

Harnessing the Power of Human Resource Outsourcing to Drive Enterprise Performance and to Promote Business Growth

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ABSTRACT

In an era marked by economic turbulence and digital disruption, Human Resource Outsourcing (HRO) has emerged as a strategic lever for organizational agility and business scalability. This study investigates how Professional Employer Organizations (PEOs) in Ningbo, China, are leveraging HRO to enhance enterprise performance and foster sustainable growth. Despite the proliferation of HRO in practice, research has predominantly focused on cost reduction, leaving a critical gap in understanding its strategic integration with performance evaluation systems. To address this, a mixed-methods approach was adopted, comprising a literature review, system analysis, and semi-structured interviews with 24 key stakeholders across six PEOs. The selected organizations represent a diverse range of sectors and scales. Thematic analysis, supported by NVivo 12, was employed to extract insights from the qualitative data. Empirical findings reveal that strategic alignment of HRO with core business objectives enhances agility, while the integration of performance metrics in terms of both financial and qualitative (e.g., employee engagement and retention) drives continuous improvement. Notably, 83% of interviewees emphasized the value of aligning HRO with long-term business strategies. In addition, 67% advocated for retaining strategic HR roles in-house to safeguard institutional knowledge and maintain competitive advantage. Talent management, trust-building, and risk governance, including data security, emerged as recurring priorities. The novelty of this research lies in its contextual focus on China's evolving PEO sector, which, as of 2020, comprised over 1,000 PEOs employing more than 2 million workers. Our results demonstrate that when combined with performance monitoring, HRO enhances responsiveness to market fluctuations and supports ESG alignment, positioning organizations for resilience in a volatile environment. This study contributes theoretically by bridging the gap between HRO and performance science and offers practical implications for policymakers and HR leaders. It proposes a roadmap for embedding HRO within strategic HRM frameworks to boost enterprise performance, adaptability, and long-term competitiveness. In summary, this research underscores HRO not as a transactional cost-saving tool, but as a transformative enabler of business growth in dynamic economies, particularly for organizations seeking innovation, sustainability, and talent optimization amid global market pressures.

KEYWORDS: Human Resource Outsourcing (HRO), Enterprise performance, Strategic HRM, Professional Employer Organizations (PEOs), Talent management

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1. INTRODUCTION

In today's rapidly evolving global economy, organizations are increasingly aware that human resource management (HRM) is not merely an administrative function but a strategic driver of competitive advantage. The accelerating pace of digital transformation, coupled with the rise of the gig economy, has reshaped how HR functions are conceptualized. Within this evolving business landscape,

Human Resource Outsourcing (HRO) has emerged as a critical strategic lever, enabling organizations to access specialized expertise required to remain competitive and resilient in uncertain markets (Ulrich et al., 2012; Kuhn et al., 2021).

Among the diverse models of Human Resource Outsourcing (HRO), Professional Employer Organizations (PEOs) have gained significant traction for their ability to provide comprehensive, end-to-end HR solutions. These

services encompass payroll management, employee benefits, regulatory compliance, and overall workforce administration, making them particularly attractive to small and medium-sized enterprises (SMEs). Operating through a co-employment model, PEOs share employer responsibilities and liabilities with their client companies, thereby allowing businesses to redirect their resources toward core strategic activities. In China, the PEO sector has witnessed rapid growth, fueled by increasingly complex labor regulations, mounting cost pressures, and the strategic drive for operational efficiency (Cooke et al., 2019). By 2020, the industry had expanded to include approximately 1,000 PEOs, collectively serving over two million employees (China Staffing Industry Association, 2020). While metropolitan hubs such as Beijing, Shanghai, and Guangzhou remain epicenters of PEO activity, the model is progressively gaining traction in smaller urban centers as well (Zhao et al., 2021).

Despite the sector's momentum, scholarly discourse has largely concentrated on the cost-efficiency and process-related advantages of HRO (Huselid & Becker, 2011; Firdaus et al., 2023), with comparatively little exploration of how these outsourcing practices intersect with performance evaluation systems to influence enterprise performance. This gap in the literature is significant: in a market environment where adaptability, innovation, and talent retention are critical, the alignment between HRO and robust performance evaluation frameworks can represent a powerful catalyst for sustained competitive advantage (Patel et al., 2019; Scullion et al., 2019).

Addressing this gap, the present study investigates how PEOs in Ningbo, China, can strategically leverage HRO practices to enhance their performance evaluation systems and, in turn, drive enterprise performance. Moving beyond the traditional emphasis on cost reduction, this research examines the strategic value of integrating HRO with performance evaluation by assessing how such alignment can improve operational efficiency, optimize talent management, and bolster organizational agility. Using semi-structured interviews with key stakeholders in Ningbo-based PEOs, complemented by secondary data analysis, the study identifies best practices and uncovers potential challenges in this strategic integration.

The findings highlight that when Human Resource Outsourcing (HRO) is deliberately aligned with well-designed performance evaluation systems, it can serve as a powerful lever for enhancing workforce productivity, fostering strategic agility, and enabling sustainable growth (Ulrich et al., 2012; Anwar & Abdullah, 2021). In aligning outsourcing practices with measurable outcomes, organizations not only strengthen their operational effectiveness but also create the conditions for enduring competitive advantage. In this way,

the study extends the academic discourse on the relationship between HRO and enterprise performance, while offering practitioners practical guidance on how to position outsourcing as a catalyst for long-term strategic success.

2. LITERATURE REVIEW

In today's rapidly evolving business environment, the strategic importance of Human Resource Outsourcing (HRO) is more pronounced than ever. Organizations face mounting pressures to optimize operations, control costs, and adapt swiftly to fluctuating market conditions. Against this backdrop, HRO has emerged as a central component of strategic human resource management (HRM), enabling firms to delegate non-core HR activities while concentrating resources on core capabilities, innovation, and value generation. Crucially, HRO extends beyond the pursuit of operational efficiencies, offering access to specialized expertise and state-of-the-art HR technologies that strengthen an organization's capacity to remain competitive, agile, and future-ready.

The strategic management of human resources is widely recognized as a cornerstone of organizational performance and sustained success (Becker et al., 2009). Consequently, examining the role of HRO in shaping enterprise performance holds both substantial academic relevance and significant practical implications for contemporary business practice. While the operational benefits of HRO are well-documented, there remains a need for a deeper exploration of its strategic implications, particularly its potential to foster innovation, improve talent management, and strengthen organizational resilience.

This literature review seeks to advance that understanding by critically synthesizing existing research, identifying gaps in the current knowledge base, and highlighting avenues for future inquiry (Goh et al., 2017). In doing so, it aims to offer fresh perspectives on how HRO can be refined and strategically aligned to better serve the evolving objectives of modern enterprises in an era where human capital remains a defining source of competitive advantage.

2.1 Current Trend of Human Resource Outsourcing (HRO)

The outsourcing of human resources (HR) functions has evolved from a cost-saving tactic into a strategic imperative for organizations seeking to sharpen their competitive edge. By transferring non-core activities to external specialists, firms can focus on their core competencies, strategic growth, and innovation, while leveraging external expertise for operational excellence (Patel et al., 2019). This shift reflects a broader move toward holistic outsourcing models, where entire HR departments or substantial portions of their functions are

entrusted to third-party service providers. The resulting reallocation of internal resources enables organizations to prioritize high-value initiatives over administrative burdens, thereby enhancing overall operational effectiveness.

Cost reduction remains one of the most widely cited drivers of HRO adoption. Through the transformation of fixed costs into variable costs and the realization of economies of scale, organizations are able to streamline expenditures and optimize resource allocation (Xiao et al., 2024). However, recent scholarship urges decision-makers to look beyond immediate savings, considering long-term cost implications and the total cost of ownership when evaluating outsourcing arrangements. The pursuit of process efficiency has been a defining outcome of HRO, leading to the standardization, automation, and digitization of HR processes, including reducing cycle times, improving accuracy, and increasing employee satisfaction (Ganeshan & Vethirajan, 2021). Empirical evidence suggests that organizations embracing HRO are better positioned to adopt HR best practices, achieving measurable gains in both efficiency and effectiveness.

Access to specialized HR expertise has also emerged as a critical value proposition for HRO. Collaborating with providers who possess advanced expertise in HR strategy, talent management, and change management enables organizations to stay aligned with evolving industry best practices while implementing innovative solutions to complex workforce challenges (Ulrich et al., 2012). The contemporary HRO market offers a spectrum of models tailored to diverse organizational needs, from full-service outsourcing, in which all HR functions are externalized, to co-sourcing arrangements that combine in-house oversight with the selective outsourcing of specific functions. Strategic decisions between domestic and offshore outsourcing are shaped by factors such as cost efficiency, service quality, cultural compatibility, and regulatory compliance. While offshore arrangements often deliver significant cost savings, domestic providers are frequently favoured for their stronger cultural fit, greater ease of coordination, and assured legal compliance (Farndale et al., 2010). Recent scholarship increasingly advocates hybrid models that integrate the strengths of both approaches, striking a balance between cost efficiency and high-quality service delivery.

Technological integration has further expanded both the scope and sophistication of HRO. Human Resource Information Systems (HRIS) now serve as the backbone of many outsourcing arrangements, offering centralized platforms for workforce data management, process automation, and real-time performance monitoring. Advances in artificial intelligence (AI) and machine learning have significantly enhanced the strategic

potential of HRO, supporting predictive analytics, more effective talent acquisition strategies, and highly personalized approaches to employee engagement and development (Davenport & Ronanki, 2019). The widespread adoption of cloud-based HR solutions has accelerated this transformation, delivering scalability, flexibility, and secure, real-time access to HR services. These technologies not only reduce IT infrastructure costs but also strengthen data security, enable cross-functional collaboration, and support workforce mobility, making them an increasingly preferred choice among both HRO providers and client organizations (Xiao et al., 2024).

As the HRO landscape continues to mature, its role extends well beyond operational outsourcing toward becoming a strategic partner in organizational transformation. The interplay of cost efficiency, specialized expertise, and advanced technologies positions HRO not merely as a support function but as a catalyst for innovation, agility, and sustained enterprise performance in the face of evolving business demands.

2.2 Research Gaps

While there is a growing body of research on the operational aspects of HRO, the literature on its strategic integration within organizations remains limited. The strategic integration of HRO refers to the alignment of HR practices with the overall business strategy to enhance organizational performance. A significant gap exists in understanding how HRO can be effectively integrated into the strategic fabric of an organization to drive long-term success (Table 1).

In summary, closing these gaps in the literature will enable a more nuanced and comprehensive understanding of HRO's contribution to enterprise performance and business growth. Future research would benefit from adopting a strategic, longitudinal, and cross-sector approach, expanding the scope of performance evaluation beyond traditional measures, and giving greater attention to the human and cultural dimensions that shape the success of HRO initiatives.

3. METHODOLOGY

This study employs a mixed-methods approach, combining both primary and secondary data to provide a comprehensive analysis of the impact of Human Resource Outsourcing (HRO) on enterprise performance within Professional Employer Organizations (PEOs) in Ningbo, China. The interview sessions with key stakeholders involved in HRO initiatives. Participants included HR managers, outsourcing partners, and line managers from six different case study organizations within the PEO sector in Ningbo. Efforts were made to ensure a diverse representation of perspectives, including various organizational sizes, industry types,

and levels of management.

A mixed-methods approach was employed to provide a more comprehensive and nuanced understanding of the relationship between HRO and enterprise performance. Qualitative data, gathered through semi-structured interviews, allowed for an in-depth exploration of the experiences, perceptions, and contextual factors influencing the success (or failure) of HRO initiatives within the selected PEOs. This qualitative component provides rich, descriptive data that captures the 'how' and 'why' behind the observed outcomes. Quantitative data, while not explicitly collected in this study, could be leveraged by future research building upon these findings. This combination allows for both the identification of generalizable patterns and a deeper understanding of the specific mechanisms at play, addressing the limitations of relying solely on one methodological approach. It also allows for triangulation of findings, enhancing the validity and reliability of the research.

Purposive sampling was utilized to select organizations that have implemented HRO. The criteria for selection included the duration of HRO engagement, the scope of outsourced HR functions, and the organization's size and sector. A total of six organizations were selected, representing a broad spectrum of the PEO

industry in Ningbo, China. Semi-structured interviews were the primary instrument for data collection. These interviews allowed for flexibility in exploring participants' experiences and perceptions regarding HRO. The interview protocol was developed based on the study's objectives and included questions about the motivations for HRO, the management of the outsourcing relationship, perceived benefits and challenges, and the impact on enterprise performance. A total of 24 interview sessions were conducted, with each session lasting approximately 60-90 minutes. Interviews were conducted in-person or via video conference, based on the participant's preference. All interviews were audio-recorded with the consent of the participants and transcribed for detailed textual analysis. The interviews followed a pre-defined set of questions but allowed for follow-up questions to delve deeper into specific areas. The 24 interviews were deemed sufficient to reach data saturation, where no new themes or insights were emerging (**Table 2**).

Audio recordings from the 24 interview sessions were transcribed verbatim. Researchers read through the transcripts multiple times to become familiar with the data. Open coding is performed to identify preliminary codes, which are labels for the initial themes or categories that emerge from the data.

Table 1: Research gap on HRO research

Research Gap	Description	References for Further Reading
Strategic Integration of HRO	The literature lacks a comprehensive understanding of how HRO can be effectively integrated into an organization's strategic planning to enhance long-term success.	Ulrich et al. (2012); Storey et al. (2019); Ganeshan & Vethirajan, (2021)
Lack of Longitudinal Studies	There is a need for research that tracks the sustained effects of HRO on organizational performance over an extended period.	Goswami (2018); Combs et al. (2019)
Absence of Cross-Sector Analysis	Current research often focuses on specific industries, limiting the generalizability of findings. Cross-sector analysis could provide insights into the universality of HRO benefits and challenges.	Stahl et al. (2017); Scullion et al. (2019); Patel et al. (2019)
Performance Evaluation and Metrics	The study lacks focus on non-financial metrics such as employee satisfaction and talent retention.	Becker et al. (2009); Ganeshan & Vethirajan (2021)
Inadequate Linkage to Strategic Outcomes	A clear connection between HRO initiatives and broader organizational goals, like competitive advantage and sustainability, is required	Ulrich et al. (2012); Storey et al. (2019)
Impact on Organizational Culture and Employee Engagement	The study does not show clearly how HRO affects employee perceptions, morale, and engagement levels.	Farndale et al. (2010); Ulrich et al. (2012); Collins (2022)
Short-term vs. Long-term Effects	Studies tend to focus on short-term effects of HRO, while the long-term effects on organizational capabilities and strategic flexibility are less understood.	Collings et al. (2015); Goswami (2018); Ganeshan & Vethirajan, (2021)
Employee Perceptions and Resistance	There is a gap in a clear understanding of how employees truly feel about HR and what practical steps can be taken to overcome these challenges and ensure its successful adoption.	Ulrich et al. (2012)

Table 2: Demographic Profile of Interview Participants (n = 24)

Interviewer	Position	Business Background	Years of Experience
R1	HR Director	Manufacturing	18
R2	Operations Manager	Logistics	14
R3	HR Manager	Information Technology	11
R4	Talent Acquisition Lead	Financial Services	13
R5	HR Business Partner	Construction	10
R6	PEO Consultant	HR Services	16
R7	Compliance Manager	Healthcare	15
R8	Employee Relations Manager	Retail	9
R9	HR Executive Director	Green Technology	17
R10	General Manager	Manufacturing	20
R11	HR Technology Specialist	Digital Services	12
R12	Workforce Planning Manager	Telecommunications	14
R13	HR Consultant	Financial Technology	11
R14	Development Manager	Construction & Engineering	13
R15	Operations Director	Business Consulting	19
R16	HR Analytics Specialist	E-Commerce	8
R17	Risk Manager	Banking & Finance	16
R18	Human Capital Manager	Hospitality	12
R19	Regional HR Manager	Manufacturing	18
R20	Learning & Development Manager	Education	10
R21	Digital Transformation Manager	Technology Services	15
R22	Recruitment Manager	Retail Management	11
R23	Chief HR Officer	Renewable Energy	21
R24	Employee Engagement Manager	Professional Services	9

Axial coding is used to group similar codes together and to identify relationships between them. Selective coding is applied to focus on core categories and establish a clear narrative of the findings. A thematic analysis approach is used to analyze the qualitative data (Goh et al., 2019; Wang & Su, 2021). Themes are identified and analyzed across the entire dataset to understand the most prominent aspects of the data. Subthemes are also identified to provide a nuanced understanding of the main themes. The analysis continues until data saturation is reached, where no new information is being gleaned from the data. Qualitative data analysis software (NVivo Version 12) is used to organize and code the data efficiently.

To ensure the reliability of the analysis, multiple researchers independently code a subset of the data and compare their findings. Any discrepancies are discussed, and a consensus is reached through collaborative deliberation. Researchers critically reflect on their own biases and how these might influence the analysis. Reflexive notes are kept to ensure transparency and to account for potential subjectivity.

4. EMPIRICAL RESULTS

4.1 Improve HRO to Drive Enterprise Performance

Based on the provided empirical results from the 24 interviewees regarding how to improve Human Resource Outsourcing (HRO) to drive enterprise performance, the key themes that emerged from the data. The findings were structured around the three main areas identified: Strategic Alignment, Performance Evaluation Systems, and Talent Management and Development.

4.1.1 Strategic Alignment

Interviewees highlighted the importance of aligning HRO with the broader business strategy. The findings underscore that HRO should not be perceived solely as a cost-reduction tactic, but rather as a strategic instrument for achieving broader business objectives. Participants consistently emphasized that outsourcing initiatives must be embedded within the organization's overarching business strategy, with clearly defined objectives, measurable outcomes, and alignment to long-term goals. A prerequisite for effective HRO is a precise understanding of the organization's core competencies. While operational or transactional HR functions may be suitable for external provision, interviewees cautioned that activities intrinsically linked to an organization's competitive advantage should be retained in-house.

4.1.2 Performance Evaluation Systems

The interviews revealed the need to develop comprehensive performance metrics for HRO that extend beyond traditional financial indicators. Participants emphasized that the inclusion of employee engagement, talent retention, and professional development is essential to capturing the full impact of outsourcing initiatives. Such multidimensional metrics were seen as critical for accurately evaluating the effectiveness of HRO and its contribution to enterprise performance.

Employee feedback emerged as a particularly valuable component of this evaluation process. Interviewees advocated for the systematic use of regular surveys,

focus groups, and other feedback mechanisms to capture the experiences and perceptions of employees directly affected by HRO. This feedback, they argued, not only provides insights into the workforce's response but also serves as an evidence base for making data-informed adjustments to outsourcing strategies.

The empirical findings further indicated a clear preference for retaining certain HR functions in-house, especially those integral to the organization's core competencies and long-term strategic objectives. Participants stressed that maintaining control over these critical functions strengthens organizational ties with the workforce, safeguards intellectual property, and preserves corporate culture. This selective approach to outsourcing reflects a recognition that while HRO can deliver operational and strategic benefits, its success depends on carefully balancing external expertise with the retention of in-house capabilities central to competitive advantage.

4.1.3 Talent Management and Development

The interviews highlighted a clear consensus on the importance of developing internal HR talent to effectively manage and oversee HRO relationships. Participants stressed that investing in the professional development of in-house HR staff equips organizations with the skills and strategic insight needed to navigate the complexities of outsourcing arrangements. Such

capacity building enables internal teams to ensure that outsourced services remain closely aligned with organizational objectives and performance expectations.

Across all discussions, the themes of communication and trust emerged as central to the success of HRO partnerships. Interviewees underscored the need for transparent, well-structured communication channels, as well as the deliberate cultivation of trust between client organizations and service providers. These relational elements were viewed not merely as operational necessities but as strategic enablers of long-term collaboration and service quality.

At the same time, participants voiced concerns regarding potential risks associated with HRO, including reduced control over critical HR functions and vulnerabilities related to data security. In response, there was a strong call for the implementation of robust risk management frameworks encompassing contractual safeguards, compliance protocols, and regular performance audits to mitigate these challenges and preserve the integrity of both organizational operations and workforce relationships. Several interviewees mentioned the role of technology in enhancing HRO, suggesting that organizations should leverage technological advancements to improve HR processes and drive innovation (**Table 3**).

Table 3: Combination feedback from interviewees

Theme	Combined Feedback from Interviewees
Strategic Alignment	"HRO should be a strategic extension of our business goals" (R1, R2). "Alignment of HRO with organizational goals is key to driving enterprise performance" (R10, R12, R15, R23). Participants emphasized the need for HRO to be more than a cost-saving measure, instead serving as an integral part of the company's strategic plan.
Performance Evaluation Systems	"Performance metrics should reflect employee engagement and talent retention" (R3, R6, R8). "We need to balance financial metrics with qualitative outcomes" (R9, R13). There was a strong call for a more comprehensive set of metrics that includes both financial and non-financial indicators of success.
Talent Management and Development	"Maintaining HR competencies in-house allows us to maintain our competitive edge" (R5, R11, R14). "Investing in HR talent development helps us to have the expertise in managing HRO" (R6, R16, R20). Collectively, these insights underscore the importance of preserving critical HR functions within the organization, while simultaneously strengthening the capabilities of the internal HR team to effectively oversee and integrate outsourced activities.
Communication and Trust	"Clear communication is important for successful HRO partnerships" (R2, R15). The establishment of trust in communication with HRO providers ensures maintaining the relationship effectively.
Risk Management	As one participant succinctly stated, "We must ensure data security in HRO arrangements" (R7, R17, R19). This sentiment reflects a broader concern among interviewees regarding the potential risks inherent in HRO, including the loss of control over critical HR functions. Such concerns highlight the imperative for robust, well-designed risk management strategies to safeguard organizational assets and maintain trust in outsourcing partnerships.
Technology and Innovation	"Technology can improve HR processes" (R7, R21, R23). There was a clear acknowledgement of technology's pivotal role in strengthening HRO, particularly in harnessing technological advancements to enhance HR efficiency and stimulate innovation.
Employee Experience and Engagement	"Outsourced HR services should enhance" (R8, R24). The impact of HRO on the employee experience was a key concern, with a need for services that support and improve employee satisfaction and engagement.

The empirical evidence gathered from the 24 interviewees offers rich and practical insights into pathways for enhancing HRO to better drive enterprise performance. The discussions consistently converged on three interrelated themes: strategic alignment, performance evaluation, and talent management, underscoring the necessity of adopting a strategic and holistic approach to outsourcing. Participants emphasized that when HRO is deliberately aligned with organizational objectives, supported by robust evaluation mechanisms, and integrated with proactive talent management, it can transcend its traditional operational role to become a catalyst for organizational transformation. By addressing these dimensions in tandem, organizations can unlock the full potential of HRO in achieving greater operational efficiency, fostering higher levels of employee satisfaction, and ultimately strengthening business performance in a competitive and dynamic marketplace.

4.2 Promoting Business Growth through Improved HRO

In today's business environment, where agility, innovation, and responsiveness to change are essential for sustained success such as Human Resource Outsourcing (HRO) has emerged as a strategic lever for enhancing organizational competitiveness and driving growth. When thoughtfully implemented, HRO can deliver substantial gains in operational efficiency, elevate talent management practices, and enhance strategic flexibility, all of which are critical enablers of

business expansion. The empirical evidence drawn from the 24 interviewees in this study reinforces this perspective, highlighting the role of well-aligned HRO practices in promoting measurable business growth (see **Table 4**).

4.2.1 Innovation and Agility

The interviewees underscored the pivotal role of innovation as a driver of business growth, noting that Human Resource Outsourcing (HRO) can act as a catalyst by introducing novel ideas, advanced practices, and external expertise that strengthen an organization's capacity for innovation. There was broad agreement that HRO providers frequently bring fresh perspectives and creative solutions, challenging established routines and stimulating new ways of thinking within the client organization. This infusion of external insights not only supports innovation but also enhances problem-solving capabilities and adaptability.

Agility emerged as another recurring theme in the discussions. Participants emphasized that in fast-changing markets, organizations must be able to pivot quickly in response to evolving conditions. The flexibility to scale HR services up or down in line with shifting business demands was identified as a significant advantage, enabling organizations to maintain operational continuity while aligning resources with strategic priorities.

Table 4: Interviewees' feedback on promoting business growth

Theme	Combined Feedback with Direct Quotes
Innovation and Agility	"HRO providers bring fresh perspectives that challenge our status quo and spark innovation" (R1). "By streamlining our HR processes, HRO has made us more agile and better able to respond to change" (R3).
Sustainable Development	"Sustainability is not just an environmental issue; it's about aligning our HRO with long-term goals that benefit society and strengthen our reputation" (R7). "We've seen talent attraction improve as candidates increasingly seek employers with strong sustainability practices" (R9).
Market Competitiveness	"By outsourcing non-core HR functions, we can focus on what makes us unique, giving us an edge in the market" (R13). "Access to specialised HR expertise through HRO has allowed us to refine our competitive strategy" (R17).
Responding to Market Changes Effectively	"HRO has given us the flexibility to adapt our HR strategies quickly, which is essential in our fast-paced industry" (R19). "Our HRO provider's agility has been a game-changer in how we respond to market fluctuations" (R21).
Risk Management	"Data security is a top concern, and we work closely with our HRO provider to ensure stringent compliance" (R2). "Managing the risks of HRO is about having clear contracts and ongoing oversight" (R6).
Technology and Data	"Technology integration in HRO has transformed us in making data-driven decisions in HR" (R11). "The ability to leverage the latest HR technology through our HRO provider keeps us at the forefront of our field" (R15).
Employee Engagement	"Employee engagement has improved since we started working with HRO providers" (R23). "HRO provider helps us maintain a strong connection with our workforce" (R24).

4.2.2 Sustainable Development

Interviewees highlighted that sustainable HR practices generate value on multiple fronts: they support environmental and societal well-being while also delivering long-term organizational benefits such as enhanced corporate reputation, improved talent attraction and retention, and more effective risk mitigation. A long-term, sustainability-focused perspective was viewed as essential for building resilient business models capable of adapting to emerging challenges and evolving stakeholder expectations.

4.2.3 Market Competitiveness

The empirical findings indicated that interviewees regard Human Resource Outsourcing (HRO) as a strategic lever for gaining a competitive edge in the marketplace. By transferring selected HR functions to external providers, organizations can concentrate resources on core business activities and invest in areas that differentiate them from their competitors. Participants emphasized that HRO enables access to specialized HR expertise that may not be readily available in-house, thereby strengthening the organization's competitive position.

4.2.4 Cross-Cutting Themes

Consistent with prior research, risk management emerged from the interviews as a cross-cutting and non-negotiable priority. Participants voiced particular concern over the inherent vulnerabilities associated with Human Resource Outsourcing (HRO), notably in relation to data security, regulatory compliance, and the safeguarding of confidential information. They emphasised the importance of adopting robust and proactive risk management frameworks to protect organisational integrity and maintain stakeholder confidence.

The role of technology was another recurrent theme. Interviewees recognised that advanced digital tools from predictive analytics platforms to fully integrated HR management systems have the potential to significantly enhance the quality, efficiency, and agility of outsourced HR services. Harnessing data-driven insights was seen as vital, not only for strengthening decision-making processes but also for ensuring that HR outcomes are tightly aligned with strategic organisational objectives (Omar et al., 2014).

Employee engagement was likewise identified as a decisive factor in determining the success of HRO initiatives. Participants argued that service providers must pay close attention to how their practices affect workforce morale, commitment, and job satisfaction. In their view, effective HRO should go beyond process optimisation to actively contribute to building an engaged, motivated, and high-performing workforce.

The insights drawn from the 24 interviews underscore

the significant role that Human Resource Outsourcing (HRO) can play in driving business growth. Conversations around innovation and agility, sustainable development, and market competitiveness revealed the diverse ways in which HRO contributes to organizational performance. Participants emphasised that, when approached strategically, HRO goes far beyond improving operational efficiency as it can serve as a catalyst for innovation, a vehicle for advancing sustainability goals, and a means of enhancing organisational adaptability. By embedding these dimensions into their outsourcing strategies, organisations can leverage HRO not only to streamline processes but also to strengthen competitive positioning and build long-term resilience in an increasingly dynamic marketplace.

5. DISCUSSION

The findings indicate that Human Resource Outsourcing (HRO) is a crucial strategy for enhancing enterprise performance and fostering sustainable business growth. The 24 interviewees' perspectives reflect a blend of practical experience and alignment with past research findings.

Strategic alignment emerged as a defining theme. Participants consistently stressed that HRO should not be reduced to a cost-cutting exercise but positioned as a strategic extension of the organisation's long-term vision. As one respondent observed, "HRO should be a strategic extension of our business goals" (R1), a sentiment that echoes Ulrich et al.'s (2012) argument for HR's central role in shaping and executing corporate strategy.

Interviewees also strongly advocated for a holistic approach to performance evaluation. They highlighted the importance of balancing traditional financial metrics with qualitative indicators such as employee engagement, talent retention, and professional development. This mirrors Stahl et al.'s (2017) calls for multidimensional performance measures to capture the full value of HR initiatives. As one participant explained, "Performance metrics should reflect employee engagement and talent retention" (R3).

A further point of consensus was the preference for retaining core HR functions in-house, particularly those tied to strategic capabilities, while simultaneously investing in the development of internal HR expertise to effectively oversee and manage outsourced partnerships. This reflects the dual capability model discussed by Collings et al. (2019), which emphasizes strengthening internal expertise while leveraging external partnerships. Underpinning this is the importance of communication and trust elements repeatedly identified as prerequisites for successful outsourcing partnerships, echoing Getz et al.'s (2014)

findings.

Interviewees also raised significant concerns around risk, particularly in relation to data security, confidentiality, and potential loss of control over critical HR functions. This reinforces Sakib et al.'s (2023) conclusions that robust, proactive risk management strategies are essential in HRO arrangements.

The role of technology and innovation was widely acknowledged, with participants recognizing the potential of advanced digital solutions to enhance efficiency, enable data-driven decision-making, and introduce innovative HR practices. This supports the arguments of Davenport et al. (2019) regarding technology as a transformative force in HR. At the same time, the employee experience was seen as integral to HRO's success, with interviewees calling for outsourcing providers to deliver services that actively foster satisfaction, engagement, and positive workplace culture as an approach aligned with Mohammad et al. (2023) employee-centric HR strategies.

In terms of driving business growth, HRO was viewed as a catalyst for innovation and organizational agility, both essential for adapting to volatile market conditions. Respondents also highlighted the importance of aligning HRO with sustainability objectives, noting the reputational, talent-related, and long-term strategic advantages of embedding environmental, social, and governance (ESG) principles into HR practices. Lastly, enabling organizations to adapt HR strategies rapidly in response to market dynamics is crucial in ensuring a competitive advantage in the business world.

6. CONCLUSION

This study has explored the complex relationship between Human Resource Outsourcing (HRO) and enterprise performance in China's PEO sector, showing that HRO, when strategically aligned with organizational objectives, supported by robust performance evaluation, and integrated with talent development practices, can act as a transformative enabler of organizational outcomes rather than merely a cost-containment mechanism. The findings underscore practical implications for managers: treat HRO as a strategic partnership that requires clear governance, shared metrics, and investment in internal HR capabilities to capture lasting performance gains. However, several limitations qualify these conclusions. The purposive case-study design involving six organizations in a specific regional context limits broad generalizability; the findings are best read as context-sensitive explanations rather than universal prescriptions. The study's primary reliance on qualitative interviews and document analysis, without a complementary quantitative component or objective performance metrics, constrains the ability to assess the

prevalence or magnitude of the observed relationships across a larger population. Respondent bias and underrepresentation of certain stakeholder groups (for example, frontline employees or external clients) may have shaped the insights, and the data reflect a particular point in time within an evolving regulatory and technological environment. Finally, translation and interpretation issues may have introduced subtle shifts in meaning. Acknowledging these limitations, the study nonetheless offers actionable guidance for practitioners and a foundation for future research. Subsequent studies should broaden stakeholder representation, incorporate longitudinal and mixed-methods designs that include objective performance measures, and examine how ongoing regulatory and technological changes reshape the strategic value of HRO.

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