

The Impact of Outsourcing External Recruitment Process on the Employee Commitment and Loyalty: Empirical Evidence from the Telecommunication Sector of Pakistan

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Abstract: Recruitment process outsourcing is a powerful strategy used by many organizations globally which helps to save the cost, time and improves the quality of recruitment. Outsourcing HR, specially recruitment process is a strategy used by many organizations all across the world but the human side of HR has suffered from it along with the profitability because the external agencies are not well aware with the structure, culture, values and system of the organization and therefore fail to nurture commitment and loyalty among employees. Generally the impact of outsourcing is negative on the engagement and commitment of employees along with the loyalty. In the light of these issues, a study was planned to find out the impact of outsourcing recruitment process on employee commitment and loyalty. The sample was taken from the two private telecommunication companies: Huawei and Zhongxing Telecom Pakistan situated in Islamabad. Tools for data collection for the three variables that is outsourcing recruitment process, employee commitment and loyalty were taken from the body of knowledge and used for the collection of data. These two independent sets of data were analyzed by applying t-test. The empirical evidence indicated that outsourcing recruitment process has no impact on employee commitment and loyalty.

I. Introduction:

Outsourcing is relatively a new phenomenon which is becoming very popular in modern organizations. Outsourcing recruitment process is mainly used to increase the efficiency of the organization through managerial time saving along with the cost (Corbett, 2004). The telecommunication industry of Pakistan is one of the most profitable industries which have achieved unparalleled success over the years. In order to increase the profitability and efficiency, they are adopting new human resource practices such as hiring external agencies for recruitment (Mansen, 2009). Employee commitment and loyalty is very fundamental for this industry as committed and loyal employees will give high outputs along with efficiency (Sharma and Punia, 2008). Employee commitment is significant for an organization, and in this case for the telecommunication sector as a committed employee relates with the objectives, goals, culture and values of the organization however, external recruitment agencies are not well aware with the core values, culture and goals of the organization and therefore fail to instill commitment and loyalty into employees (Gaertner and Nollen (1999) and Ogilvie 1996). Firms that fail to pose strategic human resource practice may lose valuable employees due to lack of commitment and loyalty (Meyer & Allen, 1997). Maintaining employee commitment is significant and vital to an organization's effectiveness and competitiveness in today's world. Organization should consider various aspects as far as outsourcing recruitment process is concerned because employee takes valuable knowledge when he leaves an organization along with the wastage of time and resources invested on him (Kennedy, et al.) Therefore, the disadvantages of outsourcing recruitment process can outweigh its advantages which overall decreases the efficiency of the organization.

Problem Statement:

Keeping in view the above discussion, the researcher aims to study the impact of outsourcing external recruitment process on employee commitment and loyalty in the telecom sector of Pakistan.

Originality of the Study:

The area of research, Outsourcing external recruitment process and its impact on employee's commitment and loyalty is generally a new phenomenon especially in the telecommunication sector of Pakistan which has not been studied extensively. There are quite a few organizations especially in the telecom sector who outsource recruitment process and its trend is increasing which means there is a clear need to explore and conduct research in this respective area and understand the impact of outsourcing recruitment process on the commitment and loyalty of employees so that other organizations can gain benefit from this study. Outsourcing recruitment process itself is a very new concept in Pakistan which needs to be explored because of the lack of study in this

area. The current research fills this gap and is an important contribution to the body of knowledge.

Applied Aspect:

The success of any organization depends on their employees that how committed and loyal they are towards their organization and what the factors that affect the above mentioned variables are. Human resource practices such as recruitment is widely outsourced globally so that managers can spend more time on strategic planning and can save both the cost and time but they forget to consider that how outsourcing will impact the commitment and loyalty of their employees if they trust a third party who has no prior knowledge about the culture, values and system of the organization so the current study is very significant. Results of this research may be conveyed to the telecom sector for its effective implementation.

Objectives of the Study:

Following are some objectives of this study:

1. To study the impact of outsourcing recruitment process on employee's commitment.
2. To study the effect of outsourcing recruitment process on employees loyalty.
3. To examine if there is any relationship between outsourcing recruitment process (independent variable) and employee's commitment and loyalty (dependent variables).

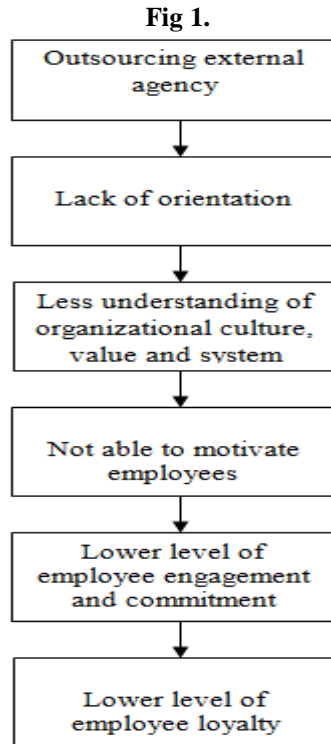
II. Literature Review:

Companies that are facing new competition because of globalization, outsource in order to improve their performance, profitability and generate employment (Corbett, 2004). By moving the recruitment process to a recruitment agency a lot of time is saved by the managers for more efficient planning (*ibid.*). Although outsourcing recruitment process helps to increase efficiency and improve performance few studies have examined the loss of most valuable asset, the human.(Choi, Budny, &Wank, 2004). Recruitment agencies when outsourced fail to identify with organization culture, values and system. There is a need to identify strategies when outsourcing recruitment process because human is the most important asset of any organization (Sharma and Punia, 2008). The cost of training and recruiting is affected by employee turnover (Ongori, 2007). Well planned and executed HR practices such as orientation and learning for external recruitment agencies can increase employee commitment and in turn reduce turnover (Sharma and Punia). Employee commitment and engagement is very essential because an employee who is loyal and committed identifies with the system, culture, goals and values of the organization. Gaertner and Nollen (1999) and Ogilvie (1996) suggested that in the case of outsourcing external recruitment agency, employees commitment is related to the perceptions of HRM practices that how committed and loyal the agency is towards the organization. Human resource practices, such as appraisals, recruitment, selection and compensation have a positive impact on employee commitment (Allen and Meyer, 1997). As outsourcing is becoming more important its consequences can be seen in terms of increased turnover rates. Outsourcing does not have a positive impact on employee engagement and results in the lack of a sense of belonging and attachment with the organization (Sharma and Punia, 2008). Due to Outsourcing HR profitability along with the most valuable asset, human resource has suffered (Patterson, 2004). The output of outsourcing will be lack of commitment, loyalty and the loss of knowledge in the form of employee turnover (Kennedy et al.).

The above stated literature review indicates the following:

1. Human resource are the most significant asset of any organization therefore, organizations are adopting strategies such as outsourcing to save managerial cost and time.
2. Recruitment agencies when outsourced fail to identify with organization culture, values and system.
3. Outsourcing does not cultivate employee engagement and results in the lack of commitment and loyalty among employees.
4. Proactive, well planned and executed HR practices such as effective orientation and learning for external recruitment agencies can increase employee commitment and in urn reduce turnover.

The present research helps to fill the gap and is a significant contribution to the prior study.



Outsourcing recruitment process and employee commitment and loyalty: conceptual model: Researcher’s own processing.

THEORITICAL FRAMEWORK AND GENERATION OF HYPOTHESIS:

For hypothesis generation, the above model has been established (Fig 1). Organization A has been abbreviated for Huawei and organization B has been abbreviated for Zhongxing Telecom. Keeping in view the above theoretical framework, the following hypothesis has been generated:

Hypothesis 1:

There is a significant difference between employee commitment in organization A and B.

Null Hypothesis:

There is no significant difference between employee commitments.

Hypothesis 2:

There is a significant difference between employee loyalty in organization A and B.

Null Hypothesis:

There is no significant difference between employee loyalties.

III. Methodology:

The present research consisted of two leading well known telecommunication companies, Huawei and Zhongxing Telecom operating in Pakistan. Huawei Telecom is a private sector company, emphasizes on the employee’s engagement and commitment towards the organization. Other telecommunication company Zhongxing was also a private sector company whose main aim is creating loyalty among employees. Both the organizations have outsourced recruitment agencies for the recruitment of their employees.

Sampling Procedure:

Sample of 205 respondents was drawn from the mentioned telecommunication companies (Table 1).

Table 1:

Hospitals	Respondents
Huawei Telecom	110
Zhongxing Telecom	95
Total	205
Grand Total	205

Source: Researcher’s own processing

Data Collection Tools:

Twenty five item tool was selected from the study of Nermin Soyalp (Jan 1, 2009) and Dinka Masinovic(2010) to measure the impact of outsourcing recruitment agency on employee's commitment and loyalty. Five item scale and five point Likert Scale was used for the examination.

Instruments Reliability:

SPSS version 16 was used for the analysis of data. Alpha reliability value for the instrument was 0.83 indicating that the tool being used for the study is consistent and reliable.

DATA ANALYSIS:

Demographic Profile of the Respondents:

The frequency of the employees of Huawei Telecom with respect to age, gender and remuneration is shown in the table (2) below:

Table 2:

	Frequency	Percent
Age		
20-25years	5	4.5
26-30years	20	18.2
31-35years	29	26.4
36-40years	21	19.1
41 plus	35	31.8
Gender		
Male	99	90.0
Female	11	10.0
Remuneration		
10000-15000	21	19.1
15000-20000	44	40.1
20000+	45	40.9

Source: Researcher's own processing

Most of the respondents (31.8%) are in the age group of 40 plus, 19.1 % of the employees are in the age group of 36-40 years. 26.4% of the employees lie in the age group of 31-35 years. 18.2 % of the employees are in the age group of 26-30 years whereas 4.5% of the employees are in the age group of 20-25 years. Here the male respondents are 90% whereas the female respondents are 10%. 19.1 % of the employees has a remuneration of Rs.10, 000 to Rs.15, 000, 40.1% of the employees has a remuneration of Rs.15, 000 to Rs.20,000 whereas 40.9 % of the employees has remuneration of Rs.20, 000 and above. Whereas the frequency of the employees of Zhongxing Telecom with respect to age, gender and remuneration is shown in the table (3) :

Table 3:

	Frequency	Percent
Age		
20-25years	9	9.5
26-30years	18	18.9
31-35years	24	25.3
36-40years	20	21.1
41 plus	24	25.3
Gender		
Male	83	87.4
Female	12	12.6
Remuneration		
10000-15000	20	21.1
15000-20000	42	44.2
20000+	33	34.7

Source: researcher's own processing

The Impact of Outsourcing External Recruitment Process on the Employee Commitment and Loyalty:

Most of the respondents (25.3%) are in the age group of 40 plus, 21.1 % of the employees are in the age group of 36-40 years. 25.3% of the employees lie in the age group of 31-35 years. 18.9 % of the employees are in the age group of 26-30 years whereas 9.5% of the employees are in the age group of 20-25 years. Here the male respondents are 87.4% whereas the female respondents are 12.6%. 21.1 % of the employees has a remuneration of Rs.10, 000 to Rs.15, 000, 44.2% of the employees has a remuneration of Rs.15,000 to Rs.20, 000 whereas 34.7 % of the employees has remuneration of Rs.20, 000 and above.

Hypothesis Testing:

Hypothesis was tested by applying t-test. The following hypothesis was generated for examination:

Hypothesis 1:

There is a significant difference between employee commitment in organization A and B.

Hypothesis 2:

There is a significant difference between employee loyalty in organization A and B.

Null Hypothesis:

There is no significant difference between employee loyalties.

The results of the first hypothesis are shown in the table (4) below:

Table 4: Outsourcing Recruitment Process & Employee Commitment

	Levene's Test for Equality of Variances		t-test for Equality of Means							
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference		
								Lower	Upper	
EC	Equal variances assumed	.608	.437	11.116	203	0.683	.41859	.03766	.34434	.49284
				11.267	202.694	0.661	.41859	.03715	.34534	.49184
	Equal variances not assumed									

Source: Researcher's Own Processing

According to the table above the Sig. (2- tailed) value for the employee's commitment of organization A (Huawei) is 0.683 and for the organization B(Zhongxing Telecom) is 0.661 which is more than 0.05 level of confidence. Therefore, we conclude that there is statically no significant difference between the values of the two organizations and so our first hypothesis is rejected and null hypothesis: there is no significant difference between employee commitment, is accepted. Let us look at the values for the second hypothesis.

	Levene's Test for Equality of Variances		t-test for Equality of Means						
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper

EL Equal variances assumed	1.853	.175	3.044	203	0.659	.09000	.02956	.03171	.14829
Equal variances not assumed			3.078	202.999	0.621	.09000	.02924	.03234	.14766

Table 5: Outsourcing Recruitment Process & Employee Loyalty
Source: Researcher’s Own Processing

The above table (5) shows that the Sig. (2-tailed) value for the employee’s loyalty in organization A (Huawei) is 0.659 and for the organization B(Zhongxing Telecom) is 0.621 which is more than 0.05 level of confidence. So our second hypothesis also got rejected because there is no significant difference between the values of the two organizations and our null hypothesis, there is no significant difference between employee loyalty is accepted. The proposed relationship, that was hypothesized, proved to be statically insignificant in both the cases. The following could be the possible reasons for its rejection along with the research model in the telecom sector of Pakistan:

1. The concept of outsourcing external recruitment agencies is a very rare concept, not much practiced in Pakistan and therefore it has no drastic effects on the telecommunication sector.
2. Pakistan has a collectivist society therefore by outsourcing and empowering external recruitment agency is not thought of.
3. Unfortunately because of the corruption in many sectors, management is scared to fully empower the recruitment agency.
4. Because of the dominated traditional management style, managers are discouraged to fully empower the recruitment agencies and therefore employee’s commitment and loyalty stay unaffected.
5. The organizational culture of Pakistan is very different from rest of the world and therefore the concept of outsourcing recruitment process is neither implemented properly nor functional in a way should it be to affect the employee’s engagement and commitment.
6. Unfortunately practices such as bribery and corruption are now a part of our organizational culture which has made the employees less loyal and committed towards their organization and they cannot get affected by outsourcing recruitment agency.
7. Such recruitment agencies are outsourced which instead of being beneficial to the employees; serves the personal interests of the management because of the lack of check and balance system.
8. Although outsourcing recruitment agency is very rare but it is being practiced in telecom sector. Being a part of a third world, unethical practices and other forms of de-motivators decrease the benefits of outsourcing recruitment agency and therefore breaking the connection between outsourcing recruitment agency and employee commitment and loyalty.

IV. Conclusion:

In the light of the above findings, following conclusion has been drawn:

1. Outsourcing external recruitment agency has no impact on employee commitment.
2. Employee loyalty is not affected by outsourcing external recruitment agency.
3. There is no relationship between outsourcing external recruitment agency and employee’s commitment and loyalty.

Recommendations:

Recruitment process outsourcing is an area that is not researched enough in Pakistan and further research is needed that could focus on a different industry. More variables such as motivation, empowerment, satisfaction etc. could be added to study the impact of RPO on these variables to get a clear picture.

Limitations:

The study was conducted with two organizations from the telecommunication sector of Pakistan; more organizations could have been included for accuracy. The same research could also be conducted on a higher level, provided to have an opportunity of more time and resources to investigate the organizations, recruitment agencies, other factor or even other outcomes. Latest analysis tools for data such as LISERAL etc. could have been used in this study.

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