

The Mediating Effect of Vendor Relationship Management on the Nexus Between Human Resource Outsourcing Motivators and Employee Retention: Evidence from the Oil and Gas Sector in Kenya

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Abstract

Vendor management is a key driver of human resource outsourcing outcomes; when mismanaged, it can raise the risk of failure by up to 50%, resulting in outsourced employee turnover, legal disputes, and a shift back to insourcing. In Kenya, human resource outsourcing is increasingly associated with labour challenges linked to vendor-managed employment arrangements, including unfair labour practices, discrimination, poor working conditions, and violations of employee rights. These concerns expose the vulnerability of outsourced workers and underscore the need for effective vendor management to enhance employee retention. This study examines the mediating role of vendor relationship management (VRM) in the nexus between human resource outsourcing (HRO) motivators and employee retention within Kenya's oil and gas sector. Grounded in the Agency theory of outsourcing and inter-organizational governance, the study addresses vendor relationship management through the lens of vendor client contract and vendor expertise. Pragmatism philosophy guided the research, adopting a mixed methods design. The study targeted 219 oil and gas companies from a population of 430 firms, with a sample of 125 companies. Data was collected from 211 Heads of Human Resources and Procurement, yielding a response rate of 84.4 percent. Data analysis involved descriptive statistics and multiple regression analysis. Vendor relationship management demonstrated a significant partial mediation effect on the relationship between outsourcing drivers and employee retention ($\beta = 0.261$, $p = 0.000$) hence an indication that collaborative vendor engagement enhances the retention benefits associated with human resource outsourcing. The study findings highlight that oil and gas companies prioritize strong vendor relationship management practices characterized by robust vendor contracts that highlight vendor; service quality, expertise, scalability, responsibilities and expectations, risk mitigation, service level agreement, continuous performance monitoring, and supportive communication channels that promote a employee retention. Additionally, policy makers and regulators should strengthen vendor governance by ; developing sector specific outsourcing guidelines, promoting equal pay for comparable work among outsourced and client staff. Finally align outsourcingng motivators with regulations, labour market dynamics and sector specific conditions that ultimately enhance outsourced employee retention and sustain specialized workforce capabilities in the oil and gas industry. The study is significant in advancing the understanding of vendor relationship management within human resource outsourcing, particularly in Kenya's oil and gas sector. By examining the relationship between human resource outsourcing motivators, vendor relationship management, and outsourced employee retention within a single framework, the study provides empirical evidence on how effective vendor relationships influence employee retention outcomes. The findings will assist organizations and vendors in developing stronger partnerships that enhance outsourced employee retention.

Key words: Vendor Relationship Management, Human Resource Outsourcing Motivators, Employee Retention, Agency Theory, Oil and Gas Sector

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1. Introduction

In an increasingly globalized and competitive environment, vendor management has become a strategic priority for organizations (Hong & Kwon, 2012). It enables cost optimization, enhances service quality, and sustains operational efficiency through structured oversight and strong supplier relationships (George et al., 2024; Subir Sarkar et al., 2025). Human resource outsourcing, as an employment paradigm, involves an interaction between

three types of people: an outsourced worker, an outsourcing company-vendor, and a client enterprise, resulting in a triangle employment relationship (Muindi et al., 2021). Further, it entails delegating all or part of a business function to an external third party known as a vendor. Businesses select vendors based on their established performance history, industry expertise, applicable skills, compatibility with the business, and most importantly, cost (Rono, 2019; Khan et al., 2022). However, vendor relationship management may erode organisational knowledge, employee outcomes and psychological contracts (Lahiri et al., 2022). Outsourcing decisions that are made without thorough evaluation of vendors significantly increase the risk of failure, with nearly 50% of such initiatives collapsing within 5 years (Mboga & Needham, 2018). This underscores the critical role of effective vendor relationship management in ensuring careful vendor selection, due diligence, and sustained oversight to enhance labour outsourcing success.

2. Background to the Research Problem

Globally, organizations mainly adopt human resource outsourcing to reduce operational costs, often by bypassing unionized labour arrangements and taking advantage of cheaper production and labour expenses. The avoidance of the unionized labour is a regulatory reaction as nations such as Germany, Hungary, Ireland, and Israel, are required to consult trade unions before implementing major workforce-related decisions or restructuring initiatives, reflecting stronger institutional protection (Erfurt, 2007). Denmark demonstrates a relatively balanced outsourcing model where active union involvement has helped preserve labour standards and stable working conditions, although growing non-union employment has weakened collective bargaining power. In contrast, England has experienced greater job insecurity, unstable and flexible employment arrangements, poorer working conditions, and declining union influence (Mori, 2014).

Evidence from the Chinese market suggests that labour outsourcing enhances corporate investment in human capital. However, this effect is weaker in firms operating under intense market (Wu, 2026). In Nigeria, public organizations are increasingly outsourcing certain operations that were traditionally integral to their functions. This shift is motivated by the necessity to lower expenses and enhance service quality (Ikeije & Nwaoma, 2015). Obi et al., (2021) reiterates outsourcing leads to reduction in staffing costs associated with permanent employees - sick pay, vacation pay, maternity leave, work cover insurance, and health insurance- and mitigate the impact of employee turnover as vendors ensure a consistent supply of contract staff. In Kenya the telecommunication firms indicate service quality as the motivator for HRO (Eng'airo et al., 2016) , while the banking sector, expertise through the utilization of HR service providers' specialized knowledge for organizational efficiency (Nafula & Muchemi, 2023).

The oil and gas industry faces persistent challenges related to high employee turnover and persistent difficulties in retaining skilled personnel, a challenge exacerbated by the high cost and time required to replace specialized talent and the constraints posed by an aging workforce and a shrinking talent pool (Harhara et al., 2015 ; Kimemia & Kamunjeru, 2014; Al-Musali & Ku Ismail, 2016; Gerard, 2019). Within this context, human resource outsourcing (HRO) has emerged as a strategic response; however, it introduces additional complexities that can further undermine employee retention. Organizations are experiencing rising employee turnover intentions, which undermine motivation and job satisfaction, weaken workplace relationships, and reduce overall organizational commitment (Farhat-ul-Ain & Siddiqui, 2020). Employees who are outsourced typically earn lower salaries and receive fewer benefits than their in-house counterparts. They may also face job insecurity, particularly during economic downturns, and struggle with issues of identity and belonging, as they are frequently perceived as third-party employees rather than integral members of the client organization. The perception of HRO as detrimental to employees is reinforced by factors such as inadequate; cooperation, job security, compensation, rights, low pay, limited social protection, insufficient pension provisions, lack of health insurance, absence of psychological engagement, poor working conditions, the risk of opportunistic behaviour from freelance organizations and insufficient management oversight (Klaas et al., 2001; Obi et al., 2021 ; Hafizh et al., 2022; Wardah, 2024 & Sakib et al., 2023). However, reducing turnover, especially in long-term projects, is a common objective of both service providers and client organizations (Fisher et al., 2008).

In summary, while HRO offers operational and strategic advantages, its effectiveness in addressing workforce challenges in the oil and gas sector is highly dependent on the quality of vendor relationship management. Strong VRM practices are essential for transforming outsourcing arrangements into sustainable employment systems that support employee retention, whereas poor vendor governance amplifies turnover risks and undermines long-term organizational performance.

3. Problem Statement

Although organizations increasingly use human resource outsourcing to achieve cost efficiency, specialized expertise, and operational flexibility, studies show that outsourced employees tend to experience much higher turnover rates than permanent in-house staff (Asatiani et al., 2019 ; Zwysen, 2024). One key explanation lies in vendor–client relationships, which are predominantly transactional and characterized by client dominance. As noted by Zhang & Liang, (2023), client firms exert “three-dimensional control” over the purpose, scope, and execution of outsourced activities, thereby constraining supplier autonomy. This imbalance limits suppliers’ ability to implement effective human resource management practices, ultimately weakening their capacity to retain skilled employees and contributing to elevated talent turnover. Employee retention among staff remains a persistent challenge for organizations, particularly in sectors such as oil and gas where specialized skills are critical for operational continuity (Belanger et al., 2024).

Further compounding the problem is the quality of vendor relationship management. Empirical evidence suggests that ineffective vendor management practices—such as poor service delivery, weak contracts, and inadequate vendor selection—undermine outsourcing outcomes. For instance, Kodwani (2008) reports that 23% of firms reversed outsourcing decisions, with 68% attributing this to poor vendor performance. Similarly, Barthélemy & Adsit,(2003) identify neglect of employee-related issues as a critical cause of outsourcing failure. These shortcomings highlight the centrality of vendor relationship management in shaping both organizational performance and employee outcomes. At the employee level, outsourced workers operate within complex dual-employment structures, often reporting to both the client and the vendor. According to Jörg Flecker (2010), this arrangement increases worker dependency and vulnerability, leading to diminished job security and organizational attachment. Moreover, outsourcing arrangements are frequently associated with poorer working conditions, lower wages, and limited career progression opportunities, particularly for low-skilled workers, as observed by Zwysen, (2024). These conditions negatively affect job satisfaction and commitment, thereby exacerbating employee turnover intentions.

In Kenya, the situation is further complicated by documented labour concerns. Kenya Law Reports records 493 cases between 2014 and 2024 involving alleged mistreatment of outsourced workers, including unfair labour practices, discrimination, and violations of workers’ rights.

Despite these insights, significant gaps remain in the literature. Empirically, there is limited research examining outsourced employee retention within oil and gas companies in Kenya, particularly studies that integrate human resource outsourcing motivators, vendor relationship management, and employee retention within a single analytical framework. Contextually, most existing studies are conducted outside Kenya, limiting their applicability to the domestic environment. Methodologically, prior research has largely adopted either qualitative or quantitative approaches in isolation, as seen in studies such as Abdul-Halim et al. (2014), thereby lacking the depth and robustness that mixed-methods designs can provide.

Against this backdrop, this study addresses the critical need to examine how vendor relationship management mediates the relationship between human resource outsourcing drivers and employee retention in oil and gas companies in Kenya. By integrating these dimensions, the study seeks to provide a more comprehensive understanding of how outsourcing strategies translate into employee outcomes and to offer evidence-based insights for improving retention of outsourced staff.

4. Purpose of the study

The main purpose of the study is to examine the mediating effect of vendor relationship management on the relationship between human resource outsourcing motivators and employee retention among oil and gas companies in Kenya.

5. Research Hypothesis

H₀: Vendor relationship management does not have a significant mediating effect on the relationship between human resource outsourcing motivators and employee retention among oil and gas companies in Kenya.

6. Literature Review

Literature review is critical to determining the existing knowledge through a review of theoretical literature, empirical review and a conceptual framework.

6.1 Theoretical Review

Agency theory, as advanced by Stephen Ross (1973, 1974), Barry Mitnick (1973–1975), and Jensen and Meckling (1976), provides a robust theoretical foundation for explaining vendor relationship management (VRM) within human resource outsourcing (HRO) arrangements. The theory conceptualizes outsourcing as a principal–agent relationship, where the client organization (principal) delegates HR functions to a vendor (agent), creating conditions for potential misalignment of interests (Bolumole et al., 2007 ; Shapiro, 2005 ; Eisenhardt, 1989).

Central to this relationship is the challenge of information asymmetry, where agents may possess superior information, potentially leading to opportunistic behaviour and inefficiencies if not properly governed (Xiao et al., 2024). Within this context, VRM emerges as a critical governance mechanism that mitigates vendor risks through structured oversight, transparency, and accountability. Mechanisms such as clearly defined contracts, service-level agreements, performance monitoring systems, and incentive alignment are essential tools for ensuring that vendor actions align with organizational objectives (Syafriadi et al., 2023) .

Agency Theory emphasizes the importance of preventing opportunistic behaviours from both principal and agent through cost management and vendor relationship management via progressive contracts. Contracts define expectations, duties, and incentives hence minimizing agency costs and aligning interests of both parties (Baker et al., 2002, Xiao et al., 2024). Effective Vendor Relations, grounded in well-designed contractual and relational controls, enables organizations to enforce standards related to employee welfare, fair compensation, and working conditions, thereby preventing opportunistic behaviours and enhancing employee satisfaction and retention (Xiao et al., 2024).

Therefore, Agency Theory positions Vendor Relationship Management as the critical link between outsourcing motivations and employee retention by emphasizing the role of governance structures in aligning principal–vendor interests, reducing uncertainty, and improving employment outcomes in outsourced arrangements.

6.2 Literature review

Contract management is widely recognized as the backbone of effective vendor relationship management (VRM) in human resource outsourcing (HRO), but its effectiveness is largely dependent on the level of vendor expertise. While instruments such as service-level agreements (SLAs), key performance indicators (KPIs), and legally robust contracts provide the formal governance structure, their successful implementation relies on the technical and managerial capabilities of the vendor. Empirical evidence highlights that clearly defined SLAs and KPIs are essential for ensuring service quality, accountability, and performance monitoring (Subir Sarkar et al., 2025; Sakib et al., 2023; Quélin & Duhamel, 2003). However, these mechanisms assume that vendors possess sufficient expertise to meet and sustain the required standards.

The importance of aligning contract design with vendor capability is further emphasized by Platz and Temponi (2007), who argue that outsourcing contracts should explicitly define service quality expectations, performance metrics, communication channels, and the allocation of HR responsibilities such as recruitment, training, and compensation. These contractual elements are critical in shaping employee experiences and, ultimately, retention outcomes. When managed by competent vendors, such frameworks can enhance service delivery, ensure compliance, and improve employee satisfaction.

Conversely, failures in outsourcing are often linked to weak contract management and inadequate vendor capability. Barthélemy and Adsit (2003) identify common pitfalls including poor vendor selection, ineffective contracts, neglect of employee-related issues, and lack of monitoring, all of which undermine outsourcing success. These findings suggest that contract management must go beyond formal documentation to include continuous evaluation of vendor expertise and performance. Additionally, the level of contractual risk borne by vendors varies depending on the nature of outsourced tasks, outsourcing motivations, and contract duration (Suresh & Ravichandran, 2022). Vendors with higher expertise are better equipped to manage such risks and adapt to evolving contractual demands, thereby sustaining performance over time. Further, no single factor explains effectiveness of vendor relationship performance universally, other variables type of activity (core or non-core); industry context and provider location (Lahiri et al., 2022).

In conclusion, vendor expertise is a critical enabler of effective contract management within VRM. It strengthens the mediating role of VRM between HRO drivers and employee retention by ensuring that contractual provisions are not only well-designed but also effectively implemented. Thus, organizations must integrate rigorous contract management with careful evaluation of vendor capabilities to achieve sustainable outsourcing outcomes and improved employee retention.

Vendor expertise constitutes a critical yet often underexplored dimension of vendor relationship management (VRM) in human resource outsourcing (HRO). While VRM is commonly framed in terms of governance mechanisms such as contracts, monitoring, and service-level agreements, the technical and human capital capabilities embedded within vendor firms significantly shape outsourcing outcomes. Empirical evidence by Abdul-Halim et al. (2014) indicates that service quality—largely driven by vendor expertise—plays a moderating role in strengthening outsourcing partnerships and improving performance outcomes. Similarly, Iheriohanma & Austin-Egole (2020) demonstrate that specialized vendor capabilities enhance efficiency and service delivery, reinforcing the strategic value of outsourcing arrangements.

From a theoretical standpoint, vendor expertise can be anchored within Transaction Cost Economics (Oliver Williamson, 1985) and Resource-Based View (Jay Barney, 1991). While Transaction Cost Economics emphasizes cost efficiency and governance (Shen & Sun, 2020 ; Khan et al.,2022) , the Resource-Based View positions vendors as strategic partners that provide access to rare and inimitable capabilities . In this regard, outsourcing extends beyond cost minimization to include capability enhancement through expert service providers (Nnabugwu, 2024). However, the extent to which these capabilities translate into organizational value depends on the effectiveness of VRM in aligning vendor competencies with organizational objectives.

Importantly, vendor expertise has direct implications for employee retention in outsourced arrangements. Competent vendors are more likely to implement structured HR practices—such as fair compensation, training and development, and compliance with labour standards—which positively influence job satisfaction, perceived organizational support, and equity perceptions. These factors are well-established predictors of employee retention (Klaas et al., 2001; Obi et al., 2021). Conversely, inadequate vendor expertise may result in poor service delivery, weak HR systems, and substandard working conditions, thereby increasing turnover intentions among outsourced employees.

Nevertheless, vendor expertise alone is insufficient without effective VRM. Strong governance mechanisms that promote vendor legitimacy—including performance monitoring, contractual clarity, and relational coordination—are necessary to ensure that vendor capabilities are effectively leveraged(Hsu et al., 2022). As argued by Eisenhardt (1989), aligning agent behaviour with principal objectives requires both incentives and monitoring structures. Therefore, vendor expertise should be conceptualized as an enabling resource that enhances the mediating role of VRM between HRO drivers and employee retention.

6.3 Empirical Literature Review

The study reviewed various studies which are highlighted hereunder.

Platz and Temponi (2007) investigated the prevalent elements within customer-vendor outsourcing contracts, analysed common contractual issues, and proposed a theoretical model elucidating the relationship between these parties. Their research, based on a literature survey, aimed to develop a model for optimal outsourcing agreements. Key contractual components identified included service level and quality agreements, performance incentives and penalties, communication protocols, confidentiality clauses, costing and pricing structures, staff transfer provisions, liability allocation, and terms for disengagement and dispute resolution. Complementing this, Barthélemy and Adsit (2003) outlined critical variables for vendor prequalification through due diligence, emphasizing a vendor's capacity to provide cost-effective, advanced solutions, expertise , experience, and financial stability.

Kumar and Yakhlef, (2016) conducted an empirical investigation into employee attrition—particularly in outsourced or vendor-managed arrangements— and capacity to negatively destabilize business-to-business (B2B) relationships. Managing B2B relationships under conditions of employee attrition requires more than reactive staffing solutions, it demands deliberate transparency. By reducing information asymmetry, strengthening contracts, and fostering open collaboration, organizations can transform attrition from a disruptive risk into a manageable operational variable. Ultimately, transparency not only stabilizes vendor relationships but also supports sustainable performance and long-term business value.

Mboga and Needham, (2018)the shift toward global outsourcing, has significantly transformed organizational decision-making. However, evidence suggests that outsourcing initiatives undertaken without thorough vendor evaluation face a high risk of failure, with up to 50% collapsing within five years. Drawing on a case study of Red14 Enterprise (R14E), a U.S.-based client outsourcing warranty claims processing, the study examines factors that influence vendor personnel performance in achieving client objectives. The findings highlight that successful outsourcing depends on effective vendor relationship management, particularly in monitoring vendor performance and ensuring alignment with client expectations. Strengthening oversight and evaluation

mechanisms can improve service delivery, reduce failure rates, and enhance outsourcing outcomes. Beyond organizational benefits, successful outsourcing arrangements also contribute to employee job stability and broader economic development within local communities.

Hiean et al., (2018) examined the influence of vendor selection on employee morale and its implications for human resource outsourcing (HRO) decisions within private organizations in Melaka. Using a quantitative approach, data were collected from 60 respondents through questionnaires and analyzed using SPSS (Version 21). The findings reveal a strong and statistically significant relationship between employee morale and HRO decisions ($r = 0.761$, $p < 0.05$), indicating that employees' attitudes and perceptions play a critical role in shaping outsourcing outcomes. Importantly, the findings highlight the centrality of vendor selection within vendor relationship management. Organizations must ensure that selected vendors possess not only technical expertise but also the ability to understand employee needs and organizational dynamics. Effective vendor selection, therefore, enhances employee morale and supports successful outsourcing implementation. Conversely, poor vendor choices may exacerbate employee dissatisfaction and compromise the overall effectiveness of HRO decisions.

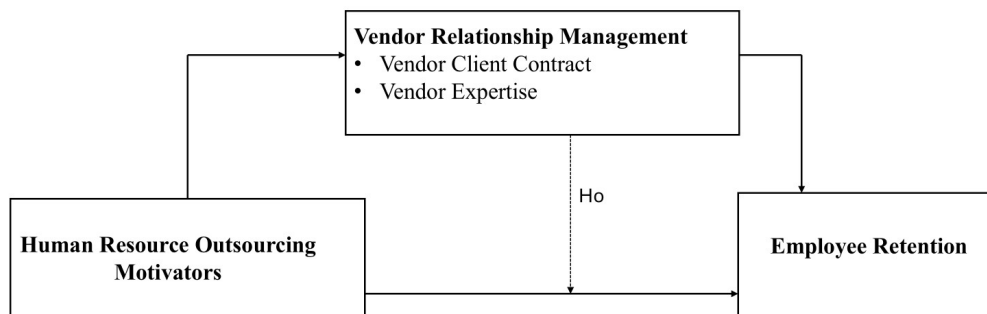
Akinyi (2022) investigated the intervening effect of vendor characteristic on the relationship between HR outsourcing and effectiveness of the HR function within HR departments. The study was conducted among firms registered with the Institute of Human Resource Management (IHRM) in Nairobi, Kenya. The findings revealed vendor characteristics were found to moderate the relationship between recruitment outsourcing and HR effectiveness ($\beta = 0.314$, $p < 0.05$). Vendor characteristics -vendor service cost, contract flexibility, specialization, expertise, qualifications, credibility, quality service guarantee- demonstrate a statistically significant positive relationship with HR outsourcing -recruitment outsourcing and training outsourcing- and the effectiveness of the HR function ($\rho = 0.581$, $p < 0.01$). This indicates that variations in vendor characteristics account for approximately 58.1% of the variance observed in HR function effectiveness, suggesting a substantial and notable influence.

Suresh and Ravichandran, (2022) investigated how the benefits of BPO for vendor firms vary depending on contractual risk, which is shaped by the type of task outsourced, the client's outsourcing motive, and contract length. Analysing 231 BPO announcements over thirteen years through an event study, the results show that BPO generally generates significant gains for vendors, especially in knowledge-intensive processes. However, vendors experience losses when contracted to build client-specific capabilities in such knowledge-intensive areas. Although longer contracts increase vendor gains, these advantages do not significantly differ across task types

Zhang and Liang, (2023) examine how power asymmetries between client firms and supplier firms within the information technology outsourcing (ITO) supply chain shape supplier-side human resource management practices, with particular emphasis on talent retention. Using a qualitative multi-case design, the research draws on evidence from four supplier firms and three client firms, supported by 53 in-depth interviews. Grounded in Transaction Cost Economics, the findings reveal that client-supplier relationships are largely transactional and dominated by client firms. This dominance is reflected in a "three-dimensional control" structure, where clients dictate the purpose ("why"), scope ("what"), and execution ("how") of outsourced activities. Such extensive control constrains supplier autonomy, limiting their ability to implement effective HRM practices and weakening their capacity to retain skilled employees. The study further demonstrates that this imbalance contributes to elevated talent turnover within supplier firms. In turn, persistent turnover reinforces client dominance by increasing supplier dependency, thereby creating a self-reinforcing "vicious cycle" of talent attrition within the ITO supply chain. Overall, the findings underscore that power imbalances in outsourcing relationships are a critical determinant of supplier HRM effectiveness and employee retention outcomes.

Khan et. al (2026) vendor management in outsourcing presents several challenges that can negatively affect product quality. Although outsourcing has been widely studied, there is still limited comprehensive discussion on the specific challenges associated with vendor management. A global survey involving 80 respondents from Asia, Europe, North America, and Australia identified key outsourcing challenges and ranked them using the Analytic Hierarchy Process (AHP) technique. The findings revealed that the most significant challenge was requirement analysis, followed by lack of expertise and limited technical capability. These challenges were considered major factors influencing the quality and effectiveness of outsourced services and products in software companies.

6.4 Conceptual framework



Source: Field Data

This conceptual framework positions vendor relationship management (VRM) as a pivotal mediating mechanism linking human resource outsourcing motivators to employee retention outcomes. While outsourcing motivators influence the decision to outsource, their direct effect on retention remains inconsistent and is largely dependent on the governance of vendor relationships. VRM operationalizes outsourcing intentions into employee outcomes by shaping the quality of interactions between client firms and vendors through clear contractual structures, adherence to service-level agreements, and the deployment of vendor expertise, which collectively influence working conditions, support systems, and perceptions of fairness among outsourced employees. Effective VRM fosters alignment, transparency, and stability in HR practices across organizational boundaries, thereby strengthening employee commitment and reducing turnover intentions. Consequently, VRM is conceptualized as a partial mediator through which outsourcing drivers indirectly affect retention, underscoring that the success of outsourcing strategies in sustaining workforce stability depends not only on the underlying motivations but also on the quality of vendor governance within complex employment arrangements.

7. Research Methodology

This section outlines the research methodology used to generate reliable and valid findings.

7.1 Research Philosophy and Research Design

The study adopted pragmatism research philosophy which advocates for a mixed methods research design. A mixed methods research design, combines quantitative and qualitative approaches reducing bias and enhancing credibility (Creswell & Plano Clark, 2007; Johnson & Onwuegbuzie, 2004; Creswell & Creswell, 2018).Quantitative data was gathered using a semi-structured questionnaire on HR outsourcing motivators and employee retention. Responses were measured on a 5-point Likert scale, and the data was analysed using descriptive and inferential statistics in SPSS version 26 and Microsoft Excel. Qualitative responses were analysed using thematic analysis based on the six-step approach developed by Braun and Clarke (2006). NVivo 14 software supports systematic coding, theme development, and interpretation of the data.

7.2 Target Population and Sampling Design

The study focused on 219 oil and gas firms drawn from a population of 430, with a sample of 125 companies selected using the Olonite sampling technique. Data were collected from 211 respondents comprising Heads of Human Resources and Heads of Procurement, resulting in an 84.4% response rate. Stratified random sampling was used to group firms into relevant categories, while purposive sampling guided the selection of HR and procurement participants.

7.3 Data Collection Instrument , Data Collection Procedures

Quantitative and qualitative data were collected using semi-structured questionnaires, with validity and reliability established through expert review and Cronbach's alpha testing. Ethical clearance and research permits were obtained from Daystar ISERC and NARCOSTI, and informed consent was secured from all participants. Data collection was supported by trained research assistants, resulting in an 84.4% response rate achieving an 84.4% response rate.

8. Results and Findings

8.1 Vendor Relationship Management

This section examined the mediating role of vendor relationship management in influencing employee retention. The descriptive findings indicate differing levels of effectiveness and satisfaction across various dimensions of vendor partnerships. Table 1 summarizes the descriptive statistics for the vendor relationship management variables.

Table 1: Vendor Relationship Management

Statement	Mean	Std. Deviation
Our organization is satisfied with vendor service quality	4.09	1.138
Our organization is satisfied with vendor specialized skills	3.96	1.088
Our organization is satisfied with agility in downsizing/upsizing	3.75	1.173
Contract terms clearly define responsibilities and expectations	3.58	0.989
Vendor reliability and communication meets requirements	3.48	1.458
Our organization is satisfied with vendor contract risk minimization	3.44	1.345
There is a comprehensive contract between company and vendor	3.40	1.070
Vendor consistently meets service level agreement terms	3.22	1.143
Average	3.62	1.175

Key: M = Mean; SD = Standard Deviation

Source: Field Data (2025)

Vendor relationship management was identified as a key factor influencing the success of outsourcing initiatives. Respondents reported positive perceptions of vendors' service quality and technical expertise, indicating that external partners generally fulfill expected performance standards. Iheriohanma and Austin-Egole, (2020); Barthélemy and Adsit (2003) findings affirm that outsourcing effectiveness is largely driven by vendors' specialization in particular business processes, which enhances service delivery quality. However, concerns were raised regarding inconsistent compliance with service-level agreements and irregular communication, highlighting weaknesses in contract governance and performance oversight. The variation in organizational experiences suggests differences in vendor reliability, underscoring the need for careful vendor selection, ongoing performance evaluation, and well-defined contractual frameworks to maintain effective outsourcing relationships.

Qualitative findings highlight vendor expertise as a key driver for outsourcing, as organizations valued specialized skills and capabilities even in essential functions. Key areas of expertise included technical knowledge, access to costly equipment, regulatory compliance, implementation of international standards, and emergency response support. Vendors contribution to knowledge transfer and strengthening internal staff capacity to ensure long-term sustainability was underscored. In contrast, the study identified several vendor relationship governance challenges, including difficulties in enforcing contracts, unclear service standards, and imbalanced contractual terms. These insights are consistent with the descriptive results, where adherence to service-level agreements recorded the lowest satisfaction ratings among vendor-related measures. This suggests that the effectiveness of vendor relationships depends not only on technical competence -expertise- but also on the strength of contractual and oversight mechanisms.

Additionally, qualitative evidence highlighting disparities in benefits and limited career progression opportunities aligns with descriptive findings showing that competitiveness of market-based salaries was rated lowest among retention factors. Meanwhile, internal equity received the highest ratings, pointing to gaps in how compensation is positioned externally. Organizational size also emerged as the most influential institutional driver, as reflected consistently in both qualitative responses and descriptive analysis. This validates Klaas et al. (2001) finding that organizational complexity drives outsourcing decisions. Union avoidance motivations align with Boccalatte (2019) labor relations research.

8.2 Correlation Analysis

Table 2: Correlation Matrix - Employee Retention and Study Variables

		Employee Retention (r)	Institutional Motivators	Environmental Motivators	Strategic Motivators	Functional Motivators	Vendor Relationship Management
Vendor Relationship Management	Pearson Correlation	.221**	-0.035	0.108	.404**	.503**	1.000
	Sig. (2-tailed)	0.001	0.617	0.118	0.000	0.000	

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

Source: Field Data (2025)

Vendor relationship management exhibited a weaker but statistically significant positive correlation with employee retention ($r = 0.221$, $p < 0.05$). This weaker association suggests that while vendor relationships contribute to retention, their impact is less direct, possibly operating through mediation mechanisms. The variability in this relationship across firms reflects the uneven quality of vendor governance and contractual management within the sector.

In addition, vendor relationship management shows a non-significant negative relationship with institutional motivators ($r = -0.035$, $p = 0.617$), indicating no meaningful linear relationship between these variables. Similarly, the non-significant positive relationship between vendor relationship management and environmental motivators ($r = 0.108$, $p = 0.118$) suggests that environmental pressures do not directly translate into vendor relationship quality. These non-significant outcomes indicate that vendor relationship practices are relatively independent of organizational and environmental characteristics, reducing concerns of multicollinearity among predictor variables.

The positive and significant correlations between outsourcing motivators and employee retention align with findings from previous studies examining outsourcing outcomes. Similar to the work of Gilley and Rasheed (2000), who found positive relationships between strategic outsourcing decisions and organizational performance, the current study demonstrates that well-considered outsourcing motivations contribute to favourable human resource outcomes. The particularly strong positive and significant relationship between functional motivators and retention ($r = 0.618$) resonates with Quinn and Hilmer's (1994) argument that strategic decisions about core competencies fundamentally shape organizational capabilities, including the ability to retain critical talent.

The moderate positive and significant relationship between environmental motivators and retention ($r = 0.542$) supports institutional theory perspectives advanced by DiMaggio and Powell (1983), who emphasized that organizations respond to environmental pressures in ways that shape internal practices. However, the current study extends this theoretical framework by demonstrating that environmental adaptation strategies can positively influence employee retention rather than merely ensuring organizational survival. This finding contrasts with some critical perspectives on outsourcing that view environmental pressures as leading to employment instability.

The relatively weak positive and significant relationship between vendor relationship management and employee retention ($r = 0.221$) presents an intriguing finding that diverges from some previous research. Kern and Willcocks (2002) emphasized the centrality of vendor relationships in outsourcing success, while the current study suggests a more nuanced dynamic. This weaker relationship may reflect the context-specific nature of vendor management effectiveness in the Kenyan oil and gas sector, where infrastructure challenges, regulatory complexity, and market maturity may mediate the impact of relationship quality on retention outcomes. Alternatively, this finding may support arguments by Lacity and Willcocks (2014) that vendor relationship management operates primarily as an enabling condition rather than a direct driver of specific outcomes.

The non-significant correlations between vendor relationship management and both institutional motivators ($r = -0.035$, $p = 0.617$) and environmental motivators ($r = 0.108$, $p = 0.118$) suggest conceptual independence between these constructs. This finding challenges some theoretical models that assume vendor relationship

practices emerge directly from organizational or environmental characteristics. Instead, the results suggest that vendor relationship management may represent a distinct organizational capability that develops independently of founding motivations, consistent with dynamic capabilities perspectives articulated by Teece et al. (1997).

8.3 Mediating Effect of Vendor Relationship Management

The hypothesis tested was:

H₀: Vendor relationship management does not have a significant mediating effect on the relationship between human resource outsourcing motivators and employee retention among oil and gas companies in Kenya.

The mediating effect was tested using Baron and Kenny's (1986) four-step approach, where regression analysis is conducted and the significance of coefficients is tested at each step. This systematic approach enables rigorous assessment of both direct and indirect effects of human resource outsourcing motivators on employee retention through the intermediary role of vendor relationship management.

The mediation analysis followed four sequential regression models:

Step 1: A regression analysis with HRO motivators predicting Employee Retention E

$$R = \beta_{01} + \beta_1 \text{HRO} + \varepsilon$$

Step 2: A regression analysis with HRO motivators predicting Vendor Relationship Management

$$\text{VRM} = \beta_{02} + \beta_2 \text{HRO} + \varepsilon$$

Step 3: A regression analysis with Vendor Relationship Management predicting Employee Retention

$$\text{ER} = \beta_{03} + \beta_3 \text{VRM} + \varepsilon$$

Step 4: A regression analysis with HRO motivators and Vendor Relationship Management predicting Employee Retention

$$\text{ER} = \beta_{04} + \beta_4 \text{HRO} + \beta_5 \text{VRM} + \varepsilon$$

Where:

ER = Employee Retention

HRO = Composite of Institutional, Environmental, Strategic, and Functional motivators

VRM = Vendor Relationship Management

Steps 1-3 establish zero-order relationships among the variables. Baron and Kenny (1986) argue that situations where one or more of the relations is non-significant indicate no possibility of mediation. If significant relationships exist from steps 1 through 3, one proceeds to step 4, where mediation is supported if the effect of HRO remains significant after controlling for VRM. Complete mediation occurs when HRO becomes non-significant when VRM is controlled, while partial mediation exists when both HRO and VRM significantly predict ER in the final model.

Table 3 presents a summary of the mediating effect of vendor relationship management across all four steps of the Baron and Kenny (1986) procedure, including regression coefficients and model summary statistics.

Table 3: Mediating Effect of Vendor Relationship Management

Variables	Model 1 (Step 1)	Model 2 (Step 2)	Model 3 (Step 3)	Model 4 (Step 4)
	B (Std. Error)	B (Std. Error)	B (Std. Error)	B (Std. Error)
(Constant)	0.364 (0.212)	1.262 (0.289)	1.656 (0.192)	0.035 (0.207)
HROM	0.892 (0.059)	0.652 (0.080)	-	0.722 (0.063)
Vendor_Mean	-	-	0.527 (0.053)	0.261 (0.048)
Model Statistics	Summary			
R	0.724	0.490	0.569	0.764
R ²	0.524	0.240	0.323	0.584
Adjusted R ²	0.522	0.237	0.320	0.580
Std. Error of the Estimate	0.412	0.561	0.491	0.386
R ² Change	0.524	0.240	0.323	0.060
F	230.242	66.106	99.934	146.227
Sig.	.000***	.000***	.000***	.000***

Source: Field Data (2025)

Notes:

Model 1 (Step 1): Total Effect (HRO → Employee Retention) - Path c

Model 2 (Step 2): HRO → Vendor Relationship Management - Path a

Model 3 (Step 3): Vendor Relationship Management → Employee Retention - Path b

Model 4 (Step 4): HRO + Vendor Relationship Management → Employee Retention - Direct Effect (c') and Mediator Effect

p < .001

HROM = Human Resource Outsourcing Motivators (composite variable)

Vendor Mean = Vendor Relationship Management (composite variable)

The fitted regression equations for the four mediation steps are:

Model 1 (Total Effect):

$$ER = 0.364 + 0.892(HROM)$$

Model 2 (Path a):

$$VRM = 1.262 + 0.652(HROM)$$

Model 3 (Path b):

$$ER = 1.656 + 0.527(VRM)$$

Model 4 (Direct and Indirect Effects):

$$ER = 0.035 + 0.722(HROM) + 0.261(VRM)$$

Model 1 (Step 1): Total Effect (HRO on Employee Retention)

Model 1 shows that human resource outsourcing motivators significantly predict employee retention ($B = 0.892$, $p = 0.000$, $R^2 = 0.524$). This means that HRO motivators alone explain 52.4% of the variance in employee retention, representing a strong positive total effect. The result confirms that outsourcing motivators play a crucial role in shaping retention outcomes within oil and gas companies.

Model 2 (Step 2): HRO on Vendor Relationship Management

In Model 2, human resource outsourcing motivators significantly predict vendor relationship management ($B = 0.652$, $p = 0.000$, $R^2 = 0.240$). This indicates that 24.0% of the variance in vendor relationship quality is explained by the extent of outsourcing motivators. The positive coefficient suggests that firms with stronger institutional, strategic, environmental, and functional outsourcing motives are more likely to invest in effective vendor relationships, supporting structured contract management and performance monitoring.

Model 3 (Step 3): Vendor Relationship Management on Employee Retention

Model 3 demonstrates that vendor relationship management alone significantly predicts employee retention ($B = 0.527$, $p = 0.000$, $R^2 = 0.323$). This implies that 32.3% of the variance in employee retention can be explained by vendor management quality. A strong vendor relationship fosters communication, reliability, and performance accountability, which in turn enhance employee satisfaction and reduce turnover.

Model 4 (Step 4): HRO and VRM on Employee Retention (Direct and Indirect Effects)

When both HRO and VRM are included, the results show that HRO motivators ($B = 0.722$, $p = 0.000$) and vendor relationship management ($B = 0.261$, $p = 0.000$) each exert significant positive effects on employee retention ($R^2 = 0.584$). The model's explanatory power increased by 6% (from 0.524 to 0.584), while the standard error decreased from 0.412 to 0.386, indicating an improved model fit. Because both predictors remain significant, this confirms partial mediation vendor relationship management strengthens but does not fully absorb the effect of outsourcing motivators on retention. The Sobel test further validated the mediation effect ($z = 4.17$, $p = 0.000$), confirming that the indirect path via vendor relationship management is statistically significant.

Finally, the study investigated whether vendor relationship management mediates the relationship between human resource outsourcing motivators and employee retention. The mediation model illustrated that vendor relationship management remained significant in the final model ($\beta = 0.261$, $p = 0.000$) while human resource outsourcing motivators also remained significant, confirming partial mediation. This means outsourcing motivators improve retention directly, and they also improve retention indirectly through better governed vendor relationships. The increase in explained variance when vendor relationship management was introduced into the model shows that structured contracts, clear service level agreements, vendor expertise and continued performance monitoring strengthen the positive effects of outsourcing. These findings are consistent with Abdul-Halim et al. (2014) who argued that vendor relationship quality, communication, and trust enhance the success of HR outsourcing.

9. Findings

The study findings indicated that vendor relationship management partially mediates the relationship between human resource outsourcing motivators and employee retention ($\beta = 0.261$, $p = 0.000$; $R^2 = +0.060$). The inclusion of vendor relationship management in the final regression model improved explanatory power from 0.524 to 0.584, confirming the hypothesis (H). This means that effective vendor governance, built on clear service-level agreements, transparent communication, and continuous performance monitoring, strengthens the positive impact of outsourcing motivators. The finding aligns with Agency Theory, demonstrating that aligning principal-agent relationships through accountability mechanisms fosters retention of outsourced staff.

10. Conclusion

Vendor relationship management significantly and partially mediates the relationship between human resource outsourcing motivators and employee retention, as revealed through the Baron and Kenny (1986) four-step mediation analysis. This means outsourcing motivators improve retention both directly and through strong partnerships with vendors, where good communication, contract adherence, and vendor expertise help employees feel valued. However, the partial nature of this mediation indicates that organizations must also invest directly in employee-focused initiatives alongside vendor relationship structures.

11. Recommendations

The Ministry of Labour and Social Protection should develop sector-specific outsourcing guidelines requiring firms to file annual vendor compliance reports covering employee welfare and retention indicators.

Policy makers should introduce guidelines that encourage equal pay for comparable work among outsourced staff performing similar functions to client staff

Firms should align outsourcing decisions with external regulatory frameworks, labour market conditions, industry conditions and compliance standards to enhance job stability

Organizations should promote governance through developing robust contracts with vendors, establishing clear performance metrics, enforcing service-level agreements, due diligence on vendor expertise that safeguard outsourced employees' welfare.

Future research may investigate; conceptualization of vendor relationship management as a mediating construct within the outsourcing–retention nexus, supporting the theoretical framework observed in this study. Further, other constructs of vendor relationship management should be investigated – culture fit, communication, vendor scalability, Systems Integration and Asset specificity.

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