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Successful Human Resource Outsourcing Strategies

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Walden University
2018

Abstract

Successful Human Resource Outsourcing Strategies

by

Michael L. Bullock

MS, Grantham University, 2009

BA, Columbia College, 2004

Doctoral Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Walden University

December 2018

Abstract

Human resource outsourcing (HRO) is a strategic choice that managers implement because of a variety of anticipated benefits. The purpose of this qualitative case study was to identify HRO strategies managers used to reduce operating costs while maintaining human resource (HR) effectiveness. Data were collected from semistructured interviews using open-ended questions and a review of company documents. Study participants represented 3 midwestern firms with 50 or more employees. The participants drawn from the population consisted of a minimum of 2 participants per organization who had increased their organization's strategic value using HRO strategies. The transaction cost economics (TCE) theory was the conceptual framework for this study. Data were analyzed using methodological triangulation to identify codes from words, phrases, and sentences using multiple sources to identify recurring themes. Five key themes emerged: outsourcing strategies, outsourced functions, operational costs, organizational effectiveness, and success measurement. The findings of this study may lead to social change by supporting managers in making HRO decisions conducive to reducing operating costs while maintaining HR effectiveness, which might positively impact social change by providing core function jobs to the local community thereby decreasing unemployment rates.

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Dedication

I dedicate this doctoral study to God for giving me patience and endurance. To my deceased parents for giving me unconditional love and guidance. To my wife Laura, for being the air beneath my wings, and to my pets, Mazie, Shaggy, Sheyden, Zoey, Sophia, Lyric, Madeline, and Aggie for just being amazing. Finally, one extra thank you to Laura, for motivating and supporting me through this entire journey. I cannot say thank you enough but thank you for your encouragement and love.

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Section 1: Foundation of the Study

National and international borders that once hindered global competition have disappeared (Edwin & Ohaegbu, 2015). To survive and thrive in the business environment and beyond, managers realize their organizations must deliver products and services to end-users located anywhere in the world (Edwin & Ohaegbu, 2015). The expanding business environment creates new challenges managers need to conquer to reduce operating costs while maintaining HR effectiveness. To reduce operating costs while simultaneously maintaining HR effectiveness, organizational managers began focusing on core functions by outsourcing noncore activities such as HR functions (Edwin & Ohaegbu, 2015). Marchington (2015) stated if managers wanted to increase their organization's strategic value, they first need to shift their focus towards long-term cost solutions capable of increasing their organization's viability. One solution managers began using to remain competitive was to outsource HR functions to focus on core competencies (Tiaojun, Yusen, & Peter, 2014). When managers began using HRO strategies, they realized HR needed to become a strategic partner responsible for the intelligent use and management of HRO strategies (Marchington, 2015). The intent of expanding HR's role was twofold. First, organizational managers wanted to reduce HR as a fixed cost function by acquiring HR services specifically tailored to organizational needs. Next, organizational managers wanted to outsource noncore functions to focus on core competencies (Poornachandrika, 2015). Before outsourcing any function, managers need to assess the consequences of HRO on organizational efficiency and effectiveness,

and to accomplish this; it is imperative they understand the reasoning for deciding to outsource and the cost of HRO across all business lines (Savino, 2016). According to Butler and Callan (2014), HRO has a negative effect on operating performance when outsourcing participation is not optimal. To reduce operating costs while simultaneously maintaining HR effectiveness, Žitkienė and Blusytė (2015) stated managers need to manage potential HRO functions against the underlying motives to outsource.

Background of the Problem

In an increasingly competitive global business environment, organizational managers received pressure to provide improved and faster services, as well as products at reduced costs (Burma, 2014). Responding to the pressures of making and delivering improved, faster, and less expensive products and services, managers search for innovative ways to achieve competitive advantages. One solution organizational managers discovered to remain competitive is to outsource HR functions (Tiaojun et al., 2014). Žitkienė and Blusytė (2015) asserted HRO is the management strategy managers use to decide whether to subcontract certain inhouse activities to external vendors. Managers use HRO strategies to achieve cost savings and gain competitive advantages (Žitkienė & Blusytė, 2015). Firms in various commercial enterprises progressively consider outsourcing as a vital solution to reduce costs, enhance quality, and focus on their core competencies (Tiaojun et al., 2014). Despite the many benefits some firms achieve from outsourcing, others experience undesirable outsourcing outcomes because managers lack the knowledge to identify potential risks or the ability to manage them

(Prystupa, & Rządca, 2015). For example, Edwin and Ohaegbu (2015) discovered instances where outsourcing HR functions created problems because of the training and development expenses associated with the development of the remaining inhouse HR staff. Edwin and Ohaegbu (2015) also discovered instances where HRO strategies created problems related to the loss of business secrets and expertise. Tiaojun et al. (2014) discovered occurrences in which outsourcing lowered profits because of double marginalization. Double marginalization happens when industry-specific firms have market powers at different organizational vertical levels, thereby creating two separate instances of losses negatively impacting the market. The decision to outsource HR may be a risky venture in terms of cost and performance; however, conducting systematic risk management procedures often offsets the possible negative outcomes of instituting new outsourcing strategies (Ensslin, Mussi, Chaves, & Demetrio, 2016). The positive and negative consequences of HRO's direct and indirect impact on overall firm performance provides the reasoning for further investigation of the phenomenon (Butler & Callan, 2014).

Problem Statement

Forty-four percent of small to medium-sized firms and 38% of larger firms outsource portions of their HR functions (Sim, Avvari, & Kaliannan, 2016). Outsourcing initiatives contribute to increases in employment rates and wages and led to the creation of over 14 million jobs in the United States; therefore, managers should consider how outsourcing could impact their organizations (Tingting, 2014). Outsourcing is a strategy

managers use to achieve reduced costs and gain specialized knowledge (Faraji & Abdolvand, 2016); however, it is important for managers to understand how outsourcing impacts their firm's performance. The general business problem is inappropriate strategies for implementing HRO can affect the profitability of organizations. The specific business problem is some managers lack the HRO strategies necessary to reduce operating costs while maintaining HR effectiveness**.**

Purpose Statement

The purpose of this qualitative multiple case study was to identify HRO strategies managers use to reduce operating costs while maintaining HR effectiveness. The target population consisted of three Midwestern firms with 50 or more employees. The participants drawn from the population consisted of a minimum of two participants per organization who have increased their organization's strategic value using HRO strategies. The findings from this study could benefit social change by helping managers identify strategies conducive to increasing their organization's strategic value; thereby positively impacting local employment rates and the economy.

Nature of the Study

I chose to use the qualitative method for this study. The appropriateness of using the qualitative method rests in the fact that using a nonmeasurable exploratory approach allowed for the exploration of a specific group's behavior thoroughly. Researchers who use the quantitative approach use measurable data and random sampling, summarize statistical data, and typically confirm or disprove theoretical hypotheses (Austin &

Sutton, 2014). Mixed methods researchers perform extensive data collection, use extensive resources, and combine quantitative and qualitative research approaches into a single study to confirm or disprove theoretical hypotheses (Povee & Roberts, 2015; Palinkas et al., 2015). I was not measuring data or confirming or disproving any hypotheses; therefore, the quantitative and mixed methods were not viable options for this research.

Research Question and Interview Questions

Research Question

The research question that formed the basis of this study was: What HRO strategies do managers use to reduce operating costs while maintaining HR effectiveness?

Interview Questions

1. What HRO strategies do you use to reduce operating costs while maintaining HR effectiveness?

2. Which HR functions do you outsource?

3. How has outsourcing HR functions affected organizational operating costs?

4. How has outsourcing HR functions affected organizational effectiveness?

5. How do you measure HRO strategy success and failure as it applies to operating costs and effectiveness?

6. What are the most important lessons you learned from attempting to reduce operating costs while maintaining HR effectiveness as it applies to HRO?

7. Is there anything else that you would like to share regarding HRO strategies used to reduce organizational operating costs while maintaining HR effectiveness?

Conceptual Framework

The transaction cost economics (TCE) theory was the conceptual framework for this study. The key proposition of the TCE theory is that transaction properties or costs influence outsourcing decisions and governance structures (Williamson & Ghani, 2012). For TCE proponents, firms have both direct and indirect costs associated with establishing contracts between firms and service providers (Williamson & Ghani, 2012). TCE advocates use the theory to aid with the minimization of transaction costs and consider TCE an optimization theory useful in the analysis process to help managers decide stratagems such as make or buy choices or insource or outsource decisions. According to Williamson and Ghani (2012), when managers use the TCE theory, they make hierarchies vs. markets decisions based on transaction costs.

Edwin and Ohaegbu (2015) discovered the cost factor is one of the most predominant reasons for outsourcing HR activities. When using the TCE framework, managers implement the organizational structure best-minimizing transaction costs. Vaxevanou and Konstantopoulos (2015b) stated the TCE framework is the most predominantly used outsourcing framework because it provides mechanisms to help managers determine which activities to outsource. Using the TCE framework, I had the means to identify HRO strategies managers use to reduce operating costs while

maintaining HR effectiveness. I also had the resources needed to discern why managers chose to keep some HR functions while deciding to outsource others to external vendors.

Operational Definitions

The purpose of this section is to present definitions of noncommon words to improve understanding of terms as they apply to this study's context.

Employee displacement: The phenomenon where workers leave or lose their positions because of a changed, abolished, or outsourced position (Brand, 2015).

HR outsourcing: The process of subcontracting HR functions or services to a third party to allow firms to concentrate on core competencies (Butler & Callahan, 2014).

Insourcing: The process of keeping organizational resources and services inhouse to maintain a sustainable competitive advantage (Jong Chul, 2015).

Strategic partnership: A partnership between entities or individuals for minimizing risks and maximizing learning to reduce costs, improve productivity, improve service delivery, or generate revenue (Sadovnikova, Pujari, & Mikhailitchenko, 2016).

Vertical integration: The process of determining which activities to perform internally or within the firm (Williamson & Ghani, 2012).

Assumptions, Limitations, and Delimitations

Assumptions

According to Francis (2014), assumptions are conceivable truths or beliefs authors trust to be true that impact the study, but have not been verified. I anticipated the following assumptions would have an impact on this research project. One assumption

was all participants would answer the questions honestly. Another assumption was because the selected participants had HRO experience that they also had a thorough understanding of their organizational HRO strategies. Another assumption was that by conducting semistructured interviews and using an interview protocol, I would capture enough rich data to identify themes and achieve data saturation. Finally, I assumed that after researching and selecting the TCE framework as the lens to view the phenomenon, I would identify strategies that managers use to reduce operating costs while maintaining HR effectiveness.

Limitations

Limitations are dynamics the researcher cannot control, and they form the boundaries of the study (Henderson, 2016). According to Snelson (2016), limiting the scope makes the research feasible and focused, thereby allowing another researcher to replicate the study. However, limitations are also probable weaknesses possibly affecting a research project by influencing research variables such as analysis, sample size, and interpreting and generalizing the findings (Henderson, 2016). For this study, time was a limitation dictated by the anticipated graduation date. The time limitation also affected the initial sample selection. The initial sample consisted of a minimum estimation of participants needed to complete the study quickly; therefore, participant observations and assessments obtained might not represent the perceptions of other managers. Another limitation was that I served as the only data collector. The possibility existed that my experience as a program manager would potentially influence the selected participant

responses. To minimize this limitation and reduce the potential for bias, I followed the interview protocol closely and only asked scripted and follow-up questions in an even and consistent tone, ensuring not to inject any verbal or nonverbal cues that might influence participant responses.

Delimitations

Delimitations are the boundaries defining the scope, thereby making research practicable and focused (Snelson, 2016). Researchers use delimitations to narrow the scope of the research project by establishing boundaries and operating parameters for the study (Hughes & Foulkes, 2015). For this study, I limited the research to Midwestern managers with successful experience reducing operating costs using HRO strategies. Another delimiting factor was that I asked questions of managers with 50 or more employees, thereby limiting the scope of the study. Consequently, the responses from the selected managers may not represent the views of managers in the selected or other geographical locations. Using the qualitative methodology itself was a delimiting factor because the qualitative methodology has specific operating parameters within which the researcher must operate (Bengtsson, 2016). For example, qualitative researchers logically explore and capture experiences, and then attempt to provide an in-depth understanding of those captured experiences (Austin & Sutton, 2014). Using the qualitative method also allows the researcher to approach the study's participants with an inquisitive attitude, helping respondents answer research questions and use their needs, concerns, and voices to shape the study (Austin & Sutton, 2015).

Significance of the Study

The number of firms outsourcing HR activities continues to rise (Pratap, 2014). The increase in outsourcing stems from managers' desire to increase firm value, create competitive advantages, and focus on core competencies (Savino, 2016). The rationale behind a leader's decision to outsource includes benefits firms could achieve in terms of reducing operational and capital costs, gaining access to expertise not available internally, increasing flexibility and quality of service, and enhancing organizational efficiency (Wekesa & Were, 2014). According to Handley (2012), in 2002, 74% of U.S. firms experienced negative HRO repercussions; 44% did not achieve anticipated cost savings, and 64% canceled their outsourcing contracts. These inferior outsourcing outcomes stemmed from organizations failing to conduct due diligence to ensure outsourcing success (Handley, 2012).

Contribution to Business Practice

In this study, I endeavored to identify through the words and experiences of knowledgeable managers HRO strategies used to reduce operating costs while maintaining HR effectiveness. Additionally, I highlight the often overlooked downside of outsourcing by identifying HRO strategies that fail to reduce operating costs while maintaining HR effectiveness. The identified strategies might contribute to improved business practices by demonstrating how managers could evaluate possible HRO strategies. Understanding how to evaluate HRO strategies could help managers create and

use strategies conducive to reducing operating costs, thereby creating a source of competitive advantage that could lead to increased profits.

Implications for Social Change

Exploring HRO strategies managers use to reduce operating costs while maintaining HR effectiveness could contribute to positive social change in multiple ways. First, exploring HRO activities could contribute to positive social change by helping firms effectively manage proximal outcomes, such as human capital and motivation, and distal outcomes, such as employee displacement and operational outcomes. Effectively managing proximal and distal outcomes could positively impact society by providing more job opportunities for the community which might positively impact employee displacement rates. Moreover, job opportunities could manifest from the organizational manager's need to support core activity expansion, thereby helping the local community create a stronger and more resilient local economy with possibly lower crime rates.

<div align="center">A Review of the Professional and Academic Literature</div>

The focus of this part of the study is on past studies conducted regarding successful HRO strategies used by managers to reduce operating costs while maintaining HR effectiveness. To achieve the purpose of this study, I used the multiple qualitative case study approach as a mechanism to help identify HRO strategies managers use to reduce operating costs while maintaining HR effectiveness. The following research question guided this study: What HRO strategies do managers use to reduce operating costs while maintaining HR effectiveness? I have chosen the qualitative case study

methodology to study Midwestern managers who have successfully implemented HRO strategies that reduced operating costs. This study is important because I sought to identify strategies that could improve negative HR outcomes in organizations, which might lead to firms creating competitive advantages, thus increasing their organizational profits and longevity.

Organization of the Literature Review

The literature review has three primary sections. In the first section, I explored HRO by discussing why managers outsource and present some of the HRO strategies managers use to reduce operating costs while maintaining HR effectiveness. Next, I introduced the TCE framework which is the conceptual framework chosen to examine the HRO phenomenon. This section is a brief history of the creation, evolution, and current state of TCE, including some contradicting theories and viewpoints. Last is a section where I present empirical evidence on how researchers use the TCE framework with outsourcing strategies. In this section, I also present the outcomes of the TCE framework and outsourcing collaborations and then provide a transition summary of the literature review highlights before transitioning into Section 2.

Strategy for Searching the Literature

I conducted a review of the literature on outsourcing strategies using the Walden University Library's Thoreau Multi-Database Search, ProQuest Central, and Academic Search Complete. I also used the Internet and Google Scholar searches to expand research results. Keywords and terms used to conduct the searches include the following: *outsourcing*, *human resource outsourcing*, *information technology outsourcing*, *human resources*, *human resources history*, *human resource management*, *strategic human resource management*, *outsourcing case studies*, *transaction cost economics*, *administrative and strategic functions of human resources*, and *resource-based view*. The entire study contained a total of 203 references, of which 192 were peer-reviewed with 182 falling within 5 years (2014-2018) of the anticipated graduation date. The percentage of peer-reviewed study was 94% while the percentage of studies falling within 5 years of the anticipated graduation date was 89%. The primary categories for the literature review were outsourcing, HRO, outsourcing competitive advantages, and outsourcing risks.

The purpose of this qualitative case study was to identify HRO strategies managers use to reduce operating costs while maintaining HR effectiveness. To comprehend HRO strategies from an experienced leader's perspective, it was important first to understand the HR components contributing to outsourcing outcomes. Therefore, I began the literature review by first establishing the importance of HRO. Included in this portion of the review is a brief history and introduction to HRO. Next, I discussed the literature on outsourcing HR, including the motivations of managers to outsource, the

processes involved in the decision to outsource, and some positive and negative outcomes of HRO. Then, I presented the lens through which I chose to examine HRO and discussed the TCE framework, which was the conceptual framework for this study. Finally, I concluded with a concise summary of the key points in Section 1.

Critical Analysis of Literature Review

The realities of globalization and increased competition present new circumstances and criteria that managers need to understand and master to reduce operating costs while maintaining HR effectiveness. According to Kumar and Pansari (2016), in the modern economic setting, firms must compete to obtain new clientele and retain existing customers while engaging employees, maximizing profits, and producing products and services providing differentiation and sustainable competitive advantages. The traditional view of organizations was that managers own and manage the resources under their sphere of control; therefore, HR managers focused on employee direction and control to achieve predetermined organizational goals (Burma, 2014). As globalization and technological advancements progressed, business threats and competitiveness increased across almost every business sector, creating the need for more flexible business models (Lastra, Martin-Alcazar, & Sanchez-Gardey, 2014). Responding to the new competitive environment, organizational managers began using strategies such as outsourcing as a tool to achieve competitive advantages and meet increasing organizational demands (Dinu, 2015; Glaister, 2014; Tiaojun et al., 2014). From 2000 to 2017, outsourcing increased over 30% per annum (Kabiraj & Sinha, 2017), because

organizational managers discovered successful outsourcing strategies increase organizational efficiency by eliminating low value and time-consuming activities, thereby allowing employees to focus on core activities (Davies, White, Plant, & Lee, 2015). HRO is the process of subcontracting HR functions or services to a third party to allow firms to concentrate on core competencies (Butler & Callahan, 2014). 80% of HR researchers profess HR management to be an integral component of organizational performance (Cristiani & Peiró, 2015; Gómez-Cedeño, Castán-Farreroa, Guitart-Tarrés, & Matute-Vallejo, 2015; Ralević, Dragojlović, Dobrodolac, Denić, & Nešić, 2015); however, accortding to Edvardsson and Durst (2014), a lack of research exists on the aspects and processes involved with HRO.

Vitasek (2016) stated that business professionals used transaction-based approaches heavily during the twentieth century. Other researchers explored HRO using a quantitative approach with a correlational or descriptive research design (Wekesa & Were, 2014; Williamson & Ghani, 2012). Wekesa and Were (2014) and Williamson and Ghani (2012), revealed researchers examining HRO topics using a quantitative approach focused on the reasons organizational managers decided to outsource. Limiting research on HRO to quantitative analysis creates a lack of detailed information about the relationship between variables. According to Wekesa and Were (2014) and Williamson and Ghani (2012), when researchers used quantitative methods to determine whether a statistical relationship existed between two or more variables; they did not have enough

information to understand the complete details of the relationship or descriptive data presented.

Glaister (2014) discovered limited HRO information exists because most of the HRO research is qualitative in nature with an exploratory focus thus lacking quantitative quantifying measures. According to authors such as Sigamani & Malhotra (2013), Vaxevanou and Konstantopoulos (2015a), Yap and Webber (2015), and Žitkienė and Blusytė (2015) based on the studies reviewed, busisnesses have a need to explore HR outsourcing further because the literature on the topic continues to be relevant but needs additional expansion for greater understanding. For example, Glaister (2014) discovered a business need exists to understand how HR functions as active outsourcing agents responsible for HRO strategies and resolves negative outsourcing issues. Vaxevanou and Konstantopoulos (2015a) stated firms should explore all HRO alternative strategies using specialized analysis and decision-making models. Žitkienė and Blusytė (2015) stated HRO is a complex process requiring a thorough examination.

Gill, Bunker, and Seltsikas (2015) stated the primary data collection tool used in qualitative studies to explore HRO was interviews. The rationale for me using interviews was to retrieve detailed perspectives and explanations from organizational managers, which could lead to a better understanding of HRO. Gill et al. (2015) used qualitative interviews to explore the emerging themes in the adoption of technology for financial services. Gill et al. ()2015) highlighted the effectiveness of using qualitative interviews to collect rich data.

Gill et al. (2015) discovered that when analyzing data collected from studies on HRO, the primarily lens used was grounded theory and thematic analysis. Grounded theory, or the constant comparative method of data analysis, helps researchers determine patterns and themes from qualitative data such as semistructured interviews (Gill et al., 2015). The use of interviews as the primary data source for this study was relevant because semistructured interviews are one of the primary data collections methods used in qualitative research. Collins and Cooper (2014) discovered conducting face-to-face interviews is the most common and nonthreatening means of gathering data from participants. Wiewiora et al. (2014) stated semistructured interviews are useful for when conducting in-depth investigations or explorations, which is the intent of this study.

The beginning of HRO. Over time, and using different management innovations, organizational managers discovered the traditional view or approach to human resource management was no longer a viable option for their organizations to remain profitable. The year 2014 was a different time in the business environment wherein managers outsourced various process and functions such as human resources (Abdul-Halim, Ee, Ramayah, & Ahmad, 2014).Organizational manager's use of outsourcing increased over the past decade because organizational managers began using it as a tool at every decision-making level; however, many organizational skeptics remain because of the fear they have relating to relinquishing control and uncertainty associated to outsourcing agreements (Sakas, Vlachos, & Nasiopoulos, 2014). Organizational managers first used outsourcing in manufacturing firms at the operational level, then began outsourcing

business process functions such as HR (Khan & Bashar, 2016). My review of the

literature revealed no universally agreed upon beginning date for the use of outsourcing

exists. The concept of outsourcing first appeared in an article in the *Journal of the Royal*

Society of Arts in 1979. Žitkienė and Blusytė (2015), referred to decisions made by

British car managers concerning the outsourcing of some of their company activities to

German specialists. Jiang and Qureshi (2006) declared outsourcing became a prominent

business strategy in the 1990s, that manifested as a widespread operational strategy.

According to Vaxevanou and Konstantopoulos (2015b), manager's use of a theory in the

field of outsourcing manifested out of their need to focus on and achieve specific

outsourcing results. The top theories used or referenced with outsourcing, according to

Vaxevanou and Konstantopoulos are:

- Transaction cost theory,

- Resource-based theory,

- Evolutionary theory,

- Knowledge-based view,

- Agency theory,

- Neoclassical economic theory,

- Relational theory,

- Social exchange theory,

- Economy of information theory, and

- Core competence theory.

When organizational managers decide to outsource and want to achieve costs reductions, they stereotypically use the transaction cost theory (Williamson, 1983). When they outsource to achieve resource-based benefits, they characteristically use the resource-based theory (Acar & Polin, 2015). Resource-based theory (RBT) proponents seek to maximize firm value by coupling resources (Burton, & Rycroft-Malone, 2014). Organizational managers choose to use the evolutionary theory when there is a need to understand and choose the correct outsourcing path that will produce predefined outsourcing outcomes (Vaxevanou & Konstantopoulos, 2015b); however, to achieve desired results, it is incumbent for them to have a good understanding of the outsourcing decision-making process (Santos & Rosati, 2015). Managers decide to use the knowledge-based view when it is important to understand how individuals cooperate to achieve goals (Vaxevanou & Konstantopoulos, 2015b). When there is a need to understand the relationship between the organization and the vendor, organizational managers choose to use the agency theory. According to Vaxevanou and Konstantopoulos (2015b), organizational managers use the neoclassical economic theory when the belief is that organizations act rationally to maximize benefits and achieve balance between organizations. Organizational manages use of the relational theory when there is a need to develop a vendor relationship to achieve technological competitive advantages (Sakas et al., 2014). Managers use the social exchange theory when there is a need to evaluate the vendor relationship using economic cost-benefit analysis. The social exchange theory is also predominately used during the outsourcing

reconsideration phase (Vaxevanou & Konstantopoulos, 2015b). Organizational managers use of the economy of information theory when firms have unequal or no information. Last, managers predominantly use the core competency theory when there is a need for firms to concentrate on core strengths and outsource noncore functions to achieve competitive advantages (Vaxevanou & Konstantopoulos, 2015b).

As evidenced by issues in the automotive, manufacturing, and IT industries, outsourcing has increasingly become a cost-cutting and cost competitive solution. Consequently, managers need to begin to view outsourcing through a wider lens because outsourcing may provide opportunities for them to increase organizational flexibility, lower capital investments, and gain access to improved technologies (Pratap, 2014). One area many managers outsource to reduce operating costs while maintaining HR effectiveness is HR (Žitkienė & Blusytė, 2015).

Why managers desire to use HRO. HRO is organizational strategy managers use to manage the outsourcing of HR functions to external vendors (Žitkienė & Blusytė, 2015). Dinu (2015) defined outsourcing as a process that managers use to elicit and entrust organizational processes to external vendors. Dinu stated outsourcing is one of the most extensive and profitable business strategies because it allows organizational managers to provide quality services and products while significantly reducing the budgets of selected business segments. Siew-Chen and Seow-Voon (2016) stated managers use HRO to achieve cost and resource-based benefits. Awino and Mutua (2014) professed outsourcing manifested out of the need for managers to exploit unique

competencies to increase organizational competitiveness. Jiang and Qureshi (2006),

stated outsourcing emerged as a management strategy that managers use to address

organizational competitiveness issues.

Outsourcing is a strategy that allows managers to reduce costs, focus on their core

competencies, and achieve competitive advantages (Mboga, 2015; Sonfield, 2014). The

decisions and practices managers perform effect the process of HRO. Enterprise

managers decide to outsource because of the short and long-term benefits associated with

outsourcing (Wekesa & Were, 2014). To that end, HRO has both advantages and

disadvantages; therefore, managers should engage in effective cost and benefit analysis to

determine decisions involving the outsourcing of human resource functions (Abdul-

Halim et al., 2014). According to Abdul-Halim et al. (2014), positive HRO outcomes

depend on managers' ability to understand and manage outsourcing relationships.

Consequently, it is incumbent for managers to develop a positive working relationship

between internal and external employees through formal and informal gatherings (Abdul-

Halim et al., 2014). According to Ross, Kuzu, and Li (2016), when creating outsourcing

strategies managers need to create and communicate an effective vision for the client and

vendor to obtain organizational support throughout the project.

For example, Langer (2015) conducted a study on biopharmaceutical

manufacturers and revealed companies use outsourcing as a cost-cutting solution. In the

biopharmaceutical manufacturer study, Langer discovered offshoring percentages

increased from 5.7% in 2011 to 14.3% in 2015. Galperin and Lituchy (2014) discovered

HRO has a significate role on the success of organizational human resource management (HRM). Won (2015) stated managers should use selective or full HRO based on the specific needs of the organization and future market predictions. Halim, Ahmad, Ho, and Ramayah (2017), stated the organization's service provider relationships influence outsourcing decisions. Other researchers such as Usman, Malik, and Imran (2015), stated that strategic goals are the uppermost motivating factor associated with HRO decisions.

In a study regarding how political and rational dynamics influence the outsourcing process, Marshall, Ambrose, McIvor, and Lamming (2015) revealed political goals affect the outsourcing process. Marshall, Ambrose et al. (2015) stated that managers need to consider rational behaviors and goals in parallel to achieve desired outsourcing outcomes. Marshall, Ambrose et al. (2015) also revealed that strategic decision-making view constructs and logic and rational theories complement each other well in the outsourcing process.

Managers choose to outsource for a variety of reasons; however, according to Dinu (2015) the main reasons managers decide to outsource are one or a combination of the following:

- To reduce operational and labor costs,

- To gain specialized expertise in a particular area,

- To gain access to less expensive labor while maintaining quality standards,

- To focus on core competencies,

- To reduce risks, and

- To delegate complex noncore functions to experts while realizing the benefits of outsourced functions.

Managers based their decisions to outsource human resource functions upon the benefits they anticipate achieving from the process (Wekesa & Were, 2014; Yilmaz & Bedük, 2014). According to Sigamani and Malhotra (2013), cost-effectiveness is the main benefit contributing to the decision to outsource human resources. Wekesa and Were (2014), argued outsourcing has both short and long-term benefits. Short and long-term organizational benefits are the ability to focus on core and strategic issues, the reduction of operational and capital costs, access to expertise, increased flexibility, and risk reduction (Sigamani & Malhotra, 2013; Wekesa & Were, 2014). According to Edwin and Ohaegbu (2015), companies instituting HRO strategies gain competitive advantages over the ones not instituting any HRO initiatives.

Other researchers, such as Claus Wehner, Giardini, and Kabst (2015) discovered firms achieve competitive advantages by outsourcing the HR recruitment function. In their study of line-managers, examining if outsourced recruitment services provide a suitable organizational solution; Johnson, Wilding, and Robson (2014) revealed that when managers make recruitment outsourcing a part of strategic management strategies; HR achieved positive organizational outcomes. Supporting the effectiveness of recruitment outsourcing, Johnson et al. (2014) observed line-manger satisfaction was high regarding high-quality services instrumental in the realization of organizational

goals. However, David, Banerjee, and Ponnam (2017) reported some disadvantages experienced during the recruitment outsourcing process. The authors revealed that to make profits and meet deadlines, some agencies encourage job seekers to modify their resumes to match client requirements.

Managers decide to outsource for specific reasons (Tiaojun et al., 2014). In a study about HR outsourcing comparing the IT and pharmaceutical sectors, Poornachandrika (2015) discovered firms outsource HR activities because it was too costly to hire employees across all areas of the organization's operations. Poornachandrika revealed HRO is the motivating variable spurring the virtual organizational movement and that managers outsourced more HR functions to concentrate on strategic activities that supported core business functions.

In their study, Krstic and Kahrovic (2015) discerned that organizations outsourced HR functions to acquire specialized HR capabilities and to improve quality and efficiency. The authors further noted the two predominantly outsourced HR functions are recruitment and selection and training. Abdul-Halim et al. (2014) reported their examination of existing literature revealed researchers have not thoroughly examined the relationship between partnership quality and outsourcing success. Baraldi, Proença, Proença, and de Castro (2014) concluded it was important for firms to establish cooperative relationships to make outsourcing relationships work.

Baraldi et al. (2014) revealed that when firms invest in infrastructure, tailor activities and processes to client needs, and establish favorable business relationships

between the outsourcing firm and IT firm, then a positive outcome manifests and creates

an atmosphere supporting positive outsourcing outcomes. According to Getz, Lamberti,

and Kaitin (2014), sponsor firms hesitate to relinquish operating risk to strategic partners,

and therefore, they do not sufficiently invest in strategic relationships. To achieve

successful strategic relationships, the purpose of the joint venture must manifest, and both

entities must achieve their objectives (Baraldi et al., 2014).

Organizations benefit from outsourcing by gaining access to external skills,

capabilities, and experiences (Kolawole & Agha, 2015). Sigamani and Malhotra (2013)

discovered outsourcing human resources provides an opportunity for managers to

transform the structure, design, and strategic plan of organizations, which is instrumental

in fulfilling the mission and vision of the organization. Sigamani and Malhotra (2013)

stated the prominent benefits associated with outsourcing human resources are increases

in customization, integrated systems usage, use of multiple service providers, and the

development of human capital.

The traditional functions of HRM involve noncore or routine administrative tasks,

such as payroll, budgets, record keeping (Burma, 2014; Sigamani & Malhotra, 2013).

According to Sigamani and Malhotra (2013), noncore or routine activities are ideal

functions for managers to consider outsourcing to reduce cost and increase efficiency.

The authors asserted administrative functions are the most outsourced HR activities by

managers. Huda, Anika, and Khaled (2014) declared when outsourcing strategies work; a

positive company image manifests because HR can respond quickly and more efficiently

to employees and management goals assisting HR to function as a strategic partner.

Roberts, Henderson, Olive, and Obaka (2013) examined outsourcing in healthcare

organizations to provide hospital managers with a starting point for considering the

possibility of outsourcing. Roberts et al. (2013) determined no one-size-fits-all solution

existed; therefore, stated the decision to outsource depends on organizational

circumstances. When deciding to outsource, Roberts et al. (2013) stated managers need to

justify the cost of outsourcing versus keeping functions inhouse, identify outsourcing

obstacles and best practices, and identify the implications for hospital management. To

ensure the success of outsourcing objectives, Roberts et al. (2013) proclaimed managers

need to ask specific questions and devise solutions to create transparency, integrity, and

trust between the organization and outsourcing vendor.

Sigamani and Malhotra (2013) disclosed outsourcing human resources involves

segmentation into three components: (a) consultants, (b) administrative services, and (c)

technology enablers. The consultant component involves services providing information

strategies on compensation, diversity, and employee benefits (Sigamani & Malhotra,

2013). The administrative service component entails the processing of payroll and

payments; and the technology component involves the segment of the HR industry

providing specific technology needs (Sigamani & Malhotra, 2013).

Commonly outsourced HR functions are training and development, payroll,

recruitment, and other administrative tasks (Halim et al., 2017). To manage threats and

quickly respond to opportunities, business managers use outsourcing strategies to focus

on core competencies thereby reducing costs and increasing profits (Edwin, 2015). When

managers decide to outsource noncore HR activities, they can concentrate on core and

strategic issues, reduce operational and capital costs, and increase efficiencies (Patil &

Patil, 2014). Outsourcing also provides firms with access to specialized skills,

knowledge, economies of scale, and competitive rates, as it allows managers to create

competitive advantages (Patil & Patil, 2014).

Sigamani and Malhotra (2013) asserted that when managers decide to outsource

HR functions, the firm needs to perform eight key steps to achieve positive outsourcing

results. The first step involves setting the objectives, which means that managers need to

create accurate outsourcing estimates and outcomes that project how the organization can

benefit from such external services. The second step includes determining the

implications of outsourcing on major stakeholders, such as the managers, employees, and

customers. The third step is analyzing the tangible and intangible benefits of outsourcing,

ranging from cost-effectiveness, increased workforce usage, increased access to

knowledge, and exposure to new procedures or systems. The fourth step involves

exploring the strategic effects of outsourcing, particularly regarding supporting the long-

term goals, vision, and the mission of the organization. The sixth step is the management

of the contract, drafting the formal agreement of the nature of services expected from the

vendor, and the final terms of the negotiation. The seventh step is transferring of

resources, such as labor, information, and systems between the organization and

outsourcing service providers. The last step includes reviewing and managing the

relationship by conducting audits to ensure quality services, based on the contract,

continued through implementation. According to Abdul-Halimet et al. (2014), the success

of outsourcing partnership remains rooted in quality service, underscoring the importance

of ensuring the fulfillment of contract terms, and satisfying key stakeholders.

Using a combination of literature and case study research, Plugge, Borman, and

Janssen (2016) examined two different outsourcing approaches. The researchers revealed

how using versatile approaches result in positive outcomes for clients in the long -term.

In one contextual analysis, the first action of the client was to reorganize activities and

then outsource the functions. In the second contextual analysis, the client did the opposite

by first outsourcing activities and then reorganizing the functions. The authors discovered

that by reorganizing first and outsourcing afterward, the company improved governance

of the process, resulting in richly defined and more stable vendor outsourcing capabilities

that contributed to transient success.

Conversely, outsourcing first and rearranging later revealed the company had less

control of the redesign of the client's organizational structure thereby creating the need

for an augmented adjustment period to generate a flexible arrangement of outsourcing

abilities capable of accommodating imminent changes. Plugge et al. (2016) demonstrated

that by outsourcing first and rearranging later, firms might enhance success as time

progresses because resulting changes in the customer environment would allow the

company to accommodate client needs. In this section of the literature review, I address

how outsourcing could contribute to the obtainment and sustainment of competitive

advantages. I also discuss the negative side and conflicting views about outsourcing.

Contrasting outsourcing suppositions and negative outsourcing outcomes

Contrary to research supporting HRO, authors such as Butler and Callahan (2014)

asserted that HRO negatively affects operating performance when outsourcing

participation is not optimal. Lahiri (2016) revealed that when managers decide to use

outsourcing strategies, the results achieved ranged anywhere from positive to negative.

Jiang and Qureshi (2006) emphasized that researchers often overrate outsourcing findings

because they overestimate outsourcing benefits and underestimate the transaction costs

associated with outsourcing.

Jiang and Qureshi researched outsourcing studies from 1990 to 2003. In their

study, they grouped outsourcing methodologies into the following five categories:

1. Case studies.

2. Surveys.

3. Conceptual frameworks.

4. Mathematical Modeling.

5. Financial data analysis (included publicly available financial data and

   government statistics).

Jiang and Qureshi (2006) included outsourcing determinants (why managers

decided to outsource), outsourcing processes (the steps in the outsourcing process, such

as contract negotiation, partner selection, and monitoring and control activities), and

outsourcing results (how outsourcing impacted the firm). The authors discovered that previous research on outsourcing was theoretical and based on subjective evidence, from case studies, surveys, or other self-reported data used to support declarations. The authors also discovered that although evidence supporting the importance of outsourcing exists, researchers have failed to determine the effect of outsourcing firm performance using tangible data from financial reports. Jiang and Qureshi (2006) discovered only four researchers used financial data with a limited focus to examine the results of outsourcing. The researchers emphasized the importance of using financial statistics to measure the effect of outsourcing; however, cautioned that researchers' access to financial data primarily depends on the availability of accessible databases.

According to Jiang and Qureshi (2006), managers considered outsourcing a prodigious option; however, the authors further stated researchers had not documented outsourcing's impact on firm performance and firm value using financial metrics to support their findings. In their findings, Jiang and Qureshi (2006) revealed only 19.8% of researchers' literature provide a results-based view of outsourcing. Jiang and Qureshi also revealed a minimal number of researchers provide evidence to support a relationship between a firm's outsourcing decisions and its stock market value, nor did they provide evidence to support a relationship between outsourcing contracts and outsourcing outcomes.

Even though HRO benefits organizations (Johnson et al., 2014), researchers have documented multiple disadvantages (Claus Wehner et al., 2015). Prystupa and Rządca

(2015) discovered that despite the many benefits some firms achieve from outsourcing, others experience undesirable outsourcing outcomes because their managers lack the knowledge to identify potential risks or the ability to manage them. Raassens et al. (2014) revealed that when firms announced their intent to outsource, shareholder value decreased by 15%.

Hepeng (2014) documented that managers of small and mid-sized enterprises are more satisfied with their internal human resources, making them less likely to outsource. Contradicting the findings of researchers, such as Wekesa and Were (2014) regarding the significant benefits of outsourcing, other researchers have revealed negative effects or disadvantages associated with HRO (Claus Wehner et al., 2015; Glaister, 2014). For example, according to Patil and Patil (2014), HRO cannot succeed without input, coordination, and total support from all stakeholders. In offshore outsourcing, the organization provides services internationally; however, according to Faraji and Abdolvand (2016), the lack of face-to-face interaction affects trust and the overall relationship between the customer and the service providers. The authors stated that it is necessary for firms to create an atmosphere promoting accurate knowledge transfers between the vendor and firm.

Other threats associated with HR outsourcing are strategic, contractual, operational, cultural, and dependency risks (Patil & Patil, 2014). The costs associated with HR outsourcing are coordination, transacting, and monitoring costs (Patil & Patil, 2014). The decision to outsource human resource functions without performing due

diligence is risky in terms of cost and performance; however, executing systematic risk management can offset the possible negative outcomes of instituting outsourcing strategies (Rennung, Luminosu, & Draghici, 2015). Effectively assessing the risks against gains is crucial for improving the success rates for outsourcing initiatives (Glaister, 2014).

Other outsourcing obstacles or problems include situations that manifest when some of the HR personnel remain at the firm. When this happens, the training and motivation of the remaining staff often become overlooked. The organization must be prepared to manage this type of problem and understand time is of the essence. Liu, Wang, and Huang (2017) stated that employees of the hosting and outsourcing vendor should receive training and have frequent information exchanges. Ross et al. (2016) asserted that frequent information exchanges aid in establishing long-term relationships, which positively affects outsourcing success rates. Mao, Liu, Zhan, and Deng (2016) stated the sharing of resources between the host and the outsourcing firm helps in the exchange of experiences needed to achieve successful outsourcing outcomes. Other authors are also advocates of outsourcing initiatives.

Davies et al. (2015) conducted a quantitative study on the outsourcing of inbound materials handling, and warehousing (IMHW) functions to a third-party vendor. Using a hosting company located in South Wales employing more than 1, 000 employees and an outsourcing firm providing workforce solutions to firms in the aviation, defense, government, and technology sectors, the researchers compared the throughput and

accuracy using data covering 13 months before and 16 months after outsourcing the IMHW functions. Using trend analysis, correlation, and linear regression analysis, Davies et al. (2015) discovered that outsourcing the IMHW functions has a desirable operational performance outcome; therefore, stated outsourcing is an effective strategy for organizations desiring to focus on core competencies. The authors, however, warned that although outsourcing is an effective organizational strategy, operational performance might suffer, and it could take months and, in some cases, years to rectify. Davies et al. (2015) also discovered the outsourcing literature lacked research covering on-site outsourcing, where the activity remains physically located within the host organization, and an external vendor manages the function. In fact, the author only found one case study in which the author addressed on-site outsourcing; therefore, it is evident that we need more studies to address this gap in the literature.

Vaxevanou and Konstantopoulos (2015b) conducted an extensive outsourcing literature review based on five phases: the preparation phase, the phase of selecting an external service provider, the transition phase, the management of the relationship phase, and the review phase. The authors revealed most researchers had investigated the outsourcing preparation phase, which is where organizations decide to outsource functions or keep them internally. Vaxevanou and Konstantopoulos (2015b) declared the areas needing further research are as follows:

1. The transition phase which should include knowledge transfer.

2. The phase of selecting an external service provider. In fact, in a study in which they examined the role of service quality on partnership quality and HRO. Abdul-Halimet et al. (2014) used data from 96 manufacturing companies located in Penang, Malaysia, and discovered that managers lacked the knowledge to select the correct service providers and did not understand how to manage outsourcing relationships. Getz et al. (2014) stated that the management of outsourcing activities is unpredictable because managers formed partnerships using internal sourcing approaches created inefficiencies with parties who had dissimilar goals and agendas.

3. The management of the relationship phase which should include monitoring business changes, change administration, information administration and execution administration methods. The evaluation of trust during this stage is also important. For example, according to Kaynak and Avci (2014), trust alleviates opportunistic behavior and the perception of risk. Abdul-Halimet et al. (2014) stated that for organizations to achieve continuous competitive advantages managers needed to recognize, analyze, and promote interorganizational relationships.

4. The review phase which should include an examination of the consequences of outsourcing on portability and cost reductions. The review should also examine the effect of contracts and service level agreements on outsourcing relationships, their effect on occupation

movement, and their effect on the strategic and operational levels and

identify the dangers, advantages, difficulties, and opportunities at each

business operating level.

Glaister (2014) conducted 27 qualitative interviews with senior HR management

to determine how HRO affects HR's role, competencies, and relationships among HR

managers and non-outsourcing counterparts. The author discovered that HRO leads to an

increased focus on cost reduction, causing managers to overlook the development of

employee skills. Glaister also revealed the benefits of external HR appear limiting,

especially when compared with the benefits of internal human resources, suggesting that

internal human resources are an exceptional means for enhancing the departmental role in

the organization.

According to Wehner, Giardini, and Kabst (2015), the negative perceptions of

people inside and outside the organization represent a disadvantage of outsourcing human

resource functions. Wehner et al. (2015) conducted a study using a scenario-based design

to examine the effects of recruitment process outsourcing (RPO) on recent graduates. The

authors discovered that RPO negatively influences graduates, irrespective of the

employer's or service provider's image, particularly regarding satisfaction with the

recruitment process and the perceived attractiveness of an organization. Despite the

tendency for negative perceptions about recruitment outsourcing, the authors discovered

when there was a positive perception or image of the organization and the service

provider was a favorable fit, the negative perceptions of applicants about recruitment

outsourcing diminished. The authors further discovered that RPO does not affect an applicant's job acceptance intention; however, they revealed a perceived fit between employer image and service provider image positively affected applicant reactions. The authors also revealed employer image has a positive association with employer attractiveness and service provider image has a positive connotation with an applicant's satisfaction with RPO.

Kamanga and Ismail (2016) professed adequate supporting infrastructures, effective performance criteria, managerial capabilities, effective risk management, and top management support all contributed to the success of outsourcing initiatives. In the already discussed study of 96 manufacturing organizations in Penang, Malaysia, Abdul-Halim et al. (2014) discovered commitment and top management support did not have a significant association with the success of HRO. In this section of the literature review, I discussed some opposing views of outsourcing; however, in the following section, I will examine the framework selected for use in this study.

Exploring HRO with the TCE framework. The lens used to conduct this study was the TCE framework. Using the TCE framework is a viable option when a researcher needs to perform effective cost and benefits analysis to quantify outsourcing decisions (Roberts et al., 2013). In this section, I introduce TCE and explain the framework's basic principles. Next, the focus shifts to examining when managers should and should not outsource followed by a section about the extension and advancement of TCE. Finally, I

present support for using TCE as the lens through which to view the outsourcing phenomenon and then present some contrasting TCE theories and viewpoints.

Transaction cost economics. Williamson receives credit for creating the TCE framework and coining the term *transaction costs economics* in the 1970s (Williamson & Ghani, 2012). Researchers and managers use the TCE framework in a variety of management disciplines because of the value they achieve when using the framework to examine organizational and hierarchical phenomena or when confronted with making decisions such as whether to insource or outsource activities (Giustiniano & Clarioni, 2013). The underlying principle of TCE is firms have direct and indirect transactions associated with establishing contracts or buying goods and services from firms and service providers (Williamson & Ghani, 2012).

For proponents of TCE theory, internal and external asset usage (asset specificity) has an impact on transaction costs; therefore, the importance of transaction specific assets influences outsourcing decisions and organizational structure (Williamson & Ghani, 2012). Asset specificity encompasses resources that provide value to context-specific transactions. According to Coase (1937), firms existed to identify and effectively manage transaction costs. Coase (1937) also stated firms incurred costs when purchasing products or services, therefore, declared the inclusion of transaction costs was just as important as production costs if not more so. Coase's (1937) assertion later became known as *transaction costs* and included all expenses associated with the frequency, asset specificity, uncertainty factors, and expenses associated with provider and price

searching, negotiation, and contracting functions. Unlike external transactions, internal transactions are costs that do not involve outside individuals or organizations (Williamson & Ghani, 2012).

When to outsource according to TCE proponents. When external transaction costs exceed internal transaction costs, the organization should benefit and grow, thereby evading the need to outsource. Conversely, if the internal transaction costs exceed external transaction costs, organizations are more likely to resort to outsourcing (Williamson & Ghani, 2012). The costs of contract monitoring, supervision, and inspection affect the efforts needed to establish and maintain contracts. These costs affect transaction costs that provide managers with the necessary data required to make organizational and outsourcing decisions. Managers must consider simple market exchanges when asset specificity is low. However, the hierarchy structure is the best management solution when asset specificity increases, conditions of bilateral dependency develop, and unsettling influences pose interfirm contracting hazards (Williamson, 2012). For Williamson (1985), transaction costs comprise two categories: *ex-ante* and *ex-post* costs. Ex-ante costs include all costs associated with obtaining provider information and price searching, and all costs associated with drafting, negotiating, as well as safeguarding contracts. Ex-post costs comprise all the costs incurred while evaluating and measuring inputs and outputs, and the costs sustained when performing monitoring and enforcement activities (Williamson, 1985).

The TCE innovator: The beginning. Coase (1937) receives credit as the pioneer of *the new institutional economics era* (Williamson, 2016) and one of the world's greatest economists (Shirley, Wang, & Menard, 2014). Coase also receives credit for guiding the economics arena into a new period of enlightenment. The new institutional economics era resulted as a direct outcome from Coase's publishing of the article *The Nature of the Firm* in 1937. Researchers began including neglected institutions by neoclassical researchers in their economic analysis (Baştürk, 2016). For example, Coase began to include the law in economic analysis thereby demonstrating that transaction costs had an economic impact (Baştürk, 2016).

Coase (1937) developed the TCE theory to explain how internal and external costs affected organizational decisions and disagreed with existing theorists who professed relative prices dictated production factors. Theorist preceding Coase did not provide reasoning for the existence of firms because they relied entirely on market exchanges to quantify the prices and quantities of all products and services (Loasby, 2014). Coase (1937) posited the price Mechanism-controlled transactions outside the firm, and industrialists determined firm transactions internally. Coase (1937) proclaimed entrepreneurs determined the firm's size because as firms acquired more transactions, their size increased. Coase (1937) further reasoned if the price mechanism regulated production, then production was not dependent upon organizations; therefore, Coase (1937) questioned why organizations needed to exist. Additionally, Coase (1937) also declared expenses existed when using the price mechanism. Coase additionally stated

some costs conditions make it advantageous to use alternative arrangements, such as directing or acquiring resources through an entrepreneur. Williamson and Ghani (2012) supported this position by arguing the choice between vertical integration and the market depend on the number and degree of relationship-specific assets and the difficulty associated with writing contracts. Coase (1937) further argued the expenses of arranging extra exchanges increase with scale, and thus parallel the costs of additional market transactions.

Coase (1937) urged economists to consider human-related costs not associated with production and subsequently developed the TCE theory in 1952 with the central premise firms internalized functions until it was more economical to outsource. For Coase (1937), firms incurred costs when they purchased a product or service. Coase (1937) also asserted firms and markets were different structures that existed to manage the same transactions. Coase (1937) also stressed the decision of when and where to complete transactions impacted firm productivity. Consequently, considering the magnitude of expenses, business managers decided if exchanges should occur inside the organizations or in the business sector. Coase (1998) advocated for understanding and support for TCE, expressing the need to develop relevant theories to reflect the evolving commercial climate.

Extending TCE. According to Kay (2015), researchers' initial foundation of transaction costs economics did not focus on any explicit area of research; rather researchers first used TCE to support economic consequences of *costly exchange* (costs

associated with participating in the market). The use of the TCE framework facilitated scholars transitioning from thinking of firms as avoiders of negative costs toward perspectives the firm produced constructive information (Kay, 2015). Williamson (1983) expanded on Coase's work by adjoining the market and administration modes of the organization. Until this point, economists and organization theorists examined markets and organizational administration modes separately. Williamson postulated it was imperative to examine the relationship of various structures with each other to understand the powers and limits of the market and the internal modes of the organization. To assist managers in this area, Williamson proposed a failures framework proponent to evaluate the viability of finishing related transactions across business sectors or within the firm. In the market failures framework, Williamson used humanistic organizational psychology and open systems theory to define the conditions under which it was more viable for formal organizations to conduct market transactions.

Williamson's approach contradicted the neoclassical approach because the researcher provided mechanisms for assessing hierarchical structures whereas neoclassical advocates determined prices and outputs using a lens fixated upon supply and demand. Williamson and Ghani (2012) further expanded on Coase's work by identifying how firms reduced costs by keeping functions inhouse. For example, Williamson and Ghani stated it was more advantageous to in-source complex transactions within a single governance structure to manage complex and costly contracts.

Williamson and Ghani (2012) further expanded on Coase's work by emphasizing the importance of explaining firms' boundaries and describing two factors that influenced transaction costs. The first factor, *limited rationality*, involved the powerlessness of people to foresee all matters involving transactions (Williamson & Ghani, 2012). Williamson and Ghani identified the second factor as the risk of opportunism. The risk of opportunism manifested when one entity, involved in the transaction, profits from unexpected changes in conditions during the exchange and then exploits the situation by requiring contract alterations creating strategic advantages (Williamson & Ghani, 2012). Williamson (2016) agreed with Coase's proclamation that direct and indirect costs correlated to establishing service provider contracts. However, Williamson (2016) also stated a need existed for firms to identify the key attributes of alternative governance methods and to increase transaction efficiencies positively impacting transaction cost outcomes.

TCE relevancy. Managers use the TCE framework to identify incentives and conflicts between internal and external services; therefore, the framework provides managers with the tools needed to make HRO decisions (Giertl, Potkany, & Gejdos, 2015; Giustiniano & Clarioni, 2013). For example, Giustiniano and Clarioni (2013) empirically tested a conceptual model to examine the impact of outsourcing on business performance by comparing the financial records from the databases of various companies. The sample consisted of 107 companies from the Osiris database with outsourcing experience between 2000-2009. Using TCE as the study's theoretical

framework, the researchers discovered outsourcing created competitive advantages for their firm and revealed outsourcing occurred more when the organizational perception was the organization could not provide the services internally. The researchers explained the results by contending using the TCE framework allowed managers to assess the costs and benefits of outsourcing. The TCE framework is an appropriate choice for this study because the framework encompasses the tools necessary for management to determine the viability of outsourcing HR functions, which then directly impacts the firm's vertical integration strategies.

Brewer, Wallin, and Ashenbaum (2014) stated the TCE and resource-based views (RBV) are two complementary frameworks managers use when making outsourcing decisions. The TCE framework is also an excellent tool to use when managers need to balance transaction and production costs with insourcing and outsourcing decisions (Muthoni & Nyakagwa, 2014). For example, Williamson and Ghani (2012) conducted a review of the literature and revealed when using the TCE framework; firms often decided to internalize functions if the transaction and production rate, associated with the outsourcing activity, was high. Williamson (2016) theorized all organizational forms represented instruments used to acknowledge management. Additionally, the author stated organizations needed to realize the value of good because it was always superior to worse. What Williamson meant by this statement is that organizations possessing superior transactional cost economizing strategies will replace those with inferior ones; however, this position led to contradictory views of TCE.

Contrasting TCE theories and viewpoints. Early researcher criticisms of TCE focused on the incorrect assumptions and logic about the similarities and differences between organizations and the market. Moran and Ghoshal (1996) produced an article based on the literature about the weaknesses of TCE, leading to the proclamation researchers needed to consider alternative theories. Moran and Ghoshal professed this process needed to occur because TCE proponents rooted their position in the logic of the markets.

Moran and Ghoshal (1996) further argued TCE supporters suggested opportunism is the only relevant disposition; however, supporters then took the position all dispositions needed to include opportunism; thus, not having an autonomous role in shaping behavior or inducing governance. Moran and Ghoshal reasoned the structural advantages of an organization were not the same with larger markets, which meant organizations were more than proxies manifesting to address efficient transactions when markets failed. Moran and Ghoshal asserted, the normative use of the TCE framework within organizations only increased latent conflict, diminished reciprocated gains, and restricted ways in which firms achieved order. The authors further stated Williamson's assertion that opportunism was the only disposition (conditioning factors) of relevance and the major source of transaction costs was counterintuitive because TCE proponents did not explore the impact of opportunism or other dispositions in an evidentiary manner.

Moran and Ghoshal (1996) stated once firms factored in opportunism Williamson's solution for mitigating the risks associated with opportunism was likely to

enhance its negative effects. Further contradicting TCE framework proponents, Moran and Ghoshal presented a *Bad for Practice* theory wherein the assumption was that social organizations, disposition conditioning, and situation (feelings associated with an entity or situation) evolve interdependently and influence each other. In other words, the authors agreed with Williamson to a point by stating opportunism existed, and it influenced opportunistic behavior; however, Moran and Ghoshal professed opportunism was not the only major factor contributing to transaction costs.

TCE proponents focus on identifying and analyzing the variables impacting market or hierarchical transactions. For example, TCE advocates such as Coase (1937) and Williamson (1983) included the behavioral aspects of economic actors in the TCE framework, which contradicted the position of neoclassical economic theory advocates who viewed the firm as a production function (black box). The black box or production function is a process where firms convert inputs into outputs based on technology alone (Williamson, 2012).

According to neoclassical advocates, all firms had identical access to resources and operated in a perfect competition paradigm; however, in this view authors did not adequately address or explain economic phenomena (Coase, 1937; Williamson, 1983). Transaction costs proponents, therefore, created the TCE framework to expand upon and to fill the void created by other simplistic theories, such as the neoclassical view. Transaction costs advocates view firms as hierarchies that add value by economizing transactions which they achieve through organizing different assets to minimize

transaction and production costs (Williamson, 1983). To economize transaction costs, TCE activists examine how governance modes impact transaction costs. For example, by including the behavioral aspects of economic actors into the TCE framework, transaction costs proponents provided managers with the means to identify and distinguish between internal coordination and motivation issues impacting the choice of hierarchies versus markets.

Williamson (1983) stated managers decided to use either the market (buy), where the firm purchased products or services externally; hierarchy or vertical integration (make), which is where the firm makes products or performs services internally; or the hybrid (a combination of the market and hierarchy structures) governance structure depending on the one most effectively minimizing transaction and production costs. Market governance structures involve relatively simple transactions easily produced or transmitted by outside organizations. Transaction costs associated with the market governance structure entail costs related to search, selection, bargaining, enforcement, governance, and work coordinating costs. Using the hierarchy or vertical integration governance structure, managers develop products inhouse because of their complexity or difficulty in finding qualified suppliers. Transaction costs associated with the hierarchy governance structure include costs such as asset specificity costs (the cost incurred to acquire and maintain skill employees to perform special tasks), production costs, and governance costs. An important note about the hierarchy structure is that governance costs are much lower because the management staff normally renders the decisions

whereas in the market structure the courts render the decisions. The hybrid organizational structure combines elements of the market and hierarchy governance structures.

Williamson (1985) described the market and hierarchy structures as being inverse counterparts. For Williamson, the market structure is the most viable structure to use when addressing high uncertainty and opportunistic environments needing strong and enforceable contracts. The hierarchy structure, which pertains to the decision to make or make vs. buy, decision (whether to insource or outsource) is the most feasible structure to use in high asset specificity (encompasses resources providing value to context-specific transactions), high uncertainty, and high frequency of transactions environments because it has lower transaction costs (Williamson, 1985).

According to transaction costs economics proponents, managers should use the hierarchical governance structure when the level of the transaction-specific investment is high; however, to do so, firms need to either develop the capability internally or acquire an organization possessing the needed capability; however, developing the capability internally or acquiring an organization possessing the required capability could prove too costly. Consequently, managers need to also consider the costs of internal development or acquisition (Schermann, Dongus, Yetton, & Krcmar, 2016); therefore, creating the need for other frameworks to bridge the gap.

In more recent research, Schermann et al. (2016) reviewed the applicability of TCE in the information technologies sector by analyzing whether it worked to choose contract types for the business or whether it would help to create a new foundational

theory to use. This viewpoint represents an important use for applying the TCE construct;

however, once Schermann et al. (2016) finished their review, they concluded it would

remain beneficial to construct a new foundational theory to use with such issues.

Schermann et al. took this position because TCE led to task uncertainty in relation to

information technologies, which derived from the evolving management processes of the

modern firm. Consequently, this aspect of TCE created the need for other theories such as

the resource-based theory (RBT), which could bridge the gaps created by TCE. The

empirical basis for their recommendation was the inconsistency between the expected

outcomes of TCE when it comes to what types of contract managers will pursue based on

their analysis of transaction costs.

TCE's disparity with RBT and the theory of core competencies (TCC). A

contrast between the RBT and the transaction costs theory exists, and it stems from how

the advocates of each theory view ownership (Kozlenkova et al., 2014) For TCE

proponents such as Coase (1937) and Williamson (1985), when a firm makes ownership

decisions managers need to focus on minimizing exchange and production costs. For

TCE proponents, when market exchanges have high transaction costs, vertical integration

or joint ventures is the most viable option for managers (Kozlenkova, Samaha, &

Palmatier, 2014). Additionally, according to TCE supporters, to mitigate the risk of

opportunism the selection of governance mechanisms is of paramount importance.

Conversely, RBT proponents seek to maximize firm value by coupling resources

(Burton, & Rycroft-Malone, 2014; Lin & Wu, 2014). The principal impetus for using

RBT in most marketing contexts is it provides a robust framework for incorporating numerous, divergent resources to describe their synergistic and varietal effects on performance and their related contingencies (Kozlenkova et al., 2014). Agreeing with this assertion, RBT proponents such as Takahashi (2015), stated firms needed to possess a collection of resources they could use in a variety of ways to produce different services, which in turn provided economies of growth. RBT proponents asserted firms achieved unrivaled performance because they had superior resources and effectively utilize those resources (Kozlenkova et al., 2014).

The use of RBT expanded to operations management sector as a way of explaining operations management (Hitt, Xu, & Carnes, 2016); hence, is now one of the foremost frameworks used in management. For example, Hitt, Xu et al. (2016) specified RBT represented a way for firms to depict usage of their resources, especially external resources, such as outsourcing HR. The authors specifically referred to information technology as a growing external resource that modern firms encounter when trying to decide on the best processes for management within their operations (Hitt, Xu et al., 2016). The authors concluded RBT added richness to the growing field of management, especially when considering outsourcing; however, they also acknowledge disparages exist (Bromiley & Rau, 2016; Kaufman, 2016). Kaufman (2016) expounded on the issues of RBT, expressing that RBT authors did not provide any guidance on how to evaluate resources. According to Kaufman, not providing managers with the ability to evaluate the value of resources hindered managers' ability to measure success. Bromiley and Rau

(2016) contended RBT was not an appropriate framework to use in the operations

management (OM) field because it was too difficult to measure sustained competitive

advantages. Consequently, Bromiley and Rau introduced a new novel theory, the

practice-based view (PBV), which provided a method for explaining the process of

management, by utilizing capable practices. Hitt, Carnes, and Xu (2016) argued Bromiley

and Rau use research and evidence from the past, citing articles from the 1990s, and the

authors failed to account for the evolution of the industry, including the use of

information technology.

Hitt, Carnes et al. (2016) identified important gaps between their review and

Bromiley and Rau's (2016) review involving the independent variable and the level of

analysis. According to Bromiley and Rau, one needs to examine only the top 10% of

firms to explain sustained competitive advantages. However, in recent studies researchers

have examined the differences in firm performance individually and compared to

industry averages thereby allowing RBT proponents to explain how diverse firms, at

varying levels of performance, develop and sustain advantages (Hitt, Carnes et al., 2016).

RBT proponents argue when utilizing resources in the firm, organizations create

competitive advantages (Hitt, Carnes et al., 2016); however, opposing proponents such as

Dyer and Singh (1998) argued that firms could also achieve competitive advantages by

combining resources transversely across organizational boundaries. In this relational

view, Dyer and Singh focused on the network strategies and processes creating sources of

competitive advantages. For example, the authors used Toyota's and General Motors's

(GM) production networks to demonstrate how knowledge sharing strategies create interorganizational (relationships between two or more organizations) competitive advantages (Dyer & Singh, 1998). In the example, the authors demonstrated how Toyota transfers knowledge directly to its suppliers by assimilating and dispensing knowledge through its OM consulting division and by transferring personnel to the supplier to increase the supplier's ability to adapt to and use the newly acquired knowledge (Dyer & Singh, 1998). Toyota accomplished these knowledge transfers because Toyota's management understood what knowledge to transfer and whom to transfer it to on the supplier side (Dyer & Singh, 1998). These successful knowledge transfers created interorganizational boundaries creating sources of competitive advantages for Toyota. In contrast to Toyota, GM, had proprietary innovations which, according to RBT proponents, is the best way to generate rents; however, because of its proprietary posture, suppliers refused to engage in knowledge-sharing activities with GM because their managers perceived they had nothing to gain from the exchange (Dyer & Singh, 1998).

From the GM and Toyota examples above, we see how collaborating firms can generate relational rents through relation-specific assets and knowledge-sharing routines; however, this relational perspective contradicts practices used with the RBV and industry structure views (Dyer & Singh, 1998). Therefore, future research scholars should examine the relational perspective and RBV differences in greater detail. Moreover, because of the failure rate of many alliances, it is important for researchers to examine the factors that impede the realization of relational rents (Dyer & Singh, 1998).

Differences also exist between TCE and TCC. For example, TCE proponents focus on the choice between firms versus markets depending upon the relative transaction costs of the varying organizational structures (Williamson & Ghani, 2012). For TCE advocates, firms and institutions are bundles of contracts providing efficient mechanisms for creating and rearranging incentives (Williamson & Ghani, 2012). TCE supporters view vertical integration as a means of addressing preexisting market control issues or as a strategic means of creating or enhancing upstream or downstream market control (Williamson & Ghani, 2012). Contrary to TCE proponents, TCC cohorts stress core competence defines the firm's structure and boundaries (Agha, Laith, & Manar, 2012; Ibraimi, 2014; Jabbouri & Zahari, 2014). Core competencies are unique tools, skills, and behaviors that create a dynamic and flexible environment allowing firms to support new products, services, or markets (Yang, 2015). Yang (2015) defined core competence as the successful integration of innovations, specialized knowledge, skills, methods, and practices providing management with the capabilities necessary to develop core products and new business. For TCC cohorts, before making any insourcing and outsourcing decisions firms must first define their core competencies because, according to Enginoglu and Arikan (2016), core competency is a key element for understanding competitive advantage in current fast-paced and competitive business environments. TCC proponents professed that core competencies provide firms with differentiation and competitive advantages (Agha et al., 2012; Jabbouri & Zahari, 2014).

In a 2010 study conducted in the United Arab Emirates by Agha et al. (2012), the authors used electronically administered surveys and collected data from 77 managers in the paint industry to study the shared vision, cooperation, and empowerment core competencies. Agha et al. (2012) scrutinized the flexibility and responsiveness dimensions, associated with competitive advantage. Agha et al. and Jabbouri and Zahari (2014) discovered core competence positively impacted competitive advantage and organizational performance and that competitive advantage positively impacted organizational performance. The authors argued in addition to identifying competencies; managers need to assess core competencies against their competitor's competencies and ensure the firm's core competencies (Jabbouri & Zahari, 2014). Managers should also ensure the firm's core competencies provided value and differentiation to the market (Jabbouri & Zahari, 2014).

For example, Chadwick, Super, and Kwon (2015) reviewed HR practices, amongst CEOs in resource management. Chadwick et al. (2015) revealed HR represented a resource, therefore stated all managers needed to participate in supervising resources. In their study, Chadwick et al. depicted the need for more middle managers to orchestrate HR issues to alleviate top management stress and allow upper management to focus on other tasks. In their study, Chadwick et al. highlighted the need for firms to identify core competencies thereby prioritizing management's focus within the firm.

Outlining core competencies and prioritizing management's strategies may help alleviate issues associated with HR outsourcing initiatives. One of the dominant strategies

firms use to define their core competencies and to achieve sustainable competitive advantages is the competence perspective (Wekesa & Were, 2014). In fact, the focus of many current managers is to focus on core competencies. However, it is important to identify some gaps existing in the literature on core competencies.

For example, according to Enginoglu and Arikan (2016), the biggest gap in core competence literature stems from the lack of its practical use. Enginoglu and Arikan discovered existing researcher's work was highly descriptive and limited to Western cultures. The authors also discovered researchers limited much of the core competence literature to large firms and had not investigated if a link existed between organizational culture and core competencies.

Core competencies are the integration of knowledge, human resources, financial and non-financial capital that provides organizations with a source of competitive advantage (Enginoglu & Arikan, 2016). Existing research on core competencies is rooted deeply in Western culture (Enginoglu & Arikan, 2016). In addition, there is a missing literature link between organizational culture and core competencies; therefore, future researchers should focus on including Eastern cultures and bridging the link between organizational culture and core competencies (Enginoglu & Arikan, 2016).

Summary and Transition

Section 1 of this study included an introduction to the premise for this research and included the problem and purpose statements, research question, conceptual framework, operational terms, the significance of the study, and review of relevant

literature. In the literature review, I presented the groundwork needed to understand the HRO phenomenon. To achieve this end, the literature review included some of the reasons managers outsourced and some variables contributing to either positive or negative outsourcing outcomes. Next, I presented the TCE framework as the lens used to explore HRO strategies used to reduce operating costs while maintaining HR effectiveness. I selected the TCE framework because it is a reputable tool to use when a leader's goal is to achieve cost reductions through outsourcing strategies. The TCE framework is also a trustworthy tool to use when managers need to balance transaction and production costs with insourcing and outsourcing decisions (Muthoni & Nyakagwa, 2014).

The scholarly articles contained in Section 1 provided the means for me to create the foundation for this study. In Section 2, I provided additional details on the nature of the study, the participants, and the research design. In Section 3, I included the presentation of findings, recommended performance improvement strategies, suggestions for future action, and reflections on the process and results of the research.

Section 2: The Project

Section 2 includes the procedural facets of the study, which comprises the role of the researcher, the research method and design, the population, the data collection process, and data analysis techniques. The purpose of this research, which was to identify strategies managers use to reduce operating costs while maintaining HR effectiveness. To achieve this end, I discussed my role in the data collection process and then the research method and design. I conclude this section with a discussion of research integrity checks and balances such as using multiple data sources and conducting member checking.

Purpose Statement

The purpose of this qualitative multiple case study was to explore HRO strategies managers use to reduce operating costs while maintaining HR effectiveness. The population consisted of three Midwestern firms with 50 or more employees. The participants, drawn from the population, consisted of a minimum of two participants per organization who have experience reducing operating costs using HRO strategies. This research may prove beneficial for managers by identifying different HRO strategies and their success or failure outcomes in varying contexts, thereby contributing to their ability to choose outsourcing strategies conducive to the reduction of operating costs. Through this study, the potential exists to contribute to social change by identifying strategies that reduce employee displacement rates associated with outsourcing initiatives. Potentially reducing employee displacement rates stemming from outsourcing initiative uncertainties could cause seasoned and communal contributing employees to remain in the local

community, thereby strengthening local municipalities. The identification of successful

HRO strategies might also lead to the creation of additional jobs associated with the

firm's core capabilities, thereby reducing local unemployment and crime rates.

Role of the Researcher

One of the primary roles of the qualitative researcher is to serve as the data

collection instrument (Isaacs, 2014). As the researcher of this qualitative study, I served

as the data collection instrument. In addition, as part of the data collection process, I

asked open-ended questions and reviewed company documents such as standard

operating procedures and project management plans. Collecting data in this manner

allowed triangulation to occur, which according to Leung (2015) helps the researcher

achieve reliability. Postholm and Skrøvset (2013) stated researchers need to be aware of

their biases and assumptions for there to be an effective working relationship between

researchers and participants. To help prevent bias in this study, I recorded and transcribed

each interview using a semistructured interview protocol, conducted member checking,

and used triangulation. According to Postholm and Skrøvset, when researchers

successfully identify biases and assumptions, effective knowledge transfer manifests

between researchers and participants.

According to Sanjari, Bahramnezhad, Fomani, Shoghi, and Ali Cheraghi (2014),

researcher involvement happens during every stage of a study. Sanjari et al. (2014) stated

researcher involvement involves conducting interviews, transcribing functions, inquiry,

authentication, and the recording of concepts and themes. Collins and Cooper (2014) said

conducting face-to-face interviews is the most common and non-threatening means of gathering data from participants; therefore, face-to-face interviews will be the primary source of collecting data for this study.

As a former program manager for a Midwestern company, I am familiar with some outsourcing strategies; therefore, I have a basic understanding of how outsourcing could positively impact an organization if firm managers perform due diligence to maximize chances of achieving desired outsourcing outcomes. Conversely, I have also witnessed how not conducting due diligence for outsourcing strategies negatively impacts outsourcing outcomes; however, my experience does not include knowledge from an HR perspective.

Using a semistructured interview protocol, asking open-ended questions, telling the participants the purpose of the study, defining both the participant and researcher's role, explaining the process of the study, and adhering to the protocols of the Belmont Report helped to alleviate fears and encourage participation. The Belmont Report establishes guidelines to protect respect for persons, beneficence, and justice for research including human subjects. Conducting personal interviews in natural and neutral settings convenient to the participants such as private meeting rooms also helped instill trustworthiness. To ensure high ethical standards in this research, I performed a self-assessment to identify biases before collecting and interpreting data and provided participants the opportunity to review interpreted interviews to ensure I captured the correct meaning of their responses. Using an interview protocol allows authors to outline

the procedure and methods for conducting user interviews, thereby ensuring researchers

elicit and collect useful data (Castillo-Montoya, 2016). Using an interview protocol

allowed me to ask open-ended questions in a uniform and chronological manner, aiding

in the potential reduction any biases.

Participants

Postholm and Skrøvset (2013) stated to acquire study participants, researchers

must first convince them the research topic is important. I explained to potential

participants the purpose of the study and how it might contribute to their continued HRO

success. The targeted population consisted of HR managers and managers of Midwestern

firms with 50 or more employees. The participant sample, drawn from the population,

consisted of a minimum of two managers per organization who had experience reducing

operating costs using HRO strategies. Participants received a letter of cooperation (see

Appendix B) to participate in the study via email, which included the purpose for the

study and an explanation of how their participation might contribute to improved

business practices and social change. Confirmed participants signed an informed consent

form that I delivered and retrieved in person or by fax or email. The signed consent form

served as an acknowledgment and agreement by the participants to participate in the

study. To identify study participants, I used the purposeful sampling strategy. Purposeful

sampling entails selecting information-rich cases containing an abundant amount of

information about the central issue or social purpose of the study (Palinkas et al., 2015).

Sample size may vary; however, according to Boddy (2016), the context and purpose of the research are the determining factors dictating the sample size. Selecting two participants from three different organizations who had experience reducing operating costs provided a good beginning point to collect data. For the interview process, I obtained a minimum sample of six managers who had reduced operating costs while maintaining HR effectiveness. This sample provided enough data to gain an understanding of the HRO phenomenon because I selected potential participants based on their experiences and involvement with the phenomenon under investigation. Participants in this study did not receive any compensation for participating in the study other than having the satisfaction of knowing they would be contributing to the future success of firms by identifying successful outsourcing strategies, thereby positively impacting social change.

According to Newington and Metcalfe (2014), participant recruitment is one of the most important aspects of a research project. Additionally, the authors stated it is important for researchers to establish a meaningful working relationship with participants and to achieve a meaningful working relationship, researchers need to disclose the intent of the study and the process flow to the study's participants. I disclosed to participants the intent and process flow of the study and explained how I would protect their confidentiality and privacy by using techniques, such as masking participant and organizational names. Participants also received a briefing about other security precautions, such as, storing computer records on a password-protected removable hard

drive and securing the removable hard drive and any physical files in a locked fireproof safe until they reach their 5-year destruction date. Finally, all study participants had the opportunity to review interview interpretations for accuracy and received a summary of the findings.

Research Method and Design

Research Method

I chose to use the qualitative multiple case study approach for this study because using a non-measurable exploratory approach, such as, the qualitative approach allowed for the identification of strategies that helped managers reduce operating costs while maintaining HR effectiveness. The qualitative approach is appropriate to use when a researcher seeks to understand the underlying reasons, opinions, and motivations associated with a phenomenon (Bengtsson, 2016). When using the qualitative approach, researchers attempt to provide meaning to collected data, which is usually in the form of words acquired through the interviewing process (Malterud, Siersma, & Guassora, 2015; McCusker & Gunaydin, 2015). Using the qualitative method also allows researchers to approach the study's participants with an inquisitive attitude helping respondents answer research questions and use their needs, concerns, and voices to shape the study Bengtsson, 2016).

I chose not to use the quantitative approach because when researchers use the quantitative approach they already understand what they seek, therefore, they collect the data needed to confirm or disprove theoretical hypotheses (McCusker & Gunaydin,

2015). Additionally, quantitative data collection methods are much more structured than qualitative data collection methods and more appropriate for testing hypotheses but are not relevant for gathering or analyzing contextual information. In addition, the results from data gathered from quantitative data collection methods provide numerical descriptions rather than detailed narratives which normally results in researchers not providing an elaborate accounting of the human perception.

I chose not to use the mixed method approach because mixed method researchers perform extensive data collection, use extensive resources, and use a combination of the quantitative and qualitative research approaches; hence, must have experience with both quantitative and qualitative methodologies (McKim, 2017). The quantitative and mixed method approaches are not appropriate for this study because I do not seek to capture or use measurable data. The purpose of this research was to identify strategies managers use to reduce operating costs while maintaining HR effectiveness. Because of the exploratory nature of this study, using the qualitative approach was the most conducive approach to achieving the objectives of this research.

Research Design

The chosen design was a multiple case-study. Case study research is a popular

approach among qualitative researchers because of its appropriateness and

methodological flexibility for use with qualitative methods (Hyett, Kenny, & Dickson-

Swift, 2014). The case study approach is appropriate when researchers choose to analyze

everyday situations using multiple sources of evidence. When used in a business context,

the case study research design provides researchers with adaptability to the types of

sources and procedures available and provides them with a means to examine interactions

between the organizational groups and individuals impacted by the organization (Chetty,

Partanen, Rasmussen, & Servais, 2014).

Using the case study design, I collected and analyzed data from a variety of

sources; thereby, assisting with the exploration of managers' real-world experiences with

HRO strategies they used to reduce operating costs while maintaining HR effectiveness.

The designs not chosen for this study are grounded theory, ethnography, phenomenology,

and narrative designs. I did not select the grounded theory design because according to

Rintala, Paavilainen, and Åstedt-Kurki (2014), grounded theory researchers strive to

contribute to theory development and the intent of this study is to present findings and

not to generate theory.

I decided not to use the ethnography design for this study because researchers use

ethnography to learn about a culture and it requires prolonged field research by observing

participants (Morgan-Trimmer & Wood, 2016). For this research, I did not have the time

or resources to spend extended periods in the field trying to ascertain and describe the experiences of an entire culture or populace. I also decided not to use the phenomenology design for this study because phenomenology researchers investigate participants lived experiences and seek to understand the essence of a phenomenon (Koopman, 2015). However, I did not desire to investigate lived experiences; rather I wanted to explore strategies managers use to reduce operating costs while maintaining HR effectiveness. Finally, I did not select the narrative design because I required a thorough accounting of HRO strategies from an experienced industry leader's perspective; therefore, I needed access to multiple data sources. Proponents of the narrative design acquire data by capturing the stories from participants (Khan, 2014); however, I needed to capture a more comprehensive view of the strategies managers use to reduce operating costs while maintaining HR effectiveness.

Population and Sampling

The target population for this study consisted of participants from three Midwestern firms with 50 or more employees. The sampling method best suited for this study was the purposive sampling method. According to Robinson (2014), using purposive sampling ensures researchers acquire the correct participant sample needed to study the phenomenon under investigation. Using purposive sampling, researchers select participants with experience and knowledge of the phenomenon thereby allowing for the obtainment of detail-rich responses relevant to the researcher's central research question (Masso, McCarthy, & Kitson, 2014). Therefore, I used purposive sampling to identify

participants with the relevant experience. The purposive sample, drawn from the

population of three Midwestern firms, consisted of a minimum of two managers per

organization, who had proven experience reducing operating costs using HRO strategies.

The participants included senior-level managers, HR managers, and participants from

various other departments.

According to Fusch and Ness (2015), researchers should use the sample size

providing the best prospect for achieving data saturation. The concept of data saturation

is pertinent to all qualitative research where researchers use interviews as the primary

data source (Marshall, Cardon, Poddar, & Fontenot, 2013). Data saturation occurs when

data replication or redundancy ensues because of bringing new participants repeatedly

into the study (Marshall et al., 2013). In other words, data saturation is the point where no

new information manifests from conducting more interviews. After interviewing and

analyzing the data from an initial sample size of two managers per organization and no

additional new information, coding or themes materialized, I recognized that I achieved

data saturation. However, I would have continued to add additional interviews until data

saturation occurred, if that had not been the case.

According to Marshall et al. (2013), the sample size varies depending on the data

the researcher needs to answer the research question; however, the sample selected must

provide credibility. The sample and size credibility for this research rested on the

selection of participants with proven experience reducing operating costs using HRO

strategies. My experience in the IT industry as a program manager provided access to

participants who received a standard participation letter of cooperation via email. Once

participants indicated their interest in participating, they received the informed consent

form and a synopsis of the purpose of the research before any interviews took place. The

informed consent letter served as a reformation to the participants concerning their ability

to withdraw from the study at any time.

The primary data collection tool used in qualitative studies to explore HRO is the

interview (Gill et al., 2015). I used semistructured interviews and an interview protocol to

capture enough rich data to identify themes and achieve data saturation. According to

Oltmann (2016), qualitative interviews are an established and essential research method. I

conducted the interviews at a time and location convenient to participants.

To help prevent bias in this study, I recorded and transcribed each interview,

conducted member checking and used triangulation. Additionally, I ensured participants

only I had access to the study data and their identification, whose identity I masked using

pseudonyms. According to Mitchell and Wellings (2013), keeping participants' identities

hidden helps to protect their personal information and maybe even their careers. Dheensa,

Fenwick, and Lucassen (2016) stated researchers must keep participant information

confidential. Dheensa et al. (2016) also stated by ensuring participants' privacy,

researchers engender trust amongst themselves and participants thereby establishing an

autonomous relationship assists participants with freely sharing information. Therefore,

to further establish a trustful relationship with participants, I disclosed the intent and

process flow of the study. Participants also received a briefing about other security

precautions, such as, storing computer records on a password-protected removable hard drive and securing the removable hard drive and any physical files in a locked fireproof safe until they reach their 5-year period destruction date. Furthermore, all study participants had the opportunity to review interview interpretations for accuracy and received a summary of the findings. Participants in this study did not receive any compensation for participating in the study other than having the satisfaction of knowing they could potentially be contributing to the future success of firms creating improved outsourcing strategies.

Ethical Research

Sanjari et al. (2014) stated researchers must address challenges in every phase of a research project. Therefore, researchers must provide due diligence to adhere to ethical guidelines when considering issues such as; anonymity, confidentiality, informed consent, and interaction impacts (Sanjari et al., 2014). For this study, adhering to ethical principles and practices was paramount. I followed and adhered to The American Psychological Association's (APA) and Walden University ethical principles, code of conduct, and integrity and compliance standards. I also observed the protocols established in the Belmont Report (U.S., 1979) and informed all participants that I would adhere to this protocol to ensure their protection, to alleviate any fears, and to encourage participation. I also adhered to Sanjari et al.'s (2014) suggestion about obtaining a signed consent form and obtained a signed consent form from all participants. The consent form contained a withdrawal clause, reassuring participants of their ability to withdraw from

the study at any time without repercussions. To withdraw from the study, participants could contact me by using any convenient communication medium (call, text, email, or fax) at any time. The consent form contained the purpose of the study and a statement where I informed participants they would not receive any incentives or inducements for participating in the study.

In compliance with ethical standards, I completed the National Institutes of Health training on the protection of human participants in research training (Appendix A). I also obtain Walden's institutional review board (IRB) approval (06-18-18-0353594). According to Fiscella, Tobin, Carroll, He, and Ogedegbe (2015), the charge of the IRB is to minimize participant risks while maximizing research data quality. To achieve this end, the IRB oversees ethical practices ensuring adherence to federal and state regulations and institutional policies and procedures (Fiscella, Tobin, Carroll, He, & Ogedegbe, 2015). Participants received a briefing about security precautions such as; storing computer records on a password-protected removable hard drive and securing the removable hard drive and any physical files in a locked fireproof safe until they reach their 5-year destruction date. I had all the participants sign an informed consent form and stored all signed informed consent forms in a secure locked safe and listed the consent form template location in the table of contents. Finally, I protected participants' confidentiality and privacy by masking participant and organizational names and using codes to distinguish interview responses and maintained participant discretion throughout the study. The appendices applicable to ethical research for this study include the

National Institutes of Health training on the protection of human participants in research

training certificate (Appendix A), a letter of cooperation (Appendix B), an interview

protocol (Appendix C), and a consent form (Appendix D).

Data Collection Instruments

According to Sanjari et al. (2014), researchers are the instruments used to collect

and analyze data in qualitative studies. McCusker and Gunaydin (2015) stated qualitative

researchers serve as the data collection instruments because they comprehend the type of

information they seek to interpret. Therefore, for this study, I served as the data collection

instrument and collected data by conducting semistructured interviews using open-ended

questions. I also used organizational documentation and observations as a source for data

collection. According to Pacho (2014) and Salvador (2016), researchers often use

semistructured interviews and organizational documentation as primary sources of data

collection. Stuckey (2013) stated researchers use observations as a data gathering

medium to develop an understanding of the phenomenon. In the interviews, I used an

interview protocol (Appendix C) which also contains a list of open-ended questions.

Using open-ended questions provides study participants with the freedom to convey their

thoughts and perspectives and ensures interview consistency. Allowing participants to

recount their experiences and articulate their views in their own words provides

participants with the opportunity to introduce aspects of the topic that may not manifest

using closed-ended questions (Harvey, 2015). According to Jamshed (2014), using an

interview protocol will help to ensure all the facets and themes relevant to the study

materialize during the interviews. In the interest of protecting the participant's welfare, using open-ended questions will allow participants to freely decide the scope and depth of the information they wish to share during the interviews (Stuckey, 2013).

According to Fusch and Ness (2015), using multiple data sources helps qualitative researchers achieve data saturation, thereby strengthening the study's reliability and validity. I will use semistructured interviews, organizational documentation, and observations as primary sources of data collection. To enhance reliability researchers

identify the testing methods used in the study (Mohamad, Sulaiman, Sern, & Salleh, 2015). For this study, to enhance the reliability and validity of the data collection process, I performed verbatim transcriptions for each interview, provided summaries of the interpretations to participants for member checking, and used an interview protocol. Conducting verbatim transcription of interviews helps to maintain the integrity of the data (Chandler, Anstey, & Ross, 2015; Jamshed, 2014). Member checking strengthens the validity and reliability of the data (Andraski et al.,2014). Using an interview protocol helps researchers ask open-ended questions in the same order and manner for every participant; thereby, reducing the potential for bias and increasing data reliability (Wiewiora et al., 2014).

Data Collection Technique

For the data collection technique, I conducted semistructured interviews, asked open-ended questions, and collected data from organizational documents. Conducting in-person interviews helps to develop a positive rapport researchers need to gather rich

qualitative data (Sivell et al., 2015). Semistructured interviews consist of open-ended, probing questions that have the propensity to create follow-up questions (Fleming, Phillips, Kaseroff, & Huck, 2014). Conducting interviews allows researchers to create an open and relaxing forum; enabling researchers to readily capture participant views and experiences.

According to Stuckey (2013), interviewing is the primary method used in qualitative research because when researchers use interviewing as a source for collecting data, they can ask questions directly related to their research question, thereby, controlling the scope of their study. Furthermore, asking open-ended questions during interviews allows researchers to elicit rich and meaningful responses from participants (Stuckey, 2013). However, Stuckey cautioned researchers to listen carefully and engage with participants to identify additional probes. Stuckey further stated although most researchers encourage taking notes during interviews, it is difficult to capture direct quotes or participants' true meaning during note taking because researchers must remain engaged in the conversation.

Wiewiora et al. (2014) stated using open-ended questions helps to ensure consistency. However, Roberts et al. (2014) stated the analysis of open-ended data is rare, at times ineffective, and primarily conducted through a manual human coding process comprising higher associated costs. Conversely, authors such as; Leitch, Oktay, and Meehan (2015) stated the use of Computer Assisted Qualitative Data Analysis Software (CAQDAS) to analyze and code data is increasing. Another disadvantage of asking open-

ended questions is participants' often do not provide the underlying reason for their responses (Roberts et al., 2014).

I conducted in-person semistructured interviews, and each interview took place in a private setting. The participants received assurances about confidentiality and received an opportunity to ask questions about the process before any interview began. According to Cridland, Jones, Caputi, and Magee (2015), a first-rate interview protocol helps researchers focus on specific aspects of the phenomenon as they relate to the research question. In the interviews, I used an interview protocol (Appendix C) containing a list of open-ended questions. Using an interview protocol helps researchers ask open-ended questions in the same order and manner for every participant thereby; reducing the potential for bias (Wiewiora et al., 2014). According to Mctate and Leffler (2016), the exact wording and procedures used in structured interviews may limit opportunities for researchers to ask follow-up questions; nevertheless, structured interviews allows researchers to achieve higher degrees of reliability across studies (Leffler, Riebel, & Hughes, 2015).

To supplement the data from the interviews, I also reviewed company documents, such as; standard operating procedures, mission statements, business plans, outsourcing documents, shareholder agreements, and project management plans. Using company documents along with interviews allows researchers to triangulate the data which increases data reliability (Fusch & Ness, 2015). Wieland et al. (2014), revealed using company documents to be an excellent data collection source. Cheng and Phillips (2014)

stated the use of documentation as a data source is a popular method used by researchers to enhance their research projects. The authors, however, stated some organizational managers restricted access to certain company documentation; therefore, researchers might not have access to important data sources. Additionally, in some studies, the documentation is so vast researchers do not take the time to analyze the documentation (Cheng & Phillips, 2014). Wieland et al. (2014), further noted how managers stored their company documents in different non-indexed locations making it difficult to identify and retrieve documents.

Asking open-ended questions provided study participants the freedom to convey their thoughts and perspectives regarding the HRO strategies they used to increase their organization's strategic value. Participants recounted their experiences and articulated their views in their own words, which provided an opportunity to introduce aspects of the topic that might not have manifested using closed questions. Following a semistructured interview protocol (Appendix C) is a practice widely used by researchers because it helps researchers capture as many themes related to the research question as possible (Jamshed, 2014).

To identify potential study participants, I used LinkedIn and recommendations from established contacts. Before beginning an interview, I reiterated the purpose of the study and reminded the participants of their rights including their right to withdraw from the study at any time. I audio recorded all interviews, took notes during the interviews, and conducted member checking to ensure the accuracy of the data. Member checking is

a quality control process involving researchers asking participants to review the researcher's interpretations for accuracy (Andraski et al., 2014). This process helped me identify additional probes and themes leading to a greater understanding of the phenomenon. Researchers audio record interviews to ensure accurate data collection and to provide participants with interpretations for member checking (Chandler et al., 2015). Audio recording allows researchers to conduct verbatim transcription of interviews thereby maintaining the integrity of the data (Chandler et al., 2015; Jamshed, 2014). I performed verbatim transcriptions for each interview and provided summaries of the interpretations to participants for member checking. According to Austin and Sutton (2015), verbatim transcription often takes an experienced transcriber eight hours or more to transcribe one 45-minute audio-recording. In addition, the process generates 20 to 30 pages of written text (Austin & Sutton, 2015). Jamshed (2014) stated recording interviews might create contention between the researcher and the participant. To alleviate the transcription contention mentioned above, I used a professional transcriber to provide verbatim transcription services. To alleviate possible contentions between myself and interviewees stemming from recording the interviews, I ensured participants sign an informed consent form. In the consent form, I addressed audio recording the interview, listed safety and confidentiality precautions, and provided a list of the interview questions to interviewees before their interview.

Elo et al. (2014) stated using an interview protocol helps ensure credibility. I will follow the interview process and protocol.

Interview Process

1. Identify potential participants using LinkedIn and personal/professional contacts.

2. Send potential participants a letter of cooperation to participate in the study via email and phone.

3. Send positive participation responders an overview of the study's purpose, a copy of the interview questions, and a consent form. The consent form will contain language about audio recording the interview and statements ensuring participants all information will be confidential, their participation will be voluntary, and they may withdraw from the study at any time. I will send negative responders a thank-you email for their time and consideration.

4. Establish a date, time, and location for the interview (participant's choice for his or her convenience and privacy).

5. Conduct the interview using the pre-established open-ended interview questions (see interview questions at the bottom of this form). I will note any probing questions.

6. Send a thank you email to the participant.

7. Modify the interview protocol to include any probing questions asked during the interview.

8. Transcribe the interview

9. Perform member-checking to ensure accurate interpretations.

10. I will repeat steps 5 through 8 until I achieve data saturation.

Data Organization Technique

Owen (2014) stated data organization involves labeling and creating purposeful coding for captured data. According to Gibson, Benson, and Brand (2013), assigning codes allows researchers to establish and protect participant confidentiality. To achieve efficient cataloging and labeling, I used the computer-assisted qualitative data analysis software (CAQDAS) NVivo. According to Leitch et al. (2015), the use of the CAQDAS is increasing. Cope (2014a) stated researchers use CAQDAS because it allows them to manage large data sets and it provides researchers with an expedient means to analyze data. According to Woods, Paulus, Atkins, and Macklin (2016), researchers use CAQDAS to analyze data gathered through interviews, focus groups, documents, field notes, and open-ended questions. To protect all collected data, I stored all data on a password-protected external hard drive I will secure in a locked cabinet for 5-years.

Data Analysis

According to Surkis and Read (2015), data includes everything a researcher needs to replicate a specific scientific output. Surkis and Read stated data is not static nor isolated. The authors also stated researchers process and used data with different measuring instruments and often combined different data types. Data is an important output of any research project, and proper data management is an important aspect of making data discoverable, accessible, and understandable (Surkis & Read, 2015).

I used the CAQDAS NVivo to assist me with data analysis functions such as, coding, theme identification, document reviewing, and querying tasks. Capturing and

coding data with NVivo assisted me with incorporating data from all sources into a structured format to make it easier to organize and identify themes. I also created a coding scheme using the NVivo software to code the interviews. Neal, Neal, Vandyke, and Kornbluh (2015) suggested using at least two coders to ensure reliability; therefore, I enlisted the services of an additional coder. Once I completed the coding process, I followed Neal et al. 's. (2015) suggestion by organizing and analyzing the data to identify the presence of any additional themes. I correlated the key themes with the literature to include new studies published since the undertaking of this study and the conceptual framework. I also used triangulation and the case study process to produce replicable and methodologically consistent data by using an interview protocol (see Appendix C) and reviewing company documents.

Reliability and Validity

Reliability

Lishner (2015) stated there are many recommendations for improving dependability (reliability) in research findings. Pocock (2015) discovered reliability is important to achieve data quality and stability. Elo et al. (2014) revealed researchers use accuracy as the variable to measure a study's reliability in academic research. Elo et al. subsequently stated to achieve accuracy, researchers must use consistent and replicable methods (Elo et al., 2014). Replication in research is important because it generates a comparable set of observations and data consistency (Lishner, 2015). Consequently, replication is now a widely advocated mechanism used to achieve research reliability

(Braver, Thoemmes, & Rosenthal, 2014; Cumming, 2014; Makel & Plucker, 2014; Stanley & Spence, 2014).

Peake-Andrasik et al. (2014) declared ensuring a study's trustworthiness is the responsibility of the researcher. To ensure I achieved reliability in this study, I documented the steps taken to obtain data from all sources. Documenting the steps and procedures creates transparency and reliability for the study (Cope, 2014b). If a researcher can replicate the research, it is reliable (Elo et al., 2014). Another means to achieve reliability is to use triangulation Leung (2015). Triangulation entails researchers using multiple sources of data (Andraski et al., 2014; Cooper & Hall, 2014). Using triangulation enhances the study's credibility, which according to Archibald (2015) and Harvey (2015) creates enhanced results from enriched data analysis.

To achieve triangulation, I used software analyzation methods, multiple sources of information, and conducted member checking. Gibson, Webb, and Lehn (2014), and Humphry and Heldsinger (2014) recommended using software analyzing methods to evaluate interview data, multiple sources of information. Using software such as NVivo assists researchers with identifying themes and grouping data (Woods et al., 2016).

Member checking is a quality control process involving researchers asking participants to review the researcher's interpretations for accuracy (Andraski et al., 2014). Member checking strengthens the validity and reliability of the data (Andraski et al.,2014; Elo et al., 2014; Roche, Vaterlaus, & Young, 2015). Member checking strengthens the validity and reliability of data by helping researchers capture the correct

meanings and terms from interviews (Archbold, Dahle, & Jordan, 2014; Forber-Pratt,

2015; Fusch & Ness, 2015).

Validity

Validity is the overall quality of a study; judged by the researcher's credibility

and trustworthiness of the findings (Pocock, 2015). Fusch and Ness (2015), stated using

multiple data sources helps qualitative researchers achieve data saturation, thereby

strengthening the study's reliability and validity. Cairney and St. Denny (2015) stated

methodological triangulation enhances credibility and strengthens the validity of the

study. I followed Fusch and Ness's assertion about multiple data sources by using

semistructured interviews, organizational documentation, and observations as the primary

sources of data collection. To adhere to Cairney and St. Denny's declaration concerning

triangulation, I performed verbatim transcriptions for each interview, provided

summaries of the interpretations to participants for member checking, and used an

interview protocol. Conducting verbatim transcription of interviews helps to maintain the

integrity of the data (Chandler et al., 2015; Jamshed, 2014). Member checking

strengthens the validity and reliability of the data (Andraski et al., 2014). Using an

interview protocol helps researchers ask open-ended questions in the same order and

manner for every participant; thereby, reducing the potential for bias and increasing data

reliability (Wiewiora et al., 2014). Elo et al. (2014) avowed using an interview protocol

contributed to the assurance of credibility. Jamshed (2014) stated following an interview

protocol is a practice widely used by researchers because it helps them capture as many

themes related to the research question as possible. I used an interview protocol (Appendix C) to collect data from multiple participants.

Elo et al. (2014) reasoned transferability in qualitative research addresses how researchers ensure their study's information will transfer to future research projects. Qualitative researchers enhance transferability by providing rich descriptions of the population, sample, method, design, and sampling techniques (Anney, 2014; Barratt, Ferris, & Lenton, 2014; Rossetto, 2014). For this study, I provided enough information about the population, sample, method, design, and sampling techniques to give future researchers enough information to appropriately judge the study's transferability.

Confirmability in qualitative studies has to do with other researchers' validation or endorsement of a researcher's results (Christ, 2014; Peak-Andrasik et al., 2014). To promote confirmability in this study, I used multiple sources of data for triangulation and created an audit trail to document my actions during the collection, analysis, and presentation of data. Cope (2014b) stated an audit trail is essential to qualitative research and improves the study's credibility. I also used a standardized interview format, member checking, and documentation analysis to ensure transferability and confirmability of the study.

Data saturation happens during the data collection process when no new information emerges from data collection efforts (Peake-Andrasik et al., 2014; Siegle, Rubenstein, & Mitchell, 2014). In qualitative research, data saturation dictates the purposeful sample size (Hammarberg, Kirkman & de Lacey, 2016). I used purposeful

sampling and continued to add new interviewees from different organizations to help reach the point of data saturation, which happens when no new information materializes from additional interviews.

Summary and Transition

The purpose of this case study was to identify HRO strategies managers use to reduce operating costs while maintaining HR effectiveness. In Section 2 of this research project, I provided the purpose statement, the role of the researcher, participants, research method and design, and population and sampling. I also discussed ethical research, data collection, data analysis, and reliability and validity.

In Section 3 I presented the findings of the study and discussed how the findings contribute to managers use of effective HRO strategies that reduce operating costs while maintaining HR effectiveness. I also discussed the implications of social change, provided suggestions for future research, and included a reflection of my experiences as a DBA Doctoral student.

Section 3: Application to Professional Practice and Implications for Change

Introduction

The purpose of this qualitative case study was to identify HRO strategies used to reduce operating costs while maintaining HR effectiveness. The study population included participants from Midwestern firms with 50 or more employees with experience identifying HRO strategies used to reduce operating costs while maintaining HR effectiveness. I used semistructured interviews and an interview protocol to capture enough rich data to identify themes and achieve data saturation. To help prevent bias in this study, I recorded and transcribed each interview, conducted member checking, and used triangulation. For the data collection technique, I conducted semistructured interviews, asked open-ended questions, and collected data from organizational documents.

The fluctuating business environment created new obstacles for managers to conquer in order to reduce operating costs and maintain effectiveness. To achieve this end, managers began focusing on core functions by outsourcing noncore activities such as HR functions (Edwin & Ohaegbu, 2015). According to Mansor, Abu, Abashah, and Kassim (2018) outsourcing is one of the most prominent practices in HR management; however, Glaister (2014) discovered a need existed for organizational managers to understand how HR functions as active outsourcing agents and resolves outsourcing issues. Moreover, Žitkienė and Blusytė (2015) declared HRO was a complex process requiring more examination.

The participants in this study shared their views and experiences about HRO strategies used to reduce operating costs while maintaining HR effectiveness. I categorized the findings into themes. In the findings, I included a detailed theme analysis and suggested potential areas of improvement related to HRO strategies. I based my recommendations for performance improvement strategies on the themes discerned from the perceptions of the participants, my review of organizational documents, and gaps in the literature. The identification of successful HRO strategies might lead to the creation of additional jobs associated with the firm's core capabilities, thereby reducing local unemployment and crime rates.

Presentation of the Findings

The principal research question for this study was: What HRO strategies do managers use to reduce operating costs while maintaining HR effectiveness? The participants in the study represented three Midwestern firms with 50 or more employees with experience identifying HRO strategies used to reduce operating costs while maintaining HR effectiveness. The literature review of peer-reviewed articles and supplementary studies generated the foundation for the conceptual HRO components associated with the central research question. I used a semistructured interview protocol, and once I completed each interview, I performed member checking and coded the responses using unique identifiers for each participant: C1P1 for company 1 participant 1, C1P2 for company 1 participant 2, (b) C2P1 for company 2 participant 1, C2P2 for company 2 participant 2, C3P1 for company 3 participant 1, and C3P3 for company 3

participant 2. I identified recurrent participant phrases and words and used those

recurrences to establish interview data interpretations. Next, I established general

interpretations from the interview data for coding. The participants validated their

transcripts and my corresponding data interpretations of their interviews. The member

checking validated my data interpretations to support the themes I discovered in the

study. During the data analysis process, I identified these five themes:

1. Outsourcing strategies

2. Outsourced functions

3. Operational costs

4. Organizational effectiveness

5. Success measurement

The identified themes helped reveal strategies managers use to increase their

organizations' strategic value. According to Marchington (2015), organizations need to

shift their focus towards long-term cost solutions capable of increasing their

organizational viability. One prominent solution that managers began using to remain

competitive was to outsource HR functions to focus on core competencies (Tiaojun et al.,

2014).

Theme 1: Outsourcing Strategies

The first identified theme in this study was outsourcing strategies. I asked the

participants to identify strategies used to reduce operating costs while maintaining HR

effectiveness. Mansor et al. (2018) emphasized the importance for managers to

implement HRO strategies because doing so reduced operating cost and allowed organizations to remain competitive. Mishra, Kumar, Sharma, and Dubey (2018) argued that using organizational strategy based on organizational structure, managers could minimize complexities associated with outsourcing decisions. All participants in this study used outsourcing strategies that included the identification of core competencies; however, their level of outsourcing varied depending on their organizational structure and business.

C1P1 said because of their company's size and specific business industry they did not want to perform HR functions themselves. C1P1, therefore stated that they outsourced all their HR functions. For C1P1, it was important to select a vendor that was compatible with the organization. C1P2 supported C1P1's position by stating they outsource all the HR functions to an external vendor; however, they stated it was important to select a vendor specializing in HR services tailored to their industry.

C2P1 stated their company saved money by partially outsourcing non-core HR activities to external vendors; however, they expressed the importance of selecting a vendor that was compatible with the organization. In addition, C2P1 stated that in addition to saving money, the company increased their profit margin by focusing on core functions. C2P2 communicated they experienced a reduction in operating costs when outsourcing portions of their HR functions; however, similar to C1 participants, they expressed the importance of compatibility and communication with the HR vendor to ensure the success of HRO partnerships.

C3P1 supposed that using a partial outsourcing (not outsourcing all HR functions) strategy, which reduced the number of HR employees, contributed to the company reducing operating costs significantly. C3P1 also attributed the cost reduction to the remaining HR staff's use of advanced HR technology provided by the HR vendor and professed the importance of vendor compatibility and constant communication. C3P2 said their company reduced operating costs by using HR professionals to assist in HR areas in which they did not excel such as payroll and HR compliance functions. C3P2 echoed the importance of vendor compatibility to ensure the success of HRO strategies.

Deciding to outsource all or portions of HR is consistent with Cole (2017) who said that outsourcing provides capabilities that strengthen firms' non-core areas or functions where the company lacks expertise. However, Cole also stated it is incumbent for managers to determine which functions are core and non-core before designing and implementing strategies. Glaister (2014) said that a need exists for organizational managers to understand how HR functions as active outsourcing agents and resolves negative outsourcing issues. In addition, the strategies the organizations used in this study support Vaxevanou and Konstantopoulos (2015a) who said that firms should explore all HRO alternative strategies using specialized analysis and decision-making models. Sakas et al. (2014) said that many organizational skeptics remain stemming from trust issues because of the fear related to relinquishing control of organizational secrets and uncertainty associated with outsourcing agreements. All participants stated compatibility and constant communication were key elements to ensuring HRO success. Abdul-Halim

et al. (2014) stated positive HRO outcomes depended on managers' ability to understand and manage outsourcing relationships; therefore, it was incumbent for managers to develop a positive working relationship with the outsourcing vendor. Ross et al. (2016) said that when creating outsourcing strategies, managers need to create and communicate an effective vision to ensure outsourcing success.

Theme 2: Outsourced Functions

The second identified study was outsourced functions. I asked participants to identify HR functions that contributed to reducing operating costs while maintaining HR effectiveness. The participants provided the following responses:

C1P1 reported outsourcing all their organization's HR functions (core and non-core) to two industry-specific HR vendors. C1P1 said one vendor does hiring functions, job applications, background checks, training, quarterly testing, and drug screening. The other vendor handles other functions such as payroll, compliance with policies and procedures, and grievances.

C1P2 verbalized they outsourced all their human resources functions, which included payroll, healthcare, performance management, training, background screening, recruitment, write-up procedures, employee handbook, and dispute resolutions. Mutually C1P1 and C1P2 expressed that the organization did not have the expertise inhouse to perform HR functions because their focus was to concentrate on core activities.

C2P2 stated our organization outsources employee hiring, payroll, security check services, healthcare management, and benefits management. Both C2P1 and P2

articulated that outsourced functions were non-core activities and the organization did not

have the expertise inhouse to perform the functions. C2P1 and P2 also stated that their

main focus was on core functions.

C3P1 communicated our leadership outsources background and drug screening,

which alleviated the burden of performing the function inhouse. In addition, C3P1 stated

that our organization outsources some of its recruiting efforts, which helps to support

surges in staffing needs, while not having to employ multiple recruiters. Other outsourced

HR functions according to C3P1 are payroll, 401k management, and health and business

insurance. C3P2 said that their management, outsourced payroll, background/security

screening, drug screening, benefits management, 401K management, and recruiting,

which are all non-core functions.

The above-mentioned outsourced HR activities identified by the three

organizations support Halim's et al. (2017) position that the most commonly outsourced

HR functions are training and development, payroll, recruitment, and other administrative

tasks. The decision to outsource human resource functions without performing due

diligence is risky in terms of cost and performance; however, executing systematic risk

management will offset the possible negative outcomes of instituting outsourcing

strategies (Rennung et al., 2015). Effectively assessing the risks against gains is crucial

for improving the success rates for outsourcing initiatives (Glaister, 2014). However,

there are outsourcing obstacles or problems that managers incur when outsourcing HR

functions. Glaister noted the effects of outsourcing HR activities on inhouse HR

operating as a multi-sourced function, needs further investigation.

Edwin and Ohaegbu (2015) and Patel, Budhwar, Witzemann, and Katou (2017)

noted that problems managers incur when outsourcing HR functions include situations

that manifest when some of the HR personnel remain at the firm. In the Patel et al. (2017)

study, the authors used a case study approach and semistructured interviews at a German

subsidiary of a United States Multinational Company to identify HRO implementation

processes and post-implementation decisions and their impact on the HR function. The

authors revealed the effects of outsourcing on inhouse (remaining HR personnel) HR

included decreases in the flexibility of HR functions, decreases in transactional HR

processing times, declines in HR manager satisfaction, and work intensification for HR

managers. Patel et al. (2017) also discovered uncertainty remains as to whether the

function of HR enhanced its strategic position through outsourcing. Moreover, when

some HR staff remains inhouse, the training and motivation for the remaining staff often

become overlooked. Another HRO issue as noted by Patel et al. (2017) was the decrease

in transparency or flexibility of the HR department stemming from an inadequate

understanding of how the outsourced activity performs within the new provider to include

their internal processes. This problem stems from adhering to newly defined processes

between the HRO vendor, the HR manager, and the remaining HR staff. However, Patel

et al. (2017) noted that authors had not reflected the transparency or flexibility decrease

issue in the literature. In fact, in the HR literature, authors often refer to flexibility

decreases as a benefit of HRO (Patel et al., 2017). To correct or improve the transparency issue, Patel et al. (2017) suggested using effective vendor management by building a relationship through structural integration between the company and the HRO provider.

In Edwin and Ohaegbu's (2015) study, the authors revealed occurrences where outsourcing HR functions created problems because of the training and development expenditures interrelated with the development of the remaining inhouse HR staff. Edwin and Ohaegbu (2015) also discovered instances wherein HRO strategies created problems related to the loss of business secrets and expertise; therefore, cautioned that when outsourcing there was a danger of company disruptions caused by misinterpretations and inferior processes to effectively transfer data between organizations. To rectify these problems associated with outsourcing, Mao et al. (2016) suggested the sharing of resources between the host and the outsourcing firm to aid in the exchange of experiences needed to achieve successful outsourcing outcomes. Ross et al. (2016) and Savino (2016) asserted that frequent information exchanges aid in establishing long-term relationships, which positively affects outsourcing success rates. Liu et al. (2017 reinforced Mao's and Ross's position by suggesting employees of the hosting and outsourcing vendor receive training and have frequent information exchanges.

Theme 3: Operational Costs

The third identified study theme was operational costs. I asked participants to identify how outsourcing HR functions affected organizational operating costs. Mansor et al. (2018) declared that to reduce operating cost and remain competitive it was important

for organizational managers to embark on the practice of HRO. However, to achieve the aforementioned while simultaneously maintaining effectiveness, Žitkienė and Blusytė (2015) supposed managers needed to manage potential HRO functions against the underlying motives to outsource.

C1P1 stated that utilizing external human resources vendors saved money because the owner did not need to invest in establishing an HR department. Establishing an HR department would include costs related to recruiting and hiring, training, additional space, and other overhead costs. According to C1P1, they found it more cost efficient to outsource to someone else. C1P2 supported this position by stating that outsourcing saved money because it was more cost effective to do so rather than hire HR personnel or create a human resources department.

C2P1 communicated they saved money by outsourcing non-strength activities to external vendors. C2P1 additionally stated they had an increase in their bottom line stemming from their ability to focus on core capabilities. C2P2 verbalized that they experienced reductions in operating costs since they began outsourcing HR functions.

C3P1 response was they reduced operating costs significantly because they eliminated headcount and gained access to current HR technology that assisted them in conducting business more effectively. C3P2 answered by stating they reduced operating costs by using HR professionals to assist them in areas where they did not excel. All participants identified cost as a factor for deciding to outsource portions or all their HR functions.

Savino (2016) articulated that cost advantages were a primary driving force when managers decide to outsource. Edwin and Ohaegbu (2015) identified the cost factor as one of the most predominant reasons for outsourcing HR activities. Žitkienė and Blusytė (2015) professed that by managing potential HRO functions against the underlying motives to outsource, managers increased their chances of achieving successful outsourcing outcomes.

One of the most prominent tools used to measure the costs of outsourcing is the TCE framework (Coase, 1937; Giertl et al., 2015; Giustiniano & Clarioni, 2013; Gulbrandsen, Lambe, & Sandvik, 2017; Williamson & Ghani, 2012). Managers use TCE as a minimization of transaction costs tool and consider TCE an optimization theory useful in the analysis process to help managers resolve decisions such as; whether to insource or outsource.

Using the TCE framework managers implement the organizational form best-minimizing transaction costs. Vaxevanou and Konstantopoulos (2015b) supposed the TCE framework provides instruments to help managers determine which activities to outsource and is the most predominantly used outsourcing framework. The justification behind a leader's decision to outsource includes benefits they could achieve in terms of reducing operational and capital costs (Mboga, 2015; Savino, 2016; Sonfield, 2014; Wekesa & Were, 2014; Žitkienė & Blusytė, 2015). To economize transaction costs, TCE activists examine how governance modes impact transaction costs. For example, by including the behavioral aspects of economic actors into the TCE framework, transaction

costs proponents provided managers with the means to identify and distinguish between internal coordination and motivation issues impacting the choice of hierarchies versus markets.

Williamson (1983) stated managers decided to use either the market, hierarchy or vertical integration, or the hybrid (a combination of the market and hierarchy structures) governance structure depending on the one most effectively minimizing transaction and production costs. However, Ketokivi and Mahoney (2016) discovered notable authors voiced fundamental reservations and provided dynamic critiques about TCE. The primary reason that TCE receives negative critiques stems distorted analogies manifesting from misinterpretations of TCE's central, creating confusion about the supporting logic of the theory (Ketokivi & Mahoney, 2016).

To reduce the number of TCE critics, researchers should remember that at its core the purpose of TCE is understanding economic exchanges (i.e., transactions) in complex and high-stake situations (Ketokivi & Mahoney, 2016). Using TCE, the goal of managers is to make the transacting cohorts bilaterally dependent. For example, if Company A produced widgets and Company B located themselves in close proximity to Company A and supplied them with the parts needed to produce widgets, then this would be a bilaterally dependent relationship because conducting business together, both businesses would profit. In addition, it would hurt both organizations if one or the other decides to leave the partnership for whatever reason. Therefore, TCE proponents seek a bilaterally analogous business relationship that promotes a win-win scenario for both parties.

The participants in this study all said they used cost savings as one of the determinants for outsourcing. In addition, C1, C2, and C3 managers all formed a bilaterally analogous business relationship that had a positive impact on their companies and the outsourcing firms. This bilaterally dependent business relationship was only possible because the companies and the outsourcing vendors created a quality driven partnership built on trust and communication (Abdul-Halim et al., 2014; Faraji & Abdolvand, 2016; Kaynak & Avci, 2014; Roberts et al., 2013).

Theme 4: Organizational Effectiveness

The fourth identified theme was organizational effectiveness. I asked participants to discuss how outsourcing HR functions affected their organizational effectiveness. According to Žitkienė and Blusytė (2015) having an effective business strategy was a key factor in achieving organizational effectiveness. HRO strategies are a subset of business strategies and are a summary of how managers will achieve HR goals, customer expectations, and competitive advantage targets. Business strategy authors explained why the company is in business and defined competitive advantages and core activities, which provides the strategic direction for the organization (Mansor et al., 2018). The organizations in this study provided the following data concerning organizational effectiveness.

C1P1 iterated that outsourcing human resources functions allowed them to focus on their core functions. C1P1 further articulated they were seeking a creative solution that contributed towards their differentiation strategies while maintaining HR effectiveness.

C1P2 articulated they wanted the ability to focus on what their business does best and not the minutiae of HR. According to C1P2, there are so many laws they wanted to ensure the company was up-to-date and safe. C1P2 additionally stated they increased effectiveness by focusing on core functions and building long-term relationships with quality vendors.

C2P1 stated effectiveness increased by focusing on core functions and outsourcing non-strengths to an HR vendor with the expertise to supplement the HR areas where they did not excel. C2P2 enunciated effectiveness increased because they focused on IT related functions and services which is their core business function. Both C2P1 and P2 stated that HRO allowed them to invest more in their core functions.

C3P1 said HRO increased organizational effectiveness by allowing time to be spent in other more important areas. C3P1 stated HRO helped them to streamline activities and ensure they either led or kept abreast with their industry providers. C3P2 stated they can now focus on our core capabilities, which allows them to create and sustain competitive advantages while fulfilling all their HR needs. C3P2 stressed the importance of the vendor's reputation for consistency, and their stability and reliability in operations when seeking to establish successful long-term outsourcing contracts.

Hamid, Maheen, Cheem, and Yaseen (2017) stated that organizational managers strive to improve their performance and effectiveness. All the participants in this study declared they achieved organizational effectiveness by having open communication channels with the outsourcing vendor and by clearly defining processes, which according

Davies et al., (2015) and Dinu (2015) decreased uncertainty and increased trust between organizations. However, it is important to note that although outsourcing can be an effective strategy for organizations, operational effectiveness may briefly suffer, and recovery may take many months (Davies et al., 2015). According to Butler and Callan (2014) and Handley (2012), HRO has a negative effect on operating performance when outsourcing participation is not optimal. Consequently, it is imperative for organizations to prepare properly for functional conferrals, especially within the contexts of training and tacit knowledge exchange between the host and outsourcing organization (Abdul-Halim et al., 2014; Davies et al., 2015). To achieve this end requires careful planning to minimize disruptions and maximize operational effectiveness. Operating in this manner reveals host organizations have an entrusted interest in the ongoing support of outsourced activities thereby creating an atmosphere conducive to maximizing organizational effectiveness. However, to successfully reduce costs and maintain effectiveness it is important for managers to have an efficient measurement process.

Theme 5: Success Measurement

The fifth and final identified theme was success measurement. I asked the participants to identify how they measured HRO strategy success and failure as it applies to operating costs and effectiveness. Jiang and Qureshi (2006) discovered that researchers have failed to determine the effect of outsourcing firm performance using tangible data from financial reports. The authors revealed only four researchers used financial data with a limited focus to examine the results of outsourcing. Therefore, the researchers

emphasized the importance of using financial statistics to measure the effect of outsourcing. The organizations in this study provided the following data concerning HRO success measurement.

C1P1 expressed measuring the success or failure of their human resources outsourcing decision was simple because they judged success by if the HR vendor provided solutions for their HR needs. C1P1 stated thus far; the vendors provided solutions for anything they needed. For C1P1, this was a success, which spoke directly to the effectiveness and costs savings their outsourcing decision. Another means of measurement according to C1P1 was their ability to examine how much product they moved, their number of repeat customers, the quality of their reviews and their ranking in the industry. C1P1 declared that top rankings in the aforementioned areas, led to increases in revenue thereby verifying the effectiveness of their HRO strategies.

C1P2 pronounced they realized from the onset they did not want to do any human resources functions inhouse because they wanted to focus on their industry specific functions. C1P2 also it was crucial to find an industry specific vendor capable of responding to not only current, but future human resources needs. C1P2 mentioned the importance of having effectual working relationships with the outsourcing vendor and said they measured success by their ability to stay up-to-date and compliant, provide relevant training, and their ability to focus on core activities. C1P2 said they measured success by analyzing their cost savings, increases in their sales profit margin, and ability to focus on core capabilities.

C2P1 voiced they measure success by examining if their HR needs were met. C2P1 stated that if their clients are satisfied, and save money while increasing profits then they achieved success. C1P2 articulated that achieving all their HR needs, saving money, and the ability to focus on core activities was how they measure success.

C3P1 stated that as a smaller company, their ability to focus on core activities, which increases productivity was how they measured the success or failure of their outsourcing strategies. C3P2 professed they measured success by identifying reductions in costs related to the overhead associated with HR functions, increases in their bottom-line, and their ability to focus on core capacities. All participants in this study declared they used cost savings and the ability to focus on core capabilities to measure the successfulness of their outsourcing strategies.

HRO is a strategic choice business managers adopt because of the host of possibilities associated with how to accomplish certain HR functions (Savino, 2016). Qureshi (2006) suggested using financial data to measure the outcome of HRO. Handley (2012) recommended conducting due diligence to ensure outsourcing success. Kaufman (2016) stated it was important to provide managers with guidance regarding how to evaluate resources. According to Kaufman, not providing managers with the ability to evaluate the value of resources hindered managers' ability to measure success. Abdul-Halim et al. (2014) revealed a need for researchers to thoroughly examine the relationship between partnership quality and outsourcing success. Baraldi et al., (2014) concluded it was important for firms to evaluate cooperative relationships to measure HRO success.

Application to Professional Practice

The lens used to conduct this study was the TCE framework. Using the TCE framework is a viable option when researchers' need to perform effective cost and benefits analysis to quantify outsourcing decisions (Roberts et al., 2013). Using the TCE lens revealed researchers examining HRO topics using a quantitative approach focused on the reasons managers decided to outsource; however, limiting research on HRO to quantitative analysis created a lack of detailed information about the relationship between variables (Wekesa & Were, 2014; Williamson & Ghani, 2012). For example, researchers using quantitative methods determined whether a statistical relationship existed between two or more variables; however, they did not have enough information to understand the complete details of the relationship or descriptive data presented (Wekesa & Were, 2014; Williamson & Ghani, 2012).

Unlike the quantitative method, using the qualitative methodology, conducting interviews, examining company documents, and conducting member checking provided the means to understand the descriptive data provided by the participants in this study, which helps managers understand HRO strategies. Researchers such as Glaister (2014), Sigamani and Malhotra (2013), and Yap and Webber (2015) used a qualitative approach to study HRO. To reduce operating costs while simultaneously maintaining effectiveness, managers began focusing on core functions by outsourcing noncore activities such as HR functions (Edwin & Ohaegbu, 2015; Poornachandrika, 2015).

All the participants in this study used outsourcing strategies that included the identification of core competencies; however, their level of outsourcing varied depending on their organizational structure and business line. According to the authors in the literature review, the reasons to outsource, differ depending on the organization.

Sigamani and Malhotra (2013) and Wekesa and Were (2014) declared managers decided to outsource because it allowed them to focus on core and strategic issues, provided reductions in operational and capital costs, and afforded access to expertise, increased flexibility, and risk reduction knowledge. Poornachandrika (2015) discovered firms outsource HR activities because it was too costly to hire employees across all areas of the organization's operations and to concentrate on strategic activities that supported core business functions. Wekesa and Were (2014) and Yilmaz and Bedük (2014) declared that managers based their decisions to outsource HR functions because of the benefits they expected to achieve from the process. Usman et al. (2015) stated that organizations decide to outsource because they want to achieve strategic goals. However, Edwin and Ohaegbu (2015) discovered instances in which outsourcing HR functions created difficulties associated with the development of the remaining inhouse HR staff. Edwin and Ohaegbu (2015) discovered some HRO strategies created problems stemming from the loss of business secrets and expertise. Therefore, effectively performing risk assessments is crucial for reducing the success rates for outsourcing initiatives (Glaister, 2014). Outsourcing all or portions of HR, as all the organizations did in this study,

supports Cole's (2017) declaration that outsourcing provides capabilities that fortifies firm's non-core areas or functions where the company has deficient expertise.

To reduce risks, all the participants in this study performed a risk assessment and developed an HR outsourcing strategy that aligned with their organizational goals and objectives. C1 participants stated their motivation to initiate HRO strategies was there desire to focus on core competencies and achieve cost reductions; however, emphasized the importance of compatibility with the outsourcing vendor. Compatibility along with HR expertise for the C1 organization were primary considerations because C1 managers outsourced their entire HR department, therefore, realized the need to have open asynchronous communication and trust with the outsourcing company. A review of the company's documents exposed supporting strategies for creating an environment conducive to focusing on core competencies, reducing HRO costs, and creating effective outsourcing relationships.

C2 participants said their motivation to initiate HRO strategies was to save money by partially outsourcing non-strength HR activities to external vendors. Similar to C1, C2 participants expressed the importance of selecting a vendor that was compatible with the organization. C2 participants also stated that in addition to saving money they wanted to increase their boom line by focusing on core functions. In addition to the aforementioned, a review of the company's documents revealed supported efforts and strategies for creating an environment conducive to reducing HRO costs and creating effective outsourcing relationships.

C3 participants quantified that their motivation to initiate HRO strategies was the elimination of headcount and access to HR technology, which reduced operating costs. In addition, C3 managers wanted external HR experts to help the company in HR areas where their employees did not excel. Similar to C1 and C2, C3 also professed the importance of vendor compatibility and constant communication. Reviewing company documents, I identified documentation supporting the need to conduct HRO to gain HR expertise and reduce HR costs. In addition, I discovered documentation stating the importance of vendor compatibility and communication.

All three companies in this study had similar motives to commence HRO to varying degrees; however, further review using the TCE lens revealed that authors discovered instances in which sponsor firms hesitated to relinquish operating risk to strategic partners, and therefore, did not sufficiently create an environment conducive to establishing successful HRO relationships Getz et al., 2014). Baraldi et al. (2014) stated to achieve successful strategic relationships, the purpose of the joint venture must manifest, and both entities must achieve their objectives (Baraldi et al., 2014). As stated earlier in this section, all companies in this study identified the importance of trust and communication before and post vendor section. C1 had an HR liaison, and C2 and C3 had HR managers responsible for bridging the gap between the company and the outsourcing vendor. The responsibilities of the liaison and managers, as specified in their company documentation, was to establish effective communication channels and perform periodic quality reviews of the outsourcing vendor.

Finally, further review using the TCE lens revealed researchers, such as Edwin and Ohaegbu (2015), discovered that companies instituting HRO strategies had competitive advantages over the ones not instituting any HRO initiatives. Supporting Edwin and Ohaegbu's (2015) position, Claus Wehner et al. (2015) discovered firms achieve competitive advantages by outsourcing the HR recruitment function. The findings in this study are consistent with Edwin and Ohaegbu's (2015) and Claus Wehner et al.'s (2015) assertations, as each company in this study, decided to use HRO as a means to achieve competitive advantages by reducing costs while maintaining HR effectiveness.

Implications for Social Change

According to Wallo and Kock (2018) organizations increasingly outsource HR activities to external labor intermediaries. In fact, from 2000 to 2017, outsourcing increased over 30% per annum (Kabiraj & Sinha, 2017). The challenge, therefore, becomes to conduct HRO activities in a well-planned manner, with clear goals and strategies that include the management of risks and outsourcing partnerships. In the findings from this study, I revealed that trust, shared values, communication, and commitment are crucial characteristics for establishing successful HRO partnerships. I also provided evidence that supported Davies et al.'s (2015) position that successful outsourcing strategies increased organizational efficiency by eliminating low value and time-consuming activities; thereby allowing employees to focus on core activities. Moreover, the social impact of businesses in the business and management literature is a

prominent subject (Bakker, Crane, Henriques, & Husted, 2018) because of how businesses impact individuals and society.

Consequently, through this study, I provided some positive implications for social change. I highlighted HRO benefits, risks, costs, reasons to outsource, risk management solutions, and identified the importance of individual and organizational characteristics as drivers for HRO strategies. Armed with this information, managers can make HRO decisions conducive to reducing operating costs while maintaining HR effectiveness, which should lead to competitive advantages and financial increases for the firm. Subsequently, financial increases for the firm would positively impact social change by decreasing unemployment rates. Decreases in unemployment rates would manifest from the community having the opportunity to gain employment through the HRO vendor to support the new work streams, and the outsourcing company needs to gain more specialized skills to support their core capabilities. In addition, a reduction in unemployment rates may also reduce crime rates because according to Bender and Theodossiou (2016), unemployment rates directly impact crime rates. Accordingly, competitive advantages and financial increases for firms translate into positive outcomes for the community; therefore, in the next section, I provide some action recommendations for organizational managers.

Recommendations for Action

Through the findings from this study, I strengthened and supplemented other studies regarding HRO strategies; however, I also provided new insights from the perspective of reducing operating costs while maintaining HR effectiveness. Towards that end, recommendations of this study are for organizational managers to conduct due diligence to ensure outsourcing success. Due diligence should include managers first understanding there is no one size fits all solution because the reasons to implement HRO strategies and the strategies supporting outsourcing goals varies amongst firms. Therefore, it is incumbent for managers to create HRO strategies within the boundaries of their organization that produce long-term benefits for not only their organization but for the outsourcing vendor as well. To achieve this end, managers must create an atmosphere promoting information exchanges, trust, and total support from all stakeholders (including the HRO vendor) to avoid inferior outsourcing outcomes.

Recommendations for Further Research

I limited this study to HRO to managers from Midwestern firms with 50 or more employees who have achieved success in implementing HRO strategies that reduced operating costs while maintaining HR effectiveness. However, a need exists for future researchers to study the gap in literature identified by Davies et al. (2015) wherein the outsourced activity remains physically located within the host organization (insourcing), and an external vendor manages the function inhouse. I also suggest that future research

scholars conduct further explore the effects of combining the TCE framework with other frameworks (Schermann et al., 2016) to identify the best TCE framework combinations for industry-specific HRO strategies. Finally, future researchers should consider examining the most effective means for measuring HRO success, identify if the means should vary across industries, and provide empirical supporting HR becoming more strategic due to HRO strategies.

Reflections

For this study, I wanted to explore strategies managers used to achieved success implementing HRO strategies that reduced operating costs while maintaining HR effectiveness. For me, this was an important issue that needed more research because most organizations do not identify HR as one of their core strengths. However, effective HRM is central for achieving organizational goals and as Galperin and Lituchy (2014) discovered HRO has a significate role on the success of organizational HRM.

During this study, I visited three organizations and interviewed two participants from each company, which along with company documentation and personal notes taken during the interview, provided enough information rich data for me to reach data saturation. During the interviews, I kept my personal opinions and thoughts to myself; however, during a few of the interviews, I had to ask the participants elaborate on their responses to ensure I obtained enough quality data. The participants enjoyed participating in the study and said they looked forward to reading the completed study. I did, however initially encounter difficulty finding businesses willing to participate in the study, which I

attribute to either the formalness of the letter of cooperation or my inability to personally speak to decisions makers prior to sending them the letter. Therefore, I suggest when possible, that researchers speak directly to decision-makers or informationally explain the IRB documents to their assistants before sending the documents to the organization point of contact.

As for my Doctor of Business Administration (DBA) journey, to say the journey was arduous would be an understatement. However, I do have to admit that the prize at the end outweighed all struggles and setbacks experienced during the journey. My intent here is not to imply anything negative about the DBA program at Walden University; however, it is important to mention that when deciding to embark upon this program one prepares family and friends for what is to come once the DBA journey begins. Without family buy-in, time management skills, desire, patience, and some selfishness (putting school work first), then one will not complete this demanding but rewarding program.

Conclusion

HRO significantly impacts the success of organizational HRM (Galperin & Lituchy, 2014). However, despite the many benefits some firms achieve from outsourcing, others experience undesirable outsourcing outcomes because managers lack the knowledge to identify potential risks or the ability to manage them (Prystupa, & Rządca, 2015). Furthermore, HRO cannot succeed without input, coordination, and total support from all stakeholders (Patil & Patil, 2014). To achieve successful outsourcing outcomes managers, need to create strategies addressing vendor trust, shared values, and

effective communication channels. Therefore, it is important for managers to not only create outsourcing strategies but to effectively communicate those strategies and vision and obtain organizational support throughout the outsourcing lifecycle (Ross et al., 2016). In addition, managers should engage in effective cost and benefit analysis to determine decisions involving the outsourcing of HR functions (Abdul-Halim et al., 2014).

One of the most used tools used for cost analysis is the TCE framework. Vaxevanou and Konstantopoulos (2015b) stated managers predominantly use the TCE framework because it provides mechanisms to help them determine which activities to outsource. The TCE framework is also an excellent tool to use when managers need to balance transaction and production costs with insourcing and outsourcing decisions (Muthoni & Nyakagwa, 2014). According to Williamson and Ghani (2012), when using the TCE framework; firms often decided to internalize functions if the transaction and production rate, associated with the outsourcing activity, was high. Using the TCE framework, I had the means to identify HRO strategies managers use to reduce operating costs while maintaining HR effectiveness. I also had the resources needed to discern why managers chose to keep some HR functions inhouse while deciding to outsource others to external vendors.

Examining the organizations in this study through the TCE lens exposed five important themes. In theme 1, outsourcing strategies, I revealed the main reasons or strategies adopted by the organizations in this study manifested from their desire to reduce operating costs and focus on core competencies. In theme 2, outsourced functions,

I discovered the common outsourced functions amongst the organizations included recruiting, background checks, drug screening, and payroll functions. In theme 3, operational costs, I discovered all the participants reported achieving costs reductions from HRO initiatives and revenue increases stemming from their ability to focus on core capabilities. In theme 4, organizational effectiveness, I exposed that all the companies identified the ability to focus on core compentencies while not experiencing any HR degradation as their means of measuring success. Finally, in theme 5, success measurement is where the managers identified how they measured the success of their HRO strategies. All managers stated they quantified success by the money they saved, their ability to focus on core capabilities, and increases in their bottom line. However, achieving positive HRO outcomes depends on managers' ability to understand and manage outsourcing relationships; therefore, it is incumbent for managers to develop a positive working relationship between internal and external employees (Abdul-Halim et al., 2014); thereby gaining access to external skills, capabilities, and experiences (Kolawole, & Agha, 2015). Finally, according to Sigamani and Malhotra (2013), outsourcing HR provides an opportunity for managers to transform the structure, design, and strategic plan of organizations, which is instrumental to fulfilling the mission and vision of the organization. Finally, efficient HRO strategies are an effective means for managers to experience increases in customization, technology, HR expertise, and the development of human capital.

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