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Rethinking Outsourced HR Consulting Services in Industry 4.0: Evidence from Existing Studies

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ABSTRACT

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The evolution of Industry 4.0—characterized by the integration of technologies such as artificial intelligence (AI), big data analytics, and automation—has driven a significant transformation in human resource (HR) management practices. Traditionally, outsourced HR consulting has been instrumental in providing organizations with specialized expertise and operational efficiency. However, in the digital age, many of these functions can now be automated or managed internally using advanced HR technologies. This article reexamines the continued relevance of outsourced HR consulting services through the lens of the Resource-Based View (RBV) theory, which highlights the strategic importance of internal capabilities. The analysis suggests that while outsourcing remains valuable for certain specialized functions, the increasing demand for tailored, technology-driven HR solutions prompts organizations to reassess their outsourcing strategies. A hybrid approach—combining external expertise with the development of internal capabilities—is emerging as a strategic and competitive response in the Industry 4.0 environment.

Keywords: Human Resource Consulting, Industry 4.0, Outsourcing, Resource-Based View and Digital HR Transformation

INTRODUCTION

The advent of Industry 4.0, characterized by the integration of advanced digital technologies such as artificial intelligence (AI), robotics, big data analytics, and the Internet of Things (IoT), is fundamentally transforming organizational operations across various industries (Mithas, Chen, Saldanha and De Oliveira Silveira, 2022). Human Resource (HR) management is no exception. Traditionally, many organizations—particularly small and medium-sized enterprises (SMEs) and rapidly growing firms—have depended heavily on external HR consulting services to access specialized expertise, streamline administrative tasks, and ensure compliance (Bakare, Achumie and Okeke, 2024). However, the emergence of digital technologies now prompts a reassessment of the role and relevance of outsourced HR services.

With AI-driven HR platforms enabling automation of recruitment processes, employee engagement analysis, and virtual onboarding, many functions previously reliant on external consultants can now be managed internally through digital tools (Бехтер, 2025). This development raises important questions about the ongoing value of traditional HR consulting in the digital era. Moreover, Industry 4.0 not only transforms operational practices but also requires HR functions to develop new skills, demonstrate greater agility, and adapt to evolving technological demands—challenging traditional models of outsourced expertise (Dhanpat, Buthelezi, Joe, Maphela and Shongwe, 2020).

Existing research indicates that while outsourcing can still provide strategic benefits in specialized or complex areas, many organizations are increasingly focusing on developing internal capabilities enhanced by technology. This approach offers increased flexibility, cost efficiency, and greater control over essential HR processes (Ayanponle, Awonuga, Asuzu, Daraojimba, Elufioye and Daraojimba, 2024). As workplaces become more digitalized and data-

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driven, organizations must reconsider how outsourced HR consulting aligns with their broader strategic objectives in the context of Industry 4.0. This article critically reviews existing evidence to examine how digital transformation is reshaping the outsourcing of HR consulting services and the implications for organizations aiming to maintain a competitive edge in a rapidly changing business environment.

Theoretical Perspectives-Resource Based View

The Fourth Industrial Revolution, commonly referred to as Industry 4.0, has significantly transformed business environments worldwide. Driven by rapid advancements in technologies such as artificial intelligence (AI), big data analytics, the Internet of Things (IoT), and automation, organizations are increasingly required to adapt their operations—including human resource (HR) strategies—to maintain competitiveness (Vrontis, Christofi, Pereira, Tarba, Makrides and Trichina, 2023). In this evolving context, traditional approaches to HR consulting, particularly reliance on outsourcing, are being critically reassessed. The Resource-Based View (RBV) of the firm offers a valuable theoretical framework for understanding this shift. RBV emphasizes the strategic significance of internal and external resources as sources of competitive advantage, making it especially relevant when analysing the changing role of outsourced HR services in the Industry 4.0 context.

Understanding the Resource-Based View

The Resource-Based View posits that an organization's ability to achieve and sustain competitive advantage depends on access to valuable, rare, inimitable, and non-substitutable (VRIN) resources (Zvarimwa and Zimuto, 2022). According to this perspective, firms should prioritize developing or acquiring resources and capabilities that are difficult for competitors to imitate. These resources encompass tangible assets, intangible knowledge, skills, technologies, and organizational processes. Within HR, areas such as talent management, leadership development, organizational agility, and digital HR competencies are increasingly regarded as strategic assets in the Industry 4.0 landscape (Banerjee and Sharma, 2025).

Aligning RBV with Rethinking Outsourced HR Consulting

Historically, small and medium-sized enterprises (SMEs), as well as larger organizations, have outsourced HR functions to access specialized expertise, reduce costs, and enhance operational efficiency (Edvardsson and Óskarsson, 2021). However, the skills required for HR to remain competitive in Industry 4.0 are evolving. Organizations now need HR capabilities that incorporate data-driven decision-making, employee experience design, workforce analytics, agile change management, and digital learning systems (Okon, Odionu and Bristol-Alagbariya, 2024). These capabilities are no longer merely operational; they have become strategic assets that can differentiate organizations in highly competitive markets.

Applying RBV principles, organizations must evaluate whether outsourced HR services still provide access to VRIN resources. If external consultants deliver advanced expertise—such as AI-driven talent analytics or blockchainenabled HR processes—that is difficult to replicate internally, outsourcing can continue to be strategically advantageous. Conversely, if outsourcing results in standardized, easily imitated solutions that do not align with the organization's unique strategic needs, it may undermine or diminish its competitive advantage (Ragsdale, 2024).

This reconsideration is central to the concept of "rethinking" outsourcing. Recent research indicates that many outsourced HR services have struggled to keep pace with the demands of Industry 4.0, often offering generic solutions lacking customization, innovation, and strategic insight (Agarwal, Mathiyazhagan, Malhotra and Saikouk, 2022). For SMEs, there is a risk of dependency on outdated practices if outsourcing is continued without careful revaluation of the strategic value involved.

Developing Internal Strategic HR Capabilities

Another key implication of RBV is the increasing importance of cultivating internal HR capabilities. Organizations are investing more in building internal HR teams equipped with digital literacy, change management expertise, and data analytics skills (Heidemann-Lassen and Waehrens, 2021). These internal teams, embedded within the organizational culture and strategic framework, are often better positioned to deliver tailored, innovative solutions aligned with long-term organizational goals. In this context, rethinking outsourcing involves recognizing when it is

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more advantageous to develop internal capabilities rather than rely on external providers. While outsourcing routine administrative HR functions may still be appropriate, strategic HR activities related to digital transformation and talent innovation are increasingly viewed as core competencies that organizations should develop and retain internally (Thite, 2022).

Adopting a Hybrid Outsourcing Model: A Strategic Approach

Despite the shift towards internal capability building, RBV does not suggest completely abandoning outsourcing. Instead, it advocates for a strategic, selective approach to leveraging external expertise. Organizations can utilize outsourced HR consulting for specialized services that are too costly or inefficient to develop internally, provided these services offer genuine strategic value (Hailemariam, 2021). For example, external firms offering niche services such as AI-based recruitment, workforce digitization, or remote workforce management can complement internal HR functions without compromising strategic advantage. This hybrid model aligns with findings from Industry 4.0 research, which highlight the importance of ecosystem collaborations and co-creation over traditional vendor-client relationships (Amoozegar, Yadav, Singh and Gunathilaka, 2025). In such arrangements, external consultants function as strategic partners contributing to the organization's unique value creation, rather than mere service providers.

LITERATURE REVIEW

Industry 4.0, characterized by the integration of advanced technologies such as artificial intelligence (AI), big data analytics, the Internet of Things (IoT), and automation into business operations, has significantly transformed organizational structures and workforce management practices (Santos and Martinho, 2020). These technological advancements have prompted organizations to adjust their human resource (HR) strategies to maintain competitiveness and agility in rapidly changing markets. Consequently, traditional HR practices—including recruitment, talent management, performance evaluation, and employee engagement—have undergone considerable evolution (Kambur and Yildirim, 2023). The push for digitalization and innovation has also reshaped the landscape of HR consulting services. Many organizations, particularly small and medium-sized enterprises (SMEs), have historically relied on outsourced HR consulting to access specialized expertise, streamline HR processes, and enhance strategic human capital management (Edvardsson and Óskarsson, 2021). However, the advent of Industry 4.0 has prompted a reassessment of the relevance, structure, and value proposition of these outsourced HR services.

Traditional Role of Outsourced HR Consulting Services

Historically, outsourced HR consulting has provided organizations with specialized knowledge, compliance guidance, recruitment expertise, training solutions, and employee relations support (Anderson and McKenzie, 2022). Outsourcing was viewed as a strategic approach to reduce operational costs, improve service quality, and allow organizations to focus on core business activities. Numerous studies have demonstrated that outsourcing HR functions offers advantages such as increased flexibility, access to best practices, and scalability in support services according to organizational needs (Stirpe, 2021). However, reliance on external HR consultants has also revealed limitations, including the potential loss of internal HR capabilities, reduced organizational learning, and possible misalignment between external solutions and internal strategic goals (Kirkpatrick, Sturdy, Reguera Alvarado and Veronesi, 2023). Additionally, managing the confidentiality and security of employee data has become an increasing concern when HR functions are outsourced.

Evolving Expectations of HR Consulting in Industry 4.0

In the context of Industry 4.0, the expectations placed on HR consulting have evolved substantially. Organizations now seek HR advisors capable of delivering expertise in digital talent acquisition, predictive workforce analytics, remote work management, and employee experience design (Svirelina, 2023). The focus has shifted from administrative efficiency to strategic enablement, emphasizing innovation, agility, and digital integration. Recent research suggests that traditional HR consulting firms may struggle to meet these new demands if they fail to modernize their services (Gladysheva and Gorlov, 2024). Consultants are increasingly expected to provide data-driven insights, assist in the implementation of AI-powered HR solutions, and support the digital transformation of

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HR functions. Failing to adapt may lead to obsolescence or diminished relevance within an increasingly digital and competitive economy (Ates and Acur, 2022).

Advantages and Limitations of Outsourced HR Consulting in Industry 4.0

Outsourcing HR consulting in the Industry 4.0 landscape offers notable benefits. It allows organizations to access cutting-edge expertise in digital HR practices without heavy internal investments (Khan and Gowda, 2025). It also provides flexibility to adapt quickly to changing conditions, enabling firms to scale HR support as needed (Martinez-Sanchez, Vicente-Oliva and Pérez-Pérez, 2021). Additionally, external consultants can serve as change agents, facilitating necessary cultural and technological shifts to support digital transformation initiatives. Nonetheless, there are limitations to this approach. Studies highlight that external HR providers may lack deep understanding of the organization's specific culture and strategic context, leading to generic solutions that may not fully address unique internal needs (Wang, Kim, Rafferty and Sanders, 2020). Concerns regarding data security and the safeguarding of sensitive employee information are more prominent with increased digital reliance (Dwivedi, Shah and Trivedi, 2024). For SMEs in particular, balancing cost savings from outsourcing against the risks of reduced control over critical HR functions—now integral to strategic success—remains a challenge.

Emerging Trends: Towards a Reimagined HR Consulting Model

Recent research indicates a shift toward a more innovative approach to HR consulting. Instead of providing off-the-shelf solutions, leading HR consulting firms are now collaborating closely with clients to develop tailored digital strategies (Gladysheva and Gorlov, 2024). These partnerships focus on enhancing internal digital HR capabilities, promoting organizational agility, and adopting employee-centered approaches to digital transformation. Another notable trend is the integration of HR consulting with digital platforms and AI-driven tools. Modern firms are incorporating analytics, AI-based assessments, and cloud-based HR solutions into their service offerings, combining technological innovation with expert guidance (Kambur and Yildirim, 2023). This integrated approach enables organizations to benefit from external expertise while simultaneously developing internal skills to manage digital HR technologies.

Additionally, some organizations are adopting a hybrid sourcing strategy—outsourcing transactional HR functions such as payroll and compliance, while keeping strategic HR activities in-house to ensure alignment with organizational objectives (Carter, Blau, Deckop and Goldberg, 2025). This approach reflects a growing recognition that core HR capabilities related to innovation, leadership development, and digital transformation are critical competencies that organizations should retain. The literature highlights that Industry 4.0 is prompting a significant re-evaluation of outsourced HR consulting services. While outsourcing remains valuable for accessing specialized expertise and increasing operational flexibility, the role of HR consultants has evolved considerably. Organizations now seek consultants who can provide digital solutions and serve as strategic partners in driving comprehensive organizational change. To stay relevant, HR consulting firms must adapt by leveraging technology, emphasizing strategic collaboration, and aligning their services with clients' evolving digital business models.

RESEARCH METHODS

This study utilized an integrative literature review to examine and analyze the relationship between workplace bullying, quiet quitting, and turnover intention. The integrative review methodology, as described by Whittemore and Knafl (2005), allows for a comprehensive evaluation of existing evidence, increasing the rigor of the analysis across various primary studies employing different research approaches. Our search criteria focused on peer-reviewed research relevant to workplace bullying, quiet quitting, and turnover intention. Data collection involved multiple research databases, including Scopus, Emerald, Wiley Online Library, and ABI/Inform, to identify relevant studies. Additionally, we accessed several freely available online resources such as ScienceDirect, SABINET, Bing, and Google Scholar to supplement our findings. Both primary and secondary data sources—such as journal articles, reports, biographies, and supplementary materials—were included, using search terms related to the intersection of workplace bullying, quiet quitting, and turnover intention, as well as relevant best practice recommendations.

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DISCUSSION

The advent of Industry 4.0 has fundamentally transformed traditional business operations and has also reshaped the way organizations approach human resource (HR) consulting services. Historically, outsourced HR functions served a supportive and administrative role—focused on enhancing efficiency and reducing costs through standardized offerings such as recruitment, training, payroll processing, and regulatory compliance (William-William and Okafor, 2024). However, the integration of emerging technologies including artificial intelligence (AI), the Internet of Things (IoT), machine learning, robotic process automation (RPA), and big data analytics has elevated these tools from peripheral support to central components of HR strategy and value creation (Sun and Jung, 2024).

This digital transformation presents a challenge to the traditional value proposition of HR outsourcing. With AI-enabled solutions now capable of conducting real-time employee sentiment analysis, predictive workforce planning, and virtual onboarding, many functions previously outsourced to enhance efficiency are increasingly automated internally, leading to reductions in both costs and reliance on external service providers (Amoozegar, Yadav, Singh and Gunathilaka, 2025). Additionally, cloud-based platforms and mobile-enabled HR systems have empowered organizations to manage talent acquisition, learning initiatives, and performance management with greater agility and control (Mahlulo, 2020).

In this evolving context, the Resource-Based View (RBV) framework provides a valuable lens to assess the continued strategic relevance of outsourced HR services. According to RBV, sustainable competitive advantage derives from resources that are valuable, rare, difficult to imitate, and non-substitutable (Tifani-Napitupulu, Panjaitan, Muda and Ade, 2024). Organizations should therefore evaluate whether outsourcing grants access to such strategic resources. For instance, external providers offering unique technological capabilities—in areas like algorithm-driven recruitment analytics or blockchain-based credential verification—may retain strategic value if these capabilities are difficult for competitors to replicate (Gong, Fan and Bartram, 2025). Conversely, if outsourced services primarily provide commoditized solutions with limited differentiation, they may hinder organizational resilience and strategic positioning in volatile markets (Ланських and Губа, 2024).

A key implication of RBV in the context of Industry 4.0 is the shift from primarily cost-containment to creating value through developing internal HR competencies. Many firms, particularly small and medium-sized enterprises (SMEs) and technology-driven organizations, are investing in internal capabilities such as digital literacy, workforce analytics, and agile leadership development (Seppänen, Ukko and Saunila, 2025). Embedding these capabilities within inhouse teams—who are closely connected to the company's culture and strategic objectives—positions organizations to deliver customized HR solutions that adapt to changing business needs. This approach aligns with RBV's emphasis on leveraging unique, firm-specific capabilities for sustained competitive advantage (El Nemar, El-Chaarani, Dandachi and Castellano, 2022).

Despite these shifts, HR outsourcing remains relevant. A hybrid model is emerging as an effective strategic approach, where organizations delegate routine or non-core functions such as payroll, compliance monitoring, and benefits administration, while retaining control over strategic HR initiatives like leadership development, organizational culture transformation, and digital innovation (Nnamseh, Akpan, Otiwa, Usoroh and Edema, 2020). This balanced approach allows companies to benefit from external expertise without compromising core strategic capabilities.

The evolution of HR consulting firms is also a critical factor. Many firms have yet to adapt fully to digital transformation trends and continue offering outdated, static services (Omol, 2024). There is increasing demand for consulting organizations to act as innovation partners—co-creating digital strategies, integrating AI into talent management practices, and delivering real-time data analytics that inform decision-making (Secundo, Spilotro, Gast and Corvello, 2024). Firms that do not modernize risk losing relevance in a landscape that increasingly values technology-enabled, agile consulting services.

Furthermore, data security and privacy concerns are paramount in the digital era. The widespread use of cloud platforms and digital tools heightens the risk of data breaches, cyberattacks, and unauthorized access to sensitive employee information (Alquwayzani, Aldossri and Frikha, 2024). Companies must exercise thorough due diligence when selecting HR service providers, ensuring that they adhere to robust cybersecurity standards and comply with

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relevant data privacy regulations such as GDPR or POPIA. Safeguarding employee data not only protects organizational reputation but also ensures legal compliance and fosters trust in external partnerships.

Outsourcing HR services in the Industry 4.0 environment requires a strategic and selective approach. Organizations should carefully balance the advantages of external expertise with the development of internal digital HR capabilities that serve as long-term sources of competitive advantage. Tailoring outsourcing strategies to align with the organization's unique value drivers is essential for sustained success in this evolving landscape.

CONCLUSION

The implications of Industry 4.0 necessitate a comprehensive re-evaluation of outsourced HR consulting. While the traditional rationale for outsourcing—such as cost efficiency, administrative effectiveness, and access to specialized knowledge—remains relevant, it is no longer sufficient on its own. As organizations operate within a highly digital and rapidly evolving business environment, HR's strategic priorities have shifted toward innovation, agility, and data-driven decision-making. Outsourced HR services that do not align with these strategic imperatives may hinder rather than support organizational performance. Applying the Resource-Based View (Barney, 1991), it becomes evident that organizations should focus on developing and retaining internal HR capabilities that constitute VRIN resources. Internal teams with digital proficiency, change management expertise, and contextual understanding can provide more effective, agile, and culturally aligned solutions compared to generic external providers. Nonetheless, outsourcing can still offer strategic value when providers deliver advanced, difficult-to-replicate services that complement internal strengths.

The future of HR consulting lies in hybrid, adaptable models that integrate internal and external capabilities. This evolution requires consulting firms to act as strategic partners, co-developing digital transformation strategies alongside clients rather than merely implementing standardized solutions. Similarly, clients should adopt a more strategic and discerning approach when engaging external providers—ensuring alignment with their digital maturity, risk appetite, and long-term objectives. Rethinking HR outsourcing within the Industry 4.0 landscape is about aligning external expertise with the strategic priorities of modern business. By embracing a selective, digitally informed, and partnership-oriented approach to outsourcing, organizations can leverage both internal and external resources more effectively to succeed in the Fourth Industrial Revolution.

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