



ST. MARY'S UNIVERSITY
SCHOOL FOR GRADUATE STUDIES
MASTER OF BUSINESS ADMINISTRATION

THE BENEFITS AND CHALLENGES OF HUMAN RESOUC
OUTSOUCING: THE CASE OF BREWAERY COMPANIES IN ETHIOPIA

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ADVISOR
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July ,2025
ADDIS ABABA, ETHIOPIA

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SCHOOL OF GRADUATE STUDIES IN PARTIAL
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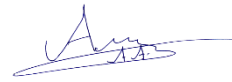
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Declaration

I, Jonathan Girma the undersigned, declare that this thesis entitled: “The Benefits and Challenges of Human Resource Outsourcing: The Case of Brewery Companies in Ethiopia” is my original work. I have undertaken the research work independently with the guidance and support of Dr. Tesfaye Tilahun. This study has not been submitted for any degree or diploma program in this or any other institutions and all sources of materials used for the thesis has been duly acknowledged.

Tesfaye Tilahun (phd)



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Signature

Date

Certificate of Approval

This is to certify that the thesis entitled: “*The Benefits and Challenges of Human Resource Outsourcing: The Case of Brewery Companies in Ethiopia*” submitted in partial fulfilment of the requirements for the degree of Masters of Business Administration of the Postgraduate Studies, Saint Mary University and is a record of original research undertaken by Jonathan Girma under my supervision, and no part of the thesis has been submitted for any other degree or diploma. The assistance and help received during the course of this investigation have been duly acknowledged. Therefore, I recommend it to be accepted as fulfilling the thesis requirements.

Name of Supervisor

Signature

Date

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Abstract

Human Resource Outsourcing (HRO) has gained significant importance globally as organizations seek to reduce costs, improve efficiency, and access specialized expertise. This study investigates the benefits and challenges of HRO in the brewery sector in Ethiopia, a growing and crucial industry for the country's economic development. Using a qualitative research design, the study collected data through in-depth interviews with 24 participants, including country directors, HR managers, and talent acquisition specialists from major brewery companies and HR outsourcing service providers. The findings reveal that recruitment is the most commonly outsourced function, particularly for short-term and high-turnover roles such as promoters, merchandisers, and temporary sales staff. The primary benefits of HRO include cost reduction, improved recruitment efficiency, and the ability for internal HR teams to focus on more strategic functions. However, challenges such as misaligned expectations, low service quality, and insufficient understanding of the brewery sector's unique needs were identified. Both brewery companies and HR service providers are actively working to address these challenges through improved communication, regular performance reviews, and the introduction of new support services. The study recommends that future research expand to other sectors and regions, HR service providers develop a deeper understanding of the brewery sector's needs, and brewery companies establish clear communication channels and expectations. The study also recommends that for HRO to reach its full potential, it must evolve from a cost-saving tactic to a strategic partnership based on mutual understanding, sector-specific expertise, and continuous collaboration.

Keywords: *Human Resource Outsourcing (HRO), recruitment, talent, brewery companies*

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Acronym	Definition
CAGR	Compound Annual Growth Rate
H.R	Human Resource
HRI	Human Resource Intermediary/Intermediaries
HRM	Human Resource Management
HRO	Human Resource Outsourcing
KII	Key Informant Interview
RPO	Recruitment Process Outsourcing
SME	Small and Medium-sized Enterprises
TCE	Transaction Cost Economics
USD	United States Dollar

CHAPTER ONE

INTRODUCTION

1.1. Background of Study

Human Resource Outsourcing (HRO) has gained significant importance globally as organizations increasingly seek ways to reduce operational costs, enhance internal efficiency, and gain access to specialized external expertise (Hailemariam, 2021). As businesses face growing competitive pressures, many have turned to outsourcing specific human resource functions such as recruitment, payroll management, employee training, and benefits administration. According to Grand View Research, the global human resource outsourcing market was valued at USD 24.25 billion in 2023 and is projected to grow at a compound annual growth rate (CAGR) of 12.7% from 2023 to 2030, which reflects the widespread and increasing reliance on outsourcing strategies. This trend has allowed organizations to streamline operations, introduce advanced HR technologies, and reallocate internal resources to more strategic areas of business. Through contractual agreements, companies can delegate routine HR tasks to external service providers, thereby gaining operational flexibility and improving service quality while focusing on their core business priorities (Edwin & Awele, 2015; Kaur, 2022). However, despite the benefits, outsourcing also comes with notable challenges. Companies may experience a reduced level of control over essential HR functions, face declines in service quality, or encounter employee resistance, particularly when internal staff feel disconnected from outsourced processes or fear job insecurity (David et al., 2017; Singh, 2022).

In the context of Ethiopia, the brewery industry presents a valuable and largely unexplored setting to examine the dynamics of human resource outsourcing. As one of the country's largest and fastest-growing manufacturing sectors, the brewery industry plays a key role in economic growth and employment generation. Given its rapid expansion and operational demands, brewery companies are likely to benefit from the efficiency and specialization that HRO can offer. However, empirical studies investigating the impact and suitability of HRO within this sector in Ethiopia remain limited. Existing research by scholars such as Alzhrani (2020) and Kaur (2022) has largely focused on the general advantages and drawbacks of HRO without addressing its specific application in the manufacturing environment of Ethiopian breweries. This is a significant gap, considering that manufacturing industries typically emphasize workforce adaptability and

technical skills more than service-based sectors. Understanding how HRO affects these factors is essential for developing effective HR strategies in such industries. Therefore, this study aims to explore the benefits and challenges of human resource outsourcing within Ethiopian brewery companies, offering insights into its benefits, challenges, and overall impact on HR management. By doing so, it contributes to a more nuanced understanding of how HRO practices can be adapted and optimized for manufacturing firms in emerging markets like Ethiopia.

1.2. Statement of Problem

Human Resource Outsourcing (HRO) is the process of transferring specific HR functions, such as recruitment, payroll, and training, to external service providers through contractual agreements (Edwin & Awele, 2015; Kaur, 2022). This approach allows organizations to focus on their core business activities while benefiting from specialized expertise, reducing operational costs, and increasing efficiency. Globally, HRO has evolved alongside the strategic transformation of Human Resource Management (HRM), shifting from administrative tasks to becoming a central contributor to organizational strategy. By outsourcing non-core functions, companies can reduce the administrative burden on internal HR teams, improve compliance with legal and regulatory standards, and gain access to advanced HR technologies and broader talent pools (Patrick, 2021).

In Ethiopia, where organizations often face challenges such as limited resources and regulatory complexities, HRO holds promise. The cost efficiency provided by outsourcing is especially relevant in the Ethiopian context, where businesses frequently operate under resource constraints. Moreover, the opportunity to access specialized expertise and advanced HR technologies is critical for companies aiming to enhance their competitive edge and improve workforce capabilities (Mohammed, 2020). In dynamic industries like brewing, outsourcing can enable firms to meet fluctuating market demands while addressing critical HR needs such as recruitment and compliance. By adopting HRO, companies can better navigate local challenges and align their HR strategies with broader organizational goals (Auma, 2018).

Studying the benefits and challenges of Human Resource Outsourcing (HRO) is essential for understanding its impact on organizational performance and long-term success. HRO offers significant advantages, such as cost efficiency, access to specialized expertise, and enhanced operational flexibility, making it an increasingly popular strategy across various industries (Edwin & Awele, 2015; Awe et al., 2018). However, these benefits come with challenges, including potential loss of control over critical HR functions, reduced service quality, and employee

resistance (David et al., 2017; Singh, 2022). Without proper research, organizations may fail to anticipate these drawbacks, which could lead to inefficiencies, low morale, and reputational risks.

Past literature indicates that HR outsourcing improves cost efficiency, provides access to specialized expertise, and allows organizations to focus on core activities. In addition, studies also show that it presents challenges like loss of control, vendor dependency, data security risks, and reduced employee commitment (Alzhrani, 2020; Singh, 2022; Wallo & Kock, 2018). These benefits and challenges, however, are largely theoretical, and empirical evidence remains very limited and often contradictory.

Some studies find that HR outsourcing leads to significant improvements in efficiency, competitiveness, and organizational performance, especially in terms of cost reduction and access to expertise (Wallo & Kock, 2018; Singh, 2022). However, other research suggests that the positive outcomes of HR outsourcing are limited or even counterproductive in some contexts. For instance, Gitiye & Omondi (2018) found that outsourcing functions like recruitment and payroll management negatively impacted firm performance. Similarly, Hossain (2021) found that HR outsourcing reduced costs but failed to significantly support organizational growth and negatively affected employee commitment. Edvardsson & Óskarsson (2021) also found that while HR outsourcing offered operational simplifications for SMEs in Iceland, its overall benefits were insignificant. These contrasting findings underline the complexity of HR outsourcing and emphasize the need for further research to clarify its actual effects, particularly within specific industries like the brewery sector. In addition, despite the growing HR outsourcing practices in Ethiopia, there have been very limited studies concerning the associated benefits and challenges of HR outsourcing, with the only study being the assessment of the benefits and challenges of HR outsourcing at Dalhousie by Hailemariam (2023), which found that HR outsourcing in Ethiopia is limited, with challenges in legal frameworks, provider-recipient relationships, costs, and risks, but it offers potential benefits in cost reduction, quality improvement, and focus. However, the study focused on a single university and one HR outsourcing company, so its findings may not be directly applicable to brewery companies, which operate under different regulatory, organizational, and operational conditions. Therefore, it is essential to investigate the benefits and challenges of HR outsourcing specifically within the brewery sector in Ethiopia to capture its unique dynamics and requirements. This study qualitatively explores the benefits and challenges of HR outsourcing in

Ethiopian brewery companies from the perspective of both HR outsourcing service providers and selected brewery companies.

Human Resource Outsourcing typically involves transferring specific HR functions such as recruitment, payroll processing, training and development, benefits administration, employee onboarding, compliance with labor laws and regulations, performance management, employee relations, and HR consulting to external service providers through contractual agreements

This study focuses on the qualitative assessment of Human Resource Outsourcing (HRO) in Ethiopian brewery companies, with particular attention to both the benefits and challenges associated with outsourcing key HR functions. These functions typically include recruitment, payroll management, employee training, benefits administration, legal compliance, employee relations, and onboarding processes.

The decision to focus on brewery companies stems from the unique dynamics of the industry in Ethiopia. These include operational complexities, resource limitations, and regulatory challenges that make HR outsourcing both a strategic necessity and a practical consideration. Furthermore, there is a notable gap in empirical research on HRO within this specific sector, making it a valuable area of inquiry.

Expected benefits of HRO in the brewery sector include enhanced cost efficiency, access to specialized HR expertise, greater operational flexibility, and improved compliance with labour laws and industry regulations. These advantages can support breweries in achieving more streamlined HR operations and better overall performance.

However, the study also considers several potential challenges that companies may face when outsourcing HR functions. These include the risk of losing managerial control over core HR activities, concerns about the quality and consistency of outsourced services, potential resistance from employees who may fear job insecurity or change, and the limitations posed by the current legal and regulatory frameworks in Ethiopia.

Overall, this research aims to provide a balanced view of HRO's role in the brewery industry, offering insights that can inform strategic decision-making for both practitioners and policymakers.

1.3. Research Questions

1. Which of their HR functions do brewery companies in Ethiopia outsource?
2. What are the key challenges that brewery companies in Ethiopia face when outsourcing their human resource functions?
3. What are the key benefits that brewery companies in Ethiopia obtain when outsourcing their human resource functions?
4. How can the challenges of human resource outsourcing be addressed and its potential advantages maximized?

1.4. Objectives of the Study

1.4.1. General Objective

The general objective of this study is to understand the challenges and benefits of human resource outsourcing in brewery companies of Ethiopia.

1.4.2. Specific Objectives

1. To understand why brewery companies in Ethiopia outsource their HR functions.
2. To understand which HR functions brewery companies in Ethiopia, outsource.
3. To identify the key challenges faced by brewery companies in Ethiopia when using recruitment agencies for human resource outsourcing.
4. To identify the key benefits brewery companies in Ethiopia, obtain when using recruitment agencies for human resource outsourcing.
5. To understand how to address the challenges of human resource outsourcing and maximize its potential advantages.

1.5. Significance of The Study

This study holds both theoretical and practical significance, as it contributes to academic understanding while also offering actionable insights for industry stakeholders. On the theoretical front, the study addresses a critical gap in literature by extending the scope of Human Resource

Outsourcing (HRO) research beyond the commonly studied contexts of developed nations and service-based industries. While existing studies have widely recognized HRO as a strategy for improving efficiency, reducing operational costs, and accessing specialized expertise (Edwin & Awele, 2015; Kaur, 2022), they often generalize findings from sectors that differ significantly from manufacturing. This leaves out the nuanced needs of industries like brewing, where technical expertise, safety compliance, and automation are central to daily operations (Olurin et al., 2023). Moreover, much of the theoretical discussion surrounding HRO tends to focus on its challenges such as organizational control issues and employee resistance (David et al., 2017) without sufficiently exploring its potential benefits in developing countries, where firms face unique regulatory, economic, and workforce-related constraints (Mohammed, 2020). By focusing specifically on the Ethiopian brewery industry, this study enriches existing theory by incorporating geographical and industrial perspectives, thereby offering a more holistic view of HRO that is sensitive to contextual variations. It not only adds to the growing body of literature on outsourcing practices in developing economies but also encourages scholars to reassess dominant assumptions about the applicability and outcomes of HRO across diverse sectors.

In terms of practical significance, this study offers valuable insights for business leaders, human resource professionals, and policymakers who are directly involved in managing or regulating HR functions within manufacturing settings. Ethiopian breweries, like many other firms in resource-constrained environments, often struggle with limited internal capacities and face difficulties in recruiting and retaining skilled labor (Mohammed, 2020). In such cases, effective outsourcing can serve as a vital tool for enhancing operational performance and ensuring regulatory compliance (Olurin et al., 2023). However, without adequate research grounded in their specific context, decision-makers may lack the guidance necessary to implement HRO strategies effectively. By examining real-world HRO practices in the Ethiopian brewery industry, this study provides practical evidence on how outsourcing can help businesses navigate internal limitations and external challenges. It sheds light on which functions are best suited for outsourcing, what outcomes can be realistically expected, and what risks need to be managed (David et al., 2017). These findings can assist companies in making more informed, strategic decisions about outsourcing, while also helping policymakers craft regulations that support responsible and efficient HR practices. Furthermore, the insights derived from this study can be applied to other manufacturing sectors operating under similar socio-economic and regulatory conditions, making the research broadly useful beyond the immediate focus on breweries.

1.6. Scope of Study

The study attempts to understand the benefits and challenges of human resource outsourcing specifically to brewery companies in Ethiopia. The study utilized both primary and secondary data and the sampling technique is non-probability sampling. Semi-structured interviews is used to collect qualitative data from selected brewery companies and human resource outsourcing companies.

1.7. Limitation of the Study

This research has some limitations including:

1. **Limited Generalizability:** This study is conducted exclusively at brewery companies in Ethiopia. While the findings provide valuable insights, caution should be exercised in generalizing these results to other industries and geographic locations. Future research could replicate this study across different sectors, industries and locations.
2. **Self-Report Bias:** The data collected may have been influenced by self-report bias, where participants provide responses that are socially desirable or not entirely accurate. To mitigate this bias, anonymity and confidentiality are assured to encourage accurate responses; however, self-report bias may still influence participant responses, potentially affecting the study's outcomes.

1.8. Organization of the Study

This research is organized into five chapters. Chapter One contains the background of the study, statement of the problem, research questions, research objectives, significance of the study, scope of the study, and limitations of the study. Chapter Two presents a literature review of the existing knowledge about the area of the study. Chapter Three presents the methodology and research approach employed in the study, including research design, target population and data collection and analysis. Chapter Four is about data analysis and discussion of results. Chapter Five is the final chapter containing a summary, conclusions, and recommendations of the study.

CHAPTER TWO

REVIEW RELATED LITERATURE

2.1. Theoretical Review

Human Resource Outsourcing (HRO) refers to the strategic practice of transferring certain human resource functions such as recruitment, payroll administration, employee benefits management, training, and compliance monitoring to specialized external service providers based on formal contractual agreements. This arrangement allows organizations to leverage the expertise and technological capabilities of third-party vendors while concentrating internal efforts on their core competencies and overarching business objectives. According to Edwin and V. Awele (2015) and Kaur (2022), the primary drivers behind HRO adoption include cost reduction, improved operational efficiency, and access to specialist knowledge that may not be available internally. The landscape of Human Resource Management (HRM) has evolved markedly over recent decades, transitioning from a primarily administrative and transactional role to a more strategic and integrative function within organizations. Historically, HR departments were largely focused on routine processes such as payroll processing, recruitment logistics, and regulatory compliance. However, contemporary HR now plays a critical role in shaping organizational culture, driving talent development, and facilitating change management initiatives that align with broader business strategies. This strategic reorientation has propelled the adoption of outsourcing for many transactional HR activities, allowing internal HR professionals to redirect their focus toward higher-value responsibilities including workforce planning, leadership development, and employee engagement programs (Ulrich, 2016).

By outsourcing operational functions such as payroll management, employee benefits administration, and compliance tracking, organizations benefit from streamlined processes, reduced administrative burdens, and enhanced accuracy, particularly in complex regulatory environments. Such outsourcing arrangements also allow companies to convert fixed HR costs into more flexible expenses that scale with business needs, contributing to improved financial agility. Moreover, outsourcing partners often bring advanced technologies such as applicant tracking systems and HR information systems that organizations might otherwise find costly or complex to implement internally. Crucially, when planned and managed effectively, HR outsourcing does more than merely reduce costs and improve efficiency it supports the

organization's strategic ambitions by freeing internal HR teams to engage in consultative and change leadership roles. In this capacity, HR becomes a central contributor to organizational success, acting as a bridge between management and employees, ensuring compliance with evolving labor laws and policies, and fostering collaborative relationships across functional areas. Edwin and V. Awele (2015). Outsourcing, therefore, is not simply a cost-saving measure but a strategic enabler that helps organizations meet their goals by enhancing HR service delivery and enabling more focused allocation of internal resources toward core, strategic functions (Ulrich, 2016)

2.1.1. Human resource functions

Human resource functions cover a broad spectrum of essential activities that enable organizations to effectively manage their workforce and support business objectives. Increasingly, companies are choosing to outsource specific HR functions such as recruitment, compensation, training, and employee relations to specialized providers to enhance operational efficiency, reduce costs, and allow internal teams to concentrate on core business processes. Recruitment is a particularly critical function, involving the identification, attraction, and selection of candidates who possess the skills and qualifications necessary to fulfill organizational needs. According to Kaur (2022), outsourcing recruitment helps companies tap into wider talent pools and accelerate the hiring process, which is especially valuable in dynamic and competitive labor markets. Once new employees are onboarded, compensation management ensures they are fairly remunerated through competitive pay structures, benefits, and incentive programs that align with both industry benchmarks and the company's strategic goals. Maintaining a safe and compliant workplace is another crucial HR responsibility, requiring adherence to occupational health and safety regulations to provide employees with a secure and supportive environment.

Training and development represent additional vital functions, aimed at equipping employees with the skills and knowledge needed for their current roles while preparing them for future career advancement within the organization. Effective training programs foster continuous learning and adaptability, which are increasingly important in fast-changing industries. Moreover, managing employer-employee relations is fundamental to maintaining a positive organizational culture; this involves addressing employee concerns, resolving grievances, and promoting open communication and trust across all levels of the workforce. Together, these HR functions contribute not only to the organization's immediate operational effectiveness but also to its long-

term success by building a motivated, skilled, and engaged workforce capable of sustaining growth and competitive advantage (Patrick, 2021).

2.1.2 The Role of HR Agencies

HR outsourcing agencies play a critical role in modern recruitment processes by serving as intermediaries between companies and potential employees. These agencies are often contracted to manage specific hiring needs, taking on tasks such as shortlisting, interviewing, and verifying references. Their work extends to advertising job vacancies, screening applications, and presenting qualified candidates who match the organization's requirements. By leveraging their expertise and industry networks, HR outsourcing agencies help companies save time and resources while ensuring a higher likelihood of securing the right talent for various positions. (Devi, 2015)

HR management agencies, often referred to as human resource intermediaries (HRIs), play a pivotal role in modern labor markets by bridging the gap between employers and employees while addressing the complexities of recruitment and strategic HR management. These specialized entities are contracted by companies to manage recruitment processes efficiently, beginning with an understanding of organizational needs and advertising vacancies through appropriate channels, such as online job boards. They screen applications, select candidates based on skills, qualifications, and experience, and facilitate interviews and assessments. Often, they refine candidate profiles to align with job requirements, ensuring an optimal match. Beyond recruitment, HR agencies offer a broad range of services, including training, career development, and organizational change management, providing tailored solutions to companies facing internal HR capacity challenges. They enhance strategic HR practices, promote knowledge exchange, and contribute to regional economic development by fostering dynamic labor markets. (Valentina, 2014)

Despite potential concerns over the erosion of in-house HR competencies and information confidentiality, HR agencies remain invaluable, particularly for small and medium enterprises (SMEs) that lack extensive internal HR resources. By delivering immediate operational support and long-term strategic guidance, these agencies serve as critical partners in navigating the ever-evolving workforce landscape. (Devi, 2015 & Kock et al., 2014)

2.1.3. Human Resource Outsourcing Theories

Understanding theories of human resource outsourcing helps explain why companies choose to outsource, shows how outsourcing can work effectively, and provides a clear way to evaluate its impact on a company's success and goals.

2.1.3.1. Transaction Cost Economics Theory

Transaction Cost Economics (TCE) Theory is an important idea in strategic management that explains why companies exist, how they manage their operations, and what limits their growth. It was first introduced by Ronald Coase in his paper *The Nature of the Firm*, where he talked about transaction costs—the costs of doing business, like negotiating, enforcing, and managing contracts. Later, Williamson (1996) expanded the theory to make it more comprehensive. He added three key points: first, that people don't always act rationally and may behave opportunistically, taking advantage of others when they can. Second, he explained that some features of transactions, such as uncertainty or the need for specialized assets, can create problems for markets. Lastly, he showed how these factors can lead to inefficiencies. TCE is particularly useful when companies are reviewing their strategies, like deciding whether to outsource certain tasks. The theory helps organizations understand switching costs, which are the expenses of changing suppliers or partners, and how these costs affect contract design and management. Overall, TCE provides a practical way to reduce costs and improve decision-making.

2.1.3.2. Theory of Core Competencies

The concept of **core competencies**, introduced by Prahalad and Hamel (1990), highlights the unique, difficult-to-replicate skills and resources that give organizations a competitive advantage. These competencies are not easily acquired or imitated by other businesses and often require years of effort to develop and refine. Prahalad and Hamel define core competencies as the ability to effectively coordinate diverse production skills and integrate multiple streams of technologies. Their theory emphasizes the importance of learning, communication, and relationship management in maintaining and leveraging these capabilities. To explain this concept, they use the metaphor of a tree. The roots symbolize core competencies, providing the essential nourishment, stability, and support for growth. The trunk represents the core products derived from these competencies, while the branches signify various business units. The leaves, flowers, and fruits represent the final products delivered to the market.

This metaphor illustrates how core competencies form the foundation of a company's sustainable competitive advantage and long-term success.

2.1.3.3. Knowledge –Based View Theory

The Knowledge-Based View emphasizes the role of knowledge in the formation and functioning of firms, particularly focusing on how different types of knowledge vary in their ability to be shared or transferred. Explicit knowledge, which can be easily articulated and communicated, is straightforward to transfer between individuals. In contrast, tacit knowledge such as skills, know-how, and contextual understanding is embedded in practice and is difficult, costly, and slow to transfer (Mansor et al., 2014). This theory is often applied in outsourcing research to demonstrate that effective knowledge sharing during the management of outsourcing relationships is crucial to the success of such arrangements. By ensuring the smooth transfer and application of both explicit and tacit knowledge, firms can improve collaboration and outcomes with external partners. Knowledge-Based View is often seen as an extension of the Resource-Based View, highlighting the importance of knowledge as a key resource for sustaining competitive advantage.

2.1.3.4. The Resource-Based Theory of Competitive Advantage

The Resource-Based Theory, developed by Robert M. Grant in 1996, focuses on building strategies from the inside out by evaluating a company's internal resources to create sustainable value. This process involves five stages: analyzing resources, assessing capabilities, evaluating competitive advantages, selecting a strategy, and identifying resource gaps. Companies like Xerox, IBM, Harley-Davidson, and 3M have used this approach, leveraging their unique resources and capabilities to shape long-term strategies. Resources refer to input such as employee skills and equipment, while capabilities are the ability of teams or groups to perform tasks effectively. According to Barney (1996), a company's competitive advantage emerges when resources and capabilities are combined in a way that competitors cannot easily replicate. If a company lacks valuable, rare, inimitable, and well-organized resources, outsourcing can be a solution. By outsourcing, a company can access external expertise to compensate for its internal weaknesses and enhance its competitive position.

2.1.4. Benefits of HR Outsourcing

2.1.4.1. Cost Efficiency

HR outsourcing offers substantial cost efficiency by transforming fixed operational costs into variable ones, enabling organizations to reduce overall HR expenses while reallocating resources to strategic initiatives (Edwin & V. Awele, 2015). By outsourcing non-core functions, companies benefit from reduced investments in infrastructure, technology, and human resources, resulting in immediate financial advantages, particularly when outsourcing to regions with lower labor costs. Moreover, outsourcing facilitates the elimination of overhead costs associated with maintaining in-house teams for non-core functions, enhancing financial management and profitability (Awe et al., 2018). The economies of scale enjoyed by vendors allow them to offer lower per-unit costs, further driving down expenses compared to in-house teams (Edwin & V. Awele, 2015). These savings extend beyond direct HR costs, contributing to long-term financial stability and operational flexibility.

HR outsourcing not only cuts costs but also enhances workforce flexibility, making it particularly beneficial in dynamic and competitive business environments. One of the most effective models for achieving this is Recruitment Process Outsourcing (RPO), where companies delegate their recruitment needs to external providers. This model allows businesses to adjust their workforce size based on real-time market demands, scaling up during periods of growth or scaling down when demand slows without the long-term commitment or costs associated with permanent staff. This flexibility helps organizations manage fluctuations in their operational needs, avoiding the financial burden of maintaining a large, full-time HR department. (David et al., 2017)

Additionally, RPO providers offer specialized recruitment expertise that can significantly improve hiring efficiency and accuracy. They leverage their knowledge of industry's best practices, advanced technologies, and extensive candidate networks to streamline the recruitment process. This expertise reduces the risk of costly hiring mistakes, such as selecting candidates who may not be a good fit for the role or organization and ensures that companies find the right talent faster. By outsourcing this process, businesses can avoid the administrative burden and legal complexities associated with employee benefits, payroll, and statutory compliance, further reducing costs and operational risks.

In highly competitive industries, this level of flexibility and efficiency can be a key advantage, allowing companies to respond quickly to changing market conditions while maintaining control over their HR expenses (David et al., 2017).

2.1.4.2. Access to Specialized Expertise and Advanced Technology

HR outsourcing provides organizations with valuable access to specialized expertise and advanced technologies that may be difficult or costly to develop internally. Vendors often excel in key HR functions, including payroll processing, benefits administration, and compliance management, ensuring adherence to the latest industry standards and regulations (Edwin & V. Awele, 2015).

By outsourcing these complex tasks, companies reduce the risk of legal complications and operational errors, allowing them to focus on their core business activities. Additionally, outsourcing firms often provide state-of-the-art HR technologies, such as Human Resource Information Systems (HRIS) and employee self-service platforms, which enhance the efficiency, accuracy, and transparency of HR operations (Mohammed, 2020). These tools eliminate the need for significant internal capital investment in continuous upgrades and maintenance, providing organizations with cutting-edge solutions at a lower cost. Access to such advanced systems streamline processes like payroll, benefits tracking, and performance management, reducing administrative burdens and improving overall productivity.

In addition to technological advantages, HR outsourcing, especially through Recruitment Process Outsourcing (RPO), grants access to a broader and more diverse talent pool. Vendors typically maintain extensive pipelines of candidates across various industries and specializations, enabling organizations to tap into a wider range of potential employees than traditional in-house recruitment methods allow (David et al., 2017). This broader network is particularly advantageous when filling critical middle and senior-level positions, as vendors often attract higher-quality candidates by leveraging the employer's brand during recruitment. Furthermore, this access to specialized expertise benefits not only recruitment but also other HR functions like training programs and payroll management, where niche skills are required (Awe et al., 2018). By leveraging these external resources, companies can shorten hiring timelines, improve candidate quality, and ensure a continuous inflow of skilled personnel. This expanded reach strengthens the organization's competitive edge in the labor market while reducing the internal burden of sourcing and managing talent.

2.1.4.3. Focusing on Core Competencies and Organizational Flexibility

HR outsourcing allows organizations to shift their focus from time-consuming administrative tasks to their core competencies, fostering greater efficiency and long-term growth. By delegating routine functions such as payroll, benefits administration, and compliance management to external providers, companies significantly reduce the administrative burden on their internal HR teams (Mohammed, 2020; Edwin & V. Awele, 2015). This reduction frees up internal resources, enabling HR professionals to engage in high-impact activities like talent acquisition, leadership development, and organizational strategy areas critical for driving innovation and maintaining a competitive edge in the market.

For instance, HR teams can dedicate more time to nurturing leadership pipelines, developing employee engagement initiatives, and refining performance management systems, all of which contribute to long-term organizational success (Awe et al., 2018). Additionally, outsourcing providers often take on the responsibility of managing compliance and legal risks. By staying up to date with regulatory changes, these providers help organizations avoid potential penalties and legal complications, further reducing operational risks and allowing internal teams to focus on strategic priorities (Mohammed, 2020). This strategic reallocation of resources not only improves efficiency but also strengthens the company's position in the market, making it better equipped to respond to evolving business challenges.

Beyond cost and risk management, HR outsourcing enhances organizational flexibility, a critical advantage in today's fast-changing business environment. By enabling companies to scale their HR services up or down based on current needs, outsourcing supports operational agility without requiring long-term commitments to in-house staff (Mohammed, 2020). This adaptability proves especially beneficial during periods of rapid expansion or downsizing, allowing businesses to maintain optimal staffing levels and operational efficiency without overextending their resources. In fast-paced industries, timely recruitment decisions can significantly impact business outcomes, and outsourcing plays a pivotal role in accelerating these processes. Recruitment Process Outsourcing (RPO) providers, for example, streamline recruitment by managing every stage from sourcing candidates to conducting preliminary interviews using dedicated key account managers who ensure personalized attention for top-tier candidates (David et al., 2017). This approach not only reduces time-to-hire but also ensures that key positions are filled efficiently, enabling the company to maintain its operational momentum. Furthermore, outsourcing providers often

introduce the best practices, industry expertise, and advanced technologies that enhance service quality and streamline processes, resulting in higher operational performance with reduced effort and cost (Awe et al., 2018). By saving time on repetitive, low-value tasks, companies can redirect their efforts toward strategic initiatives such as innovation, customer engagement, and market expansion, ensuring they remain agile, competitive, and well-positioned for future growth.

2.1.5. Challenges of HR Outsourcing

2.1.5.1. Loss of Control Over Critical HR Functions

One of the key challenges of HR outsourcing is the potential loss of control over critical HR functions, which can create a disconnect between outsourced services and an organization's internal goals. When companies rely heavily on vendors, maintaining oversight becomes difficult, often leading to inefficiencies and miscommunication (Edwin & V. Awele, 2015). This dependency can also reduce a company's ability to enforce performance standards, manage service quality, or respond quickly to changes in business needs (Awe et al., 2018). Additionally, information asymmetry between the company and the vendor can further complicate the relationship. Mismatched information, unclear expectations, or a lack of alignment on objectives can result in suboptimal performance. To minimize these risks, companies need to establish clear communication channels and ensure that detailed contracts outline expectations, service standards, and performance metrics (Awe et al., 2018).

Another significant concern is the impact of HR outsourcing on employer branding and the candidate experience. The initial contact between applicants and the company is often managed by vendors, which can lead to a disconnect between the candidates' perceptions and the actual employer brand (David et al., 2017). According to the Critical Contact Theory, first impressions during recruitment are crucial in shaping a candidate's view of the company. If candidates encounter unprofessional or negative interactions with the vendor, they may associate these experiences with the hiring company, even if the employer had minimal involvement in the early stages. This can weaken the company's brand image and make it more difficult to attract top talent over time. Organizations can mitigate this by building strong partnerships with their vendors, ensuring that the recruitment process aligns with their brand values and delivers a positive, consistent candidate experience (David et al., 2017).

2.1.5.2. Employee Resistance and Morale Issues

HR outsourcing can lead to significant resistance among employees, primarily when it is perceived as a threat to job security. Fear of job losses, combined with concerns about organizational changes, can lower employee morale and productivity, creating a challenging work environment (Edwin & V. Awele, 2015; Awe et al., 2018). This resistance can also impact organizational cohesion, as employees may feel disconnected from their company's vision and values.

Effective communication and transparent decision-making are essential to address these concerns, fostering a positive attitude toward the transition. Companies must involve employees early in the process, clearly explaining the reasons behind outsourcing and the potential benefits, such as enhanced efficiency and access to expertise. Without proactive engagement, the resulting fear and uncertainty can hinder the success of outsourcing initiatives, leading to reduced productivity and increased internal friction (Edwin & V. Awele, 2015).

Additionally, the differential treatment of outsourced employees can further exacerbate morale issues. These employees often face limited support from both their parents and host organizations, which can lead to dissatisfaction and feelings of alienation. Unlike permanent staff, outsourced employees may not have access to grievance redressal systems, career development opportunities, or the same level of organizational support, making them feel undervalued and excluded. This treatment disparity can result in higher attrition rates and reduced commitment to organizational goals (David et al., 2017). Furthermore, outsourcing HR functions can dilute a company's culture and identity, as HR plays a crucial role in shaping and reinforcing corporate values. A disconnect between outsourced HR practices and the company's core values can weaken employee loyalty and damage the overall brand perception (Mohammed, 2020). To mitigate these risks, companies must establish policies that ensure equitable treatment of outsourced employees, provide consistent support, and maintain a strong connection between their HR practices and organizational identity.

2.1.5.3. Low Service Quality

HR outsourcing, particularly through Recruitment Process Outsourcing (RPO), can bring significant challenges related to service quality. One of the primary issues is the tendency for RPO providers to prioritize standardization in order to achieve economies of scale. While this approach may reduce costs, it often leads to a decline in service quality, as standardized processes fail to address the unique needs of each client organization (David et al., 2017). This "one-size-fits-all" model may overlook specific business requirements, resulting in mismatches between candidates

and job roles. Furthermore, the pressure on RPO recruiters to meet monthly placement targets, combined with delayed client feedback, can compromise the thoroughness of candidate assessments. In some cases, candidates may even mask critical information, which can hinder background checks and lead to poor hiring decisions.

These quality concerns increase the likelihood of costly recruitment errors, forcing organizations to either switch vendors or revert to in-house recruitment, both of which come with their own financial and operational challenges (David et al., 2017). Additionally, RPO contracts, which often favor the vendor and lack enforceable performance standards, further complicated matters. Without clear performance metrics or penalty clauses, organizations may find themselves stuck with subpar service delivery, resulting in operational inefficiencies and reputational damage (David et al., 2017).

Another significant challenge is vendor dependence, which can arise when organizations outsource HR functions. Relying on external vendors creates risks, especially if the vendor fails to meet performance standards or does not possess the necessary qualifications (Edwin & V. Awele, 2015). Long-term contracts can further exacerbate this dependence, limit the organization's flexibility and increase vulnerability to market changes or vendor underperformance. Furthermore, some vendors may engage in unethical practices, such as altering candidate resumes to fit job descriptions or failing to conduct sufficient background checks. These actions compromise the authenticity of candidate qualifications and can lead to job mismatches, poor performance, and potential legal issues (David et al., 2017). Organizations must therefore establish stringent oversight mechanisms to ensure that vendors adhere to high ethical standards and conduct thorough candidate evaluations. By working closely with vendors and maintaining strict contract terms, companies can mitigate the risks associated with vendor dependence, unethical practices, and service quality degradation, ensuring a more effective and ethical outsourcing arrangement (David et al., 2017).

2.2. Empirical Review

Empirical studies on the impact of Human Resource Outsourcing (HRO) in Brewery Companies are very limited. Generally, outsourcing HR functions has proven to be a strategic tool for enhancing operational efficiency and cost management across the food, beverage, brewery, and manufacturing sectors. In the food and beverage industry, outsourcing functions like recruitment, payroll, training, and compliance enables companies to access specialized expertise that enhances their ability to navigate regulatory complexities and fluctuating market demands (Singh, 2022).

According to Gitiye and Omondi (2018), outsourcing specialized training introduces new skills that improve service delivery, fostering higher productivity and a sharper competitive edge. However, the benefits of HR outsourcing are accompanied by significant challenges that require strategic management to ensure success. Loss of control over critical functions is a recurring concern across industries, with potential risks to data security, employee morale, and service quality (Singh, 2022). EABL, for instance, faces resistance to outsourcing from internal staff who fear job losses, resulting in demotivation and decreased morale (Auma, 2018). Similarly, Gitiye and Omondi (2018) highlight that outsourcing payroll and recruitment in manufacturing firms like Capwell Industries is perceived negatively, leading to dissatisfaction among employees and managers who believe these tasks are better handled internally. Furthermore, reliance on external providers can create communication barriers and reduce organizational flexibility, especially when outsourced firms fail to align with the company's strategic goals.

Hailemariam (2021) also finds that in the Ethiopian context, HR outsourcing practices in brewery companies are still limited, with only a few organizations adopting outsourcing strategies for HR functions. The study indicates that while outsourcing can bring cost advantages, it often lacks full implementation, with companies still hesitant to delegate critical HR tasks such as recruitment and training. The risks involved, particularly the loss of control over the workforce and the potential for long-term dependency on external service providers, pose significant challenges. Hailemariam (2021) also emphasizes the need for a more robust legal framework to address emerging issues and disputes surrounding HR outsourcing. These findings highlight the need for brewery companies to carefully weigh the benefits and risks before adopting HR outsourcing practices.

2.2.1 Summary of the Empirical Findings

Aspect	Key Findings	Supporting Studies
Commonly Outsourced HR Functions	Recruitment for high-turnover roles (e.g., promoters, merchandisers, sales staff)	Edwin & Awele (2015)
Functions Retained In-House	Payroll, performance management, and leadership training due to confidentiality and control concerns	Edwin & Awele (2015)
Motivations for Outsourcing	-Cost reduction - Operational efficiency - Focus on strategic HR functions	Awe et al. (2018); Mohammed (2020)
Cost Benefits	- Lower direct recruitment costs- Avoid hidden costs (e.g., delays, rehiring, onboarding issues)	Awe et al. (2018)
Strategic Role of Internal HR	Outsourcing enables internal HR teams to focus on strategy rather than routine tasks	Mohammed (2020)

Table 1. Summary of the empirical findings

CHAPTER THREE

RESEARCH DESIGN

3.1. Research Design and Approach

A research design refers to the framework that integrates the purpose, data collection, sampling, and analysis processes of a study to ensure coherence, consistency, and precision in the research outcomes (Haenssger, M. J., 2019). It serves as a blueprint that guides the researcher through the various phases of the study, helping to maintain alignment between the research objectives and the methods employed. In this study, a descriptive research design is adopted to examine the challenges and benefits of human resource outsourcing (HRO) in brewery companies in Ethiopia. A descriptive study design is particularly valuable for providing an in-depth description of the characteristics, behaviors, and trends of the sample being studied, making it ideal for the exploration of specific phenomena within a defined context (Omar, 2015). A research approach, on the other hand, provides a detailed overview of the steps and procedures that the researcher intends to follow in the collection, analysis, and interpretation of data, as well as the ultimate interpretation of the research outputs (Grover, 2015). The chosen research approach is integral to the overall design as it dictates the methodological framework within which the study will operate. For this study, a qualitative approach has been selected, which allows for a more comprehensive and nuanced understanding of the research topic. Qualitative research is particularly suitable for investigating topics that have limited prior theoretical development or empirical investigation, as it enables a deeper exploration of participants' experiences, perspectives, and the underlying processes that influence the phenomena under study (Tomaszewski et al., 2020). By using this approach, the study aims to gather rich, descriptive data that will shed light on the specific challenges and benefits of HR outsourcing in the context of Ethiopian breweries, offering insights that quantitative methods may not capture.

3.2. Target Population and Sampling

The aim of this study is not to generalize to a population, but to develop an in-depth investigation to appropriately understand the phenomenon (Gill et al., 2008). The individuals and sites were purposefully or intentionally selected.

This qualitative study employs purposive sampling to gather data, enabling the researcher to select participants with the relevant expertise. Purposive sampling requires the researcher to decide who should be sampled and in what form to provide rich, in-depth information by allowing the collection of data from individuals with relevant expertise, knowledge, and willingness to share insights, ensuring alignment with research objectives (Thomas, 2022). The sample for this study comprises country directors, human resource managers, and talent acquisition specialists from Habesha, Heineken, BGI, and Komari brewery companies as well as general managers, human resource managers and talent acquisition specialists from HR outsourcing service providers: Talent Firm, Ethio Jobs, and Yes Employment recruitment agencies. 12 individuals took part in the study from service providers.

3.3. Source of Data

This study uses both primary and secondary sources. The primary sources are relevant past literature from academic research databases and primary data is collected through in-depth interviews from key informants and through analysis of documents from the companies. 12 individuals took part in the key informant sessions.

A qualitative study depends on combining data from diverse methods and information sources using triangulation to reduce biases and overcome the limitations of relying on a single data collection approach (Carter, et al., 2014). Therefore, document analysis and key informant interviews will be used to collect relevant data that help to address the questions of the study. Specifically, the documents to be analysed include HR policy manuals, recruitment tracking forms, employee contracts, training records, and any reports or communications related to HR outsourcing practices. As for the key informant interviews, they will be conducted with managers, human resource managers, and talent acquisition specialists from the selected brewery companies as well as HR outsourcing service providers.

3.4. Method of Data Collection

According to Gill, et al. (2008), in-depth interviews are particularly useful when little is known about the study phenomenon, and detailed insights are required from participants. In this study, secondary data will be searched for and collected from academic research databases and secondary data will be collected through in-depth, semi-structured interviews. Semi-structured interviews allow for detailed insights while providing flexibility to explore new ideas based on participants' responses. (Segal, 2015).

Document analysis is a systematic procedure for reviewing or evaluating documents, whether printed or electronic. It involves examining and interpreting data to elicit meaning, gain understanding, and develop empirical knowledge. Documents include a variety of sources such as reports, letters, newspaper articles, and manuals. Document analysis can support triangulation by corroborating findings from other data sources and enhancing research credibility (Bowen, 2009). To achieve the aim of this study, secondary documents such as HR policy and recruitment tracking form will be reviewed, analysed and synthesized.

3.5. Method of Data Analysis and Interpretation

Creswell (2013) identified the following six steps for qualitative data analysis and interpretation: preparing and organizing the data, exploring and coding the data, describing findings and forming themes, representing and reporting findings, interpreting the meaning of the findings, and validating the accuracy of the findings. Therefore, in this study, adopting a **thematic analysis approach**, notes taken from key informants and documents will be organized, coded, thematically analysed, and described to support data presentation and conclusions for each thematic area. Finally, recommendations will be provided.

3.6. Trustworthiness (Validity and Reliability)

Ensuring the trustworthiness of the findings is critical in qualitative research. This study employs Lincoln and Guba's (1985) framework to establish rigor, focusing on credibility, transferability,

dependability, and confirmability. Specific strategies aligned with the study's design and methods were implemented:

3.6.1 Credibility (Internal Validity):

- **Methodological Triangulation:** Data was collected from brewery personnel (Habesha, Heineken, BGI, Komari) and HR outsourcing providers (Talent Firm, Ethio Jobs, Yes Employment) using interviews and document analysis (HR manuals, contracts, reports) to cross-verify findings (Carter et al., 2014; Bowen, 2009).
- **Purposive Sampling:** Participants (country directors, HR managers, talent specialists) were selected for direct HRO experience, ensuring data relevance (Thomas, 2022).
- **Member Checking:** Preliminary themes were shared with select participants to validate accuracy (Creswell, 2013).
- **Researcher Reflexivity:** A reflective journal tracked biases and decisions during data collection/analysis (Lincoln & Guba, 1985).
- **Peer Debriefing:** Academic colleagues reviewed procedures and interpretations to challenge assumptions (Lincoln & Guba, 1985).

3.6.2 Transferability (External Validity):

- **Thick Description:** Detailed context (Ethiopian breweries), participant roles, and methods enable readers to assess applicability (Lincoln & Guba, 1985).
- **Explicit Sampling Rationale:** Selection criteria for breweries, providers, and roles are clearly stated (Section 3.2).

3.6.3 Dependability (Reliability):

- **Audit Trail:** Raw data (notes/transcripts, documents), coding schemes, thematic maps, and decision logs were systematically maintained (Lincoln & Guba, 1985).
- **Iterative Codebook:** Codes were developed from research questions and refined during analysis for consistency.

3.6.4 Confirmability (Objectivity):

- **Triangulation:** Convergence of findings across stakeholder groups and methods ensured themes reflected the phenomenon.
- **Audit Trail:** Documentation demonstrates findings are data-driven, not researcher-biased.
- **Reflexivity:** Transparent accounting of researcher positionality mitigated preconceptions.
- **Direct Evidence:** Findings are supported by participant quotes and document extracts (Creswell, 2013).

These strategies ensure credible, dependable, and confirmable findings, with sufficient context for transferability judgments.

3.7 Ethical Considerations

All participants will provide informed consent, and their confidentiality and anonymity will be maintained throughout the study. Any potential conflicts of interest will be disclosed, and the research will be conducted in accordance with the ethical guidelines of the relevant institutional review board.

CHAPTER FOUR

ANALYSIS AND INTERPRATATION OF DATA

4.1. Introduction

This chapter presents the analysis of the data collected for the study. It begins with an overview of the demographic profile of the respondents to provide context for the findings. Following this, a qualitative descriptive analysis is conducted to explore the key challenges and benefits of HR outsourcing in brewery companies. The analysis incorporates perspectives from both brewery company representatives and HR outsourcing service providers, offering a balanced understanding of the topic.

4.2. Demographic Characteristics of Respondents

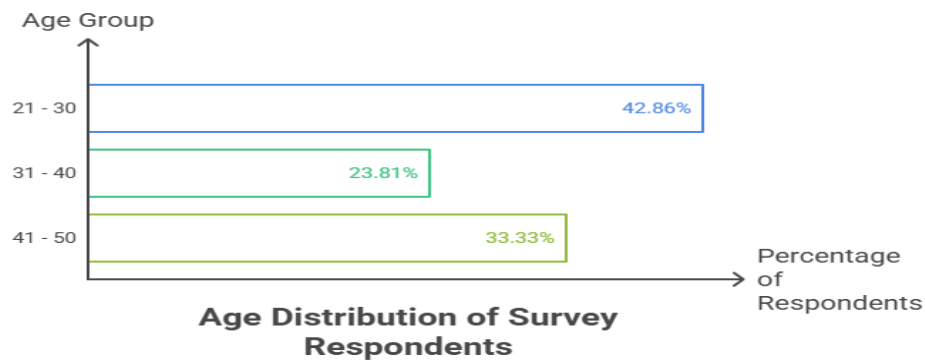


Figure 1. Age of Respondents

Gender		
Male	14	66.67%
Female	7	33.33%

Table 2. Gender Distribution

Gender Distribution of 21 Individuals

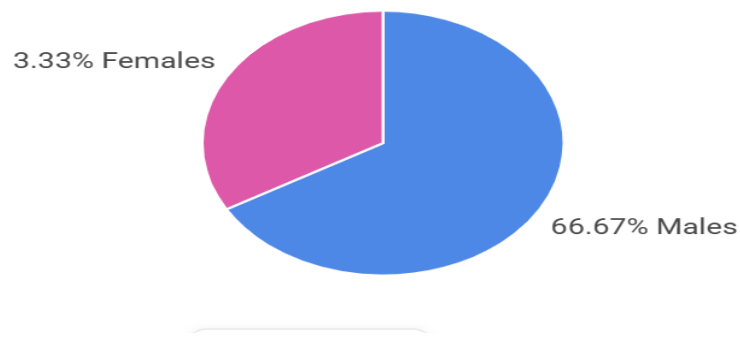


Figure 2. Gender Distribution

Educational Background		
Did not Complete College	0	0
Bachelor's Degree	12	57.14%
Master's Degree	10	47.62%
PhD	0	0
Total	21	100%

Table 3. Educational Background

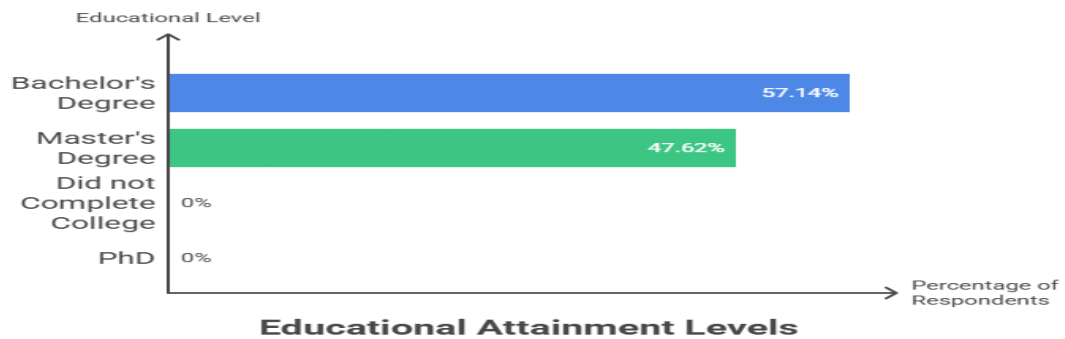


Figure 3. Educational Background

Occupation		
General Manager	5	23.81%
Country Director	2	9.52%
Talent Acquisition Specialist	7	33.33%
Human Resource Manager	7	33.33%
Total	21	100%

Table 4. Occupation Distribution

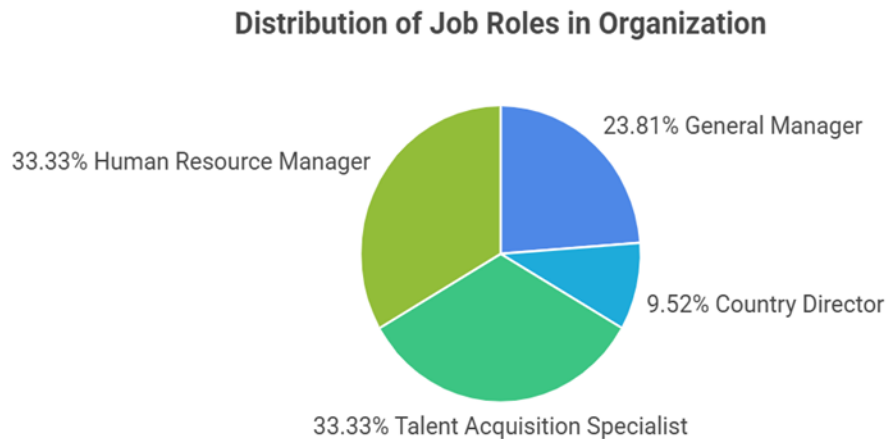


Figure 4. Occupation Distribution

The demographic profile of the respondents provides critical context for interpreting the findings of this study on HR outsourcing in Ethiopian brewery companies. The age distribution reveals a concentration of respondents within the 21–30 and 41–50 age categories, comprising 42.86% and 33.33% respectively. This suggests a balanced representation of both emerging and experienced professionals, potentially offering diverse perspectives on the evolving and long-term implications of HR outsourcing. The gender distribution shows a male majority at 66.67%, which may reflect broader industry trends in managerial roles or HR service sectors. Educationally, all respondents had at least a bachelor's degree, with 47.62% holding master's degrees. This high level of academic

qualification suggests that the participants are well-equipped to provide informed and analytical views on HR practices and outsourcing strategies. In terms of occupation, respondents were primarily composed of Human Resource Managers and Talent Acquisition Specialists (each 33.33%), with additional representation from General Managers (23.81%) and Country Directors (9.52%). This occupational spread ensures insights from both strategic decision-makers and operational HR practitioners, which is essential for comprehensively evaluating the benefits and challenges of outsourcing. Collectively, the demographic profile indicates that the study draws on a knowledgeable and professionally diverse group, enhancing the credibility and depth of the qualitative findings that follow.

4.3. Descriptive Analysis

The following section presents a thematic qualitative analysis of the key informant interviews conducted with representatives from brewery companies and HR outsourcing service providers. It aims to explore their experiences, opinions, and challenges related to HR outsourcing practices. By identifying common themes and patterns in their responses, the analysis helps to show how HR outsourcing is being used in the brewery sector, what benefits it brings, and what problems still need to be addressed. This section provides a deeper understanding of the practical realities of HR outsourcing and supports the overall findings of the study by adding context and insight from those directly involved.

4.3.1. Theme One: HR Functions Brewery Companies Outsource

One of the central findings of this study is that brewery companies in Ethiopia engage in human resource outsourcing (HRO) selectively, rather than broadly across all HR functions. The data from both brewery companies and HR outsourcing service providers indicate that decisions regarding outsourcing are not made arbitrarily. Instead, they are based on careful assessments of cost-efficiency, operational necessity, internal capacity, task complexity, and the strategic significance of each HR function.

Among the range of HR functions, recruitment emerged as the most commonly outsourced activity. This is particularly the case for short-term, high-turnover positions such as sales promoters, merchandisers, and event staff, which are frequently needed in large numbers, especially during national promotional campaigns or new product launches. Brewery companies emphasized that outsourcing recruitment enables them to reduce the time and administrative burden associated with

high-volume hiring. Moreover, it allows them to quickly access a broader talent pool without having to build or maintain extensive internal recruitment infrastructure.

As one HR manager from a brewery company explained: *"Yes, we do outsource some of our HR functions, mainly recruitment for entry-level and temporary roles. We prefer to keep payroll and leadership training in-house because those are closely tied to our internal policies and strategic goals. When deciding what to outsource, we look at cost, urgency, and whether it's something our internal team can handle efficiently or not."*

This response reflects a recurring logic in the interviews: functions that are routine, urgent, or operationally intensive are more likely to be outsourced, particularly when doing so reduces cost and improves efficiency. Conversely, functions that require internal knowledge, long-term planning, or alignment with organizational values are generally retained in-house.

In line with this, functions such as payroll management, leadership development, performance management, and employee relations were consistently reported as being handled internally. These tasks are considered more strategic and sensitive. Respondents expressed concerns about confidentiality, quality control, and cultural alignment, which they believed could be compromised if such functions were handled by external parties. Internal management of these functions was viewed as essential to preserving organizational identity and ensuring long-term employee engagement.

HR service providers confirmed this distinction. They reported that most requests from brewery companies involve recruitment, particularly for front-line roles. While some providers offer payroll support or training services, these are rarely requested by breweries. Providers also noted that breweries generally prefer to retain control over compensation and employee development, seeing these areas as too closely tied to company performance and internal systems.

As one HR outsourcing professional stated: *"Most of our brewery clients come to us for recruitment, especially for promoters, merchandisers, and event staff. These are high-turnover roles that they don't want to manage internally. Occasionally, they ask for training or onboarding support, but very few outsource payroll or performance-related services."*

This observation highlights that breweries largely view recruitment as an externalizable function, while core HR activities remain integrated within internal management structures. The decision to

outsource is therefore guided not only by practical needs but also by organizational priorities and risk assessments.

Additionally, when deciding which functions to outsource, brewery companies consider several key criteria. These include the urgency and frequency of the task, the availability of internal expertise, the importance of maintaining confidentiality and ensuring quality, the potential for cost reduction and efficiency improvement, and whether the task is administrative in nature or closely tied to the organization's strategic priorities.

Generally, functions that are repetitive, process-driven, and do not directly affect long-term business strategy are seen as more suitable for outsourcing. For example, recruiting event staff for a short-term campaign is viewed as a task that does not require deep organizational knowledge and can be effectively handled by an external agency.

In contrast, activities such as managing employee grievances, overseeing performance appraisals, or designing leadership training programs involve direct interactions with staff, influence the company's internal culture, and require nuanced understanding of the organization's goals and expectations. These activities are therefore considered too critical to delegate.

In conclusion, HR outsourcing in the Ethiopian brewery sector is function-specific and purpose-driven. Recruitment for non-permanent, high-turnover roles is widely outsourced due to its high volume and administrative burden, while core strategic HR activities remain within the organization. This selective approach allows brewery companies to balance the advantages of outsourcing—such as speed, flexibility, and access to external expertise with the need to maintain control over functions that shape organizational performance, culture, and identity.

4.3.2. Theme 2: Reasons for HR Outsourcing

The interview responses from brewery companies in Addis Ababa revealed several important reasons why these organizations choose to outsource their human resource (HR) functions. The most frequently mentioned reasons were **cost reduction** and **operational efficiency**. These factors play a critical role in their decision-making process, particularly in an industry where timing and flexibility are crucial to meeting production targets and responding to market demands.

Many participants explained that outsourcing HR, especially recruitment, helped them overcome the lengthy and often complex processes involved in hiring internally. One HR manager summarized this by stating: *"We outsource HR functions mainly to streamline recruitment. Doing*

it all in-house was time-consuming and often led to delays in getting the right people on time. It's not just about saving money it's about getting reliable candidates fast so we can keep operations running smoothly."

This response highlights a key motivation beyond just saving money the need for speed and reliability. Internal recruitment can involve multiple steps such as job posting approvals, candidate screening, interviewing, and paperwork, all of which slow down the process. When demand surges or there is a need for short-term or project-based workers, this delay can hurt the brewery's ability to operate efficiently. Outsourcing allows companies to tap into the HR provider's established networks and databases, speeding up the search for suitable candidates.

Cost reduction was another important reason frequently discussed during interviews, but with nuanced perspectives. Some brewery representatives emphasized the financial flexibility that outsourcing brings. Instead of maintaining a large, fixed HR team with salaries and benefits, they pay for HR services only when needed. This conversion of fixed costs into variable costs makes budgeting easier, especially for smaller breweries or those with fluctuating staffing needs.

Other interviewees went further to stress that the true financial benefit lies in avoiding hidden or indirect costs. For example, poor hiring practices can lead to higher turnover rates, which in turn increase training costs and reduce overall productivity. One respondent noted that repeated hiring and onboarding due to mismatches between candidate skills and job requirements wasted both time and money. Additionally, compliance with labor laws and regulations can be challenging, and violations can result in costly fines or legal actions. By outsourcing specialized HR agencies, breweries reduce these risks because the providers are more familiar with employment laws and have processes to ensure compliance.

The interviews also highlighted the importance of operational efficiency as a driver for outsourcing. Nearly all brewery participants agreed that outsourcing recruitment and other non-core HR functions freed their internal HR teams to focus on more strategic activities. These activities include managing employee performance, planning training and development, and ensuring compliance with company policies and labor regulations. As one HR officer put it:

"When recruitment is outsourced, our HR team can concentrate on developing employees and improving workplace culture, which are essential for long-term success."

This shift from administrative to strategic work is significant because it allows companies to invest in building a motivated and skilled workforce rather than just filling vacancies. Moreover, external HR providers often have access to better recruitment tools and technologies, such as applicant tracking systems and large talent databases, which improve the quality and speed of hiring.

From the perspective of HR outsourcing service providers, breweries are clients who highly value speed, access to a broad pool of candidates, and industry-specific recruitment experience. One service provider shared: *“Most breweries come to us because they want to avoid the hassle and cost of recruiting for entry-level and project-based roles. They save time and money because we already have networks and databases ready. It’s about efficiency more than anything else they need people fast, and we deliver.”*

This perspective confirms that breweries often struggle to manage high-volume or short-term hiring demands internally. Temporary or contract workers, common in brewing operations, require adherence to labor laws that can be complex to navigate. Outsourcing provides flexibility to scale up or down without the overhead of maintaining a large permanent HR staff, while also ensuring legal compliance.

In summary, the interview responses show that breweries in Addis Ababa outsource their HR functions not only to reduce costs but also to increase efficiency and adaptability. Outsourcing minimizes the administrative burden of recruitment and compliance, allowing internal HR teams to focus on strategic goals that contribute to employee satisfaction and company growth. It also provides breweries with quick access to qualified candidates through the expertise and networks of external HR providers. Taking these factors makes HR outsourcing a valuable strategy for breweries operating in a competitive and fast-paced environment.

4.3.3. Theme 3: Challenges Brewery Companies Face

While the benefits of HR outsourcing are widely recognized among brewery companies in Addis Ababa, the interviews also uncovered several significant challenges that affect the overall success and satisfaction with these outsourcing arrangements. These challenges can sometimes undermine the advantages of outsourcing, making it important to understand their nature and causes.

One of the most reported challenges was the misalignment between the expectations of brewery companies and the actual performance of HR service providers. Several interviewees shared experiences where HR agencies failed to fully understand the company’s internal culture, specific

job roles, or the skills required for positions. This lack of understanding sometimes led to the recruitment of candidates who were poorly matched to the roles they were hired to fill. Such mismatches not only caused delays in operations but also resulted in higher turnover rates, as unsuitable hires left or were let go shortly after starting. This cycle increased workload and costs for the breweries and reduced confidence in the outsourcing arrangement.

A respondent from a brewery company provided a clear example: *"One challenge we've faced is when the agency doesn't fully understand the kind of candidate we need. For instance, we once got a batch of promoters who had no experience in product handling or customer engagement. It set us back during a key campaign."*

This example illustrates how an agency's lack of sector-specific knowledge or insufficient communication about role requirements can directly harm the company's performance. For breweries, where product knowledge and customer interaction are critical during promotional campaigns, hiring inexperienced candidates can disrupt important business activities.

Another frequently mentioned challenge was low service quality from some HR providers, particularly related to communication problems, lack of proper follow-up, and inadequate candidate screening. Several brewery HR managers expressed frustration that some agencies seemed more interested in quickly filling positions than ensuring candidates were a good long-term fit. When recruits proved unsuitable or lacked the necessary skills, brewery HR teams often had to conduct additional interviews or provide extra training themselves. This not only increased workload but also eroded the key time-saving benefit that outsourcing is supposed to deliver.

In addition, some respondents noted ambiguity in roles and accountability as a source of confusion and inefficiency. This was especially problematic in cases where contracts with HR providers did not clearly specify deliverables or performance indicators. Without clear guidelines, both parties struggled to set expectations and measure success. This ambiguity became particularly challenging during urgent hiring needs when speed and accuracy are both critical.

From the perspective of HR outsourcing service providers, challenges were sometimes linked to unclear or shifting client expectations. Providers described situations where brewery clients did not fully communicate their internal processes or made sudden changes to job requirements. This lack of timely information sometimes led to rushed or ill-fitting placements. One service provider explained: *"Yes, there have been times when clients felt we didn't meet their expectations. In most*

of those cases, it was due to unclear job briefs or last-minute changes. Sometimes, we're expected to deliver with little context, which affects how well we can match the right talent."

This highlights a shared challenge: when clients do not provide detailed or stable information about their needs, it becomes difficult for providers to deliver quality service. Additionally, providers mentioned that spikes in demand occasionally outpaced their recruitment capacity, resulting in service quality complaints. This points to capacity and resource limitations that can affect outsourcing effectiveness.

Overall, both brewery companies and HR service providers agreed on the importance of clear communication, alignment of expectations, and performance monitoring as critical solutions to these challenges. Establishing detailed job descriptions, agreeing on measurable outcomes, and maintaining open communication channels can reduce misunderstandings and improve service quality. Both sides emphasized that building trust and mutual understanding over time can transform outsourcing relationships from transactional interactions to strategic partnerships.

In conclusion, while HR outsourcing offers many advantages to breweries, challenges related to expectation mismatches, service quality, and role clarity can limit its benefits. Addressing these challenges requires ongoing effort from both clients and providers to communicate clearly, define responsibilities precisely, and monitor outcomes closely. By doing so, breweries can maximize the value of HR outsourcing and strengthen their operational capabilities.

4.3.4. Theme 4: Benefits of HR Outsourcing to Brewery Companies

The interviews conducted with representatives from brewery companies and HR outsourcing service providers highlighted several significant benefits that brewery companies gain from outsourcing their HR functions. These benefits extend beyond simple cost reduction to include improvements in recruitment efficiency, organizational focus, and overall operational effectiveness.

A key advantage repeatedly mentioned was the time-saving nature of outsourcing recruitment and related HR activities. Many brewery companies face fluctuating staffing needs, especially during peak seasons, promotional campaigns, or when launching new products. Managing these demands internally often overstretches their HR departments, which must juggle recruitment alongside compliance, employee relations, and development activities. Outsourcing recruitment allows these companies to fill vacancies faster, particularly for temporary or project-based roles that require

quick turnaround. This external support is critical for breweries aiming to maintain continuous operations without overburdening internal resources.

One brewery company representative explained this clearly: *“It helped us manage our time and costs better. We don’t have to assign internal staff to recruit and train temporary sales staff every few months. That’s a huge relief, especially during peak seasons. We’ve been able to focus more on long-term planning instead of day-to-day staffing.”*

This comment highlights how outsourcing not only alleviates immediate workload but also enables HR teams to dedicate more effort toward strategic planning and employee development initiatives, which have longer-term benefits for the company.

Cost management was another important benefit that respondents emphasized. Outsourcing allowed brewery companies to convert traditionally fixed HR costs—such as full-time salaries, benefits, and overhead associated with maintaining a large HR team—into variable costs that fluctuate with actual staffing needs. This flexibility is particularly valuable in an industry subject to seasonal production cycles and market demand variations. Instead of carrying the financial burden of permanent HR staff during slow periods, outsourcing lets breweries pay only for services rendered, effectively optimizing budget allocation.

Beyond direct salary savings, brewery representatives noted that outsourcing helped avoid indirect or hidden costs. For example, by ensuring faster and more accurate recruitment, companies minimized the negative financial impact of turnover delays, onboarding gaps, and compliance penalties. These hidden costs, though less visible in financial statements, can significantly affect productivity and profitability over time.

Moreover, organizational performance was reported to improve due to the better alignment of internal HR efforts with strategic business goals. By delegating routine, time-consuming tasks such as screening candidates, managing entry-level recruitment, and coordinating onboarding logistics breweries’ internal HR teams could redirect their focus toward higher-value functions like employee training, performance management, compliance oversight, and retention strategies. This shift reportedly led to smoother HR operations, enhanced employee satisfaction, and a more agile organizational response to market changes.

From the perspective of HR outsourcing service providers, these benefits align well with their observations of brewery clients’ needs. Providers explained that breweries generally value

outsourcing as a means to grow or scale efficiently without expanding their in-house HR teams unnecessarily. With their expertise, networks, and up-to-date knowledge of employment regulations, HR agencies help clients reduce hiring delays, improve candidate quality, and mitigate risks related to labor laws and compliance.

A service provider described this value proposition succinctly: *“Outsourcing allows breweries to stay focused on brewing and distribution while we handle the HR legwork. We’ve seen clients reduce recruitment costs and cut hiring time by almost half. It’s not just about cost it’s about letting their HR team be more strategic.”*

This perspective reinforces that HR outsourcing is not merely a cost-cutting tool but a strategic partnership that enables breweries to optimize both operational efficiency and human capital management.

In addition to these points, several respondents mentioned the added benefit of access to specialized recruitment tools, industry-specific talent pools, and HR technology platforms offered by outsourcing providers. Many breweries lack the resources or expertise to maintain comprehensive candidate databases or sophisticated applicant tracking systems. Outsourcing firms fill this gap, providing breweries with a competitive advantage in sourcing and securing suitable talent swiftly.

In summary, the benefits of HR outsourcing to brewery companies encompass significant time savings in recruitment and staffing processes, enhanced cost management through flexible, variable expenditures, and the reduction of hidden costs related to turnover and compliance. Furthermore, outsourcing improves the focus of internal HR teams by allowing them to concentrate on strategic rather than transactional functions, while also providing access to specialized recruitment tools and talent networks. Finally, it lowers legal and regulatory risks by leveraging outsourcing providers’ expertise. These advantages contribute to stronger organizational resilience, enabling breweries to respond more effectively to market dynamics and maintain continuous operational performance. The strategic nature of these benefits highlights why many brewery companies continue to view HR outsourcing as a valuable component of their human resource management strategy.

4.3.5. Theme 5: Addressed Challenges in HR Outsourcing and Maximizing its Potential Advantages

Both brewery companies and HR outsourcing service providers acknowledged that despite the many benefits of HR outsourcing, various challenges persist which require ongoing adjustments and collaborative efforts to fully realize its potential. From the brewery companies' perspective, the key strategies to mitigate these challenges focus on clarifying expectations, improving communication channels, and establishing effective follow-up procedures within the outsourcing relationship. For instance, many breweries have appointed dedicated internal HR liaisons tasked with direct coordination with service providers. This approach has enhanced clarity and helped prevent misunderstandings, particularly related to candidate profiles and role definitions.

One respondent from a brewery company described their approach, stating: *“To minimize service gaps, we’ve started holding monthly alignment meetings with the agency and assigned a dedicated focal person from our side. This has helped streamline communication and avoid confusion. We’ve also encouraged them to share shortlists earlier and provide better screening details, which has reduced mismatches.”*

Alongside communication improvements, breweries have introduced customized onboarding guidelines to ensure recruits integrate smoothly within the company's culture and operational framework. Such proactive steps have contributed to reducing friction, improving service consistency, and preventing costly delays caused by unclear role expectations.

In addition to internal process improvements, brewery representatives emphasized the importance of HR providers developing a thorough understanding of the specific dynamics and operational realities of the brewing industry. Respondents frequently mentioned that some agencies still operate with a “generalist mindset,” which limits their ability to fully tailor recruitment strategies to sector-specific needs such as seasonal fluctuations, campaign timing, and team culture. To overcome this, several respondents advocated for HR outsourcing firms to invest time in learning about brewery workflows and to adopt recruitment approaches that better align with these unique factors. Furthermore, the adoption of technology-driven solutions, such as applicant tracking systems, real-time progress dashboards, and digital feedback platforms, was suggested to improve transparency and enable breweries to monitor hiring campaigns more closely and intervene promptly if necessary.

On the other hand, HR outsourcing service providers recognized that to strengthen client relationships and improve service delivery, they must address gaps in communication and intake processes. Providers reported challenges arising when brewery clients fail to provide timely or detailed job briefs or make last-minute changes to role requirements, all of which negatively impact placement quality and timelines.

One HR service provider shared their perspective, *“One thing we’ve learned is that brewery clients operate differently from our other partners. Their hiring is very seasonal and fast-paced. So, we’re building a dedicated brewery client team that understands this rhythm. We’re also planning to launch onboarding support and give clients access to a dashboard where they can track candidate status, leave comments, and request replacements directly.*

To better manage these challenges, service providers are moving towards structured intake protocols and establishing regular feedback loops to maintain alignment with clients throughout the recruitment process. They also highlighted the necessity of specialized recruitment teams familiar with the brewery sector and fast-moving consumer goods hiring cycles, especially to cope with demand surges during peak promotional periods.

Looking ahead, HR outsourcing providers aim to expand their service offerings to include onboard support, compliance and labor law training, and enhanced HR technology platforms designed to increase workflow visibility and communication efficiency. Both brewery companies and providers agreed that the future success of HR outsourcing lies in building strong, trust-based partnerships where both parties actively invest in co-creating solutions, adapting to evolving needs, and minimizing inefficiencies. Through such collaboration, outsourcing can evolve from a transactional service to a strategic partnership that supports the brewery industry’s competitive and fast-paced environment.

In conclusion, while HR outsourcing presents considerable advantages such as cost savings, recruitment efficiency, and greater organizational focus, overcoming its inherent challenges depends largely on open communication, clear role definitions, and ongoing collaboration. The adoption of dedicated coordination roles, tailored onboarding processes, and technology-enabled monitoring tools play a crucial role in enhancing the outsourcing experience. By deepening their understanding of brewery-specific requirements and refining their client engagement practices, HR service providers can improve service quality and responsiveness. Ultimately, the sustainable

effectiveness of HR outsourcing in the brewery sector will rely on the ability of both breweries and HR providers to build flexible, mutually beneficial partnerships that foster continuous improvement and innovation in a dynamic industry.

4.4 Summary of Empirical Literature and Comparative Findings

This study finds generally aligned with prior empirical research on HR outsourcing in manufacturing and FMCG sectors. Like Edwin and Awele (2015), our data shows that brewery firms outsource transactional HR tasks, particularly recruitment for short-term roles. However, in contrast to broader global trends, Ethiopian breweries remain hesitant to outsource strategic HR functions due to concerns about control and confidentiality (Hailemariam, 2021). Moreover, our study introduces new insights into the role of technology and coordination mechanisms in improving outsourcing outcomes, suggesting an evolving shift toward strategic partnerships that has been extensively discussed in literature.

Table 5. Summary of Empirical Literature and Comparative Findings

Category	The Literature reviews Summary	The findings from the study	Analysis of the finding
Scope of HR Functions	General functions like recruitment, payroll, training, and compliance are discussed.	Specific emphasis on recruitment for high-turnover roles. Strategic functions like payroll and training are retained in-house.	- Both the literature and the study agree that recruitment is the most outsourced HR function. This study adds that Ethiopian breweries outsource mainly short-term roles, keeping strategic tasks in-house. - Unlike global trends toward strategic partnerships, Ethiopian firms still rely on transactional outsourcing, though steps toward collaboration are emerging.
Benefits of Outsourcing	- Operational efficiency - Cost management - Access to specialized skills - Focus on core business	- Cost reduction - Avoid hiring costs - Enables internal HR to be more strategic	- Cost reduction and efficiency are common motives in prior research. Your findings add that outsourcing also helps avoid hidden costs like delays and frequent rehiring. - Literature notes misalignment between firms and outsourcing providers. Your study reveals this issue is worsened in breweries due to providers' lack of sector-specific knowledge. - Global research suggests a shift toward strategic outsourcing partnerships. Your study shows Ethiopian breweries are still in early stages, relying mostly on transactional arrangements, though some collaborative practices are emerging.
Challenges Noted	- Loss of control - Employee morale	- Mismatched expectations - Poor candidate quality	This study supports these views in the Ethiopian brewery context, confirming that recruitment for short-term roles is

	- Data security - Misalignment with company goals	- Service providers' lack of industry-specific understanding	commonly outsourced, while payroll and performance management are retained internally. However, the findings add new insights, showing that breweries face unique challenges like provider misalignment with industry needs and limited legal frameworks. • Unlike global trends that suggest a shift toward strategic partnerships, most providers in Ethiopia are still seen as transactional. • In sum, while findings align with global research, they offer context-specific contributions that emphasize the importance of governance, sector knowledge, and trust-building in the success of HR outsourcing in Ethiopian breweries.
Industry Context	Includes references to companies like EABL and Capwell Industries with some Ethiopian context	Focuses more on Ethiopian brewery companies , giving deeper insights into local adoption and limitations	The empirical literature provides a broad framework, While this study contextualizes these insights to Ethiopia's brewery industry highlighting unique challenges and emerging practices that reflect both the potential and the complexity of HR outsourcing in a developing market context.
Literature References	Singh (2022), Gitiye & Omondi (2018), Auma (2018), Hailemariam (2021)	Edwin & Awele (2015), Awe et al. (2018), Mohammed (2020), David et al. (2017), Singh (2022), Kaur (2022)	The empirical findings integrate more diverse global sources , especially around cost efficiency and strategic HR transformation.

4.4. Discussion of Results

This study reveals several important insights into the practice of Human Resource (HR) outsourcing within Ethiopia's brewery industry an area that has received limited empirical attention despite the sector's rapid growth and complex labor dynamics. One of the key findings is that HR outsourcing has become an increasingly common strategy among breweries, particularly for roles characterized by high turnover and short-term demand such as promoters, merchandisers, and temporary sales staff. This outsourcing approach allows brewery companies to respond more quickly to fluctuating marketing and production demands without overstretching their internal HR capacity. In doing so, it enables them to focus more effectively on their core functions, such as production, quality control, and distribution.

A notable discovery is the way in which brewery companies draw functional boundaries between what is outsourced and what is retained in-house. The study confirms that firms tend to outsource administrative and transactional HR activities, while maintaining strategic HR tasks such as payroll, performance management, and leadership development within the organization. This reflects a cautious approach to safeguarding sensitive employee data and preserving direct managerial control, especially over functions that influence long-term organizational performance.

Beyond these structural arrangements, the study provides new insight into how outsourcing contributes to financial flexibility. By converting fixed HR costs, like permanent recruiter salaries, into variable expenditures tied to actual hiring needs, breweries gain the ability to adjust more easily to seasonal staffing demands. This cost model not only enhances budgeting precision but also helps companies avoid hidden costs associated with recruitment delays, high turnover, and compliance lapses.

At the same time, the findings bring to light several challenges that complicate the realization of outsourcing benefits. A recurring issue is the mismatch between brewery expectations and service provider performance. Participants reported problems such as unsuitable hires, poor cultural fit, slow response times, and vague contract terms. These operational frictions highlight the risks associated with weak communication and governance structures and align with prior literature on the "black box" nature of outsourcing when oversight is lacking.

Importantly, the study identifies how both brewery companies and HR service providers are responding to these challenges with promising innovations. Breweries are increasingly appointing

liaison personnel to coordinate with providers, co-design job descriptions, and facilitate regular alignment meetings. These actions serve as informal governance mechanisms that strengthen coordination. On the provider side, many firms are adopting more sophisticated intake and feedback processes, including the use of digital tools like applicant tracking systems and performance dashboards. There is also a growing trend toward building industry-specific knowledge through the establishment of “brewery practice” teams that are familiar with the operational tempo, compliance requirements, and workforce needs of the beverage sector.

Perhaps the most significant contribution of this study is the emerging shift from transactional outsourcing relationships to strategic partnerships. Both breweries and service providers expressed a shared vision of deepened collaboration. Companies are increasingly open to sharing workforce data and co-developing performance measurement frameworks, while providers are expanding their services to include onboarding, compliance training, and ongoing support through digital platforms. This transition mirrors global trends toward viewing outsourcing providers not merely as vendors but as long-term partners in workforce development.

Finally, the study highlights the need for policy support to sustain this shift. Industry-level forums, supportive regulations, and shared standards for quality and accountability are identified as important enablers of innovation and continuous improvement in outsourcing practices.

In summary, this study makes an original contribution by showing how HR outsourcing in Ethiopian brewery companies is evolving from a reactive cost-cutting measure into a strategic tool for workforce agility and performance enhancement. It demonstrates that the full value of outsourcing is unlocked not just through vendor selection, but through co-created governance, technology-driven transparency, and shared commitment to continuous improvement. These insights offer a valuable reference point for both practitioners and policymakers working to professionalize HR outsourcing in the manufacturing sector.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. Summary of Findings

The study began by analyzing the demographic profile of the respondents, which included HR managers, talent acquisition specialists, general managers, and country directors from brewery companies and HR outsourcing service providers. The majority of respondents were between 21 and 50 years old, with the largest proportion (42.86%) falling in the 21–30 age group. Two-thirds of the participants were male, and all held at least a bachelor's degree, with nearly half holding a master's degree. This indicates that the respondents possessed the professional qualifications and experience necessary to provide credible insights on HR outsourcing practices in the Ethiopian brewery sector.

In terms of HR functions outsourced, the findings revealed that recruitment is the most commonly outsourced function, especially for roles with high turnover such as promoters, merchandisers, and sales staff. This aligns with findings by Edwin and Awele (2015), who noted that administrative and routine HR tasks are more likely to be outsourced, while strategic or sensitive functions are retained in-house. The study confirmed this pattern, as brewery companies were found to prefer keeping payroll, performance management, and leadership training internal due to concerns related to confidentiality and control.

The reasons for outsourcing identified in this study also mirror the global literature. Cost reduction and efficiency were major motivators, consistent with the work of Awe et al. (2018), who emphasized the financial advantages of outsourcing in dynamic business environments. Brewery companies stated that outsourcing helped them reduce direct recruitment costs and avoid hidden costs such as delays, repeated hiring, and onboarding challenges. In addition, HR outsourcing was said to allow internal HR departments to focus on more strategic functions an observation that reflects the arguments of Mohammed (2020), who stated that outsourcing allows HR to shift from an administrative role to a strategic one.

However, the study also revealed challenges that partially confirm concerns raised in the literature. Brewery companies reported mismatches in expectations, candidate quality issues, and occasional low service quality, particularly when service providers lacked a clear understanding of the

brewery sector's unique needs. These findings support the caution raised by David et al. (2017), who noted that poor alignment between vendors and clients can reduce outsourcing effectiveness. Similarly, Singh (2022) highlighted that the “one-size-fits-all” approach taken by some outsourcing providers may not meet the specific demands of manufacturing or FMCG clients an issue echoed by brewery companies in this study.

Finally, both brewery companies and HR service providers identified steps they are taking to address challenges and enhance the benefits of HR outsourcing. Companies reported implementing internal coordination mechanisms and regular review meetings, while providers mentioned plans to offer onboarding support, compliance training, and digital tracking systems. These developments indicate a shift from basic outsourcing toward strategic partnerships, echoing Kaur's (2022) claim that HR agencies are increasingly becoming long-term collaborators rather than transactional service vendors. This evolution signals the potential for HR outsourcing to play a greater role in improving workforce management and operational flexibility in Ethiopia's growing brewery sector.

5.2. Conclusion

In conclusion, this study has demonstrated that HR outsourcing is playing an increasingly significant role in the Ethiopian brewery sector, particularly in managing recruitment for high-turnover, short-term roles such as promoters and temporary sales personnel. The findings confirm that outsourcing delivers tangible benefits most notably in cost reduction, operational efficiency, and more flexible resource allocation. By shifting transactional HR functions to external providers, brewery companies are better able to focus on their core business areas such as production, quality control, and distribution.

However, the study also reveals that these benefits are accompanied by notable challenges. A recurring issue is the mismatch between company expectations and service provider performance, particularly in terms of candidate quality, cultural alignment, and responsiveness. Many breweries reported that outsourced staff were sometimes poorly suited to the fast-paced and brand-sensitive nature of the industry. This was often compounded by vague deliverables, slow communication, and insufficient screening processes—issues that can lead to increased turnover, operational disruptions, and reputational risks. These findings align with broader concerns raised in global literature, including David et al. (2017), Singh (2022), and Kumar and van Fenema (2018),

regarding the pitfalls of outsourcing when governance mechanisms are weak or providers lack contextual expertise.

Encouragingly, the study also identifies how both breweries and HR providers are actively responding to these challenges with practical and strategic remedies. On the client side, companies are establishing dedicated liaison roles to coordinate more effectively with outsourcing partners, ensuring that job briefs, expectations, and timelines are well-defined from the outset. Regular performance reviews, collaborative job planning sessions, and informal governance forums are being used to strengthen accountability and reduce misunderstandings. On the provider side, firms are introducing structured intake processes, enhanced candidate screening methods, and real-time applicant tracking systems that improve visibility and responsiveness. Several providers have also developed brewery-specific teams equipped with knowledge of industry rhythms, compliance standards, and seasonal labour demands, ensuring a more tailored service.

Overall, the study underscores that for HR outsourcing to achieve its full strategic potential in Ethiopia's brewery sector, it must go beyond being a cost-saving mechanism. It must evolve into a dynamic partnership built on mutual trust, clear performance expectations, sector-specific knowledge, and continuous feedback loops. By investing in communication, co-designing service frameworks, and leveraging technology for transparency and agility, both breweries and HR service providers can transform outsourcing into a driver of workforce excellence and competitive advantage.

5.3. Recommendations

Based on the findings and limitations of this study, several recommendations are proposed.

- First, future researchers are encouraged to conduct further studies on the challenges and benefits of HR outsourcing in Ethiopia, especially across different industries. Since HR outsourcing is still at an early stage of development in the country, the available empirical data is limited and sector specific. Expanding research to include other sectors such as finance, healthcare, manufacturing, and public institutions will provide a broader understanding of how outsourcing practices can be adapted to the Ethiopian context. Longitudinal studies and comparative research between regions or industries would also offer valuable insights into the evolution and effectiveness of HR outsourcing over time.

- For HR outsourcing service providers, it is recommended that they develop a deeper understanding of the specific needs and operational realities of the brewery sector. This includes customizing recruitment strategies, improving screening processes, and assigning sector-specific account managers. Agencies should also invest in digital tools and platforms that allow clients to track recruitment progress, provide feedback, and access reports in real time. Additionally, expanding service offerings to include onboarding support, compliance training, and HR advisory services will strengthen their role as strategic partners rather than just service vendors.
- Brewery companies, on the other hand, should establish clear communication channels and expectations with service providers through well-defined contracts and regular performance reviews. Assigning a dedicated liaison from their HR team can improve coordination and help service providers better understand the company culture and role requirements. Moreover, breweries should assess not only the cost-saving aspect of outsourcing but also its long-term impact on talent quality and employee integration. Strengthening internal monitoring of outsourced functions and offering feedback to service providers can contribute to continuous improvement and more effective Outsourcing relationship.

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Appendix I

Interview Questions

ST. MARY'S UNIVERSITY

SCHOOL FOR GRADUATE STUDIES

MASTER OF BUSINESS ADMINISTRATION

This interview is mainly conducted for the partial fulfillment of a master's degree in business administration at St. Mary University on the title "The Benefits and Challenges of Human Resource Outsourcing: The Case of Brewery Companies in Ethiopia" The information you provide is used ONLY for academic purpose. Your honest and thoughtful response is crucial for validity and soundness of the result. All the information you provide is confidential and anonymous. Thank you in advance for your cooperation.

Part I: General Profile

Please put a (✓) mark in the box that best describes you.

1. Gender

- Male ☐
- Female ☐

2. Age

- Under 21 ☐
- 21-30 ☐
- 31-40 ☐
- 41-50 ☐
- 51+ ☐

3. Educational Status

- Did not Complete College ☐
- Bachelor's Degree ☐
- Master's Degree ☐
- PhD ☐

4. Occupation

- General Manager ☐

- Country Director
- Human Resource Manager
- Talent Acquisition Specialist

Interview Questions for Brewery Companies

1. HR Functions Brewery Companies outsource

- Does your company outsource its HR functions?
- Which specific HR functions are outsourced by your company (e.g., recruitment, payroll, training)?
- Are there HR functions your company prefers to keep in-house? If so, why?
- What criteria does your company use to decide which HR functions to outsource?

2. Reasons for HR Outsourcing

- What are the primary reasons your company decided to outsource HR functions?
- Do you believe HR outsourcing reduces the cost your company? Why or why not?
- Do you believe outsourcing HR functions improves efficiency in your organization? Why or why not?

3. Challenges Brewery Companies Face

- What challenges has your company faced when outsourcing HR functions?
- Has your company ever experienced mismatches with HR service providers (for example, differences in expectations, goals, or ways of working)? If so, please explain?
- Has your company encountered low service quality from HR service providers? If so, please explain?

4. Benefits of HR outsourcing to Brewery Companies

- What benefits has HR outsourcing brought to your company?
- Has outsourcing HR functions affected your company's cost management? How?
- What positive impact has HR outsourcing had on your organizational performance?

5. Addressed Challenges in HR outsourcing and Maximizing its Potential Advantages

- What strategies does your company use to overcome challenges related to HR outsourcing?
- What improvements would you suggest to the HR service providers?

- c. What additional services do you expect to get from HR service Providers?

Interview Questions for HR Service Providers

1. HR Functions Brewery Companies outsource

- a. Does brewery company outsource their HR functions? If so, which specific HR functions do Brewery companies outsource to your HR agency (e.g., recruitment, payroll, training)?

2. Reasons for HR Outsourcing

- a. Do brewery companies outsource their HR functions to your HR outsourcing agency? If so, why?
- b. Which HR functions do brewery companies outsource to your HR outsourcing agency?
- c. Do you believe brewery companies can reduce their cost by outsourcing their HR functions to your HR outsourcing agency? If so, how?
- d. Do you believe brewery companies can improve efficiency when they outsource their HR functions to your HR agency?

3. Challenges Brewery Companies Face

- a. What challenges do you think brewery company face when outsourcing their HR functions to your agency?
- b. Have you ever experienced mismatches with client companies (for example, differences in expectations, goals, or ways of working)? If so, could you describe the situation?
- c. Have you observed instances where client companies were dissatisfied due to low service quality from your agency? If so, what were the main issues they raised?

4. Benefits of HR outsourcing to Brewery Companies

- a. What benefits does HR outsourcing bring to brewery companies?

5. Addressed Challenges in HR outsourcing and Maximizing its Potential Advantages

- a. What improvements do you think your HR agency has to make to provide better service?
- b. What additional services do you plan to offer?

