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Benchmarking HR outsourcing literature: a critical literature review

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Abstract: This study synthesises more than 20 years of human resource outsourcing (HRO) empirical studies to answer research questions related to determinants of HRO decision. Using grounded coding technique adapted from Lacity et al. (2010), empirical papers published from 1997 to 2018 were coded. Two theoretical models emerged from the findings where the existence of definitional ambiguity, findings and competing theoretical perspectives which underlies HRO research were identified. This study offers insights from past HRO studies to help HRO researchers to better understand HRO phenomenon. It is acknowledged that coding technique neither generates statistical diagrams nor infographics, but it provides valuable insights for the overview of literature within the area of human resource outsourcing. Being the first HRO literature review that uses the grounded coded technique, this paper answers three research questions while laying important foundation for theory development.

Keywords: outsourcing; HR outsourcing; literature review; grounded coding technique.

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1 Introduction

In the last 20 years, there has been a wide-ranging critical examination involving relationships between various independent and dependant variables in human resource outsourcing (HRO) research. This has led to a rich and diverse body of knowledge on HRO which are now timely to be summarised, analysed and evaluated for better understanding of the phenomenon. In the past, Cooke et al. (2005) reviewed arguments for and against HR outsourcing, types of HR activities outsourced, its trends and effectiveness. Shen (2005) extended the discussion on how HRO should be managed whilst Seth and Sethi (2011) examined the pre-requisites associated with HRO decision and provided guidelines for it. These reviews which uses mostly content analysis and thematic approach to synthesise the literature, have provided crucial early understanding of HRO phenomenon. Indirectly, these reviews unearthed the inherent constraints of empirical evidence paucity where strength of arguments was a challenge to gauge in any topics.

As the HRO research area develops, more quantitative papers emerged to provide empirical evidence in extending the wall of knowledge. This is not only an indication of a temporal gap from the last literature review paper but also signalling a need to re-explore the state of HRO research. Hence, there is a need to take into consideration the variables examined, the relationships among these variables, the findings and key issues emerged from the literature including potential competing theoretical lens and perplexing findings.

Against this background, the major contributions of this paper are to provide answers to the three questions; namely:

- 1 What has the existing empirical academic literature revealed about the determinants of HRO decisions and outcomes?
- 2 What are the key issues that emerged from the literature?
- 3 What are the gaps in knowledge which warrants the future HRO research?

2 Theoretical foundation and background

There are five commonly used theories in outsourcing studies namely, transaction cost economics (TCE), resource-based view (RBV), core competency theory, social exchange theory (SET) and relational exchange theory (RET).

TCE has been widely used to justify the cost saving rationale behind HRO. Elements such as Asset specificity, frequency and uncertainty are important properties affecting transaction costs (Williamson, 1975, 1981, 1996, 2008) in outsourcing decision. RBV theorists conceptualised firms as the repository of resources or capabilities which is the source of competitive advantage (Penrose, 1959). Quite commonly, RBV is used to justify an outsourcing decision especially when a firm lacks the necessary resources or capabilities internally. An extension of RBV, core competency theory defines core competencies as the collective learning in an organisation gained through coordinating diverse production skills and integrating multiple streams of technologies (Prahalad and Hamel, 1990). Thus, the HRO decision which underpins this theory likely explains the type and extent of HR activities being outsourced. SET theory is foundational in explaining the relational interactions between outsourcing service provider and firm whilst RET, Macneil (1980) argues that contract is necessary but insufficient for outsourcing successes (Goles and Chin, 2005).

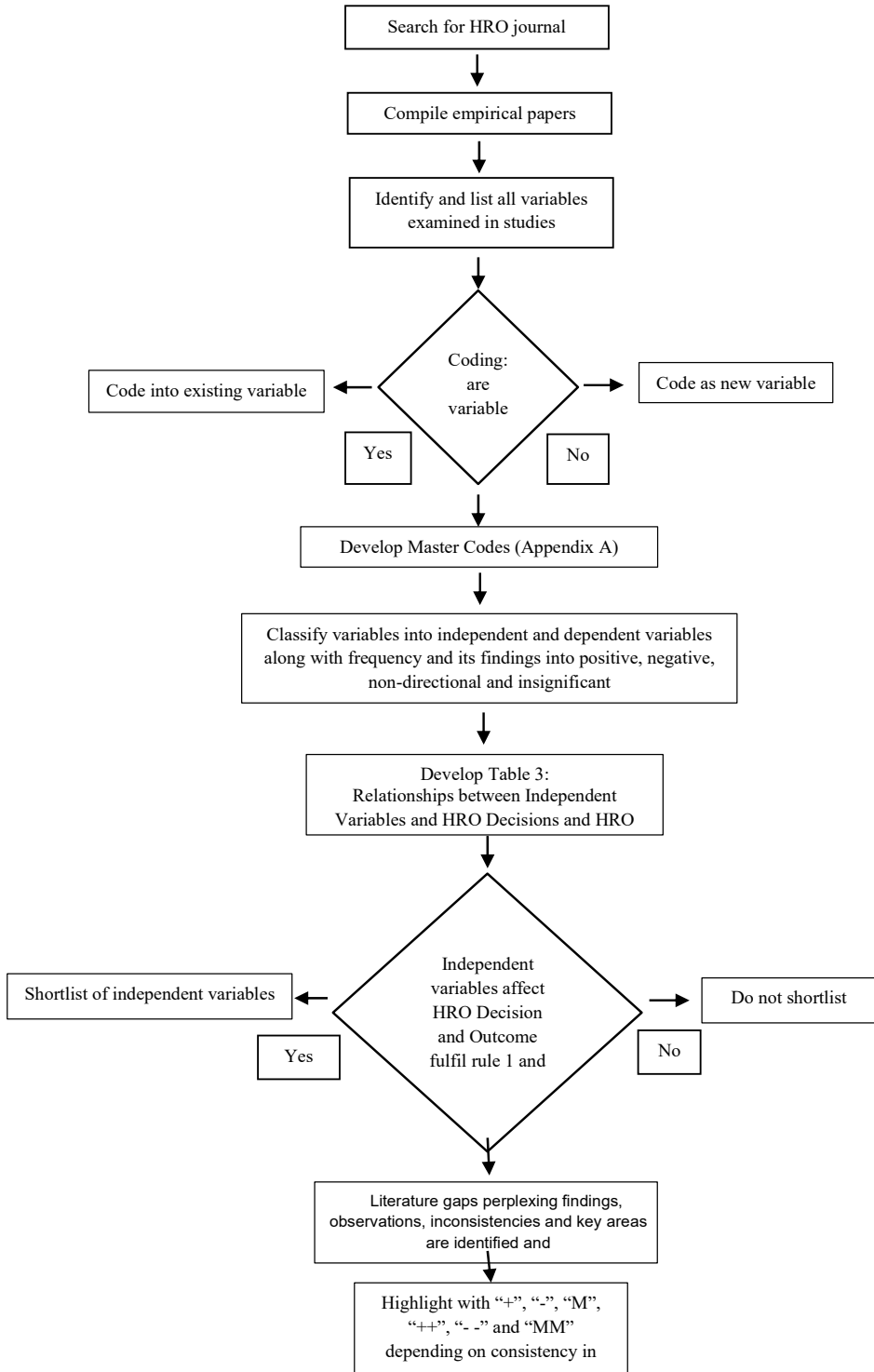
HRO research has come a long way and appears to be diverse in examining the emerging phenomenon. As such, it warrants a deserving attention to ‘stock take’ on variables and relationships examined in the literature. The findings provide insights not only in relation to HRO decision and outcome, emerging patterns and issues but also addresses the gaps in research that is useful for future HRO researchers.

3 Methodology

Grounded coding technique – a literature review technique primarily used in general and IT outsourcing literature review, (i.e., Jeyaraj et al., 2006; Lacity et al., 2011, 2010) is used to provide insights and report the most recent literature reviews. Firstly, research questions were developed followed by data collection (Murphy et al., 2017). Figure 1 illustrates steps undertaken in this study.

All relevant peer-reviewed empirical HRO papers published in English language were searched by using Google Scholar, Proquest, Jstor, EBSCOhost, Wiley, Taylor and Francis, Emerald and Science Direct. The keywords used for the search of the articles include ‘human resource’, ‘outsourcing’ and ‘HRO’ and 32 empirical papers were identified (refer Table 1).

Figure 1 Literature review process



Subsequently, the development of a master codes was made by coding all variables examined in the papers in an iterative process by two researchers with each having their own records and memo notes. Codes are then categorised, compared and refined. The variable descriptions from the literature were noted for comparative and mapping purposes following the twin slate approach (Murphy et al., 2017) which allows early integration of literature. Variables with similar descriptions were combined to build a ‘master variable.’ It is noticed that the authors use varying terminologies to describe some variables. For instance, the master variable termed ‘strategic HR involvement’ is derived from sub-variables termed ‘HR strategic role’ (Tremblay et al., 2008), ‘strategic position of enterprise human resource function’ (Zhao et al., 2013), ‘strategic involvement of human resource management (HRM)’ (Delmotte and Sels, 2008), and ‘HR manager strategic involvement’ (Ordanini and Silvestri, 2008).

Table 1 Journal articles reviewed

<i>Author (year)</i>	<i>Journal</i>	<i>Theory</i>	<i>Sample size</i>
Shaw and Fairhurst (1997)	<i>Strategic Change</i>	Core competence theory	60
Galanaki et al. (2008)	<i>International Journal of Human Resource Management</i>	TCE, RBV, economies of scale, administrative innovation theory	100
Lepak et al. (2004)	<i>International Journal of Human Resource Management</i>	TCE, RBV	443
Ordanini and Silvestri (2008)	<i>International Journal of Human Resource Management</i>	TCE, RBV	276
Tremblay et al. (2008)	<i>International Journal of Human Resource Management</i>	TCE, institutional theory	271
Nunez (2009)	<i>Human Resource Management</i>	TCE, RBV	3047
Ee et al. (2013)	<i>Journal of Business Economics and Management</i>	Resource dependence theory	96
Delmotte and Sels (2008)	<i>Personnel Review</i>	TCE, RBV	1264
Sheehan and Cooper (2011)	<i>Personnel Review</i>	TCE	441
Zhao et al. (2013)	<i>iBusiness</i>	TCE, core competence theory	67
Hasliza et al. (2009)	<i>Journal of Human Resource Costing and Accounting</i>	TCE, RBV	232
Hasliza and Norbani (2011a)	<i>International Journal of Economics and Management</i>	TCE	232
Hasliza and Norbani (2011b)	<i>Economia, Seria Management</i>	TCE, RBV	232
Lievens and Corte (2008)	<i>Human Resource Management</i>	TCE, SET	186
Klaas et al. (2005)	<i>Journal of Management</i>	TCE, social network theory, SET	516

Table 1 Journal articles reviewed (continued)

<i>Author (year)</i>	<i>Journal</i>	<i>Theory</i>	<i>Sample size</i>
Gainey and Klaas (2003)	<i>Journal of Management</i>	TCE, RBV, SET	157
Chiang et al. (2010)	<i>International Journal of Human Resource Management</i>	TCE, RBV, institutional theory	99
Butler et al. (2010)	<i>Journal of Applied Business Research</i>	TCE	94
Lever (1997)	<i>Human Resource Planning</i>	TCE, RBV	102
Mahmud et al. (2012)	<i>International Journal of Business and Management</i>	-	50
Gilley (2004)	<i>Journal of Business Research</i>	TCE, RBV	94
Shih and Chiang (2011)	<i>International Journal of Human Resource Management</i>	Miles and snow typology, contingency theory	125
Gainey and Klaas (2005)	<i>Human Resource Development Quarterly</i>	Trust theory	323
Wehner et al. (2012)	<i>Human Resource Management</i>	Critical contact theory, signal theory	158
Butler and Callahan (2014)	<i>Journal of Business Research</i>	TCE, RBV, capital market theory	100 and 180
Reichel and Lazarova (2013)	<i>Human Resource Management</i>	Strategic contingency theory	2688
Sheehan (2009)	<i>Asia Pacific Journal of Human Resources</i>	TCE	1372
Klaas et al. (2001)	<i>Human Resource Management</i>	TCE	432
Galanaki and Papalexandris (2007)	<i>International Journal of Human Resource Management</i>	-	100
Klaas et al. (1999)	<i>Personnel Psychology</i>	TCE	432
Hasliza et al. (2014)	<i>Sage Open Access</i>	TCE, RET	99
Chaudhuri and Bartlett (2014)	<i>Human Resource Development International</i>	TCE, psychological contract theory, SET	246
Hasliza (2016)	<i>Canadian Journal of Administrative Sciences</i>	TCE and RBV	232
Nguyen and Chang (2017)	<i>Management Decision</i>	Social network perspective and supplier performance evaluations	300

Similar procedure was repeated until all the variables were accounted for and then synthesised into developing a ‘master description’ which is labelled as the master codes – Appendix. Subsequently, these variables are classified into dependant and independent variables, and categories which represents the family they belong to. Next, emulating Lacity et al.’s (2010) coding procedure, four different values were used to indicate the various possible relationships: ‘+1’ to indicate a statistically significant positive relationship, ‘-1’ to indicate a statistically significant negative relationship, ‘0’ to

indicate no statistically significant relationship and ‘M’ for a significant non-directional relationship.

Table 2 Relationships between independent variables and HRO decisions and HRO outcomes

Category	Outsourcing decision					Outsourcing outcome					Total frequency	
	1	0	-1	M	Total	1	0	-1	M	Total		
<i>Motivation to outsource</i>												
1	Cost benefits	8	8		16	1				1	17	
2	Access to specialised capabilities	7	5		12*					0	12	
3	Downsizing	1	6		7					0	7	
4	Competitive advantage	1			1	1	3	2		6	7	
5	Flexibility benefits	2	2		4					0	4	
6	Quality benefits	2			2		2			2	4	
7	Supplementing workload	1			1					0	1	
8	Project independence	1			1					0	1	
<i>Total</i>		22	21	0	0	43	2	5	2	0	9	53
<i>Outsourcing decision</i>												
1	Make or buy				0			1		1	1	
2	Transactional Functions				0	1				1	1	
3	Payroll				0	3	2	1		6*	6	
4	Benefits				0	2		1		3	3	
5	HRIS				0	1		1		2	2	
6	Pension				0	1				1	1	
7	Performance				0	1				1	1	
8	Employee welfare				0	1				1	1	
9	Traditional functions				0	1				1	1	
10	Training				0	4	3			7*	7	
11	Recruitment/selection				0	2	2	3		7	7	
12	Compensation				0	1				1	1	
13	Employee relations				0	1				1	1	
14	Outsourcing frequency		1		1					0	1	
15	Outsourcing knowledge skills and abilities				0	1	2			3	3	
16	HR outsourcing contract announcement				0	4		1		5*	5	
17	Degree of outsourcing	1			1	1	4			5	6	
<i>Total</i>		1	1	0	0	2	25	13	7	1	46	48

Table 2 Relationships between independent variables and HRO decisions and HRO outcomes (continued)

Category	Outsourcing decision					Outsourcing outcome					Total frequency	
	1	0	-1	M	Total	1	0	-1	M	Total		
<i>HR characteristics</i>												
1	Idiosyncratic HR practices	4	5		9*	3	5			8	17	
2	Frequency of training				0	7	1			8	8	
3	HR devolution	4			4*		1			1	5	
4	HRM intensity	1			1					0	1	
5	HY scorecard (Y/N)	1			1					0	1	
6	Proportion of HR employees	1			1					0	1	
7	HR resource adequacy		1		1					0	1	
8	SHR index	1			1					0	1	
9	Measurability of activity	1			1					0	1	
10	Human capital enhancing services				0	1				1	1	
11	Gender				0	1	1			2	2	
12	Education				0		2			2	2	
13	Relevance of outsourced activity				0	2				2	2	
<i>Total</i>		7	6	6	0	19	7	15	2	0	24	43
<i>HRM strategies</i>												
1	Innovative HRM strategy	2			2					0	2	
2	Quality-conscious HRM strategy	1	1		2					0	2	
3	Cost efficiency HRM strategy	1	1		2					0	2	
4	Commitment HRM strategy		2		2					0	2	
5	Conventional HRM strategy	1	1		2					0	2	
6	Employee development HRM strategy	2			2					0	2	
<i>Total</i>		0	7	5	0	12	0	0	0	0	12	
<i>Firm characteristics</i>												
1	Firm size	5	24	4	1	34	2	8	6	16	50	
2	Industry				12	12*	1	1		2	14	
3	Sector (profit/non-profit)	4			5	9*	1			1	10	
4	Promotional opportunities	5	3			8				0	8	

Table 2 Relationships between independent variables and HRO decisions and HRO outcomes (continued)

Category	Outsourcing decision					Outsourcing outcome					Total frequency	
	1	0	-1	M	Total	1	0	-1	M	Total		
<i>Firm characteristics</i>												
5	Outsourcing experience	6	1			7*				0	7	
6	HR department size		5	1		6				0	6	
7	Foreign ownership		1		1	2		2		2	4	
8	Organisational age		2			2		3		3	5	
9	Union		2			2		1		1	3	
10	Change in headcount		2			2				0	2	
11	Reputation-service provider					0		1		1	1	
12	Percentage of graduated workforce			1		1				0	1	
13	Business group affiliation		1			1				0	1	
14	Enterprise scale		1			1				0	1	
15	Firm attractiveness					0	1			1	1	
16	Client receptivity					0		1		1	1	
17	Transactional services					0		1		1	1	
18	Outsourcing emphasis					0	1			1	1	
	<i>Total</i>	<i>11</i>	<i>48</i>	<i>9</i>	<i>19</i>	<i>87</i>	<i>4</i>	<i>18</i>	<i>7</i>	<i>1</i>	<i>30</i>	<i>117</i>
<i>Firm strategies</i>												
1	Pay strategy	3	5	1		9		1		1	10	
2	Quality based strategy		6			6				0	6	
3	Proactive strategy	6				6*				0	6	
4	Breadth strategy		3	3		6*				0	6	
5	Reactive strategy		6			6				0	6	
6	Facilitation strategy	1				1				0	1	
7	Accumulation strategy		1			1				0	1	
8	Utilisation strategy	1				1				0	1	
9	Prospector strategy					0		1		1	1	
	<i>Total</i>	<i>11</i>	<i>21</i>	<i>4</i>	<i>0</i>	<i>36</i>	<i>0</i>	<i>2</i>	<i>0</i>	<i>0</i>	<i>2</i>	<i>38</i>
<i>Environment</i>												
1	Uncertainty	5	9	1		15	4			4*	19	
2	Risk	1	5	3		9				0	9	
3	Competitor's HR outsourcing		8			8				0	8	
4	Availability of alternative service providers					0	6	1		7*	7	

Table 2 Relationships between independent variables and HRO decisions and HRO outcomes (continued)

Category	Outsourcing decision					Outsourcing outcome					Total frequency	
	1	0	-1	M	Total	1	0	-1	M	Total		
<i>Environment</i>												
5	Technology/knowledge intensive context		1		1					0	1	
6	Information asymmetry				1					0	1	
<i>Total</i>		7	22	5	0	34	10	1	0	0	11	45
<i>Decision characteristics</i>												
1	Strategic HR Involvement				14*	1	2			3	17	
2	Investment			2	2	1	5	1		7	9	
3	Top management Support				7*	2	2			4	11	
4	Asset specificity				1		5	1		6	7	
5	Benchmarking				1					0	1	
6	Task complexity				1					0	1	
7	Integration		1		1					0	1	
<i>Total</i>		18	7	2	0	28	4	14	2	0	20	47
<i>Outsourcing outcomes</i>												
1	Positive HR outcomes			5	3					0	8	
2	Satisfaction				0	1				1	1	
<i>Total</i>		0	5	3	0	8	1	0	0	0	1	9
<i>Relationship characteristics</i>												
1	Communication				0	8	1			9*	9	
2	Commitment		3	2		5*		2		2	7	
3	Trust				0	3	1			4	4	
4	Vendor dependency				0	1	2			3	3	
5	Shared values				0	1				1	1	
6	Approachability				0	1				1	1	
7	Business understanding				0	2				2	2	
8	Relationship tenure				0	1				1	1	
<i>Total</i>		0	0	0	0	5	17	6	0	0	23	28
<i>Contractual governance</i>												
1	Contract specificity				0	4				4*	4	
<i>Total</i>		0	0	0	0	0	4	0	0	0	4	4

Table 2 Relationships between independent variables and HRO decisions and HRO outcomes (continued)

Category	Outsourcing decision					Outsourcing outcome					Total frequency	
	1	0	-1	M	Total	1	0	-1	M	Total		
<i>Service quality variables</i>												
1	Tangibles				0	1				1	1	
2	Reliability				0	1				1	1	
3	Responsiveness				0	1				1	1	
4	Assurance				0	1				1	1	
5	Empathy				0	1				1	1	
<i>Total</i>		0	0	0	0	0	3	2	0	0	5	5
<i>Grand total</i>					254						173	449

In addressing the first research question and identifying the prominent variables examined in the HRO literature, Lacity et al.'s (2010) procedure was adapted with two rules functioning as inclusion criteria:

- 1 The relationships need to have been examined in at least three incidences.
- 2 At least 50% of the findings yielding consistent results.

To further differentiate the strength of the relationships in the findings, variables with 50% to 80% of consistent positive or negative findings are assigned '(+)' and '(-)' respectively, while those with more than 80% consistent positive or negative findings are denoted with '(++)' and '(- -)' accordingly. Likewise, variables with significant non-directional relationships are marked as '(M)' and '(MM)' following similar pattern. Finally, the structure of the data and its synthesised outcome is presented in Table 2. This table presents the relationships between each independent variable studied and the two categories of dependent variables, HRO Decisions and HRO Outcomes. Relationships examined at least three times in total are bordered by a box; and of these, those that have half or more consistent results are marked with an '*' next to the total.

4 Results and discussion

4.1 Determinants of HRO decisions and outcomes

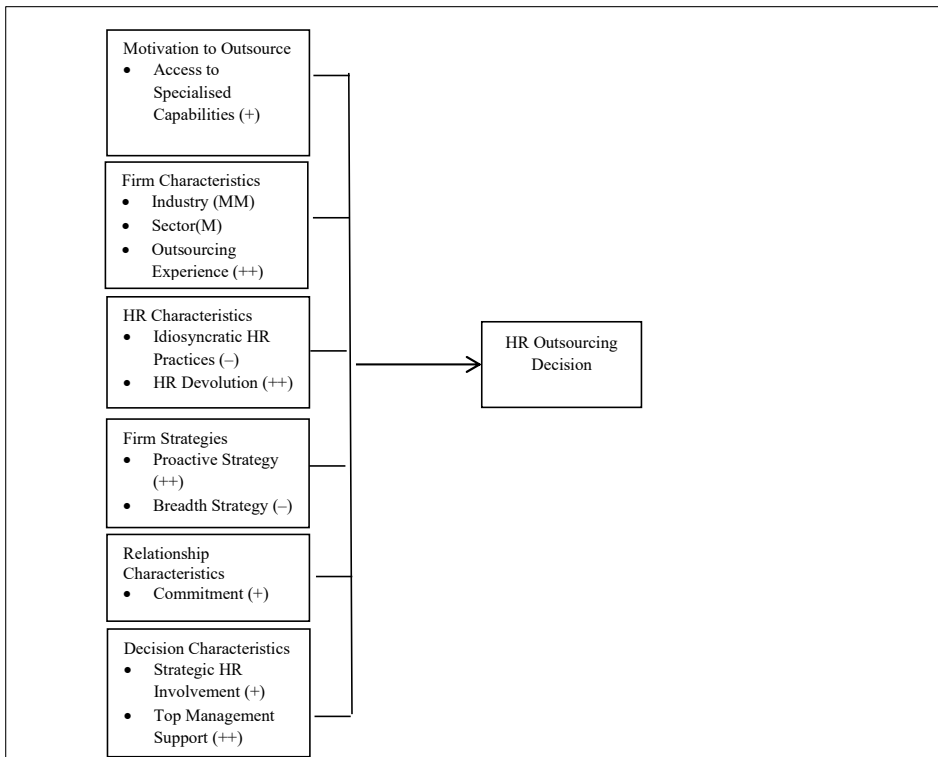
Following the search, analysis and synthesis procedure, 36 dependent variables and 99 independent variables over 449 relationships were coded. The interrater reliabilities for corresponding interpretations between researcher 1 and researcher 2 are as follows: independent variables (Cohen's kappa [k] = 0.873); dependent variables (k = 0.852); relationship directions on outsourcing decision (k = 0.907) and relationship directions on outsourcing outcome (k = 0.854), indicating high agreement.

Table 3 demonstrates variables that emerged as key factors marked with '*' which is useful in determining the emergent of two theoretical models shown in Figure 2 and Figure 3. Clearly, boxes and tables do not constitute to theory building but visual models

are typical (Weick, 1993) to exhibit key determinants of HRO decision and outcome. It is not the boxes that count but the iteration and synthesising process that take precedence (Murphy et al., 2017).

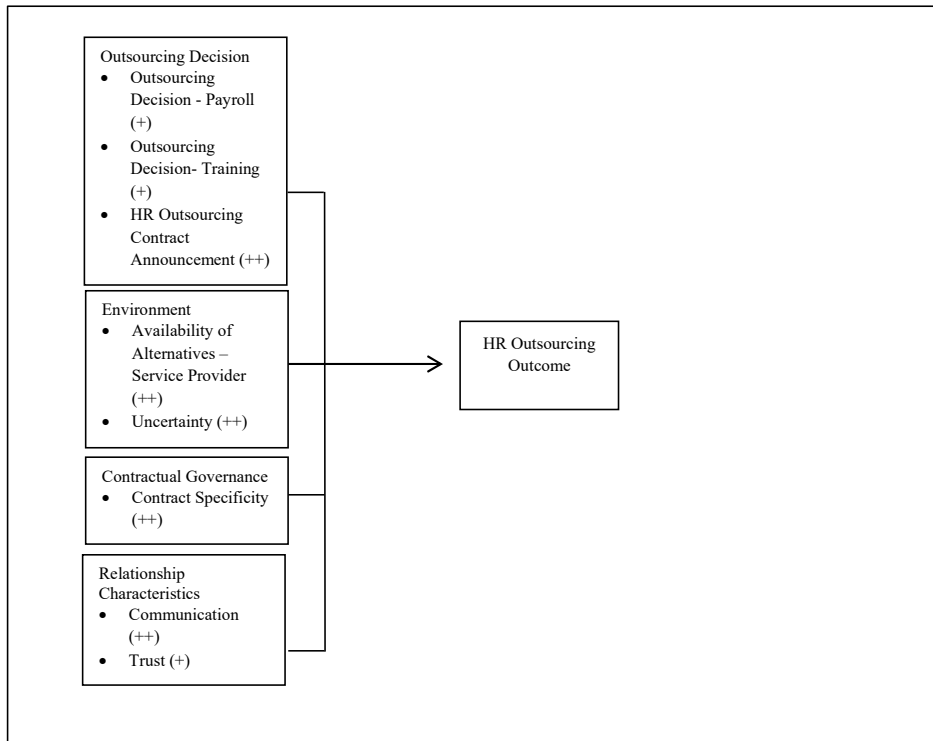
These grounded models are established on the basis that the entire coding process was adhering to the principles of grounded theory with respect to credibility, transferability, dependability and confirmability which in turn account for trustworthiness and validity. Credibility is achieved through member-checking process between the two researchers in aligning the interpretations of the variables and coding as illustrated in the previous section. The development of a detailed description and definition of the variables coded made transferability easy across researchers and contexts while dependability is obtained by having more than one researcher involved in the coding process where idiosyncratic interpretations were discussed and reconciled. Confirmability is assured as the procedure and steps on how the researchers arrived at the grounded models were explicitly spelled out.

Figure 2 Determinants of HRO decision



Specifically, Figures 2 and 3 that are developed from empirical data are foundational in any good theory development (Strauss and Corbin, 1997; Glaser and Strauss, 1999; Christensen, 2006). Additional research may be able to extend these models and eventually transform them from its current statement of correlation to statements of causality. It is certainly an aspiring and worthwhile pursuit.

Figure 3 Determinants of HRO outcome



4.2 Key issues emerged from the literature

4.2.1 Ambiguity in defining HRO

The concept of HRO is sometimes found to be defined as externalising HR activities previously performed in-house to external providers (e.g., Delmotte and Sels, 2008; Cooke et al., 2005; Greer et al., 1999; Turnbull, 2002). Turnbull (2002) refers HRO as placing responsibility for HR function with a third-party provider whereas Macbeth (2008) takes on a RBV and argues that HRO is about gaining resources from other organisation in support of the core business and need not be performed in-house prior to the outsourcing decision. Gospel and Sako (2010) regard HRO as unbundling of corporate structure which is conceptually distinct from the rest of the definitions. These varied definitions are often implicit and is resulting in freedom of interpretations. Hence, there is little consensus on what is meant by ‘outsourcing’ which can have implications on the validity of findings in the literature (Woodall et al., 2009). As a result, such inconsistency may cause HRO concept be mixed with the concepts of external HR subcontracting, HR expert leasing, and HR shared services (Yan et al., 2013).

Hence, further clarification on the HRO concept is direly needed. Yan et al. (2013) argue that HR subcontracting such as using external employees including leasing of HR experts to client organisation and temporary contract workers should not be considered as HRO these external experts and employees are not directly employed by the focal

organisation. However, there is no clear-cut line between HR subcontracting and outsourcing definitions. This is because, firstly HR outsourcing evolved from HR subcontracting (Woodall et al., 2009; Kakabadse and Kakabadse, 2002). Secondly, the nature of outsourcing is generally characterised by externalising HR activity on long-term basis. In the case of subcontracting of temporary workers, it is essentially about externalising the hiring as the employees of the providers are not under the direct employment of the organisation. In this sense, the departure points in deciding whether a practice is deemed outsourcing may need to consider the two generally common criterion; long-term engagement of provider and externalisation of activity. So, neither the types of HR activity nor the modus operandi of the HRO initiative such as whether it involves leasing should be considered as the key determinant.

For this purpose, we have incorporated concerns highlighted by other outsourcing researchers particularly Lacity et al. (2010) and Gilley and Rasheed (2000) to advance the definition of HRO. Lacity et al. (2010) define two-year contract as long-term whereas Gilley and Rasheed (2000) specify the degree of externalisation of an activity to be considered as outsourced. Therefore, this study suggests that HRO may be defined as the externalisation of at least 25% of a specific HR activity or function to a service provider through a long-term legally binding contract no shorter than two years.

4.2.2 Interesting findings and issues

There are some interesting findings being uncovered throughout the literature review processes. Figure 2 shows 11 independent variables that have been studied at least three times, with consistent results in at least half of the cases. From Motivation to Outsource category, surprisingly only one variable was found to have been studied at least three times and to have consistent findings at least half of the time: namely the variable access to specialised capabilities, which has been studied 12 times, with seven (58.3%) of the relationships yielding positive significant results. Among these studies, Lever (1997) found that access to specialised capabilities significantly affects HRO decisions on training, but had no significant effects on other variables such as payroll, benefit, HRIS and recruitment; whereas Lepak et al. (2004) found the exact opposite indicating inconsistent finding given the context of the study. This shows that direct contradicting findings are possible in different HRO contexts.

Perplexingly, cost benefits, the most frequently studied variable but yielded equal amount of significant and insignificant results in relation to outsourcing decisions. The same results pattern also applies to flexibility benefits which is suggestive of conditioning factors. Interestingly, downsizing HR was found six times insignificant of the total seven times being examined which goes to indicate that headcount reduction in HR was not really the main motivation of HRO as the researchers thought. On the other hand, although the variable competitive advantage was found not affecting outsourcing decision, it was found to affect outsourcing outcome.

The effect of firm size has been studied 50 times as an independent variable; 34 times on its impact on HRO decision and 16 times on HRO Outcomes. Interestingly, of the 34 times, the findings show 24 instances (71%) firm size had no impact on HRO decision. Of the 16 times, the findings shows that eight instances (50%) firm size has no impact on HRO outcomes. This demonstrates that despite firm size being one of the most examined variables; it has no clear effect on both HRO decision and outcome and therefore neither appearing in Figures 2 nor 3. We concur with Lacity et al. (2010): that using the mixed

results regarding firm size for future research might well produce only marginal returns and this is probably a research 'dead end' because outsourcing HR is not a practice favoured by organisations of specific size; rather, it is a practice that is used to address different organisations' business needs.

From the relationship characteristics category, commitment is the only variable that stands out when associated with outsourcing decision even though it is a variable that is more often believed to influence the outcome. All the other variables in this category were associated with outsourcing outcome which suggests that relationship characteristics was more often considered as a determinant of outsourcing outcome than outsourcing decision.

Asset specificity, being a key construct of TCE has only been examined twice. The results were equally intriguing, in that, contrary to the TCE proposition which predicts a negative relationship between asset specificity and outsourcing decision. Asset Specificity was found to positively influence the level of outsourcing (Zhao et al., 2013) and to have no effect on HRO Outcomes in terms of the benefits achieved in five of six times this relationship was examined (Galanaki et al., 2008).

Turning to Figure 3, only outsourcing decision – payroll and training yielded consisted results and fulfilled the decision rules. Interestingly, outsourcing decision – benefits and recruitment/selection yielded significant albeit somewhat mixed results. It might be worth to explore why are these outcomes so mixed and the conditions to which the results differ.

Although Uncertainty had more associations with outsourcing decision, the results were surprisingly mostly insignificant (nine out of 15), even though uncertainty was strongly justified as one of the key drivers for scalability reasoning. In contrast, its association with outsourcing outcome were consistent suggesting that uncertainty is a key determinant affecting outcome instead of decision that was so believed by academic researchers.

Finally, contract specificity being the only contractual governance variable, was found to be consistently positively significant in relation to outsourcing outcome. A majority of these examinations were conducted by Gainey and Klaas (2003, 2005), tying contract specificity to trust and satisfaction. This shows much rooms for future research in HRO governance.

There were very few papers examined HRO with moderators and mediators in the literature. It is noteworthy that firm size albeit being studied most (eight times) but it was found to have no significant moderation effects (e.g., Hasliza et al., 2014; Klaas et al., 1999; Gilley et al., 2004). Relatively, there have unfortunately not been many studies on mediators in the HRO context to date, hence, it is not discussed further here.

4.2.3 Competing theoretical perspectives

Among the five commonly used theories in HRO studies, it is observed that some of these theories are potentially contradicting each other. For example, using RBV and core competency theory to explain how HRO decision is made. RBV suggests that a firm's resources are an important source of competitive advantage (Barney, 1991) and that outsourcing allows access to provider's expertise which in turn can complement a firm's competitive resources. However, core competence theory has been used in outsourcing studies to justify what should and should not be outsourced; suggesting that core activities should be retained in-house (Prahalad and Hamel, 1990). This theory explicitly

limits outsourcing decision to peripheral activities only. In this case, this theory may not be able to provide sufficient explanation when firms move on to outsource core activities following the advancement in outsourcing practices. Potentially, if these two theories were used together, the predictions and explanation that these theories hold on HRO decision might differ tremendously

Next, TCE and, RET and SET are often associated with the choice between reliance on contract or relationships in outsourcing. TCE is commonly used to justify the cost saving rationale behind HRO, particularly in the early days of HRO. It advocates that contractual governance should be used to infuse order, mitigate conflict and realise mutual gain (Williamson, 2005) and that managers need to exercise credible foresights into the design of the contract for better governance (Williamson, 2008). In contrast, RET and SET were used to argue about the importance of relationship quality in outsourcing success. This view regards parties as mutually interdependent and involved in an exchange relationship through their interactions. It places greater emphasis on the relational elements instead of the contractual elements. These theories although relevant but they are sitting at the edge of two opposite poles.

Therefore, it is important for HRO researchers to be aware if these potential theoretical issues. We suggest that HRO researchers consider integrating more than one theory into explaining the HRO phenomenon and consider their fit. Meanwhile, other relevant theories such as stakeholder theory and social network theory appeared relatively less explored in HRO research – given that only two papers applied these theories – Klaas et al. (2005) and Yan et al. (2013).

5 Conclusions

Over 20 years of HRO practice, we conclude that academic researchers have made progress in producing reliable and objective research. We believe that by answering the three research questions, this paper has delivered its primary objective in enhancing the current state of knowledge associated with HRO phenomenon.

The foundation of descriptive theory development was established by fulfilling Christensen's (2006) three steps:

- 1 Observation and description of constructs (such as we did master codes).
- 2 Categorisation of constructs (such as we did in Table 3).
- 3 Statements of correlations between constructs (such as we did in Table 3 with findings coded), leading to the emergence of Figures 2 and 3 useful for future research.

This paper has also highlighted the definitional ambiguity of the HRO concept and provided an improved version of the conceptual definition. Potential competing theoretical perspectives were identified and explicitly outlined. Research insights, inconsistencies in prior results and future research directions were covered as well.

The method of outlining the literature review alongside deploying a coding system has enhanced the presentation of the variables examined together with its findings in a simpler yet comprehensive manner where the IV and DV examined are being clearly broken down by frequencies. This approach has also allowed the researchers to have in-depth direct engagement in the process of discerning the literature.

All in all, HRO is anticipated that HRO will remain an interesting and growing area for research for many years to come as HRO phenomenon and models continue to evolve.

6 Managerial implications

This literature review illustrates determinants of HRO decisions and outcome useful to practitioners. HRO service providers and HR managers can now strategically plan and focus their scarce resources in a targeted manner depending whether they are at the onset of making HRO decision or at the stage of managing HRO outcome to minimise unexpected failures. They are guided with what works consistently that are being tested over time than having to trial and error to allow implementation of best practices and toward a greater promise of organisational performance.

7 Limitations

Like every piece of research, this study has its own limitations. First of all, we acknowledge that it is possible that we may have overlooked some papers despite our attempts at searching for them through various databases. In addition, our analysis focused on 34 empirical papers written in English and not in other languages. The study did not analyse the context of each study in depth, i.e., by individual, organisational and national level responses. Rather, it is analysed at aggregate level based on findings from past studies due to the nature, amount and types of papers available in extant literature for a meaningful contribution.

Secondly, just like any other method or technique that has its own limitations; the grounded coding technique used in this paper is without an exception as it neither generates statistical diagrams nor infographics. However, this method is aligned and consistent within the larger outsourcing research domain. In addition, it provided a great extent of quantitative details compared to previous HRO literature review papers while allowing a deep diving into key issues emerge that would be otherwise impossible to uncover using either a pure quantitative or qualitative approach. Additionally, we acknowledge that we may be unable to guarantee the perfection of the coding, but we have attempted to minimise any potential errors where possible through our coding procedural design.

8 Direction for future research

Generally, it is observed that the relationships examined in HRO literature remained scarce and patchy. HRO researchers have made considerable progress, but there is still a gap in large-scale collective work, leaving many unanswered puzzles. The reasons for this are evident, with more than half (57 out of 99) of the independent variables, and nine out of 36 dependent variables, having been studied less than three times. In short, even within the list of variables previously studied, there is a lack of rigor in studying them.

The overall HRO literature gaps and potential future research directions are outlined below:

8.1 More studies on reasons to outsource HR and the conditioning factors

The findings on cost benefit potentially indicates two things:

- 1 It could be assumed that our body of research is representative of reality and hence reflects the fact that not all companies outsourcing HR are motivated by cost benefit.
- 2 It could be that academic studies on HRO have not been representative where the HRO researchers' belief and the facts suggest otherwise.

Flexibility benefit and downsizing HR were studied many times but suffered the same findings which all pointing to the possible influence of conditioning factors which are rarely examined in the literature.

Meanwhile, instead of adopting measures directly from IT outsourcing literature, HRO researchers may need to expand research in the HRO context because this will facilitate the identification of differences in findings across other outsourcing contexts. Researchers need to refrain from assuming that the same outsourcing reasons apply across different contexts because, although some of the reasons might seem recurrent, outsourcing is a highly contextual and conditional phenomenon (Cullen et al., 2008).

8.2 More studies on HRO outcomes

Majority of the studies reviewed used cross-sectional data, which may impede understanding the extent to which firms achieve their outsourcing objectives in the longer term. So far, although service quality repeatedly surfaced as the key issue among practitioners (Deloitte, 2016, 2014, 2012), there has been only one paper examining service quality variable as moderator by Hasliza et al. (2014) – which connotes the paucity of research in this area. The provider's perspective on various aspects of HRO has received similarly scant attention. No study on HRO client satisfaction and its impact on client loyalty in terms of contract renewal, expansion and referral which again represent another knowledge gap.

8.3 More studies on HR outsourcing governance

An interesting yet little studied area is the impact of governance on the effectiveness of HRO (e.g., Klaas et al., 2005; Gainey and Klaas, 2003, 2005). The findings have prompted a number of further questions, such as: Does contractual governance in the form of contract specificity remain effective over time given that outsourcing involves long-term inter-organisational interaction? To what extent does contractual governance help ensure positive HRO outcomes? Is it sufficient to just rely on contractual governance? Does relational governance also affect the effectiveness of HRO? If yes, is relational governance superior to contractual governance? Or does relational governance complement contractual governance? How does relational versus contractual governance affect the work of HR personnel at functional level and HR leadership at organisational level?

8.4 More studies on the effect of environment

Although it seems logical that greater supplier competition is linked with favourable outcomes, it is surprising that only two papers (Galanaki et al., 2008; Lievens and Corte, 2008) have studied these relationships. Lievens and Corte (2008) found that the availability of suppliers does not affect the likelihood of an outsourcing company continuing with outsourcing. Further research is required to examine this relationship and improve understanding of the logic behind the findings. Additionally, research incorporating other environmental conditions appears still lacking.

8.5 More studies on the effect of relationship characteristics

Although good relationships are one of the keys to HRO success, it was a surprise to find that very little research conducted on the effects of relationship characteristics. It is observed that there has so far been no consensus on the dimensions of partnership or relationship quality in HRO research. In fact, most of the research did not consider the difference between factors affecting partnership and the quality of partnership (Lee and Kim, 1999) which is of concern.

The effects of knowledge sharing, cultural congruency, supplier and organisational capabilities and prior supplier working relationship have been proven to positively influence outsourcing outcomes in other contexts (Lacity et al., 2010), but none of them has been studied in the HRO context.

8.6 More studies beyond direct effects

Referring to Figures 2 and 3, they are suggesting that HRO literature are largely fragmented into two factor-based models. Moderators such as idiosyncratic HR practices, cost pressures and prospector strategy, for example, have strong potential to be moderators, as each already has two significant findings studied in the literature. While there are some articles doing research beyond direct effects, clearly more are needed.

8.7 Keeping track of emerging models and trends

Many HR practitioners are interested in cloud solution services, but struggle to understand what these are in practice and how they can improve HR performance. HR big data remains under researched. How can HR managers and outsourcing providers benefit from HR big data? How can different outsourcing approaches, such as outsourcing to a single provider or multiple providers, affect HR performance? How can HR managers enjoy the benefits of outsourcing, yet avoid the potential loss of internal skills and knowledge? What about the HR insourcing trends? What about HRO and its effect on HR digitalisation and decision making?

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Appendix*Master codes*

<i>Codes</i>	<i>Definitions</i>	<i>Citations</i>
Cost benefits	Cost-related benefits that the clients of service providers receive from outsourcing their activity.	Galanaki et al. (2008), Shaw and Fairhurst (1997), Lepak et al. (2004), Lever (1997), Nguyen and Chang (2017)
Access to specialised capabilities	The client's motivation to gain access to a service provider's expertise, specialised skills and abilities	Shaw and Fairhurst (1997), Lepak et al. (2004), Lever (1997)
Downsizing	The outplacement activities of human resources that lead to a reduction in the number of staff in the organisation.	Ordanini and Silvestri (2008), Lever (1997)
Operating performance	The client's operating performance, generally measured by the operating return on assets.	Butler et al. (2010), Butler and Callahan (2014)
Competitive advantage	The extent which the outsourced activity provides an organisation a competitive advantage.	Galanaki et al. (2008)
Change management	The client's decision to outsource activities related to change management to service providers.	Sheehan (2009)
Job acceptance intention	The intention of new applicants in a recruitment process to accept the job offer.	Wehner et al. (2012)
Flexibility benefits	The increase in the client's flexibility and ability to adjust to the demand variability of the HR activity by outsourcing their HR activity.	Galanaki et al. (2008), Nguyen and Chang (2017)
Quality benefits	Improvements in quality that client firms receive by outsourcing their HR activity to external service providers.	Galanaki et al., (2008)
Supplementing workload	The firm's motive to outsource in order to access additional capacity to fulfil a large workload that exceeds the firm's own capacity.	Shaw and Fairhurst (1997)
Project independence	The degree to which the project is free from other influences.	Shaw and Fairhurst (1997)

Master codes (continued)

<i>Codes</i>	<i>Definitions</i>	<i>Citations</i>
Make or buy	The client's basic decision to retain the activity in-house or to outsource it to service providers	Shaw and Fairhurst (1997), Chiang et al. (2010), Galanaki and Papalexandris (2007), Butler and Callahan (2014)
Transactional functions	The degree which clients depend on service providers to perform or assist their transactional activities.	Klass et al. (2005)
Payroll	The client's decision to outsource payroll and pay administration activities. One of the activities classified under transactional functions and noncore HR activities.	Lepak et al. (2004), Sheehan (2009), Lever (1997), Gilley et al. (2004), Shih and Chiang (2011), Hasliza et al. (2009), Galanaki et al. (2008), Klaas et al. (2001), Reichel and Lazarova (2013)
Benefits	The client's decision to outsource benefits related activities. Classified as a transactional function and noncore HR activity.	Lepak et al. (2004), Lever (1997) Hasliza et al. (2009), Klaas et al. (2001), Reichel and Lazarova 2013)
HRIS	The client's decision to outsource human resource information services activities. One of the activities classified under transactional functions.	Lepak et al. (2004), Sheehan (2009), Lever (1997), Hasliza et al. (2009), Klaas (2001)
Pension	The client's decision to outsource pension related activities.	Reichel and Lazarova (2013)
Capital market performance	The capital market returns of the client firm's stocks, calculated with event study analysis.	Butler and Callahan (2014)
Performance	The client's decision to outsource performance related activities such as performance appraisal and performance related pay to service providers.	Sheehan (2009), Klaas et al. (2001)
Employee welfare	The client's decision to outsource activities related to employee welfare such as occupational safety and health. Also, considered as one of the activities in the group 'human capital activities.'	Nunez (2009), Klaas (2001)
Training	The client's decision to outsource training activities. Also, grouped under 'human capital activities' as well as under "traditional functions. A core HR activity. Encompasses both generic and job specific training models.	Lepak et al. (2004), Sheehan (2009), Lever (1997), Gilley et al. (2004), Shih and Chiang (2011), Hasliza et al. (2009), Galanaki et al. (2008), Reichel and Lazarova (2013)

Master codes (continued)

<i>Codes</i>	<i>Definitions</i>	<i>Citations</i>
Recruitment/selection	The client's decision to outsource activities related to recruitment or selection Also, one of the activities classified under traditional functions and core HR functions.	Lepak et al. (2004), Ordanini and Silvestri (2008), Sheehan (2009), Klaas (2001), Lever (1997), Shih and Chiang (2011), Wehner et al. (2012), Hasliza et al. (2009), Reichel and Lazarova (2013)
Compensation	The client's decision to outsource compensation-based activities to external service providers and also grouped under traditional HR functions.	Lever (1997), Hasliza et al. (2009)
Employee relations	The client's decision to outsource employee relations activities to an external service provider. Also classified under HR generalist activities.	Sheehan (2009), Klaas (2001)
Outsourcing frequency	The number of times the client outsourced the HR activity to the same service provider.	Lievens and Corte (2008), Zhao et al. (2013)
Outsourcing knowledge skills and abilities	The client's knowledge, skills, and abilities in dealing with external outsourcing service providers	Gainey and Klaas (2003); Gainey and Klass (2005)
HR outsourcing contract announcement	The announcement of an HR outsourcing contract that is publicly released.	Butler and Callahan (2014), Butler et al. (2010)
Degree of outsourcing	The client's extent of outsourcing measured by the number of activities outsourced by the client.	Delmotte and Sels (2008), Sheehan and Cooper (2011), Tremblay et al. (2008), Hasliza and Norbani (2011a), Hasliza and Norbani (2011b), Ordanini and Silvestri (2008), Mahmud et al. (2012)
Idiosyncratic HR Practices	The extent which an HR activity or practice is specialised or customised to the client organisation's specific needs.	Klaas et al. (2001), Tremblay et al. (2008), Gainey and Klaas (2003, 2005)
Frequency of training	The frequency of transactions for the training activity outsourced.	Galanaki et al. (2008)
HR devolution	A variable that captures the degree to which HR responsibilities are delegated down to line managers.	Delmotte and Sels (2008), Reichel and Lazarova (2013), Gottardello and Valverde (2018)
HRM intensity	The intensity of the firm's human resource management practices, measured by an index constructed.	Delmotte and Sels (2008)

Master codes (continued)

<i>Codes</i>	<i>Definitions</i>	<i>Citations</i>
HR scorecard (Y/N)	A dummy variable that captures whether a balanced HR scorecard is utilised by the organisation.	Delmotte and Sels (2008)
Proportion of HR employees	The HR ratio, or percentage of employees in the HR department, measured against the total number of employees in the organisation.	Delmotte and Sels (2008)
HR resource adequacy	The HR manager's perception of the sufficiency of their department to fulfil the activities needed.	Ordanini and Silvestri (2008)
SHR index	The human resources index utilised to determine how valuable employees are strategically.	Nunez (2009)
Measurability of activity	The ease of measuring the performance or quality of a specific activity	Tremblay (2008)
Human capital enhancing services	The degree which the client firm utilises service providers in activities that affect employee motivation, skill level and workforce quality.	Klaas et al. (2005)
Gender	A demographic variable to capture the respondents' genders.	Chaudhuri and Bartlett (2014)
Education	A variable to identify the education level of the respondents	Chaudhuri and Bartlett (2014)
Relevance of outsourced activity	The respondent's perception on the level of relevance and usefulness of the outsourced activity.	Chaudhuri and Bartlett (2014)
HRM strategies	Strategies that concerned with managing people through recruitment, development, appraisal, compensations and work systems to achieve the overall organisational objectives.	Hasliza et al. (2014)
Commitment HRM strategy	Encompasses continuance commitment, which is the client's commitment to continue outsourcing to the service provider; and affective commitment, the client's emotional commitment to the service provider. The variable also covers the client firm's commitment to occupational safety and health.	Hasliza and Ramayah (2013a), Lievens and Corte (2008)
Firm size	The organisational size of the client's firm, measured by the number of workers in the organisation.	Mahmud et al. (2012), Klaas et al. (2001), Galanaki (2008), Chiang (2010), Delmotte and Sels (2008) Shih and Chiang (2011), Hasliza and Norbani (2011a), Lever (1997), Ordanini and Silvestri (2008)

Master codes (continued)

<i>Codes</i>	<i>Definitions</i>	<i>Citations</i>
Industry	The client organisations' industry classifications, from private against public, services against manufacturing, financial against non-financial, to a list of separate industry classifications presented by authors.	Chiang (2010), Delmotte and Sels (2008), Shih and Chiang (2011), Nunez (2009), Klaas et al. (2005, 2001), Tremblay et al. (2008)
Sector (profit/non-profit)	A variable to indicate if a firm is classified into the profit sector or non-profit sector.	Sheehan and Cooper (2011)
Promotional opportunities	The degree to which employees perceive they have been given the opportunity for promotion. It captures both internal candidate preference and availability of opportunity for higher positions.	Klaas et al. (2001)
Outsourcing experience	The client organisation's prior experience with external outsourcing service providers, regardless of function	Tremblay (2008), Zhao (2013), Lever (1997)
HR department size	The organisational size of the client firm's HR department, measured by the number of workers in the organisation's HR department.	Hasliza and Norbani (2011b), Mahmud et al. (2012), Lepak et al. (2004)
Foreign ownership	A variable to indicate whether a firm is owned by foreign multi-national corporations or local domestic corporations.	Chiang et al., (2010); Sheehan and Cooper (2011)
Union	A dummy variable to capture worker representation in firms, either by official union status or the establishment of a committee to represent workers.	Shih and Chiang (2011), Tremblay et al. (2008), Nunez (2009)
Change in headcount	Covers employment evolution and the evolution of the HR headcount.	Delmotte and Sels (2008)
Reputation-service provider	The perceived positive reputation and status of the outsourcing service provider.	Lievens and Corte (2008)
Percentage of graduated workforce	The proportion of employees within an organisation who are graduates (or above) – used as a proxy for the organisation's education level.	Ordanini and Silvestri (2008)
Business group affiliation	A dummy variable to signify the firm's association with a business group or runs a separate independent variable	Ordanini and Silvestri (2008)
Enterprise scale	A measure used to illustrate a firm's characteristics.	Zhao et al. (2013)

Master codes (continued)

<i>Codes</i>	<i>Definitions</i>	<i>Citations</i>
Firm attractiveness	The attractiveness of the firm from the perspective of new applicants in the recruitment process.	Wehner et al. (2012)
Client receptivity	The extent which the client is willing to accept comments, criticisms, and advice from the service provider to manage their human resources and activities.	Klaas et al. (2005)
Transactional services	The degree which clients depend on service providers to perform or assist their transactional activities.	Klass et al. (2005)
Outsourcing emphasis	tems measuring how much weight the organisation puts on outsourcing.	Klaas et al. (1999)
Pay Strategy	The client firm's propensity to pay efficiency wages or wages higher than the industry average.	Klaas et al. (2001), Tremblay et al. (2008), Gainey and Klaas (2003, 2005)
Quality based strategy	A firm's strategy to prioritise the quality of their products.	Hasliza et al. (2009)
Proactive Strategy	A firm's strategy to prioritise flexibility and swift reactions in order to maximise the number of innovations and facilitate change in the industry	Hasliza et al. (2009)
Breadth strategy	A firm's strategy to produce a large variety of products, hence requiring fewer specialised skills from HR employees.	Hasliza et al. (2009)
Reactive strategy	The firm makes cost reduction a priority and gains from production efficiency and effectiveness.	Hasliza et al. (2009)
Facilitation strategy	Firms utilise a strategy to facilitate new skills, abilities and knowledge by providing employees with opportunities for free-flowing communication	Hasliza and Norbani (2011b)
Accumulation strategy	A firm's attempt to attract good candidates and retain employees by practicing lifetime employment, promotional opportunities, and seniority-based reward systems, in order to minimise the need for recruitment activities.	Hasliza and Norbani (2011b)
Utilisation strategy	A strategy employed to minimise the cost of HR functions and encourage the use of part-time employment when needed.	Hasliza and Norbani (2011b)

Master codes (continued)

<i>Codes</i>	<i>Definitions</i>	<i>Citations</i>
Prospector strategy	The firm's strategy to diversify more from their existing products and customer base with greater focus on innovation and creating new market awareness.	Shih and Chiang (2011)
Uncertainty	Ambiguity in the environment that manifests in the demand for outsourced activity performance evaluations, and so on.	Klaas et al., (2001), Zhao et al. (2013), Lepak et al. (2004), Gainey and Klaas, (2003), Gainey and Klaas (2005)
Risk	The risk that an organisation faces when conducting business transactions, human resource risk, service provider risk, and business risk which also covers occupational risk.	Lever (1997), Tremblay (2008), Nunez (2009)
Competitor's HR Outsourcing	The level of outsourcing employed by competitors.	Klass et al. (2001)
Availability of alternative service providers	Service providers: the number of alternative service providers available or the ease to access alternatives for the outsourcing activity.	Lievens and Corte (2008), Galanaki et al. (2008)
Technology/knowledge intensive context	Technology intensity as in the STI classification of the OECD.	Ordanini and Silvestri (2008)
Information asymmetry	The extent which information is difficult to control and observe, leading to an imbalanced distribution of information between the client and service provider.	Nunez (2009)
Strategic HR involvement	The extent to which HR managers are involved in making strategic decisions within the firm.	Reichel and Lazarova (2013), Delmotte and Sels (2008), Ordanini and Silvestri (2008), Sheehan and Cooper (2011), Tremblay et al. (2008), Zhao et al. (2013), Klaas et al. (2001), Nguyen and Chang (2017)
Investment	The amount the firm has invested into the specific activity.	Lievens and Corte (2008), Galanaki et al. (2008)
Top management support	The commitment and intention of the client's top management to opt for outsourcing, as well as their support for the decision.	Tremblay et al. (2008), Ee et al. (2013a), Zhao et al. (2013), Lever (1997)
Asset specificity	The extent which the asset or service is specialised or specific to the client firm	Galanaki et al., (2008); Zhao et al., (2013)
Benchmarking	The client firm's involvement in benchmarking activities, captured as a dummy variable.	Tremblay et al. (2008), Ee et al. (2013a), Zhao et al. (2013), Lever (1997)

Master codes (continued)

<i>Codes</i>	<i>Definitions</i>	<i>Citations</i>
Task complexity	The difficulty of the problems encountered when performing a specific activity.	Tremblay (2008)
Integration	The extent which occupational safety and health is incorporated into the primary activities of the firm.	Nunez (2009)
Positive HR outcomes	The degree firms are able to achieve desirable outcomes in their human resources, such as teamwork, motivation, and performance.	Klaas et al. (2001)
Stakeholder performance	The client firm's performance in relation with the other stakeholders, measured by employee morale, employment stability, supplier relations, and customer relations.	Gilley et al. (2004)
Innovation performance	The client firm's innovation performance, measured by process innovations, product innovations and research and development outlays	Gilley et al. (2004)
Financial performance	The client firm's financial performance, usually measured by the rate of return on assets.	Gilley et al. (2004); Sheehan and Cooper (2011)
Satisfaction	The client's satisfaction with the outsourcing activity and HR outcomes. This variable also measures the satisfaction with the recruitment process.	Gainey and Klaas (2003), Klaas et al. (2005), Wehner et al. (2012)
Communication	The degree and frequency of communication between the client and the service provider, also taking into account accuracy and information sharing.	Klaas et al. (2005), Ee et al. (2013a), Gainey and Klaas (2005), Gainey and Klaas (2003), Lievens and Corte (2008)
Vendor dependency	The extent that vendors or service providers are dependent upon the clients for business.	Gainey and Klaas (2003, 2005)
Shared values	The principles, beliefs, and ideas that are shared by the client and service provider.	Lievens and Corte (2008)
Approachability	The service provider's ease of accessibility and friendliness as perceived by the client.	Lievens and Corte (2008)
Business understanding	The extent to which both parties understand the dealings, behaviours, and policies of each other.	Ee et al. (2013a)
Relationship tenure	The means firms use when contracting with service providers; either through long-term service relationships or one-off encounters.	Gainey and Klass (2003)
Contract specificity	The level of detail specified in the contracts between a client and outsourcing service provider	Gainey and Klaas (2003, 2005) Klaas et al. (2005)

Master codes (continued)

<i>Codes</i>	<i>Definitions</i>	<i>Citations</i>
Tangibles	Assesses service through tangible dimensions such as the physical appearance of staff and facilities, cleanliness, etc.	Hasliza et al. (2014)
Reliability	Assesses the service provider's dependability when providing the service, such as whether performance is always delivered within the intended timeframe or the possibility and number of errors.	Hasliza et al. (2014)
Responsiveness	Assesses the service provider's reactions and sensitivity, such as providing prompt feedback and assistance whenever requested.	Hasliza et al. (2014)
Assurance	Assesses the degree of perceived confidence the client has towards the service provider; i.e., whether the clients believe the providers are competent.	Hasliza et al. (2014)
Outsourcing success	The client's HR department and organisational performance and effectiveness after engaging in outsourcing activities.	Ee et al. (2013a), Shih and Chiang (2011), Hasliza et al. (2009), Sheehan and Cooper (2011)
Empathy	Assesses the client's impression of how much the service provider care for the client's needs, e.g., whether the client believes the service provider acts based on the client's best interests.	Hasliza et al. (2014)