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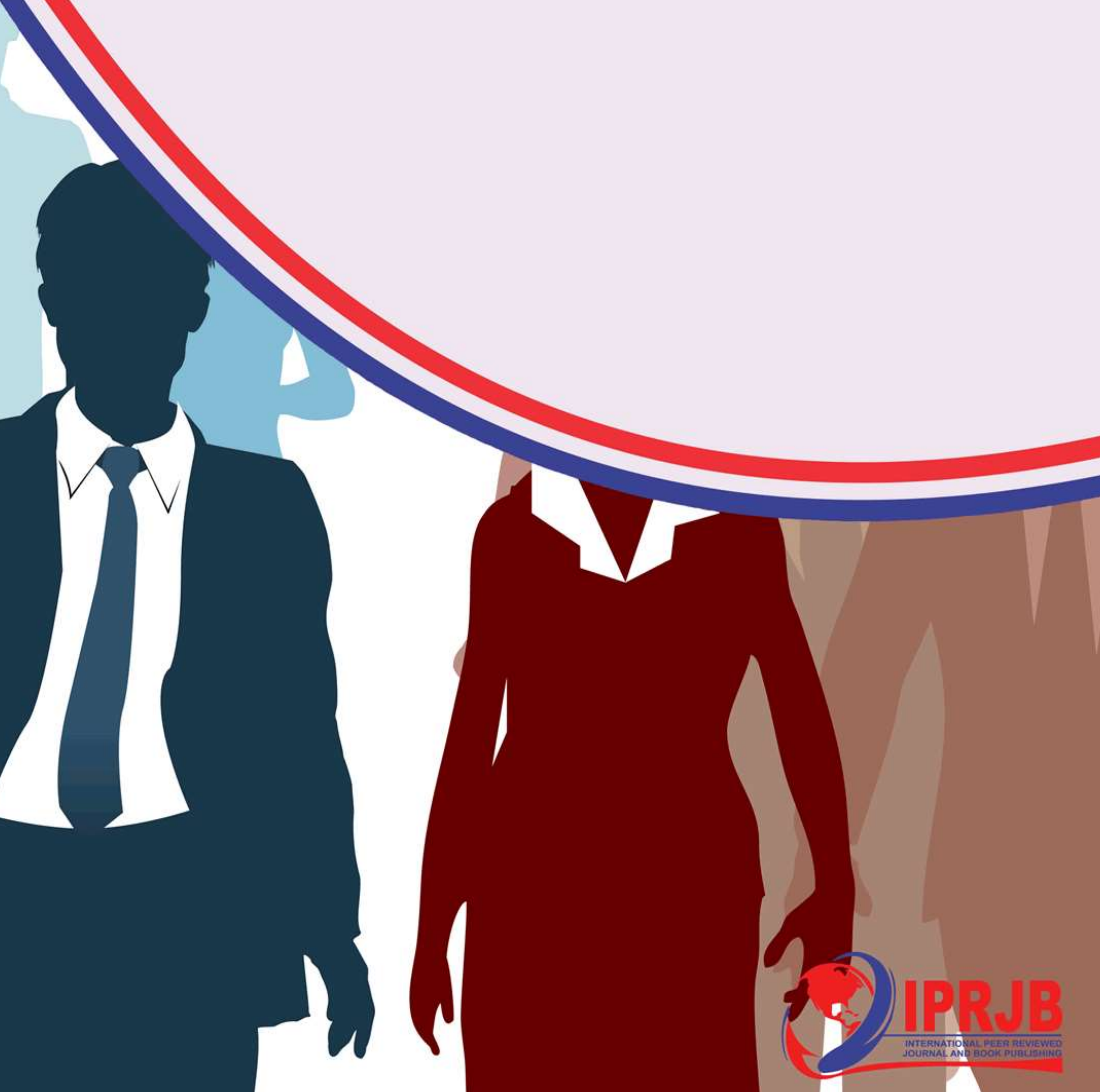

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The Effect of Core and Non-Core Function Outsourcing Motivators on Employee Retention in Kenya's Oil and Gas Industry

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Abstract

Purpose: The purpose of this study was to evaluate how core and non-core outsourcing motivators influence employee retention in the Kenyan oil and gas industry.

Methodology: Pragmatism philosophy guided the research, adopting a mixed methods design. The study targeted 219 oil and gas companies from a population of 430 firms, with a sample of 125 companies. Data was collected from 211 Heads of Human Resources and Procurement, yielding a response rate of 84.4 percent. Data analysis involved descriptive statistics and multiple regression analysis. Core and non-core outsourcing motivators recorded a strong positive and statistically significant effect on employee retention ($\beta = 0.295$, $p = 0.000$).

Findings: The findings indicate a growing shift in organizational practices toward outsourcing core HR functions to external providers with specialized expertise and advanced capabilities, challenging the traditional view that core activities should be managed internally.

Unique Contribution to Theory, Practice and Policy: Core and non-core motivators are key drivers of workforce outcomes and recommend that organizations implement value-oriented outsourcing strategies aimed at improving service quality, enhancing performance, and fostering employee retention. The study further recommends the implementation of policy frameworks that promote equitable compensation for outsourced employees, reducing disparities between outsourced and in-sourced staff in comparable roles. Such measures can enhance fairness, improve employee satisfaction, and strengthen workforce retention while supporting overall organizational performance.

Keywords: *Core Function Outsourcing Motivators, Non-core Function Outsourcing Motivator, Employee Retention, Resource Based View Theory, Oil and Gas Industry*

JEL Codes: *L24, J63, L71*

INTRODUCTION

Global outsourcing is considered a management strategy through which organizations transfer non-core activities to external providers with specialized expertise to enhance efficiency and service delivery. It is also viewed as a strategic approach that allows organizations to focus on their core competencies, utilize resources more effectively, and improve overall organizational performance (Elmuti, 2000;Alzhrani, 2020). In the context of human resource management, strategic outsourcing helps reduce operational costs while enabling employees and professionals to concentrate on key business functions, strengthen and improve core competitiveness and organizational goals (Ji, 2016;Alagah, 2021).

Outsourcing in human resource management distinguishes between core (transformational) activities, which are strategic and value-creating, and non-core (transactional) activities, which are mainly administrative, transferable and routine. Organizations commonly outsource transactional HR functions to enable HR professionals to focus on core functions (Xiao et al., 2024). The growing need for specialized expertise also drives HR outsourcing, as external providers are often able to deliver higher-quality services and greater efficiency (Alzhrani, 2020). However, there is no universal agreement on which HR functions should be considered core or non-core, since these classifications vary depending on organizational characteristics, industry conditions, national contexts, and changing business environments (Xiao et al., 2024).

The sector provides a unique context due to its reliance on highly specialized technical skills, global operations, unionized workforce, continuous shift-based production, remote work locations, and hazardous operating environments. Furthermore, the industry's dependence on international partnerships for production, equipment procurement, maintenance, and distribution underscores the strategic importance of effective human resource management. Although the rapid growth of the oil and gas sector has created significant economic opportunities, human capital shortages remain a major challenge, particularly in East Africa, where inadequate sector-specific training has limited the availability of skilled personnel (Maliku, 2014). These distinctive characteristics make the oil and gas sector an appropriate setting for investigating the relationship between core and non-core function outsourcing motivator and employee retention.

Core functions in the oil and gas industry encompass the primary value-creating activities of the petroleum value chain, including exploration, drilling, reservoir management, production, processing, transportation, refining, and distribution. These activities require specialized technical expertise, substantial capital investment, and advanced operational capabilities, making them central to organizational competitiveness and strategic performance(Bret-Rouzaut, 2022; International Energy Agency, 2023)

Statement of the Problem

Human resource outsourcing is primarily driven by the need to reduce costs, enable organizations to focus on their core competencies, access specialized expertise, improve operational efficiency, enhance scalability, and accelerate service delivery (Asatiani et al., 2019). Empirical evidence further indicates that organizations adopt HR outsourcing to 80% optimize costs and leverage external expertise, and 78% strengthen their strategic focus, leading to 10% -12 % leaner in-house HR functions while maintaining high levels of satisfaction with outsourced services (Moataz, 2024).

Approximately 85% of organizations use outsourcing to enhance competitiveness without investing in additional infrastructure, with strategic recommendations emphasizing the outsourcing of non-core activities to specialized providers so that firms can focus on their core competencies. (Namita & Gohana, 2020 ;Mejabi et al., 2024). However, employees performing outsourced non-core functions often remain under the control of the contracting firm while being employed by another entity, resulting in lower wages and poorer working conditions for lower-skilled workers (Zwysen, 2024). Ul-Ain and Siddiqui, (2020) reiterates HR outsourcing has created several challenges, including increased employee turnover intentions. In addition, several barriers hinder HRO adoption, including weakened psychological contracts with employees, potential opportunistic behavior by service providers, inadequate regulatory frameworks, and negative prior experiences (Sakib et al., 2023). In Kenya, over the period 2014 to 2024, numerous published legal cases have highlighted concerns regarding the treatment of outsourced workers, including unfair labour practices, discrimination, lower pay, restricted union participation, and poor working conditions (Search - Kenya Law, n.d.).

Despite growing interest in outsourcing and retention, empirical evidence on outsourced employee retention in Kenya's oil and gas sector remains limited (Masai & Beeka, 2025 ; Maliku, 2014 ; Kimemia and Kamunjeru, 2014) . Existing studies provide insufficient insight into the effect of functional- core and non-core- outsourcing motivators on employee retention among oil and gas companies in Kenya, revealing empirical and contextual gaps, while methodological gaps exist as most relevant studies rely on either qualitative or quantitative approaches that warrant mixed method approach

Research Hypothesis

$H0_1$: There is no significant effect of Core and Non-core motivators on employee retention among oil and gas companies in Kenya.

LITERATURE REVIEW

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

Theoretical Framework

The Resource-Based View (RBV), developed from the works of Selznick (1957) and Penrose (1959), posits that an organization's competitive advantage stems from its unique resources and capabilities, particularly human capital. According to RBV, resources that are valuable, rare, inimitable, and non-substitutable (VRIN) enable firms to achieve superior performance and sustain competitive advantage. The theory emphasizes the importance of continuously developing and adapting organizational resources to respond to changing market conditions (Nafula & Muchemi, 2023).

RBV further suggests that organizations should focus on their core competencies while outsourcing non-core functions to access specialized external expertise and improve efficiency (Paz-Aparicio et al., 2017). In the context of human resource outsourcing, the theory argues that outsourcing routine HR activities allows firms to concentrate on strategic capabilities and leverage the skills of external providers, thereby strengthening organizational performance and competitive advantage (Jain & Saini, 2010 ; Nnabugwu, 2024). Consequently, RBV provides a theoretical foundation for understanding functional resource outsourcing motivators by

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highlighting the strategic value of allocating resources to activities that enhance core organizational competencies.

In conclusion, the Resource-Based View (RBV) provides a valuable framework for understanding human resource outsourcing by emphasizing that organizations should retain HR functions that embody valuable, rare, inimitable, and non-substitutable (VRIN) resources, as these are the primary sources of sustainable competitive advantage. Conversely, non-core HR activities that do not possess VRIN characteristics can be outsourced to specialized providers without undermining the organization's core competencies. By distinguishing HR functions based on their strategic value, firms can leverage external expertise for operational efficiency while safeguarding the unique human capital and capabilities that drive long-term organizational performance.

The Social Exchange Theory (SET), developed by Homans (1958) and expanded by Blau (1964), is widely used to explain employer–employee relationships, particularly in studies of employee retention and turnover (Gopalan et al., 2020). The theory posits that employment relationships are based on reciprocal exchanges, whereby employees are more likely to demonstrate commitment, positive work behaviours, and continued organizational membership when they perceive that the benefits received from their employer outweigh the associated costs. Consequently, organizations can foster favourable employee attitudes by implementing HRM practices that cultivate trust, fairness, and mutual obligation.

SET suggests that employees are more likely to remain with an organization when they perceive that it values their contributions and supports their well-being (Cropanzano & Mitchell, 2005). Such positive exchange relationships strengthen trust, organizational commitment, and emotional attachment, thereby reducing turnover intentions even when alternative employment opportunities exist (Eisenberger et al., 1986). Given the high costs associated with employee turnover, particularly among skilled professionals, organizations increasingly rely on supportive HR practices to enhance retention (Harden et al., 2018). Empirical evidence further supports the theory by demonstrating that positive workplace conditions, including a strong safety climate, fair rewards, and manageable workloads, improve job satisfaction, employee engagement, organizational commitment, and ultimately reduce turnover intentions (Huang et al., 2016; Harden et al., 2018).

In the context of human resource outsourcing, SET provides a useful theoretical lens for explaining how outsourcing practices influence employee retention. Outsourcing arrangements that improve the quality, efficiency, and responsiveness of HR services while maintaining employees' perceptions of fairness, support, and job security strengthen reciprocal exchange relationships and encourage employee retention. Conversely, outsourcing practices that create uncertainty, reduce organizational support, or threaten job security may weaken employee commitment and increase turnover intentions. Hence, Social Exchange Theory offers a robust framework for understanding how employees' perceptions of organizational support mediate the relationship between human resource outsourcing practices and employee retention.

Conceptual Framework

The framework below shows the interrelationship between the independent variable (Functional Human Resource Outsourcing Motivators) and dependent variable (Employee Retention)

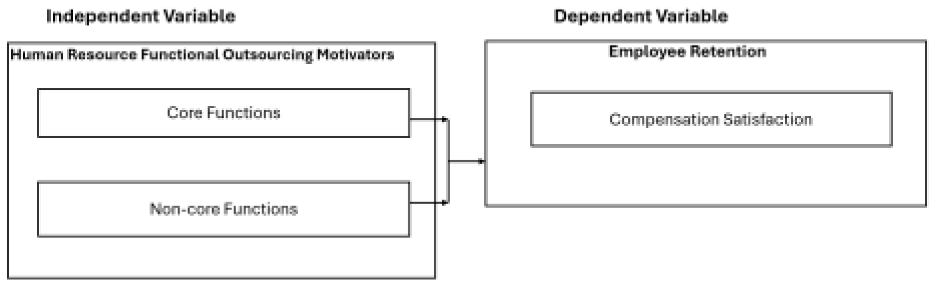

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Figure 1: Conceptual Framework

Empirical Review

Reclassification of Core and Non-Core Functions as a Driver of Human Resource Outsourcing

Organizations often face difficulties distinguishing between core and non-core functions because these classifications vary across industries and organizational contexts, making it challenging to determine which activities should remain in-house and which can be outsourced (Taponen Kauppi, 2020; Sigroha, 2019). Evidence increasingly suggests that the traditional distinction between core and non-core functions is becoming less clear. For instance, Dor and Runciman (2022) found that although manufacturing firms classified many production activities as non-core to justify outsourcing and comply with labor regulations, outsourced workers remained integral to productivity and value creation, indicating that these functions were effectively core to business operations. Similarly, scholars argue that outsourcing has expanded beyond non-core activities to include strategic and core functions, depending on organizational objectives and industry-specific requirements (Kunarti et al., 2024; Agyemang et al., 2014).

The reviewed literature demonstrates that the distinction between core and non-core functions is increasingly fluid and context dependent, with activities traditionally regarded as non-core often contributing directly to organizational value creation. This suggests that outsourcing decisions should not rely solely on conventional classifications but rather on a strategic assessment of the function's contribution to competitive advantage, operational efficiency, and long-term organizational objectives.

The Role of Outsourcing Non-Core HR Functions to Strengthen and Focus on Internal Core Competencies

Human Resource Outsourcing (HRO) enables organizations to transfer non-core HR activities to specialized external providers, allowing internal resources to focus on strategic functions that create organizational value and competitive advantage (Suleman & Ogbette, 2019; Kodwani, 2008; Namita & Gohana, 2020; Seth & Sethi, 2011; Amiq et al., 2021; Dzakpasu, 2021; Le Ludec et al., 2023). The literature emphasizes that organizations achieve optimal outcomes by retaining strategically important HR functions while outsourcing routine support activities after carefully evaluating the associated costs and benefits (Mohiuddin & Su, 2013; Rathod, 2026). Empirical studies consistently show that outsourcing non-core functions—including payroll, compensation, training and development, procurement, logistics, transportation, and packaging—improves organizational performance by reducing costs, enhancing operational flexibility, improving service quality, increasing productivity and profitability, and enabling more efficient resource utilization (Ayantoyinbo & Odepidan, 2018; Alzhrani, 2020; Pham et al., 2023). Supporting this view, Lahiri et al. (2022) found that outsourcing delivers greater performance gains when non-core rather than core functions are outsourced, while Akinyi (2022) reported that outsourcing training, development, and compensation enhances HR effectiveness, with vendor characteristics influencing these outcomes. Similarly, Mejabi et al. (2024) observed that outsourcing non-core activities strengthens employee relations by enabling organizations to focus on strategic priorities while improving communication, leadership, training, remuneration, and job security. However, Edvardsson and Óskarsson (2021) and Yang et al. (2023) emphasized the need for caution when outsourcing strategically important roles and recommended adequate support, training, and career development for outsourced employees.

However, despite the well-documented organizational benefits of HRO, existing studies have largely treated non-core functions as a single, homogeneous construct, with limited attention to the distinct effects of outsourcing individual non-core activities. This has created a gap in understanding how specific outsourced functions differentially influence organizational outcomes. Consequently, further research is needed to examine the unique effects of individual non-core outsourced functions on employee retention, particularly within sector-specific contexts such as Kenya's oil and gas industry.

Overall, the literature suggests that Human Resource Outsourcing is most effective when strategically applied to non-core functions while preserving critical internal capabilities. Nevertheless, the limited differentiation of individual non-core outsourced activities in existing research highlights the need for more nuanced investigations to better understand their varying contributions to employee retention

Human Resource Outsourcing and Outsourced Employee Retention

Employee retention has become a major organizational challenge due to increased competition for skilled talent and rising workforce mobility, particularly in industries that rely heavily on outsourcing. The Business Process Outsourcing (BPO) sector experiences especially high employee turnover, underscoring the need for organizations to identify the drivers of employee exits and implement effective retention strategies (Yadav & Joshiya, 2021). Similarly, despite offering competitive remuneration, the oil and gas industry continues to experience persistent employee turnover, with non-permanent employees recording notably high turnover rates (Binti Shahabudin & Kamarul Zaman, 2025; Alamaj, 2023). Amiq et al. (2021) found that organizations often struggle to distinguish between core and non-core functions, leading to inappropriate outsourcing decisions. The study also reported that outsourced employees frequently experience inadequate social protection, limited job security, restricted career advancement opportunities, and lower wages, all of which negatively affect employment conditions.

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Overall, the literature suggests that while outsourcing can enhance organizational efficiency, poorly managed outsourcing practices may adversely affect employee retention. This underscores the need for organizations to adopt strategic outsourcing approaches that protect employee welfare while achieving operational objectives.

Negative Impact of Functional HR Outsourcing

HR outsourcing suggests that outsourcing HR functions can significantly influence HR roles, competencies, and relationships with senior management. The findings indicate that organizations relying heavily on HR outsourcing often experience; reduced flexibility of in-house HR departments, slow transactional HR processes, increased workload pressure, and reduced satisfaction among HR managers and limited development of internal HR competencies, as the focus tends to shift toward cost reduction rather than core capability building. This situation constrains the ability of the HR function to evolve into a strategic business partner. In contrast, organizations that retain HR activities internally are more likely to engage HR professionals in wider organizational operations, thereby enhancing their competencies, strengthening collaboration, and building greater trust with senior management. Consequently, internal HR structures are considered more effective in reinforcing HR roles and contributing to organizational value creation(Glaister, 2014 ;Patel et al., 2019).

Research Gaps

Although outsourcing and employee retention have received considerable scholarly attention, empirical evidence on the relationship between functional outsourcing motivators and employee retention within Kenya's oil and gas industry remains limited (Masai & Beeka, 2025; Maliku, 2014; Kimemia & Kamunjeru, 2014). Existing studies have not adequately examined how core and non-core outsourcing motivators differentially influence employee retention, thereby revealing both empirical and contextual gaps. Furthermore, the predominance of either qualitative or quantitative research designs in previous studies presents a methodological gap, highlighting the need for a mixed-methods approach to provide a more comprehensive understanding of the relationship between outsourcing motivators and employee retention in this industry.

METHODOLOGY

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

Research Philosophy and Research Design

The study adopted pragmatism research philosophy which advocates for a mixed methods research design. A mixed methods research design, combines quantitative and qualitative approaches reducing bias and enhancing credibility (Creswell & Creswell, 2018).

Target Population and Sampling Design

The study examined 219 oil and gas firms selected from a target population of 430 companies, with a sample of 125 firms determined using the Olonite sampling technique. Data were obtained from 211 respondents, including Heads of Human Resources and Heads of Procurement, achieving an 84.4% response rate. Stratified random sampling was applied to categorize the firms appropriately, while purposive sampling was used to identify HR and procurement representatives who participated in the study.

Data Collection Instrument and Data Collection Procedures

Quantitative and qualitative data were collected using semi-structured questionnaires, with validity and reliability established through expert review and Cronbach's alpha testing. Quantitative data was gathered using a semi-structured questionnaire on functional outsourcing motivators and employee retention. Responses were measured on a 5-point Likert scale, and the data was analyzed using descriptive and inferential statistics in SPSS version 26 and Microsoft Excel. Qualitative responses were analyzed using thematic analysis based on the six-step approach developed by Braun and Clarke (2006). NVivo 14 software supports systematic coding, theme development, and interpretation of the data.

Ethical clearance and research permits were obtained from Daystar ISERC and NARCOSTI, and informed consent was secured from all participants. Data collection was supported by trained research assistants, resulting in an 84.4% response rate achieving an 84.4% response rate.

RESULTS

Core and Non-core Outsourcing Motivators

This section examines the effect of functional motivators, specifically core and non-core functions, on employee retention. The analysis highlights varying patterns in outsourcing decisions related to core and non-core functions, with Table 1 presenting the descriptive statistics for these functional motivators.

Table 1: Functional Outsourcing Motivators (Core and Non-Core)

Statement	Mean	Std. Deviation
Our organization outsources core HR functions to external providers	3.91	0.756
Outsourcing core functions improves organizational efficiency	3.72	1.204
Focus on core competencies enhanced through strategic HR outsourcing	3.72	0.967
Outsourcing non-core functions improves organizational efficiency	3.59	1.071
Our organization outsources non-essential HR functions	3.47	1.188
HR outsourcing allows focus on core business activities	3.38	1.009
Certain core technical tasks better handled by external providers	3.35	1.146
Non-core HR tasks better handled by specialized external providers	3.25	1.217
Average	3.55	1.070

Key: M = Mean; SD = Standard Deviation

Source: Field Data (2025)

The results reveal an interesting pattern where outsourcing core HR functions received the highest agreement (M = 3.91, SD = 0.756), suggesting that organizations in the oil and gas industry are increasingly open to outsourcing even their core operations when third-party providers can deliver greater expertise, efficiency, or technological advantage. This indicates an increasing tendency to collaborate with specialized external providers that offer superior expertise and improved operational efficiency, challenging traditional outsourcing theories that advocate keeping core functions within the organization. Strong agreement was also observed for the belief that outsourcing core functions improves organizational efficiency (M = 3.72, SD = 1.204) and enhances focus on core competencies (M = 3.72, SD = 0.967).

Non-core function outsourcing received moderate agreement levels, with respondents acknowledging that outsourcing non-core functions improves efficiency (M = 3.59, SD = 1.071) and that non-essential HR functions can be outsourced (M = 3.47, SD = 1.188). The relatively higher standard deviations for some items suggest varying organizational approaches to determining which functions should be outsourced. The overall average mean score of 3.55 (SD = 1.070) indicates moderate agreement with functional motivators as drivers for human resource outsourcing.

The results on functional motivators revealed a notable shift from conventional outsourcing theory. Respondents demonstrated greater agreement on the outsourcing of core HR functions, indicating confidence in vendors' technical capability to handle core operations. Edvardsson & Óskarsson, (2021) align with the findings that focus on core competencies to reinforce expertise as the primary purpose for HR outsourcing. This challenges long-standing distinctions between core and non-core functions, implying that outsourcing suitability is now evaluated based on vendor expertise and efficiency rather than function classification. The findings highlight a strategic redefinition of outsourcing boundaries within complex technical industries such as oil and gas, where organizational performance outweighs theoretical core-periphery divisions.

Functional Outsourcing Decisions and Core-Non-Core Distinctions

The qualitative data found that practitioners demonstrated evolved perspectives on functional outsourcing, respondents consistently reported outsourcing strategically core functions when external providers demonstrated superior capabilities. Many practitioners indicated that their approach stemmed from recognition that internal strategic importance does not necessitate internal execution.

The findings revealed a notable disconnect between traditional outsourcing theories and practical implementation. While respondents were familiar with conventional core competency models, many indicated that these frameworks were less applicable when external vendors possessed capabilities that surpassed those available internally. The results suggest that outsourcing decisions are increasingly driven by pragmatic assessments of vendor expertise and organizational needs rather than strict adherence to theoretical prescriptions, highlighting the importance of capability-based decision making in contemporary outsourcing practices.

Practitioners who reported more strategic outsourcing approaches described their decisions as driven by comparative advantage analysis rather than functional categorization. These respondents articulated connections between vendor capabilities and organizational effectiveness, suggesting that their approach extended beyond cost considerations to strategic capability enhancement. Conversely, practitioners with more traditional perspectives expressed uncertainty about outsourcing strategically important functions, questioning whether external providers could adequately understand organizational culture and strategic priorities. This divergence in understanding highlighted the critical need for strategic frameworks that bridge functional categorization with practical capability assessment.

Employee Retention

The descriptive analysis of employee retention variables reveals moderate agreement levels across compensation, career development, and retention strategies for outsourced staff.

Table 2 presents the descriptive statistics for employee retention variables.

Table 2: Employee Retention- Compensation

Statement	Mean	Std. Deviation
Outsourced staff compensation commensurate with skills	3.91	0.731
Outsourced staff receive competitive compensation vs internal staff	3.65	1.191
The overall compensation packages are fair and adequate	3.51	1.084
Compensation reviews conducted regularly and transparently	3.50	1.030
Outsourced staff receive competitive base salaries vs market	3.15	1.244
Average	3.54	1.056

Key: M = Mean; SD = Standard Deviation

Source: Field Data (2025)

The results indicate strong agreement that outsourced staff compensation is commensurate with their skills and contributions (M = 3.91, SD = 0.731), suggesting recognition of performance-based compensation practices. Moderate agreement was observed for competitive compensation compared to internal staff (M = 3.65, SD = 1.191) However, the lower mean for competitive base salaries compared to external market (M = 3.15, SD = 1.244) and the relatively high standard deviation suggest concerns about compensation competitiveness. The moderate agreement levels across most retention variables indicate opportunities for improvement in outsourced staff retention strategies. The overall average mean score of 3.54 (SD = 1.056) indicates moderate agreement with current employee retention practices for outsourced staff.

The analysis of employee retention variables revealed moderate satisfaction with compensation fairness for outsourced staff. Organizations appear to have achieved internal pay equity, aligning compensation with skill levels and job roles. However, competitiveness relative to market standards remains a concern, potentially undermining retention of outsourced employees. Matuga and Bula,(2021); Hassan, (2022); Musoka and Gathii, (2022) support the findings revealed that reward and compensation practices, compensation policies significantly influenced employee retention. These patterns suggest that while companies acknowledge the importance of equitable and developmental practices, addressing external pay competitiveness and actual advancement opportunities remains critical to sustaining long-term retention of outsourced employees.

Qualitative data expressed nuanced perspectives regarding retention challenges for outsourced staff within their organizations. While acknowledging organizational efforts to provide equivalent operational benefits to outsourced and permanent employees, respondents recognized persistent disparities in long-term incentives. Several practitioners noted that outsourced staff demonstrated high performance levels and organizational commitment but faced limited long-term financial benefits. Concerns about equity emerged prominently, with respondents emphasizing that benefits disparities might undermine retention efforts and create perceptions of unfair treatment that reduced outsourced employee commitment.

Practitioners questioned whether current retention initiatives adequately addressed outsourced employee needs and whether organizations should expand benefits parity to include long-term financial incentives. The responses revealed that thoughtful retention strategies required attention not only to compensation and benefits but also to career development, organizational culture integration, and creating belonging among outsourced personnel. Practitioners emphasized that successful retention must include mentorship programs, recognition initiatives, and flexible work arrangements that demonstrated organizational commitment to outsourced staff wellbeing and professional growth.

Correlation Analysis

The correlation analysis examined the nature and strength of linear associations among the key study variables: Core and Non-core outsourcing motivators, and employee retention in oil and gas companies in Kenya. Pearson's product-moment correlation coefficients were used to quantify the degree of association between variables and to assess their statistical significance at the 0.01 level (two-tailed). This analysis provided preliminary insights into the interrelationships among constructs prior to regression modeling and helped evaluate potential multicollinearity concerns.

Table 3: Correlation Matrix - Employee Retention and Study Variables

		Employee Retention (r)	Core and Non-core Motivators
Core and Non-Core Motivators	Pearson Correlation	.618**	1.000
	Sig. (2-tailed)	0.000	

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

Source: Field Data (2025)

Core and Non-core motivators recorded the strongest positive and significant relationship with employee retention ($r = 0.618$, $p < 0.05$), representing a moderate to strong relationship. This suggests that decisions concerning which HR functions to outsource meaningfully influence retention outcomes, emphasizing that effective management of core and non-core outsourcing activities can promote greater workforce stability. The finding aligns with the resource-based view, which posits that strategic management of organizational boundaries and external partnerships contributes to sustained human resource advantages. The particularly strong positive and significant relationship between functional motivators and retention ($r = 0.618$) resonates with Quinn and Hilmer's (1994) argument that strategic decisions about core competencies fundamentally shape organizational capabilities, including the ability to retain critical talent.

Hypothesis Testing

This section presents the testing of research hypotheses formulated to examine the relationships between Core and Non-core outsourcing motivators and employee retention among oil and gas companies in Kenya.

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H_{01}: There is no significant effect of Core and Non-core outsourcing motivators on employee retention among oil and gas companies in Kenya.

Core and Non-core outsourcing motivators equally indicate a statistically significant positive effect on employee retention among all predictor variables (B = 0.295, t = 3.815, p = 0.000). The probability value is substantially less than the significance level of 0.05, representing the highest level of statistical significance. Therefore, the null hypothesis (H_{01}) is rejected with strong confidence. Therefore, the study finds that Core and Non-core outsourcing motivators have a significant effect on employee retention among oil and gas companies in Kenya.

RESULTS

The study examined the effect of Core and Non-core outsourcing motivators on employee retention. Core and Non-core outsourcing motivators recorded the strongest effect among all predictors ($\beta = 0.295$, $p = 0.000$), leading to the conclusion that decisions on which specific HR functions to outsource have the greatest impact on whether outsourced staff stay or leave. These results agree with Xiao et al. (2024) and with the Resource-Based View which maintains that firms can strengthen internal capability by partnering with external experts for specialized functions. This finding is also supported by the State Department for Petroleum's 2024 sector skills note which observed that oil and gas companies that outsource HR functions to vet vendors experience fewer contract disputes and lower turnover among technical and support staff. Functional clarity, transparent performance standards, and predictable payroll arrangements administered through competent vendors therefore emerge as practical retention levers in this industry.

Core and Non-core outsourcing motivators emerged as a strong predictor of employee retention, since decisions on which functions to outsource shape employees' day-to-day work experience, opportunities for development, and access to support services. When outsourcing decisions are well-aligned with business functions, outsourced employees benefit from better performance support, which enhances their loyalty and retention.

The study highlights that Core and Non-core outsourcing motivators have a strong positive and statistically significant effect on employee retention ($p < 0.05$). Correlation results revealed the highest positive association among all predictors, validating the hypothesis (H_1). This suggests that decisions on which HR functions to outsource such as training, recruitment, or payroll directly shape employee experiences and perceptions of fairness, clarity, and support. The finding aligns with the Resource-Based View, emphasizing that functionally targeted outsourcing enhances internal capability development and long-term retention through improved HR service delivery.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The study advances outsourcing literature by showing that oil and gas firms are increasingly willing to outsource core HR functions when external providers offer superior expertise and capabilities, challenging the traditional view that strategic functions should remain in-house. The findings suggest that functional motivators should be recognized as key determinants of workforce outcomes within outsourcing effectiveness models. Therefore, organizations should adopt a function specific outsourcing approach that prioritizes functions capable of delivering greater value, improved service quality, enhanced performance support, and meaningful development opportunities for outsourced employees, thereby strengthening both organizational performance and employee outcomes.

Policy makers should establish and enforce frameworks that promote equitable compensation practices for outsourced employees. Such frameworks should aim to reduce unjustified pay disparities between outsourced and in-house staff performing comparable roles, thereby fostering fairness, enhancing employee satisfaction, and supporting workforce retention.

Recommendations

The findings recommend extending the Resource-Based View (RBV) by recognizing that both core and non-core outsourcing motivators are key determinants of workforce outcomes rather than merely operational considerations. The results also suggest revisiting the traditional RBV assumption that core HR functions should always remain in-house, as organizations in the oil and gas industry increasingly outsource core HR activities when external providers possess superior expertise, technology, and capabilities. This indicates that sustainable competitive advantage may be achieved not only through ownership of core resources but also through access to complementary external capabilities.

The findings contribute to the understanding of outsourced employee retention by highlighting that while organizations moderately support providing competitive compensation relative to internal staff , concerns remain regarding the competitiveness of base salaries compared to the external labor market. This highlights the importance of aligning outsourced employees' remuneration with broader market standards to strengthen retention outcomes.

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