

AN ANALYSIS OF DETERMINANTS OF RECRUITMENT AND SELECTION OUTSOURCING IMPLEMENTATION

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Abstract

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In order for the companies to maintain their positions in the current market, they are forced to find new opportunities and ways to streamline their operations. One of such options for the company is outsourcing, which is the subject of this paper. Given the increasing trend of outsourcing in human resource management, the article deals specifically with the issue of outsourcing of selected human resource (HR) activity – the recruitment and selection process (R & S). The main goal of the research study is to establish a set of determinants of the success of implementation of R & S outsourcing. The research was carried out by using a questionnaire survey from February 2013 as the primary data source. Questionnaires were distributed to a sample of organizations operating in Slovakia. In order to achieve the research objective, six hypotheses have been contested by correlation analysis and Mann Whitney U test, while in five cases statistically significant correlation between selected determinants and the perceived success of the outsourcing implementation have been confirmed.

Keywords: outsourcing, recruitment and selection process, outsourcing implementation

INTRODUCTION

In the current climate, which is characteristic in its rapid pace of development and the need for high flexibility, HR management becomes the subject of many changes. One aspect that changes the current form of providing HR activities in the company is outsourcing. Outsourcing of HR activities has started to develop in Slovakia after 1989. Here the main impetus was opening up to foreign investors, whereas in the Western countries outsourcing of HR activities was already a common form of business management. First forms of selective outsourcing started to be used, which consisted of transferring one or eventually several HR activities to an external supplier. After 2000 there were some cases of complex outsourcing, in which the entire HR management is moved to an external organization. However, as Chalupová (2006) has reported, on the Slovak market, selective outsourcing still prevails, one of the reasons being that there is a limited number of organizations that could provide complex HR outsourcing.

Organisations using HR outsourcing can gain certain advantages. Hepeng (2014) lists three advantages of HR outsourcing and that is economic value, technological value and strategic value, these increase the level of HR management and the competitive advantage of the organization. The economic advantage of outsourcing means that “outsourcing can make the enterprise use the outsourcing service provider of economies of scale advantage and low cost service for better services, human resources management and the ability to keep receiving outsourcing the changing of advanced equipment, advanced technology and space expansion of the human resources management advantages“. Technological value of outsourcing, as the author states, relates to the possibility of obtaining new technology, which is a prerequisite for ensuring a high level of HR management. The author also emphasizes the strategic value of outsourcing, since outsourcing relieves the HR managers from a number of administrative and operational activities, so they can focus on strategic HR management activities more.

Outsourcing has infiltrated the world of HR management in a major way and is a growing trend today (Choudrie, Grey and Selamat, 2009; Galanaki and Papalexandris, 2007). A recent study which surveyed more than 200 HR managers and CEOs shows, that HR management outsourcing is undergoing a dynamic growth. It reveals, that up to two-thirds of the respondents consider outsourcing a solution that is designed to ensure quality of service and cost savings (Chalupová, 2006).

Even though the use of outsourcing in HR has become a growing trend, its application does not always bring about the results the company hoped for (Goldschmidt, 2009). It is not uncommon that the set-up goals are not reached when outsourcing is used. This was confirmed by a survey executed by the American Management Association, which found that three-quarters of the respondents proclaimed that they did not reach the set-up goals after outsourcing was used and half of the respondents professed that they had to bring back at least one outsourced activity back to the firm (McIvor, 2005).

Authors Lihua, Jiang and Jing (2013) conducted research in order to define the factors that influence the degree of utilization of outsourcing. They found that the degree of use of outsourcing is determined by factors such as the degree of intervention of top managers and his decision-making power, strategic position and asset specificity. A part of the research is the finding that firm first evaluates the importance of the strategic position of certain management functions when deciding on HR outsourcing. "Human resources management business whose asset specificity is higher, if it is outsourced, suppliers may not be able to fully understand the culture so outsourcing risk is higher".

Ates (2013) found out that the key factors in outsourcing success are the decision process, partners, contract and partnership quality. Partnership quality, which is the independent variable of the study, is formed by factors such as trust, business understanding, benefit/risk share, conflict and commitment. These factors are determined to be affected positively by certain determiners such as joint action, communication quality, information sharing, mutual dependency, cultural similarity and top management support. Another authors state, that the indicators such as the ability to access new technologies, skills and resources/capabilities and cost cutting and cost shifting contribute heavily to shape the decisions makers' perception towards the benefits of outsourcing (Jain and Ramachandran, 2011).

Another interesting research study carried out in 2013 is by authors Ee, Halim and Ramayah (2013). The subject of the research is the successful implementation of outsourcing, while the authors focus on the quality of the relationship between the supplier and provider of the outsourced service. The analysis has shown that the factors which influence the partnership between supplier and

provider, such as trust, business understanding and communication have a significant positive impact on HR outsourcing success. Therefore, a good relationship between the supplier and provider is a prerequisite for achieving success in outsourcing. Other preconditions for effective outsourcing include identifying clear goals and expectations of outsourcing, the right choice for a partner, building trust between workers, getting the right people to implement outsourcing, setting-up an adequate supporting infrastructure, establishing objective performance criteria as well as readiness to change and the related need for flexibility (Fapohunda, 2013). Despite certain limitations and difficulties, outsourcing leads to the increase of profits and market share but it must be handled carefully so as not to lead to decline in organizational performance.

An important factor which contributes to outsourcing bringing the desired results is its successful implementation. This realization led to a research study, whose aim is to define a set of factors determining the successful implementation of R & S outsourcing through exploring of statistically significant correlation between selected factors and the perceived success of the R & S outsourcing implementation. In order to achieve the research objective, six hypotheses have been contested by correlation analysis and Mann Whitney U test. The formulation of the hypotheses whose main object of study is the successful implementation of R & S outsourcing, is based on the review of previous research in the field and contributors' different approaches to the topic.

Useem and Harder (2000) deal with the question of management in the process of outsourcing implementation. These authors claim that up to 80% of managers surveyed confirmed the support of the management during the outsourcing plan. As Kizilos and Reshef (1997) said, top management plays an important role in the promotion of innovation in the field of human resource management in resource allocation and in ensuring access to relevant information.

H1: There exists a statistically significant correlation between management support and the perceived success of the R & S outsourcing implementation.

Cohen, the vice president of the company Garnter, states that in regards to unsuccessful outsourcing, it is "the chaotic and impulsive outsourcing that creates a lot of problems". The problem is that some companies decide to enter the outsourcing relationship without deeper analysis. Another author who emphasizes a structured approach when deciding on the use of outsourcing is Kóňa (2006). These claims will try to be verified in formulation of the hypothesis 2.

H2: There exists a statistically significant correlation between the employment of analyses in the decision process and the perceived success of the R & S outsourcing implementation.

The implementation of outsourcing is accompanied by many changes, such as the changing role of the workers who used to provide R&S services and who must adapt to new challenges in the organization. Change of their former work process can be frustrating and demotivating, so adequate preparation for the implementation of these changes using change management plan is recommended (Bos, 2008). The question of whether staff preparation is related to the successful implementation of outsourcing is formulated in the following hypothesis.

H3: There exists a statistically significant correlation between the preparation of employees for changes associated with the implementation of outsourcing and the perceived success of the R&S outsourcing implementation.

Outsourcing decisions are often made with no regard to the long-term competitiveness of the company. There are few companies that consider the strategic aspect in their outsourcing decisions, the greater part of the businesses is simply affected by the sudden need for cost reduction (McIvor, 2000). In practice, strategic considerations are still an overlooked factor in the use of outsourcing (Potkány, 2005). Whether this aspect affects the successful implementation of outsourcing solutions is verified by the hypotheses 4.

H4: There exists a statistically significant correlation between a strategic approach to outsourcing and the perceived success of the R&S outsourcing implementation.

As Potkány (2005) states, in practice outsourcing provides short-term operational solutions to problems, resulting in a limit potential benefit that outsourcing can bring to these enterprises. The following hypothesis is set to verify these arguments.

H5: There exists a statistically significant correlation between the planned duration of the use of outsourcing and the perceived success of the R&S outsourcing implementation.

For successful outsourcing it is necessary to provide monitoring of services performed, to evaluate measured criteria and to compare them with the projected figures. In most cases, monthly evaluation of achieved results is recommended (Caruth and Caruth, 2010). To verify the claim the following research hypothesis is formulated.

H6: There exists a statistically significant correlation between the management of relationship with the supplier and the perceived success of R&S outsourcing implementation.

MATERIALS AND METHODS

The object of the current research study is the issue of R&S outsourcing with a focus on the analysis of the factors, which we assume affect the successful implementation of outsourcing in organizations. The following objective has been set for the study:

- To establish a set of determinants of the successful implementation of R&S outsourcing by the establishment of statistically significant links between selected factors and the perceived success of the outsourcing implementation.

Based on the analysis of the arguments of various authors, potential factors determining the success of the implementation of outsourcing have been identified:

- Management support.
- Employment of analyses when deciding on the use of outsourcing.
- Preparation of staff before the implementation of outsourcing.
- A strategic approach to the use of outsourcing.
- Planned duration of the use of outsourcing.
- Management of the relationship with the supplier of the service provided.

Research was carried out on the basis of primary data collection using a questionnaire survey. Questionnaires were distributed to a sample of organizations operating in Slovakia both personally and electronically to the e-mail addresses provided by Infostat. The research sample consisted of organizations that use, or formerly used R&S outsourcing. The questionnaire consisted of 14 main items, to which participants (managers) responded using a five-point Likert scale.

RESULTS AND DISCUSSION

In order to identify the factors that determine the successful implementation of R&S outsourcing, it was necessary to verify whether there exists a statistically significant correlation between the selected variables and the perceived success of outsourcing implementation. Perception of successful outsourcing implementation was rated by an item questionnaire consisting of eight sub-items. In order to verify the internal consistency of the sub-items, the Cronbach alpha coefficient was employed. The coefficient value is 0.910, which shows a high degree of internal consistency of the individual sub-items (> 0.7, according Rimačík, 2007).

H1: There exists a statistically significant correlation between management support and the perceived success of the R&S outsourcing implementation.

Based on the results obtained by the questionnaire, it was confirmed that the head managers are involved in decisions about the use of outsourcing to the great extent, although other people like HR managers and other members of management usually participate in the decision process also, albeit in a substantially lower range. The participation of individuals in decisions about the use of R&S outsourcing was assessed on a scale from 1 to 5, where 1 expresses no participation in decision-making and 5 maximum share in decision on the use of outsourcing. The issue whether this aspect can be considered a determinant factor in

the successful R & S outsourcing implementation was verified through correlation analysis. Given the nature of the variables, the Kendall tau correlation coefficient was used.

As shown in Tab. I, correlations were identified in relation to the individuals involved in the decision to use outsourcing. In all three cases, the result of correlation was $p > 0.05$, based on which we can conclude that there is no statistically significant correlation between the support of executives and the perceived success of the implementation of R & S outsourcing. The value of the correlation coefficient tau is < 0.1 in two cases and < 0.2 in one case, which shows very little to insignificant correlation. Based on the findings, the hypothesis H1 is rejected.

H2: There exists a statistically significant correlation between employment of analyses in the decision process and the perceived success of the R & S outsourcing implementation.

Another factor that may be considered as the determinant of the successful implementation of outsourcing is the existence of analyses aimed at assessing the suitability of performing the process by external way. Such analysis should be an essential part of every decision process about making changes in the company. The research results showed that 66.7% of companies using outsourcing, have performed some analyses, while almost all companies respected the results of the analyses in the decision to use outsourcing. What is not so positive is that 19% of organizations which perform

no analyses, would perform no analyses in the future either. Failure to perform the analysis is a deficiency in the assessment of such severe decision, such as the use of outsourcing.

To verify the hypothesis H2 the Mann-Whitney U test was used, and the results are given in Tab. II.

The test statistic resulted in $p < 0.05$, based on which H2 is accepted. Performing the analysis in the phase of deciding on the use of outsourcing can be considered as one of the determinants of successful outsourcing implementation. Any strategic decision should be preceded by thorough analysis and, therefore, the decision to transfer the business activities to an external supplier without previous analysis can be considered very risky due to possible unforeseen problems.

H3: There exists a statistically significant correlation between the preparation of employees for changes associated with the implementation of outsourcing and the perceived success of the R & S outsourcing implementation.

In case that the implementation of outsourcing has an impact on internal staff, whether their position or job description, it is important that the company prepares the employees for the new situation in time. The aim was to verify the existence of a statistically significant correlation between stated variables using the Kendall tau correlation coefficient. For purposes of assessment of the degree of internal consistency of the sub-items related to the variable – the preparation of employees to change, the Cronbach alpha coefficient was used,

I: Correlation between the share of individuals in decision process and the perceived success of the R & S outsourcing implementation

The share of individuals in decision process about the R & S outsourcing		Perception of successful R & S outsourcing implementation	
Kendall's tau_b	Top manager	tau	-.085
		p	.431
	HR manager	tau	-.059
		p	.547
	Member of management board	tau	-.155
		p	.111

Source: SPSS Statistics 21

II: Verification of statistically significant correlation between the performing of analyses and the perceived success of the R & S outsourcing implementation

Perception of successful R & S outsourcing implementation	Performing of the analysis before making a decision about the use of outsourcing	n	Average ranking	Median	U	z	p
	Yes	42	22.93	15.0000	60.000	-5.576	< 0.001
	No	21	50.14	22.0000			

Source: SPSS Statistics 21

III: Correlation between the preparation of employees to change and the perceived success of the R & S outsourcing implementation

Perception of successful R & S outsourcing implementation	
The preparation of employees to change	tau
	p
	.420
	< 0,001

Source: SPSS Statistics 21

the value of which is 0.792 and suggests sufficient consistency. The results are given in Tab. III.

Based on the obtained values, it can be confirmed that there is a statistically significant correlation between the preparation of employees for the change and the perceived success of the outsourcing implementation, and according to the value of the correlation coefficient ($r = 0.420$), we can talk about moderate statistical dependence. Therefore, the hypothesis H3 is accepted and it can be stated that preparation of staff for outsourcing implementation, whether through processing of change management plan, providing adequate support or ensuring adequate communication with affected employees, is a factor which determines successful outsourcing implementation. In case there is a lack of awareness of employees about the planned changes, effects such as demotivation, work dissatisfaction, reduced loyalty or squitting the company can be seen, which may ultimately lead to unforeseen difficulties in the implementation the planned changes. The role of the company in the implementation of outsourcing is:

- to inform employees about upcoming changes in a sufficient timeframe,
- to explain the importance of the outsourcing implementation,
- to describe the state of the organization following the implementation of changes,
- to provide intensive communication with affected employees,
- to choose the most appropriate means of supporting individual employees, depending on the extent of the impact of changes have been implemented.

H4: There exists a statistically significant correlation between a strategic approach to outsourcing and the perceived success of the R & S outsourcing implementation.

Another factor that can determine the R & S outsourcing implementation in terms of perception of its success is the strategic approach to that decision. Variable value was rated by participants' responses to four assertions (sub-items), related to the application of the strategic approach in deciding on the use of outsourcing. The value of Cronbach's alpha coefficient for the item is 0.838, which presents sufficient internal consistency of sub-items.

H5: There exists a statistically significant correlation between the planned duration of the use of outsourcing

and the perceived success of the R & S outsourcing implementation.

Both hypotheses number 5 and 6 are closely linked, since on the basis of a planned period of utilization of outsourcing we can judge whether the organization concerns itself mainly with short-term or long-term objectives and, therefore, whether it applied the strategic approach to outsourcing solution. In both cases, the Kendall correlation coefficient was used. The results of both correlations are given in Tab. IV.

In both cases, the results are very similar. Based on the results of correlation in the first case ($p < 0.05$ and $\tau > 0.4$), it can be confirmed there exists a statistically significant relationship between the strategic approach to outsourcing and the perceived success of R & S outsourcing implementation, thus hypothesis H4 is accepted. Based on the positive value of τ (0.481), it can be concluded, that the higher rate of agreement of respondents with individual statements presupposes a higher level of evaluation of successful outsourcing implementation and the correlation between variables can be considered as moderate. In the case of correlation between the planned duration of use R & S outsourcing and its successful implementation τ value was found to be 0.414 and therefore the relationship between these variables can be assessed as moderate. An interesting finding is the fact that companies intending to outsource the HR activity in the long term, showed assessed the success of the outsourcing implementation as more positive. Hypothesis H5 was accepted.

Research has confirmed that a strategic approach is a determinant of successful R & S outsourcing implementation. If the firm perceives the use of outsourcing as a strategic decision, it can be assumed that it will apply the equivalent approach in its implementation. The research shows, that from the perspective of some members of the management board (30%), R & S outsourcing is not seen as a strategic choice of the company, which can be perceived as an obstacle from the future perspective of the company. Company's decision to outsource should not be seen as an automatic solution to business problems. For persistent problems, it is necessary to analyze the problematic situations in the organization in detail, in order to determine the causes of the problems. The decision to use outsourcing should be supported by results of

IV: Correlations related to hypotheses H4 and H5

	Perception of successful R & S outsourcing implementation	
	tau	p
Strategic approach to R & S outsourcing implementation	.481	< 0.001
Planned duration of use R & S outsourcing	tau	p
	-.414	< 0.001

Source: SPSS Statistics 21

V: Correlation between the management of relationship with the supplier and the perceived success of R & S outsourcing implementation

The management of relationship with the supplier	Perception of successful R & S outsourcing implementation	
	tau	p
	.667	< 0.001

Source: SPSS Statistics 21

the analyses, including an assessment of the impact of the introduction of outsourcing in the field of HR management, as well as the overall business activity. In case of the decision to outsource is based on the results of analyses, the company should have clearly defined goals, which it plans to achieve by using outsourcing in the long term and in line with the business strategy and HR strategy.

Based on the research results, it is clear, that the longer the period, the company plans to use outsourcing for, the better is the outsourcing implementation perceived. Implementation of long-term decisions envisages the adequate preparation of company, which consists in the analysis and defining clear objectives in line with business strategy and HR strategy. The decision to outsource only for a short time shows that the firm pursues short-term goals or solution of current business problems by using outsourcing. However, such decisions can be considered risky, since the re-transfer of outsourced activities back into the firm in a short period of time may require to implement other changes that require further expenditure of time, effort and additional costs.

H6: There exists a statistically significant correlation between the management of relationship with the supplier and the perceived success of R & S outsourcing implementation.

Another factor that was predicted to affect the level of successful outsourcing implementation is the level of cooperation with the supplier of outsourced activities. For purposes of determining the correlation between these variables the Kendall correlation coefficient tau was used. Since the value

of Cronbach's alpha coefficient is 0.860, we consider sub-items as sufficient internal consistent. The results are given in Tab. V.

The value of the correlation coefficient tau = 0.667 confirmed that there is a strong correlation between variables. Hypothesis H6 is accepted. It can therefore be concluded that companies that have established permanent communication with suppliers, continuously assess the relationship with the supplier and have a designated person in charge of this relationship, perceive R & S outsourcing implementation more successfully. This factor can be considered as very important for the outsourcing implementation, especially since the supplier affects the level at which the activity will be carried out and what kind of staff will be employed. Cooperation with the supplier company should not end with the choice of supplier. Given that the external company takes responsibility for which employees will be available in the company, it is very important to have sufficient confidence in the quality of the supplier. In order to achieve a long-term, mutually satisfactory relationship with the supplier, a company may following recommendations:

- choosing the appropriate type of supplier, depending on the extent of outsourcing use and type of outsourced services,
- negotiation of contract terms,
- determining the internal personnel responsible for managing the relationship with the supplier,
- ensuring regular communication and monitoring the relationship with the supplier,
- evaluation of indicators of the efficiency of outsourcing.

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