Opening the Black Box of Outsourcing Knowledge Intensive Business Processes – A Longitudinal Case Study of Outsourcing Recruiting Activities

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Abstract

Knowledge intensive business services (KIBS) play an increasing role in business and economics as they serve as service providers for organizations outsourcing their knowledge intensive business processes (KIBP). Our literature analysis shows that KIBP as outsourcing objects remain considered as “black boxes”. Based on the assumptions of the Resource Based View of the Firm, we shed light into the black box. Within a longitudinal case study, we present the motivation of a company outsourcing its recruitment activities since 2003 and the lessons learnt derived from the project during the last eight years opening the black box of outsourcing KIBP. Human Resources (HR) belongs to the back office function of organizations and recruitment in particular is considered to be a KIBP. The results of the case study indicate that business process standardization, identifying knowledge intensive sub-processes that provide value to the process outcomes and defining explicit service levels are key success factors for KIBP outsourcing. In addition, the results show that outsourcing KIBP can be beneficial for organizations and can result in better process determinants in terms of cost, time and quality.

1. Introduction

Knowledge intensive business services (KIBS) are increasingly important contributors to economic performance [25]. KIBS serve as service providers for knowledge intensive business processes (KIBP). The growing importance of KIBS is associated with internationalization of services, growth in demand for certain forms of knowledge, and outsourcing [25]. KIBP, who deal with highly specialized knowledge, inherent two characteristics that represent challenges for outsourcing: Intangibility and interaction [19; 27]. As a consequence, KIBP outsourcing is different from other types of business processes outsourcing. Hence the specialty and reason for outsourcing KIBP to KIBS are challenging both organizations and service providers [25]. These challenges and specific characteristics of KIBP in relation to outsourcing have not yet been addressed intensively, whereas most of the research studies treat KIBP as black boxes while discussing KIBS extensively [28]. Hence, profound generic recommendations concerning successful KIBP outsourcing have not been developed and are demanded by several researchers [5; 21]. This lack of a KIBP specific outsourcing model can be a barrier for some enterprises as they relinquish outsourcing activities [25]. In order to solve this challenge, we analyze and discuss KIBP outsourcing based on a longitudinal case study and focus on the dimension and characteristics of the processes. As spatial or innovation dimensions have been widely analyzed by scholars and as highlighted by Muller and Doloreux [28] in their discussion of KIBP outsourcing, the process view of KIBP is not discussed by prior research [28]. When reviewing the KIBP/KIBS outsourcing literature, it becomes evident that KIBP as outsourcing objects often remain considered as “black boxes” [28]. We start to open the black box within this paper by focusing on the following main characters of KIBS [26] which distinguish them from other processes:

- KIBS rely heavily upon professional knowledge
- KIBS either are themselves primary sources of information and knowledge or they use knowledge to produce intermediate services for their clients’ production processes
- KIBS are of competitive importance and supplied primarily to business

We analyze the black box by underlying our research with the theory of the Resource Based View of the Firm (RBV). The RBV has been used within IS research to investigate outsourcing in general and outsourcing decisions in particular [14]. The RBV and the proposed attributes of valuable organizational resources [3] will be applied to the
results of the case study to discuss the opening of the black box of KIBP outsourcing with focusing of different process steps on one particular KIBP. Based on these outlined objectives of our research the following questions will be the focus of this paper:

What are motivations for organizations to outsource knowledge intensive business processes and what are important lessons learnt while outsourcing those processes to respective service providers?

In addition to the objective of opening the black box of KIBP outsourcing, we also intend to extend the research objective of outsourcing research while discussing KIBP outsourcing. Most of the outsourcing literature considers IT outsourcing; however research on outsourcing other activities like Human Resources (HR) outsourcing remains neglected. Although the exact size of the HRO market is unknown, Gartner estimated that it comprised several billions worldwide [20]. As a consequence we will focus in our paper on outsourcing HR processes and especially on the recruitment process as a KIBP. Therefore we conducted a longitudinal case study with a company outsourcing its recruitment activities since 2001 to provide a deeper understanding of their motivational factors and their lessons learnt since 2001.

The remainder is structured as follows. First we give an overview on KIBP, outsourcing KIBP in general, HR processes and the RBV. In section 3 we explain how we have conducted our longitudinal case study and how we performed our data analysis. Section 4 comprises the case study results. The paper closes with a discussion of the results and an outlook in section 5.

2. Research Background

2.1. Knowledge intensive business processes and service providers

2.1.1. Definition. Knowledge intensive business services (KIBS) are a subsection of business services and are generally described as “services, that provide knowledge intensive inputs to the business processes of other organizations” and, hence, prominent features of the knowledge-based economy [25]. Miles et al. [26] provide principal characteristics of KIBS: KIBS are in general based on professional knowledge, are primary sources of information and knowledge, use information to produce intermediate services for clients’ process and are of competitive importance and address mainly other businesses [26]. There is no indisputable accepted definition of KIBS [6; 13; 26; 27; 34]. Nevertheless, Wong and He [36] state that “the definition of KIBS provides a platform to study group of services which is very actively integrated into innovation systems by joint knowledge development with their clients, and which consequently create considerable positive networks externalities and possibly accelerate knowledge intensification across economy” [36]. Some authors refer while using the term KIBS to both enterprises providing KIBP and the process itself without distinguishing between organizations and processes [6; 13; 25; 34]. In this paper, we follow the service process definition of Miles et al. for KIBS [26]. Moreover we explicitly differentiate between the process view (KIBP) and organization view (KIBS). We distinguish between service providers and the outsourcing object in order to enable a discussion of the characteristics of a KIBP in relation to both the outsourcing decision and the lessons learnt while outsourcing KIBP to KIBS.

2.1.2. KIBS classifications and sectors. Knowledge intensity of services or processes is neither easy to define nor to measure [18]. KIBP are considered to be a main driver of technological change and economic progress [33]. One attempt to emphasize the knowledge intensity of KIBS is the formal qualification structure of KIBS like sharing graduates and knowledge (e.g. technological, administrative, or managerial knowledge) [12; 25; 26]. Another way of defining knowledge intensity is suggested by Hauknes and Antonelli [18]. Their approach focuses on the “microlevel” of service provision and refers to the conditions for the transaction between the service provider and the service user or procurer [18]. A second approach is the classification according to sectors [12]. Miles declares that “there are practically as many kinds of KIBS as there are areas of knowledge” [25]. The main challenge remains the matching of “real world” services with the dimensions of official industry systematic [7]. Usually, KIBS comprise the NACE (Nomenclature statistique des activités économiques dans la communauté européenne) sectors 72 (with subsectors 72.1, 72.2, 72.3, 72.4, 72.5, 72.6), 73 (with subsectors 73.10 and 73.20) and 74 (with subsectors 74.11, 74.12, 74.13, 74.14, 74.2, 74.3, 74.4, 74.84) [28]. Kohleick [19] provides a classification according to KIBS I and KIBS II. KIBS I (“P-KIBS”) [26], comprise services referring to social/institutional knowledge (e.g. accounting/bookkeeping, personnel recruitment and training) whereas KIBS II (“T-KIBS”) [28] comprise services based on technological or technical knowledge (e.g. Information technology processes,
Initially outsourcing activities focused on non-core activities of businesses, but increasingly a wide range of business processes e.g. KIBP or product development are outsourced [5]. While outsourcing KIBP challenges occur, as these processes have two special characteristics: Intangibility and interaction [19; 27]. Intangibility refers to the non-physical existence of services. KIBP usually occupy a high degree of intangibility, moreover the process inputs and outputs are hard to gather and to measure [19]. This fact provides a challenge in the outsourcing relation between client and provider compared to outsourcing other types of processes [27]. Interaction refers to the phenomenon, of client involvement in production. As KIBP have a high degree of interaction, KIBS and clients can be seen as co-producers [13]. In some cases, a high interaction leads to a (inseparable) embedding in clients’ processes [19].

To solve these challenges, a success model for the outsourcing relation has to be identified. A generic KIBS recommendation has not been developed yet. Bengtsson and Dabhilkar [5] agree with the popularity of KIBS and outsourcing. They assume, that there are studies of short-and long-term effects of KIBP outsourcing which are partly contradictory. Hence, open questions remain in the KIBS outsourcing area for further research. For back office functions, which are mainly KIBP, Lacity and Willcocks [21] suggest outsourcing lessons for successful accomplishment of outsourcing projects [21]. However, the generic model for KIBP outsourcing is still missing in literature. By reviewing existing literature, one can see that KIBP are considered as “black box” and critical sub-processes or characteristics are not analyzed (cp. Table 1).

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The approach of our paper is to provide a next step towards a generic model of KIBP outsourcing and to open the described “black box” by analyzing the motivations and lessons learnt of a company which has outsourced its KIBP recruiting since 2001 to a service provider. For the design and interpretation of the case study we will use the resource-based theory of the firm which will be introduced in the following section.
2.2. Resource-based view of the firm

The resource-based view of the firm (RBV) assumes the “resource conduct performance” paradigm and underlines the importance of heterogenic and immobile contributed resources to gain a competitive advantage. This view results from several research approaches which focus on firm heterogeneity and imperfect competition. It is an essential part of the structure-conduct-performance paradigm that explains the success of an organization by matching organizational setting with external factors. The RBV focuses not on the market but on firm heterogeneity [4].

Penrose revives this idea and regards an organization as a bundle of various resources [29]. In addition to this, Wernerfelt add the importance of barriers to maintain the competitive advantage [35]. As a consequence, several researchers analyze the interplay of resource characteristics and competitive advantages [1; 15; 30]. In 1991, Barney identified and named resource attributes which are essential for gaining and maintaining a competitive advantage [3]. If a resource can be considered as rare, an organization will have a temporary competitive advantage. If the resource is moreover imperfectly imitable and additionally not substitutable, the resource will depict a sustained competitive advantage [3].

Outsourcing research uses the resource-based view of the firm to explain why outsourcing is beneficial for organizations and what kind of resources are candidates for outsourcing [14]. By using the resource-based theory it is possible to explain sourcing decisions in relation to the resources the firm has in its possession and the strategic value of those resources.

The main assumptions of the RBV for outsourcing are that the less appropriate a resource is present within a firm, the more the firm will involve external expertise to address this challenge. Consequently, the more a resource exists within a firm, the more the firm will keep this expertise. In line with this argumentation is the postulation that the lower the strategic value of a resource is, the more the company is intended to gain this expertise on the market. Consequently, the higher the value the more the company is intended to keep it in-house.

Outsourcing research has shown that this argumentation is appropriate to explain outsourcing decision in organizations [10; 11; 31; 32].

2.3. Recruiting Process

We will investigate KIBP outsourcing using resource-based theory of the firm by looking at an organization that has outsourced activities of one of its KIBP: the recruiting process. Therefore, this section contains information about several research results analyzing recruitment processes. In general, Lacity et al. named HR a back office function whereby individual activities as payroll administration were focused [20]. Regarding the classification of Kohleick HR processes can be grouped as KIBS I. One HR process is the organizational recruiting process responsible for hiring qualified employees.

In 1999 Carroll et al. advice to distinguish a recruitment process with the help of four different steps: an assessment if vacancies exists, an analysis of the filled position as well as the creation of job description and person specification [9]. Baber decomposes the process in three single steps: generating applicants, maintaining applicant status and influencing their job choice decision [2]. According to Breauh and Starke a recruiting process is a combination of several activities, variables and strategic measures with the aim to recruit and to reach objectives as costs, speed of filing jobs, diversity or quality of applicants [8]. Based on these approaches Faerber et al. define the whole HR process consisting of five consecutive parts: Employer branding, personnel attraction, applicant management, pre-selection and selection [17]. As a consequence of the rising importance of IT in recruiting Lee [23] offered a business process design and suggested architecture for a holistic e-recruiting system.

Based on the discussed research background the following section illustrate the methodology of investigating with a longitudinal case study an organization which outsources recruitment processes since 2001.

3. Research Methodology

3.1. Longitudinal Case Study

We conducted a longitudinal case study with one company since 2003 following the guidelines by [16; 37] and using the framework provided by Dibbern et al. [14] for investigating outsourcing projects after its publication in 2004. The research subject is the recruitment process of the company as HR processes are part of the discussed KIBP. We started the case study by defining our research design and its components including the initial research question, its proposition(s) and its unit(s) of analysis in 2003 and extended the objective based on the results of prior interviews and experience made by the company [37]. In our case the main research question is: What are motivations for organizations for outsourcing knowledge intensive business processes and what are
important lessons learnt while outsourcing KIBPs?

The ambition in our paper is to answer this question with the help of a longitudinal case study with regard to the given theoretical background.

In the first stage for each interview, we prepared our data collection and created interview guidelines based on underlying theoretical models. Therefore, we base our guidelines on the framework provided by Dibbern et al. [14] and on the RBV and especially the characteristics of organizational resources which are essential for gaining and maintaining a competitive advantage. In addition, we structured the interview according the different process steps of the recruiting process as illustrated in section 2.3. As a consequence we asked and discussed with the responsible HR managers which task or sub-processes of the recruiting process are valuable, rare, non-imitable, non-substitutable and immobile in order to analyze the outsourcing design for the respective KIBP as developed by the organization observed. Furthermore, based on the framework by Dibbern et al. [14] we address why, what, which and how questions of the outsourcing decision and focus on different outcomes of outsourcing KIBP. After initially defining the interview guidelines we checked and pre-tested them to ensure consistency and reliability. The interview guidelines included several open format questions to allow the participants flexibility in their responses. For example, we used open format questions to allow the participants flexibility in their responses. For example, we used open format questions to address the general outsourcing decision and the design of the outsourcing scenario. In addition, we included specific and closed questions in order to investigate the guidelines of Barney regarding different tasks and sub-processes of the recruiting process. After each interview, we modified the guidelines according to the results and issues raised by the respective interview.

The data collection method included structured and semi-structured face-to-face interviews with managers of HR. However, when necessary, telephone interviews with other executives were conducted to supplement the information gathered during the personal interviews. The interviews were conducted at different points of time since 2003. First, we discovered the first experience of the company in 2003 as they started its KIBP outsourcing in 2001. The general design of the KIBP outsourcing project and the experience of the first two years were discovered using a semi-structured interview focusing on why and how questions. This was followed about one month later by a fully structured interview including specific questions about the attributes of different tasks and sub-processes of the recruiting process. Then, about one year later, we revisited the company and thereby got the chance to reflect on what we discussed one year ago. In 2007 we discovered the development within the company during the last 3 years as well using a semi-structured and a full-structured interview with the responsible managers of the HR department. Again, we focused on why and how questions and the attributes of different tasks and sub-processes. All interviews took place in the company selected and lasted about two hours. For each interview, at least two representatives of the enterprise responsible for the outsourcing project and at least two members of our research team were involved. To support our results we have added further documents provided by the company as meeting records and project descriptions. Finally, the resulting case study reports of each interview phase were released by the participating company. For reasons of anonymity we will call the company investigated “OFFICE” in the following.

3.2. Data Analysis

For analyzing the data the interviews were recorded and afterwards transcribed. The transcripts of the interviews and the written material provided by the organizations are the basis for our data analysis. In a first step, we coded the data according the framework of Dibbern et al. [14] to categories the data according to why, what, which, how and outcome categories of the outsourcing decision. Furthermore, we coded the data according to the different steps and tasks of the recruiting process. Moreover, the data was coded according to the attributes of resources providing competitive advantage. After the coding the derived categories were checked by each member of the research team and were systematically structured according to the research question of this article. The results of the case study derived from the data analysis conducted are described in the following section.

4. Research Results

Based on the described methodology the following results could be observed according to open the black box of KIBP outsourcing. The results section is structured according to the categories used for coding the data. First, we provide details of the company observed. Second, we illustrate the case in relation to the why category (motivation). Afterwards, we summarize the results in relation to the which, what and how dimension in order to describe the KIBP outsourcing solution implemented by the organization observed. Finally, we illustrate the results of the outcome dimension.
4.1. Company details

OFFICE was founded in 1983 and is the third largest foreign subsidiary of the US parent company. With 2,300 employees located mainly in OFFICE’s headquarter and additional six agencies the main business activities of OFFICE are sales and marketing of the software produced by OFFICE and consulting of local organizations. In general, OFFICE distinguishes between four groups of employees: executives (e.g. CIO), management (e.g. senior consultants), full time employees (e.g. consultants, software developers), and contingent staff (e.g. call centre agents). Within one year OFFICE receives around 12,000 applications. The US parent company is a worldwide leader in producing standard software. In 2007 the company generated a worldwide turnover of 51 billion US Dollar.

In 2001 OFFICE started an outsourcing project in Germany in order to implement a recruiting process operated by external service providers as well as by the company itself. Within the following section OFFICE’s motivation to initiate the project, to extend it to the four groups of employee, the progress of the project since 2001 and major lessons learnt are described.

4.2. Motivation for recruiting process outsourcing

In 2001 OFFICE was faced with two major challenges in management of the HR department especially with its recruitment process. First, the number of applications was strongly fluctuating over time which resulted in a slight scalability within the applications received by OFFICE. As a consequence OFFICE was unable to manage the received applications with a constant number of employees. In addition, the rising administrative effort in the recruitment process made it difficult to comply with defined service levels. Furthermore, personnel development identified the need for connecting existing education programs with the actual enterprise-specific needs and strategies. However, the high number of administrative activities made it difficult to create high quality concepts for employee development and analysis tools designed for the training area.

Addressing these two major challenges OFFICE started first to outsource personnel development and subsequently recruitment sub-processes. The main objective was to provide both employees and candidates HR services with consistent quality in the rapidly changing environment of the software industry. In addition, while outsourcing HR activities OFFICE intended to variabilize the fixed costs of the HR processes. The main focus for this first step was on contingent staff (e.g. temps, call centre agents, etc).

The main activities outsourced in 2001 were administrative ones. Therefore, OFFICE standardized its HR processes in order to define sub-processes and the related tasks. Based on these descriptions the potential sub-processes for outsourcing were identified and process documentations were developed together with the external service provider in order to enable a frictionless business process managed by two stakeholders: OFFICE and the external service provider. Finally, a human resources information systems (HRIS) solution developed by the service provider were modified and evolved according to OFFICE’s requirements. The HRIS solution is the interface between OFFICE and its external service provider. 95 % of the communication between the two partners is handled within the implemented system.

This strategy enabled OFFICE to absorb the fluctuations in the applications received and to address the customer of the HR department – the applicants – with a high quality service at less costs and independent from the number of applicants received. The external service provider is responsible for the management of the received applications and has to process them according to defined service level such as a defined time period. The HR department is usually responsible for the pre-selection and selection sub-processes of the recruitment process. However, if necessary, the external service provider can be involved to conduct telephone pre-screening and in special case the external service provider can make the pre-selection decision as well. The HR responsible managers can decide themselves whether they want the external service provider be involved in the decision process and they charged for the service separately. If so, the external service provider in consultation with the operational department conducts the interviews and makes the pre-screening decision.

“This approach leads to the fact that in extreme situations the HR managers of our company are involved within the process for the first time when the second job interview starts. The pre-screening and decision is conducted by the service provider and the operational departments and as a consequence HR managers can concentrate on their core competences such as organizational development, change management, management consulting, personnel development, etc.” summarizes the responsible outsourcing manager at OFFICE the main objective of the outsourcing project in 2003. As a consequence, all administrative activities like applicants’ travel expense accounting are managed by the service
provider. The main objective for OFFICE in 2001 to outsource recruitment process activates to an external service provider was to reduce administrative workload of HR manager and to enable them to concentrate on their core activities. To manage the recruitment process an HRIS was implemented as it is described in the following section. This enables OFFICE to reduce the costs for managing incoming applications, to digitalize them, to request additional information etc. All these administrative work is done by the service provider.

4.3. KIBP outsourcing at OFFICE

The external service provider is responsible for the management of the received applications and has to process them according to defined service level such as a defined time period. The external service provider is responsible for digitalizing all incoming applications and entering them into the HRIS. In addition, the service provider is responsible for emailing an acknowledgement to the applicants. The communication during the recruitment process (after the submission of an application which can be done electronically or paper-based) is done by E-mail only. As a consequence the service provider is responsible for the availability of the required information and has to request missing information from the applicants. Consequently, OFFICE’s recruiters are enabled to view all incoming applications within the HRIS, to manage the following sub-processes within the system and to use the information stored in the HRIS. The system provides information for additional services like telephone pre-screening by the service provider and HR managers can initiate these services by using the system. Furthermore, the service provider is able to arrange job interviews without conducting OFFICE as the service provider has access to the electronic calendars of OFFICE. In general, the recruitment process starts when a hiring manager within the operational departments reports a vacancy to the HR department. The HR manager has to approve the position and reports it to the external service provider responsible for recruiting this type of employee. In a next step the service provider initiates a hiring manager briefing to discuss the required skills and the applied strategy for recruiting an employees for the vacancy. The reason is, that hiring manager have a lot of knowledge about behaviors and values of persons belonging to the target group of the recruitment activities and can therefore provide a lot of useful indications how the service provider could conduct its activities. After this step the service provider starts the recruitment activities like posting job ads, searching for candidates directly and receiving applications. The main task of the external recruitment team is to use the knowledge of OFFICE and of the service provider and to extend it by implementing a structured and efficient approach for hiring IT personnel.

After receiving the applications the service provider pre-screens the applications, conducts interviews if necessary and creates a reduced list of applicants containing additional and required information. This list is approved by the hiring manager and afterwards the service provider starts to manage the interview process. The interviews are conducted by the hiring manager and an HR manager. After the interview the hiring manager and the HR manager make a hiring decision. The final decision is provided to the candidates by the external service provider and the hired candidate will be provided with required information and documents by the service provider as well. The complete process is supported by an HRIS to enable electronic communication between the process stakeholders, to store all required information within one database and monitor the performance of the process. The complete recruitment process and the sub-process performed by the different stakeholders are illustrated by Figure 1.

![Figure 1. Recruitment Process at OFFICE](image)

4.4. Lessons learnt and revised recruiting process outsourcing

With outsourcing of sub-processes of the recruitment process OFFICE was able to realize several benefits. Variations regarding incoming applications could be cushioned. In addition, the complete time-to-hire could be reduced during the first two years of the project from around 30 days to 9 working days. OFFICE was also able to reduce its costs by 60 per cent. Due to these realized benefits OFFICE extended the recruitment process outsourcing during the following years as described within this section.

In 2005 OFFICE decided based on the good experience during the first years of recruitment outsourcing to extend the project to all other job profiles of the company. The main reasons for the decision are the increasing number of employees and as a consequence an increasing number of applications as well as the perceived competence of
the service provider. However, OFFICE decided to outsource the recruitment of the different types of employees to different external service providers as those providers have different competence depending on the type of employee OFFICE is searching for. According to the amount of vacancies per year the four groups were treated separately. Full time employees (FTE) are recruited frequently and as a consequence the process for this group was designed in another way as for the groups of management and executives. For FTEs the service provider established a team of recruiters which were integrated on-site into OFFICE as well as a team which were located off-site to provide flexible support for the on-site team. The complete outsourcing project started in 2005, but was revised in 2007 as it did not provide the expected benefits.

First of all, there were a lot of interfaces between the different external service providers and OFFICE. Especially for those service providers responsible for management and executives it was not clear who is in charge for a specific vacancy. As a consequence the communication between OFFICE and the service providers was intricate and complex and did not reduce the workload of the HR managers. In addition, due to the increasing number of employees an increased recruitment workload the responsible service providers were working to capacity at once. Therefore the recruitment outsourcing model of OFFICE was revised again in 2007 (see figure 2). As a consequence OFFICE decided to establish one of the service providers responsible for management, executives and FTE to be the central provider of contact. Furthermore, OFFICE as well as the other service providers has only one counterpart which leads to reduced communication needs. However, OFFICE did not change anything regarding the still beneficial project of the contingent staff. In addition, a new pricing model was introduced. In 2005 a fix price was paid by OFFICE according to the costs of the service provider’s team working for OFFICE. In 2007 this model was changed to a more flexible one. Since 2007 the service providers are paid according to their workload and services which they actually delivered to OFFICE. As a result, OFFICE reported in 2008 improvements for the recruitment process regarding the process dimensions time, cost and quality.

However, as the responsible senior recruitment manager indicates, outsourcing is connected with many challenges and threats. For recruitment process outsourcing he points out that “you should not outsource the complete recruitment process to external service providers. Core competences and knowhow are important resources and should be retained within the organization”. OFFICE has therefore developed an optimal solution according to the opinion of OFFICE’s senior recruitment manager. On the one side OFFICE has outsourced all administrative activities to external service providers and on the other side all process steps which are important for OFFICE are performed by OFFICE employees. In addition, the senior recruitment manager is in charge for developing the general recruitment strategy and for managing the relationship to the external service providers. This enables OFFICE to make strategic and informed choices. Based on the reports generated by the HRIS the senior recruitment manager is able to monitor the recruitment process, all actual activities and might interfere if necessary. Furthermore, OFFICE contains all related knowledge about effective and efficient ways within the organization as the hiring manager is the responsible employee for suggesting the hiring strategy which will be performed by the external service provider.

![Figure 2. Recruitment Process Outsourcing Model](image)

5. Discussion, Conclusion and Outlook

KIBP have been discussed by several researchers and outsourcing these processes was topic of several research approaches. However, as our literature analysis reveals, all these research approaches have treated KIBP as “black boxes” while discussing outsourcing activities of these processes. For example, Bengtsson and Dabhilkar [5] agree with the popularity of KIBS and outsourcing. They assume that there are studies of short-and long-term effects of KIBS outsourcing and that these effects are partly contradictory. In addition, the intangible aspect of KIBS provides a challenge for KIBP outsourcing in general, and in particular for the client and provider relationship as Mizzo and Grimshaw [27] discussed while looking at a KIBP outsourcing project treating the process as a “black box”. Moreover, as KIBP have a high degree of interaction, KIBP providers and clients can be seen as co-producers [13]. Building on these aspects revealed by prior research
our approach intends to open the black box of KIBP outsourcing by looking at the recruiting process and the outsourcing of different activities of this process in more detail.

The case study shows that KIBP outsourcing could be successful when designing the process and task appropriately. One key finding is that the process and tasks might not be considered as black boxes, but rather has to be analyzed in detail. When applying the resource-based theory of the firm at the case study described, one could discuss in more detail what the success factors of the described KIBP outsourcing are. The RBV has been used for outsourcing research to discuss whether internal resources as information technology are valuable and provide long-term competitive advantage for organizations. If an internal resource has been evaluated as valuable, rare, non-imitable, non-substitutable and immobile than it provides value to the organization, if not, it is a candidate for outsourcing. Transferring this knowledge to the described KIBP outsourcing scenario one could conclude that when discussing KIBP outsourcing and opening the black box one has to considered whether each process step or task of a KIBP provides value to the organization or the process outcome or not. According to the case study those activities that do not provide any value to the process outcome as they are either non-imitable, non-substitutable, immobile, valuable or rare have been outsourced to the service provider and those which provide value are still performed in house. The ones kept in house are also those which are the critical ones for the quality of the process outcome and are based on knowledge intensive process steps. According to the case study activities such as management, scanning or saving incoming applications, making first decision based on standard key factors or managing the timeline for the hiring process are outsourced, as these activities are standardized and provide no value to the process outcome. However, the final hiring decision, job interviews, etc. which are critical for the organizations are still performed by OFFICE employees. As a consequence the value-adding knowledge intensive process steps are still remained in-house, those steps just supporting the knowledge generation or usage are outsourced. The case study shows that distinguishing between valuable and non-valuable process steps or tasks and consequently outsourcing those steps which are not valuable will lead to better processes in terms of time, cost and quality.

Especially according to the two characteristics of KIBP the results illustrate that outsourcing KIBP is different from other types of processes. In term of intangibility business process standardization and documentation enables an understanding of the relevant knowledge and information objects of the respective business process. Furthermore, based on the documentation an organization is able to discuss whether a process step or the knowledge necessary for performing a specific task is valuable or not. As illustrated OFFICE defined and distinguished between different knowledge objectives and analyzed whether OFFICE or the service provider is the more appropriate knowledge carrier. Therefore, some knowledge intensive proves steps have been outsourced, as the knowledge of the service provider enables better process outcomes and some are still remained in house as OFFICE provides well-founded knowledge. As a consequence, the pre-condition of KIBP outsourcing enables a step toward the tangibility of these processes. For the interaction dimension the case study illustrates that process governance and explicated communication guidelines between the OFFICE and service provider employees enable an effective cooperation to use both the knowledge of OFFICE and the resources of the service provider. Furthermore, the knowledge and information necessary at specific process steps has been defined explicitly and thus, all stakeholders are provided with the relevant knowledge at the point of time it is necessary. The interaction is supported and enabled by the implemented information system.

These results have some implications for KIBP outsourcing research. Opening the black box of KIBP outsourcing research enables researchers to better understand the nature of KIBP in general, and how the relationship between KIBP and service providers could be managed. Discussing KIBP outsourcing by looking at different process steps enables researchers to identify the real knowledge intensive parts of the process and the parts of the process which are valuable for organizations. Therefore, KIBP outsourcing research should not discuss whether KIBP in general could be outsourced; instead focusing on different process steps of KIBP will enable better theories for KIBP and outsourcing. The results also have some implications for practice. When redesigning business process or discussing outsourcing options of KIBP, one should consider which parts of the process are valuable using the five RBV criteria and finally design an information system as an enabler of the relationship between the process owner and the service provider. By defining each step, the responsibility and interfaces KIBP outsourcing can be beneficial as the case study of this research indicates. A precondition for realizing benefits is business process standardization.
Future research might take our results to provide next steps to a generic KIBP outsourcing model. Possible areas include investigating the social network of organizations and their service providers and whether these networks are important for the success of the process. In addition, the results of this research and others might be tested by an empirical study as our research is limited as every case study. It only presents the lessons learnt of one company. If the results are transferable to other cultures, companies of different size and from different branches should be investigated by future research as well.

6. References
[22] Mannheim: ZEW.