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## **The context of Human Resources Outsourcing and perception of the Organizational Culture according to the service usufruct**

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Master's in Human Resources Management and Organizational  
Consultancy

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PhD Maria Gabriela Matias da Silva, Assistant Professor, Iscte-IUL

November, 2021

Department of Human Resources and Organizational Behavior

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## Abstract

Prevailing on a growing fast-paced environment, organizations are becoming more aware of the changing speed, looking for ways to compete with it. HRO allows organizations to focus on core business and receive specialized work, being a trend increasingly targeted of interest among organizations.

Each organizational culture has its values and way of interpreting and doing things and when planning HRO, OC remains one essential variable, as an outsourcing approach leads to changes in procedures and organizational values.

Not much research has conducted in-depth analyses of the link between OC and HRO choices. This study had two main objectives: to give a context of the HRO and to clarify the perception of OC towards the service.

Results came by descriptive analysis and mean comparison analysis. The outcomes most highlighted were: the highest reason to recur to HRO was to comply with a legal obligation and the highest reason to not recur was the preference for internal knowledge development. The highest obstacle when trying to recur to the service was to find specialist organizations and the most outsourced HR activity was Health and Safety at Work.

To conclude, there were no significant differences concerning the perception across each OC, according to the use or do not use of HRO. However, the OC that stood out the most was culture of adaptability, whether recurring to HRO or not.

**Keywords:** Outsourcing, Human Resources Outsourcing, Organizational Culture.

**JEL Classification Systems:** Corporate Culture (M14), Human Resources (O15), Organizational Behaviour (D23), Personal, Professional, and Business Services (L84).



## Sumário

Prospetando num ambiente de rápido crescimento, as organizações estão a tornar-se mais conscientes da velocidade da sua mudança, procurando formas de competir com as mudanças no mercado. HRO permite que as organizações se concentrem no negócio principal e recebam trabalho especializado, sendo uma tendência cada vez mais alvo de interesse entre si.

Cada CO tem os seus valores e forma de os interpretar e fazer as coisas e, ao planear o ORH, a OC continua a ser uma variável essencial, uma vez que uma abordagem do outsourcing conduz a mudanças nos procedimentos e valores organizacionais.

Pouca investigação tem conduzido análises aprofundadas sobre a ligação entre CO e as escolhas do HRO. Este estudo teve dois objetivos principais: conceder um contexto do ORH e clarificar a perceção da CO em relação ao serviço.

Os resultados foram obtidos através de análise descritiva e análise comparativa de médias. Os resultados mais destacados foram: a razão mais referida para recorrer ao ORH foi o cumprimento da obrigação legal e a razão mais elevada para não recorrer foi a preferência pelo desenvolvimento do conhecimento interno. O maior obstáculo ao tentar recorrer ao serviço foi encontrar organizações especializadas e a atividade de RH mais externalizada foi a Saúde e Segurança no Trabalho.

Para concluir, não houve diferenças significativas relativamente à perceção de cada CO, de acordo com o uso de HRO sem uso. No entanto, a CO que mais se destacou foi a cultura de adaptabilidade, recorrente ou não da HRO.

**Palavras-chave:** Outsourcing, Outsourcing de Recursos Humanos, Cultura Organizacional.

**Sistema de Classificação JEL:** Corporate Culture (M14), Human Resources (O15), Organizational Behaviour (D23), Personal, Professional, and Business Services (L84).





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## Glossary

CO – Cultura Organizacional.

HRIS – Human Resources Information Systems.

HRM - Human Resources Management.

HRO – Human Resources Outsourcing.

OC – Organizational Culture.

ORH – Outsourcing de Recursos Humanos.



## Introduction

Human resources outsourcing became widespread in the 1990s, once firms handled the so-called “war for talent,” due in large part to a changing economic environment (Adler, 2003). In a fast-paced environment and the implosion of numerous business sectors at the same time, managers have hunted for innovative ways to raise themselves, become more productive as well as re-establish focus to their core business (Davidson, 2005). Organizations were under pressure to provide an efficient response to business fluctuations, increasing and decreasing employee’s numbers more speedily, while reducing operations costs (Armstrong, 2020), turning into the so-called “flexible” organizations. Leaders started to shift in-house workers to essential roles and replacing the non-essentials roles to outside suppliers, leading to an increasing outsourcing seek. Outsourcing has become a progressively relevant business approach and it has resulted in competitive advantage as products and services are supplied more effectively and efficiently by outside providers (McIvor, 2008; Yang, Kim, Nam & Min, 2007)

Organizational culture has become one of the most essential components to consider when planning and employing outsourcing strategies (Espino-Rodríguez & Gil-Padilla, 2005). These strategies are established according to the values, practices, and beliefs of the organization and remains a necessity to comprehend them when looking to implement new management practices (Alofan, Chen & Tan, 2020). Thereby, outsourcing organizations must understand those needs and work to adapt to their client’s culture, by creating an appropriate atmosphere within the organization, along with the meeting organizational objectives (Espino-Rodríguez & Gil-Padilla, 2005).

This study has two main objectives: to provide a context of the HRO in Portugal; and to clarify the perception of each OC, according to the use/not use of HRO. Not much research has conducted in-depth analyses of the link between OC and HRO concerns. This study aims to fill such gap by answering the following questions:

Research Question 1: What are the reasons most mentioned for using and not using HRO?

Research Question 2: What are the obstacles most mentioned when trying to use HRO?

Research Question 3: Which HR activities are the most and least outsourced?

Research Question 4: Which perceptions are given to the impact of the HRO in the future?

Research Question 5: Which perceptions are attributed to OC, according to the use/not use of HRO?



# Literature Review

## ***Human Resources Outsourcing***

Outsourcing is made up of two words - 'out' and 'sourcing', a concept developed from the American terminology 'outside resourcing' (Adegbami, Makinde & Shiyabade, 2014). The concept was primarily proposed by Adam Smith in the book *The Wealth of Nations* (1776). The book suggested that work division and specialization, which are the pillars of outsourcing, were the main predictors of productivity and optimization.

The theme has become an emerging subject, leading to numerous definitions. Domberger (1998) defined it as "the delegation to another party the authority for the provision of services under a business contract that incorporates service-level agreements related to cost, quality, and the timeliness of deliverables".

Later, Ishizaka, Bhattacharya, Gunasekaran, Dekkers and Pereira (2019) analysed the prevailing literature from 1994 until nowadays and arose with the following assumption:

Outsourcing is a business agreement, either domestic and/or international (...), and a strategic management initiative for gaining competitive advantage of a firm, by contracting out their existing internal and/or external non-value-added functions, and/or value-added functions, and/or core competencies to the competent supplier(s), to produce products and/or services efficiently and effectively for the outsourcing organization.

Concerning HRO, definitions do not dissociate much from the ones above presented. The main variation concerns with the adaptation to the HR context. Greer, Youngblood and Gray (1999), defined HRO as "the performance, by outside parties regularly, of HR tasks that would otherwise be performed in-house". Later, Tremblay, Patry and Lanoie (2008) stated that HRO is "the act of contracting out of a part or all HR activities to an outside supplier through substitution<sup>1</sup> or abstention<sup>2</sup>, in opposition to internal purchasing in which activities are performed by the employees of the organization".

To summarize, the definition that was targeted to be the most comprehensive about HRO was that HRO is an externalizing process/activity that could be performed on the past within the organization, that could be performed presently within the organization, or that was never

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<sup>1</sup> Substitution means that HR tasks performed in-house become substituted by the external supplier, and on the other way around.

<sup>2</sup> Abstention means that the external supplier will provide an HR task that have never been performed in-house.



performed within the organization. Furthermore, these processes/activities could be value-added or non-valued added to the organizations.

### ***Reasons for using HRO***

As organizations seek to the competitive position in an increasingly global marketplace (Adler, 2003), they discovered that they could maintain quality by relying more on outside providers for activities viewed as supplementary to their core businesses (Frayser, Scannell & Thomas, 2000).

Abraham and Taylor (1996), and Belcourt (2006), throughout the transaction costs theory, claimed that outsourcing organizations could help their clients by using the economies of scale, meaning they earn by gathering and performing similar repetitive tasks for many customers. The specialized work, allows, therefore, the organization and its HR roles to focus on the core business and strategy (Hu, Saunders & Gebelt, 1997), leading to higher flexibility (Lumpkin & Dess, 2015), to improvements of the organizational competitiveness (Barthelemy, 2003; Kotabe & Murray, 1990; Yang et al., 2007; McIvor, 2008) and organizational learning (Pandey, 2020) and, therefore, a higher service quality (Marinaccio, 1994).

The resource-based view aimed to elucidate in what way organizations gain sustainable competitive advantage by acquitting and developing resources. It moreover could be used to comprehend organizational behaviour regarding outsourcing. Resources that are assumed to be valuable, rare, and tough to replicate are assumed to allow organizations to gain competitive advantage. On the opposite, resources that are not assumed to have the features previously mentioned, are targeted to be outsourced (Barney 1991; Conner & Prahalad 1996).

Other reasons pointed out in the literature are risk reduction (Quinn, 1994, 2000) and cost reduction (Armstrong, 2020; Davidson, 2005; Karthikeyan, Bhagat & Kannan, 2013). Organizations aim to reduce risk when letting an outside supplier to perform in-house activities. A match between risk reduction and cost reduction could be a leader for the reason related to labour force reduction (Lever, 1997). In this way, organizations share the risk with the outsourcing organizations, while saving costs. Organizations may view HRO as a safer way, to get the best know-how, while saving supplies.

A survey made by Harkins, Brown and Sullivan (1995), pointed out that 110 out of 121 (91%) respondents have outsourced more than one of the HR functions and the reasons were:

to get access to specialized expertise (more important); to save time and money; to save administrative costs; to focus more on strategic initiatives; to outsource functions which are not part of the core business; to reduce the increasing responsibilities; to reduce workforce; to comply with the budget established; to reduce liability (less important).

Furthermore, a survey made by The Conference Board along with Accenture HR Services emphasized the key motivating reasons when deciding to outsource. The primary driver was cost savings, which has been the most popular reason for HRO for a long time, as the enhance productivity universal need (cited by Davidson, 2005).

### ***Reasons for not using HRO***

Notwithstanding the outsourcing drivers, there are still organizations that do not recur to it. Ulrich (1996) argued that outsourcing could hamper the creation of unique skills and cause inefficiencies, reasoned by the lack of the specific knowledge of the client's organizations by the outsourcing company. This scenario led to a struggle in finding good quality vendors (Greer et al., 1999) along with the resistance from within the HR department Pickard (2000a) as a hamper to the service acquirement.

Other reasons to not recur to HRO were referred by Stroh and Treehuboff (2003), and Templer and Ghanam (2006) discussing knowledge retention and internal control. The initial authors declared that delegating important functions to outsourcing organizations may lead to the risk of losing the in-house knowledge and the capacity to learn new skills and competencies. Additionally, the remain authors claimed that the external delegation may lead to a reduction control over how certain services are managed and delivered.

Further reasons outlined in the literature concern to the non-nonmatching cultures. In 2011, Kick and Dozer (cited in Pandey, 2020) stated that outsourcing could run to an unsuccessful performance, when outsourcing organizations do not match the culture and the strategy of their clients. The same authors emphasize that an outsourced HR function may not fully represent the organization's values and culture and perhaps deteriorate the customer's culture. With the same mindset, a survey made by the Hay group in the United States concerning outsourcing claimed that one of the reasons for not recurring to HRO concerned to culture' incompatibility between the customer and the service provider (Laabs, 1998).

### ***Obstacles faced when trying to outsource Human Resources Management activities***

Obstacles also stand out from when trying to recur to HRO and are aligned with the reasons to not recur to the service above mentioned. Galanaki and Papalexandris (2005) highlighted the key outsourcing obstacles, such as fear of the low quality of the service offered, the lack of experience by the outsourcing organization and its further credibility. Pickard (2000a) and Chiang, Chow and Birtch (2010), supported the idea of Galanaki and Papalexandris, by saying that fear of not finding good quality providers is an obstacle when trying to recur to the service and the second also claims about the uncertainty about its relative costs. Furthermore, both Hewitt Associates (2005) and Barthelemy (2003) underline the fear of resistance within the HR department and the organization employees' reaction. Hewitt Associates and Cooke, Shen and McBride (2005) claim the loss of control of the practices externalized as being the obstacle when trying to recur to HRO.

A study from Smith, Vozikis and Varaksina (2006) came to the following obstacles when trying to HRO: fear of losing control (80%), the nonexistence of a previous outsourcing experience (49%), fear of losing HR roles (34%), worker's resistance (34%), absence of qualified supplier (24%), struggle finding suppliers (17%).

### ***Human Resources activities that are most and least outsourced***

Not only has the magnitude of outsourcing been expanding but the type of functions that are outsourced has also been adjusting. There has been an increasing revaluation in several industries and organizations regarding what constitutes the core and non-core parts of their business. In fact, one survey performed in the US suggested that the average amount of functions outsourced by organizations had increased by 225% from 1992 to 1997. (Brown, 2000, cited in Zappala, 2000).

Meeting what discussed in the *Reasons to use HRO*, the resource-based view remained an important instrument when deciding whether HR activities are targeted to be outsourced or not. Activities seen as core elements of the organization are assumed to require organizational governance and activities as non-core elements of the organization are targeted to be outsourced (Conner & Prahalad 1996).

A survey made by Delmotte and Sels (2008) confirmed that organizations often outsource non-core HR activities such payroll (71,8%), training (60,5%), temporary agency

work (52,6%), and recruitment and selection of operational and support staff (20%). Although, core HR roles are less often externalized such as wage arrangement (7,6%), outplacement (4,7%), appraisal (4.5%), and career management (2%).

Domberger (1998) cited a survey made by Drake of over 1000 Chief Financial Officers (CFO) and concluded that the most likely corporate roles to be outsourced were traditional ranges of HR, such as recruitment and selection and training.

Armstrong (2020) defended that the HR functions are well-placed to externalize some of its roles such as training, recruitment and selection, payroll administration, executive hunt, legal advisory facilities, work-related health and safety services, worker welfare and counselling activities.

The Society of Human Resources Management (2002) surveyed about 24 HR functions and if they were currently outsourcing them. At least one of the respondents outsourced 22 out of 24 functions, and only 2 functions were not outsourced – policy development and strategic business planning. This could mean that those functions are the most crucial within the HR department and essential to the business strategy, hence not being subject to being outsourced. In the same line of thinking, studies from Mahoney and Brewster (2002) and Galanaki and Papalexandris (2005) claimed that HRO activities with a high strategic value remain almost non-existing.

### ***The future of HRO***

Before talking about the future of HRO, its past may be highlighted. At the beginning of the 21st century, Pickard's (2000b) report regarding the organization William M. Mercer alleged that organizations recurring to outsourcing were still a minority, thus classifying it as an evolution process, rather than a revolution.

Kakabadse and Kakabadse (2005) shared that, at the beginning of 2000 outsourcing was first centred on cost-saving and operational specialism, while the strategy differentiation and flexibility would become later.

Furthermore, authors such as Harkins et al. (1995) suggested that HRO has been increased substantially and Torrington (1989) claimed that HR activities were becoming more complex and are more susceptible to being performed by professional consultants.

Moreover, opinions concerning the future of HRO are divergent. Although evidence highlights the continuing growth of HRO, some authors remain prudent in their perception of the success of outsourcing (Hammon, 2001).

Furthermore, outsourcing is becoming more strategic. However, it appears that the overriding trend is for companies to outsource only part of their HR functions to a third party, rather than handing over control of the entire department (Vernon, Phillips, Brewster & Ommeren, 2000).

A study from Sim and Kaliannan (2016) highlighted that organizations were likely to increase their outsourcing in the future, mainly in training and development, followed by recruitment, performance management, payroll, and employee data/record management. The authors claimed that the continuing expansion in outsourcing should lead to more outsourcing specialists, including HRO experts.

Considering technology expansion, information technology outsourcing (ITO) has arisen (Hanafizadeh & Zareravasan, 2020) and there is suspicion of a trend relying on computing machine skills and how to manipulate them to substitute people in standardized activities (Zhang, Yingying and Jiang, 2021).

Furthermore Davidson (2005) claimed that HRO will transform the whole approach regarding the HR profession, such as careers' relocation along with the fact that technology will command everything. However, organizations have understood that HRO is neither an instrument abolishing jobs nor a replacement for effective people. Slightly, HRO agreements have been demonstrated to put people matters at the top of an organization's strategic decision-making.

## ***Organizational Culture***

Schein (2010) defined culture as:

Culture is a pattern of basic assumptions invented, discovered, or developed by a group to face its problems of external adaptation and internal integration that it has considered valid and sufficient to be taught to new members as the right way to perceive, think, and feel concerning those problems.

Culture in organizations was pioneeringly marked by Andrew Pettigrew (1979) when he published that OC had at its core people and the creation of concepts in a shared environment. The author highlighted OC as a group of meanings, considering it as a set of concordances that are cultivated in organizations through power, commitment, and order.

Hofstetter and Harzap (2015) defended that OC results from the combination between both formal and informal elements/environments.

The Competing Values Framework (CVF), from Quinn and Rohrbaugh (1981), focuses on the competing tensions and conflicts inherent in any human system: the primary emphasis is placed on the conflict between stability and change, and the conflict between the internal organization and the external environment. By focusing on the inherent tensions of organizational life, the model allows for the conceptualization of both paradoxical and linear phenomena, and the analysis of both transformation and equilibrium.

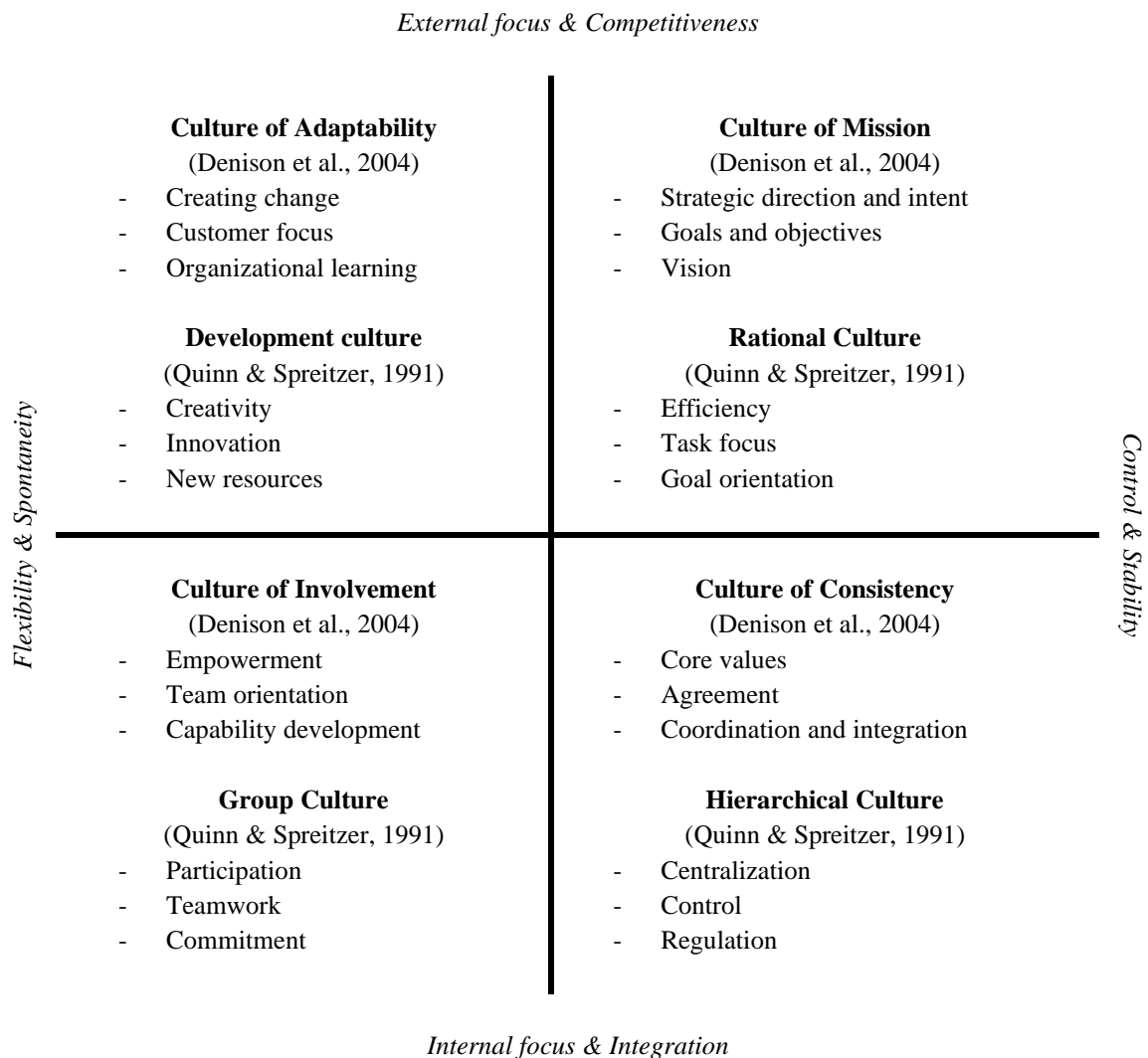
Since its introduction, the CVF has been extended to organizational forms. The pioneering authors, Quinn and Rohrbaugh, two years after (1983), condensed the primary list with 39 items into a stingier set of two main dimensions, by factor analysis, which detected four general quadrants, divided into dual components. The first varies from flexibility to stability and control. The second measures the extent to which an organization underlines internal focus and integration or external focus and differentiation. The four quadrants identified were named as concerning clan, adhocracy, hierarchy, and market cultures, which were further alternatively labelled as group, developmental, hierarchical, and rational cultures (Quinn & Spreitzer, 1991).

The selection of this model (Quinn & Spreitzer, 1991) was reasoned by the fact that it was the most prevailing model in the literature related to outsourcing and it will be deemed in the further literature regarding OC and HRO.

Additionally, the four quadrants of the CVF were also labelled by Denison, Haaland and Goelzer (2004) as adaptability, mission, involvement, and consistency cultures. However, there was no literature review found concerning the Denison alternatives (1991, 1995, 2004) with outsourcing.

Subsequently, being both alternatives identical to each other, the OC model chosen to be part of the questionnaire was the Denison et al. alternative (2004), as it remained the alternative more reliable in terms of efficacy (Pinto, 2018). As a result of no theoretical link between both mentioned models, and to clarify the identity between both alternatives, table 1 translates a comparison between the Quinn and Spreitzer (1991), and Denison et al. (2004) alternatives.

**Table 1.** Comparison between Denison et al. (2004) model of organizational culture and Quinn and Spreitzer's (1991).



In the same line as claimed by Quinn and Rohrbaugh (1983), Denison et al. (2004) divided the four components into two axes – control-flexibility and internal-external. (See table 1).

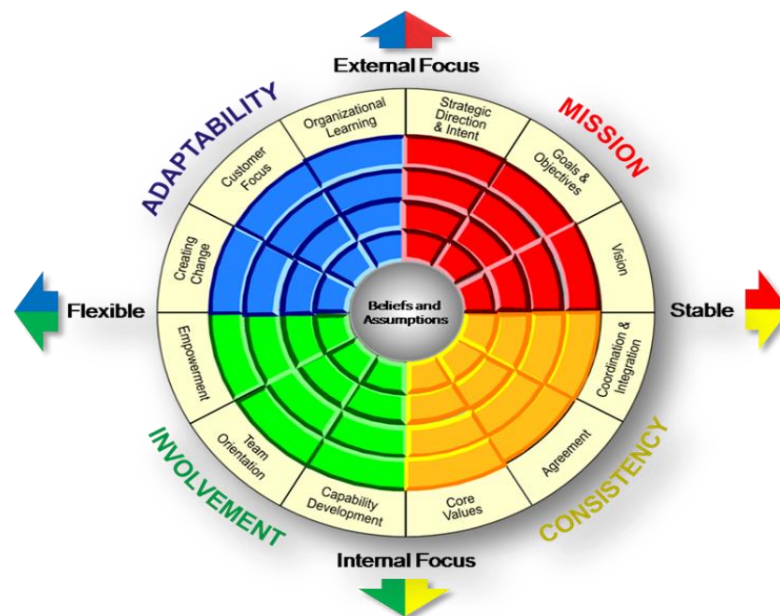
The flexible-stable axe (vertical) reflects the extent to which an organization can concentrate on flexibility or stability, towards the outer world. The left end of the axis represents an emphasis on flexibility and spontaneity, carrying out the organization’s capability to respond adequately and spontaneously to changes. The right end suggests the organization’s capability to maintain the under control and stabilize over changes, focusing on stability, control, and order.

The internal-external axe (horizontal) indicates the extent to which an organization can concentrate on its inner or outer ecosystem towards the outer world. The upper end reflects

the extent to which an organization can concentrate on external focus and competitiveness towards the outer world. It represents the capability of the organization to focus on competition, adaptation, and interaction with the environment, by investing in competencies and on the ability to adapt and interact with the outer world. The downer ending reflects the extent to which an organization can concentrate on integration and protection to sustain the existing organization, by prioritizing the maintenance and enhancement of in-house existing skills (Denison et al., 2004; Quinn & Spreitzer; 1991).

Furthermore, organizations can adopt or develop cultures that enable them to assure stability and predictability, by focusing on methods that are internal or external to the organization, or may pursue flexibility and adaptability, by focusing on internal or external methods. This may allege that organizations can obtain these characteristics whether recurring to external help or not.

**Figure 1.** Denison et al. model (2004) of Organizational Culture.



Gebril Taha and Espino-Rodríguez (2020) stated that OC has turned one predominant factor to consider when planning and utilizing outsourcing strategies. It is important to refer that remains a substantial variation in the way organizations react and adapt to the increasing outsourcing (Csoko, 1995). While some organizations barely recur to HRO or do not recur to it at all, others rely strongly on its use. Furthermore, as organizations possess exclusive competitive environments, cultures, practices, and strategies, organizational differences are



likely to conditionate the use/not use of HR services from outsider providers (Klaas, McClendon & Gainey, 2001)

Alofan et al. (2020) claimed that outsourcing strategies are developed according to the values and beliefs of the OC. Whenever any new practices are employed, it is essential to understand its OC, about its daily practices and its system of values and beliefs. Given that, it is important to better understand why different organizational culture traits differ in the use of HRO, as it has important consequences for the quality, as well as for the HR role (Ulrich, 1996).

However, organizations rarely reflect one type of culture; instead, they will have a combination of different types of culture, although one may dominate over the other. (Zu, Robbins & Fredendall, 2010).

### **Culture of Involvement**

An involvement OC defends the empowerment of their people, enhances the team's effort, and fortifies human embeddedness across all stages. Thereby employees can feel a sense of closeness to their organizations and simultaneously, reveal their effectiveness and devotion.

This OC focuses on employee participation and empowerment as a response to rapidly changing conditions in the external environment. Organizations emphasize involvement and participation in their practices since they desire to create a sense of shared employee responsibility and ownership. Here, effective HRM is crucial. Organizations with enhanced involvement cultures easily value and actively pursue procedures that permit them to satisfy essential employee needs, creating increased employee satisfaction, commitment, and confidence (Rondeau & Wagar, 1999).

People who are part of a OC of involvement can act in a team environment and, regardless of the position they occupy, can identify that the internal decisions may encompass the roles or activities of others. People perceive their work as allied to the organizational goal and demonstrate commitment throughout actions oriented towards team orientation and empowerment, training, and development (Denison, 1991). The culture of involvement matches the group culture, as both focus on flexibility and the inner approach, through highlighting human interactions, cohesion, and the members' participation.

### *Culture of Involvement and HRO*

Denison and Mishra's (1995) study indicated the involvement trait was one of the best forecasters of innovation. Some authors, such as Domberger (1998), Belcourt (2006), and Lamminmaki (2011), claimed that outsourcing negatively influences the employees within an organization. It may be seen as a non-supporter by the supervisors, as in-house employees may feel afraid of losing their roles, because outsourcing could be more effective and, consequently, turns into a performance decrease and absence of motivation. It gives more attention to internal people development rather than looking for an external provider to do the same. As the culture of involvement is more internal-focused, employees may see outside providers as not part of the "team", thus not getting the cooperation spirit with them. This could run to an information suppression that could lead to not taking the benefits of outsourcing. That said, being a culture that values substantially inner employee development, the perception of this organizational culture should be lower in organizations that recur to HRO.

*Hypothesis 1a: The perception attributed to culture of involvement is lower for organizations that recur to HRO than for organizations that do not recur to HRO.*

### **Culture of Consistency**

An OC of consistency exists when organizations focus on following their core values when there is a sense of agreement across the entire organization, and when there is a great level of coordination and integration among employees (Denison, 1991). Thereby, employees can feel integrated and motivated within the organization.

This OC focuses on accomplishing common inner targets, by different roles and units working together. (Pirayeh, Mahdavi & Nematpour, 2011). There are activities to integrate points of view, which favours an agreement between supervisors and the employees, which consequently provides positive interaction for problem-solving. However, besides this cooperation, roles and hierarchies are strictly enforced, divided, and embedded in the cultural values (Rondeau & Wagar, 1999). In fact, behaviors are rooted in a set of core values (Ehtesham, Tahir & Shakil, 2011). In addition, the culture of consistency has a specific authority structure for decision making, thus having the capability to define operational

procedures and routines. This means that there are a few spaces for employees to be autonomous.

People who are part of a culture of consistency are highly consistent, well-coordinated, and well-integrated, indicating the level of solidity, integration, or harmony around values and standards. People demonstrate consistency through following the core values, through agreement, coordination, and integration. The culture of consistency matches the hierarchical culture as both concentrate on firmness and internal organization, by highlighting centralization and control through rules and routines.

### *Culture of Consistency and HRO*

Denison and Mishra' (1995) study indicated that the consistency trait was one of the best forecasters of profitability. As mentioned above, within an organization with a consistent culture, employees are merely accustomed to following the rules (Braunscheidel, Suresh & Boisnier, 2010). This may lead to an employee's scepticism in having to adapt to changes from outsourcing. In particular, if there is a transferring of employees from within the organization to the outsourcing organization.

Gebril Taha and Espino-Rodríguez (2020) claimed that, when an organization characterized by a consistent culture, considers delegating inner activities to an outsourcing organization, it may lead to a loss of control of their activities. Furthermore, there might be an afraid from the supervisors that the service provider does not comply with the established quality service, which could turn into instability, conflicting with the culture of consistency. Quin (1984) claimed that an organizational culture of consistency should become harder to be successful when using outsourcing. That said, founded on centralization and valuing stability and inner integration, the perception of this organizational culture should be lower in organizations that recur to HRO.

*Hypothesis 1b: The perception attributed to culture of consistency is lower for organizations that recur to HRO than for organizations that do not recur to HRO.*

## **Culture of Adaptability**

An OC of adaptability is characterized by creating change, being customer-focused and valuing organizational learning. Thereby, all stages of employees are characterized by customer focus, innovation, and autonomy.

An adaptability OC trait defends the organizations' ability to examine the outer environment and have a greater adjusting to market fluctuating requirements and client needs. (Ehtesham et al., 2011; Sharifirad & Atei, 2012). There are continuous adjustments in the approach so that can be enhanced the organizations' capability to deliver value for their clients. Therefore, innovation is very valued within organizations with this organizational culture trait, being recognized as an implementation of brand-new ideas or behaviours towards organizations. The innovation can be identified as a good or a service, an organization procedure or administrative program, a technology, or a policy to organization members. In fact, market orientation, which embraces developing something new or different, may be seen as innovation (Jaworski & Kohli, 1993).

People who are part of a culture of adaptability are highly oriented towards customer requirements and are used to taking risks and learning from missteps, showing autonomy. The adjustments are made without apprehension and procedures are modified to improve organizational competencies to offer value to the customer. People demonstrate points of view allowing change creation and focus on the customer and organizational learning (Denison, 1991). The culture of adaptability matches the development culture as both highlight the need for flexibility and exterior positioning through development, resource purchase, creativity, and adaptation to the outer world.

### *Culture of Adaptability and HRO*

Denison and Mishra's (1995) study indicated that the adaptability trait was one of the best forecasters of innovation and sales growth. Therefore, the need for a change of this organizational trait instigates outsourcing because it allows organizations to be aware of the potential competitive advantage that can be gained from outside their organizational circle (Popoli, 2017). The outsourcing organization delivers reliable information regarding markets, supplies and the required needs and technologies to perform those activities, along with skills and qualifications (Kaynak & Hartley, 2008). Along with being defended by the culture of

adaptability, strategic customer-supplier agreements are made to acquire specialized competencies, thus accomplishing a competitive advantage, increasing service quality, and facing new challenges (Holcomb & Hitt, 2007). Importantly, outsourcing choices must be considered as an adaptive response to the technological, economic and cultural changes that occur in environmental systems.

As adaptability culture is externally focused, employees may see outside providers as part of the “team”, accomplishing easily successful customer-supplier relationships. This customer-supplier relationship could run to an easier adaptation pace to the external environment, while improving organizational learning, always with the principal goal of serving the customer demands. That said, being a culture that values a lot of adaptation, the perception of this organizational culture may be higher in organizations that recur to HRO.

*Hypothesis 1c: The perception attributed to culture of adaptability is higher for organizations that recur to HRO than for organizations that do not recur to HRO.*

### **Culture of Mission**

A mission OC defends winning organizations like the ones sharing a strong sense of direction and intent, shaping and forming the goals and objectives, along with the organizational vision (Denison, 1991). Moreover, the mission is also seen as a vision of how an organization will drive to the future (Ehtesham et al., 2011; Sharifirad & Atei, 2012). A transparent purpose of the vision is defined as conducive to teams associated with the implementation of innovation. Team objectives are shared and assigned before implementing something. The culture of mission matches the rational culture as both turn their attention to the external environment, highlighting the control by fostering competition and the accomplishment of well-defined objectives.

People who are part of a culture of the mission are very clarified about the vision. It remains a clarification sense among all employees, which consequently facilitates the perception that will guide the organizational goals.

## *Culture of Mission and HRO*

Denison and Mishra's (1995) study indicated that culture of mission was the best forecaster of profitability and sales growth. As the culture of mission is oriented to an external focus, is as well oriented for planning, for using resources efficiently, and for competitiveness, alongside accomplishing the organizational goals while underlining stability and control (Scott, 2003).

Organizations oriented to the culture of mission pursue integration and cooperation with the clients and providers to be more competitive. Hence, Lambert and Cooper (2000), Bowersox, Closs and Stank (2003) and Wong and Boon-Itt (2008) defend that it is established a close relationship between the client and the outsourcing organization, being the second responsible for meeting the needs of the first, as it will help the client to accomplish greater outcomes, greater competitive advantage and greater productivity and efficiency. Therefore, this culture may be present in organizations that use outsourcing. Denison (1991) and Wong and Boon-Itt (2008) claimed that being a culture with structured and clear goals, external providers with greater skills than those performed in-house can be an option to consider, as they can make use of those skills aligned with the objectives and strategic plan of the organization. McIvor (2005) defended that organizations sharing a culture of mission, consider outsourcing strategies that are aligned with the organization's mission, considering all employees in the outsourcing decisions. That said, being a culture that values the accomplishment of a goal, the perception of this organizational culture may be higher in organizations that recur to HRO.

*Hypothesis 1d: The perception attributed to culture of mission is higher for organizations that recur to HRO than for organizations that do not recur to HRO.*

Gathering things up comes up to the conclusion that culture of the organization must be considered in the design and implementation of the outsourcing strategies. (McIvor, 2005). Otherwise, a cultural mismatching and non-establishment of a partnership relation could sometimes take place between client and supplier.



## Methodology

The present research endured a quantitative study, with a focus on a survey with a questionnaire. Data for were gathered via a self-administered questionnaire, where respondents read and responded to the questions themselves via online access. There was a short qualitative section in the questionnaire, where it asked about respondents' opinions about the HRO future.

Among the advantages of employing this approach, cost and time saving were two of the biggest ones. This suggests that, at a very short, it was feasible to gather responses from several individuals as they could choose the suitable moment to contribute to the study as well as the objectivity that describes the questions in the questionnaire (by the use of the Likert scale). Additionally, concern that no displacement was needed meant that respondents' contribution in the study did not come in for financial expenses (Bryman, 2012). Another advantage is the non-existence of an "interviewer" through the application of the self-administered questionnaires. In other words, if there existed an "interviewer", some traits (for instance, gender, ethnicity, or social condition) could prejudice the responses presented. The questionnaire was responded to on a website, allowing the responses to be transferred into an Excel file (matching with the SPSS file), so there was no necessity to by-hand enter data, therefore preventing mistakes (Bryman, 2012). Furthermore, the questionnaire has a broken-down structure and will develop according to the answers to be given, making it more adaptable to each participant.

Nevertheless, this technique also has some limitations, specifically the limitations of gathering extra data that could be beneficial for the study, the struggle in controlling who answers to the questionnaire, the possibility of respondents becoming uninterested while responding to the questions if they do not identify with the theme, the constraint to the people that are only online; and, additional, the possibility of having multiple responses from the same individuals.

### *Questionnaire*

Each construct was assessed with a valid and evaluated scale. The full-scale construct for each variable is presented in Annex B and D. All sections were combined into one single questionnaire, divided into three main sections:



- HRO context – this section includes questions about the reasons to use and to not use HRO, the obstacles when trying to use HRO, the most and the least outsourced HR activities, HRO negative impacts and the future of HRO.
- Organizational Culture – this section includes questions about Organizational Culture in the Portuguese context – culture of involvement, culture of consistency, culture of adaptability and culture of mission.
- Demographic section – to provide information about the respondents' profiles and backgrounds.

### *Organizational Culture*

The questionnaire's initial part was based on the OC questionnaire from Pinto (2018) and is composed of 38 items related to 4 organizational culture construct (see Annex C and table 27 in Annex D) (culture of involvement with 11 items, for instance, "cooperation is stimulated in daily activities", culture of consistency with 10 items, for instance, "the organizational structure is well defined", culture of adaptability with 8 items, for instance, "people act with a focus on meeting customer needs" and culture of mission with 9 items, for instance, "the activities to be developed are clear to everyone") that were assessed according to a 5-point Likert scale (1 - Strongly Disagree, 2 - Disagree, 3 - Neither Agree nor Disagree, 4 - Agree and 5 - Strongly Agree). Criticisms related to the scale refer to the complexity required of the respondent when deciding between two dimensions: content and intensity (JÚNIOR, COSTA, 2014). The use of the Likert scale has enabled to measurement of multiple items of certain behaviours related to the areas under study mentioned above (Bryman, 2012). The items were declarative sentences and not questions. They were randomly distributed on the scale so that respondents would not notice a categorization of them.

Results obtained by Pinto (2018) from the OC questionnaire, whose focus was on Denison et al. (2004) study, confirmed the existence of internal reliability, having measured Cronbach's alpha for four dimensions of organizational culture (culture of involvement, culture of consistency, culture of adaptability and culture of mission). Thus, for culture of involvement obtained an alpha of 0,9730, for culture of consistency obtained an alpha of 0,9732, for culture of adaptability obtained an alpha value of 0,9759 and for culture of mission obtained an alpha value of 0,9915. These values indicate an excellent level of acceptance and reliability of the questionnaires presented.

### *Human Resources Outsourcing*

The second part of the questionnaire regards the context of HRO, and it was adapted from the one presented in the article “*Examining Human Resource Management Outsourcing in India*”, by Karthikeyan et al. (2013). Some questions were added to the original questionnaire so it could be provided with a better and more deep understanding regarding the HRO context. The questions were regarding if the organizations have an HR Department. If so, how was it constituted and, if not, who is the figure responsible for the HR tasks. It was also added the question about the length of the outsourcing usufruct and, finally, one open-ended question to provide an opinion about the thought of HRO could change the HR profession. Going back to questions acquired from the original questionnaire, it also comprises questions such “What HRM services does your company use through external support”, “What are the reasons for using external support in Human Resources?”, “What were the obstacles your company faced when it decided to use external support?”. This part leads to different questions according to what the respondent answers. Particularly, the questionnaire has two splitting parts: the first division occurs in the question “Does your organizations have a Human Resources Department?”, and the second occurs in the question “Does your company currently have an outsourced Human Resources department?”. The last question regarding the Human Resources Outsourcing context is an open-ended question soliciting to justify the previous choice (“yes”, “no”, or “maybe”) to the previous question “Do you consider that HR outsourcing will change the HR profession?”, which embodies the qualitative feature of this study. To see the full outlining questionnaire regarding the HRO context (see Annex B).

### *Demographic Questions*

The final section of the questionnaire was composed of sociodemographic questions, to analyse the samples and consisted of 8 questions. Thus, this section requested respondents to provide details regarding sex, age, function, total professional experience and within organization experience, currently working organization, organization localization and organization headcount (see Annex D).

## *Procedure*

The creation of the questionnaire started with the scale's sourcing for organizational culture classification and a scale that allowed me to examine HRO context in Portugal, which were appraised and validated. As this study was built in Portugal and the questionnaire was applied to people of Portuguese nationality, certain parts of the questionnaire had to be translated into the official country idiom.

The succeeding step consisted of forming the questionnaire in Qualtrics, a consistent online software for data collection provided by the educational organization where this study was conducted – ISCTE Business School. Nevertheless, before divulging the link that permitted access to the questionnaire, an a priori test was done to verify that there were no linguistic inaccuracies, that the structure of the questionnaire was satisfactory and that the link generated was entirely operational. For that, a pre-test of the questionnaire was done by 3 individuals non-linked to the study. This avoided the questionnaire being sent with mistakes that could lead to misunderstandings or complications in its access. It also guaranteed that the questionnaire was properly created, that the platform was functioning as it should but mainly to validate its adequacy.

Furthermore, the questionnaire link was directed to a database with 3101 contacts provided from a human resource consulting organization, in which I carried out the internship supporting the seminar Internship in Human Resource Management and Organizational Consulting. Additionally, 176 questionnaire links were distributed via LinkedIn.

A total of 9303 questionnaires' links were sent by e-mail, divided into 3-time scratches: 3101 questionnaire links were sent by e-mail during the weekend from 26<sup>th</sup> to 27<sup>th</sup> of June and another 3101-questionnaire link were sent to the same e-mails one month further. The further two 3101-questionnaire links were sent out over the next two months at similar time intervals. The e-mails were sent to about 100 recipients at a time, to prevent the e-mails from being received in the persons' spam box.

It seems relevant to mention that responses were suggestive responses, instead of obligatory responses. In other words, when a respondent was missing one answer, for lack of attention or own option, Qualtrics advertised a pop-up suggesting providing the missing response, thus letting the respondent decide to do it or not. This approach was opted because, as it was an obligatory request, respondents could feel invaded or pressured to respond, and thus, not acquire data.

## *Sample*

A total of 396 responses were collected (response conversion of 12,084%), 57 of which were invalid (having been excluded) and the remaining 339 were considered the study' sample. Thus, the valid response rate was 10,34%.

The average age of the participants is 46 years, 212 are feminine (62,5%) and the remaining 127 are masculine (37,5%). The average age of the sample suggests that, if the sample was homogeneous, this would be the mean value of the respondents' ages. As this measure could be affected by extreme responses, it is also pertinent to evaluate the median, which is curiously 46 years (a value that divides the sample into two equal parts, where the first half includes respondents who are up to 46 years old and the other half those who are 46 years old or more. Skewness value (-0,048) illustrates that the samples are negatively asymmetric, however very close to the symmetrical curve. Kurtosis value (0,204) indicates that the sample is sharpened. The age most often mentioned is 45 (the mode), possibly justifying the equal values just mentioned (see table 15 in Annex B).

Regarding total professional experience in the labour market, it could be upheld that the sample is composed of respondents with mature professional experience. This could be observed attending to both average (23 years) and first quartile (17 years values). The average shows that, on average, respondents have 23 years of full professional experience, and the first quartile provides us with the information that 25 percent of the respondents have up to 17 years of total full professional experience, resting the left 75 percent to respondents who have above 17 years of total professional experience. Additionally, the most regular response is 20 years (mode), attending aligned with the mean. The longest length of total professional experience is 59 years and the shorter is 1 year, meaning that professional experience range from 1 year to 59 years. The mean shows us that half of the sample is up to 22 years old, and the resting half are 22 or older (see table 17 in Annex B).

Concerning professional experience within the organization, the average time is 14 years. Here, regarding professional experience within the organization, the extreme responses also can mitigate the values interpreted, by seeing mode number 5, which means it was the most answered response. This could mean that organizations are employing new employees, linking with the changing market that we have been seen in the literature results. The longest length someone has been within an organization (seniority) is 42 years and the shorter length is 1 year. The mean shows us that half of the sample has up to 13 years of seniority within the

organization, and the resting half has more than 13 years of seniority within the current organization. The longest length of professional experience within the current organization is 42 years and the shorter is 1 year (see table 17 in Annex B).

Concerning the organization classification, “Industry/Manufacturing” is the one that stands out the most in terms of answers with 30 percent of responses, followed by “Services/Consultancy” with 27 percent and “Trade” (18,6%). On the opposite, Education (1%), Health care (2,9%) and Hospitality (4%) are the sectors less present. The answer “Other” has a considerable percentage (10%), and some responses given by the respondents are Advocacy, Construction and Utilities (see table 18 in Annex B). Not surprisingly, most organizations encompassed are from Lisboa and Vale do Tejo (66,4%). The follower localizations consist in Centre (17,4%) and North (9 %). All responses were answered (see table 21 in Annex B)

Concerning organizational headcount, a total of 335 responses were obtained (98.82%), with only one response missing (1,18%). The average headcount is 452 employees – with a minimum of 3 employees and a maximum of 24000 employees. The variable headcount, initially a quantitative variable, was computed into an ordinal variable with 4 bunches (1 – up to 9 employees; 2 – 10 to 49 employees; 3 – 50 to 249 employees; and 4 – Above 250 employees), so it could be easier its further analysis. The third bunch is the most predominant, comprising 163 out of 335 organizations. In the same line with the just mentioned, the most answered response (mode) was 200 employees. These values corroborate with the fact that the Portuguese Small and Medium Enterprises (SME's) assume a fundamental weight in the weight in the Portuguese economy (Jorge, Seabra, Rodrigues and Mata, 2006) (see table 20 in appendix B).

Now, concerning the role of each respondent has within the current organization, the most performed is the Human Resources Director (90 out of 336) and remaining relevant, the Administrator/Director role (67 out of 336) and Human Resources Responsible role (50 out of 336). On the opposite, the least prevalent roles within the sample are Human Resources Business Partner (5 out of 336) and Manager (3 out of 336). As the sample was a convenience sampling, the open-ended response “function” was computed into a nominal variable with 11 bunches (1 – Administrator/Director; 2 – Chief Finance Officer; 3 – Partner; 4 – Sales Director; 5 – Human Resources Director; 6 – Human Resources Responsible; 7 – Human Resources Manager; 8 – Human Resources Business Partner; 9 – Manager; 10 – Human Resources Technician/Assistant; and 11 – Human Resources Generalist), so its

further analysis could be easier to make. A total of 336 responses were obtained (99,12%), with only one response missing (0.88%) (see table 19 in appendix B).

### ***Statistical Analysis***

Statistical analysis was done through descriptive statistics and Principal Component Analysis (PCA) using IBM SPSS software.

PCA is a multivariate technique that makes it possible to summarise information observed, correlating variables by their agglomeration on a smaller number of artificial variables – the principal components.

In the present study, PCA began with the construction of a correlation matrix, and if there were any above 0.9 (very high) or below 0.1 (very low) the corresponding variables should be excluded. Then, the evaluation of the possibility of effectively carrying out the PCA, through the Kaiser-Meyer Olkin statistic, which measures the adequacy of the sample, and the minimum acceptable value is 0.70; and through Bartlett's test of sphericity, whose objective is to perceive whether the variables are correlated among themselves in the population.

The further step was extracting the principal components and to assess the found result is necessary to analyse communalities, which explain the variance proportion of each original variable explained by the principal components obtained. The ideal is to get values above 0.5, and the ones that were not included in this range were removed the analysis, which had to be repeated. To continue with the extraction evaluation, the Kaiser method was used, which gives the number of components to be retained based on the eigenvalues (which must be equal to or greater than 1); the total variance explained (which must assume a value above 60%); and the Scree Plot, which obeys to the criterion that the number of components to be extracted is given by the number of components to the left of the inflection point.

In the case of variables that were split into more than one component, it was presented the component matrix after rotation, based on the Varimax rotation method. This matrix indicates the loadings that consist of the correlation coefficients between the original variables and the components created. Here each item was associated with a component based on the highest value presented and if the difference between values was greater than 0.2 (when this difference was not met, the variable was deleted).

## ***Validity***

Reliability is related to the scale's consistency, being split into several factors, one of these being internal reliability, which is related to the consistency of the items that make up each scale and is usually calculated through Cronbach's alpha, according to Bryman (2012).

The last PCA step was to analyse the internal consistency of the components generated utilizing Cronbach's alpha. That is if the value of Cronbach's alpha was equal to or greater than 0.70 it meant that the variables associated with each component could be grouped (see Annex E)

## Data Analysis

### *Descriptive analysis - HRO*

After data collection and PCA run, data analysis was done through descriptive analysis and means comparison analysis.

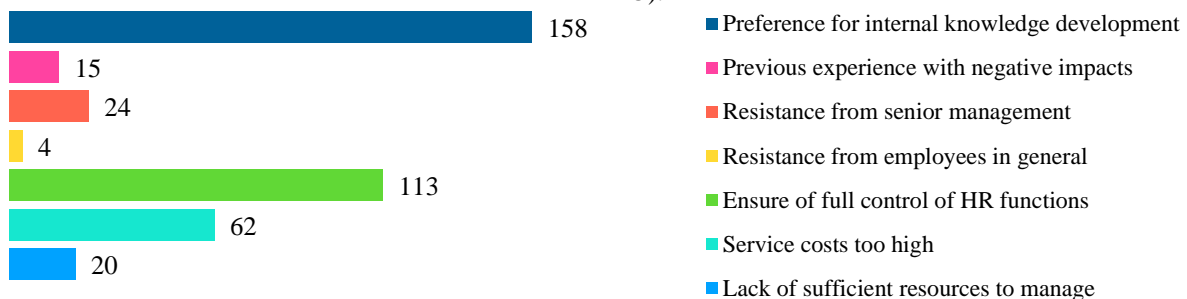
**Table 2.** Number of organizations that have vs that do not have an HR Department, according to the organizational headcount.

Headcount	HR Department	
	Yes	No
Up to 9 employees	3	11
10 to 49 employees	31	35
50 to 249 employees	137	26
Above 250 employees	89	3
Total	260	75

Source: Compiled from the field survey data.

Table 2 differentiates organizations that have a HR Department and that to not have a HR Department, according to their organizational headcount (4 missing answers). 260 out of 335 organizations have a HR Department (77,6%), leaving 75 out of 335 organizations not having a HR Department (22,4%). Concerning smaller organizations (organizations up to 49 employees), 58 % of them do not hold a HR Department. Turning attention to organizations above 50 employees, the tendency starts changing, outstanding the reality of having a HR Department: for organizations from “50 to 249 employees” 137 have a HR Department, while only 26 do not have it, and for organizations from “above 250 employees”, 89 have an HR Department, while only 3 organizations do not have it.

**Graphic 1.** Reasons to not recur to HRO (view of the organizations that do not recur to HRO).



Source: Compiled from the field survey data. All values are given as the number of times that a HRO activity was mentioned by participants (multiple choice).



The top reasons to not outsource HR activities were to prioritize the internal knowledge development (46,6%). Ensuring full control of HR functions (33,3%) and service costs too high (18,3%) were the other important factors considered to not use HRO. The reasons less mentioned were having previous experiences with negative impacts (4,4%) and resistance from employees in general (1,2%) (see graphic 1).

**Table 3.** Number of organizations that recur to HRO vs that do not recur to HRO.

HRO use	HRO not use
89	250

Source: Compiled from the field survey data.

Furthermore, descriptive statistics suggests the number of organizations that use HRO is 89 (26%), while the number that do not use HRO is 250 (74%) (see table 3).

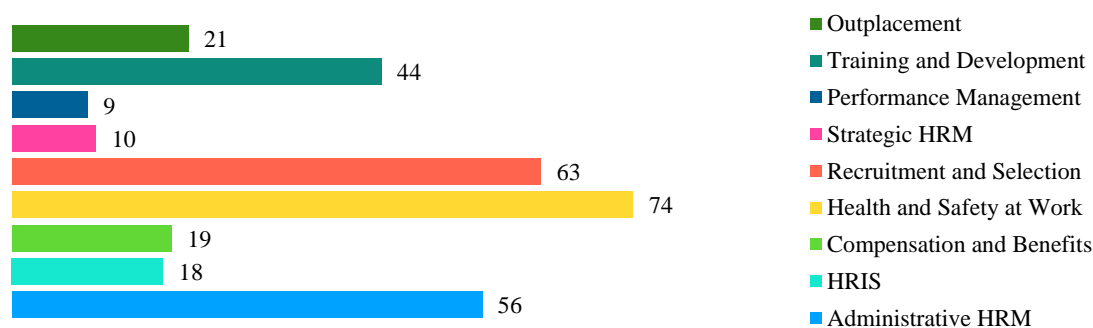
**Table 4.** Number of organizations that use HRO, according to organizational headcount.

Headcount	HRO use
“Up to 9 employees”	2
“10 to 49 employees”	15
“50 to 249 employees”	58
“Above 250 employees”	14

Source: Compiled from the field survey data.

Table 4 highlights the number of organizations that currently usufruct from HRO, according to the organizational size. Organizations “up to 9 employees” were the ones that less recur to the service, being employed HRO activities only in 2 organizations, out of 9 organizations (14,3%). The followed organizational size having less employed HRO services was the one having the highest headcount, “above 250 employees”, being employed HRO activities only in 14 organizations, out of 66 (22,7%). The middle headcount sizes, from “10 to 49 employees” and from “50 to 249 employees” were the organizational sizes that had the highest HRO. Organizations from “10 to 49 employees”, 15 organizations, out of 66 (22,7%) employed HRO activities, and organizations from “50 to 249 employees”, 58 out of 163 organizations (35,6%) employed HRO activities.

**Graphic 2.** HRO activities employed (view of organizations that do recur to HRO).



Source: Compiled from the field survey data. All values are given as the number of times that a HRO activity was mentioned by participants (multiple choice).

Graphic 2 shows the HRO activities employed by the organizations that recur to the service (89 organizations). Almost all organizations that recur to HRO, have outsourced Health and Safety at Work (74 out of 89 organizations), remaining the activity most outsourced among organizations, followed by Recruitment and Selection (63 organizations) and Administrative HRM (56 organizations). Table 5 throws more detail on the pattern of HRO among organizations by their size.

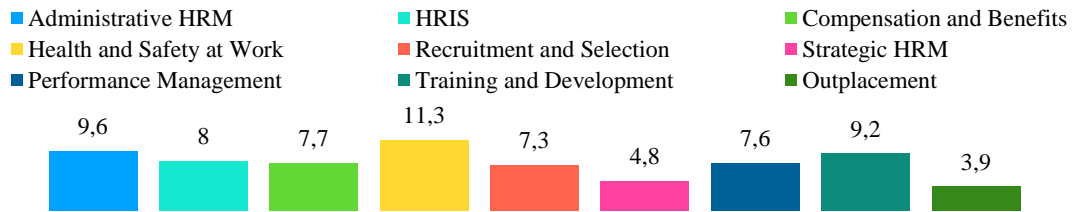
**Table 5.** Number of organizations that acquire HRO activities by different organizational sizes (view of organizations that do recur to HRO).

<b>Up to 9 employees – 2 organizations using HRO</b>	
<b>HRO activities</b>	<b>Number of organizations</b>
Administrative HRM	-
HRIS*	1
Compensations and Benefits	-
Health and Safety at Work	2
Recruitment and Selection	-
Strategic HRM	-
Performance Management	-
Training and Development	1
Outplacement	-
<b>10 to 49 employees – 15 organizations using HRO</b>	
<b>HRO activities</b>	<b>Number of organizations</b>
Administrative HRM	11
HRIS*	3
Compensations and Benefits	1
Health and Safety at Work	14
Recruitment and Selection	13
Strategic HRM	-
Performance Management	1
Training and Development	9
Outplacement	4
<b>50 to 259 employees – 58 organizations using HRO</b>	
<b>HRO activities</b>	<b>Number of organizations</b>
Administrative HRM	35
HRIS*	6

Compensations and Benefits	14
Health and Safety at Work	45
Recruitment and Selection	39
Strategic HRM	6
Performance Management	7
Training and Development	25
Outplacement	13
<b>Above 250 employees – 14 organizations using HRO</b>	
<b>HRO activities</b>	<b>Number of organizations</b>
Administrative HRM	9
HRIS*	7
Compensations and Benefits	4
Health and Safety at Work	12
Recruitment and Selection	10
Strategic HRM	5
Performance Management	1
Training and Development	10
Outplacement	4
*HRIS: Human Resources Information Systems.	
Source: Compiled from the field survey data.	

Among organizations up to 9 employees, that use HRO (2 organizations), all usufruct from Health and Safety at Work, while Administrative HRM, Compensations and Benefits, Recruitment and Selection, Strategic HRM, Performance Management and Outplacement, with no usufruct at all. Among organizations from 10 to 49 employees (15 organizations), Health and Safety at Work (14 outsourced activities) and Recruitment and Selection (13 outsourced activities) are the activities most outsourced. On the opposite, Strategic HRM are not outsourced activities. Among organizations from 50 to 249 employees (58 organizations), Administrative HRM (35 outsourced activities), Recruitment and Selection (39 outsourced activities) and Health and Safety at Work (45 outsourced activities) are activities more outsourced, while the less outsourced were HRIS and Strategic HRM (6 outsourced activities each) and Performance Management (7 outsourced activities). Lastly, among organizations above 250 employees (14 organizations), Health and Safety at Work (12 outsourced activities), Recruitment and Selection and Training and Development (10 outsourced activities each) are the most outsourced activities, while Compensations and Benefits and Outplacement (4 outsourced activities each) and Performance Management (1 outsourced activity) are the less outsourced activities.

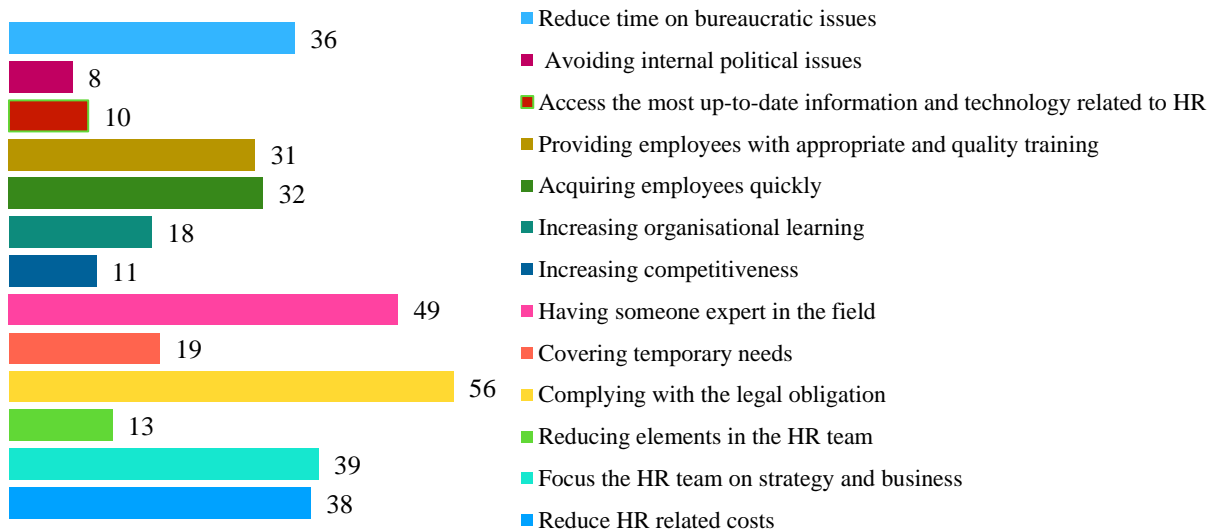
**Graphic 3.** The average support length of each HRO activity (in years) (view of organizations that recur to HRO).



Source: Compiled from the field survey data.

Concerning HRO support length, the comprehensive average concerning all HRO activities was close to 8 years (7,7 years). Additionally, it was calculated the average for each HRO activity. Health and Safety at Work is the activity that is, on average, used for longest time (11 years). Next was Administrative HRM, with an average of nine years and half of using the service across organizations. Close to it appears Training and Development, being used across organizations for 9 years, on average. HRIS is used for 8 years. Compensation and Benefits, and Performance Management is used for seven years and half. Recruitment and Selection as an average of use of seven years and, lastly, Strategic HRM and Outplacement with almost 5 and 4 years, respectively (see graphic 3).

**Graphic 4.** Main HRO reasons (view of the organizations that do recur to HRO).

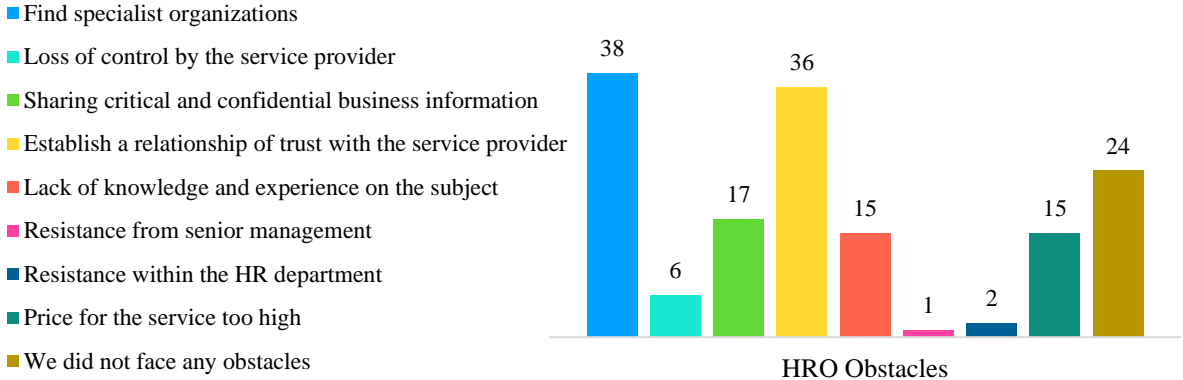


Source: Compiled from the field survey data. All values are given as the number of times that a HRO activity was mentioned by participants (multiple choice).

The top reasons quoted by the respondents to recur to HRO were to comply with the legal obligation (56 votes) and having someone who is an expert in the field (49 votes). Next appeared focus the HR team on strategy and business, reduce HR related costs and reduce

time on bureaucratic issues, with 39, 38 and 36 votes, respectively. Lastly, the reasons less quoted by the respondents were avoiding internal political issues (8 votes), access the most up-to-date information and technology related to HR (10 votes) and increasing competitiveness (11 votes) (see graphic 4).

**Graphic 5.** Main obstacles to look for a HRO activity (view of organizations that do recur to HRO).



Source: Compiled from the field survey data. All values are given as the number of times that a HRO activity was mentioned by participants (multiple choice).

The biggest obstacles to outsourcing HR activities seemed to be difficulty in finding specialist organizations (38 votes), and in establishing a relationship of trust with the service provider (36 votes). Price for the service too high (15 votes), lack of knowledge and experience on the subject (15 votes) and sharing critical and confidential business information (17 votes) were also significant obstacle while searching for the service. On the other hand, resistance within the HR department and from senior management (2 and 1 votes, respectively) were the less mentioned obstacles. However, a positive trend that can be observed is that 27% claimed that did not face any obstacles when trying to recur to HRO (see graphic 5).

HRO negative outcomes analysis was taken of the study, as all respondents who usufruct HRO did not vote in any negative outcome.

**Table 6.** Respondents' opinion regarding whether HRO has fulfilled their expectations (view of organizations that do recur to HRO).

Expectations were fully met	30
Expectations were net to a large extent	50
Expectations were met to some extent	4
Expectations were not met	1

Source: Compiled from the field survey data. All values are given as simple absolute frequencies. Four missing answers.

Table 6 describes the respondents’ opinion, from organizations that current use HRO, concerning whether HRO has fulfilled their expectations or not. It can be stated that HRO has performed well, as 80 out of 89 responses were among expectations fully met and met to a large extent (89,9%). Another positive indicator that can be seen is that only one respondent answered that HRO expectations were not met.

**Table 7.** HRO expected intensity within 5 years, for organizations that current recur to HRO (view of organizations that do recur to HRO).

With greater intensity	22
With the same intensity	61
With less intensity	6

Source: Compiled from the field survey data. All values are given as simple absolute frequencies.

Table 7 describes the expected intensity of HRO use within 5 years, concerning organizations that current recur to the service. Maintaining the use of HRO with the same intensity was the majority response from the respondents (68,5%). Using the service with greater intensity was the choice of 24,7 percent of respondents, and only 6,7 percent expect to reduce the use of HRO within the next 5 years.

**Table 8.** Expected employees’ concern about the use of HRO (view of organizations that do recur to HRO).

Somewhat concerned	12
Not concerned	77

Source: Compiled from the field survey data. All values are given as simple absolute frequencies.

Table 8 translates the respondents’ opinion about the potential employees’ concern within their current organization, about the impact that HRO might have in their roles, in the future. Not much concern hangs in employees about the theme, as 86,5 percent answered that does not endure concern about HRO, remaining 13,5 percent somewhat concern about the topic.

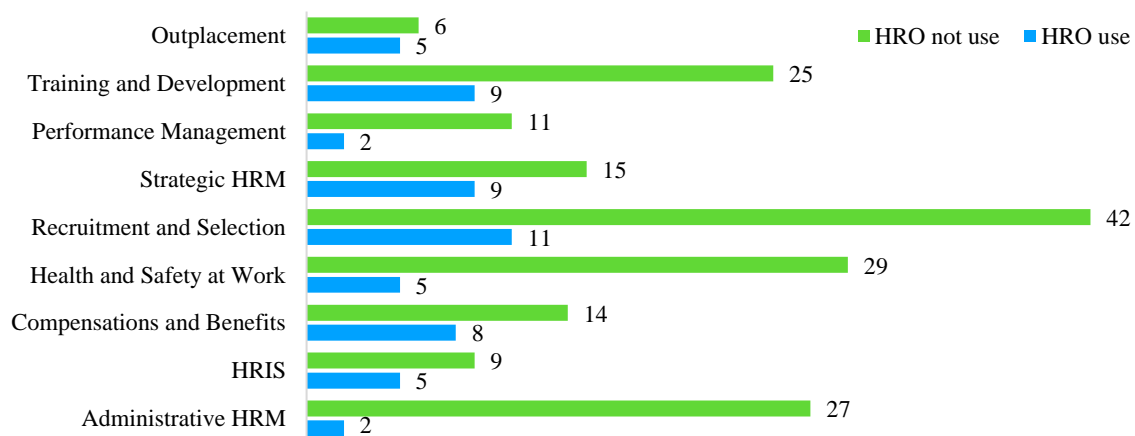
**Table 9.** Respondents’ opinion about the possibility of their current organization recur to HRO within the next 3 years, divided by organizations that currently recur to HRO vs do not recur to HRO (339 organizations).

	HRO use	HRO not use	Total
Yes	10	16	26
No	60	166	226
Maybe	19	68	87

Source: Compiled from the field survey data. All values are given as simple absolute frequencies.

Table 9 denotes the respondents' opinion about the possibility of their current organization recur to HRO within the next 3 years, divided by organizations that currently recur and do not recur to HRO. The majority organizations (66,7%) do not consider doing it. The tendency is observed in organizations whether using the service or not. Nevertheless, the remaining 33,3 percent of organizations divide their opinions between yes or maybe. From organizations that currently recur to HRO, 29 would probably rely on HRO within 3 years, while from organizations that currently do not recur to HRO, 84 would probably rely on HRO within 3 years.

**Graphic 6.** Frequency of expected employed HRO activities within 3 years for organizations that recur to HRO vs organizations that do not recur to HRO.



Source: Compiled from the field survey data. All values are given as the number of times that a HRO activity was mentioned by participants (multiple choice).

Graphic 6 shows the expected HRO employed activities within the next 3 years, from respondents who answered “yes” or “maybe” to the possibility of their current organization recur to HRO within the next 3 years, divided by organizations that currently recur to HRO and do not recur to HRO.

On overall, the HR activities that were more quoted to be outsourced within the next three years are Recruitment and Selection (53 votes), next to Training and Development and Health and Safety at Work (both with 34 votes). On the other hand, HR Information Systems, Performance Management and Outplacement were less considered to be outsourced within the next three years, acquiring 14, 13 and 11 votes, respectively.

Recruitment and Selection remained the activity most desirable to usufruct within the next 3 years, whether for organizations that recur to HRO (11 votes) or do not recur to HRO (42 votes). Concerning organizations that do not recur to HRO, the second HRO activity most considered to acquire within the next 3 years was Health and Safety at Work (29 votes),

followed by Administrative HRM (27 votes) and Training and Development (25 votes). Concerning organizations that currently recur to HRO, the second HRO activity most wanted to acquire within the next 3 years were Training and Selection (9 votes), followed by Strategic HRM (9 votes) and Compensations and Benefits (8 votes) (see graphic 6).

<b>Table 10.</b> Respondents' opinion regarding the possibility HRO can change HR profession.	
Yes	53
Maybe	167
No	119

Source: Compiled from the field survey data. All values are given as the number of participants in each category.

When asked if HRO would change the HR profession, 35 percent of respondents said that do not believe it will happen. The other 65 percent are divided between believing that HRO could change HR profession or that could be a possibility for the future (table 10).

### ***Qualitative analysis - Open-ended question***

Common themes and trends were identified in the open-ended response to the justification of the choice given concerning the question “*Do you think that HRO will change the HR professions?*” by consensus with the literature. Further analysis was made from gathering the most relevant responses given.

Concerning the overall respondents' opinion that supports the idea HRO will change the HR profession in the future, it could be observed a tendency for a hopeful strategic role of HRO and some even claim that HRO may trigger a change of paradigm regarding the subject. Concerning HR Department, respondents claim that HRO may help in decreasing HR-related costs and the overall internal HR responsibilities, allowing space for a more strategic and directing approach. Improvement of innovative strategies and initiatives are also mentioned as a positive feature of the changing theme in the future, by introducing new trends more easily.

Targeting the overall organization, respondents claim that HRO may help on the improvement of the organization overall attractiveness. Certain respondents allege that HRO enables the organizations to become more flexible, by pacing along more easily with the increasing competitiveness markets and demands. The improvement of the comprehensive customer focus and service quality are enriched and, thus the organization's universal performance. To cease, it was highlighted the sense of cross-organizational learning – for the



outsourcing organization and its customers. The outsourcing organization can enhance their skills by creating value across different customers, and, as a result, the customers enhance their skills by receiving the best practices, leading to an across both organizations (see table 11).

**Table 11.** Some comments concerning the question “Do you think that HRO will change the HR profession?”, favouring the opinion that HRO will change the HR profession.

Comments
<i>“Change of paradigm”.</i>
<i>“Increased ability to implement expertise, provided by a vision from outside the organization”.</i>
<i>“More systematization, more comprehensive and uniform rules, more reporting and improved HR management”.</i>
<i>“In a logic of service to third parties and creation of value for different organizations, the skills will be improved”</i>
<i>“It is inevitable that companies specialize in their core business, outsourcing specialized functions to companies with specific skills, as is the case of Human Talent Management”.</i>
<i>“It enables the HR profession to become more competitive and attractive”.</i>
<i>“It may no longer make sense to have your own HR structure”.</i>
<i>“Outsourcing can change the company's strategy regarding human resources (...)”.</i>
<i>“Only medium and large companies have an HR department, and it may be cheaper to use a partner (...)”.</i>
<i>“It is unlikely that an HR team can accumulate the necessary knowledge and know-how to cope with the increasing specialisation and computerisation of HR tasks”.</i>
<i>“It will make HR work more flexibly and more customer-focused”.</i>
<i>“It can simply be beneficial because it reduces worries for the company on a day-to-day basis. By allocating responsibility for issues in the area to a department that is focused on managing that even if outside the company”</i>
<i>“New, more modern and innovative strategies will be implemented”.</i>
<i>“More competitive markets require new roles and new players in line with the demands”.</i>
<i>“Introducing trends more easily!”</i>

Source: Compiled from the field survey data.

Concerning the overall opinion of respondents who support the idea that HRO will not change the HR profession in the future, it could be observed a tendency for scepticism about the service and inner organizational development. Some respondents claim that, as HR processes and practices are naturally internal and extremely sensitive, also their management should remain in-house. Furthermore, it is shared the opinion that an outsourcer is not linked to the business or people in the same way as a bonded employee. According to the just referred, it is alleged that HR processes should remain internally, targeting HRO for non-strategic procedures. The belief about the loss of the overall and specific analytical sensitivity is shared by the respondents, as well as the decrease in the involvement and control over global circumstances concerning HR. In another point of view, it remains the sense that HRO

may generate a distance intensification between people and, in some cases, could lead until employee dismissing (see table 12).

**Table 12.** Some comments concerning the question “Do you think that HRO will change the HR profession?”, favouring the opinion that HRO will not change the HR profession.

Comments
<i>“(…) loss of sensitivity for strategic management”.</i>
<i>“HR management is too sensitive to be done externally. This work has to be done by those who know the people”.</i>
<i>“Less control over daily situations”.</i>
<i>“HR processes are very internal; it is more favourable to have a stable team and within the business”.</i>
<i>“Outsourcing is by its nature disconnected from the workers and the business, so it has no analytical sensibility whatsoever and just runs processes and metrics”.</i>
<i>“The people management function in an organization is strategic and as such should be led internally. Outsourcing may be used for tasks that do not add value to the organization (administrative or support tasks)”.</i>
<i>“Involvement with employees is lost”.</i>
<i>“An external department can create distance”.</i>
<i>“Firing”.</i>

Source: Compiled from the field survey data.

Furthermore, opinions defending the room for both practices – external and internal – are also highlighted by some respondents. Some respondents allege that HRO is a complimentary service within processes and functions. In another perspective, it is shared that those practices and roles have a similar purpose, and thus being indifferent to whether resources are allocated. Still, there remains the sense that there is room for both practices – external or internal – within the organizations, leaving to each organization the choice to decide whether which activities should behold internal or externally.

In conclusion, the observations made by the respondents reflect quite wide range of opinions. Taken off from the comments given by the respondents to the question “Do you think that HRO will change the HR profession?” there are two distinct poles: one of them is very sceptic about the change that HRO will have in the future HR profession, prioritizing internal organizational development. The second pole concern the sense that HRO is a way to improve flexibility and the overall organizational performance, reaching the idea that HRO will change the paradigm of HR management. The most shared opinion among the respondents remains on the sense that internal HR and HRO are complementary and could add a cross value for both sides.

## ***Principal Component Analysis – OC***

The original scale of Organizational Culture is composed of 38 items divided by 4 dimensions: culture of involvement, culture of consistency, culture of adaptability and culture of mission. 7 items were excluded by their low extraction value (<0,5). The items removed were OC\_I1 “*Everyone is involved in the work carried out*” (0,461), OC\_A3 “*The working environment involves constant change*” (0,230), OC\_C5 “*The code of ethics guides the organization’s actions regarding what is right or wrong*” (0,475), OC\_A5 “*The organization’s culture is guided by the control and definition of rules*” (0,350), OC\_I8 “*In the development of tasks, authority is delegated*” (0,434), OC\_C8 “*I consider my boss a mentor*” (0,477) and OC\_A8 “*Learning errors are accepted and understood*” (0,469). After running the PCA again without those items, Kaiser-Meyer-Olkin Measure of Sampling Adequacy was applied, which quantifies the correlations between the input variables of the sample, presented a 0,956 value that is considered as acceptable as well as Bartlett’s test that presented a value of ( $\chi^2 (465) = 7.533,534 \text{ sig} < 0,001$ ).

After running *varimax* rotation of the components, two items had to be removed from the analysis (OC\_M8 and OC\_A7), as the difference between each value and the highest value associated with each component is under that 0.2.

After all, the final ACP running without more than those 2 items, Kaiser-Meyer-Olkin Measure of Sampling Adequacy was applied, that quantifies the correlations between the input variables of the sample, presented a 0,952 value that is considered as acceptable as well as Bartlett’s test that presented a value of ( $\chi^2 (406) = 6.920,240 \text{ sig} < 0,001$ ).

With the *Kaiser* method, it is visible the acceptance of the four components, as the four components have all values above 1 and the total variance explained by the four principal components is nearly 65% of the original variables (remaining above the minimum required percentage of 60%). After running *varimax* rotation of the components, the further item's distribution followed the correct order, as all the items of the (1) first component are relatable with culture of involvement; all items of the (2) second component are relatable with culture of mission; all items of the (3) third component are relatable with culture of consistency; and all items of the (4) component are relatable with culture of adaptability. They were, therefore, regrouped into 4 new variables.

All items combined to create each component demonstrate good internal consistency, presenting Cronbach's alphas above the required 0.70. Thus, Cronbach alpha for the culture of

involvement was 0,935 and results from culture of mission showed a Cronbach alpha value of 0,917. Concerning culture of consistency, results showed a Cronbach alpha value of 0,912 and lastly, regarding culture of adaptability, results showed a Cronbach alpha value of 0,831. These values translate to a good internal consistency value, meaning that it has a good level of reliability (see table 28 in Annex E).

***T-test for 2 independent samples (HRO use; HRO not use)***

It was performed the independent-sample *t-tests* on the means for the four organizational culture traits, to determine whether the respondents perceived differently culture, according to the use or not use of Human Resources Outsourcing.

*Levene's Test* for Equality of Variances was applied to see whether the equal variances were assumed or not. Furthermore, *t-test* for two independent samples – HRO use and HRO not use – was applied to each organizational culture trait. The results show that the average perceptions for each organizational culture traits are not significantly different among organizations that recur to HRO and organizations that do not recur to HRO (see table 13).

It could be deduced that the average perception attributed to each of the four organizational culture traits – culture of involvement, culture of mission, culture of consistency, culture of adaptability – do not statistically differ among the two types of organizations, whether recurring to HRO or not.

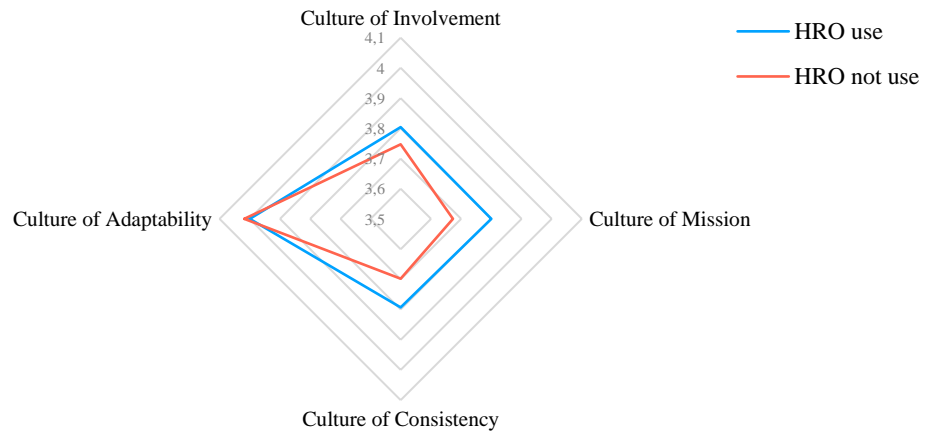
**Table 13.** T-test of each organizational trait for organizations that use HRO vs those that do not use HRO.

<b>Organizational Culture</b>	<b>T-test</b>	<b>sig (2-tailed)</b>
Culture of Involvement	0,639	0,524
Culture of Mission	1,445	0,149
Culture of Consistency	1,039	0,300
Culture of Adaptability	- 0,167	0,867

Source: Compiled from the field survey data.

Furthermore, graphic 7 demonstrates the means of each organizational culture for the two features (HRO use and HRO not use). The dominant culture for both features is the culture of adaptability. Additionally, even though the discrepancies are almost non existing, the organizational culture that has more discrepancies between the two features is the culture of mission.

**Graphic 7.** Organizational culture profiles of the regarding organizations that recur to HRO and that do not recur.



Source: Compiled from the field survey data.

## Discussion

The present research aimed to study two purposes. The first was to provide a comprehensive analysis concerning the HRO context in Portugal. The second was to identify the type of organizational culture used by companies that use/do not use HRO. Answers to the research questions outlined at the beginning of the study were targeted to be resolved in this section.

Results concerning organizations that recur and that do not recur to HRO – 89 organizations (26%) recur to HRO, and 250 organizations (74%) do not recur to HRO – were consistent with the defended on the literature by Pickard' (2000b), claiming that organizations that recur to HRO were still a minority.

Firm size is expected to affect the transaction costs associated with alternative governance mechanisms because of its impact on economies of scale (Abraham & Taylor, 1996). As stated by throughout the transaction costs theory, smaller organizations tend to not prioritize HRO. This seems to be what occurs with organizations up to 49 employees in Portugal. Reasoned by the high costs associated with acquiring the expertise to perform these activities, the per-unit cost associated with providing such HRO services will be relatively high, thus not being advantageous to recur to HRO.

On the other hand, organizations from “50 to 249 employees” may tend to acquire HRO activities, as they possess more resources to do so. In addition, they can spread the cost of acquiring expertise across a larger number of HR transactions.

However, the same tendency is not observed in organizations above 250 employees. This outcome is not consistent the transaction costs theory, along with Delmotte and Sels (2008) findings, who observed that larger firms tend to outsource more. The conclusion taken was that these organizations probably have the capacity of acquiring an internal HR department, with all the services and skills that are required, not requiring external support.

Research Question 1: What are the reasons most mentioned for using and not using HRO?

The first RQ outlined in the study aimed to provide answers about the most mentioned reasons for using and not using HRO. Complying with legal obligations, and having someone expert in the field, were the most highlighted reasons to recur to the service.

Portuguese organizations may still see HRO as a service to help comply with legal obligations. As expressed in Hewitt Associates' study (2005), many HR transactional activities are so time-exhausting that they can take up to 75 percent of HR's useful time. In

fact, it is aligned with the most outsourced HR activity - Health and Safety at Work - which is an activity obligatory by law in Portugal (Decree-Law 109/2000). In short, reducing administrative concerns is yet defended as a primary goal of HRO.

Organizations that recur to HRO trust on their service provider, remaining the second most reason to recur to the service. This trusting process allows the organizations and their HR roles to focus on the core business and strategy (Hu et al., 1997), leading to an improvement of the organizational competitiveness (Barthelemy, 2003; Kotabe & Murray, 1990) and organizational learning (Pandey, 2020). Additionally, as HRO is an emerging theme, it is seen as a particular field. It means that people may recur to outsourcing organizations to get specialized and new skills. It may imply that HRO is still not being seen as a strategic partner to many organizations (Schlosser, Templer & Ghanam, 2006).

Authors such Davidson (2005) and Karthikeyan et al., (2013) claimed that cost reduction was the major driver for HRO. Likewise, cost savings has been the most popular reason for HRO for a long time. Results of the present study are not totally aligned with what stated by these authors, along with previous research (Harkins et al., 1995; The Conference Board along with Accenture HR Services, cited by Davidson, 2005). However, the reason was considerably mentioned by respondents (38 votes). Throughout the transaction cost theory, outsourcing organizations can help their clients using the economies of scale, by providing specialized tasks among them, as thus reducing the service price delivered. Furthermore, the specialized work, allows, therefore, the organization and its HR roles to focus on the core business and strategy (Hu et al., 1997).

Furthermore, preference for internal knowledge development and ensuring the full control of HR functions were the most prevalent reasons to not recur to HRO by organizations that do not use HRO.

Retaining control over HRM activities seems to be valuable to Portuguese organizations. This is illustrated in the most voted reason to not recur to HRO “preference for internal knowledge development”, aligned with what was claimed by Stroh and Treehuboff (2003). The author claimed that delegating important functions to outsider providers may lead to the risk of losing organizational internal knowledge and the capacity to learn new skills and competencies. The knowledge delegation to an outsider provider could hamper the creation of unique skills and cause inefficiencies (Ulrich, 1996).

The second most mentioned reason to not recur to this service was “to ensure the full control of HR functions”, going in the same line with the defended by Templer and Ghanam

(2006), claiming that the outside delegation may lead to a reduction control over how certain services are managed and delivered.

Preference for internal knowledge development is coupled with the insurance of the full control of HR function. The outsourcing support can moreover turn into outsourcing learning (Gobble, 2013) when the HR activities are carried to an external provider. The corresponding workers of those activities are charged with new activities and responsibilities (Kock, Wallo, Nilsson & Höglund, 2012; Woodall, Scott-Jackson, Newham & Gurney, 2009) and, those activities that are carried out to the outsourcing organization, go along with its respective skills (Lever, 1997). This can affect internal HR skills and career development, restricting innovation (Belcourt, 2006) and other features.

Furthermore, HRO is an emerging theme, and it may still be seen as a trigger to reduce new skills and competencies acquisition. Portuguese organizations are afraid of losing their inner control over employees and in-house knowledge, holding a lack of openness to externalize HR activities. Being a crucial department among organization, as the majority organizations (76,7%) from the present study hold it, another reason from not using HRO may be the fact that, as HR department deals specifically with people, turns to be much more complex and difficult to trust on an outsider provider to ensure control of the internal activities.

For organizations that currently recur to HRO, the reasons to not recur to other HR activities seem to be quite aligned with the above mentioned. Paying attention to the reasons named from organizations that currently recur to HRO, it can be observed they do it mostly for obligatory reasons, thus not interfering much with the control over internal HR activities. On the opposite, activities more strategic are the less outsourced, as they require more control over internal knowledge from the outside provider. A deeper understanding was done on the answer to the third RQ.

Research Question 2: What are the obstacles most mentioned when trying to use HRO?

The second RQ of the study aimed to provide answers about the main obstacles when trying to use HRO. Finding specialist organizations and establishing a relationship of trust with the service provider were the most outlined obstacles when trying to use HRO, by organizations that use HRO.

Results are aligned with what claimed by several authors (Chiang et al., 2010; Galanaki & Papalexandris, 2005; Pickard 2000a), who claimed that the lack of experience and specific



knowledge of the clients' organizations by the service provider leads to a reluctance in finding good quality vendors and trust on their services. Curiously, the obstacle in finding good quality vendors is aligned to the most reason to recur to HRO. This may be reasoned by the fact that, as HRO remains an emerging field, in one hand, some organizations start to seek for the service. On the other hand, there might endure a sceptic position towards service quality, as there remain few HR consultancy organizations providing the service.

Those concerns may be also due to fear of mismatching between both organizations (Laabs, 1998; Kick & Dozer, cited in Pandeyj, 2020) as the HR function may not fully represent the organization's values and culture and perhaps deteriorate the customer's culture. Furthermore, as HRO remains a service that deals with people and organizations may be afraid to trust on a service that is still emerging and may not be aligned with organizational culture and values.

The non-experience of a previous outsourcing experience (Smith, Vozikis & Varaksina, 2006) was also a concern included, when looking to externalize HR activities, as organizations do not know what service would be delivered and thus being reluctant in finding good quality providers that can have a trust relationship, including threats to confidentiality (Abdul-Halim & Che-Ha, 2010; Joe Raja, 2012).

For organizations that do not recur to the service, obstacles may be aligned to the reasons to not recur to the service, for organizations that do not use it. As mentioned in the answer to the first RQ, the loss of in-house knowledge and control over HR activities remain a huge concern among Portuguese organizations.

Research Question 3: Which HR activities are the most and the least outsourced?

The third RQ of the study aimed to provide answers about the most and the least outsourced HR activities. Health and Safety at Work, and Recruitment and Selection were the HRO activities most outsourced.

Results corroborate what defended by Armstrong (2020), who stated that the HR functions most well-placed to externalize some of its roles to consultancies are recruitment and selection, executive hunt, work-related health and safety services, worker welfare and counselling activities.

Results concerning recruitment and selection translate the increasing turmoil on the labour market and the resulting constant demand for new talent acquisition. From the corporate side, organizations are under pressure to deliver an efficient response to business

fluctuations, increasing and decreasing employee's numbers more speedily, while seeking in reducing operations costs at the same time (Armstrong, 2020). From workers side, people are changing their mindset and, contrarily to what was used to be, they are not forecasting and making their entire carrier in just one organization. In fact, switching between jobs and organizations is becoming the new reality nowadays. Moreover, the abundancy of externalization of recruitment and selection may be due to the fast-paced environment that the labour and corporative markets are being targeted off.

Results concerning health and safety at work are aligned with what stated by Carvalho (2005), who declared that the participation of workers in consultation, analysis, identification, and implementation of preventive measures in health and safety at work is obligatory by law (Decree-Law 109/2000), and fundamental for the success of actions, thus being present among all organizations.

On the other hand, performance management, and strategic HRM are the HR activities least outsourced of the study, remaining high-strategic functions within the HR department. These outputs are aligned with what stated by Schlosser et al. (2006), claimed that strategic and transformational functions in nature should not be outsourced to create dynamic capability and allow the organization to configure itself effectively in changing markets.

Results are aligned with the Society of Human Resources Management (2002) survey, which stated that strategic HRM was the less outsourced activity. Additionally, aligned with the survey result from Sim and Kaliannan (2016), performance management also remains almost non-existed within HRO.

Furthermore, the resource-based view (Conner & Prahalad 1996) complements the above outputs. Health and safety at work, and recruitment and selection, emerged as the top HR activities outsourced, which are activities generally perceived as non-core. These activities are not only identified to hold lower threats but are also typically correlated with holding lower costs. As organizations seek their competitive position in an increasingly global marketplace (Adler, 2003), they can maintain quality with lower associated costs, by relying more on outside providers for these activities, viewed as supplementary to their core businesses (Frayser et al., 2000). On the other hand, Performance management, and strategic HRM emerged as the bottom HR activities outsourced, which are activities generally perceived from having a more strategic value to the organization, and consequently, holding higher associated costs and risks.

However, what must be labelled as core and non-core HR activities remains open to discussion (Karthikeyan et al., 2013). For instance, core activities from HR consultancy

organizations and from logistics organizations are most likely to be different. It is a matter of decision for each organization what constitutes a core or non-core activity (Gilley & Rasheed, 2000).

Research Question 4: What is the perception attributed to the impact of the HRO in the future?

The fourth RQ of the study aimed to provide answers about the perception attributed to the impact that HRO may have in the future HR profession. Attending to the open-ended question about the impact that HRO will have in the future HR profession, the expansion of HRO follows the controversy attended in the literature section. Additionally, attending to the descriptive analysis section, it can be observed that, among organizations that currently do not use HRO, they claim that would probably increase mostly their outsourcing of recruitment and selection, health and safety at work and administrative HRM. Among organizations that currently use HRO they claim that would probably increase on outsourcing of recruitment and selection, training and development and strategic HRM.

As established in the literature, some sources claim that HRO will transform the whole thing regarding the HR profession, such as careers' relocation. Slightly, as pointed by Davidson (2005) HRO agreements have been demonstrated to put people matters at the top of an organization's strategic decision-making.

Furthermore, future developments of HRO are likely to be critical for outsourcing organizations and for their clients. For outsourcing organizations HR consultant, HRO future developments are critical to develop their business model and strategy. For clients, HRO future developments are critical to determine what investments are targeted to make in their HR infrastructure (Klaas, 2008). This insight may be illustrated in comments such as “introducing trends more easily!”, “Outsourcing can change the company's strategy regarding human resources (...)”, “New, more modern and innovative strategies will be implemented”.

Sceptic opinions are also shared concerning the future strategic approach of HRO. This goes aligned with what is defended in the predominantly literature (Galanaki & Papalexandris, 2005; Mahoney and Brewster, 2002), that HRO activities with a high strategic value – Performance management, HR planning, Employee relations – are almost non-existent. These findings are very much in line with other similar studies, as HR is still being seen as a non-strategic partner to organizations (Schlosser et al., 2006). This insight may be illustrated in comments such as *“The people management function in an organization is*

*strategic and as such should be led internally. Outsourcing may be used for tasks that do not add value to the organization (administrative or support tasks)”. Respondents also claimed that HR processes and practices are naturally internal and extremely sensitive, also their management should remain in-house. HRO may trigger a disconnection and loss of control over certain activities, and then, may lead to a loss of involvement from employees. This goes in line with what was defended by Schlosser et al. (2006) highlighting that one reason to not recur to this service remains in the reduced control over how certain services are delivered. He also claims that HRO may difficult the creation of distinctive skills and may cause incompetence reasoned by the lack of the specific knowledge of the organization by the outsourcing company. It is observed a tendency for a scepticism about the service and inner organizational development, as defended by Stroh and Treehuboff (2003).*

Future HRO intentions show that one third of the surveyed organizations responded that they will or probably would rely on HRO within three years.

Among organizations that currently do not use HRO (250 organizations), 84 said they were likely to increase their outsourcing in the future, saying they would probably increase mostly their outsourcing of recruitment and selection, health and safety at work and administrative HRM. This leads to the conclusion that, organizations that do not recur to HRO and that consider using it in the future, expect relying more on traditional HR activities, such as recruitment and selection, health and safety at work and administrative HRO.

Among organizations that currently use HRO (89 organizations), 29 are likely to rely on HRO in the future, saying they would probably rely mostly on outsourcing of recruitment and selection, training and development and strategic HRM. On the other hand, organizations that already possess support from HRO, which is majority traditionally HR activities, see future support relying also on traditional HR activities, such as recruitment and selection and training and development. However, these activities may be along with activities with a more strategic approach, such as strategic HRM.

For some organizations, HRO is becoming a strategic partner to organizations. On the opposite, for some other organizations, as claimed by Hammon (2001), there is evidence to suggest that many organizations remain prudent in their perception of the success of a strategic outsourcing.

Overall, the trend towards outsourcing is unlikely to fade away. However, contrarily to other studies (Adeleye, 2011; Joe Raja, 2012; Sim, & Kaliannan, 2016), it is not possible to conclude that will becomes a fastest-growing market as what was predicted. Still, this slowly continuing growing in HRO should lead to more outsourcing experts, thus providing a wider

access to expertise in the HR field and leaving space to internal HR professional become more strategic, instead of being an instrument for abolishing jobs or for replacement for effective people.

To conclude, it is reasonable to forecast that the Portuguese HRO market will be targeted of a gradual expansion, with more organizations acknowledging the concept of outsourcing to transform their HR departments.

The second purpose of this study was to clarify the perception of each organizational culture – culture of involvement, culture of consistency, culture of adaptability and culture of mission – towards the use/not use of HRO. Furthermore, not much research has conducted in-depth analyses of the link between organizational culture and HRO and its perception of HRO.

Research question 5: Which perceptions are attributed to organizational culture, according to the use/not use of HRO?

The fifth RQ of the study aimed to provide answers about the perception attributed to organizational culture, according to the use/not use of HRO. Turning the attention to the four organizational culture traits, results show a comprehend identification of the four organizational cultures – culture of involvement (u = 3,8), culture of mission (u = 3,2), culture of consistency (u = 3,7), culture of adaptability (u = 4).

By analysis the spider graphic (graphic 7), the organizational culture most predominant, whether recurring to HRO or not, was culture of adaptability. The prevalence of this organizational culture trait may be reasoned by the prevalence of 27 percent of “Services/Consultancy organizational in the sample. As claimed by Denison (1991) these types of organizations are highly oriented towards customer requirements and procedures are modified to improve organizational competencies to offer value to the client. The ability to examine the outer environment and have a greater adjusting to market fluctuating requirements (Ehtesham et al., 2011; Sharifirad & Atei, 2012) remains another feature of this OC trait, aligned with what service and consultancy organization’s main purpose.

Additionally, the culture of mission turned to be the organizational culture trait with more discrepancies across organizations that recur to HRO and that do not recur, being more perceived in organizations that recur to the service. As defended by Denison (1991), an organizational culture of mission is characterized by strong sense of direction and intent, shaping and forming the goals and objectives, along with the organizational vision. Along

with what was said, organizations that recur to HRO tend to have a stronger identification with this type of organizational culture, as outsourcing decisions are made along with the organizational vision, mission, goals and strategy. However, the T-test for independent samples tells that there is not a significant difference between the mean perception for the mission culture among organizations that use HRO and that do not use HRO.

As mentioned in the literature review, relating to all four organizational culture traits, the null hypothesis remained about the average perception attributed to each organizational culture trait were similar among organizations that use HRO and that do not use HRO:

*H0a: The average perception attributed to culture of involvement is similar among organizations that recur to HRO and that do not recur to HRO;*

*H0b: The average perception attributed to culture of consistency is similar among organizations that recur to HRO and that do not recur to HRO;*

*H0c: The average perception attributed to culture of adaptability is similar among organizations that recur to HRO and that do not recur to HRO.*

*H0d: The average perception attributed to culture of mission is similar among organizations that recur to HRO and that do not recur to HRO;*

Then, for culture of involvement and culture of consistency, the alternative hypothesis was that the average perception attributed to each of the two organizational culture traits was lower in organizations that recur to HRO than in organizations that do not recur to HRO:

*H1a: The average perception attributed to culture of involvement is lower for organizations that recur to HRO than for organizations that do not recur to HRO;*

*H1b: The average perception attributed to culture of consistency is lower for organizations that recur to HRO than for organizations that do not recur to HRO.*

On the other hand, for culture of mission and culture of adaptability, the alternative hypothesis was that the average perceptions attributed to each of the two organizational culture traits were higher in organizations that recur to HRO than in organizations that do not recur to HRO:

*H1c: The average perception attributed to culture of adaptability is higher for organizations that recur to HRO than for organizations that do not recur to HRO;*

*H1d: The average perception attributed to culture of mission is higher for organizations that recur to HRO than for organizations that do not recur to HRO.*

The findings of the T-test for 2 independent samples indicate that there are no significant differences among the average perception of the four organizational culture traits, whether

recurring to HRO or not. This suggests that organizational culture does not have a significant weight in the use/not use of HRO.

## Practical implications, Limitations and Future Research

Concerning to practical implications underlining in this study, it could be a useful tool for human resources consultancy organizations.

First, as it provides outputs about the reasons to and to not recur to HRO. This may be interpreted and being a starting point to acquire a more comprehended understanding of the organization's motivations towards HRO and, consequently, a higher understanding of the HRO market in Portugal.

Second, as it provides outputs about the current most outsourced HR activities and the most HR foreseen within a few years. This may help HR consultancy organizations to understand which HR services may be the target of investment now by them, along with the potential rising services that HR consultancy organizations may have higher potential to get profit from.

In the same manner as others research, the present research faced limitations that may trigger a starting point to further link up studies. Additionally, it is crucial to highlight these limitations to understand possible constraints of the results and the application of the study.

Firstly, concerning the convenience sample size – since it was obtained due to its accessibility - the sample does not allow the representation of the population under study. This triggers a not full representation of the Portuguese context and does not allow the generalisation of the results obtained.

Secondly, the fact that the questionnaire was made only online, prompted the struggle in controlling who answers it and the possibility of respondents becoming uninterested while responding to the questions – for instance, if they do not identify with the theme – was also seen as a constrain. Additionally, the possibility of having multiple responses from the same individuals was also a possible consequence of this online questionnaire.

Thirdly, the study relied mainly on one source of data. Most data were provided by an HR Consultancy organization's database (3101 contacts) that provides HRO service, remaining only 176 contacts accessed by LinkedIn. Knowing that most of the respondents were contacts from the HR Consultancy organization, it has consequences in terms of the percentage of organizations that have an HR Department and that use HRO, mainly favouring outputs about what just stated. Consequently, the questionnaire was answered mostly by employees with an HR function, or along with a high function within the organization, such as Administrators/Directors, HR Director, HR Responsible, CFO, HR Technician. Although the



HR professionals and high-level function are the best-suited people to answer questions concerning HRO in their organizations; and their responses have undoubtedly provided invaluable insights about the outsourcing of HR in the Portuguese framework, it would be highly value-adding to get inputs from other employees – for instance, to provide a broader input about the employee's interpretation concerning HRO. Collecting multiple responses from participating organizations would make the findings more robust.

Moreover, the examining section concerning the HRO context is exploratory in nature. While this sort of understanding is important, it would be considerably helpful to go deeper and understand the implication of HRO on distinct variables. Longitudinal research could be attempted in the future in this direction to broaden our understanding of the HRO subject.

Additionally, concerning the perception of the OCs towards the use/not use of HRO, results did not transmit significant results about the different perceptions among them, which turned into a limitation.

The valid response rate of the questionnaire was 10,34%, it does not translate an optimum response rate. Therefore, if there were more responses, the study would have a more advanced analysis and thus a more comprehension about the theme.

Future research may be targeted from a higher in-depth analysis of the perception of the organizational culture towards the HRO service use/not use. It would be pertinent to include the aspect of organizations that provide HR services, make a comparative study, seeking to break down the two sides, analysing the positions adopted by both parties in the relationship between them.

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## Annex A – Summary of the main findings of the study

**Table 14.** Summary of the main findings of the study.

	<b>Research Questions</b>	<b>Approached methodology</b>	<b>Mainly conclusions</b>
1	Reasons most mentioned behind using HRO.	Frequency analysis of response to the questions of the variable “Reasons to recur to HRO”.	<p>Main reasons for not acquiring HRO from organizations that do not recur to HRO:</p> <ul style="list-style-type: none"> <li>• Comply with legal obligation.</li> <li>• Having someone expert in the field.</li> </ul>
2	Reasons most mentioned behind not using HRO.	Frequency analysis of response to the questions of the variable “Reasons to not recur to HRO”.	<p>Main reasons for acquiring HRO from organizations that do recur to HRO:</p> <ul style="list-style-type: none"> <li>• Preference for internal knowledge development.</li> <li>• Ensure full control of HR activities.</li> </ul>
3	Obstacles most mentioned when trying to use HRO.	Frequency analysis of response to the questions of the variable “Obstacles faced when trying to recur to HRO”.	<p>Main obstacles when trying to use HRO:</p> <ul style="list-style-type: none"> <li>• Find specialist organizations.</li> <li>• Establish a relationship of trust with the service provider.</li> </ul>
4	HR activities most outsourced.	Frequency analysis of response to the questions of the variable “HRO activities”.	<p>Most outsourced HR activities:</p> <ul style="list-style-type: none"> <li>• Health and Safety at Work.</li> <li>• Recruitment and Selection.</li> </ul>
5	Perception attributed to the impact of HRO in the future HR profession.	Qualitative analysis to the open-ended question “Do you think HRO will change the future HR	Most respondents defend that HRO will not change the RH profession.



profession? Please, justify.”

6

Perception attributed to OC, according to the use/not use of HRO.

**Approached methodology**

Any OC has a significant perception. However:

- Culture of Adaptability relied on the OC with a higher perception, whether using or do not using HRO.
- Culture of Mission relied on the OC with a higher discrepancy, from using and not using HRO.

Hypothesis	Hypothesis description	Approached methodology	Analysis results		Mainly conclusions
			Verified	Not verified	
1	The average perception attributed to culture of involvement is lower for organizations that recur to HRO than organizations that do not recur to HRO.	<p><i>T-test</i> for two independent samples – HRO use and not use – for the organizational culture of involvement.</p> <p>Spider graphic for means representation.</p>		X	<p>The average perception of culture of involvement trait are equal across organizations that use/not use HRO.</p> <p>It is not possible to identify distinctions concerning the use or not use of HRO, across organizations with an involvement organizational culture trait.</p>
2	The average perception attributed to culture of consistency is lower for organizations that recur to HRO than organizations that do not recur to HRO.	<p><i>T-test</i> for two independent samples – HRO use and not use – for the organizational culture of consistency.</p> <p>Spider graphic for means representation.</p>		X	<p>The average perception of culture of consistency trait are equal across organizations that use/not use HRO.</p> <p>It is not possible to identify distinctions concerning the use or not use of HRO, across organizations with a consistency organizational culture trait.</p>
3				X	<p>The average perception of culture of adaptability trait are equal across organizations that use/not use HRO.</p>

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The average perception attributed to culture of adaptability is higher for organizations that recur to HRO than organizations that do not recur to HRO.

T-test for two independent samples  
– HRO use and not use – for the organizational culture of adaptability.

Spider graphic for means representation.

It is not possible to identify distinctions concerning the use or not use of HRO, across organizations with an adaptability organizational culture trait.

However, outputs from spider graphic for means representations indicates a higher perception of this organizational culture, among organizations that use and do not use HRO.

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4

The average perception attributed to culture of mission is higher for organizations that recur to HRO than organizations that do not recur to HRO.

*T-test* for two independent samples  
– HRO use and not use – for the organizational culture of mission.

Spider graphic for means representation.

X

The average perception of culture of mission trait are equal across organizations that use/not use HRO.

It is not possible to identify distinctions concerning the use or not use of HRO, across organizations with an mission organizational culture trait.

However, outputs from spider graphic for means representations indicates a discrepancy perception of this organizational culture, among organizations that use and do not use HRO.

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Source: Compiled from the field survey data.



## Annex B – Demographic data

**Table 15.** Age of respondents.

Age		
N	Valid	338
	Missing	1
Mean		46,42
Median		46
Mode		45
Std. Deviation		8,7
Variance		75,78
Skewness		-,048
Kurtosis		,204
Std. Error of Kurtosis		,265
Minimum		23
Maximum		73
Percentiles	25	41
	50	46
	75	52,

Source: Compiled from the field survey data.

**Table 16.** Sex of respondents – frequency.

Sex		
	Frequency	Percent
Feminine	212	62,5%
Masculine	127	37,5%
Total	339	100,0%

Source: Compiled from the field survey data.

**Table 17.** Total and within the organization full-time professional experience – descriptive statistics.

		Total full-time professional experience (in years)	Within the organization full-time professional experience (in years)
N	Valid	337	337
	Missing	2	2
Mean		22,8	13,999
Median		22	14
Mode		20	5
Skewness		,124	,528
Kurtosis		,565	-,327
Minimum		1	1
Maximum		59	42
Percentiles	25	17	6,75
	50	22	14
	75	29	20

Source: Compiled from the field survey data.

**Table 18.** Organization classification – frequency.

	Frequency	Percent
Industry / Manufacturing	102	30,1
Transport/Logistic	16	4,7
Trade	63	18,6
Education	3	,9
Health care	10	2,9
Hospitality	14	4,1
Technology	20	5,9
Services / Consultancy	77	22,7
Other	34	10,0
Total	339	100,0

Source: Compiled from the field survey data.

**Table 19.** Respondents' functions – frequency.

Administrator/Director	67
CFO	20
Partner	13
Sales Director	17
HR Director	90
HR Responsible	50
HR Manager	30
HR Business Partner	5
Manager	3
HR Technician/Assistant	31
HR Generalist	10

Source: Compiled from the field survey data.

**Table 20.** Headcount clustering across the organizations – frequency.

Missing	4
Up to 9 employees	14
10 to 49 employees	66
50 to 249 employees	163
Above 250 employees	92

Source: Compiled from the field survey data.

**Table 21.** Organization's localization – frequency.

	Frequency	Percent
North	31	9,1
Centre	59	17,4
Lisbon and Vale do Tejo	225	66,4
South	23	6,8
Madeira Archipelago	1	,3
Total	339	100

Source: Compiled from the field survey data.

**Table 22.** Culture of Involvement scale Cronbach's alpha (validity).

Cronbach's Alpha	N of Items
,930	11

Source: Compiled from the field survey data.

**Table 23.** Culture of Consistency scale Cronbach's alpha (validity).

Cronbach's Alpha	N of Items
,905	10

Source: Compiled from the field survey data.

**Table 24.** Culture of Adaptability scale Cronbach's alpha (validity).

Cronbach's Alpha	N of Items
,788	8

Source: Compiled from the field survey data.

**Table 25.** Culture of Mission scale Cronbach's alpha (validity).

Cronbach's Alpha	N of Items
,924	9

Source: Compiled from the field survey data.

**Table 26.** Figure responsible for HR tasks within the organization, for organizations that do not have a HR Department.

Who is responsible for the activities inherent to the function?	General Director	23
	Employee from the finance department	12
	Other	13

Source: Compiled from the field survey data

## Annex C – Questionnaire

*“Dear participant*

*In the context of my master’s dissertation, I invite you to participate in the study regarding the context of human resources outsourcing in Portugal and the organizational culture’ perception towards the service.*

*The confidentiality of your answers is fully assured, and this information will only be used for the research in question. Please note that there are no right or wrong answers, the important thing is to indicate your sincere opinion. The completion of this questionnaire requires approximately 10 minutes.*

*Thank you in advance for your collaboration in this study.*

*For any further question or clarification, please do not hesitate to contact me through the e-mail address: [mlapo@iscte-iul.pt](mailto:mlapo@iscte-iul.pt)*

*Best regards,*

*Leonor de Assis Pinheiro”*

1. Below you will find statements about the organization where you currently work that you can agree or disagree with.

*Using the scale 1 - Strongly Disagree, 2 - Disagree, 3 - Neither Agree nor Disagree, 4 - Agree and 5 - Strongly Agree, please indicate your degree of agreement with each.*

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Everyone is involved in the work carried out (OC_I1)					
The organization’s management style facilitates daily actions (OC_C1)					
Innovation is valued in the work environment (OC_A1)					
Management actions are geared towards a long-term strategy (OC_M1)					
Cooperation is stimulated in daily activities (OC_I2)					
New and better ways of working are continuously adopted (OC_C2)					
People act with a focus on meeting customer needs (OC_A2)					
Exists strategies for change (OC_M2)					
People are team-oriented (OC_I3)					
The organizational structure is well defined (OC_C3)					
The working environment involves constant change (OC_A3)					

There is a clear orientation to the work that needs to be done (OC_M3)					
Activities are made in teams (OC_I4)					
Values are practiced throughout the organization (OC_C4)					
Information and feedback from our customers influence our actions and decisions (OC_A4)					
Strategies for the future are constantly outlined (OC_M4)					
Teamwork is prioritized (OC_I5)					
If applicable, the code of ethics guides the organization's actions regarding what is right or wrong (OC_C5)					
The organization's culture is guided by the control and definition of rules (OC_A5)					
The activities to be develop are clear to everyone (OC_M5)					
The organization involves its people in the actions (OC_I6)					
The routine is guided by a sense of teamwork (OC_C6)					
The organisation stimulates learning (OC_A6)					
The objectives to be achieved are outlined realistically (OC_M6)					
Information is shared with everyone in the organization (OC_I7)					
Different hierarchies share common perspectives (OC_C7)					
The organisation encourages the development of people who take risks and make decisions (OC_A7)					
The proposed targets are met (OC_M7)					
In the development of tasks, authority is delegated (OC_I8)					
I consider my boss a mentor (OC_C8)					
People are trained according to the need's requirement (OC_I9)					
Goals and objectives are well outlined (OC_C9)					
There is constant monitoring of people's progress within the organization (OC_M8)					
There is continuous investment in people (OC_I10)					
The work carried out is aligned with the organization's mission (OC_C10)					
Learning errors are accepted and understood (OC_A8)					
Long-term success is thought and worked for by the organization (OC_M9)					
People are seen as competitive advantages (OC_I11)					

2. Does your organization have a Human Resources department?

- Yes
- No

3. How is this department constituted?

Please fill in the table according to the number of people in the department (*e.g. if there is no HR Director, please fill in 0. If there are two Human Resources Technicians, please fill in number 2*)

- Human Resources Director
- Human Resources Responsible
- Human Resources Manager

- Senior Human Resources Manager
- Human Resources Technician
- Human Resources Assistant
- Service provided in an outsourcing regime
- Other
- Other
- Other

4. Who is responsible for the activities inherent to the function?

- The General Director
- An employee from the finance department
- An employee from the accounting department

5. Does your organization currently have an outsourced HR department?

- Yes
- No

6. Would you consider it relevant and useful for your organization to use this service?

- Yes
- No
- Maybe

7. Do you consider it relevant and useful for your organization to use this service?

- Yes
- No
- Maybe

8. Why did your organization choose not to use external support in the area of Human Resources?

*(Check all that apply by using an 'X')*

- Lack of sufficient resources to manage
- Service costs too high



- Ensure full control of Human Resources functions
- Resistance from employees in general
- Resistance from senior management
- Previous experiences with negative impacts
- Preference for the development of internal knowledge

9. What HRM services does your organization use through external support (partial or total)?

	Partial external support	Full external support	No external support
Administrative HRM			
Human Resources Information Systems			
Compensation and Benefits			
Health and Safety at Work			
Recruitment and Selection			
Strategic Human Resources Management			
Performance Management			
Training and Development			
Outplacement			

10. How long does your organization have been receiving this support?

*(Please, answer in years)*

Administrative HRM	
Human Resources Information Systems	
Compensation and Benefits	
Health and Safety at Work	
Recruitment and Selection	
Strategic Human Resources Management	
Performance Management	
Training and Development	
Outplacement	

11. What are the reasons for using external support in Human Resources?

*(Check all that apply using an 'X')*

- Reduce Human Resource related costs.
- Focus the Human Resources team on strategy and business.
- Reduce elements in the Human Resources team.
- Comply with the legal obligation.
- Cover temporary needs (e.g. temporary absences or replacements).

- Have someone expert in the field.
- Increase competitiveness.
- Increase organizational learning .
- Acquire employees quickly.
- Provide employees with appropriate and quality training.
- Access the most up-to-date IT related to HR.
- Avoid internal political issues.
- Reduce time on bureaucratic issues.

12. What were the obstacles your organization faced when decided to use external support?

*(Check all that apply using an 'X')*

- Find specialist organizations.
- Loss of control by the service provider.
- Sharing critical and confidential business information.
- Establish a relationship of trust with the service provider.
- Fear to lose qualified professionals.
- Lack of knowledge and experience on the subject.
- Resistance from employees in general.
- Resistance from senior management.
- Resistance within the Human Resources department.
- Price for the service too high.
- We did not face any obstacles.

13. Do you consider that, by deciding to external support in Human Resources, your organization suffered any negative impact?

- Yes
- No
- Maybe

14. What are the negative impacts of using this support?

*(Check all that apply using an 'X')*

- Decrease of employee's motivation
- Loss of internal know how
- Non-achieve cost reduction
- Non-existence of a partnership relationship with the service provider
- Decrease in the quality level of the outsourced service
- Increase dependence on third parties

15. Overall, to what extent have the outsourced HRO met the expectations of your organization?

- Expectations were fully met.
- Expectations were met to large extent.
- Expectations were met to some extent.
- Expectations were not met.

16. In the next 5 years, how intensely do you expect to use external support in Human Resources?

- With greater intensity.
- With less intensity.
- With the same intensity.

17. How concerned do you think the existing HR people in your organization are about using external HR support?

- Very concerned.
- Somewhat concerned.
- Not concerned.

18. Do you consider the possibility of your organization outsource its Human Resources Management in the next 3 years?

- Yes.
- No.
- Maybe.

19. What services do you expect to contract through external support in the next 3 years?  
*(If you have previously ticked any in the use of services, please mention the ones you expect to use in the future).*

Administrative HRM	
Human Resources Information Systems	
Compensation and Benefits	
Health and Safety at Work	
Recruitment and Selection	
Strategic Human Resources Management	
Performance Management	
Training and Development	
Outplacement	

20. Do you consider that HRO will change the HR profession?

- Yes.
- No.
- Maybe.

21. Please justify your answer to the previous question.

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22. Please indicate your sexuality.

- Female
- Male

23. Please indicate your age.

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24. Please indicate the function you occupy within the organization.

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25. Please indicate your full-time professional experience (in years).

- Total.
- With this organization.

26. How do you rate your organization?

- Industry
- Transport
- Trade
- Education
- Health care
- Hospitality
- Financial Services
- Consultancy

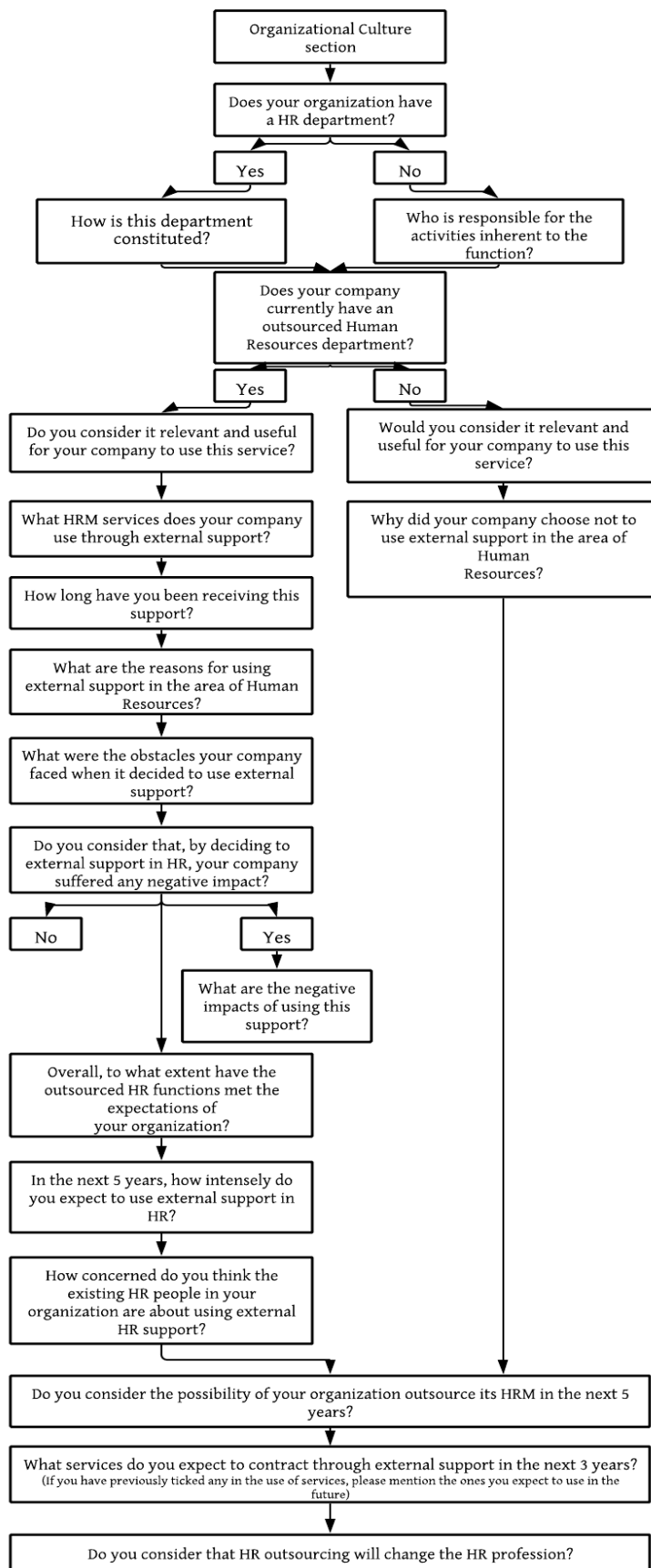
27. Where is your organization located?

- North
- Centre
- Lisbon and Rio Tejo
- South
- Madeira Archipelago
- Azores Archipelago

28. Please indicate the number of employees in your organization.

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Figure 3. Questionnaire structure and follow-up.





## Annex D – Denison Organizational Culture Dimensions

**Table 27.** Denison Organizational Culture Dimensions.

Cultural traits	Questions	
<b>Organizational Culture</b>	<b>Involvement</b>	<ul style="list-style-type: none"> <li>(a) Everyone is involved in the work carried out</li> <li>(b) Cooperation is stimulated in daily activities</li> <li>(c) People are team-oriented</li> <li>(d) Activities are made in teams</li> <li>(e) Teamwork is prioritized</li> <li>(f) The organisation involves its people in the actions</li> <li>(g) Information is shared with everyone in the organisation</li> <li>(h) In the development of tasks, authority is delegated</li> <li>(i) People are trained according to the need's requirement</li> <li>(j) There is continuous investment in people</li> <li>(k) People are seen as competitive advantages</li> </ul>
	<b>Consistency</b>	<ul style="list-style-type: none"> <li>(a) The organization's management style facilitates daily actions</li> <li>(b) New and better ways of working are continuously adopted</li> <li>(c) The organizational structure is well defined</li> <li>(d) Values are practiced throughout the organization</li> <li>(e) If applicable, the code of ethics guides the organization's actions regarding what is right or wrong</li> <li>(f) The routine is guided by a sense of teamwork</li> <li>(g) Different hierarchies share common perspectives</li> <li>(h) I consider my boss a mentor</li> <li>(i) The goals and objectives are well outlined</li> <li>(j) The work carried out is aligned with the organization's mission</li> </ul>
	<b>Adaptability</b>	<ul style="list-style-type: none"> <li>(a) Innovation is valued in the work environment</li> <li>(b) People act with a focus on meeting customer needs</li> <li>(c) The working environment involves constant change</li> <li>(d) Information and feedback from our customers influence our actions and decisions</li> <li>(e) The organization's culture is guided by the control and definition of rules</li> </ul>



- (f) The organisation stimulates learning
  - (g) The organisation encourages the development of people who take risks and make decisions
  - (h) Learning errors are accepted and understood
- 

**Mission**

- (i) Management actions are geared towards a long-term strategy
  - (j) Exists strategies for change
  - (k) There is a clear orientation to the work that needs to be done
  - (l) Strategies for the future are constantly outlined
  - (m) The activities to be develop are clear to everyone
  - (n) The objectives to be achieved are outlined realistically
  - (o) The proposed targets are met
  - (p) There is constant monitoring of people's progress within the organisation
  - (q) Long-term success is considered and worked for by the organisation
-

## Annex E – Organizational Culture Principal Components

**Table 28.** Organizational Culture principal components.

Items	Components			
	(1) Culture of Involvement	(2) Culture of Mission	(3) Culture of Consistency	(4) Culture of Adaptability
OC_I4	,806			
OC_I5	,788			
OC_I3	,770			
OC_I2	,739			
OC_I6	,719			
OC_I9	,719			
OC_I7	,639			
OC_I11	,594			
OC_I10	,581			
OC_M4		,769		
OC_M1		,728		
OC_M6		,727		
OC_M2		,688		
OC_M9		,762		
OC_M3		,623		
OC_M5		,609		
OC_M8		,646		
OC_M7		,641		
OC_C4			,672	
OC_C3			,683	
OC_C1			,671	
OC_C7			,697	
OC_C6			,649	
OC_C9			,648	
OC_C2			,609	
OC_C10			,619	
OC_A7				,525
OC_A2				,770
OC_A4				,736
OC_A6				,702
OC_A1				,751
% Total Variance				
Explained	19,230	18,896	15,470	11,190
Cronbach alpha				
Coefficient	0,935	0,917	0,912	0,831

OC\_I11: Everyone is involved in the work carried out (out). OC\_I2: Cooperation is stimulated in daily activities. OC\_I3: People are team oriented. OC\_I4: Activities are made in teams. OC\_I5: Teamwork is prioritized. OC\_I6: The organization involves its people in the actions. OC\_I7: Information is shared with everyone in the organization. OC\_I8: In the development of tasks, authority is delegated (out). OC\_I9: People are trained according to the need's requirement. OC\_I10: There is continuous investment in people. OC\_I11: People are seen as competitive advantages. OC\_M1: Management actions are geared towards a long-term strategy. OC\_M2: Exists strategies for change. OC\_M3: There is a clear orientation to the work that needs to be done. OC\_M4: Strategies for the future are constantly outlined. OC\_M5: The activities to be

developed are clear to everyone. OC\_M6: The objectives to be achieved are outlined realistically. OC\_M7: The proposed targets are met. OC\_M8: There is constant monitoring of people's progress within the organization (out). OC\_M9: Long-term success is thought and worked for by the organization. OC\_C1: The organization's management style facilitates daily actions. OC\_C2: New and better ways of working are continuously adopted. OC\_C3: The organizational structure is well defined. OC\_C4: Values are practised throughout the organization. OC\_C5: The code of ethics guides the organization's actions regarding what is right or wrong. OC\_C6: The routine is guided by a sense of teamwork. OC\_C7: Different hierarchies share common perspectives. OC\_C8: I consider my boss a mentor (out). OC\_C9: Goals and objectives are well outlined. OC\_C10: The work carried out is aligned with the organization's mission. OC\_A1: Innovation is valued in the work environment. OC\_A2: People act with a focus on meeting customer needs. OC\_A3: The working environment involves constant change (out). OC\_A4: Information and feedback from our customers influence our actions and decisions. OC\_A5: The organization's culture is guided by the control and definition of rules (out). OC\_A6: The organization stimulates learning. OC\_A7: The organization encourages the development of people who take risks and make decisions (out). OC\_A8: Learning errors are accepted and understood (out).

## Annex F – Means and Cronbach alphas of each organizational culture trait, for organizations that use HRO and that do not use HRO.

**Table 29.** Means and Cronbach alphas of each organizational culture trait, for organizations that use HRO and that do not use HRO.

<b>Organizational Cultures</b>	Organizations that recur to HRO (n=88)	Organizations that do not recur to HRO (n=257)	Cronbach alpha
	Means		
Culture of Involvement	3,804	3,747	0,935
Culture of Mission	3,8	3,673	0,917
Culture of Consistency	3,793	3,698	0,912
Culture of Adaptability	4	4,018	0,831

Source: Compiled from the field survey data.