors of human resource outsourcing that may influence organizational performance?

Thank you very much for your cooperation.

Appendix F

Appreciation letter for completing survey

Hello Sir/ Madam

Thank you for giving the time to complete this survey. We truly value the information you have provided. Your responses will contribute to our analyses of the texts and suggest new lines of approach to the data body.

If you have any comments on the survey or the project, please leave an email.

Appendix G

Critical values for Pearson's correlation coefficient

DF	Proportion in ONE Tail					
	.25	.10	.05	.025	.01	.005
	Proportion in TWO Tails					
	.50	.20	.10	.05	.02	.01
1	.7071	.9511	.9877	.9969	.9995	.9999
2	.5000	.8000	.9000	.9500	.9800	.9900
3	.4040	.6870	.8054	.8783	.9343	.9587
4	.3473	.6084	.7293	.8114	.8822	.9172
5	.3091	.5509	.6694	.7545	.8329	.8745
6	.2811	.5067	.6215	.7067	.7887	.8343
7	.2596	.4716	.5822	.6664	.7498	.7977
8	.2423	.4428	.5494	.6319	.7155	.7646
9	.2281	.4187	.5214	.6021	.6851	.7348
10	.2161	.3981	.4973	.5760	.6581	.7079
11	.2058	.3802	.4762	.5529	.6339	.6835
12	.1968	.3646	.4575	.5324	.6120	.6614
13	.1890	.3507	.4409	.5140	.5923	.6411
14	.1820	.3383	.4259	.4973	.5742	.6226
15	.1757	.3271	.4124	.4821	.5577	.6055
16	.1700	.3170	.4000	.4683	.5425	.5897
17	.1649	.3077	.3887	.4555	.5285	.5751
18	.1602	.2992	.3783	.4438	.5155	.5614
19	.1558	.2914	.3687	.4329	.5034	.5487
20	.1518	.2841	.3598	.4227	.4921	.5368
21	.1481	.2774	.3515	.4132	.4815	.5256
22	.1447	.2711	.3438	.4044	.4716	.5151
23	.1415	.2653	.3365	.3961	.4622	.5052
24	.1384	.2598	.3297	.3882	.4534	.4958
25	.1356	.2546	.3233	.3809	.4451	.4869
26	.1330	.2497	.3172	.3739	.4372	.4785
27	.1305	.2451	.3115	.3673	.4297	.4705
28	.1281	.2407	.3061	.3610	.4226	.4629
29	.1258	.2366	.3009	.3550	.4158	.4556
30	.1237	.2327	.2960	.3494	.4093	.4487
31	.1217	.2289	.2913	.3440	.4032	.4421
32	.1197	.2254	.2869	.3388	.3972	.4357
33	.1179	.2220	.2826	.3338	.3916	.4296
34	.1161	.2187	.2785	.3291	.3862	.4238
35	.1144	.2156	.2746	.3246	.3810	.4182
36	.1128	.2126	.2709	.3202	.3760	.4128
37	.1113	.2097	.2673	.3160	.3712	.4076
38	.1098	.2070	.2638	.3120	.3665	.4026
39	.1084	.2043	.2605	.3081	.3621	.3978
40	.1070	.2018	.2573	.3044	.3578	.3932
41	.1057	.1993	.2542	.3008	.3536	.3887
42	.1044	.1970	.2512	.2973	.3496	.3843
43	.1032	.1947	.2483	.2940	.3457	.3801
44	.1020	.1925	.2455	.2907	.3420	.3761
45	.1008	.1903	.2429	.2876	.3384	.3721
46	.0997	.1883	.2403	.2845	.3348	.3683
47	.0987	.1863	.2377	.2816	.3314	.3646
48	.0976	.1843	.2353	.2787	.3281	.3610
49	.0966	.1825	.2329	.2759	.3249	.3575
50	.0956	.1806	.2306	.2732	.3218	.3542

DF	Proportion in ONE Tail					
	.25	.10	.05	.025	.01	.005
	Proportion in TWO Tails					
	.50	.20	.10	.05	.02	.01
51	.0947	.1789	.2284	.2706	.3188	.3509
52	.0938	.1772	.2262	.2681	.3158	.3477
53	.0929	.1755	.2241	.2656	.3129	.3445
54	.0920	.1739	.2221	.2632	.3102	.3415
55	.0912	.1723	.2201	.2609	.3074	.3385
56	.0904	.1708	.2181	.2586	.3048	.3357
57	.0896	.1693	.2162	.2564	.3022	.3328
58	.0888	.1678	.2144	.2542	.2997	.3301
59	.0880	.1664	.2126	.2521	.2972	.3274
60	.0873	.1650	.2108	.2500	.2948	.3248
61	.0866	.1636	.2091	.2480	.2925	.3223
62	.0858	.1623	.2075	.2461	.2902	.3198
63	.0852	.1610	.2058	.2441	.2880	.3173
64	.0845	.1598	.2042	.2423	.2858	.3150
65	.0838	.1586	.2027	.2404	.2837	.3126
66	.0832	.1574	.2012	.2387	.2816	.3104
67	.0826	.1562	.1997	.2369	.2796	.3081
68	.0820	.1550	.1982	.2352	.2776	.3060
69	.0814	.1539	.1968	.2335	.2756	.3038
70	.0808	.1528	.1954	.2319	.2737	.3017
71	.0802	.1517	.1940	.2303	.2718	.2997
72	.0796	.1507	.1927	.2287	.2700	.2977
73	.0791	.1497	.1914	.2272	.2682	.2957
74	.0786	.1486	.1901	.2257	.2664	.2938
75	.0780	.1477	.1888	.2242	.2647	.2919
76	.0775	.1467	.1876	.2227	.2630	.2900
77	.0770	.1457	.1864	.2213	.2613	.2882
78	.0765	.1448	.1852	.2199	.2597	.2864
79	.0760	.1439	.1841	.2185	.2581	.2847
80	.0755	.1430	.1829	.2172	.2565	.2830
81	.0751	.1421	.1818	.2159	.2550	.2813
82	.0746	.1412	.1807	.2146	.2535	.2796
83	.0742	.1404	.1796	.2133	.2520	.2780
84	.0737	.1396	.1786	.2120	.2505	.2764
85	.0733	.1387	.1775	.2108	.2491	.2748
86	.0728	.1379	.1765	.2096	.2477	.2732
87	.0724	.1371	.1755	.2084	.2463	.2717
88	.0720	.1364	.1745	.2072	.2449	.2702
89	.0716	.1356	.1735	.2061	.2435	.2687
90	.0712	.1348	.1726	.2050	.2422	.2673
91	.0708	.1341	.1716	.2039	.2409	.2659
92	.0704	.1334	.1707	.2028	.2396	.2645
93	.0700	.1327	.1698	.2017	.2384	.2631
94	.0697	.1320	.1689	.2006	.2371	.2617
95	.0693	.1313	.1680	.1996	.2359	.2604
96	.0689	.1306	.1671	.1986	.2347	.2591
97	.0686	.1299	.1663	.1975	.2335	.2578
98	.0682	.1292	.1654	.1966	.2324	.2565
99	.0679	.1286	.1646	.1956	.2312	.2552
100	.0675	.1279	.1638	.1946	.2301	.2540

Appendix H

In-depth interview transcript

Respondent 1: Senior HR executive, Infra-structure development company

Date of interview: 5 March 2017

Interview length: 30 minutes

Gender: Male

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 3 years.

Interviewer: Can you share some of your experiences on human resource outsourcing in your organization? Which positions are outsourced by you and why?

Respondent: In my HR department with 30 employees, six types of salary structure with benefit packages is exercised. Tk.30,000 to Tk.2,50,000 is the salary range of employees in HR department. The cost of other equipment and decoration of the dept. is Tk.6,00,000. When it started to use HR 3rd party this cost reduced from Tk.19,99,000 to Tk.14,14,000 due to the removal of some operating costs. The HRO saved Tk. 5,85,000 of the organization (table 6.6). this is the attraction of human resource outsourcing.

Interviewer: Sir, do you think this cost saving impacts organizational performance?

Respondent: Yes, of course.

Interviewer: Give some suggestions to your vendor.

Respondent: Professionalism in service should be increased. Service charge can also be reduced.

Interviewer: thank you very much for your cooperation.

In-depth interview transcript
Respondent 2: Senior HR executive, Infra-structure development company

Date of interview: 15 March 2017

Interview length: 30 minutes

Gender: Male

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 4 years.

Interviewer: Can you share some of your experiences on human resource outsourcing in your organization?

Respondent: We got very good result of human resource outsourcing. We can minimize our costs through this. Our main activities are supplier based. We need not maintain separate HR department. We hired 3rd party for our HR departmental works.

Interviewer: Sir, please explain more.

Respondent: Besides operating costs for HR dept. maintenance outsourcing firm saves hiring costs also. Our organizations do not use premises or identity while hiring, HRO firms works on behalf of them. Some organizations have their head office outside the city or country, collection and communication with the candidates is a difficult job for them. HRO firms can also play this role. We do not publish their job circular in top newspapers where range of charge is tk. 70,000 to tk.1,00,000 for each advertisement. Organizations using their HRO networks can connect candidates more easily without paying more. In this way 30%-50% hiring cost is saved through utilizing third party.”

Interviewer: Do you think that their services are important in organizational performance?

Respondent: Yes. Cost and time saving, quality of work must have impact on organizational performance.

Interviewer; Thank you very much. Would you like to give some suggestions?

Respondent: No, thanks.

In-depth interview transcript
Respondent 3: Senior HR executive, Commercial bank

Date of interview: 10 February 2017

Interview length: 30 minutes

Gender: Male

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: About 5 years.

Interviewer: Can you share some of your experiences regarding the issue?

Respondent: Yes. Why not? Tell me, what do you want to know?

Interviewer: I found that organizations hire a third party for cost minimization in the organization. Sometimes customers like the activities of third party. What is your purpose? Tell me in detail.

Respondent: We outsource cleaners and messengers. They do not need to apply creativity. When employees for non-managerial posts are hired they do the routine tasks. We avoid giving them risky and creative tasks.”

Interviewer: Do they happy working in this way?

Respondent: Why not? Most of the organizations use third party in this purpose. It is cost competitive, too.

Interviewer: Is their working quality is fine?

Respondent: Yes, moderate. if we receive complaints from our customers about his/her quality, we have options to change them.

Interviewer: How do the service influence organization performance?

Respondent: There is no direct relation with performance in our case. But vendors save our time and this time is used in other significant purposes. Again, responsibilities of these staff are not too meagre. Their work is helpful in building our image to the clients.

Interviewer: Give some feedback for the vendors.

Respondent: I think like my organization, most of the organizations demand cleaners or messengers from them. The reason is trustworthiness regarding the quality of managerial level employees. As they plays role in company’s decision making, they must have unique quality. But our vendors cannot supply them. Quality and scope of their work need to be improved.

Interviewer: Thank you.

In-depth interview transcript
Respondent 4: HR head, Food & Beverage

Date of interview: 20 March 2017

Interview length: 15 minutes

Gender: Male

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 8 years.

Interviewer: Can you share some of your experiences on human resource outsourcing in your organization? Why did you choose this? Its benefit, lacking etc.

Respondent: I believe that a good HR outsourcing practice can give an error free result if properly undertaken with adequate supervision. In my organization, all we are doing to get an error free service.

Interviewer: What services do you take from outsourcing firm?

Respondent: customer care, non-managerial posts etc.

Interviewer: How do outsourcing impact organizational performance?

Respondent: If their work is error free, it reduces wastage of time and money. Handover of this service also saves our time and our employees can concentrate on more important works.

Interviewer: Any suggestion?

Respondent: They should be more quality oriented.

Interviewer: Thank you very much.

In-depth interview transcript
Respondent 5: Senior HR executive, Food & Beverage

Date of interview: 17 March 2017

Interview length: 1 hour

Gender: Male

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 8 years.

Interviewer: Can you share some of your experiences on human resource outsourcing in your organization? Why did you choose this? Its benefit, lacking etc.

Respondent: As we are an information technology based multinational organization, we had no separate HR department. Some of us got training on various HR issues and based on these we performed HR tasks when required. But it increased your workload, no doubt. In 2005, when we first heard of this HR outsourcing we want to hire it. But could not. Finally in 2009 we hired them. Our motive was to handover HR tasks to 3rd party.

Interviewer: How did outsourcing benefit you in organizational performance?

Respondents: I am a second line executive in marketing dept. of a medium sized multinational company with main focus to procure and launch the product in market. I had 12 employees in his department; among them 3 employees work with HR department at the peak of recruitment season. The organization has no separate HR department. I have also an experience of undertaking HR responsibilities. An estimation found that every year, until 2009, the year of outsourcing decision for us, the HR dept. lost minimum 23 days or 184 working hours for employee hiring purpose, considering the most tiring and regular task (table.6.7). After conducting a meeting with the authority, the MNC delivered hiring responsibility to a third party in 2009. Now we can focus more on manufacturing and marketing sides of product development all over the year. Now, only, HR related tasks like training, compensation etc. are managed by the administration.

Interviewer: Do you want to handover more responsibilities to them near future?

Respondent: Dept. recently the organization is facing problem regarding their existing salary structure. The company needs extensive time and labor for competitors' survey to revise the salary structure and to introduce something new. They are now thinking to give this responsibility also another vendor to save time, costs, and hassle.

Interviewer: Thank you very much.

In-depth interview transcript
Respondent 6: Senior HR executive, commercial bank

Date of interview: 15 April 2017

Interview length: 30 minutes

Gender: Female

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 3 years

Interviewer: What are the services. Please share in detail.

Respondent: Credit card officer.

Interviewer: Do you face any problem with the service of 3rd party?

Respondent: The outsourced staff's morale is not mention worthy. They are not satisfied with their present situation. Some of them complaints that we treated them unfairly. But opposite is also true. Some of them are very hard-working and always struggle to sustain in their situation.

Interviewer: What is your suggestion for the vendors to solve the problem?

Respondent: Nothing to say. Because this situation is the divine reality for the outsourcing service.

Interviewer: Thank you very much.

In-depth interview transcript
Respondent 7: Senior HR executive, Telecom company

Date of interview: 7 April 2017

Interview length: 15 minutes

Gender: Female

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 3 years

Interviewer: What are the services. Please share in detail.

Respondent: We are taking care-line officers, security guard etc. We cannot trust 3rd parties for higher level positions.

Interviewer: What are the reasons behind taking services from them?

Respondent: Less costly and risk free are the reasons for taking services from them. Though, outsourcing reduces our costs, but I, personally cannot appreciate it. Making outsourcing with the intention to cost reduction injure the economy. It increases shareholders' profit but decreases purchasing power of the employees by shrinking salary and benefit structure of the outsourced employees. Even many employees become jobless with the recruitment outsourcing contact. Poor salary structure of the employee results a poor living standard, income inequality between rich and poor and financial insecurity.

Interviewer: What is your suggestion to stop this?

Respondent: Proper monitoring from the authority and readiness to sacrifice a part of profit by the employer as a part of employees salary or benefit.

Interviewer: Thank you very much.

In-depth interview transcript
Respondent 8: Senior HR executive, Mobile company

Date of interview: 10 April 2017

Interview length: 30 minutes

Gender: Female

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 5 years

Interviewer: What are the services. Please share in detail.

Respondent: We take care line staff from the third party besides security staff.

Interviewer: What is the motive of it?

Respondent: Cost minimization, quality service, focus on core activities.

Interviewer: Share your experience regarding their quality.

Respondent: A complaint manager of my organization shared that the complaints had increased 10% than before when the organization started recruitment outsourcing of care line officers. Most of the problems were: misunderstanding of customers' problem, not providing appropriate solution to the problems, keep waiting clients for a long time and poor answering quality. When complaints became awful organization dismiss the employees.

Interviewer: How do you solve the problem?

Respondent: We are trying to improve the situation through rigorous training and setting a new performance standard.

Interviewer: Are they connected to organizational performance?

Respondent: Obviously. We are losing our trusted customers.

Interviewer: Thank you very much.

In-depth interview transcript
Respondent 9: Senior HR executive, IT firm

Date of interview: 5 April 2017

Interview length: 15 minutes

Gender: Female

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 3 years

Interviewer: What are the services. Please share in detail.

Respondent: We take IT officers from 3rd party. It is cost effective and give us more time to focus on main works.

Interviewer: Don't you feel this lower salary, benefit creates sweat shop problem for the employees?

Respondent: I do not want to consider it as a sweat shop problem because they are aware of this before joining. But such type of discrimination is an unhealthy practice and may create negative impact on HR outsourcing.

Interviewer: How does it impact organizational performance?

Respondent: If it continues in the long run, it must attack performance of the organization through job dissatisfaction and poor morale of employees.

Interviewer: Any suggestion?

Respondent: When an outsourcing agreement is undertaken by both parties, salary of the employees should be considered equitable in terms of their input. Otherwise, it will destroy vendor's and client's goodwill in the labor market. As a consequence, outsourced employees alter their output intentionally.

Interviewer: Thank you very much.

In-depth interview transcript
Respondent 10: HR head, Food & Beverage

Date of interview: 21 March 2017

Interview length: 15 minutes

Gender: Male

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 7 years.

Interviewer: Can you share some of your experiences on human resource outsourcing in your organization?

Respondent: In the last of 2010, we have introduced one of the HRIS customized software in our organization. After implementation we found that the benefit of it is greater than its costs. The software is very much user friendly as graphical symbols were used for easy understanding considering all level of users. The software has ample space to store high volume of data with cutting-edge security. The software stays workable both in online and offline operation. The vendor provided 24/7 services for its clients in any emergency. Very recent, vendor is trying to localize the language of software into Bangla which is another good effort of them for their clients.

Interviewer: would you like to take other services from them?

Respondent: We also hire security services from them. Have a wish to take recruitment services from them.

Interviewer: Thank you.

In-depth interview transcript
Respondent 11: Senior HR executive, Food & Beverage

Date of interview: 22 March 2017

Interview length: 20 minutes

Gender: Female

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 3 years.

Interviewer: Can you share some of your experiences on human resource outsourcing in your organization?

Respondent: We only take recruitment services for our customer care department.

Interviewer: What is the reasons behind it?

Respondent: The 3rd party guarantees for the replacement, without any extra cost for the candidates who do not meet the expectations of the clients depending upon the position. In case of direct recruitment if the employee does not meet expectation their replacement decision may increase HR cost including advertisement costs, selection costs and training costs for every new selection. The second appointment may be also risky like the first one. HRO firms take all these risks by making free replacement, if required.

Interviewer: Could you give some suggestions?

Respondent: No, everything is fine.

Interviewer: Thank you very much.

In-depth interview transcript
Respondent 12: Head of HR, IT firm

Date of interview: 17 April 2017

Interview length: 30 minutes

Gender: Male

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 2 years

Interviewer: What are the services. Please share in detail.

Respondent: Head hunting or recruitment of managerial level employees. Besides, we hired IT experts from them.

Interviewer: It is said that many vendors engages in alluring competitors' expert, also called poaching to satisfy their clients. Do you agree?

Respondent: we do not know whether it is poaching or other, we place demand for such and such employee, sometimes show examples of our competitors; the third party manages it. We try to make both parties happy.

Interviewer: How will the service be helpful for the organization?

Respondent: Expertise of such candidates is the groundwork of organizational performance.

Interviewer: What is your suggestion for the vendors?

Respondent: The headhunting service charge is very high. More agency should come forward to satisfy the uprising demand of headhunting.

Interviewer: Thank you very much.

In-depth interview transcript
Respondent 13: Senior HR executive, Prime Insurance

Date of interview: 10 February 2017

Interview length: 25 minutes

Gender: Male

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: About 4 years.

Interviewer: Can you share some of your experiences regarding the issue?

Respondent: Yes. Why not? Tell me, what do you want to know?

Interviewer: What is your purpose? Tell me in detail.

Respondent: Some HRO firms are doing good jobs, especially in HRIS field. Their application development for the employees is also appreciating. They try to develop customized services as client's need. Last year, my organization took benefit services from a vendor. Though, at last we did not take that service; but they showed many new ideas regarding compensation and benefits that were not common in the current field.

Interviewer: In this type of human resource outsourcing service no external employees need to work in your premise. Isn't it?

Respondent: Yes.

Interviewer: How do the service influence organization performance?

Respondent: Using updated technology, positive image for our employees are important to measure organizational performance.

Interviewer: Suggest something to the vendors.

Respondent: Their service is good. Keep it up.

Interviewer: Thank you.

In-depth interview transcript
Respondent 14: Head of HR, Insurance Company

Date of interview: 18 April 2017

Interview length: 30 minutes

Gender: Male

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 2 years

Interviewer: What are the services? Please share in detail.

Respondent: We hire survey associates from the 3rd party. Engaging a 3rd party ensures on time service at minimum cost. It was very hard to collect a chunk of sales representatives by us without vendor's help.

Interviewer: Talk about your vendor quality.

Respondent: My service provider is very good. Their supplied associates are qualified enough to keep accurate records and reach targets on time. Previous batch of my survey associates provided by another party were not good enough. They could not reach their target. Their poor survey results made a loss in existing customers we changed the vendors. The number of new customers also dropped dramatically that time.

Interviewer: Would you like to give some suggestions?

Respondent: No.

Interviewer: Thank you.

In-depth interview transcript
Respondent 15: Senior HR executive, Insurance company

Date of interview: 1 March 2017

Interview length: 25 minutes

Gender: Male

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: About 4 years.

Interviewer: Can you share some of your experiences on human resource outsourcing in your organization? Which positions are outsourced by you and why?

Respondent: Yes. When the company started its journey in 2000, we hired a third party to develop our benefit structure. They introduced some new issues and factors in our benefit structure. But no doubt, but implication of them are also time and money consuming. As they were new our employees did not take positively, initially. But now, it is fine.

Interviewer: How do the service influence organization performance?

Respondent: It is helpful in creating good image in marketplace. An error free benefit and salary package removed inequality between the employees.

Interviewer: Suggest something.

Respondent: This service made our internal employee satisfaction.

Interviewer: Thank you.

In-depth interview transcript
Respondent 16: Head of HR, Commercial bank

Date of interview: 1 April 2017

Interview length: 35 minutes

Gender: Female

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 2 years

Interviewer: What are the services. Please share in detail.

Respondent: Once we took some officers from third party. But the experience was not good enough.

Interviewer: What are the advantages & disadvantages of the service?

Respondent: Outsourcing not only restrict quality living of the employees; rather restrict the quality of products and services for the consumers. It leads to unhappy employees and customers. By hiring a lower paid employee, the organization never expects a higher quality service which ultimately creates negative image for the organization, as well.

Interviewer: Would you like to take other services from them or other firms?

Respondent: No, not interested. But I think security guard, messengers, cleaners etc. are good options from them.

Interviewer: Would you suggest anything?

Respondent: No, thanks.

Interviewer: Thank you very much.

In-depth interview transcript
Respondent 17: Senior HR executive, Mobile company

Date of interview: 25 March 2017

Interview length: 25 minutes

Gender: Female

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization? What are the services?

Respondent: 2 years. Careline officers.

Interviewer: Can you share some of your experiences on human resource outsourcing in your organization?

Respondent: A care line entry level officer is compensated at Tk 22,000 to Tk 25000 when he is recruited directly by its own employer/organization. But when he is recruited by 3rd party his salary comes to a range of Tk. 13,000-Tk. 15,000. Benefits and incentives are not provided like the direct employees. The part time care line representatives in a mobile company hired in 2009-10 or before were served Tk. 5,000 as monthly cell phone bill as incentive and employees were also provided by organizational transport. But in 2016 the cell phone bill has been reduced to tk. 3000 and transport facility is also deducted as the organization has started to use outsourcing firms for recruitment. Most of the client organization goes for outsourcing because of achieving such advantages and to maintain a hassle-free work environment.

Interviewer: How this activity influence organizational performance?

Respondent: Lower salary-benefit can dissatisfy an employee, but in contrast, outsourcing firms manage work for many people that is also a good side for organizations and candidates, as well.

Interviewer: Any suggestion?

Respondent: Quality of candidates and timely service should be ensured by the vendors.

Interviewer: Thank you very much.

In-depth interview transcript
Respondent 18: Head of HR, Insurance Firm

Date of interview: 20 April 2017

Interview length: 30 minutes

Gender: Female

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 4 years

Interviewer: What are the services? How do evaluate them?

Respondent: Currently, we are taking officers. Whether your customers' needs are satisfied depend upon not the nature of employees or officers: internal or outsourced, rather it depends upon whether it is given importance by your employees or not. In my organization I found that instead, internal employees the outsourced employees approach customers with more love and trust. Our third party provided employees' core task is to deal with customers and work with their each and every problem. My organization and the vendor organization trained them with the same mission. As we are very much happy we are trying to broaden our scope in hiring more services from vendor organizations.

Interviewer: Would you like to give some suggestions?

Respondent: No.

Interviewer: Thank you.

In-depth interview transcript
Respondent 19: Senior HR executive, Commercial bank

Date of interview: 30 March 2017

Interview length: 35 minutes

Gender: Male

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 2 years

Respondent: In February 2015, our organization took a disciplinary action towards the employees for involving in trade union or labor union. At the same time some were also loss their job who were basically the poor performer for a long time. After informing again and again they could not take any steps for their performance improvement. To fill the vacant posts quickly we consulted a third party. Outsourcing created a good opportunity to find employees at a short period of time, to deal with the poor performer as well.

Interviewer: What level of employees were they?

Respondent: Officer, accounts officer, cash officer etc.

Interviewer: Any suggestion?

Respondent: Not at all.

Interviewer: Thank you very much.

In-depth interview transcript
Respondent 20: Senior HR executive, Telecom Company

Date of interview: 13 February 2017

Interview length: 25 minutes

Gender: Female

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: About 4 years.

Interviewer: Can you share some of your experiences on human resource outsourcing in your organization? Which positions are outsourced by you and why?

Respondent: Yes. Why not? We generally hire careline officers. We started it from 2013. At first we hired few employees, like a pilot study basis. After its success, we hired more employees from 3rd party.

Interviewer: What are advantages and disadvantages of such hiring?

Respondent: The most prominent advantage is cost minimization. We need not take interview, advertisement on newspapers. Only ask a third party with our specifications and undertake the whole responsibilities. When we started hiring more and more care-line executives last year, we found that our internal executives were unhappy. They felt that they are also replaced by the 3rd party employees. But now they are working cooperatively. Competition in work is also increased. Outsourced employees are also always trying to improve their performance so that their job becomes permanent.

Interviewer: How do the service influence organization performance?

Respondent: The service minimize costs, saves time that is the foundation of organizational performance. Engaging more people in work through 3rd party also plays vital role in organizational performance.

Interviewer: Suggest something.

Respondent: Quality need to improve considering the costs.

Interviewer: Thank you very much.

In-depth interview transcript
Respondent 21: Senior HR Executive, Infrastructure Development Company

Date of interview: 20 April 2017

Interview length: 30 minutes

Gender: Male

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 2 years

Interviewer: What are the services? Please share in detail.

Respondent: We are taking human resource information services.

Interviewer: What are the motives behind it?

Respondent: The service is highly technical. To develop or implement these tasks by a non-technical employee is difficult. But every organization needs the services to have proper employee list. So, we decided to give the responsibility to a third party. Though it is costly, but hazard-free. But the problem is, if not properly monitored, confidential and strategic issues may leak out. But we are very happy with our vendor.

Interviewer: How does this service influence organizational performance?

Respondent: Through developing and using new technology.

Interviewer: Any suggestion?

Respondent: As the service is highly technical, cost is very high. Hidden costs uprise the cost more. Hidden cost should be removed or minimized or incorporated during its initiation.

Interviewer: Thank you very much.

In-depth interview transcript
Respondent 22: Senior HR Executive, Commercial Bank

Date of interview: 18 April 2017

Interview length: 30 minutes

Gender: Male

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 2 years

Interviewer: What are the services? Please share in detail.

Respondent: Non-managerial services. As it is not our core work and quality of such staff do not highly influence our bank's performance, we handover the services to third party.

Interviewer: Would you like to hire 3rd party for other services?

Respondent: No. Security is much for a bank. It will not be good to engage third party for upper positions.

Interviewer: Do this impact your organizational performance? How?

Respondent: No, not at all.

Interviewer: Thank you very much.

In-depth interview transcript
Respondent 23: Head of HR, Garment & Related Company

Date of interview: 18 April 2017

Interview length: 30 minutes

Gender: Male

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 3 years

Interviewer: What are the services? Please share in detail.

Respondent: We regularly hire security staff. But this year we starts to hire technicians. The reasons behind choosing a third party is saving time and getting work on time. As we have no expertise in stated field it is beneficial to handover them to the experts.

Interviewer: Is there any unmentioned costs?

Respondent: Sorry, still not found.

Interviewer: How they impact organizational performance?

Respondent: Through their expertise.

Interviewer: Give some suggestions.

Respondent: Nothing to add.

Interviewer: Thank you.

In-depth interview transcript
Respondent 24: Senior HR Executive, IT Firm

Date of interview: 20 April 2017

Interview length: 10 minutes

Gender: Female

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 3 years

Interviewer: What are the services? Please share in detail.

Respondent: Security staff and people engage in product promotional activities. The reason is getting expert work with less error rate. You may know promotional activities require an extensive market survey. But my organization is not capable enough to do that. So, vendor is the suitable option.

Interviewer: How do they impact your organizational performance?

Respondent: They save time, make our tasks easier.

Interviewer: Anything to suggest?

Respondent: Their duty is vital for our organization.

Interviewer: Thank you very much.

In-depth interview transcript
Respondent 25: Head of HR, Infra-Structure Development Company

Date of interview: 30 April 2017

Interview length: 30 minutes

Gender: Male

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 4 years

Interviewer: What are the services? Please share in detail.

Respondent: We hire technicians, computer operator etc. Once we hired some engineers. Quality of engineer was good. But the technicians, computer operator is average. Our company is a sister-concern of a Russian based multinational company. Here, we have lacking in proper networking for hiring people. It is another reason for dependency on a third party.

Interviewer: Would you like to tell me about the costs.

Respondent: Yes, service charge is high. But we need quality people.

Interviewer: How do their work impact performance of your organization?

Respondent: Saves time, reduces risk to collect unknown people.

Interviewer: Thank you very much.

In-depth interview transcript
Respondent 26: Senior HR Executive, Garment Related Company

Date of interview: 5 May 2017

Interview length: 30 minutes

Gender: Male

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 3 years

Interviewer: What are the services? Please share in detail.

Respondent: We hire training services from 3rd party. We have no venue within our office to arrange training session. Again, being a backward area the trainers are not interested to come here. Even, we have no rich networks with trainers. Though, training cost is high, it is beneficial to render service to a third party. Labor law and compliance, govt policy, tax policy etc. are some of the subject matters of training undertaken by vendor.

Interviewer: Any suggestion?

Respondent: No.

Interviewer: Thank you very much.

In-depth interview transcript
Respondent 27: Senior HR Executive, IT Firm

Date of interview: 18 May 2017

Interview length: 30 minutes

Gender: Male

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 4 years

Interviewer: What are the services? Please share your experience.

Respondent: From the last four years the performance of our employees are tracking by the third party. To avoid biasness within the employers, this service is outsourced. Structured performance appraisal is undertaken. Before due date, the HR department submits all the papers and performance standards to the 3rd party to initiate evaluation. However, the service is very costly. But in this way we removed unfairness.

Interviewer: Any suggestion?

Respondent: No.

Interviewer: Thank you very much.

In-depth interview transcript
Respondent 28: Senior HR Executive, Garment Related Packaging Firm

Date of interview: 8 June 2017

Interview length: 35 minutes

Gender: Male

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 6 years

Interviewer: What are the services? Please share your experience.

Respondent: We hire people for non-managerial posts. Yes, the firm fully satisfy our demand.

Interviewer: Please suggest something to the vendors.

Respondents: Demand for such services are increasing day by day. Organizations also try to become risk free. Many organizations even do not focus on budget; quality work is meaningful to them. But most of outsourcing firms become failure to supply quality work. This should be properly monitored by authority.

Interviewer: Thank you.

In-depth interview transcript
Respondent 29: Senior HR Executive, Garment & Related Company

Date of interview: 21 June 2017

Interview length: 30 minutes

Gender: Male

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 4 years

Interviewer: What are the services? Please share your experience.

Respondent: Our organization takes training services from 3rd party. Security staff are also recruited from here.

Interviewer: Please add the reasons for taking these services.

Respondent: Training has a great impact on the garment sector. Every employee of the organization should know about updated labor law, compensation, government policy regarding export import, compliance policy etc. Any limitation in this field can restrict our export and import opportunities. For this reason, we have to depend upon third parties who have proper knowledge on it. The reason behind security staff outsourcing is nothing but only to save time and to reach quality.

Interviewer: How do you mark your vendor for these services?

Respondent: More than average, that is 70 out of 100.

Interviewer: Would you suggest anything to your vendor?

Respondent: Supply chain management, marketing and promotion, demand analysis etc. should be included as new subject matters of training program. Duration of training program should be longer, but impulsive.

Interviewer: Thank you very much.

In-depth interview transcript
Respondent 30: Senior HR Executive, Infra-Structure Development Company

Date of interview: 10 July 2017

Interview length: 45 minutes

Gender: Female

Start of transcription

Interviewer: Greetings

Respondent: Greetings

Interviewer: Sir, how long you are using human resource outsourcing services in your organization?

Respondent: 5 years

Interviewer: What are the services? Please share your experience.

Respondent: Head hunting service. Because it is very tough for us to maintain networks with experts in this field. The recruitment agency can do this properly. We send them our requisition and they send the portfolio of candidates. We choose from them and arrange an interview. These posts are for permanent employees.

Interviewer: how is the quality of their service? Suggest something.

Respondent: There are very few agencies or outsourcing firms that work on this. So price of this service is very high. More firms should come forward with headhunting service.

Interviewer: Thank you very much.

Appendix I

Questionnaire for vendor organization

Serial number:
Name of vendor firm:
Age of vendor firm:
Name of respondent:
Professional qualification of respondent:
Please fill up the following box with your open-ended answers.
Q.1. What services do you provide?
<input type="text"/>
Q.2. Mention the most demanding service of your organization.
<input type="text"/>
Q.3. What are the reasons for choosing HR outsourcing services?
<input type="text"/>
Q.4. Do you face any problem while delivering service from the part of your clients?
<input type="checkbox"/> Yes <input type="checkbox"/> No
Q.5. Make a brief of these problems.
<input type="text"/>
Q.6. Do you face any problem while delivering service from the part of government of the country?
<input type="checkbox"/> Yes <input type="checkbox"/> No
Q.7. Make a brief of these problems.
<input type="text"/>
Q.8. Do you face any problem from other sources?
<input type="checkbox"/> Yes <input type="checkbox"/> No
Q.9. Make a brief of these problems.
<input type="text"/>

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**Statement of detailed corrections/ changes and modifications of the PhD. Thesis titled
IMPACT OF HUMAN RESOURCE OUTSOURCING (HRO) ON ORGANIZATIONAL
PERFORMANCE**

2. Since the study is confined to the companies operating in Bangladesh, the title should be inclusive of this fact. In this case, the suggested title might be somewhat like, ‘The Impact of Human Resource Outsourcing on The Performance of Business Firms in Bangladesh’

Answer. The existing topic of the thesis titled ‘Impact of Human Resource Outsourcing (HRO) on Organizational Performance’ is accepted by the decision of the PhD. supervisor and the Academic Committee. In this case, it is quite impossible to make further change on it.

3. Table of contents does not have any reflection of the topic of the study. At least two chapters should have chapter captions related to its title.

Answer. I have corrected three chapters’ captions related to the thesis title. These are:

- Review of Literatures on Outsourcing and Human Resource Outsourcing
- Methodology used in Measuring the Impact of Human Resource Outsourcing on Organizational Performance
- Results and Findings Drawn from the impact of Human Resource Outsourcing in Organizational Performance

4. Chapter previews should be given in the ‘Introduction’ chapter and not in ‘Conclusion and Recommendations’.

Answer. Corrected. Chapter previews are brought to introduction chapter.

5. Terms used in the title (for example, HRO, organizational performance, effectiveness etc.) should be properly defined in the beginning chapter.

Answer. Modified. Human resource outsourcing, organizational performance, organizational efficiency, and organizational effectiveness are defined in the 'Introduction' chapter.

6. A standard academic research generally devotes 20% to 25% of the text to literature review and methodological issues. But this study has used 60% of the text on these issues.

Answer. Correction is made. Now they are presented in a focused way to the research objectives.

7. Most of the references are online references. Although the bibliography is highly exhaustive, most of the references have been cited in an unfocused way. It appeared that the author had a tendency to hide in the bushes of references.

Answer: References are cut short. Page numbers are added, where required. DOI number is also provided.

8. Tables 2.18 and 2.20 on literature findings do not seem to be a good style of presentation. References are already there in the bibliography; only their contextual themes should come in the textual discussion.

Answer. The presentation of summary or research findings in a table format is avoided. Only, contextual themes are added in textual discussion.

9. Sample-size of data collection is too small.

Answer. In the triangulation method, where both qualitative and quantitative studies are combined, the sample selection and other parts should be complete in its terms. So, the sample size should be the same as the separate qualitative and quantitative study requires. There is a difference of opinion regarding the sample size for a qualitative study. The sample size can be 15 to 30, as discussed in the methodology part. The classic suggestion regarding qualitative sample is that taking more samples until reaching the saturation point or until new themes and categories are no longer appear. In this research, 30 samples were taken, and no more models are required as the researcher reached the saturation point.

In a quantitative study, where the regression method is used, the sample size should be a minimum of 10 observations for each independent variable. In this research, four independent variables were used, so the expected sample size is minimum $4 \times 10 = 40$. The method is called the 10k rule of thumb (Trout, 2004). However, the researcher used 70 samples.

For this reason, it is said that the sample size of this research is not small; rather, it is adequate.

10. The author is conceptually wrong in differentiating qualitative data (collected through interviews with HR heads/ executives) and quantitative data (collected from supervisors of outsourced employees through some statements put in the Likert scale). Both are qualitative data.

Answer. The qualitative and quantitative data are properly differentiated according to the ways mentioned in question no. 11.

11. Quantitative data, (as claimed by the author) from the HR heads/executives have not been systematically collected, tabulated and analyzed. Appendix D gives only a summary of the related issues. It is not a realistic questionnaire. Specific questions related to the advantages, disadvantages, problems, etc. could be put to the respondents. Appendices include many trivial issues like permission or thank-you letters. Detailed tables basing on in-depth interviews could be there.

Answer. The previous quantitative questionnaire is corrected. In Appendix D realistic questionnaire is given. Specific questions related to advantages, disadvantages, and problems on the topic are incorporated. Detailed in-depth interviews of thirty respondents for the qualitative part are given in Appendix H (1-30). Detailed tables basing on in-depth interviews are shown in the “4.3. Analysis of Qualitative Data” part, pages 137-155. Detailed tables include the organization of respondents, segmenting, and coding of ideas collected from transcriptions. However qualitative data analysis part is modified. Data tabulation (crosstab) is used in describing the demographic characteristics of respondents of quantitative analysis. The crosstab tables that added here are:

- Industry-wise respondents’ outsourcing experience
- Gender-wise respondents in human resource outsourcing experiences

All these modifications are made after receiving the corrections. The changes did not affect data collection and analyses.

12. In the questionnaire for quantitative data (Appendix E) provisions should have been there for some demographic information and related open-ended questions to elicit many relevant information from the respondents. Instead of farming the statements in an indirect generalized form like “HRO reduces cost for the clients”, they should have been put in a direct style like, “HRO has reduced cost in our company”.

Answer. Demographic questions are added as general information in a quantitative questionnaire. An open-ended question is also added after the Likert scale questionnaire. Statements on the Likert scale are corrected to direct form indirect generalized form. The changes did not affect data collection and analyses.

13. As reported by the author, data for the study were collected through e-mail. This might have saved time and cost for the researcher; but it might have put the respondents in the problem of uniformly understanding the terms and technical jargons (e.g. Adaptive new ideas, core work, sweat shop, poaching, operational performance, etc.) used in the questionnaire.

Answer. To solve the problem of jargons ‘foot-notes’ are used after the questionnaire. ‘Foot-notes’ are added after receiving the corrections. Actually, these jargons were used in the previous questionnaire besides the main terms with brackets. So, the changes did not affect data collection and analyses.

14. Measuring organizational performance simply basing on the subjective views of some lower/mid-level supervisory people dealing with outsourced employees seems inadequate. Time and cost effectiveness should have been substantiated by some objective/factual data collected from the Accounts Department of one or two firms in the form of case studies.

Answer. Factual data on pre- and post-training outsourcing is collected and presented in the form of a case study from Accounts department and is incorporated in page 146-147.

15. The author has rightly argued that HRO is a strategic decision taken by top-level policy makers of the concerned organizations; but these people were not involved in the data collection process. In many places, references were made to employee and customer satisfaction; but neither the views of employees nor customers were collected for the study. No data were also collected from the vendor firms; but this was very relevant for explaining the HRO scenario in Bangladesh.

Answer. Though it is told that top-level policymakers make decisions regarding HRO, but, in the interview process, they were not interested enough to share anything. Instead, they have directed the researcher towards the HR department as it is very much relevant to the department (this part is incorporated into the sample selection procedure).

In the quantitative part, outsourced employee satisfaction and customer satisfaction were measured from the viewpoint of the supervisors as they were closely connected with outsourcing experiences and related changes.

Data were collected from the vendor firms for explaining the HRO scenario in Bangladesh. And they are included in the findings and analysis chapter. Contents of HRO in Bangladesh, component-wise importance in hiring 3rd party, features of organizations influencing HRO decision in the country, malfunctions of HRO in Bangladesh, future potentials of HRO, and information regarding PEST analysis—all are collected from vendor organizations. The objective of the research is to find out the impact of human resource outsourcing on organizational performance. As vendors' interview didn't satisfy our actual objective, they are not mentioned in methodology section. However, data collection procedure of vendors' firm is now included in the methodology section on page 104-105. A supporting Table 3.12 is also provided on the demographic characteristics of the vendors.

16. The author claimed that the reliability and validity of the collected data were ensured but did not explain how it was done.

Answer. In quantitative analysis, reliability is ensured using Cronbach's Alpha value. And content and construct validity were confirmed. Construct validity is measured using the Pearson Coefficient Correlations on the page. 102. On the other hand, in qualitative analysis, Croply's (2002) model is used to measure reliability and internal and external validity, page 92.

17. Pilot study, transcriptions, assumptions, hypothesis development, etc. are all methodological issues. But, in this study, they have been presented as analytical issues. Hypotheses should have been developed in the Concept Development Section.

Answer. The detailed transcriptions are placed in 'appendix H.' And its analysis, like, coding, summary, etc. are given in the qualitative data analysis section. Assumptions and hypotheses are brought to the methodology section. In this research, hypotheses were developed from qualitative assumptions; they cannot be placed in the concept development section. There is no pilot study in this research.

Though pilot study is an essential stage in a research project to ensure feasibility of the subject, research tool and data analysis by many of the researchers. By mistake the researcher did not carry out pilot study. Some researcher argued that if the alpha level of the items is above .70 (alpha level of this research instrument is 0.754) and the context is not so different, the result of pilot study would not significantly affect the overall research findings.

18. Descriptions in the Qualitative Section were of very general type mostly based on the author's personal views having very little evidence of field data.

Answer: Data presented in table 4.8, 4.9, 4.10 and 4.11 were collected from interview that are the evidence of field data.

19. Four hypothesis were developed assuming some assumptions between the dependent and four independent variables. but the independent variables were not really independent, they were highly interrelated. Correlation coefficients between the dependent and independent variables were found to be higher than the correlation coefficients between the dependent and independent variables (Table 4.14). Correlation coefficients were mostly insignificant to infer valid conclusions.

Answer. Organizational growth and development, cost and time effectiveness, and adverse effects on employees' and customers' perspectives are the four dimensions influenced by human resource outsourcing decisions. But the collected data and statistical analysis failed to find significant relationships in most of the cases. Only the variable cost and time effectiveness found a significant positive relationship with organizational performance. As a Ph.D. dissertation, the result is disappointing, though it is not abnormal, as I cannot change the actual data. There are

some potential reasons for such insignificant results. First, though the sample size is not inadequate (evidence provided in Ans. 9) to reach more samples would present exact scenario. Second, there may be some characteristics of the population, like confidentiality issues, knowledge and experiences of the respondents, age of human resource outsourcing practice in the organization, etc. that has given a different result than expected. Again, there may be some other factors beyond the researcher's chosen area that impact result significance. Though based on this insignificant result, no valid conclusion cannot be drawn; the result has some positive implications for future researchers discussed in the area of 'implication of the research.'

20. Hypothesis were tested simply on the basis of correlation analysis, regression coefficients. No chi-square or t-test were done. This should be checked with an expert decision.

Answer. To solve this problem, I have taken two expert statisticians' view. According to the first view, chi-square is used to identify the dependency of nominal variables in nature, like dichotomous variables, specifically, male-female, yes-no, or north-south-neither. But in this research Likert scale was used where data is in the ordinal scale, like, strongly agree, agree, neutral, disagree, and strongly disagree. So, chi-square is not required here. On the other hand, significant value is the substitute for p-value, t-value, z-test, etc. SPSS uses the term 'significance value' instead of the p-value, t-value, z-test manually. So, the result will be the same, whether significant value or p-test, t-test, z-test are used. So, here, doing a t-test is redundancy.

According to the 2nd view, the functions of chi-square, correlation, or regression is more or less the same. But the chi-square has no dependent, and independent variables instead work with variables only. As, in this research, the impact of an independent variable is sought on dependent variables, regression and correlation are more meaningful. Correlation and regression are the modeling technique that shows 'which' independent variable/s define the model best. So, from this perspective, correlation and regression is more appropriate.

21. Correlation analysis, regression analysis, triangulation, etc. were shown as Sub-headings in Chapter 4. But these are only tools for analysis used in research. Sub-headings should be something else.

Answer. Sub heading of chapter 4 as correlation and regression analysis are removed. Rather, ‘Tools for quantitative analysis’ is used one of the sub-headings of this chapter and under this heading correlation and regression analysis are added. For example,

4.8. Tools for quantitative analysis

4.8.1. Correlation analysis

4.8.2. Regression analysis

On the other hand, ‘Triangulation’ was the sub-heading of chapter 3. Instead of ‘Triangulation’, ‘Mixed Method: Triangulation’ is used. Now, the pattern is:

3.3. Qualitative dimension

3.4. Mixed Method: Triangulation

3.5. Quantitative analysis

22. Conclusions, recommendations and implications appeared to be generally based more on personal views of the researcher than on objective study findings.

Answer. Conclusions, recommendations and implications are adjusted based on research objectives.

23. The concluding chapter simply repeated the decisions of hypotheses and referred to a large body of references, and it seemed to be another version of literature review.

Answer. Decisions of hypothesis are corrected and made them short, but not removed as according to some experts, concluding chapter requires short summary of findings. But unwanted literature are omitted from this discussion. Literature kept as usual that indicates impact on dependent variable and reasons behind the impacts.

24. The author should be careful in using past, present and future forms of sentence structure throughout the text. Inconsistencies have been underlined to draw the author’s attention.

Answer. All are corrected using a software name GRAMMELY, premium.

25. The author has a tendency for using excessive shortcuts (like, don't, can't, isn't etc.) and abbreviations (like, BD, Govt., 3rd, etc.). These should be avoided as far as possible in formal writings.

Answer: Corrections are made.

26. Figures and Tables in some places have no textual references in the discussion. In some other places there are references of Table & Figures but no Tables & Figures are available there.

Answer: Corrections and modifications are made.

27. Some Tables were referred to in more than one Chapter. These could be put in the Appendix.

Answer: Corrected.

28. Some citations in the text do not have bibliographical references.

Answer: Checked and corrected.

29. The whole thesis is full of English structural weakness and grammatical errors. Many of these errors have been indicated in the correct form and others are just underlined with question marks (?) in the margins throughout the text. These need to be properly rectified.

Answer: Checked and corrected.

30. The author is conceptually wrong in making SWOT analysis for the HRO as an industry. The techniques should apply only to a particular firm/company.

Answer: The goal of this analysis is to make a summary of HRO firms working in Bangladesh that indicates the HRO industry of Bangladesh. So, PEST analysis is more appropriate for industry analysis than SWOT analysis that is generally used for business analysis.