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OUTSOURCING; ENHANCING THE EXPERIENCE OF TRANSITIONED EMPLOYEES

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ABSTRACT

Business process outsourcing has become more prevalent as organizations attempt to manage costs and focus on more important core activities. Very little research has been undertaken however to consider the effects on employees that are also outsourced or transitioned to the service provider. This exploratory research considers predictors of work attitudes and outcomes of a group of employees that transitioned from a large retail bank to an outsourcing provider. Hierarchical regression analyses indicated that the process of managing the transition had significant effects on employee attitudes. Unmet expectations was found to have widespread effects on employee attitudes and outcomes. Organizations undertaking outsourcing initiatives must pay particular attention to the planning and managing of this transition. Suggestions for handling this complex change are offered.

OUTSOURCING; ENHANCING THE EXPERIENCE OF TRANSITIONED EMPLOYEES¹

Outsourcing has become an increasingly common option for companies seeking to reduce costs, enhance service and focus on core competencies. Most commonly used for information technology services (IT), this trend of business process outsourcing (BPO) is also increasingly prevalent in Human Resources (HR). It is a \$1.36-billion industry in Canada alone and is expected to increase 10.6 per cent each year over the next five years (Canadian HR Reporter, 2004). According to the Gartner Group, HR administrative tasks topped the list of processes outsourced in 2003 and predict that by 2007, HR BPO will be a \$37.8 billion-plus industry in the United States, up from \$25 billion in 2002, for an 8.6 percent growth rate. According to a recent survey by Hewitt Associates, more than sixty percent of companies outsource part or all of HR administration.

Outsourcing is the transfer of services or functions previously performed within the organization to a provider outside of the organization and is increasingly a key component in many business strategies. Outsourcing is not new to HR but, until fairly recently, it has been largely confined to functions like reference checking, payroll and benefits administration. Over the past five years, companies have expanded the score of HR activities they are willing to turn over to an outside organizations. Outsourcing has therefore migrated to include other functions such as training, recruitment, compensation, HRIT and performance management. According to a recent survey by Hewitt Associates, more than sixty percent of companies outsource part or all of HR administration.

Benefits of Outsourcing

Some of the main driving factors prompting organizations to outsource include: cost savings, a focus on core competencies, access to leading-edge technological advances, access to specialized expertise, improvement in the delivery and quality of services, and/or a solution to resolving organizational politics.(Belcourt & McBey, 2004). Research on outsourcing typically presents outsourcing as primarily a

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time and money-saving strategy, as a way to obtain better services at cheaper rates (Jeffay, Bohannon, & Laspisa, 1997).

Studies of cost savings pertaining to outsourcing arrangements of two or more years showed average savings of fifteen percent (Belcourt & McBey, 2004). Exult, a leading HR BPO provider, states that it is reasonable to expect at least a 20% reduction in HR administrative costs (Lawler, et al, 2004). Outsourcing non-core activities can allow HR professionals to move away from routine administration to a more strategic role. Outsourcing provides the opportunity for these resources to re-focus on strategic work that adds value to the organizations' core competencies. Managing a successful HR operation relies on increasingly large investments in technology and it is becoming increasingly complicated to put together and sustain a state-of the art delivery system. One-third of respondents in one study of companies outsourcing Human Resources, indicated access to specialized HR expertise to be the primary motivation for outsourcing (Abrahamson, 2003). Outsourcing often allows a company to get better quality HR Services. Many companies outsource because they believe they can get the new required level of HR service faster and with more confidence in succeeding, through outsourcing (Jeffay et al. 1997). Organization politics play a part in terms of the perception of acceptable headcount within an organization or function (Belcourt & McBey, 2004). HR outsourcing presents the option of cost reduction and the choice to hold or release control of selected HR activities.

Limitations of Outsourcing

There are major risk areas that organizations need to consider when making the decision to outsource, some of which include, projected benefits are often not fully realized, flexibility to change service requirements are limited, reduced value of the organization and employee morale is negatively affected. (Belcourt & McBey, 2004).

HR BPO is still in its infancy and much is still to be learned. Results to date are early indicators and companies are not yet experiencing consistent results. Towers Perrin surveyed 32 companies, nearly all of which had outsourced five or more HR business process between 2000 and 2004. The survey did find that organizations are realizing immediate returns on the cost front, with more than 75% of the respondents saying they had met short-term cost savings. Participants generally have not met broader objectives around shifting their focus to core competence and only 35% cited improvements in service quality beyond what they could have achieved on their own. Even if a company

achieves their cost objectives, they must also be mindful of the potential impact on the quality of service.

Outsourcing enables companies to provide new capabilities and services for employees. Once an outsourced vendor takes accountability for delivering services, the organization has limited control in changing the nature of the services to reflect the changing needs of the business (Belcourt & McBey, 2004). In essence, the organization loses the ‘flexibility and customization it enjoys from its own HR people when it outsources’ (Seeley, 1992, p.2).

Insufficient focus on retaining HR activities that support core competencies can have unintended consequences when key HR activities are hollowed out of the old HR department, resulting in lost capability and diminished customer service quality. This has the potential of reducing HR’s competitive advantage for the firm. In addition, there may be unintended consequences of outsourcing the organization’s knowledge and skills to external firms. The vendor may even sell acquired know-how to competitors (Belcourt & McBey, 2004). Because HR departments run the risk of losing their identities with extreme levels of outsourcing, a mixture of outsourcing and in-house activities seems optimal in many circumstances.

A decision to outsource needs to take the psychological effects into consideration, as it represents the human cost of the outsourcing activity. Outsourcing inevitably results in displaced employees (Belcourt & McBey, 2004) ultimately affecting morale and productivity. In an outsourcing arrangement, employees may be transferred to the outsourced vendor, internally to other departments, out-placed or offered voluntary retirement packages (Belcourt & McBey, 2004). All of these options can result in negative reactions or feelings from the affected employees.

Outsourcing is not a small undertaking; it requires planning, communication and follow-up. Companies that have effectively implemented outsourcing in their organizations point to different reasons for their success, but most employers agree on the following core elements to successful implementation:

1. Planning and Preparation: set realistic objectives and expectations for the process and the transition.
2. Effective Change Management: includes obtaining stakeholder buy-in, communicating early and often and planning for the work that will stay and for the people whose work will go away.

3. Manage the Relationship : design and execute a robust governance structure, promote teamwork and evaluate progress by measuring the right things
4. Contract Negotiations: be thorough in understanding and documenting requirements
5. Vendor Selection: select the right outsourcing provider

Before making the decision to outsource, companies must plan thoroughly and gain full commitment from the entire organization. Outsourcing must be conducted carefully, systematically and with explicit goals. The primary motives for considering outsourcing should include strategic as well as tactical considerations at both the department and organizational level. It is important that management not use outsourcing to justify relinquishing control of inadequately managed, poorly understood or costly functions, as this would result in an unsatisfactory outcome. Preparation involves examining current internal processes and setting realistic goals for the outsourcer (HR focus, 2003).

Nothing is more fundamental to the success of an outsourcing effort than the fit between an organization and its vendor. The vendor needs to have the right systems and working style that fits with the company it is serving (Lawler, et al, 2004). One of the most difficult and underestimated issues facing outsourcing relationships is the impact of cultural differences between the client and vendor organizations. Clients tend to believe that the norms, values and ethics of their vendors will be similar to their own. Once into the relationship, they realize that the vendor's view of time management, organizational structure, business approaches, decision-making processes, long term cooperation and teamwork may be much different from their own. If these issues are not addressed and resolved in a timely manner, the relationship is destined to finger pointing, low productivity and mutual dissatisfaction.

Selection criteria should include a high criterion weighting for vendors' knowledge of the industry because HR practices differ across industries. Finally, organizations that choose a firm with similar culture (HR Focus, 2003) increase compatibility throughout the process, and should have the infrastructure to adapt to changing business needs (Employee Benefit Plan Review, 2000). In addition, vendor stability and continuity are critical to the long term success of an HR BPO contract (Lawler, et al, 2004).

Developing a good contract is critical to HR BPO outsourcing. Entering into contracts that are poorly structured can lead to failure (Lawler, et al, 2004). Due diligence needs to extend into the contract negotiation stage of the process. Too often organizations sign the contract before finalizing all of the fine details such as service level agreements and find they are not attaining the benefits they were seeking (Huber, 2003). Because every aspect of the outsourcing arrangement is governed by the contract, both sides must agree on all the terms and conditions of the partnership agreement.

Research indicates the companies realizing the benefits of outsourcing were the ones who managed the vendor relationship better and built a relationship right from the very start (Tarsh, 2004). This involves a complete partnering between the organizations to review progress and continually improve the arrangement (Yallop, 2003). A relationship should be built between the vendor(s) and the organization to ensure the vendor acts in the organizations best interest (Belcourt & McBey, 2004) and to ensure mechanisms exist to work out issues along the way. Trust between the contractor and purchaser is essential since no set of rules can define the relationship.

The shift to HR BPO is a major transformation in the way HR services are delivered and therefore brings a number of significant changes to the organization, raising critical change management issues. This change in delivery requires buy-in and participation from several stakeholders, leaders, managers, employees and HR professionals to ensure the shift is a success. Companies that have the greatest success in driving change designate a leader with credibility to be the champion of the change in order to accelerate the adoption of the new delivery model.

A particularly important feature of the change process concerns how the existing employees will be dealt with. Outsourcing has a major effect on the employees in HR and a significant effect on all other employees. Over prepare the HR employees who will be directly involved. Employees may feel threatened; they may also be suspect of a larger hidden agenda (Lawler et al, 2004). It is necessary to be completely transparent regarding short term and long term plans and goals.

A major communication and training effort is needed to explain what is happening and why and to familiarize employees with the new process (Lawler, et al, 2004).

Although there are varying opinions as to when employees should be informed about the process (Belcourt & McBey, 2004), the reality is that information is bound to leak out and even if it has not been formally announced, rumours are just as likely to heighten anxiety and potentially encourage the best performers to job search. Candid communication wherein the rationale of the merger is shared (Caplan, 2004) and information prepared around how the outsourcing arrangement may impact employees is critical in retaining the trust of employees. Additionally, some of the strongest advice is to involve unions if they will be affected by the change. It will be necessary to keep them educated and informed and let them have an opportunity to understand what is going to unfold.

The intent of this study was to explore the outsourcing decision and its implementation on the work attitudes and experiences of employees involved in a HRBPO initiative. More specifically, it provided a comparison of employees who transferred to a BPO provider and employees hired directly into the BPO provider. The study also provided further information regarding the best way to manage the outsourcing arrangement by identifying and exploring the key components affecting employees.

History of the two organizations Retail Bank

This company is a leading North American financial institution providing financial services to more than nine million customers, including retail and small business banking customers as well as corporate and investment banking customers. It employs approximately 45,000 employees at branches and offices across Canada, the United States and around the world.

The company approached the outsourcing decision in a very methodical way. They first needed to decide if they wanted to build the necessary system infrastructure in-house. Having made the decision not to do that, they looked strategically to determine if they were likely to be in the HR operations business in the next 5 years. The answer to this questions was no, as they believed that the function needed to be focussed on adding value through business partnerships within the company. They felt that the work performed by HR Operations was a commodity service and that they would likely want to stop doing activities that were albeit critical in nature, were more administrative.

The company wanted to be a first mover company even at a time when the business model for HR BPO firms was and is still evolving because their belief was early movers would have the advantage that the provider would need to grow through acquisition: that is they would hire the majority of their first client's HR staff. Their key drivers in the decision to outsource were their ability to shape the offer, negotiate the best price options as first movers and maximize redeployment of staff thereby creating employment opportunities. Moving the talent base to the BPO provider organization would result in stability in the service provision and minimize service risk. These newly acquired employees would first run processes for their former employers as they always had, but over time, they would use the systems and programs the provider preferred and serve other customers as well. As the provider signed on more clients it would stop hiring client staff in bulk and instead would bring on only a few key people from each new client company.

After concluding an extensive request for proposal (RFP) process the decision to outsource with the BPO provider was approved. The choice of vendors was largely based on their reputation for consistency and reliability in operations. Initially, the provider would take over things just as they were and within a specified time frame, the conversion to a common HRIS platform (Peoplesoft) would be implemented.

Long term financial success depended on the provider's ability to achieve efficiencies of scale and deliver measurable service improvements. Long term success for employees, included the providers ability to deliver on the promises made to employees, including new career opportunities, access to leading edge technology, shift from cost centre to a revenue generating front office, access to expertise, opportunity for individual development, and to be part of a market leader in world class HR services.

BPO Provider

The outsourcing company provides BPO services in key emerging areas including Human Resources, Finance and Accounting and Supply Management. The company also has a long tradition of successfully providing solutions to both the public and private sectors with administrative, transaction and contact centre outsourcing services. The organization provides a broad portfolio of business and technology solutions to help its clients worldwide improve their business

performance. They have a passionate commitment to excellence in client service.

The company moved into HR BPO from specializations in Information Technology outsourcing, in anticipation of the growth opportunities. The retail bank was their first BPO client. At the time, the market was experiencing high levels of competition among first-mover companies and at a time when the business model for HR BPO firms was still evolving. In the last four years from June 2001 to June 2005, the company has invested to the point where it has the infrastructure necessary to service more and more employees without making proportionately greater investments in facilities and employees.

Research Framework

A research model was developed to guide both the selection of variables to be included in the study and data analyses (see Figure 1). One panel of variables examined the outsourcing decision made in 2001 (e.g., planning); a second considered aspects of the change experienced by the ex-bank employees and the third assessed a number of work outcomes currently experienced by both the ex-bank employees and the new BPO employees (e.g., organizational identification, intent to quit, motivation, sense of accomplishment).

[Click here to see Figure 1](#)

Method

Procedures

The study was conducted four years after the initial contract was signed and the announcement was made. Interviews with key managers who were involved in creating the outsourcing initiative were held to determine key success factors that were developed for employees. Then a focus group of randomly selected employees (ex-retail bank) was carried out to identify what was important to them

during the transition. Information from the interviews and focus group was then used to develop a questionnaire to be administered to employees. Five individuals who were not part of the sample pilot tested the questionnaire. Data were collected using an anonymously completed questionnaire.

Respondents

The questionnaire was distributed to about 180 employees from all departments in the BPO provider. Respondents came from two distinct groups employees formerly employed by the retail bank and transitioned to the outsourcing provider and employees who did not experience a transition due to the outsourcing arrangement but were hired to service the retail bank by the outsourcing provider. Ninety-five employees completed the survey, a 53 percent response rate. The demographic characteristics of the sample are shown in Table 1.

[Click here to see Table 1](#)

There were 95 respondents to the survey, representing a 55% response rate. Of the total, 39 transitioned from the retail bank and 49 were newly hired to the BPO provider and were not previously employed by the retail bank. Seven of the survey respondents did not complete this demographic information, although based on the remaining responses, it would appear that 5 had transitioned from the retail bank for a total of 44. With regard to length of service, the majority of respondents (51), had worked for the outsourcing provider between 2 years and 5 years. Of the 44 employees who identified they transitioned from the retail bank, the majority (19) had worked for the retail bank for more than fifteen years prior to transitioning to the BPO provider. The vast majority of respondents (88.4 %) were employed on a full-time basis, with only a small percentage employed on a part-time or contract basis (8.4%). With regard to age, the majority of respondents were between 35 years and 54 years of age. Only 11.6% of the respondents manage other people, leaving the vast majority operating as individual contributors (87.4%). The role of the individual contributors are fairly evenly spread across all occupational groups, with the highest number of respondents working in the Call Centre, Payroll and Technology areas.

Measures

Both single items (e.g., organizational tenure, age) and multiple item measures were used.

Organizational change

Outsourcing Announcement was measured by seven items ($\alpha = .64$) and included whether there was sufficient information about the deal, and whether the reasons for the outsourcing decision were clearly explained.

Transition was assessed by five items ($\alpha = .90$) and considered whether the planning for the move was well done and the usefulness of the orientation process.

The Deal was measured by five items ($\alpha = .61$) and included whether the “employee deal” was fair and comparable to their experience at the retail bank (pay, physical work-environment, technology).

Employee Concern was measured by two items ($\alpha = .69$) and determined whether employee concerns were addressed by the retail bank and the outsourcing provider.

Changes Experienced by Employees

Role Clarity was measured by four items ($\alpha = .81$) and assessed the extent to which respondents understood their roles and responsibilities.

Resources was measured by four items ($\alpha = .75$) and assessed satisfaction with information, tools and technology to perform the job effectively.

Culture was assessed by six items ($\alpha = .7$) and examined differences (culture clash) between the two organizations.

Client/retail (bank) interaction was measured by two items ($\alpha = .85$) and tapped the extent to which respondents knew how to interact with their client.

Client Relationship was assessed by three items ($\alpha = .83$) and examined the smoothness of the client-vendor relationship.

Satisfaction with immediate supervisor was measured by eleven items ($\alpha = .96$) and included encouraged to do their best work, has clear accountabilities, and open communication.

Satisfaction with Senior management was measured by four items ($\alpha = .92$) and assessed honesty and integrity, open and honest communications and the promotion of team work.

Management Communication was measured by three items ($\alpha = .66$) and included keeping employees informed, and openness to suggestions.

Work Outcomes

Pay Satisfaction was measured by three items ($\alpha = .89$) and considered fairness of pay differences within the organization, and compared with other companies.

Motivation was assessed by three items ($\alpha = .81$) and considered levels of work enthusiasm, motivated to "go the extra mile".

Sense of Accomplishment was measured by three items ($\alpha = .86$) included feeling a strong sense of accomplishment and making an effective contribution.

Organization Identification was measured by four items ($\alpha = .47$). Items included: proud to be identified with the company, would recommend organization to others, and seeing the company as good place to work.

Work Environment was measured by seven items ($\alpha = .85$) and included recognition, work/life balance, development opportunities and physical working conditions.

Intent to quit was measured by three items ($\alpha = .83$) including want to work for organization now, for the next 5 years and for the remainder of their career.

Results

Regression Analyses

Hierarchical regression analyses were undertaken to explore relationships between personal and work situation characteristics, the transition process of retail bank employees moves to the BPO provider and a variety of work attitudes and work experiences.

Two blocks of predictors were entered in a specified order. The first block (N=4) included age, organizational level, work status (full-time vs. part-time), and tenure with the service provider. The second block of predictors (N=6) included measures dealing with different aspects of the outsourcing transition process. These were: how the outsourcing

decision was announced, the nature of their arrangement as perceived by employees, how adequately employee concerns were dealt with, the transition process itself and how it was managed, the degree of culture clash between the retail bank and the service provider, and the degree to which employee expectations were met. Work attitudes and outcomes included: work motivation, sense of accomplishment, feeling valued, assessment of their work environment, organizational identification, assessments of their direct supervisor, assessments of senior executives, and intent to quit. The first block of predictors, personal and work situation characteristics, served as control variables before considering the relationship of the transition process measures with the various work attitudes and outcomes.

Given the relatively small sample size (N=44) and the exploratory nature of the study, the .10 level of significance was used to identify promising trends in the data. When a block of predictors accounted for a significant amount or increment in explained variance ($p < .10$), variables within these blocks having significant and independent relationships with the work attitudes and outcomes were identified ($p < .10$). Table presents the results of these analyses; only the significant β s are shown in the table.

[Click here to see Table 2](#)

Results of Regression analyses

Motivation

The block of Process variables accounted for a significant increment in explained variance on Motivation, and one variable within this block had a significant and independent relationship with levels of Motivation. Respondents indicating greater met expectations also reported higher levels of Motivation ($\beta = .38$).

Valued

Again only the Process variables accounted for a significant amount or increment in explained variance of feelings of being Valued. Two variables in this block had significant and independent

relationships with feeling Valued: respondents with greater met Expectations and respondents indicating that employee concerns were well addressed felt more Valued (β s=.40 and .43, respectively).

Intent to Quit

The Process variables accounted for a significant increment in explained variance on Intent to Quit. One variable within this block, Unmet Expectations., had a significant and independent relationship with quit intentions; respondents indicating greater met expectations also reported lower Intention to Quit (β =.45).

Feelings of Accomplishment

Process variables also accounted for a significant increment in explained variance on feelings of Accomplishment. One variable within this block, Culture Clash, had a significant and independent relationship with Accomplishment; respondents indicating less Culture Clash between the two organizations reported greater feelings of Accomplishment (β =.38).

Organizational Identification

Process variables accounted for a significant increment in explained variance on Organizational Identification. One variable within this block had a significant and independent relationship with Organizational Identification; Respondents indicating greater met Expectations also reported greater Organizational Identification (β =.9).

Positive Responses

Both blocks of predictors accounted for a significant amount or increment in explained variance on Positive responses to the outsourcing initiative, Two variables within this block of Process measures had significant and independent relationships with these responses: Expectations and Outsourcing Deal. Respondents indicating greater met Expectations, and respondents indicating greater satisfaction with the Outsourcing Deal indicated more Positive Responses (s =.55 and .44, respectively).

Negative Responses

Neither block of predictors accounted for a significant amount or increment in explained variance on Negative Responses.

Satisfaction with Senior Executives

Process variables accounted for a significant increment in explained variance on respondent assessments of their senior executives. One variable within this block-Expectations- had a significant and independent relationship with these assessments; respondents indicating greater met Expectations held more favorable assessments of the senior executives ($\beta = .43$).

Satisfaction with Supervisors

Process variables accounted for a significant increment in explained variance on respondent assessments of their immediate supervisors. Two variables within this block had significant and independent relationships with these assessments (p,.10):Culture Clash and management of the Transition. Respondents reporting less Culture Clash, and respondents reporting more effective management of the Transition, also held more favorable assessments of their immediate supervisors (β s=.31 and .52, respectively).

A few more general comments are warranted. First, personal and work situation characteristics were generally unrelated to the work attitudes and work outcomes. Second process variables had generally consistent and strong relationships with the various work attitudes and outcomes. Third, Expectations had significant and independent relationships with most of the work attitudes and outcomes.

Discussion

Lawler, Ulrich, Fitzenz and Maden (2004) offer a detailed treatment of HR Outsourcing. They consider the upfront work needed to successfully launch an outsourcing initiative, providing in-depth case studies of several organization's outsourcing projects. Outsourcing projects represent complex organizational changes with success not being guaranteed. While noting some issues in their case studies, Lawler and his colleagues paint a generally optimistic picture.

The data obtained in the present study portray a slightly different scenario. Employees transitioned to an outsourcing service provider indicated considerable dissatisfaction with the transition. Promises were made, expectations raised, and then not met. In this particular case, both organizations could have done things differently to improve the change process. Organizations contemplating the outsourcing of services need to be aware of serious challenges that will lie ahead. These highlight the need for sound planning and analysis with regards to the outsourcing discussion itself, care in the selection of the vendor particular attention to the management of the transition process and

maintaining of the change efforts underway to increase potential benefits of these efforts.

Implications for Practice

This study does provide important insights for practitioners, specifically senior managers who are contemplating or who have responsibility for initiating outsourcing. Recommendations from this study include:

1. The BPO provider needs to play a very active role in the planning of the change process that is typically designed by the client organization, due to the future impact this process will have on their satisfaction with the BPO provider organization.
2. Cultural differences need to be recognized in advance of the contract, in order to plan for additional interventions to mitigate the impact.
3. Moving a transition leader would be another way of mitigating the behaviours of retail bank managers and employees when dealing with the transitioning employees. Alternatively, if a transition leader from the retail bank was not viable, bringing in the transition leader to work with retail bank leaders prior to the deal cutover could possibly condition the BPO leader to the sensitivities and culture differences that would need to be managed after the legal and physical moves had taken place.
4. Educating the HR community, line managers and employees on this change needed to be a higher priority in order ease these transition issues.
5. Not delivering on commitments made can erode the foundation of trust in the organization that is so essential to high levels of corporate performance.
6. Regular communication sessions on the status of commitments made to employees would be beneficial to keep employees informed on the progress against these commitments and provides a forum for critical two-way dialogue.
7. If the direct supervisor is part of to the transitioned group of employees, the supervisor will not be viewed as part of the BPO provider management team.
8. More attention above and beyond normal conventional change practices for transitioned employees whose anxiety levels and

information needs have skyrocketed than would be applied to newly hired employees.

9. Emphasize the need for strong transition management by the senior management of the organization and a recognition that the transition process continues past the actual legal and physical move.
10. To assist in establishing a commercial mindset, establish a front-office interface in the BPO provider organization that is staffed with non-transitioned employees so that these employees would not be in a position to have to negotiate client requests with the members of the client organization that they had worked with for so many years under a different operating model.
11. Improving clarification of roles and responsibilities of the Alliance Team will improve the client relationship.
12. Constant attention to the client relationship at all levels in the organization will improve the level of motivation of the employees in the outsourcing firm.
13. BPO provider organizations that are transferring employees from the client organization in order to gain knowledge and expertise for the target process need to ensure they tap into this expertise effectively.
14. The relationship between the client organization and BPO provider will be more productive if the cultures of the two organizations are aligned.

Limitations to the Study

It is important to consider the findings in light of the limitations associated with this study. The study has three limitations: first the study was limited to one multinational organization. Therefore, attempts to extend the conclusions to other research contexts may be misleading. Nevertheless, financial institutions with comparable characteristics may draw inferences from this work. Second, although the response rate is above average for organizations, the sample size was relatively small and therefore the study is more exploratory in nature. Future research should examine these conclusions against other large corporate outsourcing HR BPO initiatives. The third limitation is that the data was collected four years after the change was announced. Employee reactions may have dissipated over this time

period. The opportunity exists to establish an ongoing longitudinal investigation to evaluate staff perception over time.

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Figure 1

Research Framework

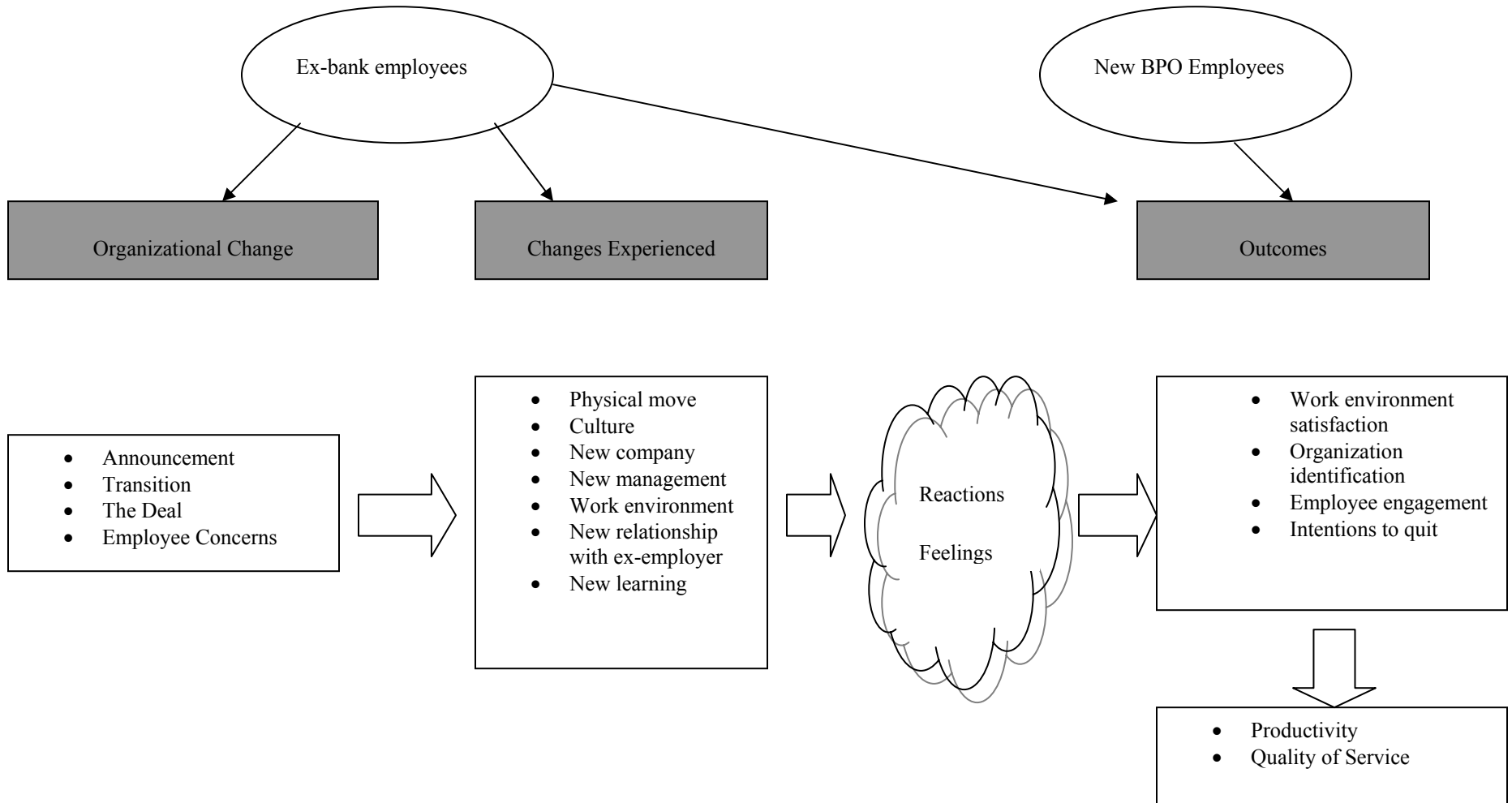


Table 1

Demographic Characteristics of Sample

<u>Type of Employee</u>	<u>N</u>	<u>%</u>	<u>Work Status</u>	<u>N</u>	<u>%</u>
Transitioned	39	44.5	Full time	84	94.4
Direct Hire	49	55.5	Part time	4	4.5
			Other	1	.1
<u>Tenure with Outsourcing</u>					
1 year or less	16	16.8	<u>Age</u>		
1 – 2 or less	14	14.7	25 – 34	18	19.4
2 – 5 or less	51	53.7	35 – 44	27	29.0
5 – 16 or less	6	6.3	45 – 54	38	40.9
16 or more	6	6.3	55 and above	10	10.7
<u>Tenure with bank</u>					
1 year or less	5	11.4	<u>Organizational level</u>		
2 – less than 2 years	2	4.5	Management	11	11.7
5 – less than 10 years	5	11.4	Non management	83	88.3
10 – 15 or less	13	29.5	<u>Role</u>		
15 years or more	19	43.2	HR Call centre	13	13.7
			Payroll	18	18.9
			Technology	22	23.2
			Compensation	3	3.2
			Pension/Restructuring	11	11.6
			Admin Support	4	4.2
			Benefits & Health	4	4.2
			Benefits Operations	3	3.2
			Project Management	7	7.4
			Other	9	9.5
			Missing	1	1.1

Table 2
Predictors of Work Attitudes and Outcomes

	<u>R</u>	<u>R</u> ²	<u>Δ R</u> ²	<u>P</u>
<u>Motivation (N=43)</u>				
<u>Demographics</u>	.36	.13	.13	NS
<u>Process</u>	.71	.50	.37	.01
Unmet expectations (.38)				
<u>Valued (N=43)</u>				
<u>Demographics</u>	.36	.13	.13	NS
<u>Process</u>	.75	.56	.43	.001
Unmet expectations (.40)				
Employee concerns (.43)				
<u>Intent to Quit (N=43)</u>				
<u>Demographics</u>	.16	.03	.03	NS
<u>Process</u>	.59	.35	.32	.05
Unmet expectations (.45)				
<u>Accomplishment (N=42)</u>				
<u>Demographics</u>	.37	.14	.14	NS
<u>Process</u>	.63	.39	.25	.10
Culture clash (.38)				
<u>Positive Responses (N=43)</u>				
<u>Demographics</u>	.25	.06	.06	NS
<u>Process</u>	.62	.38	.32	.05
Unmet expectations (-.55)				
The deal (-.44)				
<u>Organizational Identification (N=43)</u>				
<u>Demographics</u>	.31	.10	.10	NS
<u>Process</u>	.83	.68	.58	.001
Unmet expectations (.49)				
<u>Negative Responses (N=43)</u>				
<u>Demographics</u>	.24	.06	.06	NS
<u>Process</u>	.54	.30	.74	NS
<u>Senior Executive (N=43)</u>				
<u>Demographics</u>	.31	.10	.10	NS
<u>Process</u>	.70	.48	.38	.01
Unmet expectations (.43)				
<u>Supervisor (N=43)</u>				
<u>Demographics</u>	.36	.13	.13	NS
<u>Process</u>	.66	.43	.30	.05
Culture clash (-.31)				
Transition (.52)				