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Organizational Culture Change Resulting From Human Resources Outsourcing

by

Emily Murrell

An undergraduate honors thesis submitted in partial fulfillment of the

requirements for the degree of

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in

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and

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and

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Introduction

Human Resources, HR, is a business function that is vital to every company. HR has general functions such as training and development, employee relations, and recruitment and selection (Cameron, 2011). Since HR has these functions, it has a direct influence on the culture within a company. Recruiting and selecting employees is important to the hiring process because the candidate must be a fit not only for the position, but for the organization itself. By using a HR manager that is from the organization he/she is able to find the exact personality type and talent that the organization is looking for. This can shape the organizational culture or maintain the organizational culture by selecting employees that will either fit within the culture or will help shape the culture into something the organization is looking for. This research paper will identify what outsourcing is, and also what organizational culture is. By establishing what outsourcing and organizational culture is, this paper can be effective in identifying the change in organizational culture when HR functions are outsourced. This paper will use research from various sources to get a holistic view on the field and analyze findings from those sources. This paper will analyze the research to show that there is an effect to organizational culture when HR functions are outsourced.

Culture can be applicable in a few ways, but this paper will focus on organizational culture; that is culture within an individual business in which the culture is unique to that business. According to Cameron, “culture [is] something that is readily identifiable to employees within a company” meaning that employees can relate and identify their organizational culture (2011, p.53). A more concrete definition is “culture is understood to be the values and assumptions shared by a group of individuals bound by their belonging to a nation, an organization or a profession. Culture is a system including values, norms and priorities that are

common to members of a nation and will guide how they act with people of their own country, organization or profession” (Cobb, 2009, p.122). This is going to be the working definition of culture for this paper as culture is changing based on the organization that is being examined.

Outsourcing can commonly be confused with “offshoring”, where organizations send functions of their business to production overseas to save on costs. There are three main definitions of outsourcing that can be found by Michael Mol (2007), but this paper is only going to focus on the definition that is the most vital to research that is being conducted. This definition of outsourcing states “purchasing ongoing services from an outside company that a company currently provides, or most organizations normally provide for themselves”. The reason that this definition is the most fitting is because it focuses on services that a business can purchase in which they currently conduct themselves. Although Human Resources is not mentioned specifically, it can be a function that a business currently performs but can pay an outside company to perform for them.

By looking at these definitions, it is possible to move forward with research regarding the impact on culture when HR functions are outsourced. One important thing to establish is what HR functions can be outsourced. These functions can include background checks, employee assistance and counseling programs, health care benefits administration, employee relocation, payroll, retirement planning, and more (SHRM, 2004, p.2). There are many functions that can be outsourced, thus HR can become complicated when the balance between keeping functions in-house and outsourcing functions is not kept. The Society of Human Resources Management, SHRM, conducted a survey in which 168 respondents replied regarding 24 different HR functions and if they currently outsourced those functions. 22 out of the 24 functions were

outsourced by at least some of the respondents, and the only two that were not outsourced were policy development and strategic business planning. This signifies that these functions are essential to the main functions of the business as a whole, therefore not a core capability that can be outsourced. Most functions that are outsourced are done so that the company can keep core functions in-house and not have to focus on the functions that can be done by someone else.

Methodology

My research is to look at HR outsourcing and determine if there is an impact on company culture. I want to see if there is more commonly a positive or negative impact on company culture and see what factors can play into the success of outsourcing related to culture. Other than just looking at the literature, I would like to talk with business professionals in the Portland area that have outsourced some HR function in their company and have observed changes in organizational culture. I will do this by posting to an HR network in the Portland area and asking HR professionals for an informational interview. Professionals that will be interviewed are all HR top management or past HR top management. All research and research questions will be University IRB (Institution Review Board) approved. Interviews will be done in person so the researcher is capable of observing body language, voice inflection and any other non-verbal communication that might take place. Interviews will not be recorded, but hand transcribed as to maintain accuracy and maintain the ability to make unbiased and accurate notes. All participants will sign an Informed Consent waiver acknowledging their participation in the study and possible risks. A simple survey will be drafted and used with each participant to create consistency. The interview questions are as follows:

1. Have you been/are employed at a company that has outsourced HR functions?

- a. If yes, what are those functions?
2. Can you describe your organizations' culture prior to the outsourcing of these functions?
3. Can you describe your organizations' culture after the outsourcing of these functions?
4. Has there been any other noticeable change in employee performance or motivation due to the outsourcing of these functions?
5. If there has been a change in organizational culture, has the organization noticed the changes?
 - a. If yes, is the organization worried about these changes?
 - b. Does the organization want to change the current culture of the company?
6. Any last remarks on organizational culture related to outsourcing HR functions?

There are some studies that look at qualitative data on companies that have outsourced functions. The ideal study to find is one that has a before and after comparison of a company/companies that have outsourced HR functions and if there was any change in culture.

By interviewing HR professionals in the Portland area, I will be able to collect my own qualitative data that I can work with. This is important to my research because it will be a first-hand experience from an individual who has seen an organization outsource HR functions. By connecting with these individuals, I can further my research in looking at the qualitative aspects and not depend on numbers. Since I have a study in my literature that has already conducted a survey and they summarized the responses with numbers, I can get an explanation for those numbers. I can ask further questions and gather greater data by talking with professionals face-to-face and use this data to support my research. I believe that a mix of qualitative data from the

interviews and quantitative data from the literature will be important in making this research a success.

Literature Review

It can be argued that organizational culture is something that is hard to measure, and that argument has some validity. It may not be a tangible thing that can be measured like the amount of work an employee does, but it is something that can be observed and known by every employee. Cameron states that every employee is aware and can identify culture within theory organization (2011, p.20), and I think that in that sense it is arguable that culture can be measured. A shift in culture can be shown by the lack of motivation shown by employees, and by the lack of customer service by employees because they do not have to deal with the consequences. Cobb states that most vendors that are chosen for outsourcing are not flexible and the “rigidity of service provision [is] unlikely to support the development of customer focused behaviors if every additional request has to be evaluated” (2009, p.130). This rigidity is due to the fact that when a contract is signed, there is not much motivation to approve additional requests and meet different standards. If a company wants to shift to a customer service orientation, and they have to adjust their contract with their vendor, most likely the vendor will be hesitant because they already have a contract that they are complacent with. This tension between the business and the vendor can cause a shift in organizational culture because the company is in a transition but cannot fully follow through with it.

The decision to outsource can affect both the employees whose jobs are being eliminated from the outsourcing, and all the other employees in the company who might be resistant to the change. Cook highlights the importance to communicate with all the employees of a company to

ensure that it is understood what is happening (2000, p.60). This is important to communicate because it is more likely to be received by the employees better if they are informed. The sooner that a company can communicate with the employees, the better the effect will be. It is said that it is good for the company to announce to employees that they are considering outsourcing once the decision is a viable one for the company (Cook, 2000, p.67). Cook also states that “getting employees to buy into the restructuring process that occurs when you outsource parts of the HR function is difficult. Their minds are going to dwell on the possibility that any restructuring will take place at the expense of their jobs” (2000, p.61). Since there is this worry and concern, is it important that organizations communicate with their employees.

In a recent survey conducted by SHRM, 33% of respondents stated that a fear related to the decision to outsource HR function was that outsourcing will have an impact on company culture (SHRM Survey, 2004, p.7). Of all the respondents, 40% also stated that a consideration for choosing a vendor was the compatibility with company culture (SHRM Survey, 2004, p.9). This does prove that organizations are concerned that culture can be affected by outsourcing and that it is a consideration when making the choice. In the same survey, respondents stated that for negative outcomes of HR outsourcing, there was a lack of face-to-face contact with employees, negative impact on employee customer service, a decrease in employee morale and a negative impact on company culture. All of the things listed above can impact company culture and the way employees perform. Some of the reasons that companies have decided not to outsource were to maintain the face-to-face contact with employees, companies did not want to lose control of their HR functions, they felt like it would negatively impact customer service, they felt like it would negatively impact company culture and they wanted to develop expertise in-house. These

reasons are not the end of the list, but show that there were multiple reasons, as well as reasons that related to company culture. This means that there is a reasonable doubt to outsource the HR functions, and that a portion of organizations do take culture into consideration.

Field Research

As a limit of time and resources, three interviews with HR professionals were conducted. This section will be organized in the following pattern: Each interview will be reviewed separately starting by first introducing the participant and organization(s), followed by the outsourced function and then the interview data will be summarized and related back to the research done prior to the interviews.

Interview 1

The first interview was with Participant A, working with Organization B, and outsourcing to Company C. During this interview, the process that was outsourced was employment verification. The process of employment verification is one where if employees are applying for a loan, credit card or anything that needs proof of employment, they need employment verification from the employer. Prior to outsourcing the employment verification, Organization B employed a full time employee with paid benefits to do all employment verification. The reason for outsourcing employment verification came when the former employee was retiring and the organization had to recruit someone new for the position. Organization B decided that instead of paying someone to do employment verifications, and paying for their benefits, that they would outsource employment verifications with Company C. The decision to outsource was based upon monetary reasons and not wanting to pay someone benefits. When the organization decided to outsource the function, the goal was to have employment verification 100%

outsourced in one year, and it has been three since the beginning of outsourcing and the organization still is dealing with some employment verifications.

One of the issues that Organization B had was communicating the changes of the employment verification process to employees. This was difficult because there was such a wide range of employees, that the organization could not just use one method of communication such as email because that would not be effective to reach each employee. Organization B thought about communicating the change by mailing letters, but the paper cost, and the cost of sending these letters would be too great. There were thoughts of having meetings to convey the changes, but since there was such a large staff, it would not be effective in announcing the meetings and reaching all the employees. What the organization decided to do was to email employees as well as leave a message on the phone that employees were used to calling in regards to employment verification. The message has proven to not be effective because employees still call the phone number, and do not listen to the recording. This way of communicating the change to employees causes other difficulties in the transition such as frustration from the employees, and the department still having to pay someone to answer the phone regarding employment verification. One statement by Participant A regarding change during the transition to outsourcing was “1st year is always patience and walking people through the process” (Participant A). This meant that there was extra time devoted to walking people through the new system and taking the time to explain how things worked. This was aimed to help alleviate the frustration of organization employees.

Another one of the troubles that the organization is having with outsourcing is that if a certain type of organization employee requested employment verification, company C could not

verify the information due to Rights and Privacy Acts. This prevents the organization from completely outsourcing the employment verification process. Along with this obstacle, there are also different employees that hold multiple contracts with the organization which means that they have multiple Employee ID numbers. This leads to frustration when an employee is trying to contact Company C and realizes that they have more than one Employee ID number and they have to then go find that number. This then led to employees being frustrated, and as Participant A stated, “when employees were used to the old way, employees were disgruntled and frustrated by the new way” (Participant A). To help deal with the frustration, Organization B was able to train some people in the new process, so that they could understand it, and they could help others. Participant A stated, “Now some people have the training and can help others” (Participant A) meaning that the administrators and HR staff did not have to help each person, but employees could go to their colleagues and get help from each other. This has helped the HR department by not having to help each person that had a question.

One other function that Organization B tried to outsource was FMLA claims. The main issue with outsourcing FMLA claims arose because Oregon has additional state policies known as OFLA. Since FMLA outsourcing usually happens out of the state, this came as a challenge since there were different requirements for Oregon. Another of the problems that Organization had with FMLA claims was that employees felt that it was too impersonal. One example of this is if an employee has a miscarriage and having to file an FMLA claim when that happens can be very heartbreaking and would be hard to talk to a stranger about. Organization B decided that since employees felt uncomfortable talking to strangers about personal things, that they would not outsource FMLA claims.

Interview 2

Participant B works for Company E which provides staffing services to companies. Company E is the company that people outsource staff recruitment to. For further purposes, the “client” is organizations that Company E provides staffing purposes for. The “candidate” is the person that they are providing to the client. There are three types of positions that are filled by Company E; contract (temporary position only), contract to hire (temporary position with possibility of hire), and direct hire (full time permanent position).

I will start by explaining the procedures that Company E follows to place a candidate with a client. First, a representative from Company E goes to the client to meet with them to talk about the job and the personality fit that they are looking for. Representatives from Company E always meet with multiple departments and groups within the clients’ organization to get an overall sense of organizational culture. After meeting with the client, the representative from Company E looks through potential candidates and calls candidates in for interviews. It is procedure for all candidates to meet with a representative from Company E to ensure that they are honest on applications. When the candidate meets with the representative from Company E, the representative asks the candidate to discuss their employment background as well as asking questions about 3 main topics; technical skills that the job requires, what kind of organizational culture the candidate is looking for, and what type of position the candidate is looking for. These three questions are intended to get a whole picture of what the candidate is looking for in employment to ensure that they are a fit within the client’s organization. After the first interview with the representative of Company E, candidates that are a potential match for the client will pass onto the next phase. This phase consists of Company E sending a summary of candidates’ qualifications to the client and if they approve of the qualifications, candidates will meet with a

second representative from Company E. This second interview is intended to act as a second round of screening and to get a second opinion on personality and skills fit for the client. Once a final candidate is selected from the second round of interviews, Company E will act as a liaison between the client and the candidate. This means that Company E will give updates on the hiring process to the candidate, mitigate any conflict between the candidate and the client, and help the candidate prepare for the final interview with the client. Most candidates will have to pass through a final interview, in which they interview with the client. Once the candidates pass the final interview with the client, Company E still has communication with both the client and the candidate to ensure that everything is going smoothly. Communication with both parties continues until the end of the contract with the client or the end of the contract between Company E and the candidate.

Interview 3

Participant C works for an outsourcing company. While working for Organization G, Participant C is a HR manager at Company H. The entire HR department was outsourced to Organization G, but after consulting with Participant C, the HR department started using a hybrid model, where half of the department was outsourced and half was in-house. Participant C still serves as the HR manager, and has an in-house HR support specialist. Participant C is still functioning as the outsourced half of the HR department, but works in the offices of Company H. When participant C started working with Company H, they were located in a different city than they are now. It is important to remember that all the executives from the time the outsourcing started to current time are the same. The Company currently has around 50 employees, yet there are 2-3 part time HR employees.

Company H chose to outsource the HR department because they were not getting what they needed of the HR department. The HR department had been the “therapists” or the “Happy Monday” people (Participant C). Company H wanted a more professional HR staff, so the decision was to outsource the HR department. At first, Company H consulted with Organization G for task force reduction and evaluating employee effectiveness. The decision to reduce the task force was not communicated with employees within Company H, and the first time that Organization G was introduced to employees was when executives announced that people would be laid off and departments would be eliminated. It was not until the second time that Organization G came to Company H that it was told to employees that the HR department would be eliminated and outsourced. At this time, there was also an introduction of a new COO that was there to help with staff reduction. From the beginning of the outsourcing and consulting with Organization G, there was a lack of change management from executives within Company H. Coming into the Company, participant C explained the culture of the company as “family like” and having outsiders come into the company was looked at as people who were manipulating management and could not be trusted. Participant C estimates that when the outsourcing started, that there was only about 40-50% of trust from Company H employees. Coming into the company, Participant C describes the organizational culture as “terrible” towards the outsiders. The new COO was nicknamed “The Massacre” and the new HR department was nicknamed “The Patsies”. Although there was a negative opinion about the outsiders, there was no direct resentment from employees, since they did not blame the individuals of Organization G, but the executives of Company H.

After outsourcing the HR department, it was clear to Participant C that the department should take a hybrid shape as to improve the reception by employees and effectiveness of the department. Since there was a hybrid model in place, the outsourcing provided an HR generalist onsite and provided ongoing training to management and development of an employee handbook with a performance structure. By keeping the department in a hybrid structure, the department was integrated into the organizational structure by providing an outside employee, as well as an HR Support Specialist that was hired in-house. The goal of Participant C was to make employees feel valued and like they were an important part of Company H. Executives from Company H were aware of the employees feeling in the new change, but compartmentalized and labeled employees as “entitled”. One example of the executives feeling like the employees felt “entitled” was when Company H used to pay for 100% of college for employees. With the change in the company Participant C felt the need to increase retention of employees. So Company H changed the policy to 50% of college was paid for upfront if the employee get a “B” letter grade or better, and the other 50% of the tuition 3years after completion if the employee was still with the company. This encouraged retention, yet employees felt like something was taken from them. Instead of management explaining the new policy, they just told the employees not to feel “entitled” to receive payment for college. This conflict between the executives and employees created a difficult culture for Participant C to work in. Participant C feels like company executives care about the feelings of employees but do not know how to convey it or carry it out.

During the move to a new city, Company H lost a lot of employees, and hired new employees in the new city. Since these new hires were from a different city with a higher employment pool, salaries had to be competitive. This being said, employees did not talk about

salaries at work, but workers such as finance and accounting employees saw how much these new employees were being paid. These employees in the finance and accounting departments already felt like the new HR manager took their friends job, and now there are new company employees that are getting paid a higher salary than existing employees. This created distance between the HR department, new employees and the finance/accounting departments. With the negative relationship between executives and employees, employees of Company H are reluctant to talk about what they value and changes they recommended.

Since there was a big loss of employees in the move to a new city, Participant C feels like there is now a 95% trust rate among employees of the HR department. The new hybrid HR department has tried to balance the risk factor with the people aspect. The risk factor is doing things without consulting the employees of the company, and risking their reaction. The people aspect is getting opinions from employees as factoring those opinions when implementing change. The HR department has transitioned from 2hr therapy sessions to letting employees vent, but then constructively coming up with a solution and how to handle the situation at hand. The new HR department is looking to implement an employee satisfaction survey in the near future, but there was not a survey when the outsourcing started or before the outsourcing started. With this said, Participant A feels that employee satisfaction is higher, but there is still low morale due to the conflict with executives and the lack of trust within the Company.

Part of the move to keep the HR department as a hybrid model was to keep an outsider within the company. An example of why this is effective is in the chance of if a lawsuit were filed against Company H, then there would be an objective and non-biased person that could speak on behalf of Company H. In looking at the future, Participant C stated that the ideal move

for the HR department is to slim down to 2 part-time staff at the most, who can focus on strategic staffing and not reactive staffing. Reactive staffing means dealing with high turnover rates, training new employees and recruiting a high volume of employees due to a high turnover rate. As stated before, there are only 50 employees in the company, and Participant C feels like there are too many HR employees for so few company employees.

Findings

There are three main themes in the interviews that I conducted; change, communication and management. Each theme will be talked about separately as to find main points in each interview. The interviews will be referenced by the interview number (ex. Interview 1) as to simplify the references. The reason that these themes are important is to establish common threads of the impact of outsourcing on organizations.

Change

All three interviews dealt with change and the impact on employees. During Interview 1, the outsourcing brought upon change that was new for the employees and forced the employees to have a different process than what they were used to. Since there was this change, employees felt very frustrated and did not like the change. In Interview 2, the change was a lot more positive. The change deals with more of the client and candidate finding positions and finding job fits that are positive. It is possible for a candidate to not fit within the organizational culture, and for the change to be negative, but there is a constant communication with the client and candidate to ensure that problems are worked out. The most drastic change was seen in Interview 3 when the entire HR department was outsourced. The change impacted the HR personnel that were being replaced by the outsourcing and the organization as a whole because they interacted

with HR on a daily basis. The change happened because there were new people coming into the organization, and the culture was very family-like. The outsiders were not appreciated and were not looked at in a positive way. Employee morale and satisfaction started increasing when the HR department shifted to a hybrid model, since there was an employee that was hired from within the organization working in HR. Another point of change that was highlighted in Interview 3 was the change in employees. Since the organization moved locations, there was a loss of employees. This meant that there was the ability to hire new employees that were not familiar with the outsourcing and were not affected by it. There was a statement in the interview that said employee confidence has increased to 95% trust in HR employees, and it is suspected that most of that confidence is due to the loss of employees that were working for the organization prior to the outsourcing. When the outsourcing started, there was only 40-50% trust, and it was not until after the move that employee trust started increasing. It is also mentioned in Interview 3 that the culture of the organization was terrible and was not pleasant for the participant to work in.

Communication

Communication is a huge key to success when outsourcing a function of HR. As seen in Interview 1, it was hard to find a mode of communication that fit each type of employee. Since the staff was so large, there really had to be a solution that was cost effective and would resonate with the highest number of employees. It was also seen that although there were the efforts to communicate the change to employees, there was still a large amount of employees that were not aware of the change. The reaction from employees who did not know about the change were emotions such as frustration and surprise. Since there used to be an old system and employees were not aware of the new system, they became frustrated by the change, even though the

organization had put a system in place to educate employee about the change. The reaction that the HR department had to the frustrated employees was to help them through the process and make sure that they knew the new process. Participant A did admit that there were times where they had to “hold the hands of employees”, but most of the time the employees could figure it out themselves.

The outsourcing of HR functions was completely not communicated efficiently in Interview 3. Staff from the organization were not told that there would be a reduction in the workforce, or that there would be outsourcing of the HR department. The outsourcing company coming into the organization was the first time employees were introduced to the fact that some people were going to be laid off. Communication before the outsourcing could have prevented some of the issues between management and the staff of the organization.

Another way that communication could be changed in Interview 3 would be to have open communication between the executives of the organization and employees. Since the employees had opinions that were not heard, they became resentful of executives. Likewise, since the executive thought that the employees were feeling “entitled” by their reactions to policies, when they should have communicated with employees to determine what was the root cause of the complaints. The participant in Interview 3 tried to encourage the executives to communicate with employees and value their opinions, but executives did not want to listen to the advice.

Communication in Interview 2 is more positive in the aspect that it is used as a way to ensure that relations between the two parties are having a positive experience. There is constant communication between the client and the company as well as the candidate and the company. This communication is helpful because the company can get feedback as to if the partnership is

working and if both parties are having a positive experience. This communication is essential when dealing with outsourcing. Not only is the company making sure that they are meeting the needs of the clients, but they are ensuring that they are doing their job correctly. This sort of communication is essential to ensuring that the outsourcing is a success. All parties effected by the outsourcing should be communicated with to ensure that they are having their needs met and that they understand the process.

Management

As seen in Interview 1 it was difficult for management to make the decision on how to communicate the changes to employees. Management was successful in implementing the communication and ensuring that employees had access to information and access to help if they needed it. Management was successful in ensuring that there were resources for employees if they were unsure of the new process, however management has not successfully figured out a way in which employment verifications could be completely outsourced. It is good that management is supportive of frustrated employees but they should make the process easier on the employees by making sure that there are the appropriate resources available.

In Interview 2, management would consist of the clients and the representatives of the company. Both parties were supportive of candidates and ensuring that they were informed of everything that was happening. Management in this case was very supportive of both the client and the candidate and wanted to make sure that everything was going well between the client and candidate. Anything that was not going well was addressed so that both parties could resolve the issue as quickly as possible. This was effective in the way of management so that the relationship between the client and the company was positive, and the client would continue outsourcing staffing to the company.

During Interview 3 it became obvious that the organization had a lack of change management. This is seen by the lack of overall communication to the employees, and the distance that executives had with the employees. There was an attitude within management that the employees' opinions and feeling did not matter and they were never taken into account. Change management is very important when outsourcing functions within HR and when the entire HR department is outsourced, it is very important for an organization to have a good representation from management in order to gain support from employees. If the management had been more active in the beginning of the change, then the employee resentment and the employee frustration might have been lower. There was a distance in the relationship between management and employees, where employees did not feel that they could voice their opinion. This meant that in the middle of this change, management was not getting the opinion from employees that could have helped make the change smoother. Employees are the ones who are interacting with the change on a daily basis and are closest to the change, so the feedback that they could provide to management could really be impactful.

Summary of Themes

Overall it is seen that there is importance of embracing change, maintaining communication and ensuring that management is involved in the change. Through these three interviews it is apparent that there is a need for each of these things, otherwise the transition to outsourcing can be difficult. It can even be difficult to maintain the outsourcing relationship if one of these three things are not maintained. To ensure the success of outsourcing, these are three main things that companies should make sure that they maintain. Each theme is interconnected and affects the other two. The example of this is seen in the management, when communication is lacking in Interview 3, and it affects the relationship that management has with employees,

thus creating a lack of change management. This correlation justifies that the importance of making sure that all three aspects are well kept is important.

Connection to the Literature

In the literature, Cook highlights the importance of communication with employees. This type of communication can ensure that employees are informed of what is happening, and ensure that they feel like they are part of the process. It is seen in both Interview 1 and Interview 3 that communication with employees directly could have helped the outsourcing make a smoother transition from the old system to the new system. Pertaining specifically to Interview 3 Cook states “getting employees to buy into the restructuring process that occurs when you outsource parts of the HR function is difficult. Their minds are going to dwell on the possibility that any restructuring will take place at the expense of their jobs” (2000, p.61). This is important because the executives of the organization were not getting employee feedback, and employees were not getting what the management was envisioning since there was this lack of communication. Management had the best intentions in mind for the employees, but since things were changing without, the employees did not see the good in the change. If there had been more communication between management and the employees, then both parties could have stated what opinions they had and they could compromise. It is always good to communicate why the changes are being made since it does impact employees directly, and most of the time the change is brought in to benefit employees.

Most of the organizations that were interviewed did not take into account that it could possibly impact organizational culture if they outsourced. The one exception to this was Interview 2. It is the job of the representatives of the company to ensure that they are finding a good candidate that will be put into the clients company, and a candidate that will fit into that

company's culture. Since this is such a major focus, it is important to the representatives to ensure that they take the necessary steps to ensure that a candidate is of proper fit. This is not only to satisfy the client, but it is also to make sure that the candidate is placed in an environment that is productive and is an environment in which they feel comfortable. The awareness of culture was brought to light by SHRM survey the which stated that 33% of organizations were worried about culture change as a result of outsourcing HR functions (2004, p.7). It is seen that in these three interviews, it was only seen that one of the companies was concerned about organizational culture as a result of outsourcing.

Conclusion

In this research, I have looked at literature and used the literature as a starting point for my field studies. It was found that there was not enough research in the area that I was looking, meaning that there was not in-depth research on the impact of outsourcing on organizational culture. Since there was this lack in literature, it was decided that I needed primary data. By going through the process of the Institutional Review Board (IRB) I became certified to do field research. This consisted of asking individuals in an HR network for their participation. Participation was voluntary, and was meetings were held at a location chosen by the participant. It was vital to my final research deliverable to conduct this research so that I could have strong research to base my conclusion off of.

In comparing the literature and the primary data that was collected, it is seen that outsourcing can be difficult to implement. This being said, it definitely can impact organizational culture. As seen in Interview 1, if the organization would not have paid attention to the fact that employees were getting frustrated with the new system, the organization could have encountered

problems with a change in culture. In Interview 2, it was the representative's jobs to ensure that there was no change in organizational culture when they match a candidate with a client. If this match is not one that suits the company, the representative takes steps to ensure that either the candidate is feeling the same way, or they find a new candidate for the position. In Interview 3 it is seen that outsourcing can impact organizational culture. Since there was lack of communication and lack of change management, there was a backlash from employees that changed the culture as a whole. The organization prior to the outsourcing had a family-like culture in which all the employees were very close and were close with management. When functions were outsourced and outsiders were brought in, the employees became resentful of the outsiders and the existing management. Since there was this lack in communication and change management, the culture did change when the outsourcing was introduced.

Through my research it is explicit that there is the possibility for culture to change as a result of outsourcing. I believe that the change in culture is not always a negative thing, but in terms of lack of communication and management it is. Change in culture can be positive if management starts to incorporate employee contributions and opinions. Employees can feel empowered by the change and become more motivated to work. The change in culture does not always have to be negative, but as seen in my research it can be negative if the proper steps of implementation do not happen.

Recommendations

As per my research, it is seen that there needs to be more research regarding the impacts of outsourcing on organizational culture. One thing that would be effective is an employee survey that is meant to measure employee satisfaction, motivation and overall feelings prior to

outsourcing so that the same survey can be implemented after the outsourcing has been introduced to the organization. This survey could help measure the employee involvement and the employee satisfaction after the outsourcing. The gap in the literature that I found was that after the functions were outsourced, there was no follow-up to determine if the outsourcing did impact organizational culture or not. Another tool that can be used in further research is feedback from executives. The one drawback of this is that the executives can be biased in their feedback. However, if the feedback were to be constructed in a way to ensure that the executives are answering questions that cover a variety of topics, and ensure that there is no bias in these surveys.

If there was additional funding and time, I would have conducted more interviews in which I could have compiled quantitative data. In this case, I can give a suggestion for further research, but with a limited audience it is hard to determine if my conclusion is definite. Further research should be conducted to determine the full impact on organizational culture due to outsourcing. Another gap in the literature is case studies that examine the organizational culture prior to the outsourcing compared with the organizational after the implementation of the outsourced function. With more interviews, it could be a possibility to conduct these case studies. It would be possible with more time to partner with organizations to conduct these case studies and measure employee satisfaction, production and motivation over the process of outsourcing an HR function.

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