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Keywords: *outsourcing, human resources, organizational performance, performance.*

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Outsourcing Human Resource Functions and their Impact on Organizational Performance

Atyeh Mohammed Alzhrani

Abstract- In today's rising competition, the benefit generated by the development of high organizational quality is becoming more important. The role of human resource tasks and the culture of organizations can impact the achievement of substantial organizational effectiveness, which in return draw much more attention from both theoreticians and practitioners. Outsourcing is deemed one of the tools which companies use to reinforce their core competencies to assign their resources effectively. The rise of globalization has transformed outsourcing into one of the broadly adopted business plans towards supplying exceptional services to consumers. As can be seen by the ever-increasing trends in outsourcing, the literature on how outsourcing activities affect manufacturing companies' results is insufficient. The main aim of this research was to investigate the impact on the performance of the outsourcing of human resources functions. Therefore, the results revealed that outsourcing HR functions play an important role in the improvement of organizational performance which can be characterized in three major dimensions; productivity, profitability, and cost efficiency. This study is limited to literature analysis and in future the three dimensions found by research can be investigated empirically. Policy makers and human resource managers can incorporate the strategies suggested by study to increase the performance of their organization.

Keywords: outsourcing, human resources, organizational performance, performance.

I. Introduction

The most important objective of the organization is the wise & effective utilization of its available resources. Therefore, the importance of the productive utilization of these resources has become more debatable in this modern and competitive era. This adequate use of organizational resources ultimately will equip the organization with perfectly framed goals, objective, and strategies. Hence, the carefully designed framework will help in achieving higher organizational performance. In the recent decade the economists dedicating their immense efforts for developing and quantifying the term human capital, they are implementing the term human capital through the concept of expenditure incurred in the development of human being. It includes promotional activities related to the development of education, training, healthcare, and nutrition-related factors. Human capital is an investment in five categories, education, on the job training, migration, health, and economic information, the investment in these can enhance their choices and welfare (Schultz T., 1971). The model by Becker S. G. (1962) explained that the firms feel uncomfortable investing in human capital for the development of general skills because the cost incurred in these programs is hard to recover, rather the firms only show willingness to invest in only firms specific skills, that are useful for investing firm but not for other firms. The human capital is defined as organizational input in the talents and technologies which can uphold organization to drive benefit in developing competitiveness, which is exceptional, valuable and to be kept secret from the other organizations. Thus, the employees acquiring exceptional, valuable, competitive skills and capabilities are qualified as human capital (Chen & Lin, 2005). Huang, Luther, Michael, & Roszaini (2013) concluded human capital as the most important asset of an organization. In addition, it appends with its workers and includes the years of formal education, working experience and period of managerial expertise. Moreover, it is a mixture of aptitude factors that distinguish organizations and take part in its performance and production.

Organizations need to build and concentrate on their substance competencies to succeed in a competitive global market and to achieve growth in the long period (Potkány, 2008; Merrifield, 2006; Li-Hua & Simon, 2007; Kirchner, 2006). Organizations require proper planning and execution of strategies to improve levels of productivity and to shift workers ' views, beliefs and attitudes (Hirshman, Cords, & Hunter, 2005), Business and economic practices are continually evolving (Kong, 2007).

Some authors found that manufacturing sectors have produced advanced product lines requiring specially qualified operators (Sullivan, 2006; Thapanachai, 2004). In addition, the use of ICT (information technology communication) and quicker flows of information have brought revolution to our living style and the business managing path. Consumer requirements and demands have forced corporations to repair and redesign new structures to meet market requirements (Entrekin & Court, 2001). The argument about the outsourcing of human resources (HR) is getting more attention, outsourcing of human resources is seen by some as an advantage for the HR role and others consider it as a risk. The first group who consider it an advantage suggests that outsourcing HR is a tool that creates time for HR to become a strategic partner.

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The second group point of view is that outsourcing of HR is a cost-cutting tool that eventually decreases HR personnel (Delmotte & Sels, 2008). Outsourcing may generally be interpreted as a company that transfers its un-core functions to an outside company that provides a specific service, task or product (Hansen, 2009; Lawler & Mohrman, 2003), Many researchers wrote that outsourcing is no longer limited to IT services, but has grown to include fiscal services, services of the banking, services provided by engineers, innovative services, services that manage the data, human resource management (HRM), and etc.. (Bielski, 2007). HR functions outsourcing may be considered as a way that can improve the efficiency of any company (Lawler & Mohrman, 2003). As the inner and outer organizational environment changed, the concept of the HR function has changed (Zhu & Warner, 2004). The emphasis has been on shifting jobs and strategic HRM not on conventional organizational and administrative viewpoints (Beardwell & Claydon, 2007). In particular, the contemporary approach to HRM is to elucidate the connection between HRM and business strategy. In addition, organizations must consider how HRM can be used strategically for the attainment of organizational goals (Thompson, Strickland, & Gamble, 2005).

a) Problem statement and research objectives

The knowledge, skills, competencies, and attribute embodied in the individuals that can assist them in the economic well-being of an organization can be characterized as human capital. In addition, human capital stands crucial among the others intangible assets of the organization. Furthermore, it is a significant intangible asset which draws more amount of competitiveness advantage, especially in the knowledge-intensive industries where the more amounts of knowledge, skills, and expertise drive more volume of competitive advantage by ensuring their survival (Munjuri, K'Obonyo, & Ogutu, 2015). The essential problem of almost every organization is achieving their stated goals and objectives on the way to attain greater organizational performance. Therefore, the well-developed and wisely managed human capital is crucial for every organization to compete and achieve exceptional performance.

To stay alive in the modern business globe, a company needs to concentrate on velocity, resilience, and lightness. To achieve this, corporations are required to emphasis on key and core qualifications when making deals on non-core tasks with an outsider entity to perform this role as one of their key operations (Entrekin & Court, 2001; Lee, 2008; Young, 2007). This shift in focus requires a more strategic HR function (Francis & Keegan, 2006). A number of numerous scientists say HR outsourcing is one such strategy as cost reduction, increased flexibility, access to advanced technology and an focus on core activities (Khanna & New, 2005; Lilly, Gray, & Virick, 2005) that is utilized by business managers to meet the requirements and objectives of the organization. There still remains a significant confusion as to how outsourcing activities of human resources can influence company performance, if HR practices have an on the improvement of performance. This study is going to investigate the relationship between human resource functions outsourcing and organizational performance.

The main objective of this study is to examine the impact of outsourcing HR functions on the performance, this study is also going to achieve these sub objectives;

1. To determine the major factors that impact the decision to outsource HR activities.
2. To understand the benefits and risks associated with outsourcing.

II. Literature Review

a) Outsourcing

The definition of outsourcing is referred to as a perceptive of management, in which a corporation appoint as representative a number of noncore functions to services suppliers that are characterized of efficiency and expertise. In other words, outsourcing (derived from outsource i.e. external source) can be referred to as the purchase of goods or services that were internally provided at an earlier time (Elmuti & Kathawala, 2000). Outsourcing is conceived to be one of the major fundamental principles in the time of global market and e-economy, regarding the modern method to fix the eyes on the correlations among corporations. There is no structured particular course of action presented that is capable of providing the approval and encouragement to the govern of the evolution of an all-inclusive outsourcing procedure without being affected by outsourcing large distribution, huge business cases and big deals of material that provides official information able to be obtained on network or press (Franceschini & Galetto, 2003). Cost-effectiveness and the restructuring of producing are conceived as the most significant factors that cause outsourcing to happen or develop. Outsourcing can help corporations' determined exertions to be centered on core business, medium/long-term goals and chances of diversification (Linder, Cole, & Jacobson, 2002). The outsourced and the outsourcer are perceived to be the major actors of outsourcing procedures, the outsourced (customer), outsources his procedures, while on the other hand the outsourcer (the enterprise) delivers outsourced services, the interface pertaining to an organization is perceived as the owner of the procedure, regarding the two enterprises in the time of all the outsourcing activities (Franceschini & Galetto, 2003).

Whenever an organization establishes a contract with another organization in order to either

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provide a service or a product that is characterized by vital importance, outsourcing eventuates. Internal traditional work is transferred to an outside supplier, in addition to the employees being on numerous occasions shifted to the provider of the service, outsourcing varies from alliances or collaborations or joint ventures because resource flows are one-way, from the provider to the client, there is typically no sharing of profit or mutual contribution (Belcourt, 2006). Nearly all companies are outsourcing, and the trend is growing, in a study conducted by Hewitt Associates, (94) percent of companies subjected to the survey said they had outsourced one or more human resources functions (Gurchiek, 2005), in the event that the company needs experts and cannot afford to hire or train them, it may be a way to outsource them. Many companies want cost savings or better products or expert or software exposure as the basis for their outsourcing decision, some executives, however, treat outsourcing as a solution without first identifying what the problem is (McCauley, 2000). At least six main reasons exist to outsource organizations: financial savings, strategic focus, access to advanced technology, improved level of service, access to expertise, and organizational policy; the first reason given for the decision to outsource is to save money, organizations assume that the outsourcing of a role like wage will reduce costs, when the manufacturer, such as Ceridian, specializes in benefits administration, focuses on one field and provides this service to many companies, economies of scale can be achieved. Specialist vendors are more effective because training personnel and research and development costs can be expanded to more users (Belcourt, 2006). The second reason behind outsourcing is strategic focus; an evolution was observed in the last decade, regarding outsourcing procedures from traditional to strategic, whenever a non-critical procedure for the corporation is outsourced, it is conceived as traditional outsourcing (Franceschini & Galetto, 2003). This is the matter for actions not requiring particular qualifications by the provider, like for example services of canteen or cleaning. Whenever everything but special actions that could accomplish a distinctive competitive edge is outsourced, it is perceived as strategic outsourcing (Quinn & Hilmer, 1994; Willcocks & Choi, 1995), enterprises that have sought out to outsource companies reported decreasing administrative tasks by more than half and increasing their strategic emphasis by 40% (Oshima, Kao, & Tower, 2005).

Technology and the ability to get access to it is the third factor that plays a role in the need for organizations to outsource, it can be seen as a driving force behind outsourcing trend, many functions are outsourced because organizations want to improve technical services or are unable to find technical skills or need quick and reliable access to new technologies. Much of the traditional HR service included responding to employee inquiries or changing employee files, so interactive voice responses and companies that specialize in this service can easily handle these tasks, technology also reduces processing time for an organization, the time it takes to process an inquiry (Belcourt, 2006). Another reason for outsourcing is the enhancement in performance. The contract can include performance standards more closely than is usual for current and long-term employees. Managers can choose the' best-of-breed' suppliers who can employ and recruit their staff with outstanding records and greater flexibility. An additional reason given by certain outsourcing companies is that they find HR laws and regulations so confusing that they want to outsource to businesses with the specific expertise they need (Belcourt, 2006). HR departments are frequently criticized for their bureaucracy. HR customers see noticeable flexibility, response, and performance development when using a service vendor who is majored in service. Most companies can earn dominance over their level of service because their contract outsourcing can quantify outcomes (Cooke, 2004). The access to specific expertise can also be notices as a factor that causes outsourcing, the slogan is "Outsource, if someone can do better than you." One explanation some businesses have provided for the need of outsourcing is that they consider the laws and regulations regulating HR so complicated that they want to outsource to attain specific expertise. Having experts also decreases corporate hazards and liabilities. Specialists possess the knowledge about the legislation more than anyone else and they can make sure that all the practices of a company are subjected to legislations (Belcourt, 2006)

The outsourcing role is not as clear as an internal department that carries out same tasks. Many companies opt to outsource a struggling unit, for example one where workers are not doing well. Outsourcing decreases head count as well, in the public sector head counts are of great importance; the fewer payroll workers, the more satisfied the tax payer, there is an indication that the system is not as effective and problem-free as expected for companies with expertise in outsourcing (Belcourt, 2006).

b) Human Resources Outsourcing

Human resource outsourcing (HRO) is described as a third party supplier's procurement of HR services (CIPD, 2009). It is also known as "the procurement from a third-party provider by an organization of ongoing HR services which they would normally provide themselves otherwise" (Tian, 2007, p. 55). Human Resource Outsourcing is the transferal of components of the HRM function or activities of a corporation to an administrator outside the corporation itself (Reed, 2001). No new is HRO for instance,

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companies generally include law firms for guidance on HR regulations. Ghassemieh, Thach, and Gilinsky (2005) advocate an economic HR strategy to outsource the HR function. In fact, several organizations outsource all or some HR activities, since they are unable to allow talent in all sectors of the operations of the organization, either part-time or full-time, (Greer, Youngblood, & Gray, 1999). Other outsourced human resources activities include recruitment and selection, compensation, relationships with the industry, and occupational safety and health (Armstrong, 2006; Davidson, 2005; Hansen, 2009; Staff, 2006; Weinberger, 2008), among others. Nonetheless, it is debated whether or not the HR function should be outsourced and focuses on the benefits and drawbacks of HR outsourcing over the production of internal programs (Fitzpatrick & Dilullo 2007). Despite evidence that there are both advantages and disadvantages to outsourcing HR practice (Kosnik, Ji & Hoover,2006; Stopper, 2005) the popularity of outsourcing for HR has grown quickly during the last decades, with many organizations choosing to outsource all or some of their HR activities.

The design and management of HR functions in prevailing business environments needs thorough-depth planning that mostly includes considerable effort and investment (Henneman, 2005; Sullivan, 2005). This assumption has demonstrated that the HR function has turn out to be the most common outsourcing function (Hansen, 2009; Bednarz, 2005; Henneman, 2005; Hayes, 2006). A survey made by Pollitt, Gelman and Dell (2004) of 125 firms indicates that 80% of these firms are now outsourcing major HR functions, with most of these firms continuing to expand their options in this field. The study has also shown that less than 1% of these organizations have restored internal services. Specific processes covered by any outsourcing arrangement vary from organization to organization. Although some companies can outsource almost any HR system, others choose specific components such as payroll and assets (CIPD, 2009). The research evidence shows that most companies are happy with their HRO programs, which makes companies comfortable with non-transactional outsourcing functions such as employee relations, the Human Resource Information System (HRIS) and hiring by fulfilling the initial transactional and operational aspect of HRO (Igbinomwanhia et al., 2013).

Saha (2005) notes that the existing HR services offered by external service companies are increasingly standardized and effective, and are characterized by;

A. Transparent process which provides easy access to information, usually e-enabled, both for HR system managers and employee users.
B. Processes that are connected across the entire range of HR services by the ability to apply an event-based approach where the employee provides detailed and non-friendly responses to all applicable HR responses.
C. An incorporated service delivery method for HR programs so that all HR responses to a working-life event can be seen.
D. The idea of an integrated software "single platform" that results in end-to-end data management and processing from many sources.

Inside today's companies, several factors drive HR outsourcing, companies must provide quality and service products at competitive prices in order to remain competitive, and that means that organizations, always at the proper time, have the right sort of people. Such types of people are vital to corporate efficiency and sustainability, wherever they may be found (Igbinomwanhia et al., 2013).

The reasons behind HR outsourcing are often tactical or logistical (Kang, Wu, & Hong, 2009; Saha, 2005; Houtzagers & Janssen, 2008). The following factors contributed to HR outsourcing were described by Saha (2005).

The Need for specialized expertise is one of the driving forces behind HR outsourcing is the need to "let those who can do this better than you." Where companies require more specific HR, the second best option is for external vendors to perform formally in-house activities that will increase their expertise and thus improve the quality of the company.

III. Outsourcing hr Functions

Time Pressures; HR outsourcing allows HR managers to meet the demands of time and competition, thanks to their knowledge, experience and the ability to offer standard deals which can be personalized easily, HR vendors may meet client organizations' specific needs.

Cost Savings; Cost savings were historically the most important rationale for HR outsourcing (CIPD, 2009) and remain an important reason for HR outsourcing. The fact that the HR provider can carry out the outsourced operation in a more economical way implies that companies are able to reduce costs by outsourcing.

Outsourcing, in general, may be described as buying an operation that was or might have been done in-house from external vendors (Gilley & Rasheed, 2000). As a result, HR functions are outsourced to external service providers in the entire or part of the HR role of a company (Pelham, 2002; Adler, 2003). Initially, this pattern indicates that outsourcing involves small segments of the HR structure, especially non-core activities such as the administration of salaries and benefits (Adler 2003). However, many other facets of the work of HR have been added to this, including key tasks such as HR planning and design (Stroh & Treehuboff, 2003). Other outsourcing practices include education, hiring, relocation and HR information systems (Gilley et al. 2004). Whatever HR activities are outsourced, as

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long as they are able to have good relations with their service providers, the company will gain the maximum from those activities. Those working hard to partnership the external provider were more successful than those who saw outsourcing as a way to dump transaction work on an external party (Oshima et al. 2005). One of the most important assets of an organization is the function of human resources. The degree to which the organization can achieve its goals largely depends on its ability to attract the right quality and amount of human resource (HR) capital, grow it, retain it and sustain it (Igbinomwanhia et al., 2013). The HR role is to ensure that, where and where required in the organization, the required quality and number of employees are available. The general aim is primarily to encourage the company to achieve its goals through programs and assistance on all issues affecting its employees (Armstrong, 2001). This role involves creating a healthy working atmosphere in which the capacity of the workforce is fully exploited for both the workforce and the organization. Given these critical roles, there was a continuing debate about not abolishing the HR feature (Igbinomwanhia et al., 2013).

A Survey of the current status of HRO amongst the members and their organizations, the Chartered Institute of Human Rights and Development (CIPD, 2009) indicates that the use of

a) Recruiting Process Outsourcing (RPO)

Outsourcing the recruitment process is a long-standing and rapidly increasing process. RPO has evolved in terms of size, range, and length in a natural outgrowth of mass recruitment procurement. RPO uses two main reasons to outsource the necessary expertise and cost reduction (Norman, 2009).

b) Training and Development

While training is outsourced by companies for a long time, the level of outsourcing is rapidly increasing. The number of training projects and the nature of these projects has increased (Friedman, 2005) as an expanding partner for training and development activities. The strategic importance of outsourced education in the study was emphasized by Gainey and Klass (2013), the researchers use the options cost economies, the theory of social exchanges, rehabilitation to identify factors designed to influence the satisfaction of customers with external training providers. Results show that the relationship is mediated by socially-oriented trust and contractual specificity (Norman, 2009).

c) Compensation and Salary Surveys

Frequently consultants like the Hay Group, Hewitt, make executive compensation. The issue of collaborating with other companies to set rates is one of the benefits of outside the wage survey system which is special to this HRM sector. Employer organizations, by subcontracting this operation, often prevent too much participation in industry data collection on pay rates (Çiçek & Özer, 2011).

d) Organizational Design and Development

This is a field practiced by policy advisors and HR consultancies, due to the access needed for these activities by senior organizational leaders (Çiçek & Özer, 2011).

e) HRIS/HRIT: Human Resources information system or human resources information technology

Accenture builds on its IT outsourcing strength to link information technology to HR through enterprise resource programs such as SAP, PeopleSoft, and Oracle. Also, this is the foundation of HRO structures of multi-process. The licensing costs for ERP technology levied by Oracle and SAP were substantial savings in size (Norman, 2009).

f) Payroll

Payroll processing could be the most often outsourced and transactionally repetitive HR-related HRM task (Çiçek & Özer, 2011).

i. *Benefits of HR Outsourcing*

The literature have included the possible advantages of HR outsourcing (Tian, 2007; Kang, Wu, & Hong, 2009, Houtzagers & Janssen, 2008; CIPD, 2009; Nagpal, 2008);

- Focus on Core/Strategic Issues; every company has scarce resources and all managers have limited time and attention. Outsourcing implies that the HRs of the organization shift their focus from the periphery to the core business operations of the organization.
- Cost Reduction; outsourcing reduces operational costs as well as the cost of capital. The customer company benefits from the smaller cost structure of the outsourcer which often results from scale savings and from specialization-based performance. A reduction in the operating costs of the business gives a strong competitive advantage. Therefore, outsourcing reduces the need for significant investments in non-core functions. In order to maintain and improve human resources systems and infrastructure, for instance, businesses must not invest to capital as it is left to outsource businesses.
- Flexibility; by outsourcing, versatility and rate of response to HR issues is improved, this has been learned from the outsourcer's knowledge, skills and technological infrastructure.
- Reduced Risk; when outsourcing companies reduce the burden of the risks by turning them into a third party, hazards can be integrated with the compliance, financing, technologies, legislation, and any issues associated when restriction a

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company, so by outsourcing such risks are passed to the third party who is responsible to manage them

- Increased Efficiency; when outsourcing companies are getting help from specialized and experts to finish their work, development associated with competence will result in decreasing costs, quicker response rate, proper access to advantages and any HR database, and better quality and service.
- Latest Technology Access; organizations should possess highly advanced systems or technologies to efficaciously administer date related to staff in the IT-driven market environment of the current century. Outsourcing enables the newest HR technology to be approached by organizations.

ii. *Risks and Costs of HR Outsourcing*

Notwithstanding its advantages, HR outsourcing is not risk-free (Bahli & Rivard, 2003; Tian, 2007) or cost-free. Examples of the risks listed by Tian for HR outsourcing (2007) are:

- Strategic Risk; one of HR Outsourcing's strategic significance is to make it possible for the organization to concentrate on its main activities. However, in the context of HR tasks, companies often do not know which of their tasks are substantial or not. If the core tasks are outsourced, companies will potentially risk long-term sustainability.
- Operational Risks; another common risk set aligned with HR outsourcing is the organizational or performance issue. Problems such as rising service performance levels, unforeseen cost excesses or business disruptions may severely undermine potential outsourcing benefits. Such risks tend to be higher if the customer and outsourcer do not recognize the appropriate rates of service or if performance control and management are poor and ineffective.
- Cultural Risk; disparities in the working cultures of both the consumer organization and the outsourcer may affect the perceived value of quality and quality of service, and therefore the probability of performance loss.
- Contracting risk; sometimes, administrators are deceived and pulled to make a contract by the well-drafted contract as a substitute for successful risk management. Nevertheless, most outsourcing agreements are either not adequately flexible to accommodate shifts in the market environment or in international jurisdiction are not cost-effectively efficaciously.
- Risk of dependence; one risk that can happen from outsourcing is the loss of control on activities that have been outsourced, and the loss of inside knowledge, which will in return cause the client organization to get completely dependent on the provider of the activity, and if any problems occur between the two parties dire outcomes can result for the client.

iii. *Employees Behavior toward outsourcing*

In addition to these risks, HR outsourcing is also correlated with costs, scholars have specified some of these costs involving; 1) Coordination Costs; the costs associated with the exceeding costs and obstacles of production and exchange with the sundry services suppliers. 2) Costs for transactions; these costs are linked to the process of finding (searching and, picking) the suitable outsourcer, this theory is based on the fact that externalized transactions are more expensive than the internalized ones. 3) Cost monitoring; such costs do occur from the need of the client to concentrate the surveillance of the service provided by the outsourcer, as by doing this, any intent of providing less quality and service or minimizing them by the outsourcer can fade away (Igbinomwanhia et al., 2013)

As with all the new fields of research the psychological aspects of practice have been studied very little in empirical terms (Giardini, Kabst, 2008). It is important how employees feel about BPO because it can affect employee behavior, attitudes or a range of organizational outcomes. Organizations give employees a sense of identity, security and belonging feeling. If they are disrupted, employees can feel uncomfortable and retaliatory as stakeholders. About a third of HR professionals oppose outsourced services as they fear being forced to lose their jobs and work for a contractor and are worried that outsiders will be more qualified (Çiçek & Özer, 2011). HR managers should expect talented employees to start job search and all employees will be reluctant to lose their productivity when rumors are launched about externalization arrangements (Belcourt, 2006). Regardless of the reasons behind the outsourcing activity, the employees feel that their company's outsourcing decisions have resulted in qualitative changes in their employees and psychological agreements. Outsourcing can have a positive impact on some workers by changing their tasks, allowing them to concentrate on activities with a high added value and eliminating repetitive and boring activities. Outsourcing can, however, lead to job losses for some employees (Adler, 2003). Outsourcing can have a positive impact on some workers by changing their tasks, allowing them to concentrate on activities with a high added value and eliminating repetitive and boring activities. Outsourcing can, however, lead to job losses for some employees (Adler, 2003). Given these major employee impacts, outsourcing could lead to a perceived psychologic transition, which could lead to adverse organizational results, such as perceived smuggling (Kessler, Coyle- Shapiro & Purcell, 1999), dissatisfaction in employment (Cooper, 1999),

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depression and low levels of self-esteem (Applebaum, Simpson, & Shapiro, 1987).

The repercussions of outsourcing strategies on work quality, attitudes and performance of employees were investigated by Elmuti, Grunewald, and Abebe (2010), the attitude findings show that outsourcing strategies have a negative impact on the perceived quality of the dimensions of work and life. Ndubisi (2011) identified typologies for conflict management that affect B2B outsourcing relationship trust and commitment. The moderating influence of culture in the relationship is also considered. Data from Chinese and Indian companies providing HR outsourcing services were obtained. The influence on trust and engagement of compromise on conflict is moderated by culture– which for Chinese people is significantly higher (business culture is the blend of Confucian moral values and composes elements relating to long-term relationships, including strong personal connections and interpersonal harmony) in relation to Indian service suppliers (spiritualism and the idea of 'Karma'). Culture also has a direct impact on commitment but not on trust. Giardini and Kabst (2008) assumed that recruitment processes outsourcing (RPO) had a detrimental effect on job applicants' perceptions and assessments. The results showed that participants' satisfaction with the process, the organization's attractiveness and their intention to take an offer of jobs declined, with the RPO level increasing.

iv. *Organizational performance*

The study of Shepard et al. (1996) explored that provision of flexible working hours to the employees have increased the organizational productivity approximately by 10%. Their study was based upon a handsome sample size of 36 pharmaceutical companies operating in the USA and the organizational productivity data was gathered from last 11 years. The study of Jeffrey Pfeffer & John F. Veiga, (1999) concluded that "positioning employee as most primitive for organizational success", they discussed seven most important practices for successful organizations. These practices included employee employment security, selective hiring, decentralization, high compensations, extensive training, lessening the status differences, and effective communication or information sharing. According to Delery & Doty, (1996) cited by Jeffrey Pfeffer & John F. Veiga, (1999), most of the studies on performance management have integrated outsourcing as an important element. Past studies found that employee productivity and performance are correlated outsourcing. If they feel secure in their job they will work more efficiently for organizational success. Organizations enhance their profitability and effectiveness through their human resources so they ensure right people for the right position. Organizations should be quite clear about the required skills, abilities, knowledge and experience while selecting employees. Decentralization increases the sense of responsibility among employees. Most of the studies found that team-based organizations are more successful because the entire employees feel liable and accountable for the business and company, not just the individuals who are working on top management positions. Hence, the delegation of authority increases the work sense of responsibility which effects positively on individual performance and organizational success. The basic principle of the performance management system is that the ideas, skills, and work of all the employees should be acknowledged by the organization without discriminating the job level of employees. If employees feel that the organization is giving importance to their ideas and their work are recognized then the work more devotedly and this enables the organization to achieve their goals and objectives successfully. The study of Perry-Smith and Blum (2000) demonstrated that the organizations which offer work-life balance to their employees, experienced larger apparent market performance, increased employee productivity and reduced turnover, increased sales and profits, and organizational success. Moreover, the organizations which outsource their employees are more successful.

Given the widening possibilities, improved organizational performance depends not only on other organizational resources or tangible assets but also on human resource (Lee and Sukoco,

2007) especially outsourcing. Bogner and Bansal (2007) pointed out that human resource outsourcing is related to important organizational outcomes. Many researchers including Grinsven and Visser (2011); Kuo (2011) supported that outsourcing results in increased effectiveness and efficiency in business processes through collective utilization of employees' insights and experiences for better visioning of routine business practices.

The main dependent variable of concern to researchers in almost all areas of management is organizational performance, customers, inputs and capital markets competition make organizational performance vital for the modern company's survival and success, as a result, this concept has become the core focus of modern industrial activity, a commitment to the organization's success primarily assesses advertising, logistics and human resources (HR) and policy (Richard, Devinney, Yip, & Johnson, 2009). A surprisingly open issue with few studies using consistent definitions and measures is the definition of organizational performance (Kirby, 2005). In the managerial analysis, performance is so prevalent that its structure and definition is rarely explicitly justified; its adequacy, however, is undoubtedly assumed (March & Sutton, 1997). Organizational performance includes three specific areas of firm result: (a) financial performance (profits, asset return, investment returns,

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etc.); (b) the performance of the market (sales, market share, etc.) in products; and (c) the return on shareholders (extensive return on shareholders, economic value-added, etc.). Although organizational performance is dominant in strategic management literature, not to bring up economics, finance, and accounting, it is not unquestioned. Performance is one type of efficiency indicator with both benefits and drawbacks. We must therefore first differentiate between the performance of the company and the more general organizational effectiveness model (Richard, Devinney, Yip, & Johnson, 2009). Organizational effectiveness is a wider framework that encompasses organizational performance but is built on the concept of organization which aims to achieve alternative performance goals (Richard, Devinney, Yip, & Johnson, 2009). Accounting measures are the most common and easily available means of assessing organizational performance are accounting measures, the importance of their use is shown by extensive evidence of the link between accounting and economic benefit. It must be remembered that rules on accounting systems (e.g. GAAP standards) do not always adhere to the underlying organizational performance technical principles (Richard, Devinney, Yip, & Johnson, 2009). The nature of the rules (equations) which define the measure of interest should be understood to apply accounting measures rigorously. However, researchers seldom have the tendency, time or data to do this. The emphasis given to historical activity on future performance is an important limit to the accounting performance measures (Keats, 1988).

The accounting measures reflect what has occurred because of its dependence on auditable sources and are limited in anticipating and disclosing future performance expectations. That has both a negative side, as for Enron, and a positive side, as in many early Internet companies. Measures of the financial market. Financial market measures, mainly shareholder returns, are the preferred tool to characterize organizational performance within the strategy, economics, and finance literature, the main strength of these methods, in theory, is the decreased present value of future cash flows (Fisher & McGowan, 1983).

v. *Outsourcing HR functions and organizational performance*

Sink and Langley (1997) notes that several companies are working to analyze their goals and focus their resources on a relatively small number of preferred tasks and procedures within the context of modern market trends. As a result, organizations have been increasingly willing to outsource designated activities including logistics. They incorporate the dimensions of organizational success in three categories: cost effectiveness, productivity and profitability. The purpose of these measurements is to provide at the time of outsourcing an aggregate feature of organizational performance.

a. *Cost efficiency:* Organizations must cope with outsourcing if some tasks are thought to be handled by an external service provider more efficiently, conveniently or better (Barthelmy and Adsit, 2003). Functions that are not core institutional competences are vying for contracting. Nonetheless, any expertise or skills that enable a business to better serve its customer base, which directly coincides with the products or services that it agitates to get out of the door, must remain in-house. The original reason for increasing outsourcing tends to be cost efficiency. Organizations analyze outsourcing as to whether it is possible to reduce the recent operating costs and to re-invest saved capital for (Maudos et al, 2002). Some researchers say that outsourcing is the main cost-cutting source of exposure to economies of scale for organizations and the unique experience that a broad outsourcer can provide that all in effect would improve the organizational efficiency (Isaksson and Lantz, 2015).

A study done by Jiang, Frazier & Prater (2006) finds that agreements for outsourcing shift the assets of organizations to a supplier of services that can convert fixed costs and operating costs into varying costs. Outsourcing on the application side can minimize fixed costs, human resources and other overhead costs by coordinating the production of skills and knowledge on a necessary basis.

b. *Productivity:* This dimension describes the level of outputs and inputs as shown by Windrum et al (2009). Production is determined by the overall company profit or revenue, input by number of staff, total assets or stock required to manufacture the output. Productivity is a performance measure that takes account of the cost of achieving a certain level of output (Fixler & Siegel, 1999). The capacity of an individual, organization or enterprise to produce the outcomes requested with a minimum energy, time, resources, personnel and material consumption is what organization productivity about (Shields & Brown, 2015). The influence of outsourcing on productivity as shown by Okeke-Ezeanyanwu (2017) is the increase of efficiency, returns, and the potential or value for enterprise output. Outsourcing could be seen as an improved efficiency mechanism, nevertheless, several organizations don't ever stand to gain completely from an outsourcing relationship, if it is seen as a short or tactful response rather than part of the longer-term strategic plans, and the outsourcing-productivity partnership is not effective (Kayumba, 2019). To achieve the required outcome it will be necessary to

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coordinate and record the operation of reviewing and/or applying an outsourcing solution. The organization must go through various phases such as planning, testing, design, implementation and operations in order to accomplish a productive ex-sourcing application. The outsourcing decision, Yu and Lindsay (2011), can result in increased productivity for companies. Outsourcing will help the organization shift its focus from marginal tasks to client needs-complying work and improve the utilization of its resources to enable managers identify their goals more explicitly and precisely (Kayumba, 2019).

c. *Profitability:* This dimension is correlated with a corporation or industry's expertise in earnings generation (Adu-Gyamfi, 2015, P.9). This shows the amount of revenue per input unit (work, equipment and capital) or a capacity of a business to produce net income or to calculate its capacity to gain profit. The outsourcing effects on profitability, like the use of new techniques and profitability margins, are based on Görg and Hanley (2004). One key question is whether outsourcing increases value, or especially if it results in higher profitability for the company that is starting outsourcing. This question essentially descends to the question of transactions costs typically raised: should a company produce its very own input via some model of acceptance, or should it start exploring to obtain inputs on the international market at possible more competitive prices? There's only a very limited amount of reliable quantitative or econometric studies that interpret or check in this area to the best of researchers' knowledge.

Nevertheless, Chaffey (2008) indicated that the quality enhancement relation between external services and productivity was not explicitly delineated or explaining. The evidence was presented in various papers. Marjit and Mukherjee, in particular (2008, p.12), found no indication that the outsourcing of Japanese service companies would contribute to higher profits.

IV. Conclusion

Studies have shown that the relationship between outsourcing human resourcing functions and organizational performance is positively correlated, by outsourcing companies can gain many benefits if studied the decision well, benefits can be concluded in sex categories; cost reduction, more concentration of strategic or core issues, reduced risks, more flexibility, efficiency increase, guarantee the access to the latest technologies. The decision to outsource is not random and usually managers decide to outsource because of one of the six reasons as follows; financial savings, strategic focus, access to advanced technology, improved level of service, access to expertise, and organizational policy. Literature has shown that outsourcing HR functions has a key role in the improvement of organizational performance which can be characterized in three major dimensions; productivity, profitability, and cost efficiency.

V. Limitations and Future Recommendations

This study has only focused on the past literature and in future the model developed by study can be investigated empirically. Moreover, the future researchers can investigate the outsourcing with organizational commitment.

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