

**Outsourcing the Human Resource Functions: The Relationship among Business
Strategy, Human Resource Outsourcing and Human Resource Performance**

Hasliza Abdul-Halim

and

Norbani Che-Ha, PhD

Faculty Business and Accountancy

University Malaya,

50603 Kuala Lumpur, Malaysia

Email: liza_ah@perdana.um.edu.my and norbanicheha@um.edu.my

Preferred Stream: Stream 4,9,14

Profile: Hasliza Abdul Halim is a doctoral candidate in human resource management in Faculty Business and Accountancy, University of Malaya, Malaysia. Her research interests include strategic human resource management, business strategy and the role of outsourcing. She holds a Master in Business Administration (MBA) from University Putra of Malaysia and earned her bachelor degree from University of Lincolnshire and Humberside, United Kingdom. During her MBA, she received gold medal award from Harvard Business School Alumni Club of Malaysia for her education excellence. Prior to her 5 years experience in academic line, she was exposed to industrial sector for several years.

Outsourcing the Human Resource Functions: The Relationship among Business Strategy, Human Resource Outsourcing and Human Resource Performance

ABSTRACT

The paper is to examine the relationship among of business strategy, the practice of human resource outsourcing and human resource performance. The data was gathered from survey questionnaire (232) on manufacturing organizations. The findings suggest that only reactive business strategy is significantly associated with the outsourcing of human resource functions. However, by relying on human resource outsourcing, the organisations manage to experience higher human resource performance.

Keywords: Human Resource Management, Strategy, Outsourcing, Performance

PAPER TEXT: Research paper

INTRODUCTION

Human Resource (hereinafter HR) outsourcing has become a major part of HR operations for the last few years. Smith, Vozikis, and Varaksina (2006) indicate that 61% of the organisations outsourced at least one HR function. Out of that percentage, 68% of them outsourced recruitment, 61% outsourced human resource information system followed by training (56%) and benefit administration (49%). HR outsourcing is only lauded as one of the strategic tool in the hyper competitive environment. In that, it assists organisations to focus on their scarce resources, increase customers' perception towards quality and reduce the cost of outsourcing the HR functions (Marinaccio 1994).

Despite the dramatic increase in outsourcing practices by organizations, empirical investigations on either HR outsourcing or performance of outsourcing are still lacking (Leiblein, Reuer and Dalsace, 2002). In fact, empirical evidence to connect both variables is next to none. Currently, only general aspects of outsourcing such as managerial motivation, relationship with service providers, advantages, risks and how outsourcing affects organizations are reported. Therefore, this study is to address the existing gap in the literature on the relationship between HR outsourcing on HR performance. This is, however, carried out by identifying the business strategy as predictor of HR outsourcing and the impact on HR performance. In doing so, the paper will commence with the literature review on the concept of business strategy and HR outsourcing and HR performance. Next, the relationships among business strategy, HR outsourcing and HR performance will be discussed. Subsequently, methodology will be presented and finally, the results and discussion of the study will be forwarded.

LITERATURE REVIEW AND HYPOTHESIS

Business Strategy

The term strategy has been defined in a variety of ways. Chandler (1962) refers to the term as the determination of the basic long-term goals the organisations and the adoption of courses of action and the allocation of resources necessary for executing these goals. Miles and Snow (1978), on the other hand define strategy as the consistent pattern in the decision that guide an organisation in competing in a given business. Similarly, Mintzberg (1990) defines business strategy as a set of decisions about direction of an organisation. Therefore, it can be derived that organisations regard business strategies as a continuous process of evaluation of their distinctive competencies and adaptation to the environment they operate. In line with the dynamic definition of business strategy, this study proposes integrated strategic dimensions (i.e. an integration of typologies - Miles and Snow's (1978), Porter's (1980), Schuler and Jackson's (1987) and Miller's (1987)) that resulted to four distinct business strategies namely: 1) Quality-based strategy; 2) Proactive strategy; 3) Breadth strategy; and 4) Reactive strategy.

Quality based strategy focuses on producing and delivering the highest quality of the products. Organisations that espouse quality based strategy attempts to produce and deliver products and services with the highest quality possible (Jackson and Schuler, 1987). Proactive strategy, on the other hand, concentrates on innovation and differentiation of the products, which attempts to differentiate products through unique designs and features (Miles and Snow, 1978; Porter, 1980). In contrast to breadth strategy that focuses on many product lines with bases of customers (Miller, 1987; Miles and Snow, 1978; Porter, 1980). Finally, reactive strategy strives to produce products cheaper than competitors. These organisations stress efficient scale facilities, the pursuit of cost reduction, minimalisation of expenses of production, R&D, services, selling and advertising (Porter 1980; Miles and Snow 1978; Miller 1987). They do very little product innovation and differentiation as this is disruptive of efficiency.

Outsourcing of HR functions

Outsourcing is defined as the purchase from external vendors of a value-creating activity that could have been performed in-house (Gilley and Rasheed 2000). In this manner, HR outsourcing is the practice of turning overall or part of an organisation HR functions to an external provider (Pelham 2002). For instance, initially only small segments of HR functions (non core) such as payroll and benefits administration (Adler 2003) are outsourced, but gradually core functions such as HR planning and development (Quinn 1992) are also outsourced. Others such as training, recruitment, compensation, relocation and HR information systems are potential functions of HR that could be outsourced (Lever 1997; Gilley, Greer and Rasheed 2004).

Relationship between Business Strategy and HR Outsourcing

Lilly, Gray and Virick, (2005) posit that little is known regarding which HR activities should be outsourced heavily. Quinn (1992) argues that HR outsourcing should be limited to only non core HR functions whereas core HR functions should be done in house to maintain the competitiveness of the organisations. However, decision making on which area of HR to outsource depends on the business strategy of the organisations.

For instance, organisations that strive to produce the highest quality of the products benefit the most by performing and maintaining the HR functions in house particularly on recruitment and training activities (Lilly, Gray and Virick, 2005; Lepak, Bartol and Erhardt, 2005). Recruiting the right people with the right attitude, and train them with appropriate training are the starting point for organisations to produce highest quality products. Moreover, it is not easy to explain criteria needed to outside party since these processes most of the time is based on past experiences (Barney, 1991). By engaging with external vendors, it would require upfront investment in understanding the particular need of the organisation. In short, organisations that emphasise on quality focus more on performing HR functions in house.

Proactive organisations, on the other hand, focus on distinctive practices and tend to be unique (Miles and Snow 1978; Porter 1980). Organisations frequently face with uncertain environment and this may require organisations to constantly recreate short run competitive advantage that becomes obsolete by the introduction of newer products and services (Porter 1980; Miles and Snow 1978). When the environment is uncertain, the organisation needs to respond to market changes very rapidly. In this environment, the workloads become very unpredictable, dynamic and need frequent changes (Miller 1986). Therefore, under uncertainty condition, the best solution for the organisation to avoid significant cost involved is by outsourcing the HR functions (Gilley and Rasheed 2000).

Breadth strategy de-emphasises the importance of employees, as the goal is to produce a consistent but wide variety of products at low cost. Therefore, the orientation is more towards manufacturing efficiency resulting in a more tightly coupled production processes. The organisational logic behind this strategy is to design narrow jobs requiring multiple skill and flexibility, thus making employees an easily replaceable component to the production process (MacDuffie 1995; Snell and Dean 1992). Employees also do not possess specialized skills since their skills concentrate on producing variety of products. Employees require frequent training to adapt with wide variety of products such as job rotation, job enlargement and enrichment. In this case, the employees will go through more on the on-the-job training rather than off-the-job-training. As noted by Klaas, McClendon and Gainey (2001), activities that require frequent modification of contract provisions means that market based

governance mechanisms expose each party with higher cost and risk. Thus, to avoid unnecessary costs, it is better to execute these functions internally.

An organisation pursuing reactive HR strategy tends to emphasis on outsourcing of HR functions. This is because reactive organisation aims to reduce cost especially on repetitive work, non-core activities, non strategic functions and never ending burden works (Laabs 1993; Kremic, Tukul and Rom 2006). Organisations can use part-time employees, subcontractors, work simplification and measurement procedures, automation, work rule changes, and job assignment flexibility to increase productivity and efficiency (Cook 1999). In addition, since the external vendors often focus on a limited set of HR practices, they frequently realize a significant degree of economies of scale. The benefit for organisations is that they have access to relevant expertise that may be quite affordable. In fact, by outsourcing the HR functions organisations are able to shift the risk of technological obsolescence, skill obsolescence and updating onto vendors (Laabs 1993; Cook 1999). Moreover, cost saving from reductions in personnel and higher quality services from the service providers translate into higher value for the customers (Lever 1997). Ideally, by doing this organisations will experience production effectiveness and efficiency (Stroh and Treehuboff, 2003; Lever 1997).

Human Resource Performance

Organisations outsource to increase performance and HR outsourcing should lead to increased HR performance. It is beneficial to focus on the factors that lead to HR outsourcing, but defining the appropriate situation in which to act to increase HR performance has not yet been established (Lilly, Gray and Virick, 2005). The proposed model is a starting point to connect HR outsourcing to HR performance since there is next to none literature on the circumstance the organisation should outsource HR functions to increase HR performance (Lilly, Gray and Virick, 2005).

However, a potential difficulty with HR performance is to adequately defining and measuring what is meant by HR performance. The assessment of the HR performance is also a complex process because its management, supports and development goals may be inconsistent or in contradiction with one another (Ahmed 1999). Nevertheless, Jamrog and Overholt (2004) posit that measurement of HR performance would not be a problem to the organisations and assert that there are many indicators such as employee morale, satisfaction, turnover and others to measure HR performance. The point is that there is no shortage of HR measures but perhaps HR is simply not measuring the right things and therefore failing to accurately gauge HR's value proposition or the impact that HR has on the business (Lilly, Gray and Virick, 2005; Jamrog and Overholt, 2004; Ahmed, 1999).

However, in terms of HR outsourcing, some researchers contend that cost reduction can be an important measure in the HR departments (e.g. Laab, 1993; Marinaccio 1994). Shelgren (2004)

asserts that HR performance can be measured by reducing HR cost, gain expertise and control over processes, and improve quality of service, According to Herbertson (2000), in order to improve HR performance, organisation should aims for cost reduction, a greater focus on core business, a reduction in overheads and a service improvement. This is consistent with Switzer (1997) that among the potential benefits of HR outsourcing will be on lower the headcount. As a result, cost saving is achieved in terms of time and money saving techniques for performing the work. Past researchers emphasise on the impact of HR outsourcing on organisational performance where Gilley et al. (2004) find there is a relationship between training activities and higher performance in term of stakeholders, which includes employment growth/stability, employee morale customer relations and supplier relations as well as a strong relationship between outsourced payroll activities and innovation.

However, many researchers state that cost benefits appear to be a compelling argument for contracting out services previously performed internally (e.g. Greer et al. 1999; Lever 1997). Bettis, Bradley and Hamel (1992) mention that as outsourcing increases, cost may decline, investment in facilities and equipment may be minimised and the importance things manpower can be reduced. This is consistent with a study done by Siegel (2000) where he claims that the impact of relying on external vendors is to confront reduce staffing HR department accompanies by increased responsibilities. Therefore, it is anticipated that outsourcing of HR functions may be lead to greater HR performance particularly reduction in HR employees.

Based on the argument above, it shows that different types of business strategy predict the outsourcing level of HR functions and have the impact on the HR performance. Therefore, it is clear to formulate the following hypothesis:

Ha: Quality-based strategy is negatively related with outsourcing of HR functions..

Hb: Proactive strategy is positively related with outsourcing of HR functions.

Hc: Breadth strategy is negatively related with outsourcing of HR functions.

Hd: Reactive strategy is positively related with outsourcing of HR functions.

He: Outsourcing of HR functions is positively related with HR performance

Model of HR outsourcing

The relationships hypothesized drive from extant literature and are tested in the context of the conceptual model. This proposed model is shown clearly in Figure 1.

METHODOLOGY

Data Collection

This study used mail survey questionnaire. The questionnaires were targeted to head of human resource department of Malaysian manufacturing organisations. The mailing list was obtained from Federation of Malaysian Manufacturers Directory (FMM) for year 2005. The survey yielded 23% response rate resulting in 232 respondents useable responses from an eligible sample of 990 organisations. The questionnaire was 12-pages long and part of a much larger research project.

Measurement Instruments

The construct of the study, which were adapted from established scales, were measured on a six-point semantic differential-likert scale. Thirty-two (32) questions were asked on the business strategy construct. From factor analysis, four factors of business strategy were produced with factor loading from 0.445 to 0.828 with KMO and Bartlett's test of 0.908 and 0.000. These four factors contributed 53.48% to item variance. The Cronbach (α 's) of each of the factor are as follow. Quality-based strategy $\alpha = 0.943$; proactive strategy $\alpha = 0.925$; breadth strategy $\alpha = 0.806$ and reactive strategy $\alpha = 0.600$. To measure the outsourcing level of HR functions, ratio scale was used to measures of percentage of each HR functions outsourced. To measure the HR performance that is to look into the cost saving by the reduction of the number of HR employee after outsourcing, In order to compute the cost saving from reduction of HR employees, information on total salary of HR employees and the total number of HR employees for the year of 2005 are required to get the average HR cost incurred by the organisations. Then, in order to get the cost saving, the average HR cost will be multiplied with the number of HR employees being reduced after outsourcing of specific HR practices in 2005.

Data Analysis

SPSS version 12 and AMOS 6 were used to analyze and test the hypotheses.

RESULTS

Profile of the Respondents

From 232 respondents, 48.7% (113) of them claim that they engaged with outsourcing of HR functions and the rest indicate that they do not involve HR outsourcing at all. Table 1 shows the profile of the 113 organisations that outsource HR functions. Most of the respondents were from machinery and equipment industry (15%). 41% of the organisations employed 301 to 1000 employees with about 46% of them employed five (5) to twenty (20) HR employees. Then, almost

37% of these organisations were established below the year of 1980. Moreover, 16% of these organisations incur RM50001 to RM100000 of the HR labour cost.

The Confirmatory Factor Analysis for Business Strategy

The results of the Confirmatory Factor Analysis in Table 2 shows that different types of business strategy meet the criteria of goodness-of fit index (GFI), tucker-lewis index (TLI) and comparative fit index (CFI) of above 0.9 (Hair, Black, Babin, Anderson and Tatham 2006). These authors add that root mean square error of approximation (RMSEA) values of less than 0.1 represent a good fit, while values below 0.05 represent a very good fit to the data.

Path Analysis

Figure 1 shows the conceptual model. Table 3 summarises the findings. Overall, the data of the study fit the model well. The results of the fit are as the following: $\chi^2 = 6.891$, $p > 0.01$, GFI = 0.982, TLI= 0.963, CFI= 0.988 and RMSEA =0.058. From Table 3, reactive strategy is positively associated with HR performance ($P < 0.1$) leading to support for *Hd*. For *Ha*, *Hb*, and *Hc*, the relationships were not supported, indicating there is no direct impact, HR outsourcing effect of quality-based, proactive and breadth business strategy for the organisations in this sample. HR outsourcing is positively associated with the HR performance ($p < 0.05$) leading to support *He*. This indicates that organisations experience reduction of employees by engaging with outsourcing strategy whereby, they can redirect the higher cost of hiring specialist or expatriate to the external agency as well as experience cost saving resulting from the reduction of the number of HR employees.

DISCUSSION, IMPLICATIONS AND CONCLUSION

This study has provided a significant step towards better understanding of HR outsourcing among manufacturing organisations in Malaysia. Past research only concentrates on the reasons and risks towards HR outsourcing in particular. The research to date has not yet determined the factors that predict the degree of HR outsourcing. Gilley and Rasheed (2002) have demonstrated different types of business strategy as the moderator between outsourcing and performance. They found several significant interactions with strategy to predict performance. Subsequently this research has developed business strategy as the antecedent of HR outsourcing. Reactive strategy had positive significant association with HR outsourcing. This indicates that organisations that emphasise on cost efficiency tend to engage with external vendors to perform HR functions. This result is consistent with Klaas, McClendon and Gainey (1999) where organisations that face with cost pressure engage with external vendors to perform HR functions as this generate more benefits and immediate saving.

External vendors may be able to manage these functions more efficiently and attain economies of scale.

Nevertheless, the result shows that quality-based, proactive and breadth business strategy cannot be claimed as the predictor to the assessment of HR outsourcing strategy. It is highly likely that the outsourcing decisions require proper estimating of the cost of a service or product, the time horizon of the outsourcing decisions and any associated opportunity costs (Kee and Robbins 2003). Additionally, there is a wide range of outsourcing arrangements: from short-term contracts to full ownership of and, or, merger between service purchasers and service providers (Bensaou 1999). Therefore, the relationship between two parties in a market transaction must have overlapping motives in order to enter into, develop and maintain a relationship. Moreover, HR outsourcing is likely to be made on the basis of the management team's skill level, interest, and preferences. So, the outsourcing decision may be decided of talent, interest in performing the activity and convenience rather than how business strategy predicts HR outsourcing.

Furthermore, there are very limited studies of the performance effect of HR outsourcing. In fact, there is no empirical study on the impact of HR outsourcing on the HR performance. Although this study emphasises on the impact of HR outsourcing solely on the cost saving resulting from the reduction of HR employees, it somehow gives impetus to study on the effect of HR performance. Thus, this study provides additional information on the HR performance effect of outsourcing level of HR functions to the literatures.

This study offers to assist the HR managers to understand the concept of HR outsourcing and to guide them on what conditions the HR outsourcing is desired the most. While only reactive business strategy is a significant predictor to HR outsourcing, organisations experience better HR performance by outsourcing HR functions to external vendors. Although it is desirable to have a strategy that promotes competencies inside the organisations, effective HR outsourcing are not merely adopted but are shaped for specific organisations with specific competitive needs to produce best results. In short, this study has made important contributions to managers and researchers by filling gaps in this kind of study. It specifically contributed to the existing practical business applications in terms of the business strategy, HR outsourcing strategy and HR performance. However, this might be missed with the exclusion of other characteristics such as human resource management strategy, structure and environmental factors as the antecedents to HR outsourcing which might provide additional insight for future research.

References

- Adler PS (2003) Making the HRM outsourcing decision. *MIT Sloan Management Review*, 45: 53-60.
- Ahmed S (1999) The emerging measure of effectiveness for human resource management: An exploratory study with performance appraisal. *The Journal of Management Development*, 18 (6): 543-556.
- Barney J (1991) Firm resources and sustained competitive advantage. *Journal of Management*, 17: 99-120.
- Bensaou M (1999) Portfolios of buyer-supplier relationship, *Sloan Management Review*, 40(4): 35-44.
- Bettis RA, Bradley SP and Hamel G (1992) Outsourcing and Industrial Decline, *Academy of Management Executive*, 6 (1): 7-22.
- Chandler AD (1962), *Strategy and Structure: Chapters in the History of Industrial Enterprise*, MIT Press, Cambridge, MA.
- Cook MF (1999) *Outsourcing human resources functions: Strategies for providing enhanced HR services at lower cost*, New York, New York: AMACOM.
- Gilley M and Rasheed A (2000) Making more by doing less: An analysis of outsourcing and its effect on firm performance, *Journal of Management*, 26 (4): 763-790.
- Gilley KM, Greer CR, and Rasheed AA (2004) Human resource outsourcing and organizational performance in manufacturing firms, *Journal of Business Research*, 57: 232-240
- Greer CR, Youngblood SA and Gray DA (1999) Human resource management outsourcing: The make or buy decision, *Academy of Management Executive*, 13: 85-96.
- Hair JF, Black WC, Babin BJ, Anderson RE and Tatham RL (2006) *Multivariate Data Analysis* (6th ed.) Upper Sadle River, New Jersey: Prentice Hall.
- Jamrog JJ and Overholt, M.H. (2004) Measuring HR and organisational effectiveness, *Employment Relations Today*, 31 (2): 33-45.

- Kee RC and Robbins WA (2003) Public sector outsourcing: A modified decision model, *The Journal of Government Financial Management*, 52 (2): 46-52.
- Klaas BS (2003) Professional employer organisations and their role in small and medium enterprises: The impact of HR outsourcing, *Entrepreneurship Theory and Practice*, 28: 43-61.
- Klaas B, McClendon JA, and Gainey T (1999) HR outsourcing and its impact: The role of transaction costs, *Personnel Psychology* 52:113-136.
- Klaas B, McClendon JA and Gainey T (2001) Outsourcing HR: The impact of organizational characteristics, *Human Resource Management*, 40 (2): 125-138.
- Kremic T, Tukul OI, Rom WO (2006) Outsourcing decision support: A survey of benefits, risks and decision factors, *Supply Chain Management*, 11(6): 467-482
- Laabs J (1993) Why HR is turning to outsourcing, *Personnel Journal*, 72 (9): 92-101.
- Leiblein MJ, Reuer JJ, and Dalsace F (2002) Do make or buy decisions matter? The influence of organisational governance on technological performance, *Strategic Management Journal*, 23: 817-833
- Lepak DP, Bartol KM and Erhardt NL (2005) A contingency framework for the delivery of HR practices. *Human Resource Management Review*, 15:139-159.
- Lever S (1997) An analysis of managerial motivations behind outsourcing practices in human resources, *Human Resource Planning*, 20 (2): 37-47.
- Lilly JD, Gray DA, Virick M (2005) Outsourcing the human resource function: Environmental and organisational characteristics that affect HR performance. *Journal of Business Strategies*, 22 (1): 55-72.
- MacDuffie JP (1995) Human resource bundles, and manufacturing performance: Flexibility productions systems in the world auto industry. *Industrial and Labor Relations Review*, 48 (2): 197-221
- Marinaccio L (1994) Outsourcing: A strategic tool for managing human resource, *Employee Benefits Journal*, 39-42.

- Miles R.E and Snow CC (1978) *Organisational strategy, structure and process*. New York: McGraw-Hill.
- Miller P (1987) strategic industrial relations and human resource management: Distinction, definition and recognition. *Journal of Management Studies*, 24(4): 347-61
- Mintzberg H (1990) The design school: Reconsidering the basic premise of strategic management, *Strategic Management Journal*, 11: 171-95.
- Pelham D (2002) It is time to outsource HR? *Training*, 39 (4): 50.
- Porter ME (1980) *Competitive strategy*, Free Press, New York, NY
- Quinn JB (1992) *Intelligent enterprise: A knowledge and service based paradigm for industry*, New York: Free Press.
- Schuler RS (1989) Strategic human resource management: Linking the people with the strategic needs of the business, *Organisational Dynamics*, 6 (4): 19-31.
- Schuler RS and Jackson SE (1987) Linking competitive strategy with human resource management practices, In: *Academy of Management Executive*, 3: 207–219.
- Siegel GB (2000) Outsourcing personnel functions, *Public Personnel Management*, 29(2): 225-237.
- Smith PC, Vozikis GS and Varaksina L (2006) Outsourcing human resource management: A comparison of Russian and U.S. practices, *Journal of Labor Research*, 27 (3): 305-21.
- Snell SA and Dean JW (1992) Integrated manufacturing and human resource management: A human capital perspective. *Academy of Management Journal*, 35: 467-504
- Stroh LK and Treehuboff D (2003) Outsourcing HR functions: When-and when not-to go outside, *Journal of Leadership and Organisational Studies*, 10: 19-28.

TABLES

Table 1: Profile of the Organisations that Outsourced HR Functions

| HR Outsourced Organisations | Percentage |
|--|-------------------|
| 1. Type of industry | |
| • Food and beverages | 7.1 |
| • Textiles | 8.9 |
| • Wood products | 5.4 |
| • Chemical products | 10.7 |
| • Rubber and plastic products | 8.9 |
| • Metal products | 8.0 |
| • Machinery and equipment | 15.2 |
| • Electronics | 14.3 |
| • Radio, TV and communication | 14.3 |
| • Motor vehicles, trailers and semi-trailers | 7.1 |
| 2. Total Employees | |
| • 150 to 300 employees | 26.8 |
| • 301 to 1000 employees | 41.1 |
| • Above 1000 employees | 32.1 |
| 3. Total HR Employees | |
| • Below 5 employees | 29.5 |
| • 5 to 20 employees | 46.4 |
| • Above 20 employees | 24.1 |
| 4. Years of establishment | |
| • Below 1980 | 36.6 |
| • 1981 to 1990 | 34.8 |
| • 1991 and above | 28.6 |
| 5. The cost of HR employees | |
| • Below RM20000 | 5.4 |
| • RM20000 – RM50000 | 7.5 |
| • RM50001 – RM100000 | 16.1 |
| • Above RM100000 | 3.6 |

Table 2: Confirmatory Factor Analysis for Business Strategy

| Variable | Chi-square (χ^2) | P value | GFI | TLI | CFI | RMSEA |
|---------------|-------------------------|---------|------|------|------|-------|
| Quality-based | 8.35 | 0.14 | 0.97 | 0.98 | 0.99 | 0.08 |
| Proactive | 1.67 | 0.20 | 0.99 | 0.99 | 0.99 | 0.08 |
| Breadth | 1.09 | 0.30 | 0.99 | 0.99 | 0.99 | 0.03 |
| Reactive | 4.12 | 0.25 | 0.98 | 0.95 | 0.98 | 0.06 |

Table 3: Results of the Hypotheses

| Hypothesis | Direction | S.E. | C.R. | β | Support |
|------------|---|------|-------|---------|---------|
| Ha | Quality-based \rightarrow HR Outsourcing | 0.47 | -1.27 | -0.18 | No |
| Hb | Proactive \rightarrow HR Outsourcing | 0.42 | 0.09 | 0.01 | No |
| Hc | Breadth \rightarrow HR Outsourcing | 0.44 | -1.21 | -0.17 | No |
| Hd | Reactive \rightarrow HR Outsourcing | 0.54 | 1.78 | 0.21† | Yes |
| He | HR Outsourcing \rightarrow HR Performance | 0.02 | 2.66 | 0.25** | Yes |

Significance levels: ** $P < 0.01$, * $p < 0.05$, † $p < 0.1$

FIGURE**Figure 1: Conceptual model**

