

## Outsourcing as a Recruitment Process and Performance of International Chinese Firms in Uganda: A Case of China Communication Construction Commission

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**Abstract:** several firms have started to take up the concept of outsourcing, but there are certain firms who are in doubt on taking the path of outsourcing. This is because the nature of global market such as competitiveness and uncertainty are currently presented in the world's economy. Many companies have outsourced before and companies mainly outsource to achieve the benefits of cost reduction. However, there is a problem for these companies to achieve a positive result out of outsourcing as they hoped for. The research highlights the benefits and possible problems associated with outsourcing in China Communication Construction Commission (CCCC). This paper puts a light on human resource outsourcing activities, benefits and its consequences on international Chinese construction commission. The qualitative methodology was applied and the research based on 122 samples thus, the study finds that companies outsource more and more these days, it is an increasing phenomenon, some may even say that it is a trend companies use to enhance effectiveness. The study finds that there are different ways how companies outsource, and the prime reason to outsource is to reduce the costs leads to organizational performance.

**Keywords:** Outsourcing, Performance of international firms.

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Date of Submission: 01-08-2017

Date of acceptance: 17-08-2017

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### I. Introduction

Outsourcing is used as a business strategy, in both public and private organizations thus a powerful tool when used appropriately. Companies mainly contracts with an outside provider for services or other business process rather than employing staff to do these services in-house. These services maybe provided on-site or off-site. Typically outsourcing is done with an eye towards efficiency and cost-saving for the company. The research highlights the benefits and possible problems associated with outsourcing in China Communication Construction Commission (CCCC). The success of an outsourcing strategy is largely dependent on the strength of the client-vendor relationship (Dad & Iqbal, 2013). Quinn (2013) noted that the modern knowledge and service-based economy offers companies excellent opportunity to increase their profits by outsourcing knowledge based system.

Recently, an increasing number of British firms have outsourced the IT and IS to India and other countries. In both US and European countries, outsourcing plays a main part in the organizational strategy (Kakabadse & Kakabadse, 2000). Actually, there is a proof for the fact that outsourcing with clear cut strategy will enhance the overall strategy of the organization (McIvor, 2005; Feeny et al., 2005). Outsourcing in Human Resource Management can be described as when an organization delegates parts of its business to another company, and many companies outsource divisions the company used to handle itself One can argue that outsourcing should be what is going to be outsourced and not whether to outsource or not, this is something companies needs to look at before the outsourcing decision is made. Further research shows that most companies today outsource to achieve the benefits of cost reduction, strategically and politically driven reasons Elmuti & Kathawala(2000).

There is a problem for these companies to achieve a positive result out of outsourcing as they hoped for. Many authors agree that if outsourcing is properly implemented with prior planning, it can be beneficial to the organization like lowering cost, increased capacity and productivity, and also, can sometimes lead to downsizing (Elmuti, (2003); Outlay & Ranganathan (2005). Companies outsource more and more these days, it is an increasing phenomenon, some may even say that it is a trend companies use to enhance effectiveness. Some of the problems a company can face while outsourcing are reduction of the company's control on the employees

and decreased liability of the company. Outsourcing can also result in an increasing number of part-time and contract workers typically earning less pay than permanent workers and without health, life, short- and long-term disability, and retirement benefits. It also implies a gradual structural change whereby a significant part of the workforce will be made up of part-time, temporary, freelance, or independent contractors (Klass, et al, (2001); Khan (2004). Friedman (2009) argues that China has become a force of change in Africa. He states China is exporting entrepreneurial talent to Africa, and is stimulating the African economy through its East Asian practices. Friedman (2009) equates China's potential for change in Africa, with the potential and effect Japan had in 1960s and 1970s Southeast Asia.

## **II. Theoretical Background And Hypothesis Development**

Agency theory is the theory based on the relationship between an agent and a principal (Eisenhardt, 1989). In the theory the principal party delegates work to the agent party, who accomplishes the principal's orders. Examples of agent-principal cases can be employer-employee, CEO-owner or buyer-supplier. The parties in this dissertation used as principal-agent are the recruitment agency (agent) and the company hiring the agency (principal), where the agent needs to assure the principal's requirements. Eisenhardt writes that the model of the principal-agent supposes two problems: the first one is a goal conflict between the two parties, a simple outcome to measure, and the second is where the agent has less risk capability than the principal. These two problems can create dissatisfaction for the parties leading to a closure of the agreement. Theorists' believe that there is a reason for this and it is because the agents are putting their own interests over the principals, making it hard to perform as agreed (Abrahamson & Park, 1994).

There are different HR outsourcing activities in organizations Abdul-Halim&Che-Ha (2011) suggest that payroll administration and benefits are the popular activity for outsourcing because it can reduce time and resource of firm. Accordingly, Norman (2009) confirms that payroll outsourcing activities are positively related to firm performance. HR Information System can be executed such as the issuing of HR information, the computerization of transaction, and altering the entire working of the HR department, so it plays a more strategic role and improves more values to the company (Lengnick-Hall & Moritz 2003). By using HR Information System, HR practices are tested in relation to the company's success in competitive advantage. There are many benefits associated to outsourcing: Other researchers have focused on successful implementation of outsourcing strategy which has been credited with helping to cut cost, increase capacity, improve quality, increase profitability, productivity, and improve financial performance and growth (Lau & Hurley (1997).

Outsourcing has consequences in organizations: However, the consequences of outsourcing are not limited to unemployment and the loss of capital; it can result in the deterioration of morale among employees, (Engardio (2006). Displaced, unemployed workers have higher rates of child and spousal abuse, alcoholism, bankruptcy, divorce, etc (Dobbs (2004); Engardio (2006); Weidenbaum (2004). As outsourcing is becoming more important its consequences can be seen in terms of increased turnover rates. Outsourcing does not have a positive impact on employee engagement and results in the lack of a sense of belonging and attachment with the organization. The output of outsourcing will be lack of commitment, loyalty and the loss of knowledge in the form of employee turnover.

## **III. Data Methodology**

### **3.1 Data characteristics**

The research design used in the study was a combination of both exploratory and descriptive designs which looked into outsourcing as a recruitment process and performance of international Chinese firms in Uganda. Descriptive studies are not only restricted to fact findings, but may often result from the formulation of important principles of knowledge and solution to significant problems. The exploratory research design itself sought to define and also explain the human behavior aspect of the study by looking into the benefits and effects of outsourcing by international organizations. Thus, an inductive approach was adopted in the analysis of the research findings. The study included China Communications Construction Company (CCCC) officials. The sample size was 122. The study was conducted in China Communications Construction-Uganda.

### **3.2 Data Analysis**

The data was collected through a structured questionnaire and was coded and entered into the computer and statistically treated using the Statistical Package for Social Scientists (SPSS). Descriptive statistics was used to determine the distribution of respondents on personal information and the questions under each of the variable. Means, Standard Deviations and percentages were used to analyze the data. A structured 4 points modified likert scale battery of Strongly Agree (4) Agree (3) Disagree (2) and Strongly Disagree (1)

#### IV. Analysis And Findings

Basing on the research questions, the study came up with the following findings. Responses were scaled ranging from 1-4; where 4=Very High, 3=High, 2=low and 1=Very low. The key to the rating is: Very low (1.00-1.75), Low (1.76-2.50), High (2.51-3.25), Very high (3.26-4.00). The responses were analyzed using the mean computed through the SPSS program version 20.

##### The different HR outsourcing activities, benefits of outsourcing, and consequences of outsourcing in organizations

| Indicators  | Mean         | Interpretation | Standard deviation |
|---|--------------|----------------|--------------------|
| <b>Different HR outsourcing activities</b>                        |              |                |                    |
| Recruitment activities  | 3.541        | Very High      | .740               |
| Training administration   | 3.442        | Very High      | .803               |
| Payroll management  | 2.934        | High           | .897               |
| HR information system   | 3.295        | Very High      | .887               |
| <b>Average Mean</b>   | <b>3.303</b> |                |                    |
| <b>Benefits of outsourcing in organizations</b>                   |              |                |                    |
| Time saving   | 3.286        | Very High      | .807               |
| Increased efficiency  | 3.623        | Very High      | .841               |
| Improved performance  | 3.385        | Very High      | .827               |
| Cost reduction  | 3.237        | High           | .803               |
| <b>Average Mean</b>   | <b>3.382</b> |                |                    |
| <b>Consequences of outsourcing in organizations</b>               |              |                |                    |
| Failure to identify with organization culture, values and system. | 3.065        | High           | .878               |
| Unemployment  | 3.262        | Very High      | .870               |
| Loss of capital   | 3.295        | Very High      | .887               |
| Loss of morale among employees                                    | 3.286        | Very High      | .807               |
| <b>Average Mean</b>   | <b>3.227</b> |                |                    |

Source: Survey data-2017

The findings show that the respondents strongly agreed with the statements provided. For example, the study found that the different Human Resource outsourcing activities include: Recruitment activities (mean 3.541; Std. 0.740); training administration (mean 3.442; Std. 0.803); Payroll management (mean 2.934; Std. 0.897); and Human Resource Information System (mean 3.295; Std. 0.887). This finding thus shows that China Communication Construction Company-Uganda (CCCC) mainly outsources in order to recruit, train administration, manage their payroll and also provide Human Resource Information System. Outsourcing activities have become a complex process as they involve a lot of business functions.

Similarly, the study reveals that benefits of outsourcing in organizations include; time saving (mean 3.286; Std. 0.807); increases efficiency (mean 3.623; Std. 0.841); improved performance (mean 3.385; Std. 0.827); and cost reduction (mean 3.237; Std. 0.803). This shows that the major benefits of outsourcing are; time saving, improved performance, increased efficiency, and reduced cost. In fact, outsourcing strategy seems to become a solution for cost saving as well as strengthening the core competence in today's world.

On consequences of outsourcing in organizations, the study found that the major challenges the companies face by outsourcing are: Failure to identify with organization culture, values and system (mean 3.065; Std. 0.878); unemployment (mean 3.262; Std. 0.870); loss of capital (mean 3.295; Std. 0.887); and the loss of morale among employees (mean 3.286; Std. 0.807). The major challenges that companies face in outsourcing are mainly; failure to identify with organization culture, values and system. Unemployment, loss of capital, and loss of morale. Outsourcing functions have both risks as well as some latent requirements hence the outsourcing firm, should focus the needs and requirements of outsourcing such as the outsourcing strategies should encompass with the objectives and goals of the firm along with the outsourcing functioning of the firm.

#### V. Conclusion

The study concludes that by moving the recruitment process to a recruitment agency, a lot of time is saved by the managers for more efficient planning for the organization. However, it should be noted that as outsourcing is becoming more important its consequences can be seen in terms of increased turnover rates. The costs that organizations incur while training and recruiting are mainly affected by employee turnover. In addition, there can be a perception of outsourcing as a purely a cost-cutting exercise and that the effect of delegating functions to low-cost locations is detrimental to performance and service quality (Quinn,2013). Meanwhile, if proper efforts are taken, the company can ensure that the knowledge pool and the highly talented employees are maintained in the company.

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Yan Jingdong. “Outsourcing as a Recruitment Process and Performance of International Chinese Firms in Uganda: A Case of China Communication Construction Commission.” IOSR Journal of Business and Management (IOSR-JBM), vol. 19, no. 8, 2017, pp. 08–11.