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EXPECTATIONS OF CLIENTS REGARDING HR ADMINISTRATION

tenkatehuizinga+
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RESEARCH AMONG THE CLIENTS OF TEN KATE HUIZINGA

MASTER THESIS

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PREFACE

MANAGEMENT SAMENVATTING

MKB ondernemers verwachten steeds meer van hun accountant of adviseur. Ze willen strategisch advies en een proactieve adviseur met kennis van de branche die een breed scala van diensten aanbiedt tegen een redelijke en transparante prijs. MKB ondernemers hebben behoefte aan verschillende vormen van zakelijke dienstverlening en zijn bereid daarvoor te betalen. De wensen zijn vaak onvervuld, dus er zijn kansen voor de accountantskantoren. Daarom is het belangrijk voor Ten Kate Huizinga dat er onderzocht wordt wat hun klanten willen. De risico's die hiermee gepaard gaan zijn hierbij een belangrijk aspect.

Salarisadministratie bestaat vooral uit het doen van maandelijkse aangiften van loonbelasting die aan wettelijke eisen moeten voldoen. Werknemersverzekeringen, ziektekostenverzekeringen en loonbelasting zijn nodig om het nettoloon te berekenen. De gegevens die hiervoor nodig zijn worden aangeleverd door de klanten van Ten Kate Huizinga. Met deze gegevens kan Ten Kate Huizinga ook andere diensten aanbieden. Dit gebeurt met een nieuw systeem, NMBRS, waarmee verzuim- en verlofadministratie, competentiemanagement en het bijhouden van digitale personeelsdossiers kan worden aangeboden. Het is belangrijk dat de huidige diensten overeenstemmen met de wensen van de klanten. Als dit niet het geval is moet worden afgevraagd wat er aan gedaan kan worden en hoe dit Ten Kate Huizinga beïnvloedt. Op dit moment weet men niet of en in hoeverre deze overeenstemming aanwezig is en of er behoefte is aan aanvullende diensten. Daarom is het doel van dit onderzoek om een advies te geven over het ontwikkelen van een strategie voor het dienstenportfolio van Ten Kate Huizinga om de kwaliteit van de diensten te verhogen. Als het aanbod wordt afgestemd op de behoeftes van de klanten is er een grotere kans tot behoud van de klanten en daarmee tot handhaving of verhoging van de omzet.

Om dit te onderzoeken is een conceptueel model ontworpen dat gebaseerd is op de meest belangrijke concepten uit de literatuur. Dit model beschrijft het proces van het maken van een beslissing om HR administratie uit te besteden met vier belangrijke concepten: de neiging om uit te besteden, de beslissing om uit te besteden, het selecteren van een aanbieder en tevredenheid. Dit model stelt dat de neiging om uit te besteden inhoudt dat een bedrijf nadenkt over het maken van een beslissing om HR uit te besteden. Daarna onderzoekt dat bedrijf de voordelen, nadelen en risico's ervan, wat kan helpen om een doordachte beslissing te maken om HR al dan niet uit te besteden. De bedrijfskenmerken kunnen de beslissing beïnvloeden. Nadat de beslissing om HR uit te besteden is gemaakt, kiest het bedrijf een dienstverlener. Dit is afhankelijk van een aantal factoren. Tot slot wordt de tevredenheid gevormd door de verwachtingen en de waargenomen prestaties. Als er aan de verwachtingen wordt voldaan, of als ze worden overtroffen, is er tevredenheid. Een vragenlijst is opgesteld gebaseerd op dit model. Deze vragenlijst is gebruikt om te onderzoeken wat de klanten van de Employee Service Desk (ESD), andere klanten van Ten Kate Huizinga, en andere vergelijkbare bedrijven willen.

Momenteel biedt de ESD de volgende diensten aan: salarisadministratie, werving & selectie, het schrijven van reglementen & documenten, beloningsvraagstukken, advies over werknemersverzekeringen en hulp bij het ontslag van personeel. Met NMBRS kunnen ook competentiemanagement, verzuim- & vakantiemanagement, en het bijhouden van digitale personeelsdossiers worden aangeboden. Na onderzoek is gebleken dat een groot deel van de activiteiten wordt aangeboden en gevraagd. Wat is aangeboden, maar niet gevraagd is competentiemanagement. Daarom kan Ten Kate Huizinga overwegen om deze service niet aan te

bieden. Wat is gevraagd, maar niet aangeboden is: functionerings- & beoordelingsgesprekken, training & opleiding, beleidsvorming en teambuildingactiviteiten. Het blijkt ook uit het spreidingsdiagram dat functionerings- & beoordelingsgesprekken en training & opleiding belangrijk zijn. Deze diensten kunnen worden toegevoegd aan de dienstenportfolio. Omdat de respondenten beleidsvorming en teambuildingactiviteiten hebben aangedragen, is het belangrijk om deze activiteiten te overwegen. NMBRS blijkt een goed programma te zijn om de diensten aan te bieden. Misschien heeft de aanbieder van dit programma al eerder onderzocht wat de diensten van bedrijven zijn. Dit is wat de markt wil, dus is het aangeboden in het programma. De marktbehoeften moeten in de gaten worden gehouden, omdat de markt constant verandert. Een 'business development' taak kan worden gecreëerd om de veranderingen in de markt en de behoeftes van (potentiële) klanten bij te houden. Deze taak omvat vier functies: het vinden van winstgevende kansen, het ontwikkelen en onderhouden van partnerschappen, het ondersteunen van de ontwikkeling van nieuwe diensten en het herkennen van en reageren op de behoeftes van de klant (Davis & Sun, 2006). Vooral de laatste twee functies zijn belangrijk voor Ten Kate Huizinga. Met behulp van deze taak zal er voortdurend worden gezocht naar nieuwe kansen en mogelijkheden waarop Ten Kate Huizinga kan inspelen.

Een aanbeveling voor het ontwikkelen van een strategie voor de dienstenportfolio is om te kijken naar wat de respondenten hebben aangedragen om daarna te bepalen of de voordelen van het implementeren van deze diensten zwaarder wegen dan de kosten. Als dat het geval is, kan Ten Kate Huizinga deze dienst toevoegen aan de dienstenportfolio. Nieuwe service ontwikkeling (new service development; NSD), is een ander proces dan de ontwikkeling van een product. Een groot verschil is de betrokkenheid van klanten bij diensten. Klantgerichtheid speelt een belangrijke rol in dienstenorganisaties, omdat er een meer persoonlijke relatie is met klanten. Alam & Perry (2002) hebben tien belangrijke stadia van het ontwikkelproces vastgesteld, die ze hebben verbonden aan klantbetrokkenheid: (1) Strategische planning; (2) Het genereren van ideeën; (3) Het screenen van ideeën; (4) Bedrijfsanalyse; (5) Vorming van een crossfunctioneel team; (6) Dienstenontwerp en proces-/systeemontwerp; (7) Opleiding van personeel; (8) Het testen van diensten; (9) Testmarketing; and (10) Commercialisatie. Idealiter zou een manager een lineair proces moeten creëren, maar sommige fasen kunnen parallel worden uitgevoerd als er behoefte is om snel een nieuwe dienst te ontwikkelen, bijvoorbeeld in een concurrerende markt. De fasen die tegelijk kunnen worden uitgevoerd zijn: strategische planning en het genereren van ideeën; het screenen van ideeën en bedrijfsanalyse; en opleiding van personeel en het testen van diensten. Dit is weergegeven in Appendix 6. Er moet meer aandacht worden besteed aan het genereren van ideeën, omdat dit de meest belangrijke fase is. Ook zijn het screenen van ideeën en het vormen van een crossfunctioneel team belangrijk. Daarnaast moet er meer nadruk worden gelegd op het ontwikkelen van diensten die overeenkomen met de behoeften van de klanten. Interactie met de klant kan het succes van diensten verhogen, dus de inbreng van klanten moeten worden meegenomen in de verschillende fasen van het NSD-proces. Dit is weergegeven in Appendix 7. Concluderend moet Ten Kate Huizinga verder kijken dan marktonderzoek en het proces van het verkrijgen van klanteninbreng ontwikkelen. Om dit te doen moeten ze proactief zijn in het ontwikkelen van langetermijnrelaties met klanten en ze behandelen als partners (Alam & Perry, 2002). In de literatuur over de ontwikkeling van uitbesteding wordt ook gezegd dat een groter belang van het efficiënt beheren van relaties een toekomstige trend in uitbesteding is (Kakabadse & Kakabadse, 2005).

Als laatste is het belangrijk dat de aandacht van Ten Kate Huizinga gefocust blijft op bedrijven in het MKB. Grotere bedrijven hebben vaak een eigen HR afdeling en hebben de gespecialiseerde kennis vaak zelf in huis.

MANAGEMENT SUMMARY

SME entrepreneurs require more and more of their accountant or advisor. They want strategic advice, and an advisor who is proactive, with understanding of the industry, and who offers a diverse range of services at a reasonable and transparent price. SME entrepreneurs need several and different kinds of aspects of business services, for which they are willing to pay. The requirements often remain unfulfilled, so there are the opportunities for accounting firms. Referring to this, it is important for Ten Kate Huizinga to investigate what their specific clients want. The risks involved are an important aspect in this.

Payroll mainly consists of providing monthly income tax declarations which need to meet legal requirements. These contain employee insurance, payroll tax, and health insurance, which are needed to calculate the net wage. All the data that is needed for this has to be delivered by the clients of Ten Kate Huizinga. Ten Kate Huizinga can also provide other services for which these data is needed. With a new system, NMBRS, they want to complement the services they already had with overviews of absence and vacation, competence management, and personnel dossiers. It is important for Ten Kate Huizinga that the services they offer correspond to the services their clients expect or desire regarding HR administration. If it does not entirely correspond, the question raises what can be done about it and how this can affect Ten Kate Huizinga. At the moment, they do not know whether the services correspond with the requirements of the clients. They also want to know if there is a need for the additional services. Therefore the goal of this study is to give an advice about developing a strategy for the service portfolio of Ten Kate Huizinga. This has to be done to enhance the quality of the services of such providers. If they adapt to the needs of the clients, they are more likely to retain their clients and therefore maintain and increase income.

In order to carry this out, a conceptual model is drawn based on the most important concepts from the literature. This model describes the process of making an outsourcing decision for HR administration with four important concepts: the propensity to outsource, the decision to outsource, vendor selection, and satisfaction. This model suggests that, first; the propensity to outsource implies that a company thinks about making a decision to outsource. Then, it has to examine the pros, cons, and the risks of it, which can provide a thought-out decision whether the company is going to outsource its HR administration or not. The firm characteristics can influence the decision. After the decision to outsource is made, the company has to choose a service provider, which is dependent on critical factors. Lastly, the satisfaction is formed by the expectations and the perceived performance. If the expectations are met or outperformed, there is satisfaction. Based on this conceptual model a questionnaire is formed which is used for research among the clients of the ESD, clients of Ten Kate Huizinga, but not of the ESD, and companies who are similar to the clients as regards size and industry.

Currently, the ESD offers: payroll, recruitment & selection, writing of regulations and documents, remuneration issues, advice about employee insurance, and firing of personnel. With NMBRS, also competence management, absence and vacation management, and digital personnel dossiers can be provided. Examination confirms that a large part of activities is offered and required. What is offered, but not required is competence management. Therefore, Ten Kate Huizinga can consider not doing this service. What is required, but not offered is performance evaluation, training & education, policy making, and teambuilding activities. It is also reflected in the scatter plot that performance evaluation and training & education are important. These activities can be added to the service portfolio. Because policy making and teambuilding activities are raised by the respondents, it is important to consider

adding these services. NMBRS seems to be a good program for providing services. Perhaps, the provider of this program has already investigated the needs of companies. This is what the market needs, so this is offered in the program. The market needs have to be monitored, because the market is always changing. A business development task can be created to keep up with the movements in the markets and in the needs of (potential) clients. This covers four functions: finding profitable opportunities, developing and maintaining partnerships, providing support for new service development, and recognizing and responding to customer needs (Davis & Sun, 2006). Especially the last two functions are important for Ten Kate Huizinga. This function will constantly seek to new opportunities which Ten Kate Huizinga can take.

A recommendation for developing a strategy for the service portfolio is to look to what the respondents have raised and determine whether the benefits outweigh the costs when implementing the services. If so, then Ten Kate Huizinga can add this service. New service development (NSD) is a different process than the development of a tangible product. A major difference is the involvement of customers in services. Customer orientation plays a more important role in service firms, because there is a more intimate relationship with customers. Alam & Perry (2002) have identified ten key stages of the development process and they tie them to customer involvement: (1) Strategic planning; (2) Idea generation; (3) Idea screening; (4) Business analysis; (5) Formation of cross-functional team; (6) Service design and process/system design; (7) Personnel training; (8) Service testing and pilot run; (9) Test marketing; and (10) Commercialization. Ideally a manager should create a linear process, but some stages can be performed parallel if there is a need to develop a new service quickly, for example in a competitive market. The stages that can be performed concurrently are: strategic planning and idea generation; idea screening and business analysis; and personnel training and service testing. This is shown in Appendix 6. There should be more attention to the idea generation stage, because this is the most important development stage. Other key stages are idea screening and the formation of a cross-functional team. In addition, there should be more emphasis on developing services that match customers' needs. Customer interaction can increase service success, so customer input has to be included in the various stages of the NSD process. This is shown in Appendix 7. Concluding, Ten Kate Huizinga should look further than simple market research and develop a process of acquiring input from customers. To do this, they should be proactive in developing long-term relationships with customers and treat them as partners (Alam & Perry, 2002). In the literature about the development of outsourcing there is said that there will be a greater importance of efficiently managing relationships as well (Kakabadse & Kakabadse, 2005).

At last, it is best to stay focused on SMEs, because large companies often have an own HR department and they have more specialized knowledge.

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LIST OF ABBREVIATIONS

CBA   Cost-benefit analysis

CDP   Consumer decision process

ECT   Expectation-confirmation theory

ESD   Employee Service Desk

FTE   Full-time equivalent

HR(M) Human resources (management)

IT   Information technology

NSD   New service development

p.   page

pp.   pages

RBV   Resource-based view

SME   Small and medium enterprises

TCE   Transaction cost economics

1 INTRODUCTION

Recent research about the specific requirements of entrepreneurs of small and medium enterprises (SMEs) of the services of accounting firms has shown that accounting firms can gain much by responding to the demand of those entrepreneurs with their services offerings. SME entrepreneurs attach great importance to the sector- and firm-specific knowledge of their advisor. Small enterprises (less than 50 FTE) indicate that they want strategic advice for the long term. They also are in significantly more need of wage advice and advice about labor law than micro enterprises (less than 10 FTE) and medium enterprises (more than 50 FTE). Micro and small enterprises want the filing of the tax returns to be done more than medium enterprises. Medium enterprises have more need of advice about collaboration, expansion, merger or acquisition. Especially the agricultural sector, retailers, wholesale businesses, hotel and catering sector, and industry sector are in need of a wide range of business services. Conducting payroll and advice about financial planning are requirements in those industries (Accountant, 2013).

SME entrepreneurs require more and more of their accountant or advisor. They want strategic advice and an advisor who is proactive, with understanding of the industry, and who offers a diverse range of services at a reasonable and transparent price. SME entrepreneurs need several and different kinds of aspects of business services, for which they are willing to pay. The requirements often remain unfulfilled, so there are the opportunities for accounting firms (Accountant, 2013). Referring to this, it is important for Ten Kate Huizinga to investigate what their specific clients want. The risks involved are an important aspect in this.

1.1 TEN KATE HUIZINGA

This research is done at the department Employee Service Desk (ESD) of Ten Kate Huizinga in Enschede. This is a midsized accounting and tax advisory firm whose head office is located in Enschede. There are four offices that provide all their services and where they can meet the clients. Besides, there are five extra places to meet the clients, which are former offices. These offices and former offices are located in the east and central of The Netherlands, and there are about 200 employees. The services which they offer are accountancy, tax advice, corporate finance, payroll services, and consultancy. The department ESD provides support and advice on issues regarding payroll and personnel to clients. The activities of the ESD consist of administration and advisory regarding personnel, from recruiting staff to firing staff. The clients of Ten Kate Huizinga are different kinds of companies in different industries. The industries that Ten Kate Huizinga serve are the agricultural sector, automotive industry, construction industry, retail, bailiffs, healthcare, education, government and non-profit, and transport. The processing of payroll takes place in an online system which makes many extra actions redundant. It offers the possibility of efficiently managing the payroll administration. Ten Kate Huizinga takes care of the hardware, installation, maintenance, and application management of software. The clients can provide and consult data of employees via internet. Paychecks and other documents (for example income tax declarations, annual payroll slips, and labor contracts) can be delivered digitally and in this way fewer mistakes will be made. The communication between Ten Kate Huizinga and the client is via electronic messaging, in which questions or explanations can be exchanged efficiently (Ten Kate Huizinga, 2011).

1.2   PROBLEM DEFINITION

Payroll mainly consists of providing monthly income tax declarations which need to meet legal requirements. These contain employee insurance, payroll tax, and health insurance, which are needed to calculate the net wage. All the data that is needed for this has to be delivered by the clients of Ten Kate Huizinga. Because the data is available in the system, Ten Kate Huizinga can also provide other services for which these data is needed. With a new system, NMBRS, they want to complement the services they already had with overviews of absence and vacation, competence management, and personnel dossiers. It is important for Ten Kate Huizinga that the services they offer correspond to the services their clients expect or desire regarding payroll and personnel administration. If it does not entirely correspond, the question raises what can be done about it and how this can affect Ten Kate Huizinga. At the moment, they do not know whether the services correspond with the requirements of the clients. They also want to know if there is a need for the additional services. Therefore it is needed to investigate the clients of Ten Kate Huizinga for getting an idea of their requirements.

1.3   OBJECTIVE

The goal of this study is to give an advice about developing a strategy for the HR service portfolio of Ten Kate Huizinga. This has to be done to enhance the quality of the services of such providers. If they adapt to the needs of the clients, they are more likely to retain their clients and therefore maintain and increase income. Also, if they adapt to the needs of potential clients, they are likely to attract those companies. This study is relevant, because it can make clear what outsourcing companies expect from service providers regarding human resource (HR) administration, including payroll and personnel administration.

1.4   RESEARCH QUESTIONS

As a result the main research question of this thesis can be drawn as follows:

What services do clients desire and expect regarding HR administration and what effects on the service portfolio does this have for service providers?

The following sub questions can be asked in order to answer the research question:

1. What is Human Resource Management?
   First, there has to be made clear what HR administration is and what activities it covers. This question is answered with a literature review.

2. What is risk management?
   In recent years, risk management has become increasingly important, so also in outsourcing HR. There has to be defined what risk management is and how companies can deal with outsourcing risks. This question is also answered with a literature review.

3. What services are offered by HR specialists regarding HR administration?
   The activities that service providers offer regarding HR administration, including payroll and personnel administration, have to be clear before a comparison can be made between what Ten Kate Huizinga offers and what the clients want.

4. <u>Why are companies outsourcing their HR and what are the drawbacks and challenges?</u>
Before investigate what outsourcing companies want, there can be examined what is said about the motives, drawbacks, and limitations of outsourcing payroll in the literature, both for the clients and for the service provider. This includes an analysis of the circumstances that were socially and economically important when the decision was made. Therefore there will be examined in which social context companies outsource, the development of this, and the development that is predicted.

5. <u>On the basis of what factors do outsourcing companies choose for a service provider regarding HR administration?</u>
It is important to investigate why outsourcing companies have chosen a service provider and what activities they outsource. Also, the expectations that companies have from service providers and the matching of the expectations have to be examined. After the literature is studied there has to be investigated what the companies expect of the service provider. It can be that the clients have more, fewer, or different requirements than the services offered.

6. <u>What does this mean for Ten Kate Huizinga?</u>
If the clients of Ten Kate Huizinga require other services than Ten Kate Huizinga offers, they can consider if they want to implement those services. If they do, there has to be investigated whether the benefits outweigh the costs involved with implementing the extra services. If the clients require fewer services, Ten Kate Huizinga can consider narrowing the service package.

1.5 CLIENTS

With clients is meant the companies that outsource their HR administration. This term will be used interchangeably with the term buyer and customer. The ESD has clients with 0 to 500 employees. Most of the clients enter Ten Kate Huizinga via the department Products Services Centre, which makes, among other things, annual accounts.

1.6 STRUCTURE

This thesis is organized as follows. The next chapter provides a literature review about outsourcing and expectations from service providers. Previous research about outsourcing, vendor selection and expectations from service providers will be analyzed. Chapter three describes the methodology: which research method will be used and why, and the validity will be discussed. Chapter four includes the analysis of the data and it will discuss the results. Finally, the fifth chapter contains a conclusion and recommendation for Ten Kate Huizinga. Also, the limitations of this study will be discussed.

2 LITERATURE REVIEW

In this chapter the literature will be discussed. First, the definitions of HRM and outsourcing have to be clear. This will be followed by development and trends, the environment, the advantages, drawbacks, and challenges of outsourcing, both for the clients and the service provider. Then, how clients choose a vendor will be highlighted. After that, how to manage the risks and the expectations of companies from service providers will be discussed. Finally, the conceptual model is shown.

2.1   HUMAN RESOURCE MANAGEMENT

Human resource management (HRM) is the effective use of human resources in order to enhance organizational performance (Boddy, 2008, p. 354). HR administration, such as pensions, payroll, and recruitment, has typically been outsourced. However, also more specialist aspects have been subject to outsourcing, such as training and legal work (Torrington, Hall, & Taylor, 2008). HRM encloses four parts: employee influence (employee involvement in decision making), work systems (work design and supervisory style), human resource flow (the flow of individuals into and through the organization; recruitment, selection, training, development, and deployment), and reward management (attracting, retaining and acknowledging employees; pay and other benefits) (Boddy, 2008, pp. 354-365).

By looking to the big companies, there is sight on the newest developments of technology. The services that service providers (including big companies) regarding HR administration offer include:
+ Payroll (payroll calculations, periodical declarations of payroll taxes, and statements of pension funds and insurance companies);
+ Employment screening;
+ Recruitment & selection (entry and exits);
+ Firing of personnel (general advisory, accompanying dismissal requests, and redundancy payments);
+ Writing of regulations and documents (terms of employment, regulations about cars and study, et cetera);
+ Remuneration issues;
+ Advice about employee insurance (incapacity, allowance for severally disabled adults, pregnancy, adoption and foster care, personnel subsidies, income tax, and pension);
+ Training & education programs;
+ Benefits administration;
+ Absence management;
+ Talent management; and
+ Digital personnel dossiers (ADP, n.d.; IBM, n.d.; Raet, n.d.; Ten Kate Huizinga, 2011).

2.2   OUTSOURCING

Outsourcing is a contractual relationship for the provision of a product or service by a supplier (a company pays another company to do some work for it) (Belcourt, 2006). A service or product previously managed internally will be shifted to an external supplier through a long-term contract (Quélin & Duhamel, 2003) in which a price and performance criteria are pre-determined (Smith,

Morris, & Ezzamel, 2005). Organizations must weigh carefully the specific reasons, costs, and benefits associated with the decision (Stroh & Treehuboff, 2003). The transaction cost economics (TCE) theory provides a basis for the outsourcing decision and its expected impact on firm value and profitability. A transaction is an event that occurs in three stages (contact, contract, and control) in which clients and vendors face different amounts of transaction costs. In the contact phase the client has search costs and the vendor has marketing costs. In the contract phase there are costs with preparing an agreement to transact where the vendor and client attempt to foresee possible issues during execution. Costs in the control phase include costs of disputes, renegotiations, arbitration, and litigation as a result of imperfect measurement. Control also implies monitoring vendor performance, redefining and agreeing performance-reporting mechanisms, process and outcome measures, and regular information flows (Nicholson, Jones, & Espenlaub, 2006). TCE recognizes functional characteristics of individual activities allowing managers to minimize total processing costs (Butler & Callahan, 2012).

2.2.1 DEVELOPMENT AND TRENDS

The borders of outsourcing payroll are changing. Service providers are covering new areas, for example handling employee questions and payments as well as personnel and HR administration processes (ADP, 2008). In the 1980s there was a change of direction in business strategy: companies focused on fewer activities and there was greater attention on core business. Outsourcing has become big and effective management of outsourcing is critical to the future success of a company (Kakabadse & Kakabadse, 2005). Outsourcing has become much more common in recent years. There is an increased trend in subcontracting functions to suppliers. Tasks that are traditionally conducted by in-house HR teams, but that increasingly are outsourced are payroll administration, the maintenance of personnel databases, the provision of intranet services which set out HR policies, recruitment administration, and routine training activities (Torrington, Hall, & Taylor, 2008, pp. 141-142). There was a trend among companies that wanted to focus on the core business and outsource non-core competences (Managers Online, 2012). HR activities are increasingly outsourced and it is the fastest-growing segment over the past years (Azhar & Shehzadi, 2005). Payroll is the most outsourced HR function. Initially, the reasons for outsourcing were the need to get accurate and on-time payroll and risk reduction. Companies also found out that by outsourcing payroll they do not have to keep up to date with the constantly changing legislation. The service provider is responsible for this. This is becoming even more important with the emergence of IT: applications and software have to be adjusted and upgraded to keep meeting the legal requirements. Furthermore, management needs changes as a company grows or changes its organization. Another reason to outsource payroll that emerged is because it is complex. Many companies consider payroll as a non-core function that could be outsourced. Next to these reasons, new motives influence the decision to outsource, for example confidentiality. It can be a challenge to prevent disclosure of people's wages. This can be protected by hiring an external party. Further development of business models and HR strategies provide new reasons to outsource payroll. These reasons are connected with important changes as IT innovations and globalization. It is difficult for companies that operate in several countries to keep up to date of the laws and regulations (Managers Online, 2012).

Because of automation, the emphasis of the payroll professional is increasingly shifting from processing to advising and monitoring. The last few years, the importance of communication skills increased. The market developments lead to more interaction and contact moments with colleagues and clients, in which the payroll professional functions as contact person. He provides both solicited

and unsolicited advice, explains matters, or requests data. He does not only have to communicate with colleagues, but he also has to have some meeting skills and to represent the company. Service providers are becoming more flexible in their offerings; the customer can choose between almost completely outsourcing payroll and the minimum salary calculations. This is facilitated by internet applications and portals and it allows the customer, for example, to enter the changes in the payroll package of the service provider. As a result, the payroll professional has to perform little systematic actions for one client, because the client provides input and changes himself, and for another client he accounts for both standard input & changes and additional services. The management and clients are becoming more critical and they expect more transparency in the work performed by the payroll professional. He has to explain and show more, for example by graphic visualization (Hogeschool SDO, 2011).

There are trends in reasons, areas, arrangements, and in the impact on employees. Future outsourcing reasons will be focused on differentiation, while nowadays the focus is more on cost discipline. The difference between current and future trends in outsourcing and practice is that it is likely that there is a greater importance of efficiently managing relationships with key trusted suppliers. The emphasis in future trends is that suppliers are chosen and deployed to provide the best service (Kakabadse & Kakabadse, 2005).

2.2.2 THE ENVIRONMENT

Because of the changes in the environment, the way in which companies manage their human resources changes as well (Adler, 2003). The environment of a company can be measured by a PESTEL analysis. This is a technique for identifying and listing the political, economic, social, technological, environmental, and legal factors in the general environment most relevant to an organization. Entrepreneurs cannot influence these factors, but they have to take them into account. Political factors include all government regulations, for example rules for entrepreneurship and tax policy. This differs per country and per industry. It is an important factor for managers in making decisions. Economic factors have influence on the costs of a company. The development in the economy correlates with the way in which clients consume. These factors are for example inflation and interest (Boddy, 2008, pp. 96-98). Regarding HR, changing wage levels is an important economic factor (Hogeschool SDO, 2011). Socio-cultural factors relate to changes among clients, for example the size of the population, age of the people, composition of the population, and changes in taste and preference influence the consumption. For example, when there are many elderly people, there will be more demand for healthcare (Boddy, 2008, p. 98). Because of international development, the English language is becoming more important. Manuals and software often are in English, so it is important to know this language (Hogeschool SDO, 2011). Technological factors, like innovation and renewal in the field of technology provide faster and better production. A good infrastructure is important (Boddy, 2008, p. 99). Because of the rise of the computer, internet, and applications, the role of the payroll professional is changing. Systems will be connected to each other and information is increasingly delivered digitally. Through automation, the importance of manual checks is growing (Hogeschool SDO, 2011). There are some other trends in technology that are important for outsourcing. First, the requirements of clients are increasing, partly due to the availability of information. The quality of the services to be delivered has to be very high. Second, the cloud computing-industry is growing for several years. One of the reasons of this is that employees can work more flexible with it. Employees are not tied to a device or a location, because the data is accessible via an internet connection (Managers Online, 2012). In this way customers can easily be

contacted and remote customers can still be close. Environmental factors can be important for the choice of a good location. Examples are natural sources, raw materials, and climate changes. Finally, legal factors imply all kinds of regulations a company must comply, like production of safe products and rules about pollution (Boddy, 2008, p. 101). Due to constant changes in tax laws, social regulations, and collective agreements ongoing adjustments in payroll are needed. As a result of this, the working procedures and processing software must often be adapted and the staff has to be trained regularly (Hogeschool SDO, 2011).

2.2.3   CONSUMER DECISION PROCESS

The decision-making process in companies is done by members of the decision-making unit. This group varies from one buying situation to another. The decision-making unit consists of different participants:

+ Initiators: the individuals that first recognize the problem;
+ Gatekeepers: the individuals that control the flow of knowledge by being proactive in collecting information or by filtering it;
+ Buyers: the individuals that have to find suppliers and to make a deal;
+ Deciders: the individuals that make the final decision. They generally rely on advice from other members of the group;
+ Users: the individuals that use the services that are supplied. The users are also the initiators in many cases;
+ Influencers: the individuals to who is listened to. They are trusted advisors, but they are difficult to identify.

The buyer is affected by individual, personal, environmental and organizational factors. Physical influences involve that companies can prefer a supplier that is close to the company. Technological influences are the extent of technological development among the suppliers influences the expectations of the buyer. Political influences imply that the government regularly changes laws and regulations with respect to doing business. Legal influences can influence the buyer's choice when rules about technical standards change. Ethical influences are that the buyer has to act at all times for the benefit of the organization, not for personal gain. At last, cultural influences involve the strategic vision of the organization, its ethical stance, and its attitudes towards suppliers among other things. Organizational factors develop from the corporate culture and the strategic decisions made by senior management within the firm (Blythe, 2006, pp. 150-155).

2.2.4   REASONS FOR OUTSOURCING

The most important objectives are cost reduction, focus on core competences, and the access to advanced technology and specialized knowledge (Everaert, Sarens, & Rommel, 2007). The main objective to outsource is cost reduction (Quélin & Duhamel, 2003; Stroh & Treehuboff, 2003; Gilley, Greer, & Rasheed, 2004; Smith, Morris, & Ezzamel, 2005; Belcourt, 2006; Everaert, Sarens, & Rommel, 2007). Service providers are more efficient because they can spread the costs (Belcourt, 2006). However, cost reductions can only be achieved in specific conditions. The service provider must, for example, have access to economies of scale that the outsourcing company has not. If cost savings is the only reason for a company to outsource, internal reorganization may be a more efficient way to achieve this, because the switching costs that incur by the switch to a service provider are high (Quélin & Duhamel, 2003). If an activity is outsourced for another reason than to save costs, the activity is likely to cost more, especially when outsourcing is employed to allow the

organization to focus on its core activities. So a company has to be prepared to pay for it (Smith, Morris, & Ezzamel, 2005).

Though, according to Wadhwa & Ravindran (2007) the primary reason for outsourcing is not cost reduction, but the ability to focus on the core competences. Core competences are those activities that are the source of competitive advantage and that determine success or failure of their organization (Torrington, Hall, & Taylor, 2008, p. 141). The resource-based view (RBV) implies that the internal resources are important in gaining competitive advantage. To reach this, a company has to implement a value-creating strategy that is not simultaneously being implemented by a competitor. The internal resources have to be: valuable, rare, inimitable, and non-substitutable (Barney, 1991). According to the RBV, the activities that are not critical to the core competences should be outsourced (Gilley, Greer, & Rasheed, 2004). By outsourcing, a company can focus on the core competences and move secondary functions to firms in which these functions are core competence (Belcourt, 2006; Everaert, Sarens, & Rommel, 2007). Then, firms may better focus on their most value-creating activities, thereby maximizing the potential effectiveness of those activities (Gilley, Greer, & Rasheed, 2004), and that will positively impact the bottom line (Stroh & Treehuboff, 2003).

The third important objective is access to advanced technology (Grover, Cheon, & Teng, 1994; Quélin & Duhamel, 2003; Stroh & Treehuboff, 2003; Gilley, Greer, & Rasheed, 2004; Smith, Morris, & Ezzamel, 2005; Belcourt, 2006; Coggburn, 2007; Currie, Michell, & Abanishe, 2008; Lacity, Khan, & Willcocks, 2009; Butler & Callahan, 2012). By outsourcing, a company can gain immediate access to technology that otherwise may be unavailable. This increases the company's competitiveness in delivering products or services (Grover, Cheon, & Teng, 1994). Some organizations want to improve technical service (Gilley, Greer, & Rasheed, 2004; Smith, Morris, & Ezzamel, 2005; Belcourt, 2006), or they cannot find technical talent, or they need quick and reliable access to new technologies (Belcourt, 2006). By outsourcing, companies can gain access to specialized expertise (Klaas, McClendon, & Gainey, 2001; Quélin & Duhamel, 2003; Stroh & Treehuboff, 2003; Belcourt, 2006; Lacity, Khan, & Willcocks, 2009) and they can benefit from resources that are not available internally (Stroh & Treehuboff, 2003).

Another reason can be to gain or increase production flexibility (Quélin & Duhamel, 2003; Smith, Morris, & Ezzamel, 2005). Companies look to outsourcing to gain flexibility they otherwise would not have been able to achieve (Quélin & Duhamel, 2003). Flexibility is critical to ensure outsourcing success (Sia, Koh, & Tan, 2008). Also, companies may find the laws and regulations about HR complex (Belcourt, 2006). Further, as outsourcing increases, costs may decline, and investment in capital can be reduced (Quélin & Duhamel, 2003; Gilley, Greer, & Rasheed, 2004).

2.2.5 DRAWBACKS AND CHALLENGES OF OUTSOURCING

Many companies turn to service providers without having well thought-out all the long-term or short-term consequences. Too often companies decide to outsource as a quick way to reduce the costs based on too little information (Stroh & Treehuboff, 2003). Also, companies often see outsourcing as a way to get rid of a problem and they think that once activities are outsourced management responsibility for them ends (Blythe, 2006, p. 792). Issues that must be taken into account are:

+ Loss of in-house expertise: giving an outsourcing organization total control can leave a company in a difficult situation if the supplier does not work out and the buyer has no internal expert on the outsourced activity.

+ Effect on company culture: it is important to maintain the company's values and culture, especially when considering outsourcing services for employees who are or will be relocating. The risk that employees will lose sight of the company's culture and values seems to increase the more control over a function a company outsources (Stroh & Treehuboff, 2003).

+ Moral hazard: the supplier can blame poor performance on circumstances which are outside its control.

+ Imperfect commitment: a client and a supplier may go back on their promises and commitments, pretending unforeseen events (Aubert, Patry, & Rivard, 2005).

Not every outsourcing is a success. Problems are, for example, the degradation of service and the lack of cost reduction. Also, when a company has no or little experience with outsourcing or there is no cultural fit between the buyer and supplier, they are likely to have more disagreements (Aubert, Patry, & Rivard, 2005; Cao & Wang, 2007). Some failures can be explained by the complexity and uncertainty involved in the outsourcing process. Others are because of poor management of vendors (Cao & Wang, 2007). Further, it can be difficult for the companies to understand or justify how the services are actually providing the expectations and desires (Nevo & Chan, 2007). An overview of the challenges is shown in Table 1.

Challenges of outsourcing
Effect on morale
Loss of in-house expertise
Effect on company culture
Moral hazard
Adverse selection
Imperfect commitment
Degradation of service
Lack of cost reduction
Disagreements between clients and vendors
Complexity and uncertainty in the outsourcing process
Poor management of vendors
Difficult to justify how the services provide the expectations and desires

TABLE 1: OVERVIEW OF THE CHALLENGES OF OUTSOURCING

Reasons not to outsource are dubious cost savings, loss of expertise, and loss of information. Outsourcing may lead to reducing wage costs, but this does not necessarily result in lower total costs. The transaction costs of agreeing to a contract, monitoring the performance, and transferring documents to a service provider have to be taken into account. These costs might even cause outsourcing to be more expensive (Everaert, Sarens, & Rommel, 2007). There can also be hidden costs (Quélin & Duhamel, 2003) or unexpected transition and management costs (Aubert, Patry, & Rivard, 2005). Another reason for the higher costs can be that the client demands outside the standard vendor package (Belcourt, 2006).

Outsourcing also leads to a loss of internal expertise and competence (Quélin & Duhamel, 2003; Everaert, Sarens, & Rommel, 2007). This can be the case if outsourced activities are too close to the

core business of the firm (Aubert, Patry, & Rivard, 2005). Through outsourcing there is a risk of becoming too dependent on a service provider, who can increase the prices or reduce the quality of the services. A company may fear of not having a safety net if the service provider fails to deliver the expected service in a timely manner. There is also a risk of not being able to control quality. It is difficult to change providers or to bring the activity back in-house after the contract is terminated (Quélin & Duhamel, 2003).

A third reason not to outsource is loss of information. Information might not be immediately available to a company (Everaert, Sarens, & Rommel, 2007). Furthermore, the service provider can have a lack of necessary capabilities. Outsourcing often demands a long-term contract which cannot take into account all future contingencies. The perception of the risk that service providers lack these capabilities may cause that top managers do not choose to outsource. The main reasons for dissatisfaction are poor service and change in the strategic direction & cost structure (Quélin & Duhamel, 2003). Also, increased use of outsourcing may lead to reduced innovation, eventual competition from outsourcing partners, and reductions in control of the task considered (Gilley, Greer, & Rasheed, 2004). The risks that are perceived warn managers about outsourcing while the pressure to yield high performance and make new investments encourages them to favor these types of business operations (Quélin & Duhamel, 2003). Table 2 provides an overview of the pros en cons of outsourcing.

Because of the benefits and risks, outsourcing has to be managed well. There are three steps that are important. First, the vendor has to be selected. Second, the contract has to be negotiated and third, the arrangement must be monitored. When these are managed well, organizations can maximize the benefits of outsourcing while moderating the risks (Belcourt, 2006).

Pros	Cons
Cost reduction	Dubious cost savings – Transaction costs – Hidden costs – Client demands outside the standard vendor package
Focus on core competences	Loss of expertise – Becoming too dependent on a service provider – Not being able to control quality – It is difficult to change providers or bring the activity back in-house
Access to advanced technology and specialized knowledge	Loss of information – Information might not be immediately available to a company – The service provider can have a lack of necessary capabilities – Long term contract cannot cover all future contingencies
Gain/increase production flexibility	
Complex laws and regulations about HR	

TABLE 2: OVERVIEW OF THE REASONS FOR AND DRAWBACKS OF OUTSOURCING

2.2.6   Vendor selection

Once a company has chosen to outsource, it has to choose a vendor. A vendor is the provider of services which can be a company that offers accounting and/or tax services (Everaert, Sarens, & Rommel, 2007). This term will be used interchangeably with the term service provider and (external) supplier.

The decision process concerning outsourcing is complicated because of the uncertainty involved in the outsourcing process. The objective for the client is to ensure the optimal performance from the vendor (Cao & Wang, 2007). Vendor selection is an important step in the outsourcing process, because the success of outsourcing is highly dependent on successful selection of a vendor. A vendor has to meet and complement the organization's needs from its corporate culture to long-term future needs (Wadhwa & Ravindran, 2007). The most critical factors are: vendor's reliability, technical competence, financial stability, and quality assurance processes (Blythe, 2006, p. 168; Wadhwa & Ravindran, 2007). Also, the extent of digitalization has proven to be an important selection criterion in the selection of an accounting firm. SME entrepreneurs do not consider expertise and professionalism as a selection criterion, because these are seen as a given (Accountant, 2013). There are two decisions that have to be made by a company: which vendor to do business with and how much to order from the vendor (Wadhwa & Ravindran, 2007).

A difficulty in the vendor selection process is the minimal knowledge of outsourcing methodologies of companies. There are approaches that imply that vendor's past performance guarantees future results, but this does not necessarily apply because of changing technology, a high degree of heterogeneity of outsourced projects, intrinsic variation, and low predictability in vendor performance. The first step a company has to take when they have chosen to outsource is gathering vendor information. The investment in the process should depend on the value of the information that is gathered. This value depends on the quality of the information itself and the client's ability to act on that information. The initial selection decision about which vendors to choose is not a simple process of choosing frontrunners, but rather a process of creating a well-balanced candidate portfolio. Another important feature is the tradeoff between reward and risk. A company is willing to take more risk of failure if that would result in a higher reward in success. In selecting vendors, the right combination is more important than choosing the best performer. The balance between risk and reward is very important (Cao & Wang, 2007). Also, when selecting a supplier, purchasers have to evaluate the capability of potential suppliers. This can be done by assessing the most critical factors. However, in most cases the decision relies on judgment on the part of the purchaser, who may not have the expertise to understand the supplier's capability. Even during the contract the company has to review the supplier's performance periodically (Blythe, 2006, pp. 168-169).

2.3   THE SUPPLIER VIEWPOINT

Little has been said about the strategic issues for suppliers in the outsourcing decision. There are major issues to be considered. These issues will vary with the type of outsourcing decision. An overview of this is shown in Table 3. In the traditional outsourcing decision – the make or buy decision – the decisions drivers of the supplier may be the opportunity to increase sales, retaining the customer, or stalling competition. For the supplier it is important to maintain the relationship with the buyer. This may involve that it has to think about the needs of the buyer and to develop a customer-receptive culture. The relationship is a collaborative relationship. The prices of the supplier have to stay competitive, so a process of continuous improvement and awareness of competitive

rates are needed. In the outsourcing of peripheral activities – services which have to be undertaken, but which require industry-specific capabilities – the supplier has to take care of the HRM issues and the costs involved. A specialist supplier can more easily adjust supply to demand because it can redeploy staff. Suppliers can develop new business opportunities. They serve a number of buyers, which allows them to manage the impact of a loss of a contract. The reasons behind the supplier's decision can be increased or new business opportunities, medium-term customer tie-in, or improving its own performance. In the outsourcing of critical activities and processes, a modern type of outsourcing, all the activities are essential for the success of the buying organization, which leads to a close relationship. A buyer may be looking for increased value for the money spent. This may be lower cost, but it can also be increased reliability, a better product or service, or faster reaction times. For a supplier there can be a learning curve effect and economies of scale. Also, the supplier can put an emphasis on its own core competences. There are higher risks as outsourcing activities move into critical activities for both parties. This type of outsourcing is increasing. In the outsourcing of strategic and problem-solving activities the core competences should be retained in-house and companies should only consider outsourcing those things that are non-core. It is difficult to distinguish this type of outsourcing from the previous one (outsourcing of critical activities), because what is core is a subjective decision. The challenge for the supplier is to be able to define and understand the customer's criteria of satisfaction and make them operational. The reasons behind the supplier's decision can be economies of scale, the opportunity to gain greater rewards from their own core competences, and the opportunity to develop a very long-term customer relationship (Hussey & Jenster, 2003). Beaumont (2006) has set out a list of benefits and risks a supplier has to deal with. These are listed in Table 4 and Table 5. The issue that is very important to vendors is unrealistic client expectations. Clients may overestimate the savings that can be obtained from outsourcing (Beaumont, 2006) and limited product or service knowledge may cause inaccuracy of the expectations and desires. This can lead to unrealistic perceptions of the services that will be delivered (Nevo & Chan, 2007).

Situation	Buyer	Supplier
Traditional outsourcing	– Reducing costs – Freeing factory space for another activity – Difficulty in obtaining labor skills	– Opportunity to increase sales – Retaining the customer – Stalling competition
Peripheral activities	– Opportunities to reduce costs – Opportunities to gain a better performance – Management can focus on higher priorities (core business)	– Increased or new business opportunities – Medium-term customer tie-in – Improving its own performance
Critical activities and processes	– Increased value for the money spent – Skills shortages can be solved	– Learning curve effect – Economies of scale – Put emphasis on own core competences
Strategic and problem-solving activities	– Improve core competences – Improved return on investments	– Economies of scale – Opportunity to gain greater rewards from their own core competences – Opportunity to develop a very long-term customer relationship

TABLE 3: THE DECISION DRIVERS OF BUYERS AND SUPPLIERS (HUSSEY & JENSTER, 2003)

Benefits	
An enhanced reputation:	Allows the vendor to expand business within existing clients and attract new clients
Economies of scale:	Taking on an extra client's payroll function entails only a marginal increase in costs
Transfer of skills:	Skills acquired in solving one client's problem may be applicable elsewhere
Requirement expressed in a contract:	An internal supplier may be forced to accede to a colleague's demands entailing exception processing.
Specialization:	A vendor may have special skills uneconomic for a single organization.

TABLE 4: BENEFITS OF OUTSOURCING OF A SUPPLIER (BEAUMONT, 2006)

Risk	
Specification:	The work to be done has not been accurately or adequately defined. The parties have to argue about who pays the difference.
Underquoting:	Competitive pressures force the vendor to underquote.
Disclosure of Intellectual Property:	It may be hard to conceal proprietary methodologies or technologies from clients and suppliers with whom one must co-operate.
Reputational:	Being wrongly blamed for the failure of a client's vital business system.
Relationship failure:	Relations between parties becomes toxic, problems cannot be resolved.
Premature termination:	The vendor, having made a loss in the first three years, expects to recoup the loss when the contract is extended but the client does not renew.
Transition costs:	Exemplified by having to employ the client's displaced staff.
Negotiation failure:	Most frequently manifest in a contract that includes nearly impossible targets and excessive penalties.
Client failure:	The client is bankrupted.
Unrealistic client expectations:	Clients underestimate the investment that is required to understand their inefficient and undocumented internal operations and modify them to meet changing business and legal requirements.
Inaccuracy of the expectations and desires:	Limited product or service knowledge may lead to unrealistic perceptions of the services that will be delivered.

TABLE 5: RISKS OF OUTSOURCING OF A SUPPLIER (BEAUMONT, 2006)

2.4 MANAGING THE RISKS

Outsourcing brings risks. An active risk management approach can reduce risk exposure while companies can still obtain the benefits from outsourcing (Aubert, Patry, & Rivard, 2005). Risk is the occurrence of an event that has some negative consequences. Risk exposure is a weakness that enables a risk to have an impact. This impact can be moderated by controls. The relationship between the risk exposure of suppliers and buying companies is shown in Figure 1. When the risk exposure of the supplier is lower than that of the buyer (quadrant 1), or if both the buyer and supplier have a low risk exposure (quadrant 2), outsourcing is an effective solution. When both the buyer and supplier have a high risk exposure (quadrant 3), it is best to develop the capabilities in-house, support suppliers to develop the capabilities, or develop capabilities by an alliance that shares the developmental risk. Finally, if the risk exposure of the buyer is low and that of the supplier is high (quadrant 4), insourcing is the most effective solution. The arrows in the figure indicate the shift that may occur if there is a reduction in the risk exposure (Bhattacharya, Behara, & Gundersen, 2003).
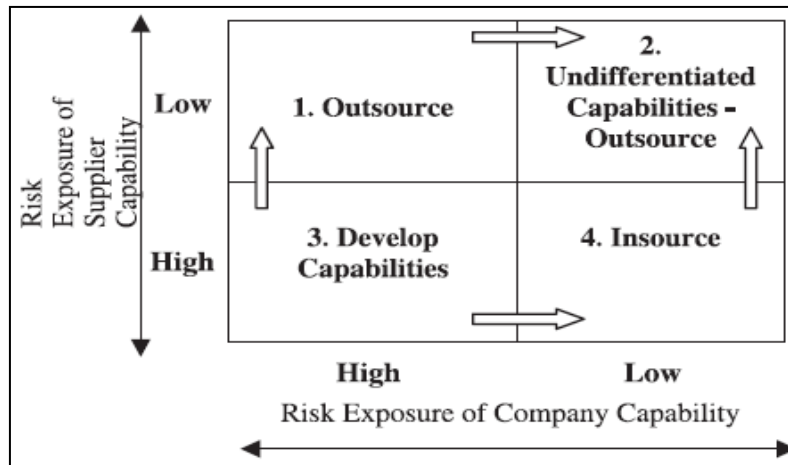
FIGURE 1: THE RISK EXPOSURE MATRIX (BHATTACHARYA, BEHARA, & GUNDERSEN, 2003)

Risk management is having controls that minimize the negative consequences of an outsourcing agreement (Kliem, 1999). It is important to not only deal with the downside-risks, but also with the upside-potential of outsourcing. The upside-potential reflects the positive impact of events and this can be managed by the exploitation of opportunities and favorable possibilities (Bhattacharya, Behara, & Gundersen, 2003). Risk management for outsourcing agreements has several advantages: it helps with identifying potential problems with agreements, it enables one to develop appropriate responses to those problems, and it helps to better identify which mission-critical functions to retain and which to outsource. However there are also reasons for not doing risk management. It is, for example, an administrative burden, the understanding and skills for doing risk management are not available, or the information that is required is not available. To be effective, risk management has to be performed as early as possible, best before signing a contract. The key is to use risk assessment as a negotiation tool and as a means for entering into an outsourcing contract (Kliem, 1999).

Risk can be managed by using insurance, which compensates the organization if the event occurs (Aubert, Patry, & Rivard, 2005). There are two aspects of risk: the probability of an undesirable outcome and the loss due to the negative outcome or the economic impact of that event (Bhattacharya, Behara, & Gundersen, 2003; Aubert, Patry, & Rivard, 2005). A distinction can be made between endogenous and exogenous risks. The first refers to risks that are dependent of a company's actions. Exogenous risks are risks over which a company has no control and they cannot be influenced by its actions. Risk management tools take this into account. When a portion of the risk is endogenous, actions are taken to reduce the probability of negative consequences. Outsourcing risk is to a great extent an endogenous risk: managers have a choice between different sourcing strategies (outsourcing and doing it internally) and between several contracts for any activity. They should be aware of what they choose and what they reject. Several risk assessment methods involve estimating the probability of negative outcomes by identifying the factors that are the drivers of them. By reducing the level of these risk factors the probability of occurrence of a negative event can also be reduced. The risk factors can be categorized into three groups: those applied to the principal (the client), to the agent (the supplier), and to the transaction itself (Aubert, Patry, & Rivard, 2005). Risk management involves three closely related actions: risk identification, risk analysis, and risk control (Kliem, 1999).

2.4.1   RISK IDENTIFICATION

Risk identification is identifying risks that a system or project face. The risks that outsourcing contracts face can be divided into three categories: legal, operational, and financial. Legal risks involve litigious issues prior to and after negotiating an agreement, for example: including unclear clauses in the agreement, locking into an unrealistic long-term contract, not having the right to renegotiate the contract, or omitting the issue of subcontractor management. Operational risks engage ongoing management of an agreement, for example: becoming too dependent on a vendor for mission-critical services, being unable to determine the quality of the services being delivered, not having accurate or meaningful reporting requirements, selecting a vendor that has a short life expectancy, being unable to assess the level of services provided by a vendor, or having a vendor fail to provide an adequate level of services. Financial risks imply the costs of negotiating, maintaining, and concluding agreements, for example: not receiving sufficient sums for penalties and damages, paying large sums to terminate agreements, or paying noncompetitive fees for services. These categories overlap. The risks vary depending on the time in the life cycle of an outsourcing agreement. There are seven phases in an outsourcing agreement. These phases and the risks that can occur in each of these phases are shown in Figure 2 (Kliem, 1999).

Phase	Risk
1. Determine the business case for or against outsourcing	Using incorrect data
2. Search for vendors	Using a limited selection list
3. Select a vendor	Entering biases into the selection
4. Conduct negotiations	Not having the right people participate in the negotiations
5. Consummate an agreement	"Caving in" to an unfair agreement
6. Manage the agreement	Providing minimal expertise to oversee the agreement
7. Determing the business case to renew, re-negotiate, or terminate the contract	Ceasing a relationship in a manner that could incur high legal costs

FIGURE 2: A SAMPLE OF RISKS IN EACH PHASE OF AN OUTSOURCING AGREEMENT (KLIEM, 1999)

2.4.2   RISK ANALYSIS

Risk analysis is analyzing data collected about risks, including the impact and probability of the occurrence. There are three approaches for analyzing risks: quantitative, qualitative, and a combination of both. Quantitative risk analysis uses calculations to determine the importance of each risk relative to the others and the probabilities of their occurrence. Qualitative risk analysis looks more to judgment to determine the importance of each risk and the probability of the occurrences (Kliem, 1999). Risk analysis is usually a point-in-time evaluation and it is normally done before vendor selection, but it is valuable to use it to periodically reassess a supplier's risk profile. Potential suppliers are compared to a set risk criteria that the client has set up. A risk ranking of the suppliers will be developed. It can be that the best supplier has a high risk, but then managers can write a more rigorous risk management process than would be required for a supplier with medium or low risk (O'Keeffe & Vanlandingham, n.d.).

2.4.3   RISK CONTROL

Risk control is identifying and verifying the existence of measures to lessen or prevent the impact of a risk. The controls that prevent, detect, or correct the impact of risks have to be identified. There has to be looked to several factors in the business environment in which an outsourcing contract will be applied. There are three categories of controls: preventive, detective, and corrective. Preventive controls moderate a threat from exploiting the weaknesses of a project. Detective controls discover

the occurrence of an event and prevent similar exploitation in the future. Corrective controls require tackling the impact of a threat and then establishing controls to prevent future impacts. After the controls are identified, they must be verified, and then the next step is to strengthen or add controls. This involves deciding whether to accept, avoid, adopt, or transfer risk. Accepting a risk is letting it occur and taking no action. Avoiding a risk is taking action to not face the risk. Adapting refers to living with a risk and dealing with it by "working around it", and transferring is shifting a risk to someone or something else, such as subcontracting (Kliem, 1999).

2.5 EXPECTATIONS AND DESIRES

It is important to understand the expectations and desires and their impact on satisfaction. The expectation-confirmation theory (ECT) states that expectations and their confirmations are preceding satisfaction. People form expectations and desires about a product or service and they compare this to the perceived performance of that product or service. If the expectations and desires are met or outperformed, there is satisfaction. Nevo & Chan (2007) investigated how expectations and desires are formed. They define expectation as evaluations of what the consumer expects to find in the product or service. Expectations consist of a hierarchy of outcomes which is concerned with how the outcome is perceived. Ideal expectations are beliefs about what *can* be, predictive expectations are beliefs about what *will* be, and minimum tolerable expectations are beliefs about what *must* be. The ECT links expectations to satisfaction. If the product or services outperform expectations, there is positive disconfirmation and this will result in higher levels of satisfaction. Negative disconfirmation arises when a product or service does not meet the expectations, which results in low levels of satisfaction. In the ECT predictive expectations and desires are used as a comparison standard. Hence the perceived performance of a product or service is measured against two values: what was expected from the product and what was desired of it. This leads to positive or negative disconfirmation and this, in turn, has an effect on satisfaction. This model is shown in Figure 3. The difference between expectations and desires is that expectations imply what someone thinks that will happen and desires imply what someone would like to happen. Desires can be defined as evaluations of what should be in the product or service, so that the consumer can obtain higher level values. Expectations are often based on past experiences or on promises made by vendors. Knowledge of other organizations firms worked for or which they are familiar with also form a strong basis for expectations. Negative expectations can occur as well, for example expected resistance from employees. Desires are formed based on perceptions on what the product or service is and how the organization can benefit from it. Desires need an understanding of the business domain. In contrast to the ECT, the disconfirmation of expectations – or the confirmation of negative expectations – may only have a temporary negative effect on satisfaction (Nevo & Chan, 2007).
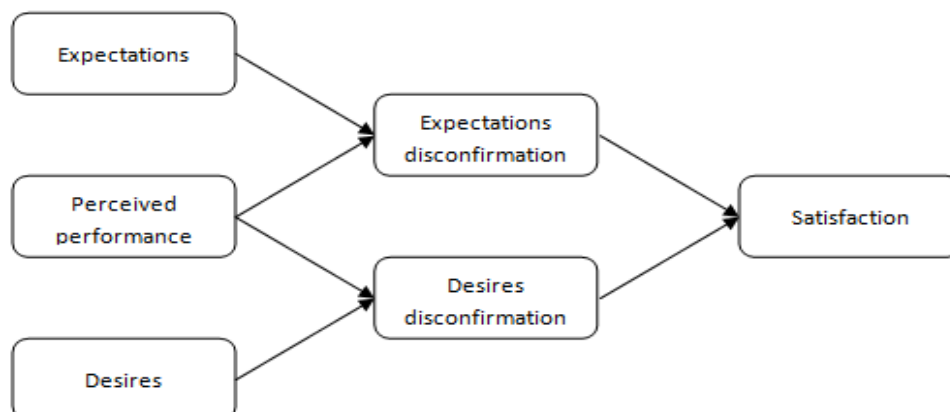
FIGURE 3: THE EXPECTATIONS CONFIRMATION MODEL (NEVO & CHAN, 2007)

2.5.1 EXPECTATIONS FROM SERVICE PROVIDERS

Quélin & Duhamel (2003) provide recommendations for service providers. The service provider must:

+ Agree to make a strong commitment and should have attained a critical size;
+ Be capable of assuming the investments stipulated in the sales offer;
+ Acquire or develop strong competences in contract management;
+ Be able to make the offer evolve over time;
+ Guarantee that it can support its main clients in their future initiatives.

The service provider must also have performance measurement tools to ensure cost and knowledge transparency over time. It is important for the service provider to benefit from experiences shared with clients, because it can help its clients learn from it. Service providers have to concentrate their sales efforts at both the operational and top management levels when they identify new investment projects. This is because some business units are concerned about their efficiency and performance, and at the same time, the final decision to outsource is made by top management (Quélin & Duhamel, 2003).

Koh, Tay, & Ang (1999) have identified what clients expect from their vendor. The concepts that are important for the relationship between Ten Kate Huizinga and their clients are:

+ Role clarity: the roles and responsibilities of each party are clearly defined;
+ Transparent pricing: charge a fair and competitive price;
+ Vendor staffing: assign high quality vendor staff with experience, requisite skills and good work attitude;
+ Vendor staff turnover: maintain minimal staff turnover during the project, there is one contact person;
+ Vendor initiative: complete the job and solve problems independently with minimal client involvement (proactive advisory);
+ Vendor responsiveness: respond promptly at the requests of clients (within predetermined time limits);
+ Relationship building: work well and build a good working relationship with client (Koh, Tay, & Ang, 1999);
+ Personal contact: company visits or contact by telephone .

It is important that the services the vendor offers match with the needs of the client. The greater the match is, the more likely it is that a contract will be carried out. A client's expectations for outsourcing are created by a set of requirements. Clients who have no experience with outsourcing or clients with low expertise in payroll are less likely to be able to clearly define their own requirements. Therefore their expectations may be formed by the provision of the contract. Furthermore, trust is important in an inter-firm relationship, especially when there are uncertainty and dependencies between the parties (Van der Meer-Kooistra & Vosselman, 2000)

2.5.2 CONTRACTS

Contracts are important in managing the outsourcing relationship and they can offer early termination provisions in cases of underperformance (Osei-Bryson & Ngwenyama, 2006). A contract is the starting point of the relationship between the firm and the service provider. To manage the contract, the relationship has to be managed too (Cunningham, 1999). The greater the detail in the contract, the more confident the client will be that they hold suitable expectations and there will be

more convergence of the expectations of both the client and the vendor (Yao & Murphy, 2002). For the initial contract, only limited information is available about the needs of the client. Therefore standard terms are likely to have an important influence on the perceptions of corresponding expectations. Important is that when the vendor is willing to modify a contract for special terms, the client perceives that the vendor is supportive and flexible. Also, when the vendor can put up the needs of a client within an existing contract, clients with lower experience may be more comfortable that there is a fit. However, a vendor will perceive a client who accepts a standard agreement as being a closer fit to their capabilities than a client who asks for contract changes. So, the fewer changes required to the standard contract, the greater the perception of fit of the client and the vendor (Yao & Murphy, 2002).

The success of the relationship may depend on the contract manager, so he or she needs certain competences to handle the relationship. He also needs to handle the relationship with the rest of the firm. A contract manager therefore needs to have technical (for example business planning skills, negotiation, financial management, and project planning and management) and behavioral competences (for example adaptability, commitment, flexibility, leadership, and communication) (Cunningham, 1999). There are two kinds of outsourcing contracts: fixed fee and incentive. A fixed fee contract provides a fixed payment to the vendor, but the vendor can negotiate additional payments for variations. The vendor is responsible for all risks of cost overruns, but by improving efficiency a higher profit can be made. In practice, when there are cost overruns the vendor can pressure the client to pay the overruns if the client is outsourcing to a single vendor and there is no option for switching. A fixed fee contract can also involve the risk of cost overruns that will be charged to the client. This is a cost plus contract. An incentive contract tries to share the risks and rewards between the client and the vendor. An expected level of service, penalties for underperformance, and incentives for various levels of performance are specified. Penalties and incentives are important for an outsourcing contract (Osei-Bryson & Ngwenyama, 2006). A distinguish can also be made between fixed risk model assumption and variable risk model assumption. In the fixed risk setting, a firm writes a contract with the auditor that minimizes the cost. The same effort is observed independently from which auditor is hired. The fixed risk setting is in line with a regulatory environment where the internal control systems have to meet a minimum standard. In the variable risk setting, the choice of auditor affects the optimal level of audit effort (Caplan & Kirschenheiter, 2000). So by setting up specified contracts, the client can manage risks of outsourcing. The clients of Ten Kate Huizinga can feel comfortable when they do. Also, clients can engage multiple suppliers; outsource standard services for which there are many suppliers capable of delivering good services; and insourcing highly specific assets to mitigate the risk that the supplier has too much power over the client (Lacity, Khan, & Willcocks, 2009).

2.5.3 TRUST

Trust is important in an inter-firm relationship, but only when there is risk involved. There are many definitions of trust. Most of them focus on exposing to vulnerability. Also, trust is having confidence that someone's expectations will be realized (Tomkins, 2001; Langfield-Smith & Smith, 2003). Trust implies adopting a belief without full information. It is important when reducing uncertainty. There is an optimal level of trust. If a company has too much trust in the business partner, it may be taking too much risk; the partner can take advantage. However, if there is little trust, but a company still wants to deal with the other party, more complete information about plans, processes, and results, and appropriate sanctions for inappropriate behavior is needed. This can bring higher agency costs,

and creativity and development of new capabilities may be inhibited. An optimal level of trust can be assessed when the level of trust matches with the level of economic interdependence between organizations (Tomkins, 2001). Before entering into a contract, parties want to know that the other party is trustworthy, so that conflicts can be prevented when negotiations about contract renewal is needed. Companies will look at potential parties with a trustworthy reputation and the technical and management competences to perform the activities well. Information about trustworthy behavior can be gathered by looking to experiences with collaborations with other firms or with the outsourcing firm itself. Comprehensive contracts cannot be written in uncertain situations; contracts require changes and revisions over time. With trust, the parties make a lower estimation of the risk connected with providing incorrect or incomplete information, which reduces the need for a comprehensive contract and the costs of setting one up. Trust can be derived from previous contractual relationships or it may grow during a certain transactional relationship. Trust develops over time by learning and adaptation processes (Van der Meer-Kooistra & Vosselman, 2000; Langfield-Smith & Smith, 2003). These processes can strengthen the relationship between the two parties, make the relation more durable, indicate there is room for change in the relationship, and activate interaction so that knowledge is exchanged (Van der Meer-Kooistra & Vosselman, 2000).

There are three kinds of trust: contractual trust, competence trust, and goodwill trust (Sako, 1992; Van der Meer-Kooistra & Vosselman, 2000). The first is based on moral standards of honesty and "keeping your word". One party expects another party to fully honor the agreements. Contractual trust is greater when people rely more on verbal agreements. Moral standards include the minimum amount of trust needed for a society to function. There is zero contractual trust when there is a total reliance on legal sanctions. The more contractual trust, the less information the outsourcer wants to collect for purposes of preventing or reducing the opportunistic behavior. Competence trust is the expectation that the necessary technical and management competences are available for the seller. This type of trust is greater when there is less inspection by the buyer of the goods or services supplied, for example as a result of guarantees in the past. Parties can develop a reputation by executing transactions in a trustworthy manner, but competence trust can also be gained during the relationship through investments by the contracting parties. Goodwill trust is based on the expectation that parties have an open commitment to each other. Commitment means the willingness to do more than is formally expected. Shared values and norms are necessary for developing goodwill trust. It can arise in an established contractual relationship. Goodwill trust can grow in an environment that is created by a contract based on rules and control mechanisms (Van der Meer-Kooistra & Vosselman, 2000).

2.6 CONCEPTUAL MODEL AND OPERATIONALIZATION

The concepts have to be operationalized before relationships can be found. The complete questionnaire that is used can be found in Appendix 1. A conceptual model is drawn, which suggests that, first, the propensity to outsource implies that a company thinks about making a decision to outsource. Then, it has to examine the pros, cons, and the risks of it, which can provide a thought-out decision whether the company is going to outsource its HR administration or not. The firm characteristics can influence the decision. After the decision to outsource is made, the company has to choose a service provider, which is dependent on critical factors. Lastly, the satisfaction is formed by the expectations and the perceived performance. If the expectations are met or outperformed, there is satisfaction.

2.6.1   THE PROPENSITY TO OUTSOURCE

There are three dimensions that are important for the propensity to outsource: policy, environmental changes, and requirements. Whether a company has an outsourcing policy or not will be measured by an open question. When they do have a policy they do have to explain how; when they do not have a policy they have to explain why not. Also, if the company has made the decision to outsource its HR administration, the environmental circumstances that were important have to be taken into account. Further, the requirements will be measured by two questions. These questions include a ranking of the importance of several HR activities and whether there are other services that he wants.

2.6.2   DECISION

The decision includes an analysis of the pros, cons, and the risks. Also, the firm characteristics are important, because the decision can be dependent on them. First, there will be some questions about the firm itself. Each firm is unique and has different characteristics. Firm size can be measured by the number of employees. Experience can be measured by how long a company outsources its HR administration. If the company does not outsource its HR administration, there is an option 'not applicable'. This question guides the respondent to the right questions. The industry in which a company operates and the region in which it is located can also be important, and the function of the respondent may say something. Further, there is a question about whether the respondent outsources its HR. Several HR activities will be named for which the respondent has to indicate whether he outsources it, and if no whether it is desirable or not for them. Because of the introduction of NMBRS these activities include the extra services that NMBRS brings. If the company has made the decision to outsource, there will be asked whether an individual or a team made the decision and which roles existed in that team.

To measure the advantages of outsourcing, the respondents have to rank five reasons for outsourcing from which they think are the most important. The respondents also have to rank which disadvantages they think are involved with outsourcing. To measure the risks, first there will be a question whether the respondent has a policy regarding risk management, to what extent he is concerned with risk control, and to what extent they use preventive, detective, or corrective controls for it. Further, the awareness of the respondent will be tested by asking whether the respondent thinks the risks of several concepts regarding HR administration are high or low when he does not outsource and when he does outsource. Finally, there is a question about whether the respondent experiences legal, operational, or financial risks. After the company has examined the pros, cons, and the risks, it can make a thought-out decision whether it has to outsource its HR administration or not.

2.6.3   VENDOR SELECTION

After the decision to outsource is made, the company has to choose a service provider. This is affected by some critical factors, namely vendor's reliability, technical competence, financial stability, and quality assurance processes. Next to the critical factors, also other possibilities will be named, for example: location, the extent of digitalization, and a personal recommendation. The respondent has to indicate how important these factors are for selecting a vendor by ranking them. For the respondents that do outsource a question will be asked whether they considered several providers.

2.6.4   SATISFACTION

Satisfaction includes the expectations and the perceived performance. The expectations can be measured by asking what the respondent thinks of several concepts that, according to the literature, are important for a relationship between vendors and clients. There is also a question for the companies that outsource whether their expectations are met. The companies that indicate that they outsource get questions about their satisfaction of the service of their vendor and whether they would recommend him to others. This can measure the perceived performance. Companies form expectations about a service and they compare this to the perceived performance of that service. If the expectations are met or outperformed, there is satisfaction.

The conceptual model of the HR outsourcing process is shown in Figure 4 and the formation of the questionnaire is represented by Table 6. The next chapter provides the methodology and operationalization of the methods used in this research.

Concept	Dimension	Item	Scale	Comments	Question no.	Reference in literature
Propensity to outsource	Policy	Policy regarding outsourcing	Binary scale	If yes, explain how; if no, explain why not	9	(Stroh & Treehuboff, 2003)
	Environmental changes	Environmental factors	Five point scale	Six factors Only when answer on question 7 was other than 'not applicable' (1: Not at all; 5: Fullest extent)	12	(Boddy, 2008; Hogeschool SDO, 2011)
	Requirements	Importance of activities	Ranking	(1: Least important; 13: Most important)	13	(ADP, n.d.; IBM, n.d.; Raet, n.d.; Ten Kate Huizinga, 2011)
		Other services	Binary scale	Explanation when 'yes'	14	
Decision	Firm characteristics	Age	Actual answer		1	
		Firm size	Five options		2	
		Industry	Eleven options	Including option 'other'	3	
		Region	Thirteen options	Including option 'outside The Netherlands'	4	
		Function	Actual answer		5	
		HR activities	Three options	Thirteen services	6	(ADP, n.d.; IBM, n.d.; Raet, n.d.; Ten Kate Huizinga, 2011)
		Experience	Five options	Including option 'not applicable'	7	
		Outsourcing	Three options	Including option 'other'	8	(ADP, n.d.; IBM, n.d.; Raet, n.d.; Ten Kate Huizinga, 2011)
		Decision maker	Two options	Only when answer on question 7 was other than 'not applicable'	10	(Blythe, 2006)
		Team roles	Seven options	Including option 'do not know' Only when answer on question 9 was 'a team'	11	(Blythe, 2006)

	Advantages of outsourcing	Pros	Ranking	(1: Least important; 5: Most important)	15	(Grover, Cheon, & Teng, 1994; Quélin & Duhamel, 2003; Stroh & Treehuboff, 2003; Gilley, Greer, & Rasheed, 2004; Smith, Morris, & Ezzamel, 2005; Belcourt, 2006; Coggburn, 2007; Everaert, Sarens, & Rommel, 2007; Wadhwa & Ravindran, 2007; Currie, Michell, & Abanishe, 2008; Lacity, Khan, & Willcocks, 2009; Butler & Callahan, in press)
	Disadvantages of outsourcing	Cons	Ranking	(1: Least important; 5: Most important)	16	(Quélin & Duhamel, 2003; Gilley, Greer, & Rasheed, 2004; Aubert, Patry, & Rivard, 2005; Belcourt, 2006; Everaert, Sarens, & Rommel, 2007)
	Risks	Policy risk management	Binary scale		17	(Kliem, 1999; Bhattacharya, Behara, & Gundersen, 2003; Aubert, Patry, & Rivard, 2005)
		Extent risk control	Five point scale	(1: Not at all; 5: Fullest extent)	18	(Kliem, 1999)
		Controls	Five point scale	Three controls (1: Not at all; 5: Fullest extent)	19	(Kliem, 1999)
		Risks not outsourcing	Five point scale	Twelve challenges (1: Not at all; 5: Fullest extent)	20	(Bhattacharya, Behara, & Gundersen, 2003)
		Risks outsourcing	Five point scale	Thirteen challenges (1: Not at all; 5: Fullest extent)	21	(Kliem, 1999; Bhattacharya, Behara, & Gundersen, 2003; Aubert, Patry, & Rivard, 2005; Cao & Wang, 2007; Nevo & Chan, 2007)
Vendor selection	Critical factors	Importance of factors	Ranking	(1: Least important; 13: Most important)	22	(Blythe, 2006; Wadhwa & Ravindran, 2007)
	Comparing	Several vendors	Binary scale	Only when answer on question 7 was other than 'not applicable'	23	(Cao & Wang, 2007; Wadhwa & Ravindran, 2007)

Satisfaction	Expectations	Importance of concepts	Ranking	(1: Least important; 10: Most important)	24	(Koh, Tay, & Ang, 1999)
		Expectations met	Binary scale	Only when answer on question 7 was other than 'not applicable'	25	(Nevo & Chan, 2007)
	Perceived performance	Satisfied	Binary scale	Explanation when 'no' Only when answer on question 28 was 'yes'	26	(Nevo & Chan, 2007)
		To what extent satisfied	Five point scale	Five concepts (1: Very unsatisfied; 5: Very satisfied) Only when answer on question 28 was 'yes'	27	(Nevo & Chan, 2007)
		Recommendation	Five point scale	(1: Very unlikely; 5: Very likely) Only when answer on question 28 was 'yes'	28	(Nevo & Chan, 2007)

29. Do you have any comments?

TABLE 6: THE FORMATION OF THE QUESTIONNAIRE
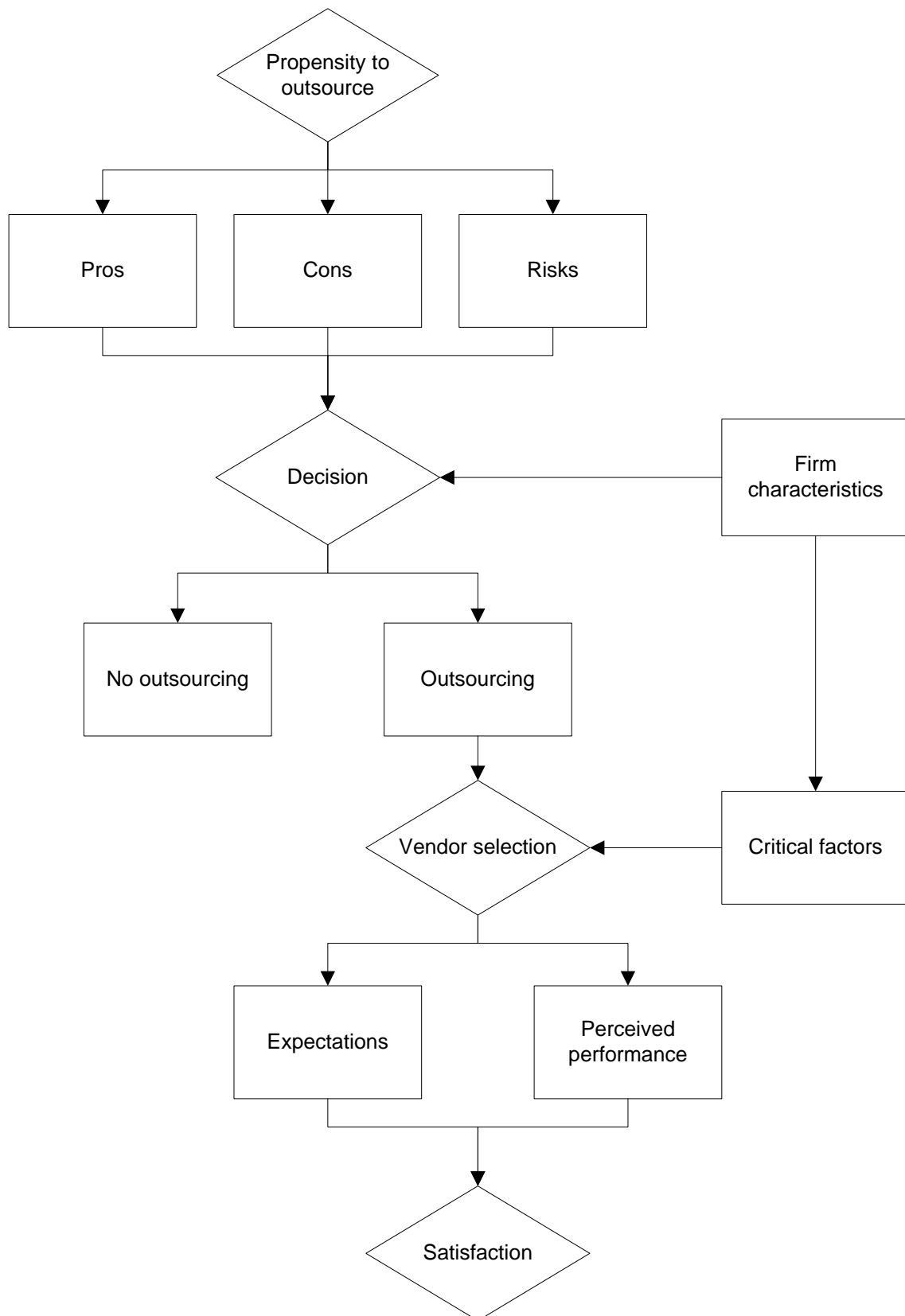
FIGURE 4: CONCEPTUAL MODEL OF THE HR OUTSOURCING PROCESS

3 METHODOLOGY

This chapter includes the research methods which are used for this study. The research design is discussed, followed by the sample, data collection, and a discussion about validity. This chapter concludes with data analysis.

3.1 RESEARCH DESIGN

The central research question is: What services do clients desire and expect regarding HR administration and what effects on the service portfolio does this have on service providers? The most effective research method for answering this question and the sub questions is a survey, which will be disseminated among the clients and non clients of Ten Kate Huizinga. In this way the companies can indicate their demands themselves. The questionnaire will be based on what is said in the literature. This is an important part of the research, because the useful information will be obtained by the questionnaire. Based on the results of the questionnaire recommendations for the management of Ten Kate Huizinga will be done.

It is important to use appropriate question forms. In asking questions, there are two options: open-ended questions and closed-ended questions. In this research I will use mainly closed-ended questions. A few open questions will be asked about the characteristics of the firm. Other important points that someone has to have in mind when making a questionnaire are: make items clear, avoid double-barreled questions, respondents must be competent to answer, respondents must be willing to answer, questions should be relevant, short items are the best, avoid negative items, and avoid biased items and terms (Babbie, 2007, pp. 246-249). The strengths of this method are the amount of data that can be collected, the chance to sample a large population, and the standardization of the data collected. However, there are also weaknesses, namely: the answers may not be fully correct or they might answer superficially. This will be avoided by using almost exclusively closed-ended questions. In general, a questionnaire is comparatively weak on validity and strong on reliability (Babbie, 2007, pp. 276-277). In this research, this will be prevented by a large sample of respondents.

3.2 TARGET GROUP AND SAMPLE

The target group is the group about which statements are made. In this research this group comprises the clients of Ten Kate Huizinga. A sample is a part of the population that is actually examined to get information about the whole population. The sample consists of three subgroups, namely:
  + Clients of the ESD;
  + Clients of Ten Kate Huizinga, but not of the ESD; and
  + Companies who are similar to the current clients as regards size and industry.

The first and the second group can be subjective, because they already are clients of Ten Kate Huizinga. Therefore, there will be a third group of companies similar to the current clients. Together with the office manager and an employee of the ESD the clients that will be approached are selected. These companies especially are companies with less than 200 employees. The other companies will

be selected from company.info randomly, but there was one condition: only Dutch companies are selected. These three groups will get the questionnaire by a link in an email.

The sample can be divided according to size or experience. Then these subsamples can be compared to each other to see whether there are differences.

3.3   DATA COLLECTION

For conducting this research, data of the clients of Ten Kate Huizinga and companies that are similar to them is needed. These can be obtained by a questionnaire. A survey among the sample will be done to see whether the services offered regarding HR administration meet the companies' wishes and needs and what they expect of a service provider like Ten Kate Huizinga. It will be an online survey rather than a telephone or a face-to-face interview, because of the large sample and to guarantee the anonymity.

3.4   VALIDITY

Validity is about whether the research is disturbed by systematic errors. These are errors that cannot be indicated, because several perceptions have the same systematic errors. A research is valid when these errors are not present. It is important that the operationalization used actually provide information on the variables that a researcher wanted to observe (Universiteit Leiden, n.d.). There are four categories, namely: statistical conclusion, internal, construct, and external validity. There are threats with these validities. The categories and the threats that might be related to this research will be discussed in this section.

Internal validity is the validity of inferences about whether the observed co variation between the treatment and outcome reflects a causal relationship. In this research this might be threatened by 'selection' and 'attrition'. The first involves that, for example, only those who are interested in the experiment may self-select themselves, because the survey will be taken digitally. This can be eliminated by 'randomization', but there is no supervision that the respondents will actually take part of the questionnaire (Shadish, Cook, & Campbell, 2002, p. 56). Attrition can occur when the respondents leave questions unanswered, for example if they quit before they reach the end, causing missing variables. This can be eliminated by personal interviews, but because there are too many respondents in this research, this is not an option However; this may not be a big threat, because of the many respondents (Shadish, Cook, & Campbell, 2002, p. 59). Construct validity is the validity of inferences about the higher order constructs that represent sampling particulars. Mono-method bias can occur, because there is only one measurement. It is important that all questions will be asked in a positive or negative way. If the questions are all asked either positively or negatively, there may be a bias (Shadish, Cook, & Campbell, 2002, pp. 76-79). Finally, external validity includes the validity of inferences about whether the results hold over variation in persons, settings, treatments, and measurements. This has to do with generalizability. 'Interaction of the causal relationship with units' might threaten the external validity, because the outcomes might be different if the clients of another accounting firm were interviewed (Shadish, Cook, & Campbell, 2002, p. 87).This can be eliminated by using a third group with companies that are not clients of Ten Kate Huizinga.

3.5 DATA ANALYSIS

The results of this research are from questionnaires and they are processed by SPSS. All questions are converted in order to enter them into SPSS. First, there will be the descriptive results. The data will be analyzed by using frequency tables, which will provide the answers which are given most. The outcomes will be compared to the literature to see if the reasons of the respondents to outsource their HR administration are similar to the reasons stated in the literature and what the differences are. Also, there will be examined what the answers on the other items are by using frequency tables.

A factor analysis is used to examine whether there are underlying factors in the items. It looks for underlying patterns and correlations between the different items. The items that have similar patterns are put together. This test reduces the items to some factors (SPSS Handboek, n.d.). The concepts of several items can form a number of variables, which can be used for the correlation analysis. This is done to measure whether there are relations between items. The correlation analysis is a technique that can be used to test a relation between two or more variables. It gives an idea about the connection between two variables. This analysis also shows in which way the relation holds (positive or negative) (Huizingh, 2006). The firm characteristics, for example, may determine the answers on the importance of environmental factors, the importance of HR activities, the importance of concepts regarding vendor selection, and the expectations. To measure the satisfaction, the results of the expectations and the perceived performance will be compared.

The outcomes will be used to make recommendations about the service package of Ten Kate Huizinga regarding HR administration. The next chapter will provide the analysis of the data and the results.

4 ANALYSIS

This chapter provides the results of this study. The first part is a description of the items in the questionnaire. This is followed by a factor analysis and comparing of subsets. Furthermore, this section examines whether the firm characteristics have an influence on other items and how strong these correlations are.

4.1 DESCRIPTIVE RESULTS

4.1.1 THE PROPENSITY TO OUTSOURCE

To measure the propensity to outsource, four questions are asked. The first is about whether the company has a policy regarding the outsourcing of HR. The second asks to what extent environmental factors played a role when the outsourcing decision was made. The third is about ranking some HR activities and the fourth asks whether there are other activities the respondent finds important.

Just over 40% of the companies have an outsourcing policy. The environmental factors that were important when the respondents made the decision to outsource were constantly changing laws and regulations, and government regulations for the industry and tax. Technology may be less important, because it is becoming more accessible and user-friendly. This is shown in Table 7. The average ratings of the ranking of the activities and the percentages of companies that outsource are shown in Table 8. It is remarkable that performance evaluation has a high score, because it is not named in the list of what services service providers regarding HR administration offer in Section 2.1. However, it is outsourced by almost none of the companies. Training & education is outsourced by a few companies, but it also has a high score. Furthermore, it is notable that competence management has a low score, but it is desired most by the companies that do not outsource yet. Also, advice about employee insurance has a low rating, but it is outsourced by almost half of the companies.

 Other services the respondents find important are listed in Appendix 2.

Activity	Average rating
Legal 1: constantly changing laws and regulations	3.38
Political: government regulations for the industry and tax	3.06
Legal 2: the obligation to do payroll taxes and pension digitally	2.91
Technology: automation by the rise of the computer, internet, and applications	2.45
Economic: changing wage levels	2.03
Social: software and applications are more often in English	1.51

TABLE 7: AVERAGE RATINGS OF THE INFLUENCE OF THE ENVIRONMENTAL FACTORS

Activity	Average rating	Percentage outsourcing	No outsourcing, but desired
Payroll	9.90	57%	2%
Firing of personnel	7.81	15%	4%
Writing of regulations and documents	7.67	17%	5%
Performance evaluation	7.62	1%	1%
Training & education	7.52	9%	3%
Remuneration issues	6.99	15%	4%
Recruitment & selection	6.97	17%	0%
Absence and vacation management	6.90	11%	4%
Digital personnel files	6.90	16%	5%
Advice about employee insurance	6.79	47%	6%
Periodical alerts	6.74	8%	7%
Competence management	6.60	2%	8%
Benefits	5.93	10%	5%

TABLE 8: AVERAGE RATINGS OF SEVERAL HR ACTIVITIES

4.1.2 DECISION

The decision can be divided in four subcategories, namely firm characteristics, pros, cons, and risks. To measure the firm characteristics, questions are asked about the age of the firm, firm size, the industry it operates in, the region it is located, which HR activities the firm outsources and for how long, where the firm outsources, who made the decision, and, if a team decided, which team roles were important. The pros and cons are measured by a ranking question. The risks are measured by five questions:

+ whether the company has a policy regarding risk management;
+ to which extent the company uses risk controls;
+ which controls it uses; and
+ the respondents have to indicate on a five point scale to what extent they experience risk in outsourcing and in not outsourcing HR.

The average age of the firms is about 50 years and the distribution of the size, industry, region, and experience of the companies is shown in Figure 5. Most of the companies have between 5 and 200 employees, are outsourcing for more than ten years, and are located in Overijssel. Also, there are a lot of industries that are not named by Ten Kate Huizinga. A list of industries that is filled in at 'other' is shown in Appendix 3. The functions of the respondents diverge. What is mentioned mostly is owner, director, and HR manager. A list of all functions mentioned is shown in Appendix 4. Of all companies 80% is outsourcing a part of HR administration; 52% of those companies outsources to an accounting firm, 13% to an administration office, and 35% to something else. Table 8 shows the percentages per activity and the percentage of companies that do not outsource any services, but think it is desired. Especially payroll and firing of personnel is outsourced. At slightly more than half of the companies, a team made the decision to outsource. The roles that were present most frequently were the decider and the initiator.

Number of employees

- 0-4: 25%
- 5-49: 32%
- 50-199: 23%
- 200-499: 10%
- 500+: 10%

Industry

- Agricultural: 5%
- Automotive: 2%
- Bailiffs: 4%
- Construction: 6%
- Education: 6%
- Financial services: 8%
- Government and non profit: 7%
- Healthcare: 3%
- Other: 47%
- Retail: 10%
- Transport: 2%

Region

- Drenthe: 3%
- Friesland: 1%
- Gelderland: 22%
- Groningen: 1%
- Noord-Brabant: 2%
- Overijssel: 59%
- Utrecht: 10%
- Zuid-Holland: 2%

Experience

- Not applicable: 29%
- Less than 1 year: 1%
- 1-5 years: 20%
- 5-10 years: 17%
- More than 10 years: 33%

FIGURE 5: FIRM CHARACTERISTICS

Companies are generally outsourcing because of the complexity of laws and regulations. Also, the access to specialized expertise and focus on core competences are important. The two most important pros are related to each other, because specialized knowledge includes knowledge about the laws and regulations. It is remarkable that cost savings is not a very important reason, because according to the literature it is the most important reason. The averages of the ranking of the reasons to outsource are shown in Table 9. The biggest drawbacks of outsourcing, according to the respondents, are the dependency on the service provider and the loss of internal expertise. These are also related, because when there is a loss of internal expertise, the company will get dependent on the service provider. The averages of these rankings are in Table 10. Further, the access to specialized knowledge is related to the loss of internal expertise, because when outsourcing, this knowledge is in the supplier's firm instead of the buyer's firm.

Reason	Average rating
Complexity of laws and regulations	3.46
Access to specialized knowledge	3.41
Focus on core competences	3.38
Cost savings	2.76
Gaining/increasing flexibility	2.61

TABLE 9: AVERAGES OF THE RANKING OF THE REASONS TO OUTSOURCE

Drawback	Average rating
Too dependent on service provider	3.34
Loss of internal expertise	3.30
Outsourcing is more expensive	2.94
Loss of information	2.62
What I want is not offered	2.54

TABLE 10: AVERAGES OF THE RANKING OF THE DRAWBACKS OF OUTSOURCING

The respondents had to indicate in which extent they experience risk when not outsourcing and when outsourcing. The average scores of these rankings are shown in Table 11 and Table 12, where 1 is not at all and 5 is to the fullest extent. In general, the respondents experience little risk in both outsourcing and in not outsourcing. However, they think the risks when outsourcing are higher than when not outsourcing. The risks they experience most when not outsourcing are the constantly changing laws and regulations and the incorrect application of labor law. Paying on time and the payment of the legal minimum wage are less important. It is notable that the risks regarding legal and tax score high. This is in line with the most important reason to outsource: the complexity of laws and regulations. The risks they experience most when outsourcing are lack of cost reduction and loss of expertise. The costs are less important in the drawbacks named before. Here, managing and negotiation of an agreement are less important. Furthermore, 36.6 percent of the companies have a policy regarding risk management and the average rating of the extent of risk control is 2.69 on a five point scale, so in most companies risk management does not play a role for HR activities. Preventive and detective controls are used in less than half of the companies, and corrective controls are used in slightly more than half of the companies.

Risk when not outsourcing	Score
The constantly changing laws and regulations	3.22
The incorrect application of labor law	3.06
Correct calculation of subsidies	2.84
Correct deduction of income tax	2.72
Correct calculation of social insurance of employees	2.72
Correct calculation of industry specific regulations	2.69
Following the collective agreement	2.55
Timely submission of pension changes	2.43
Correct and timely submission of payroll taxes	2.40
Proper conduction of absence management	2.13
Pay on time	1.88
Payment of the legal minimum wage	1.87

TABLE 11: AVERAGE RATING OF RISKS WHEN THE COMPANY DOES NOT OUTSOURCE

Risk when outsourcing	Score
Lack of cost reduction	2.97
Loss of expertise	2.94
Degradation of service	2.77
Difficult to justify how the services provide the expectations and desires	2.68
Moral hazard	2.65
Imperfect commitment	2.64
Complexity and uncertainty in the outsourcing process	2.61
Costs of an agreement	2.59
Effect on company culture	2.56
Poor management of vendors	2.50
Disagreements between clients and vendors	2.41
Managing an agreement	2.33
Negotiation of an agreement	2.27

TABLE 12: AVERAGE RATING OF RISKS WHEN THE COMPANY OUTSOURCES

4.1.3 VENDOR SELECTION

The vendor selection is measured by two questions. The first is about rating factors for selecting a vendor and the second is whether the company considered several vendors if they are outsourcing.

The average ratings of the importance of factors for selecting a vendor are shown in Table 13. Reliability and (technical) competence are considered most important. Less important are the location and regional commitment. The location may be less important because data is accessible via an internet connection and people are not tied to a device or a location. The percentage of the companies that outsource that have considered another service provider is 54%.

Factor	Average rating
Reliability	11.17
(Technical) competence	10.27
Quality assurance processes	9.33
Advisory	9.05
Proactive attitude	8.97
Costs	7.65
Financial stability	7.58
Technology/digitalization	6.67
Ethics	6.25
A personal recommendation	6.18
Company culture	5.33
Location	4.38
Regional commitment	4.35

TABLE 13: AVERAGE RATINGS OF THE IMPORTANCE OF FACTORS IN SELECTING A VENDOR

4.1.4   SATISFACTION

The satisfaction of the service provider is measured by two dimensions: expectations and perceived performance. These questions are only asked to respondents that outsource. The expectations are measured by asking what the respondent thinks of several concepts that, according to the literature, are important for a relationship between vendors and clients. They had to rank these concepts. The results are shown in Table 14. High quality staff, one contact person, and proactive advisory are considered as most important. Least important is contact via social media. As much as 95% of the respondents with a service provider were satisfied, which corresponds with the score on whether the expectations were met (90%). The satisfaction of the different aspects is shown in Table 15. These aspects are close to each other. Whether they would recommend their service provider to others scored 3.9 on a five point scale.

Concept	Score
High quality staff	7.66
One contact person	7.29
Proactive advisory	7.03
Transparent pricing	6.97
Role clarity	6.81
Quick response	6.78
Relationship building	5.98
Personal contact by telephone	5.00
Personal contact by company visits	4.05
Contact by social media	2.09

TABLE 14: AVERAGE RATINGS OF THE IMPORTANCE OF SEVERAL CONCEPTS

Concept	Score
Quality	3.81
Capability	3.81
Communication	3.62
Response time	3.48
Costs	3.24

TABLE 15: AVERAGE RATINGS OF SATISFACTION OF DIFFERENT ASPECTS

4.2 FACTOR ANALYSIS

The questions about risk have many items. The existence of underlying factors can be examined by a factor analyses. If so, the items can be reduced to some factors, which makes it easier to use in analysis. The factor analysis suggests that the items can be reduced to two factors. The items that can form a factor have a connection: when one item has a high score, another item also has. Therefore, they can form one factor. The first factor is formed by: collective agreements, proper deduction payroll tax, employee insurance, industry specific rules, correct and timely submission of payroll taxes, pension changes, subsidies, application of labor law, and constantly changing law and regulations. This factor can be labeled as 'law and regulations'. The three remaining items are: pay on time, minimum wage, and proper absence management. The last does not seem to fit with the first, but a reliability analysis shows that they have a Cronbach's alpha (α) of 0.856, so they can also form a factor. This factor can be labeled as 'wage'. An overview of this is in Table 16.

Risk when not outsourcing	Factor
Pay on time	Wage
Following the collective agreement	Law and regulations
Payment of the legal minimum wage	Wage
Correct deduction of income tax	Law and regulations
Correct calculation of social insurance of employees	Law and regulations
Correct calculation of industry specific regulations	Law and regulations
Correct and timely submission of payroll taxes	Law and regulations
Timely submission of pension changes	Law and regulations
Correct calculation of subsidies	Law and regulations
The incorrect application of labor law	Law and regulations
Proper conduct of absence management	Wage
The constantly changing laws and regulations	Law and regulations

TABLE 16: FACTORS UNDERLYING THE RISKS WHEN NOT OUTSOURCING

There are also two factors underlying the question about risks when outsourcing. The first consists of moral hazard, imperfect commitment, disagreements with vendor, uncertainty in outsourcing process, poor management of vendor, legal risks, operational risks, and financial risks. These seem to be connected to the supplier: moral hazard, for example, means that the supplier blames poor performance on circumstances which are outside its control. Therefore, this factor can be called 'vendor'. The second underlying factor consists of loss of in-house expertise, effect on company culture, degradation of service, lack of cost reduction, and difficult to justify how services meet expectations. These items seem to be connected to the buyer's firm: lack of cost reduction, for example, is experienced in the buyer's firm. Therefore, this factor can be called 'buyer'. This is shown in Table 17. These four factors are used in the next section with the comparing of the subsets.

Risk when outsourcing	Factor
Loss of in-house expertise	Buyer
Effect on company culture	Buyer
Moral hazard	Vendor
Imperfect commitment	Vendor
Degradation of service	Buyer
Lack of cost reduction	Buyer
Disagreements with vendor	Vendor
Uncertainty in outsourcing process	Vendor
Poor management of vendor	Vendor
Difficult to justify how services meet expectations	Buyer
Legal risks	Vendor
Operational risks	Vendor
Financial risks	Vendor

TABLE 17: FACTORS UNDERLYING THE RISKS WHEN OUTSOURCING

4.3 COMPARING SUBSETS

The dataset can be divided into subsets. Each subset might have other reasons to outsource, experience other drawbacks or risks of outsourcing, or think that other factors are important for selecting a vendor. The subsets are compared to each other to see if there are differences or similarities in the answers. First, there is a distinction between companies that do not outsource and companies that do outsource. These are called subset A and subset B. Then, there is a distinction between firm sizes. Subset 1 includes SMEs and subset 2 includes large firms.

4.3.1 OUTSOURCING AND NOT OUTSOURCING

The dataset is divided into two subsets. Subset A consists of companies that do not outsource any activities (21%). Subset B includes the companies that do outsource some activities (79%).

HR activities are compared on the basis of the importance. Table 18 shows the ranking of the HR activities of subset A and subset B. The numbers between brackets indicate the place of the importance in the subset. It is notable that in both subsets payroll is the most important activity and benefits the least important. Also, the seventh and eighth places are the same. The other activities have a different importance in both subsets. For example, it is remarkable that the companies that do not outsource find training & education the second important activity, while the companies that do outsource set it at the fifth place. Also, recruitment & selection is more important for subset A than for subset B, and the writing of regulations and documents is far less important for subset A than for subset B. This is probably because subset B does not have the knowledge for it and therefore thinks that it is important. The high scores of training & education and performance evaluation are consistent with the results of the whole subset.

	Subset A		Subset B	
Payroll	10.36	(1)	9.80	(1)
Training, education and development	9.50	(2)	7.05	(5)
Performance evaluation	8.50	(3)	7.41	(4)
Recruitment and selection	8.07	(4)	6.71	(9)
Firing of personnel	8.07	(5)	7.75	(3)
Absence management	7.86	(6)	6.68	(10)
Remuneration issues	7.50	(7)	6.86	(7)
Digital personnel files	7.36	(8)	6.80	(8)
Periodic alerts	7.07	(9)	6.66	(11)
Regulations and documents	7.00	(10)	7.83	(2)
Competence management	6.57	(11)	6.61	(12)
Employee insurance	5.71	(12)	7.05	(6)
Benefits	4.86	(13)	6.19	(13)

TABLE 18: AVERAGE RATINGS OF SEVERAL HR ACTIVITIES OF THE SUBSETS A AND B

The pros, cons, and risks of outsourcing are compared. The pros and cons are shown in Table 19 and Table 20. The reasons for outsourcing are different for the groups. Subset A thinks the focus on core competences is the main reason to outsource. For subset B the complexity of laws and regulations is the most important reason. This reason is less important for subset A. They may have this knowledge themselves, which may be the reason why they do not outsource. The two most important cons are similar for both subsets, but subset A finds loss of internal expertise more important and subset B the dependency on the service provider.

Pros	Subset A		Subset B	
Focus on core competences	3.64	(1)	3.32	(3)
Access to specialized knowledge	3.14	(2)	3.47	(2)
Cost savings	3.07	(3)	2.69	(5)
Complexity of laws and regulations	2.93	(4)	3.60	(1)
Flexibility	2.21	(5)	2.70	(4)

TABLE 19: AVERAGES OF THE RANKING OF THE REASONS TO OUTSOURCE OF THE SUBSETS A AND B

Cons	Subset A		Subset B	
Loss of internal expertise	3.93	(1)	3.14	(2)
Too dependent on service provider	3.36	(2)	3.33	(1)
Loss of information	3.14	(3)	2.49	(4)
Outsourcing is more expensive	2.71	(4)	3.00	(3)
What I want is not offered	2.71	(4)	2.49	(4)

TABLE 20: AVERAGES OF THE RANKING OF THE DRAWBACKS OF OUTSOURCING OF THE SUBSETS A AND B

Table 21 shows the four factors of the risk from the factor analysis. Subset A experiences less risk when not outsourcing and they think there are more risks when outsourcing. This is as expected, because they do not outsource.

Risks	Factors	Subset A	Subset B
Not outsourcing	Law and regulations	2.09	2.91
	Wage	1.76	2.01
Outsourcing	Buyer	2.62	2.47
	Vendor	3.06	2.71

TABLE 21: AVERAGE RATINGS OF THE RISKS OF THE SUBSETS A AND B

The scores of the factors of vendor selection and the scores of the concepts of expectations are also compared. The important factors are similar for both subsets, but it is remarkable that advisory is not that important for subset B. This is shown in Table 22.

Factor	Subset A		Subset B	
Reliability	11.54	(1)	11.06	(1)
(Technical) competence	9.62	(2)	10.45	(2)
Advisory	9.46	(3)	8.94	(5)
Quality assurance processes	9.17	(4)	9.49	(3)
Proactive attitude	8.67	(5)	9.17	(4)
Financial stability	7.92	(6)	7.49	(7)
Costs	6.92	(7)	7.96	(6)
A personal recommendation	5.83	(8)	6.19	(10)
Technology/digitalization	5.69	(9)	6.94	(8)
Ethics	5.67	(10)	6.51	(9)
Company culture	5.17	(11)	5.30	(11)
Regional commitment	4.17	(12)	4.32	(12)
Location	4.08	(13)	4.32	(13)

TABLE 22: AVERAGE RATINGS OF THE IMPORTANCE OF FACTORS IN SELECTING A VENDOR OF THE SUBSETS A AND B

The concepts of expectations differ more. The most important concepts for subset A are role clarity, high quality staff, and transparent pricing. For subset B, these are high quality staff, one contact person, and proactive advisory. The least important concepts are the same. It is remarkable that role clarity is the most important concept for subset A, but for subset B it is in the bottom half. Also, proactive advisory is important for subset B, but less important for subset A. This is shown in Table 23.

Concept	Subset A		Subset B	
Role clarity	7.92	(1)	6.52	(6)
High quality staff	7.58	(2)	7.67	(1)
Transparent pricing	7.58	(2)	6.80	(5)
Relationship building	6.67	(4)	5.80	(7)
One contact person	6.50	(5)	7.50	(2)
Proactive advisory	6.42	(6)	7.20	(3)
Quick response	6.33	(7)	6.89	(4)
Personal contact by telephone	4.17	(8)	5.22	(8)
Personal contact by company visits	3.67	(9)	4.15	(9)
Contact by social media	1.92	(10)	2.13	(10)

TABLE 23: AVERAGE RATINGS OF THE IMPORTANCE OF SEVERAL CONCEPTS OF EXPECTATIONS OF THE SUBSETS A AND B

4.3.2 FIRM SIZE

The dataset is divided into two subsets. Subset 1 consists of SMEs (80%), which are companies with 0 to 200 employees. Subset 2 includes large companies (20%), which are companies with 200 or more employees.

The HR activities are compared on the basis of the importance. Table 24 shows the ranking of the HR activities of subset 1 and subset 2. The numbers between brackets indicate the place of the importance in the subset. It is notable that in both subsets payroll is the most important activity. The other activities have a very different importance. For example, the SMEs find the writing of

regulations and documents very important, but it has the ninth place for the larger companies. This is perhaps because larger firms have more specialized knowledge. Also, absence and vacation management has a very low place in subset 1, but it is in the top three in subset 2. This may be because the larger firms have more employees, so it is more complicated to manage the absence and vacations of the employees.

	Subset 1		Subset 2	
Payroll	9.98	(1)	9.40	(1)
Regulations and documents	7.67	(2)	7.60	(9)
Firing of personnel	7.58	(3)	8.53	(4)
Performance evaluation	7.21	(4)	9.27	(2)
Training, education, development, and coaching	7.21	(4)	8.40	(5)
Employee insurance	7.02	(6)	5.87	(13)
Recruitment and selection	6.86	(7)	7.13	(11)
Remuneration issues	6.70	(8)	8.27	(6)
Digital personnel files	6.61	(9)	8.13	(7)
Periodic alerts	6.49	(10)	8.07	(8)
Competence management	6.44	(11)	7.47	(10)
Absence and vacation management	6.39	(12)	8.87	(3)
Benefits	5.95	(13)	6.13	(12)

TABLE 24: AVERAGE RATINGS OF SEVERAL HR ACTIVITIES OF THE SUBSETS 1 AND 2

The pros, cons, and risks of outsourcing are compared. The pros and cons are shown in Table 25 and Table 26. The reasons for outsourcing differ between the groups. Subset 1 thinks the complexity of laws and regulations is the main reason to outsource. For subset 2 cost savings is the most important reason. This is as expected, because large companies are probably only outsourcing to save costs. Small firms often do not have the specialized knowledge. The cons are about the same for the subsets. The two most important cons are similar, but subset 1 finds the dependency on the service provider more important and subset 2 loss of internal expertise.

Pros	Subset 1		Subset 2	
Complexity of laws and regulations	3.67	(1)	2.73	(4)
Access to specialized knowledge	3.55	(2)	2.80	(3)
Focus on core competences	3.38	(3)	3.33	(2)
Flexibility	2.65	(4)	2.53	(5)
Cost savings	2.55	(5)	3.60	(1)

TABLE 25: AVERAGES OF THE RANKING OF THE REASONS TO OUTSOURCE OF THE SUBSETS 1 AND 2

Cons	Subset 1		Subset 2	
Too dependent on service provider	3.29	(1)	3.40	(2)
Loss of internal expertise	3.24	(2)	3.60	(1)
Outsourcing is more expensive	2.91	(3)	3.20	(3)
What I want is not offered	2.51	(4)	2.60	(5)
Loss of information	2.45	(5)	3.13	(4)

TABLE 26: AVERAGES OF THE RANKING OF THE DRAWBACKS OF OUTSOURCING OF THE SUBSETS 1 AND 2

Table 27 shows that subset 1 experiences more risk when not outsourcing en they think there are less risks when outsourcing. This is as expected, because smaller firms have less specialized knowledge, so it is easier to outsource.

Risks	Factors	Subset 1	Subset 2
Not outsourcing	Law and regulations	2.86	2.20
	Wage	1.97	1.86
Outsourcing	Buyer	2.47	2.62
	Vendor	2.64	3.34

TABLE 27: AVERAGE RATINGS OF THE RISKS OF THE SUBSETS 1 AND 2

Then the scores of the factors of vendor selection and the scores of the concepts of expectations are compared. The importance factors of vendor selection are similar for both subsets. This is shown in Table 28.

Factor	Subset 1		Subset 2	
Reliability	10.93	(1)	11.85	(1)
(Technical) competence	10.22	(2)	10.31	(2)
Quality assurance	9.31	(3)	10.08	(3)
Proactive attitude	9.04	(4)	9.08	(5)
Advisory	8.93	(5)	9.46	(4)
Costs	7.58	(6)	8.08	(7)
Financial stability	7.43	(7)	8.15	(6)
Digitalization	6.85	(8)	5.92	(10)
Ethics	6.04	(9)	7.54	(8)
Personal recommendation	6.02	(10)	6.54	(9)
Company culture	5.33	(11)	5.31	(12)
Location	4.36	(12)	4.08	(13)
Regional commitment	4.04	(13)	5.38	(11)

TABLE 28: AVERAGE RATINGS OF THE IMPORTANCE OF FACTORS IN SELECTING A VENDOR OF THE SUBSETS 1 AND 2

The concepts of expectations differ more. The most important concepts for subset 1 are high quality staff, one contact person, and proactive advisory. For subset 2, these are role clarity, high quality staff, and transparency. The least important concepts are the same. Remarkable is that role clarity is the most important concept for large firms, but for SMEs firms it comes sixth. Furthermore, smaller firms think that a quick response is more important than larger firms. This is shown in Table 29. So, large firms have to be approached differently than SMEs.

Concept	Subset 1		Subset 2	
High quality personnel	7.52	(1)	8.15	(2)
Contact person	7.25	(2)	7.54	(4)
Proactive advisory	7.11	(3)	7.00	(5)
Quick response	6.89	(4)	6.54	(7)
Transparency	6.64	(5)	7.92	(3)
Role clarity	6.32	(6)	8.38	(1)
Building relationships	5.68	(7)	6.69	(6)
Personal contact telephone	5.14	(8)	4.69	(8)
Personal contact company visits	4.11	(9)	4.00	(9)
Contact via social media	2.05	(10)	2.31	(10)

TABLE 29: AVERAGE RATINGS OF THE IMPORTANCE OF SEVERAL CONCEPTS OF EXPECTATIONS OF THE SUBSETS 1 AND 2

4.4 CORRELATION

There is examined whether the firm characteristics influence the answers on questions. This is done with a correlation analysis. It turned out that only age, number of employees, and experience have significant correlations with questions, both positive and negative correlations. However, because all of these correlation coefficients are between 0.3 and 0.5, they are weak correlations (Universiteit Leiden, 1998). Further, the satisfaction is measured by examining if the expectations and perceived performance correlate. The tables are in Appendix 5.

4.4.1 AGE

The age of the company has a significant positive correlation with the factor 'personal recommendation' of vendor selection ($R = 0.364$). This means that how older a company, the more it find a personal recommendation important for selecting a vendor. There were also found negative correlations: three of the five aspects of satisfaction have a significant negative correlation with age. This means that how older a company, the less satisfied it is with communication ($R = -0.397$), capability ($R = -0.367$), and response time ($R = -0.344$).

4.4.2 FIRM SIZE

Firm size can be measured by the number of employees. This has significant correlations with several questions. The bigger the size of the company:

+ the more 'cost savings' ($R = 0.317$) and the less 'complexity of laws and regulations' ($R = -0.349$) are important reasons to outsource;
+ the more likely it is that they have a policy for risk management ($R = 0.328$);
+ the greater the extent of risk control ($R = 0.355$);
+ the greater they experience the factor 'buyer' of risks when outsourcing ($R = 0.433$);
+ the more likely it is that they have considered several service providers ($R = 0.469$);
+ the more 'ethics' is important for selecting a vendor ($R = 0.317$);
+ the more 'role clarity' is an important concept of expectations ($R = 0.367$); and
+ the less is the satisfaction regarding quality ($R = -0.355$).

According to the reliability analysis, the three risk controls – preventive, detective, and corrective – can form one variable ($\alpha = 0.947$). There is also a positive significant correlation between the number of employees and the risk controls ($R = 0.458$). This means that the bigger the company, the more it uses risk controls.

4.4.3 EXPERIENCE

Experience can be measured by the number of years the company outsources. This also has significant correlations with several questions. The more experience with outsourcing HR a company has:

+ the more likely it is to have a policy regarding outsourcing ($R = 0.309$);
+ the more 'the complexity of laws and regulation' is an important reason to outsource ($R = 0.383$);
+ the greater they experience the factor 'law and regulations' of risks when not outsourcing ($R = 0.366$);
+ the more expectations are met ($R = 0.305$); and
+ the more often it recommends its service provider ($R = 0.314$).

According to the reliability analysis, the environmental factors can form one variable ($\alpha = 0.826$). The correlation analysis shows that there is a significant positive correlation between these two variables ($R = 0.361$), so the more experience a company has, the more it is been influenced by environmental factors. Companies with more experience in outsourcing have learned to pay attention to environmental factors, like government regulations for the industry, and constantly changing laws and regulations.

4.4.4 SATISFACTION

To measure the satisfaction, the expectations and perceived performance have to be tested. The five aspects of satisfaction – communication, quality, costs, capability, and response time – can form one variable ($\alpha = 0.948$). This variable has a weak significant positive correlation with 'expectations met' ($R = 0.357$) and a moderate significant positive correlation with 'recommend' ($R = 0.537$). So, the respondents that are more satisfied are likely to have their expectations met and to recommend their service provider.

Further, the question about if the expectations are met has a moderate significant positive relation with the question about if they are satisfied ($R = 0.607$) and with the question about if they would recommend their service provider ($R = 0.571$). The respondents that indicated to be satisfied are also likely to recommend their service provider ($R = 0.375$), but this is a weak relationship.

4.5 COST–BENEFIT ANALYSIS

Customers are an important potential source of ideas (Slack, Chambers, & Johnston, 2007, p. 125). If clients require other services, it has to be determined whether these services will have to be implemented or not. There has to be investigated whether the benefits outweigh the costs involved with implementing the extra services. This can be done with a cost-benefit analysis (CBA). In this analysis the total expected cost of an option (or several options) are compared to the total expected benefits to determine whether the benefits outweigh the costs. Moreover, if the clients require fewer services, Ten Kate Huizinga can consider narrowing the service package. A cost-benefit analysis can determine whether the costs of having the service (for example costs of education or training) are higher than the benefits of it. If that is the case, Ten Kate Huizinga can think about removing the service. The ranking of the services is in Table 30, with in the second column whether Ten Kate Huizinga already offers this, whether it is possible with NMBRS, or if they do not offer it (yet). Performance evaluation, training & education, periodical alerts, and benefits are not done yet. The services that can be offered with NMBRS seem to be unimportant, because they are in the bottom half of the ranking.

Activity	Done
Payroll	Already done
Firing of personnel	Already done
Writing of regulations and documents	Already done
Performance evaluation	Not done yet
Training & education	Not done yet
Remuneration issues	Already done
Recruitment & selection	Already done
Changes in personnel data	NMBRS
Absence and vacation management	NMBRS
Advice about employee insurance	Already done
Periodical alerts	Not done yet
Competence management	NMBRS
Benefits	Not done yet

TABLE 30: RANKING OF THE HR SERVICES

Figure 6 shows the overlap between supply and demand of HR activities. A large part of activities is offered and required. What is offered, but not required is competence management. This is outsourced by only 2% of the companies and it has a low rating. Therefore, Ten Kate Huizinga can consider not doing this service. What is required, but not offered is performance evaluation, training & education, policy making, and teambuilding activities. These activities can be added to the service portfolio.

FIGURE 6: VENN DIAGRAM OF SUPPLY AND DEMAND
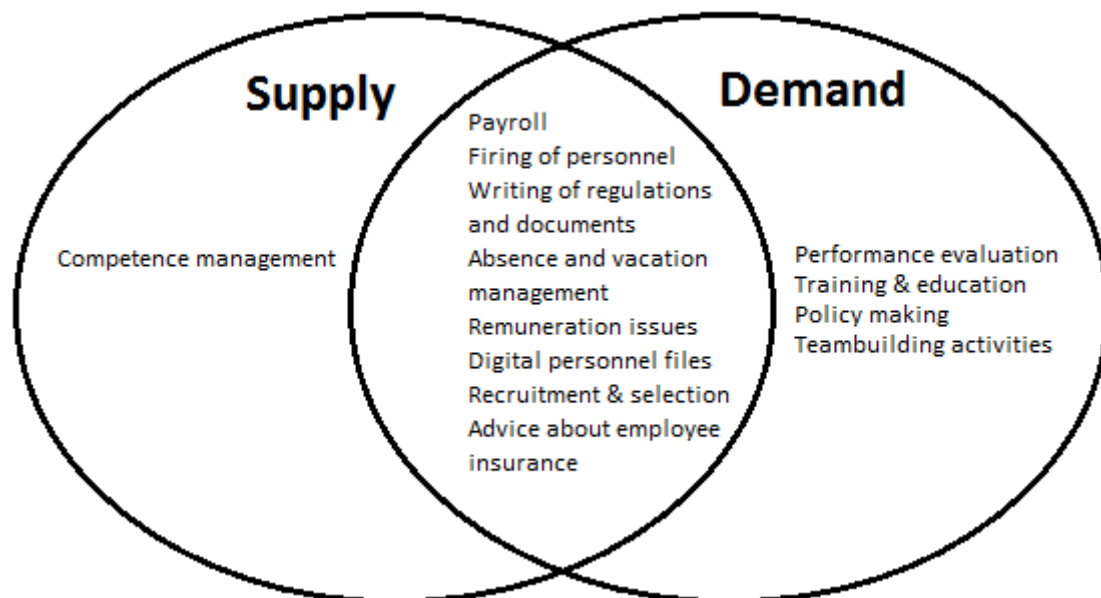
Figure 7 shows the dispersion of the ratings of the services and the percentage of companies that outsources them. For example, payroll is rated very high, but it is also outsourced in almost 60% of the companies. There is a business opportunity for the activities that are not outsourced that much, but have a relatively high score, like performance evaluation and training & education.
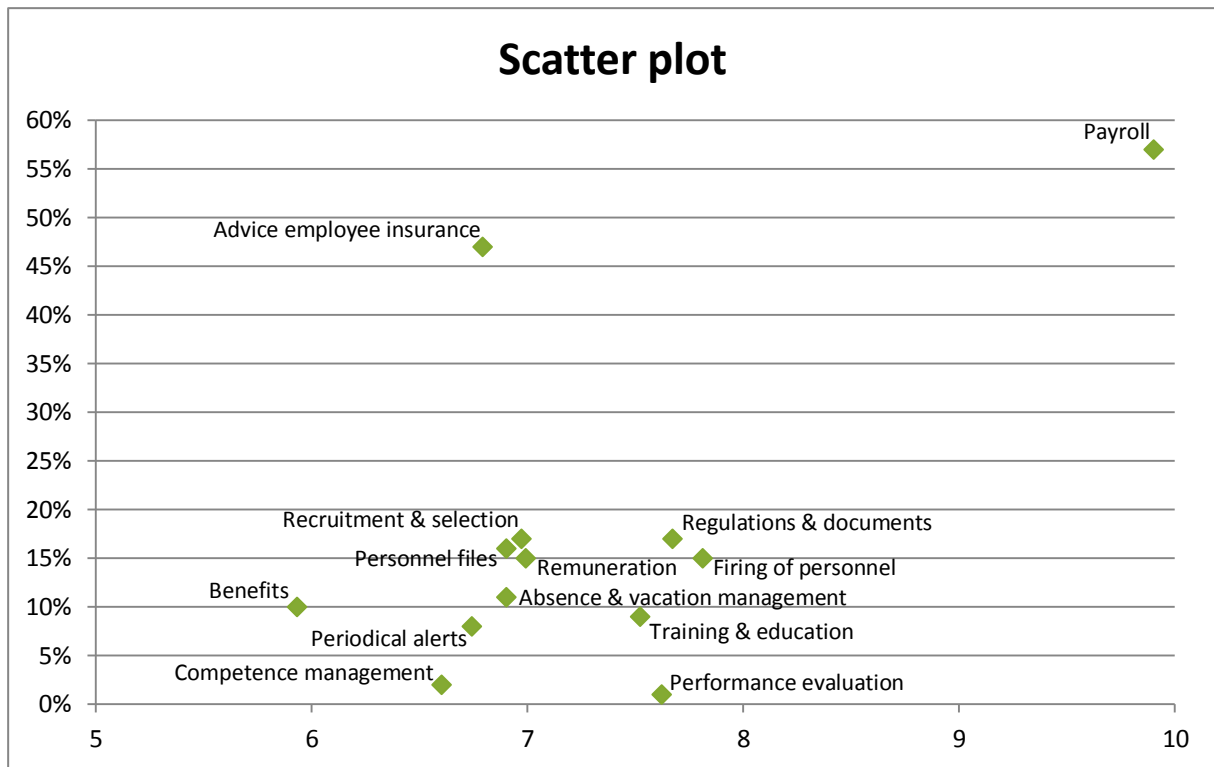
Scatter plot

Advice employee insurance
Payroll
Recruitment & selection
Regulations & documents
Personnel files
Remuneration
Firing of personnel
Benefits
Absence & vacation management
Periodical alerts
Training & education
Competence management
Performance evaluation

FIGURE 7: SCATTER PLOT FOR IMPORTANCE OF SERVICES

Performance evaluation and training & education score high in the ranking of the HR activities that are done yet. In every subset and in the whole dataset they are in the top five, so they are considered as important. Other services that are considered important are policy making and teambuilding activities. Because these are raised by the respondents, it is important to consider adding these services. More services are in Appendix 2. Before the services can be implemented, Ten Kate Huizinga has to assess these against a number of criteria by asking some questions:

+ Feasibility: can we do it? (The ability of an operation to produce a service.)
  - Do we have the skills (quality of resources)?
  - Do we have the organizational capacity (quantity of resources)?
  - Do we have the financial resources to cope with this option?
+ Acceptability: do we want to do it? (The attractiveness to the operation of a service.)
  - Does the option satisfy the performance criteria which the design is trying to achieve?
  - Will our customers want it?
  - Does the option give a satisfactory financial return?
+ Vulnerability: do we want to take the risk? (The risks taken by the operation in adopting a service.)
  - Do we understand the full consequences of adopting the option?
  - Being pessimistic, what could go wrong if we adopt the option? What would be the consequences of everything going wrong (Slack, Chambers, & Johnston, 2007, pp. 126-127)?

The next chapter contains a conclusion and recommendation for Ten Kate Huizinga. Also, the limitations of this study will be discussed.

5 CONCLUSION, DISCUSSION AND RECOMMENDATIONS

This chapter includes the conclusion, discussion, and recommendations of this research. The conclusion refers to the conceptual model and the research questions. The discussion is about the results of this research compared to the results of similar researches and about how this research is performed. The recommendations of this research are for the management of Ten Kate Huizinga.

5.1 CONCLUSION

The goal of this study was to give an advice about developing a strategy for the service portfolio of Ten Kate Huizinga. In order to carry this out, a conceptual model is drawn based on the most important concepts from the literature. This model describes the process of making an outsourcing decision for HR administration with four important concepts: the propensity to outsource, the decision to outsource, vendor selection, and satisfaction. This model suggests that, first; the propensity to outsource implies that a company thinks about making a decision to outsource. Then, it has to examine the pros, cons, and the risks of it, which can provide a thought-out decision whether the company is going to outsource its HR administration or not. The firm characteristics can influence the decision. After the decision to outsource is made, the company has to choose a service provider, which is dependent on critical factors. Lastly, the satisfaction is formed by the expectations and the perceived performance. If the expectations are met or outperformed, there is satisfaction. Based on this conceptual model a questionnaire is formed which is used for research among the clients of the ESD, clients of Ten Kate Huizinga, but not of the ESD, and companies who are similar to the clients as regards size and industry.

Currently, the ESD offers: payroll, recruitment & selection, writing of regulations and documents, remuneration issues, advice about employee insurance, and firing of personnel. With NMBRS, also competence management, absence and vacation management, and digital personnel dossiers can be provided. Examination confirms that a large part of activities is offered and required. What is offered, but not required is competence management. Therefore, Ten Kate Huizinga can consider not doing this service. What is required, but not offered is performance evaluation, training & education, policy making, and teambuilding activities. It is also reflected in the scatter plot that performance evaluation and training & education are important. These activities can be added to the service portfolio. Because policy making and teambuilding activities are raised by the respondents, it is important to consider adding these services. NMBRS seems to be a good program for providing services. Perhaps, the provider of this program has already investigated the needs of companies. This is what the market needs, so this is offered in the program. The market needs have to be monitored, because the market is always changing. A business development task can be created to keep up with the movements in the markets and in the needs of (potential) clients. This covers four functions: finding profitable opportunities, developing and maintaining partnerships, providing support for new service development, and recognizing and responding to customer needs (Davis & Sun, 2006). Especially the last two functions are important for Ten Kate Huizinga. This function will constantly seek to new opportunities which Ten Kate Huizinga can take.

A recommendation for developing a strategy for the service portfolio is to look to what the respondents have raised and determine whether the benefits outweigh the costs when implementing the services. If so, then Ten Kate Huizinga can add this service. New service development (NSD) is a different process than the development of a tangible product. A major difference is the involvement of customers in services. Customer orientation plays a more important role in service firms, because there is a more intimate relationship with customers. Alam & Perry (2002) have identified ten key stages of the development process and they tie them to customer involvement: (1) Strategic planning; (2) Idea generation; (3) Idea screening; (4) Business analysis; (5) Formation of cross-functional team; (6) Service design and process/system design; (7) Personnel training; (8) Service testing and pilot run; (9) Test marketing; and (10) Commercialization. Ideally a manager should create a linear process, but some stages can be performed parallel if there is a need to develop a new service quickly, for example in a competitive market. The stages that can be performed concurrently are: strategic planning and idea generation; idea screening and business analysis; and personnel training and service testing. This is shown in Appendix 6. There should be more attention to the idea generation stage, because this is the most important development stage. Other key stages are idea screening and the formation of a cross-functional team. In addition, there should be more emphasis on developing services that match customers' needs. Customer interaction can increase service success, so customer input has to be included in the various stages of the NSD process. This is shown in Appendix 7. Concluding, Ten Kate Huizinga should look further than simple market research and develop a process of acquiring input from customers. To do this, they should be proactive in developing long-term relationships with customers and treat them as partners (Alam & Perry, 2002). In the literature about the development of outsourcing there is said that there will be a greater importance of efficiently managing relationships as well (Kakabadse & Kakabadse, 2005).

At last, it is best to stay focused on SMEs, because large companies often have an own HR department and they have more specialized knowledge.

The next section provides a discussion about the used methods which can be used to review how this study is done and topics for future research will be given.

5.2 DISCUSSION

The first part of the discussion is about whether the results from this research relate with what is examined in previous studies.

According to the literature the most important reasons for outsourcing are cost reduction, focus on core competences, and the access to advanced technology and specialized knowledge. After that is gaining or increasing production flexibility, and the complexity of laws and regulations about HR. So, the results of the questionnaire are not exactly in line with the literature, because the results show that the complexity of laws and regulations was the most important reason. This difference is probably because this study is about HR outsourcing in Dutch firms and the literature has investigated outsourcing in general (Quélin & Duhamel, 2003; Smith, Morris, & Ezzamel, 2005; Belcourt, 2006; Wadhwa & Ravindran, 2007), outsourcing in manufacturing firms only (Quélin & Duhamel, 2003; Gilley, Greer, & Rasheed, 2004), or outsourcing in large firms of the United States (Stroh & Treehuboff, 2003). The disadvantages of outsourcing are also discussed in the literature. The most important drawbacks are: dubious cost savings, loss of expertise, and loss of information. The respondents indicate that becoming too dependent on the service provider and loss of internal

expertise are the most important drawbacks. The dubious cost savings and loss of information were less important, so this is not exactly in line with the literature as well. This difference can also be explained by the focus on general outsourcing in the literature (Belcourt, 2006; Everaert, Sarens, & Rommel, 2007), by the focus on HR outsourcing in manufacturing firms only (Gilley, Greer, & Rasheed, 2004), by the focus on IT outsourcing (Aubert, Patry, & Rivard, 2005), or by the focus on Belgian SMEs (Everaert, Sarens, & Rommel, 2007). Quélin & Duhamel (2003) did mention becoming too dependent and loss of expertise as a drawback of outsourcing. Further, the literature suggests that the challenges of outsourcing are: loss of in-house expertise, effect on company culture, moral hazard, and imperfect commitment. However the respondents experienced lack of cost reduction the most, followed by loss of expertise and degradation of service. The literature and the results are similar on one challenge. The difference probably is because Aubert, Patry, & Rivard (2005) focus on IT outsourcing and Stroh & Treehuboff (2003) focus on HR outsourcing in large American firms. For choosing a service provider, there are critical factors. The results of the questionnaire are in line with the literature, which suggests that there are critical factors by choosing a service provider. These factors are: vendor's reliability, technical competence, financial stability, and quality assurance processes. Except for financial stability, the results show that these are the most important factors. Also, the possibility of advisory has proven to be an important selection criterion in the selection of an accounting firm. The location is not an important factor. The literature likewise states that the location becomes less important, because data is accessible via an internet connection (Managers Online, 2012). According to the literature, the extent of digitalization is important for selecting a service provider, but the results indicate that it is in the eighth place. For satisfaction, high quality staff, one contact person, and proactive advisory are important. However, the literature states that expertise and professionalism is not an important selection criterion, because these are seen as a given (Accountant, 2013).

Limitations of this research are that the questionnaire is not tested beforehand. Also, the questions about whether and what the company outsources may have been better at the end of the questionnaire, because some respondents quit right after those questions. They thought that it was only for companies that do outsource HR administration. Furthermore, the ranking questions could have been better Likert scale questions, because it turned out that the respondents found it difficult to rank. Some respondents indicated that they found that several items were equally important and others did not fill in those questions in the right way.

Most of the companies were located in Overijssel. Future research can investigate whether the results are true for firms in other regions and in other countries than The Netherlands. Then, the differences between the regions can be measured.

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APPENDICES

tenkatehuizinga**+**

accountants **+** belastingadviseurs

APPENDIX 1
QUESTIONNAIRE

INLEIDENDE MAIL

Geachte heer, mevrouw,

Mijn naam is Karin Walsweer. Voor mijn masterscriptie van Business Administration aan de Universiteit Twente doe ik onderzoek naar de gewenste dienstverlening op het gebied van personeelszaken, ook wel Human Resources (HR) genoemd. Dit onderzoek wordt gedaan om een beeld te krijgen van de wensen van de markt en om te bepalen hoe de huidige kwaliteit wordt ervaren.

Het uitbesteden van HR gaat gepaard met een aantal voordelen, nadelen en dus ook mogelijkheden en risico's. In de laatste jaren is er een toenemende aandacht voor risico's en risicomanagement. De combinatie hiervan met het uitbesteden van HR is het hart van deze vragenlijst.

Uw gegevens zullen volledig anoniem verwerkt worden en ze worden alleen gebruikt voor dit onderzoek. De resultaten zullen niet naar u persoonlijk terug te leiden zijn. Het invullen van deze vragenlijst duurt 5 tot 10 minuten.

De vragenlijst kunt u openen met de volgende link: https://www.enquetesmaken.com/s/d71b343.

Als u vragen heeft of als u geïnteresseerd bent in de resultaten kunt u contact met mij opnemen via k.m.walsweer@student.utwente.nl.

Alvast bedankt!

Met vriendelijke groet,

Karin Walsweer

Linked in

BEDRIJFSKENMERKEN

1) Hoe lang bestaat uw bedrijf?

   ... jaar

2) Hoeveel werknemers heeft uw bedrijf?
   - o 0-4
   - o 5-49
   - o 50-199
   - o 200-499
   - o 500 of meer

3) In welke branche bent u actief?
   - o Agrarische sector
   - o Automotive
   - o Bouw
   - o Detailhandel
   - o Deurwaarders
   - o Financiële dienstverlening
   - o Gezondheidszorg
   - o Onderwijs
   - o Overheid en non-profit
   - o Transport
   - o Andere: ...

4) Waar bent u gevestigd?
   - o Drenthe
   - o Flevoland
   - o Friesland
   - o Gelderland
   - o Groningen
   - o Limburg
   - o Noord-Brabant
   - o Noord-Holland
   - o Overijssel
   - o Utrecht
   - o Zeeland
   - o Zuid-Holland
   - o Buiten Nederland

5) Wat is uw functie?

DE GENEIGDHEID OM UIT TE BESTEDEN

6) Welke onderdelen van HR besteedt u uit?

	Nee, en niet gewenst	Nee, maar wel gewenst	Ja
Salarisadministratie	O	O	O
Werving en selectie	O	O	O
Ontslag	O	O	O
Het opstellen van reglementen en documenten	O	O	O
Beloningsvraagstukken	O	O	O
Advies over werknemersverzekeringen	O	O	O
Opleiding en ontwikkeling	O	O	O
Verzuim- en verlofregistratie	O	O	O
Competentiemanagement	O	O	O
Onderhoud van personeeldatabases	O	O	O
Registratie van verstrekkingen	O	O	O
Functionerings- en/of beoordelingsgesprekken	O	O	O
Periodieke signaleringen (einde arbeidsovereenkomst, proeftijden, jubilea, verjaardagen)	O	O	O

7) Hoe lang besteedt u (delen van) uw HR al uit? [1]
   - o   Niet van toepassing
   - o   Minder dan 1 jaar
   - o   1-5 jaar
   - o   5-10 jaar
   - o   Meer dan 10 jaar

8) Waar besteedt u uit? *
   - o   Accountantskantoor
   - o   Administratiekantoor
   - o   Overig

9) Heeft u een beleid met betrekking tot uitbesteden?
   - o   Ja: hoe?
   - o   Nee: waarom niet?

10) De beslissing om HR al dan niet uit te besteden wordt gedaan door:
   - o   één persoon
   - o   een team

---

[1] Vragen met een * worden overgeslagen indien respondenten hier aangeven niet uit te besteden

11) Welke van de volgende rollen zijn belangrijk in dat team? (meerdere antwoorden mogelijk) [2]

Mensen die …

- ☐ het probleem herkennen
- ☐ de kennisstroom controleren door informatie te filteren
- ☐ de taak hebben leveranciers te vinden en de deal te maken
- ☐ de uiteindelijke beslissing maken
- ☐ de services die geleverd worden gebruiken
- ☐ luisteren naar de beslisser (vaak een vriend of familielid). Zij geven een advies.
- ☐ Weet ik niet

12) In welke mate hebben omgevingsfactoren een rol gespeeld om HR uit te besteden? *

	Zeer kleine mate				Zeer grote mate
Overheidsvoorschriften voor de branche, het belastingbeleid	O	O	O	O	O
Veranderende loonniveaus	O	O	O	O	O
Automatisering door komst van de computer, internet en de toepassingsmogelijkheden	O	O	O	O	O
Continue veranderingen in de fiscale wetgeving, sociale regelingen en CAO's	O	O	O	O	O
Het verplicht moeten doen van digitale aangiften loonheffingen en pensioen	O	O	O	O	O
Software en toepassingen zijn steeds vaker in het Engels	O	O	O	O	O

---

[2] Deze vraag wordt overgeslagen wanneer respondenten bij vraag 10 'één persoon' hebben ingevuld

13) Kunt u de volgende activiteiten op het gebied van HR rangschikken (1 is minst belangrijk, 13 is meest belangrijk)?

Salarisadministratie	
Werving en selectie	
Ontslag	
Het opstellen van reglementen en documenten	
Beloningsvraagstukken	
Advies over werknemersverzekeringen	
Opleiding en ontwikkeling	
Verzuim- en verlofregistratie	
Competentiemanagement	
Onderhoud van personeeldatabases	
Registratie van verstrekkingen	
Functionerings- en/of beoordelingsgesprekken	
Periodieke signaleringen (einde arbeidsovereenkomst, proeftijden, jubilea, verjaardagen)	

14) Zijn er naast de activiteiten genoemd in de vorige vraag nog andere HR activiteiten die u belangrijk vindt? Zo ja, kunt u aangeven welke?
   o   Nee
   o   Ja,

VOOR- EN NADELEN VAN UITBESTEDEN

15) Kunt u de redenen voor het uitbesteden van HR rangschikken (1 is minst belangrijk, 5 is meest belangrijk)?

Kostenbesparing	
Het kunnen focussen op de kernactiviteiten	
Toegang tot middelen die intern niet beschikbaar zijn (waaronder gespecialiseerde kennis)	
Het verkrijgen of verhogen van de productieflexibiliteit	
De complexiteit van wetten en regelgevingen over HR	

16) Kunt u de nadelen van het uitbesteden van HR rangschikken (1 is minst belangrijk, 5 is meest belangrijk)?

Bij uitbesteding ben ik te afhankelijk van de aanbieder	
Bij uitbesteding verdwijnt mijn interne expertise	
Bij uitbesteding is de informatie niet snel genoeg beschikbaar	
Uitbesteding is duurder dan wanneer ik het zelf doe	
Wat ik precies wil wordt niet aangeboden	

RISICO'S

17) Heeft u een beleid voor risicomanagement met betrekking tot HR activiteiten?
- o Ja
- o Nee

18) In hoeverre speelt risicobeheersing een rol op het gebied van HR activiteiten?

Geheel niet   o   o   o   o   o   Uitsluitend

19) In welke mate gebruikt u hiervoor controles die zorgen dat risico's of fouten worden…

	Geheel niet				Uitsluitend
voorkomen	o	o	o	o	o
ontdekt	o	o	o	o	o
aangepakt	o	o	o	o	o

20) In hoeverre denkt u dat u risico loopt wanneer u de HR administratie zelf uitvoert bij …

	Helemaal geen risico				Zeer veel risico
tijdige salarisbetaling	o	o	o	o	o
het volgen van de cao regelgeving	o	o	o	o	o
betaling van wettelijk minimumloon	o	o	o	o	o
juiste inhouding loonheffing	o	o	o	o	o
juiste berekening sociale premie werknemersverzekeringen	o	o	o	o	o
juiste berekening bedrijfstakeigen regelingen (waaronder pensioen)	o	o	o	o	o
juist en tijdig indienen van aangifte loonheffingen	o	o	o	o	o
tijdig doorgeven van pensioenmutaties	o	o	o	o	o
juiste berekening van subsidies (onderwijs, premiekorting)	o	o	o	o	o
onjuist toepassen van arbeidsrecht	o	o	o	o	o
juist voeren van verzuim- en verlofregistratie	o	o	o	o	o
constant veranderende wet- en regelgeving	o	o	o	o	o

21) In hoeverre denkt u dat u risico loopt wanneer u de HR administratie uitbesteedt bij …

	Helemaal geen risico				Zeer veel risico
verlies van in-house expertise	O	O	O	O	O
effect op de bedrijfscultuur	O	O	O	O	O
aanbieder wijt slechte prestaties aan overmacht	O	O	O	O	O
aanbieder komt gemaakte afspraken niet na	O	O	O	O	O
vermindering van de service	O	O	O	O	O
gebrek aan kostenbesparing	O	O	O	O	O
meningsverschillen met de aanbieder	O	O	O	O	O
onzekerheid in het uitbestedingsproces	O	O	O	O	O
slecht management van de aanbieder	O	O	O	O	O
de moeilijkheid om te beoordelen hoe de diensten aan de verwachtingen voldoen	O	O	O	O	O
onderhandelen over een samenwerkingsovereenkomst	O	O	O	O	O
beheren van een samenwerkingsovereenkomst	O	O	O	O	O
kosten van een samenwerkingsovereenkomst	O	O	O	O	O

HET SELECTEREN VAN EEN AANBIEDER

22) Kunt u de volgende factoren die belangrijk zijn bij het kiezen van een aanbieder van HR diensten rangschikken (1 is minst belangrijk, 13 is meest belangrijk)?

Betrouwbaarheid van de aanbieder	
(Technische) bekwaamheid van de aanbieder	
Financiële stabiliteit van de aanbieder	
Mogelijkheid van advisering	
Digitale hulpmiddelen	
Kwaliteitswaarborging	
Proactieve houding van de adviseur	
Persoonlijke aanbeveling	
Kosten	
Vestigingsplaats	
Regionale betrokkenheid	
Ethiek	
Bedrijfscultuur van de aanbieder	

23) Heeft u verschillende aanbieders van HR administratie overwogen voor u de keuze maakte om uit te besteden? *
- o Ja
- o Nee

24) Kunt u de volgende factoren met betrekking tot de verwachtingen van een aanbieder van HR diensten rangschikken (1 is minst belangrijk, 10 is meest belangrijk)?

De rol en verantwoordelijkheden van elke partij zijn duidelijk beschreven	
Er wordt een eerlijke prijs berekend	
Personeel van hoge kwaliteit	
Vaste contactpersoon	
Proactieve advisering	
Reactietijd	
Goede onderlinge relatie	
Bedrijfsbezoeken	
Persoonlijk telefonisch contact	
Contact via social media (LinkedIn, Facebook, Twitter)	

25) Is er aan uw verwachtingen voldaan door uw aanbieder van HR diensten? *
- o Ja
- o Nee

26) Bent u tevreden met de diensten die uw huidige service provider aanbiedt op het gebied van HR? Zo nee, kunt u aangeven waarom? *
- o Ja
- o Nee

Omdat

27) Hoe tevreden bent u met de HR diensten van uw huidige service provider op het gebied van … *

	Zeer ontevreden				Zeer tevreden
communicatie	o	o	o	o	o
kwaliteit	o	o	o	o	o
kosten	o	o	o	o	o
bekwaamheid	o	o	o	o	o
reactietijd	o	o	o	o	o

28) Zou u uw huidige service provider aanbevelen aan anderen? *

Zeker niet   o   o   o   o   o   Zeer zeker

29) Heeft u nog opmerkingen?

APPENDIX 2

LIST OF 'OTHER' IMPORTANT SERVICES

+ Beleidsplannen opstellen
+ Beleidsvorming
+ Strategische vraagstukken
+ Sparringpartner management
+ Gesprekken over werkomstandigheden
+ HRM beleid
+ KAM
+ Organisatorische vraagstukken
+ Functieomschrijvingen
+ Personeelsuitjes
+ Teambuilding
+ Signalerende functie van werknemerstevredenheid en andere personele zaken die van belang kunnen zijn voor de bedrijfsvoering
+ Thema's rondom veiligheid dragen en uitdragen
+ Verzuimbegeleiding
+ Vitaliteit
+ Inzetbaarheid
+ Werksfeer
+ Zorg in het algemeen voor de medewerker, privé zaken, financiële zaken et cetera.

APPENDIX 3
LIST OF 'OTHER' INDUSTRIES

- Bouw sauna's, infrarood en zwembaden
- Detacheringsorganisatie
- Elektronica assemblage
- Entertainment
- Grafimedia
- Grafische sector
- Groothandel
- Handels- en service organisatie
- Huidverzorging
- Industrie
- Industrie/Chemie met klanten in de Bouw/Automotive en verpakkingen industrie
- Inkoop en logistiek
- Installatiebedrijf
- IT
- Juridische/zakelijke dienstverlening
- Kinderopvang
- Machinebouw
- Metaal
- Metaalindustrie
- Muziekrechten
- Notariaat
- Printing and signing
- Producent revalidatiemiddelen
- Productie
- Recreatie
- Rentmeester
- Techniek
- Technisch onderhouds bedrijven
- Technology/R&D
- Textiel
- Uitgeverij
- Uitzendbranche
- Webshop
- Welzijn
- Zakelijke dienstverlening

APPENDIX 4
LIST OF ALL FUNCTIONS MENTIONED

+ Accountant
+ Administrateur
+ Administratief medewerk(st)er
+ Adviseur
+ Apotheker
+ Bedrijfsleider
+ Beleidsmedewerker HR
+ Beleidsmedewerker personeel en financiën
+ Controller
+ Coördinator personeelsadministratie
+ DGA
+ Directeur/bestuurder
+ Directeur/directrice
+ Eigenaar
+ Financial controller
+ Financieel medewerkster
+ Financiële administratie/P&O
+ Fiscaal jurist
+ General manager
+ Gerechtsdeurwaarder/vestigingsmanager
+ Hoofd administratie
+ Hoofd binnendienst GmbH
+ Hoofd P&O
+ Hoofd parkzaken
+ Hoofd PR
+ HR adviseur
+ HR assistent
+ HR manager
+ HR/Projecten en kwaliteit
+ HRM Officemanagement
+ Leerkracht primair onderwijs
+ Maat
+ Management assistent€
+ Manager
+ Manager AZ
+ Manager Financiën, P&O
+ Manager P&O
+ Manager Shared Service HR
+ Medewerker P&O
+ Melkveehoudster
+ Notaris
+ Ondernemer

- Ondernemer/eigenaar
- Operations Manager
- Opleidingsadviseur
- Organisatieadviseur en mede-eigenaar
- P&O adviseur
- Penningmeester
- Personeels-/organisatieadviseur
- Personeelsadviseur
- Personeelsfunctionaris
- Personeelsmedewerker
- Personeelzaken medewerker
- Secretaresse
- Verkoopster
- Vice president
- Zelfstandig ondernemer

APPENDIX 5

CORRELATION ANALYSES

5.1 AGE

Correlations

		Age of the firm	Personal recommendation
Age of the firm	Pearson Correlation	1	,364[*]
	Sig. (2-tailed)		,011
	N	80	48
Personal recommendation	Pearson Correlation	,364[*]	1
	Sig. (2-tailed)	,011	
	N	48	59

*. Correlation is significant at the 0.05 level (2-tailed).

Correlations

		Age of the firm	Communication
Age of the firm	Pearson Correlation	1	-,397[*]
	Sig. (2-tailed)		,016
	N	80	36
Communication	Pearson Correlation	-,397[*]	1
	Sig. (2-tailed)	,016	
	N	36	42

*. Correlation is significant at the 0.05 level (2-tailed).

Correlations

		Age of the firm	Capability
Age of the firm	Pearson Correlation	1	-,367[*]
	Sig. (2-tailed)		,028
	N	80	36
Capability	Pearson Correlation	-,367[*]	1
	Sig. (2-tailed)	,028	
	N	36	42

*. Correlation is significant at the 0.05 level (2-tailed).

Correlations

		Age of the firm	Response time
	Pearson Correlation	1	-,344[*]
Age of the firm	Sig. (2-tailed)		,040
	N	80	36
	Pearson Correlation	-,344[*]	1
Response time	Sig. (2-tailed)	,040	
	N	36	42

*. Correlation is significant at the 0.05 level (2-tailed).

5.2 NUMBER OF EMPLOYEES

Correlations

		Number of employees	Cost savings
	Pearson Correlation	1	,317[**]
Number of employees	Sig. (2-tailed)		,007
	N	99	71
	Pearson Correlation	,317[**]	1
Cost savings	Sig. (2-tailed)	,007	
	N	71	72

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

		Number of employees	Complexity of laws and regulations
	Pearson Correlation	1	-,349[**]
Number of employees	Sig. (2-tailed)		,003
	N	99	70
	Pearson Correlation	-,349[**]	1
Complexity of laws and regulations	Sig. (2-tailed)	,003	
	N	70	71

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

		Number of employees	Policy risk management
Number of employees	Pearson Correlation	1	,328**
	Sig. (2-tailed)		,006
	N	99	70
Policy risk management	Pearson Correlation	,328**	1
	Sig. (2-tailed)	,006	
	N	70	71

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

		Number of employees	Extent of risk control
Number of employees	Pearson Correlation	1	,355**
	Sig. (2-tailed)		,003
	N	99	70
Extent of risk control	Pearson Correlation	,355**	1
	Sig. (2-tailed)	,003	
	N	70	71

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

		Number of employees	Preventive	Detective	Corrective
Number of employees	Pearson Correlation	1	,420**	,468**	,421**
	Sig. (2-tailed)		,000	,000	,000
	N	99	70	70	70
Preventive	Pearson Correlation	,420**	1	,864**	,835**
	Sig. (2-tailed)	,000		,000	,000
	N	70	71	71	71
Detective	Pearson Correlation	,468**	,864**	1	,869**
	Sig. (2-tailed)	,000	,000		,000
	N	70	71	71	71
Corrective	Pearson Correlation	,421**	,835**	,869**	1
	Sig. (2-tailed)	,000	,000	,000	
	N	70	71	71	71

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

		Number of employees	Risk controls
Number of employees	Pearson Correlation	1	,458**
	Sig. (2-tailed)		,000
	N	99	70
Risk controls	Pearson Correlation	,458**	1
	Sig. (2-tailed)	,000	
	N	70	71

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

		Number of employees	Factor2_Buyer
Number of employees	Pearson Correlation	1	,433**
	Sig. (2-tailed)		,000
	N	99	65
Factor2_Buyer	Pearson Correlation	,433**	1
	Sig. (2-tailed)	,000	
	N	65	66

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

		Number of employees	Consider several providers
Number of employees	Pearson Correlation	1	,469**
	Sig. (2-tailed)		,001
	N	99	48
Consider several providers	Pearson Correlation	,469**	1
	Sig. (2-tailed)	,001	
	N	48	48

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

		Number of employees	Ethics
Number of employees	Pearson Correlation	1	,317[*]
	Sig. (2-tailed)		,015
	N	99	58
Ethics	Pearson Correlation	,317[*]	1
	Sig. (2-tailed)	,015	
	N	58	59

*. Correlation is significant at the 0.05 level (2-tailed).

Correlations

		Number of employees	Role clarity
Number of employees	Pearson Correlation	1	,367[**]
	Sig. (2-tailed)		,005
	N	99	57
Role clarity	Pearson Correlation	,367[**]	1
	Sig. (2-tailed)	,005	
	N	57	58

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

		Number of employees	Quality
Number of employees	Pearson Correlation	1	-,355[*]
	Sig. (2-tailed)		,021
	N	99	42
Quality	Pearson Correlation	-,355[*]	1
	Sig. (2-tailed)	,021	
	N	42	42

*. Correlation is significant at the 0.05 level (2-tailed).

5.3 EXPECTATIONS

Correlations

		For how long outsourcing	Policy outsourcing
For how long outsourcing	Pearson Correlation	1	,309[**]
	Sig. (2-tailed)		,008
	N	99	72
Policy outsourcing	Pearson Correlation	,309[**]	1
	Sig. (2-tailed)	,008	
	N	72	73

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

		For how long outsourcing	EnvirFac
For how long outsourcing	Pearson Correlation	1	,361[**]
	Sig. (2-tailed)		,003
	N	99	67
EnvirFac	Pearson Correlation	,361[**]	1
	Sig. (2-tailed)	,003	
	N	67	68

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

		For how long outsourcing	Complexity of laws and regulations
For how long outsourcing	Pearson Correlation	1	,383[**]
	Sig. (2-tailed)		,001
	N	99	71
Complexity of laws and regulations	Pearson Correlation	,383[**]	1
	Sig. (2-tailed)	,001	
	N	71	71

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

		For how long outsourcing	Factor1_Law
For how long outsourcing	Pearson Correlation	1	,366**
	Sig. (2-tailed)		,002
	N	99	67
Factor1_Law	Pearson Correlation	,366**	1
	Sig. (2-tailed)	,002	
	N	67	67

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

		For how long outsourcing	Expectations met
For how long outsourcing	Pearson Correlation	1	,305*
	Sig. (2-tailed)		,035
	N	99	48
Expectations met	Pearson Correlation	,305*	1
	Sig. (2-tailed)	,035	
	N	48	48

*. Correlation is significant at the 0.05 level (2-tailed).

Correlations

		For how long outsourcing	Recommend
For how long outsourcing	Pearson Correlation	1	,314*
	Sig. (2-tailed)		,043
	N	99	42
Recommend	Pearson Correlation	,314*	1
	Sig. (2-tailed)	,043	
	N	42	42

*. Correlation is significant at the 0.05 level (2-tailed).

5.4 SATISFACTION

Correlations

		Satisfaction	Expectations met
Satisfaction	Pearson Correlation	1	,357[*]
	Sig. (2-tailed)		,020
	N	42	42
Expectations met	Pearson Correlation	,357[*]	1
	Sig. (2-tailed)	,020	
	N	42	48

*. Correlation is significant at the 0.05 level (2-tailed).

Correlations

		Satisfaction	Recommend
Satisfaction	Pearson Correlation	1	,537[**]
	Sig. (2-tailed)		,000
	N	42	42
Recommend	Pearson Correlation	,537[**]	1
	Sig. (2-tailed)	,000	
	N	42	42

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

		Expectations met	Satisfied
Expectations met	Pearson Correlation	1	,607[**]
	Sig. (2-tailed)		,000
	N	48	40
Satisfied	Pearson Correlation	,607[**]	1
	Sig. (2-tailed)	,000	
	N	40	40

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

		Expectations met	Recommend
Expectations met	Pearson Correlation	1	,571**
	Sig. (2-tailed)		,000
	N	48	42
Recommend	Pearson Correlation	,571**	1
	Sig. (2-tailed)	,000	
	N	42	42

**. Correlation is significant at the 0.01 level (2-tailed).

Correlations

		Satisfied	Recommend
Satisfied	Pearson Correlation	1	,375*
	Sig. (2-tailed)		,017
	N	40	40
Recommend	Pearson Correlation	,375*	1
	Sig. (2-tailed)	,017	
	N	40	42

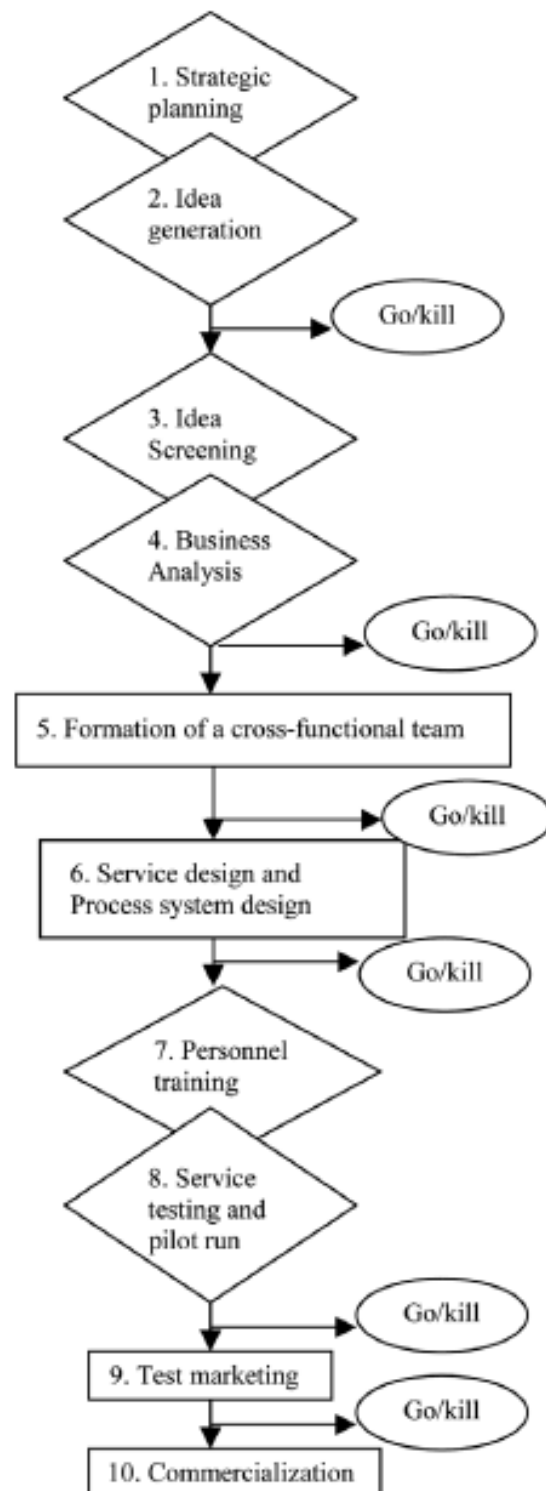*. Correlation is significant at the 0.05 level (2-tailed).

APPENDIX 6
STAGES IN NEW SERVICE DEVELOPMENT

Linear model of development process
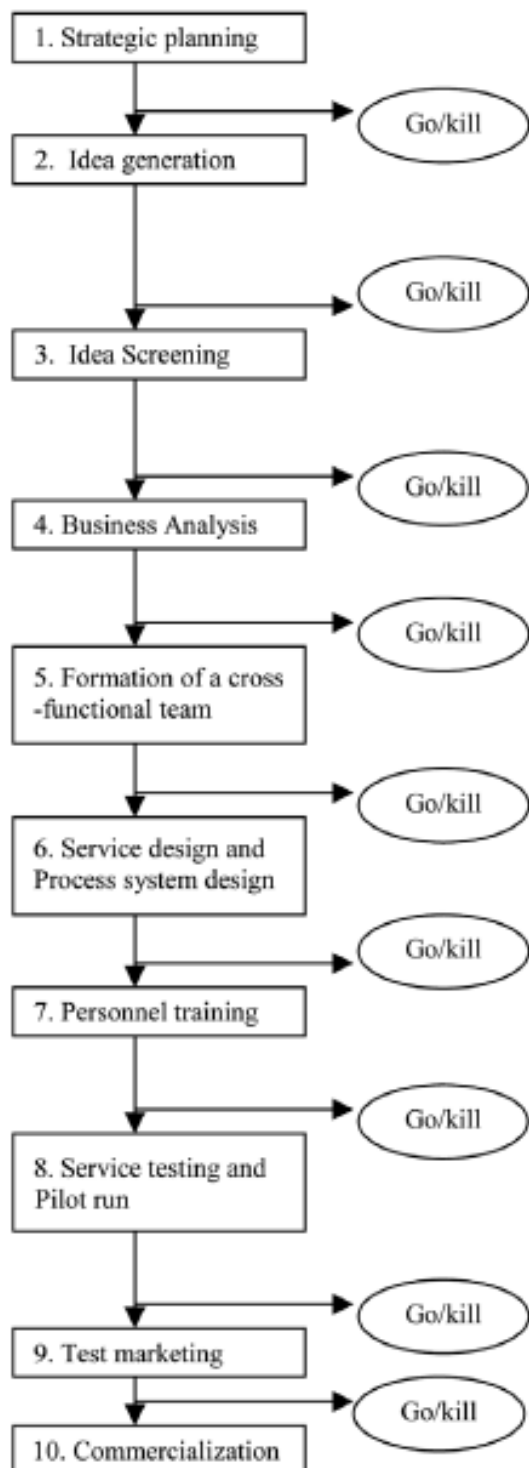
Parallel model of development process

Linear model:

1. Strategic planning → Go/kill
2. Idea generation → Go/kill
3. Idea Screening → Go/kill
4. Business Analysis → Go/kill
5. Formation of a cross-functional team → Go/kill
6. Service design and Process system design → Go/kill
7. Personnel training → Go/kill
8. Service testing and Pilot run → Go/kill
9. Test marketing → Go/kill
10. Commercialization

Parallel model:

1. Strategic planning
2. Idea generation → Go/kill
3. Idea Screening
4. Business Analysis → Go/kill
5. Formation of a cross-functional team → Go/kill
6. Service design and Process system design → Go/kill
7. Personnel training
8. Service testing and pilot run → Go/kill
9. Test marketing → Go/kill
10. Commercialization

Key: *Rectangle box:* sequential stages; *diamond box:* overlapping/parallel stages

SOURCE: ALAM & PERRY (2002)

APPENDIX 7
CUSTOMER INPUT IN NEW SERVICE DEVELOPMENT

New service development stages	Activities performed by the customers
1. Strategic planning	Feedback on financial data.
2. Idea generation	State needs, problems and their solution, criticize existing service; identify gaps in the market; provide a wish list (service requirements); state new service adoption criteria.
3. Idea screening	Suggest rough sales guide and market size; suggest desired features, benefits and attributes; show reactions to the concepts; liking, preference and purchase intent of all the concepts; help the producer in go/kill decision.
4. Business analysis	Limited feedback on financial data, including profitability of the concepts, competitors' data.
5. Formation of cross-functional team	Join top management in selecting team members.
6. Service design and process system design	Review and jointly develop the blue prints; suggest improvements by identifying fail points; observe the service delivery trial by the firm personnel.
7. Personnel training	Observe and participate in mock service delivery process; suggest improvements.
8. Service testing and pilot run	Participate in a simulated service delivery processes; suggest final improvements and design change.
9. Test marketing	Comments on the marketing plan; detailed comments about their satisfaction of marketing mixes; suggest desired improvements.
10. Commercialization	Adopt the service as a trial; feedback about overall performance of the service along with desired improvements, if any; word of mouth communications to other potential customers.

SOURCE: ALAM & PERRY (2002)