Factors Affecting Outsourcing Decisions in Iranian Industries

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Dedicated to my lovely mum and dad…
Without your warm support, guidance and love,
I wouldn't have been able to come this far…

Abstract

This study identifies factors affecting outsourcing decisions in Iranian industries. It explores how outsourcing decisions (type of outsourcing, level of outsourcing, reasons for outsourcing, and factors in outsourcing success) in firms from diverse industries, and of varying size, affect eventual outsourcing processes.

In this study, data was gathered from 74 Iranian companies involved in outsourcing. A quantitative approach was taken, in which questionnaires self-administered in Iran were used to collect data on outsourcing decisions and the factors involved in them. Respondents were mostly high-level senior managers and CEOs of Iranian companies.

This study has found that organisations often decide to outsource their business processes to harness a wider pool of knowledge and experience and operational expertise. The research has also identified that different industries choose to outsource for different reasons. For instance, cost restructuring is the most common reason for outsourcing in the automobile and aerospace industries.

Results discovered that selective outsourcing was the most practiced type in Iranian industries. In fact, all industries surveyed practised selective outsourcing to a significant extent. Further, it shows that total outsourcing was considered most frequently in the information technology (IT) industry. Where the level of outsourcing is concerned, the study has identified that Iranian companies mainly practiced strategic outsourcing. In some cases, such as in communication and agriculture and the food and retail industries, the chosen level of outsourcing was transformational.

It is interesting to note that the IT industry was identified as the most successful at outsourcing. In contrast, manufacturing, banking, and distribution and warehousing face difficulties with outsourcing processes.

This study has identified that success in outsourcing requires ‘having a strategic vision and plan, and an understanding of the intended use of outsourcing’. These are the most important elements for Iranian industries to consider in outsourcing decisions.

Factor analysis was performed for outsourcing reasons and success elements to reduce the factors to four components for each. This was due to the large number of factors

initially identified. There are four interpretable factors that account for the reasons for outsourcing: management and resource support factors; cost setting factors; change factors; and operation and convention support factors. There are also four principal factors for success in outsourcing: clear definition of strategy and contract conditions; trust commitment and measurement; top management support and personnel issues; and the merits of the outsourcer.

The study confirms the relationship between outsourcing decisions (type of outsourcing, level of outsourcing, reasons for outsourcing, and outsourcing success elements), and the size of organisations in different industries.

In addition, the study found that outsourcing decisions, including reasons, types and levels of outsourcing, vary in organisations of different sizes in Iran. Small and medium-sized companies, with fewer than 500 employees, mostly chose selective outsourcing. Tactical outsourcing was more popular in medium-sized companies with 101–500 employees. Cost restructuring and catalysts for change were the chosen reasons in very large companies with more than 5000 employees. Cost savings, quality improvement and time zone rationalisation were more popular and indicated by the respondents in large and very large companies with 1001–5000 employees.

Lastly, the study finds that 'clearly defining terms and conditions in the outsourcing contract', 'having a strategic vision and plan, and understanding the intended use of outsourcing', and 'properly drawn up contracts' are the outsourcing success elements identified as most crucial by very large companies with more than 5000 employees.

This study provides significant information for Iranian companies and government agencies that are seeking to outsource their business functions in Iran. Findings from this research support Iranian practitioners who are looking to outsource their business activities in Iran.

Declaration

I, Mohammadreza Akbari, declare that the DBA thesis entitled 'Factors Affecting Outsourcing Decisions in Iranian Industries' is no more than 65,000 words in length including quotes and exclusive of tables, figures, appendices, bibliography, references and footnotes. This thesis contains no material that has been submitted previously, in whole or in part, for award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work.

Signature _____ Date 5 August 2013

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The DBA expedition has changed me from pessimistic into a more optimistic person. The expedition has not been horizontal all the way, but these rough paths are the most precious things to me in my life. Without the great support and guidance from my supervisors, Dr Nick Billington and Dr John Hopkins, this thesis would have remained a scratchy drawing. Their warm support is immeasurable and important not only in completing my doctoral degree but also to my development as a mature person.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

During the 1980s, outsourcing became part of the business lexicon. It refers to the delegation of non-core business operations from inside production to outside specialists (Caldwell 1996; Lacity & Hirschheim 1995). Outsourcing is defined as contracting out a process, such as manufacturing and development, to a third-party organisation (Caldwell 1996; Claver et al. 2002; Lacity & Hirschheim 1995).

Depending on customers' overall business operation, outsourcing allows them to obtain a service presenting a different business task and, infrequently, to separate a procedure, for instance the processing of statistics and data, that was formerly completed within an upright incorporated venture (Brown & Wilson 2005; Fill & Visser 2000). More recently, according to Brown and Wilson (2005), the term outsourcing refers to the parts of services that are not subdivisions of vertically integrated enterprises, for example logistics, transportation, telecommunication and web-site hosting. As Mankiw states:

> "Outsourcing is a growing phenomenon, but it's something that we should realise is probably a plus for the economy in the long run. It's just a new way of doing international trade."
>
> (cited in Brown & Wilson 2005, p. 1)

In today's global market, managers from different industries are looking for the finest methods to lead them to success (Embleton & Wright 1998). According to Embleton and Wright (1998), firms can achieve superior competitiveness through outsourcing.

The history of privatisation in Iran dates back to the introduction of a law in 1975 pertaining to altering the shift of manufacturing units (Sedahi & Davarzani 2010). This law stated that up to 99 per cent of the government's ownership of non-basic industries, plus 49 per cent of stocks from the private sector, must be reassigned to blue-collar employees (Najafbagy 2006). In 1989, following the Iranian Revolution of 1979, sub-article 32 of the First Development Plan was the primary, officially authorised fulcrum for adopting privatisation policies in the country (Rezaei 2009). In 1999 shares valued

at over IRR (Iran Rials) 648 billion[1] were transferred from 180 manufacturing units to more than 355,000 workers from 300 different workplaces. This, according to Najafbagy (2006), was one of the achievements of the privatisation plan.

Development projects have mostly focused on economic phases, while social, administrative, and cultural issues have been disregarded (Najafbagy 2006). Moreover, various projects' difficulties have come from a lack of awareness of existing socio-cultural surroundings (Kottak 1986). This is particularly the case in Iran; as Najafbagy notes, we "can learn a lot from past experience such as the case of failed technical assistance to Iran" (2006, p. 75). In 1980 a seminar was arranged through numerous American academics and advisors who had attempted for years to prompt restructuring within Iranian administrative frameworks (Seitz 1980). The Americans' lack of understanding of Iranian culture, society, administration, history, and politics not only led to the collapse of their restructuring efforts, but also it created further problems and negativity between the people of the two countries (Kottak 1986; Najafbagy 2006).

In Iran, changes to the management structure of the public sector have been attempted for decades, but so far there has been little achievement or accomplishment (Najafbagy 2006). Prior to the 1979 revolution, bureaucracy was a complex issue, and the major delaying factor in attempts to alter the management of government responsibilities in the country; nevertheless, subsequent to the revolution, an increased number of organisations have become government agencies (Najafbagy 1990; Sedahi & Davarzani 2010).

This has increased government participation in scheduling and controlling the community sector, which has critically delayed the successful transformation and suppression of traditional and bureaucratic forms of Iranian public administration (Najafbagy 1990).

Presently, the government is directly involved with various activities (it is the supplier of goods and services, all the way through the administration) which could be the sole responsibility of the private sector. In practice, the government is responsible for nearly all public services (Alvani 2006).

[1]IRR 9,000 was equivalent to USD 1 (2006-2010).

According to Roshan (2007) and Khorasgani (2008), the economy of Iran is growing rapidly. Outsourcing and privatisation in Iran are in the early phases (Rajabzadeh, Rostamy & Hoseeini 2008). Therefore, the most important issue before the Iranian government is how to remove these bureaucratic associations and how to privatise and outsource current services. In addition, the Iranian government faces a lack of private organisations inside the country able to assist in privatisation efforts by accepting outsourcing.

1.2 Aims and context of project

The general aim of this study is to identify the factors affecting outsourcing decisions for Iranian industries. In addition, for this study there are four specific aims:

- To identify the types and levels of outsourcing practised in Iran
- To identify the key reasons for Iranian organisations adopting outsourcing
- To identify the key outsourcing success elements for Iranian industries
- To identify diverse relationships between outsourcing decision factors, the size of organisations, and different industries

The findings of this study include the identification of the key factors for outsourcing success, the most prevalent motivations for outsourcing, the types and levels of outsourcing in Iran, and the relationships between outsourcing decision factors and the size of organisation and the industry type--within the Iranian context. Most studies of outsourcing have focused on outsourcing prompts and success factors in countries other than Iran (e.g. Beaumont & Sohal 2004; Koh Ser Mui 2003). However, this study explores outsourcing while focusing on the Iranian social and cultural environment. In different socio-economic surroundings, the importance of outsourcing decisions varies.

Supply chain and management services are currently dominated by the public sector in Iran. With economic growth gaining momentum, as indicated by the growing export and higher education sectors (Khorasgani 2008; Roshan 2007), logistic management outsourcing is expected to increase in private industry. Global Finance estimates a total population of Iran of 75.35 million in 2010, with the service and manufacturing sectors accounting for 43.9 per cent of Gross Domestic Product in the same year (Global

Finance 2010). The economic growth of Iran was noted by The Economist, as summarised in the Tehran Times in 2010: "(the report states that) Iran Gross Domestic Product (GDP) in the current calendar year (2010) would rise by USD 5.5 billion, adding that the GDP figure would double in the next five years".

Outsourcing and privatisation in Iran are in the early phase (Rajabzadeh, Rostamy & Hoseeini 2008). There has been little achievement or success for decades in this area (Najafbagy 2006) and most prior research has been conducted in other countries (e.g., Beaumont & Sohal 2004; Koh Ser Mui 2003).

Therefore, the research questions that have been developed in response to each of the four specific aims of this research are as follows:

- Which types and levels of outsourcing are the most prevalent in Iran?
- How are the reasons for adopting outsourcing by Iranian industries ranked? Which of these reasons are most common in Iran?
- What are the key success elements for outsourcing by Iranian industries? Which outsourcing success elements are the most prevalent among Iranian industries?
- What are the relationships between outsourcing decision factors, the size of organisations, and different industries?

The theoretical framework for this study is derived from existing literature (e.g. Brown & Wilson 2005; Claver et al. 2002; Duggal 2004; Lacity & Hirschheim 1995) and will be discussed further in Chapter 3. This study provides significant information for Iranian companies and government agencies that are seeking to outsource their business functions. The following section examines the importance and value of the end results of this research.

1.3 Contribution to knowledge

Outsourcing has been studied in numerous environments with differing social and economic factors. The reasons for, and the success factors of, outsourcing vary in different economic surroundings. As such, the particular sociological and economic factors in Iranian industries make ranking these reasons and success elements highly important.

Subsequent to the Iranian Revolution of 1979, a large number of private organisations have been absorbed by the Iranian government (Najafbagy 1990), due to their failure to consider culture, society, administration, history, and politics leading to the collapse of their administration reform efforts (Kottak 1986; Najafbagy 2006).

Presently, the government directly handles various activities, from the supply of goods and services through to administration, which could be the responsibility of the private sector. In practice, the government is responsible for nearly all public services. According to Roshan (2007) and Khorasgani (2008), the economic status of Iran is growing rapidly. Therefore, a major issue in front of the Iranian government is the lack of private organisations operating inside the country that could both assist in privatisation developments and accept outsourcing.

To date, the majority of outsourcing research has been conducted in more developed countries. Since few previous studies have been conducted within an Iranian context, this research forms a substantial contribution to existing scholarship. Iran is also an interesting case due to the importance and value of the end results to business in the sector. Therefore, this research will contribute to the existing literature on outsourcing and focus on the Iranian context while examining the factors affecting outsourcing decisions in different industries. More specifically, this research will identify the different types and levels of outsourcing, and also the reasons for outsourcing in Iran, and the elements necessary for its success. Since there are different approaches to outsourcing decision-making in different industries, this study analyses outsourcing within different Iranian industries and scopes.

1.4 Statement of significance

In this competitive and globalised world, if companies cannot compete with their competitors they will lose their position in the market (market share). Thus, for companies to be successful in this competitive environment, outsourcing plays an important role and can be an important strategic tool (Zhu et al. 2001).

In the business world, if the process of outsourcing is not successful, company efficiency will be reduced and the economic resources of the company will be squandered. Therefore, the effectiveness of the company will be decreased and benefits to the company's shareholders will decline. As such, if companies want to outsource successfully, they need to seek the best way to outsource their business functions while preventing these negative consequences. As there is no single, unique method for outsourcing which can be applied to all industries, the success of outsourcing cannot be guaranteed.

For that reason, the findings of this research can be utilised by Iranian practitioners who are looking to outsource their business activities in Iran. In particular, this study is relevant to Iranian organisations seeking to reduce their overhead costs, provide better customer service quality, and obtain a better satisfaction rating from customers via outsourcing.

1.5 Organisation of study

This study contains six main chapters as follows:

Chapter 1 (Introduction) outlines the overall thesis of this study. It provides the background of the study as well as its objective and significance.

Chapter 2 (Literature Review) presents the literature review which outlines and explains the existing research conducted by other academic researchers.

Chapter 3 (Research Methodology) covers the methodology adopted in this study. This includes the methods undertaken for data collection, theoretical framework, and also the statistical techniques adopted for data analysis.

Chapter 4 (Analysis and Results) covers the analysis and the results of the data examination, including discussion. Descriptive analysis is used to analyse the raw data.

Chapter 5 (**Findings)** is comprised of the findings and verification of the research.

Chapter 6 (Conclusions and Limitations) presents the conclusions and limitations of this study, along with suggestions for future research.

1.6 Summary

This chapter has laid the foundations of this thesis by introducing the importance and history of outsourcing, the aims and context of the study, and the motivation for the study. This chapter has also summarised the significance of the study and its contribution to knowledge. The following chapter provides a review of the literature relevant to understanding the context of the study.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter is a review of existing studies of outsourcing that have been undertaken by researchers around the world. It provides a comprehensive framework for this thesis, and includes: background information and definitions of supply chain management and outsourcing, the differences between outsourcing and strategic alliances, a description of existing outsourcing models, theoretical models, and model selection activities, outsourcing options, the reasons for outsourcing, the features of successful outsourcing, its advantages and disadvantages, and the risks of outsourcing. It also includes discussion of the history of Iran, covering Hofstede's cultural dimension, its economy, development, and recent changes, the law and privatisation in Iran, the causes of development failure and success in Iran, the size and type of organisations in the country, and its theoretical framework.

2.2 Background information, supply chain management and outsourcing

A company employs people and uses resources in order to achieve its objectives (Kantarelis 2007). For a company to exist, it needs to achieve customer satisfaction, to apply the best buying/selling strategy, to lower its costs and to offer reasonable returns for its shareholders. This may not be possible unless the company operates with constant pursuits of competitive and strategic advantage (Kantarelis 2007). In return it satisfies the society needs, produces return for its shareholders and assist the economy with developing jobs.

The nature of the company or firm is described by diverse economic theories and iseas as presented by Coase (1937) as the "theory of the firm". These are:

- The "Neoclassical Theory" concerns maximisation of profit when marginal revenue equals marginal cost. The ultimate objective of a firm in a market is to

maximise its returns. The main weakness of Neoclassical Theory is an assumption on the availability of complete information.

- The cost involved in the process of the participation of firms in the market or any other economic related activity is presented as "Transaction Cost" by Coase (1937). According to Williamson (1981), the determinants of transaction cost are regularity, restricted shrewdness, improbability, and resourceful behaviour. As stated in earlier years by Coase (1937), if the external transaction costs are lower compared to internal costs, the firm will be downscaled (e.g. outsourcing) and if the external transaction costs are higher than internal costs, the company will pursue insourcing. As a result, different activities of firms such as buying, selling and daily open exchanges are explained by transaction cost economics.

- "Agency Theory" explains the relationship between shareholders and agents (managers) in companies and deals with the possible conflicts. Agency relationships define a contract between one or more individuals to perform service/s on their behalf (Jensen & Meckling 1976).

- Production capability and product innovation were highlighted by the "Evolutionary Theory of the Firm". The evolutionary theory sees the firm as a designer of competitive advantage and a device of change.

Companies that intend to enter a new industry are required to apply competitive strategies in order to be prepared for the fierce competition coming from existing businesses. As stated by Porter (1980), success or failure of the company relies on its strategies. In order for a firm to achieve a competitive advantage it needs to apply the three strategies of cost leadership, focus and differentiation (See Figure 2.1).

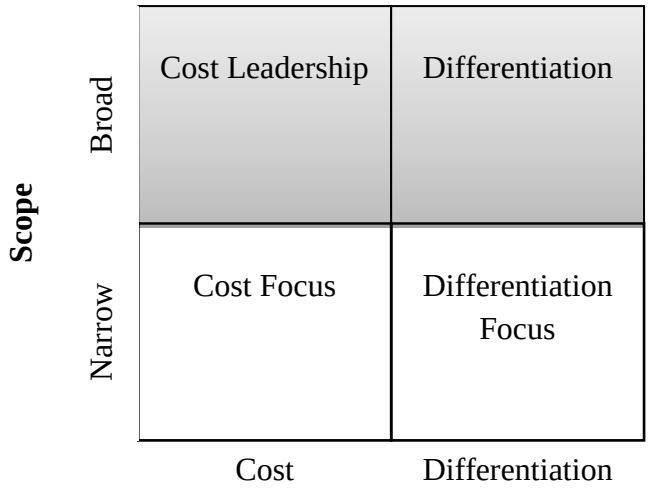

Figure 2.1: Porter's (1980) Generic strategies

Source: cited in Miller & Friesen (1986, p. 40)

- Cost focus is defined as reducing cost within a narrowed and focused market.
- Differentiation focus is defined as following strategic diversity within a narrowed and focuses market.
- Cost leadership, means minimising cost of production or services to the organisation.
- Differentiation, the product or service may vary between competitors based on quality, features, functionality, brand image and support.

- **Supply chain management and outsourcing**

In the early 20th century, the idea of Supply Chain Management (SCM) was limited to the assembly line. In practice supply chain management defines an entire process from the suppliers, through to the end point of delivery to the consumer. This involves an effort from numerous organisations (the supply chain) and it includes the management of supply chain performance to achieve competitive advantage and capitalise on its value with customers (Hines 2004; Lambert 2008; Williamson 2008). Information flow plays an important role in any organisation is a member of develops the supply chain.

In the late 1980s, the expression ‘outsourcing’ was first used in reference to the delegation of work processes involving information systems (Aubert et al. 2004; Lacity & Hirschheim 1993; Loh & Venkartraman 1992). The expression has since evolved beyond information systems and is currently applied to all outsourced activities by any company or organisation (Bhagwati et al. 2004). Outsourcing is the transfer or delegation to another enterprise or outside service contributor, on a day-to-day basis, of business functions or development processes that may formerly have been performed in-house (Blumberg 1998; Fill & Visser 2000; Quinn 1992; Sharpe 1997). Outsourcing has been recognised as an efficient process for organisations to address the need to remain competitive (Rajabzadeh, Rostamy & Hosseini 2008).

Depending on customers’ overall business operation, customers will obtain different business services, such as data processing, that were formerly performed by a vertically incorporated venture (Brown & Wilson 2005; Fill & Visser 2000). More recently, according to Brown and Wilson (2005), the term outsourcing refers to services that are not subdivisions of vertically integrated enterprises, which can include logistics, transportation, telecommunications, or website hosting.

Espino-Rodriquez and Padron-Robaina (2006) present the most significant definitions of outsourcing from different literature in one table (see Table 2.1), which is a useful tool for a deeper understanding of the concept.

Table 2.1: Diverse definitions of outsourcing

Definition of outsourcing	Author/s (year)
A different make or buy: mixture of conclusions to achieve the compulsory provision of resources and services designed for the creation of goods and services for organisations.	Harrigan (1995)
Outside vendors' terms of substantial or human resources related with information technology (IT) methods for organisations.	Loh & Venkatraman (1992)
Activities from external possession, together with 'those traditionally considered an integral part of any firm, provided that they do not form part of the firm's core capabilities'.	Quinn & Hilmer (1994)
Partnership agreement among diverse categories of organisations in which a particular firm is a professional in knowledge and creates a momentous involvement with the other through supplying corporal or human resources for the phase of a definite time with the purpose of accomplishing a specific purpose.	Sacristán (1999)
Transitory over several of or the entirety of particular business functions and associated services to a third party organisation, for a compulsory outcome.	Bailey et al. (2002)
The process of changing a business deal earlier governed within to an outside provider throughout a lasting convention, and concerning the relocation to the vendor.	Quélin & Duhamel (2003)
Not simply consisting of purchasing goods or services from outside suppliers; also transfers the accountability designed for business tasks and frequently the allied information to the outside firm.	McCarthy & Anagnostou (2004)
The procurement of provisions from an officially sovereign body.	Mol et al. (2005)
To execute development and supply required services and materials, by paying external suppliers and distributors.	Krajewski, Ritzman, & Malhotra (2006)

Source: Espino-Rodriquez & Padron-Robaina (2006, p. 51)

A review of these differing descriptions of outsourcing reveals that it is generally defined as contracting out a process, such as manufacturing and development, to a third party organisation with experts in these areas (Caldwell 1996; Claver et al. 2002; Lacity & Hirschheim 1995).

Since the 1980s, outsourcing has been an increasingly fashionable method of development (Beaumont & Sohal 2004; Bierce & Kenerson 2000; Caldwell 1996; Claver 2002; Lacity & Hirschheim 1995; Lee 2003). As James Brian Quinn has noted, outsourcing "is one of the greatest organisational and industry structure shifts of the century" (cited in Brown & Wilson 2005, p. 33). It is on the rise all over the world (David 2007) and increasingly so within Asian countries (Beaumont & Sohal 2004; Lee 2003; Singh & Delios 2005).

In the 1990s, outsourcing become more popular after a successful information systems outsourcing was established by Eastman Kodak to IBM, DEC and Businessland (Claver 2002; Lacity & Hirschheim 1995) and Xerox. Organisations analyse outsourcing as a method to accomplish competitive improvement throughout cost diminution, to enhance points of effectiveness, and also to increase the satisfaction of customers (Alvani 2006). According to Lonsdale and Cox (2000), reports indicate an increase in the prevalence of outsourcing. However, it must be noted that assessing the dimensions of the outsourcing market is highly complex.

According to Gilley and Rasheed (2000), outsourcing non-strategic or low-strategic activities improves performance of organisations for three reasons. First, outsourcing enables the organisation to concentrate more on core activities. Second, outsourcing improves quality of services. Lastly, outsourcing can improve the organisational results and saving cost.

Outsourcing success relies on a permanent obligation from all stakeholders. It involves management relations between numerous organisations, and involves significant numbers of personnel (Fill & Visser 2000). Consequently, the outsourcing method requires attention and development from an organisation's policy and strategy decision-makers, and managers.

Insufficient coordination when outsourcing can lead to an increase in production costs. According to Williamson (1975), two different kinds of costs are involved in the production of goods and the supply of specific services: 'production' and 'coordination' costs. Production costs involve any costs aligned with work, capital and materials, while coordination costs result from staff management and control. Coordination costs can

also direct firms to outsource IT services, for example, to reduce the total cost of products or services. Nevertheless, coordination costs can also expand production costs, as a lack of coordination will raise failure costs relating to production, or costs incurred in order to increase customer satisfaction.

As stated by Bhagwati et al. (2004), the activity of outsourcing has expanded across a number of years to include significant growth in services provided for international trade.

- **Differences between outsourcing and offshoring / global sourcing**

Because of the costs involved and the price of failure, many international business firms in search of low-priced labour outsourcing choose to go offshore. This strategy of globalisation represents innovation regarding the enlargement of supply chains (Krajewski, Ritzman & Malhotra 2006). In a number of business developments, this strategy involves outsourcing. As such, the expressions 'outsourcing' and 'offshoring' are frequently confused. According to Manning, Massini, and Lewin (2008), offshoring is when business tasks underlying local or international processes are resourced to an organisation outside the nation:

> "Off-shoring refers to the process of sourcing and coordinating tasks and business functions across national borders but outsourcing, by contrast, denotes the delivery of products or services by an external provider—that is, one outside the boundaries of the firm."
>
> (Manning, Massini & Lewin 2008, p. 39)

In addition, offshoring is defined as "performing or sourcing any part of an organisation's activities at or from a location outside the company's home country" (Brown & Wilson 2005, p. 350). Companies construct centres offshore, where the workforce works in support of an outsourcing provider (offshore outsourcing) or works directly for the home company. Several factors drive companies to adopt an offshoring strategy, such as: comparative labour costs, logistics costs, tariffs and taxes, labour laws and unions, and the internet (Krajewski, Ritzman & Malhotra 2006).

For instance, Hewlett Packard (HP) and IBM offshore several of their production purposes to other countries, such as Bangalore, India (Kripalani & Engardio 2003). Even though such companies' reasons for offshoring are equivalent to the main reasons for outsourcing, this structure of offshoring is needed to find inexpensive labour. A skilled engineer from India receives USD 10,000 per annum as opposed to USD 60,000 to 90,000 for the same engineer in the USA (Bhagwati et al. 2004; Kripalani & Engardio 2003). According to Bhagwati et al. (2004), India is the largest provider of offshore services, such as call centre operators and software developers serving customers outside their countries.

Furthermore, the principal philosophy of offshoring differs from that of global outsourcing (GO): "global outsourcing (meaning globally inclusive in nature) involves the wholesale turnover of IT management to a contractor, whether the contractor is a vendor or an in-house state agency" (Brown & Wilson 2005, p. 349).

The Outsourcing Institute performed a survey of 1200 companies and found that 50 per cent of all organisations with IT costs of USD 5 million or more are either outsourcing or considering adopting the practice. Information Technology Outsourcing (ITO) is defined as "the process of procuring (IT) services or products from sources that are external to the organisation" (Lankford & Parsa 1999). According to Lankford and Parsa (1999), when ITO is developed as a part of an overall program, it is one of the most effective strategies for expanding and sustaining competitive improvement when constructing a high-performance IT organisation. For instance CSA Malaysia, for its ITO division, has assembled and developed advance call, information, and education centres by investing USD 2.7 million (Lee 2003).

Thus, outsourcing methods formalise non-core production processes by creating a contractual connection involving the customer and the supplier. From the base provided by each contractual agreement, the supplier obtains the capital for creation, which may consist of community, development, technology, intellectual assets, and resources. The formation of customer associations are revolutionised as the customer agrees, as per the conditions of the contract, to utilise the services of the outsourcer. Finally, outsourcing in general refers to the segmentation of actions and allows outside providers to implement definite activities.

- **Differences between outsourcing and strategic alliances**

The key differences between outsourcing and strategic alliances help define both of these executive-level strategic decisions. In accordance with Morgan (2006), outsourcing is described as the contracting out of any services in terms of monetary means to reduce internal resources that are required to perform business functions. Conversely, a strategic alliance does not usually involve a compulsory contractual agreement among two organisations, or a financial commitment from one firm to another (Morgan 2006). It is a corporation in which business bodies work together with one another for the purpose of bringing about shared profits. This corporation can vary from maintaining a free and unofficial status, to official joint ventures which involve legal procedures and restrictions. In addition, according to Morgan (2006), outsourcing and strategic alliances are usually exercised to accomplish differing outcomes and commitments method among participants (refer to Table 2.2).

Table 2.2: Distinctiveness of outsourcing and strategic alliances

Outsourcing	Strategic Alliance
Relinquishment of control of asset(s) fiscal deal Major driver: decrease expenses	Maintained control of asset(s) non-fiscal deal Major driver: purchase expertise and potentials

Source: Morgan (2006)

In addition, strategic alliances are first and foremost driven by the need for skills that are too expensive to develop in-house (Applegate, Austin & McFaralan 2003). Another chief difference between outsourcing and strategic alliances is whether management and direction of assets is maintained. When outsourcing, direct control of assets and competencies is renounced (Morgan 2006). In the strategic alignments situation, risks of belief, the endurance of the agreement, and the advantage of services supplied are considerably concentrated (Clyman 2004). In such corporations, control and management are not generally a concern. The management of inside potentials and assets is maintained, and as a result the difficulty of the two strategic decisions is not equal (Domberger 2000; Lucas 2004). Strategic alliances, because of their less binding nature, allow more flexibility for participants, thus reducing much of the risk inherent in outsourcing (Lucas 2004). However, the benefits gained from such partnerships will not

normally be as great as outsourcing (Applegate, Austin & McFaralan 2003; Clyman 2004; Lucas 2004; Morgan 2006).

2.2.1 A model of outsourcing decisions

Making decisions to outsource can be multifarious and complex, because modern companies applications are likely to be highly integrated (Beaumont & Sohal 2004). According to Beaumont and Sohal (2004, p. 690), there are many models of outsourcing decision-making, or deciding whether to order to outsource or not. These include models outlined by Behara et al. (1995, p.47), Sislan and Satir (2000), and Yand and Huang (2000). A model for outsourcing decision making is given in Table 2.3 below:

Table 2.3: Model of outsourcing

Process Nature	**Accessibility of in-house resources**	**Not accessible in-house resources**
Commodity	Taking into consideration becoming a merchant or selling the resources and outsourcing	Outsource
Exclusive non-strategic	In-house	Outsource
Exclusive strategic	In-house	Attain resources and present in-house or corporation

Source: Beaumont & Sohal (2004, p. 690)

Some commodity processes, such as payroll, are difficult to outsource. If the requirements of an organisation are not exclusive, the firm should think about out-tasking or outsourcing its necessities. Alternatives should be considered if the requirement is exclusive and non-strategic (Beaumont & Sohal 2004). In the case of accrued resources and skills exclusive to the process for organisations, then internal development should be considered.

2.2.2 Selecting activities for outsourcing

Regarding the fundamental rule of outsourcing suggested by Singh and Delios (2005), core activities, resources, and competencies should not be outsourced to any other company, even if it can decrease costs significantly. The reason for this is that it increases the risk of the company losing its strategic resources and/or competencies.

Singh and Delios (2005) state that activities to be considered for outsourcing should not be core activities and generate significant value for the firm. However, this does not imply that all routine activities can be outsourced. It is the responsibility of leaders or managers to evaluate whether or not to outsource business activities, and they can do this via two criteria suggested by Singh and Delios (2005) (see Figure 2.2, below).

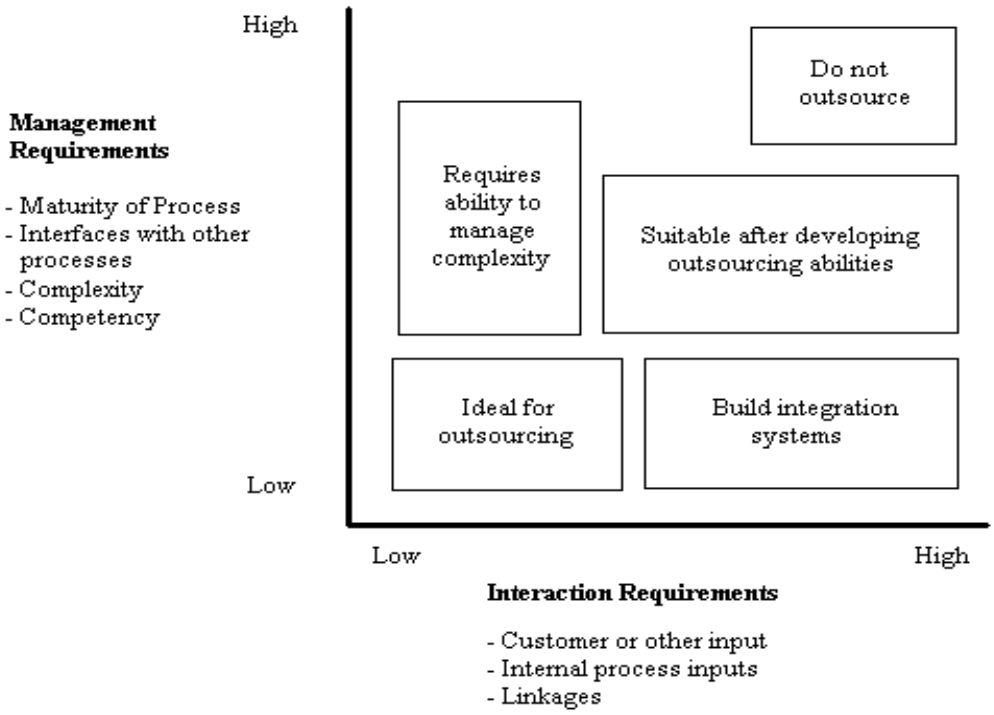

Figure 2.2: Criteria for selecting processes to outsource
Source: Singh & Delios (2005, p. 313)

Firms should not consider outsourcing business activities that require high levels of integration or management, due to difficulties of maintaining required management levels if the activities are executed by a third party, (Singh & Delios 2005, p. 312).

2.2.3 Theoretical models of outsourcing

According to Rothey and Robertson (1995), outsourcing models have a basic style that includes a clear set of decisions such as assessment, planning, and execution, as outlined below:

Stage	Stage 0	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
Steps	Initiation	Assessment	Planning	Contract	Transition	Management

Figure 2.3: Rothery & Robertson (1995) model of outsourcing

In addition, Brown and Wilson (2005, p. 25) provide a more fulfilled model of outsourcing, which includes several detailed stages. Figure 2.4 depicts Brown and Wilson's (2005) phases of successful outsourcing. Descriptions of the stages of successful outsourcing are provided below:

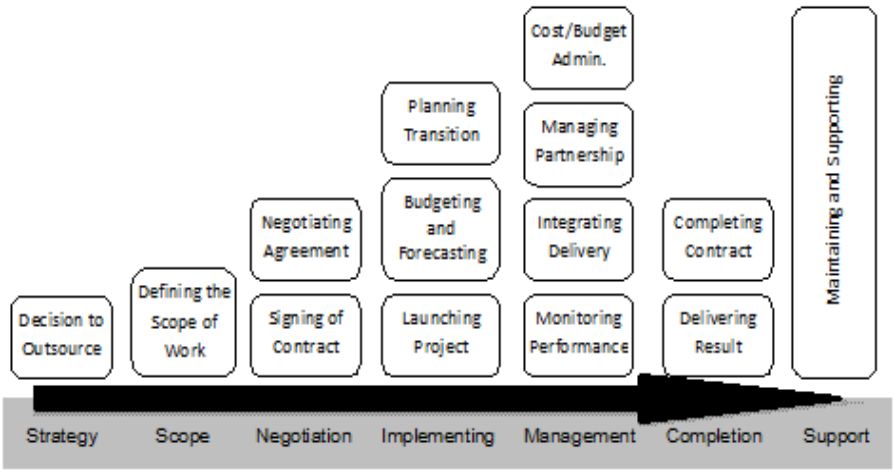

Figure 2.4: Brown & Wilson (2005, p. 26) model of successful outsourcing

- *Strategy stage:* defines the aim and scope of the proposed outsourcing and provides the likelihood of outsourcing going ahead, without making any firm conclusions. Moreover, it plans the overall direction in terms of points in time, financial plans, and essential resources.

- *Scope stage:* begins with baselines and identifies any necessary service stages to be provided by the merchants. This stage also develops the Request for Proposal (RFP), collects and analyses replies from merchants, and ends with the selection of vendors.

- *Negotiation stage:* involves negotiations and consultations with the selected vendor, which continue until an agreement is reached, drawn up, and eventually signed by both sides.

- *Implementing stage:* scripts the evolution of the process, from internal facility of services to outsourcing.

- *Management stage:* completes the connection with the merchant. It consists of a cooperative effort to undertake all modifications to the outsourcing association that are deemed compulsory, to make certain of a successful outcome.

- *Completion and support stage:* makes the assessment to either reach a new agreement with the same merchant or to end that association and commence the process with a new merchant. Alternatively, a choice may be made during this stage to reintegrate the task into the home organisation.

2.2.4 Outsourcing options

To further appreciate outsourcing, it is best to view outsourcing as a cycle. The first level starts with the decision-making process, and is followed by contract management, evaluation, and, lastly the re-examination of the outsourcing contract. At each peak, the company can renew the existing contract or select from other accessible options. Brown and Wilson (2005, p. 88) state that today IT is the business function that companies most readily choose to outsource, followed by administration (see Figure 2.5 below).

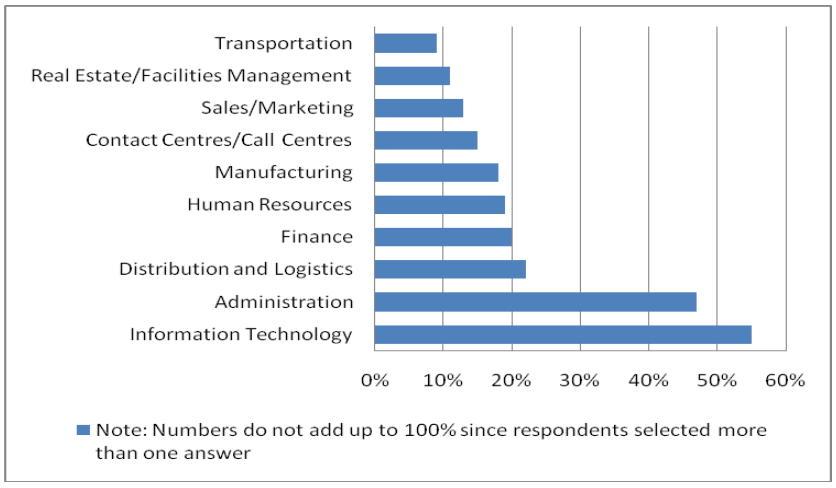

Figure 2.5: Brown & Wilson (2005, p. 88) outsourcing areas

2.2.5 Reasons for outsourcing decisions

There are numerous reasons for outsourcing. To benefit from corporate outsourcing, it is extremely important for companies to understand the reasons for the process. McCarthy (1996) has noted numerous benefits of outsourcing for organisations to consider:

- Outsourcing decisions allow a firm to focus more on core business functions.
- Corporations can bring in technologies from outside companies that would be expensive to duplicate within.
- Outsourcing decisions allow companies to reconsider their assistance strategy, create professional operations, and gather knowledge and capital while improving efficiency.
- Organisations outsource to develop the support for service level and to organise employees via building further trust.
- Companies seek outsourcing to cut down costs over the short or long term.

According to David (2007, p.195), organisations outsource functional operations for numerous reasons, including: a reduced cost, the organisation can increase its focus on core businesses, and lastly it permits the organisation to deliver superior services.

Similarly, Wipro Technologies (2007) provides numerous reasons for outsourcing, including:

- Decreased and managed working costs
- Development of corporation business focuses
- Installation of supplementary resources and relocation of inside resources
- Freeing up resources for extra tasks
- Increasing the process velocity of reengineering efforts
- Accelerated acquisition of the latest expertise and knowledge
- Divided risks
- Quicker responses to business drivers
- Renovated principal costs and fixed assets, allowing additional, flexible report operating costs

In addition, Beaumont and Sohal (2004, p. 696) provide different reasons for outsourcing, such as:

- Cheaper than expanding in-house
- Providing flexibility
- Developing service points

- Controlling uneven orders
- Avoiding having to deal with uncertain domestic costs
- Diminishing or removing domestic cultural differences
- Being required by external policy changes
- Monopoly provider

- **Enhanced outsourcing reasons**

Organisations that outsource their business functions are seeking to increase profits or to focus on related matters (Assaf & Al-Nehmi 2011; Beaumont & Sohal 2004; Engardio 2006; Engardio, Arndt & Foust 2006; Gareiss 2002):

- **Strategic reasons:** Outsourcing provides access to a larger and superior talent group (*staffing issues*), and a sustainable foundation of talent, as a result of accessing third parties' information support.

  This involves outsourcing to gain access to scholarly assets and *access to wider knowledge and experience* (Koh Ser Mui 2003; Rothman 2003). According to Brown and Wilson (2005, p. 37), this situation may come about if a company finds in-house staff knowledge insufficient for a given task. This can be solved by outsourcing the function to an outside supplier to gain new skills or new technical knowledge (Alexander 1996; Greaver 1999).

  Associating with a proficient outsourcer can provide an improvement in *risk management* (Alster 2005). According to Douglas (2009, p. 10), risk management is the identification, evaluation, and prioritisation of risks in order to minimise and manage the likelihood of unfortunate actions, via a reasonable management of resources.

- **Management reasons:** By outsourcing, an organisation gains an enhanced process of *capacity management* for services and equipment. This applies wherever the risk and threat in supplying the surplus is accepted by the provider. As Brown and Wilson (2005, p. 37) mention, a company may face poor management symptoms such as a high turnover, a low-quality product, and time management failures. Finding suitable managers can be difficult or time

consuming, and outsourcing the function to access the industry's greatest and most experienced managers in a functional area is a workable alternative.

Outsourcing can be an option for improving and developing all aspects of production, due to the increased capacity provided by the outsourcer. There are many issues that can cause in-house development to become bogged down, including staff shortages, lack of experience with new technologies, and financial emergencies. According to Koh Ser Mui (2003, p. 22), depending on outsourcer's potentials, outsourcing in such cases usually results in completing projects on time or even sooner than before, as well as *improving time to market*.

- **Technological and quality reasons:** Outsourcing is often adopted to provide the improved operational performance, which would be difficult to create internally due to a lack of in-house *operational expertise*. As Brown and Wilson states, "this may result in minimal improvements to the function in the future" (2005, p. 37). Outsourcing can solve this problem. In addition, managing new skills and technology for clients is the primary business focus for outsourcers (Koh Ser Mui, 2003). Therefore, outsourcers will invest in expensive technology, methodologies, and people. By working with many different clients, outsourcers will become experts in their field of business. The combination of specialisation and expertise can help clients gain a competitive advantage by avoiding the investment cost of technology and training for clients, since technology can change very quickly (Koh Ser Mui, 2003). Outsourcers can inform their clients about new advanced technologies in their industry and give their client the choice of implementing new technology as soon as it becomes possible.

  An organisation might find one of their departments or functions has exorbitant costs or inadequate quality or performance, and management decides to outsource the department or business function to a third party for improved results (Brown & Wilson 2005). The organisation may achieve *improvements in quality* or performance via contracting out the service and it should be noticed as a possible improvement (Anderson 1997) to achieve higher service level (Assaf & Al-Nehmi 2011).

  If a company needs to rapidly move to new technology, or acquire a new market share, the management may be inexperienced in such areas. In these situations, a

company can outsource this business function to a third party, freeing the management team to concentrate on a smaller variety of core activities (Brown & Wilson 2005). An organisation can also outsource to complete a major transformation that cannot be accomplished without help. The outsourcer thus becomes a *catalyst for change* in the development process.

This is the procedures for standardising IT and business services, which allows companies to purchase at a precise value (*commodification*). This permits an extensive range of businesses access to services that were formerly the exclusive domain of large organisations.

- **Economical reasons:** Organisations outsource to lower the overall cost (*cost saving*) of a business function, such as lowering capacity, re-negotiation and re-evaluating. Not all outsourcing is concerned with decreasing costs, but companies often outsource for reasons such as a critical financial position, or to reach company targets by increasing profits (Brown & Wilson 2005). Companies can reduce costs by using an external supplier (Brown & Wilson 2005). This is achievable by the supplier centralising to one location the responsibility of numerous companies. Admission to lower-rate economies through offshoring, called 'labour arbitrage', has been caused by the income divide among industrialised and developing nations (Kripalani & Engardio 2003).

  Operating control is an assessment that evaluates ratio of fixed costs per variable costs (*cost restructuring*), such as payroll or labour productivity and materials (Anderson 1997). As a result, outsourcing reduces costs of operation due to a shift from fixed to variable costs on company's income statement (Assaf & Al-Nehmi 2011), as well as through making variable costs more predictable.

- **Other:** A sequential function process can be completed during ordinary daytime shifts across diverse *Time zone rationalisations*, allowing work to progress 24 hours a day. Similar functions can be spread over a longer period by utilising the alternate summers and winters provided by Earth's southern and northern hemispheres.

  Outsourcing can allow customers to possibly gain benefits from dealing with an organisation, despite dissatisfaction with performance regarding certain basics of

the business (*customer pressure*). Such deficiencies may not be noticed if lower performing areas are outsourced.

Outsourced services are supplied according to an official *contract* between companies, including financial punishments and authorised rights (Roehrig 2006). According to Jones, Bebbington, and Blanch (1998, p. 15), contracts are an agreement to provide goods or services in return for payment and they must include some value exchanges. They are also defined by a two-phase procedure: first, the offer of services or goods is made within specific time periods, and second, the acceptance of the offer of goods or services should follow specific terms and conditions. It is important to agree on flexible contracts that allow for changes (Jones, Bebbington & Blanch 1998).

In a study conducted in Australia by Beaumont & Sohal (2004, pp. 696), it is stated that obtaining flexibility and improving performance, access to skills, and reducing costs are strongly expressed as top three reasons for outsourcing.

2.2.6 Types of outsourcing decisions

To understand outsourcing in today's market, it is essential to recognise the various types of outsourcing practices. Analysis of the present literature on outsourcing reveals that sourcing trends can be categorised into four fundamentals. Explanations of each of these four types of sourcing are provided below:

- **Total in-sourcing**

This is the decision to maintain in-house management and provision of 80 per cent plus of business activities, after evaluating the outside providers' market. (Lacity & Hirschheim 1995; Oshri, Kotlarsky & Willcocks 2009).

- **Total or full outsourcing**

This is the transferring of more than 80 per cent of the company's business operating budget to an external provider (Barnatt 1996; Oshri, Kotlarsky & Willcocks 2009; Willcocks & Kern 2001). It is the decision to completely outsource to a third party goods, staff, and management accountability for the delivery of goods and services, for example all IT/IS services (Apte et al. 1997). In addition, according to Barnatt (1996) and Koh Ser Mui (2003, p. 13), total outsourcing can also be referred to as "outsourcing

in totality". Traditionally this method of outsourcing has involved extremely nonflexible contracts, long-term agreements up to five to ten years in length, or has been trade-based and has involved fixed values (Koh Ser Mui 2003, p. 13). Typically, the only functions remaining in-house are customer support and contract management (Jones, Bebbington & Blanch 1998). According to Willcocks and Kern (2001), this type of outsourcing is considered an elevated risk practice.

- **Selective outsourcing**

Selective outsourcing refers to sourcing a preferred function to a third party, while managing between 20 to 80 per cent of business in-house (Oshri, Kotlarsky & Willcocks 2009). It can involve single or numerous vendors. Large outsourcing deals present great complications for companies and vendors (Jones, Bebbington & Blanch 1998). Selective outsourcing can overcome some of the problems associated with full outsourcing. Lacity, Willcocks and Feeny (1996) have agreed that full outsourcing can transmit numerous difficulties to organisations, such as a weakened relationship between business operations and organisation strategies. In studies conducted by Kern and Willcocks (2001), Lacity and Willcocks (2001), and Lacity and Willcocks (1998), it is stated that selective outsourcing is a widespread practice and has been established as commonly successful. Jones, Bebbington and Blanch (1998) mention that this type of outsourcing presents itself as a striking opportunity to companies as it is less intimidating compared to total outsourcing. It is stated that selective outsourcing is the most common outsourcing practice (Kern & Willcocks 2001; Lacity & Willcocks 2001; Willcocks & Lacity 1998) and has proven to be a generally successful type of outsourcing (Koh Ser Mui 2003).

As mentioned by Jones, Bebbington, and Blanch (1998, p. 3), there are many advantages for selective outsourcing, including:

- Less risk in comparison to choosing only one outsourcer to take responsibility for the entire business function.
- Partnership establishment with a wholesaler that develops over time or is completed at the time considered necessary.
- Greater control over the business function.

- **Transitional outsourcing**

Transitional outsourcing is the practice of temporarily outsourcing during a major transition for a company, such as bringing in a new technology. It is a rapid push to control a movement from an old system to one that is new. In order to focus a company or organisation's energy on the creation of new systems or infrastructure, it may outsource old systems or technology to a third party (Jones, Bebbington & Blanch 1998). The earliest most well-known example of transitional outsourcing is Sun Microsystem's three-year contract with CSC for a value of US$27 million (Willcocks & Lacity 1998).

According to Kern and Willcocks (2001) and also Lacity and Willcocks (2001), fresh types of outsourcing have appeared and are being developed, such as 'smarter contracting', 'offshore outsourcing', 'value-added outsourcing', 'equity holdings', 'co-sourcing', 'multiple suppliers', 'spin-offs', 'application service providers', 'business process outsourcing', and 'shared services'.

2.2.7 Levels of outsourcing decisions

According to Brown and Wilson (2005), there are three diverse levels of outsourcing: tactical outsourcing, strategic outsourcing, and transformational outsourcing. Descriptions of each level are provided below:

- **Tactical outsourcing**

Tactical or traditional outsourcing is the first level. A company chooses tactical outsourcing when faced with a specific problem. Often, outsourcing is seen as a way to quickly tackle problems when a firm is already experiencing difficulties. These dilemmas include a lack of financial resources when making capital investments. Tactical outsourcing creates competition between in-house business functions and external service suppliers. Many tactical associations are artificial solutions designed to produce quick cost savings, eliminate future investment requirements, provide cash infusion via the sale of assets, and relieve the weight of employment issues. Successful tactical outsourcing is dependent on successful tactical relationships, and as a result the value of external providers is understandable.

As stated by Mazzawi (2002), traditional outsourcing focuses on non-core business functions via best-practice within non-difficult surrounding areas. It is about changing from doing something internally to external suppliers who can undertake the same task more professionally and efficiently.

- **Strategic outsourcing**

Over time, as businesses develop and the goals of company and provider begin to spread apart, it becomes necessary to acquire superior value from outsourcing relationships. Managers then work to gain more control over all responsible functions, instead of losing control of outsourcing functions. For example, this level of outsourcing allows them to focus more on infrastructure matters rather than worrying about staffing issues. Strategic outsourcing focuses on creating long-standing business relationships. Companies work with a smaller group of the best service providers rather than having a great quantity of providers to perform the task required. This relationship often marks the beginning of a long-term partnership with a mutual benefit. Strategic outsourcing is an advanced approach to maintain organisations' premier value-creating actions, and its core competencies.

- **Transformational outsourcing**

The third level of outsourcing is called 'transformational' and this outsourcing is used to redefine a business. Transformational outsourcing is an advanced method that allows an organisation to respond to a changing market. Business transformational outsourcing (BTO) merges this proposal with business process outsourcing (BPO). According to Jones, Bebbington, and Blanch (1998), transformational outsourcing is the reverse of transitional outsourcing, where a third party is appointed to shift a company to a latest machinery platform (although in this study transitional outsourcing is categorised as a level of outsourcing) (Brown & Wilson 2005). As Mazzawi (2002, p. 42) states, "Transformational outsourcing potentially enables an enterprise to win quick and sustained benefit from any new market opportunities."

In addition, according to Mazzawi (2002) and Brown and Wilson (2005), differences exist between traditional and transformational outsourcing. Although traditional and transformational outsourcing seems similar, the process of conducting traditional outsourcing is better, faster, and cheaper. However, the process of transformational

outsourcing is to generate a fresh business forms and innovative management advances, and also to shift to a smarter, more flexible, and modernised standard. Mazzawi (2002, p. 43) explains that while "traditional outsourcing is about contracting out for efficiencies, transformational outsourcing is about contracting for competitive advantage out of uncertainties".

Before centring on long-term dependability, transformational outsourcing involves continuous variability and change. It also relates to shifting the trade characteristic by integrated means. According to Mazzawi (2002, p. 42), the nature of 'traditional outsourcing for increasing performance is operational'.

Table 2.4 provides a summary of the differences between transformational and traditional outsourcing, based on the Brown and Wilson's (2005, p. 24) and Mazzawi's (2002, p. 41) studies.

Table 2.4: Transformational outsourcing versus traditional outsourcing

Traditional outsourcing	**Transformational outsourcing**
Operational centre	Business centre
Entirely concerned with cutting costs	Entirely concerned with creating value
Supports a need for control	Supports the management of improbability
Supports basically unaffected business developments	Supports business developments that transform in line with strategic goals
Supported by outside IT experts attaining advanced performance over a non-expert organisation	Supported by the formation of associations with corporations in the innovation-associated economy
Eliminates non-core tasks from the business to supply a one-time release of assets	Business transformation and cost re-engineering facilitate sustained value foundation

Source: Brown & Wilson (2005, p. 24) & Mazzawi (2002, p.41)

2.2.8 Outsourcing success elements

Different studies of outsourcing have suggested numerous factors for its success. To maintain profits from corporate outsourcing, it is extremely important for companies to understand the success factors of outsourcing. Warren (1996) has pointed out several precise process activities that could be completed to enable the successful outsourcing of a business function, such as:

- Top management navigation
- Appointment of a specialist panel to guide and direct the organisation
- Categorisation of significant in-house resources
- Recognition of weaknesses and strengths concerning the organisation's existing mechanisms
- Modernisation of the company's business strategic plan
- Developing or renewing a strategic systems vision
- Identifying the different hardware and operating systems alternatives
- Understanding the organisation's cost construction
- Identifying estimated procedures of business activities
- Assessment of the strengths and weaknesses of the outsourcing substitute
- Managing and guiding the outsourcer and the agreement, as required in terms of time

In addition, Klepper and Jones (1998) have pointed out that there are thirteen significant determinants controlling successful outsourcing. These elements are:

- Incentives and fines
- Usage of purposed performance criteria and a methodological approach
- Accepting the vendors
- Understanding that the concept of outsourcing is not 'all or nothing'
- Outsourcing for precise and specific reasons
- Drawing up a high-quality agreement
- Management of staff issues that may arise
- Getting the community concerned
- Establishing an association of management composition and processes as elements of the contract
- Underlining the expansion with accountable people designated for association management
- Specifying the objectives of outsourcing
- Taking into consideration all stakeholders
- Selecting the appropriate vendor association

Furthermore, as stated by Mazzawi (2002, p. 42), outsourcing decisions and dealings are characteristically great and multifaceted, strategically and operationally significant, and create important organisational tension. Transformational outsourcing can have a profound connection with all areas of the business. In Mazzawi's understanding, there are three explanatory components which have to be taken into consideration: being clear and obvious in relation to what the firm or organisation desires to accomplish, creating and continuing a mutually beneficial association, and supporting the reasons essential for transformation.

In addition, if a company desires to be successful in outsourcing, the relationship should build via value rather than the details of the agreement (Mazzawi 2002, p. 42). Trust is the key driving outsourcing success, along with a well-built cultural fit to facilitate proper team work. Also, positive relationships build values and provide openings for manoeuvres and advantages. Good relationships also guarantee that partnerships remain close to their agreed conditions and business essentials throughout outsourcing stage.

Similarly, according to Gonzalez, Gasco, and Llopis (2005, p. 401) elements that lead to success in outsourcing have been identified as follows:

- The provider's understanding the client's objective, to make sure the client understands the purpose of outsourcing
- The success or failure of an outsourcing contract can depend on the process of selecting a suitable outsourcer in regard to business knowledge, expertise, and reputation
- Precise and accurate definition of the project's scope and specifications is the basis for successful outsourcing
- The provider informs the client about their special expertise and business characteristics
- Good communication
- A superior relationship with the purpose of value for money

- **Developed success elements**

It is necessary for all companies to understand how they can achieve successful and effective outsourcing. There are several essential fundamentals that may be developed

to advance the success of a good organisation. According to Brown and Wilson (2005), Elmuti (2003), Embleton and Wright (1998), Gottschalk and Solli-Saether (2005) and Koh Ser Mui (2003) these essentials are identified as follows:

- **Well-organised needs analysis**: Before creating any outsourcing agreement, it is necessary to perform an efficient needs analysis. Having considered an organisation's objectives and goals, a strategic vision and business arrangement needs to be assessed, analysed, and clarified, with appropriate forecasting. Consequently, such efforts can assist an organisation in coming to a decision about whether to go ahead with outsourcing. A report, from the study conducted by Stone (2002), has noted deferred plans for outsourcing as a result of a broad needs analysis exercised by a company. The company understood that it had a lack of knowledge of its existing situation for a successful outsourcing relationship to be initialised.

- **Find the correct outsourcer:** Finding and choosing the right outsourcer is a fundamental and important decision (Kliem & Ludin 2000). As Koh Ser Mui (2003, p. 31) mentions, "selecting the vendor should be an objective process" and cautious examination of the outsourcer's status, expertise, and financial solvency is important. It is essential to find an outsourcer with a successful past project in a related field. Also, it is important to find an appropriate outsourcer who will preserve the company's growth and has the ability to respond quickly to alterations (Koh Ser Mui 2003; Stone 2002). This requirement for success is more than a fast appraisal of an outsourcer's earlier actions and potentials (Brown and Wilson 2005).

- **Union and convention enhancement:** An accurately drawn business agreement will offer the organisation increased value at a practical price and allow the outsourcer the opportunity for increased profits. Furthermore, it is important to assemble a careful agreement and provide a complete explanation of the nature of the services and contracts, such as SLAs (Service Level Agreements), arrangement reports, rates, and fees. Also, useful is being flexible regarding growth in excess of time and remaining linked to the transformed business needs. According to McFarlan and Nolan (cited in Koh Ser Mui 2003, p. 31):

> "Kodak altered its outsourcing agreement as both business circumstances and technologies changed and general dynamics had eight contacts to provide for different divisions evolving in separate ways."

Additionally, agreements must also have the capability to verify the performance of the outsourcer in relation to definite necessities, for instance metrics. As Koh Ser Mui (2003) points out, companies should scale their business operations before starting to outsource any business function, by carefully evaluating their in-house performance in comparison with international companies. Once outsourcing, for permanent developments, organisations require steady assessment and evaluation to set up aspirations. Lastly, some authors stress the importance of contracts: 'you live or die by the contract, you cannot rely on verbal promises' (Gonzalez, Gasco & Llopis 2005; Palvia 1995).

- **Open communication:** Assessing the stakeholders' requirements is the primary and leading step during this time. Koh Ser Mui (2003) mentions that everybody's apprehensions should be taken into consideration and having an open channel of communication all the way through this time is primary. In particular, awareness of private and personal concerns and open communication with the affected person or groups are necessary, as these will be affected as a result of the outsourcing. This communication will reduce the personnel's fear of losing their job by involving them in the decision and informing them each step of the way. This will lead to a successful transition. The boundary between outsourcer and company is significant and McFarlan and Nolan (1995) state that this boundary cannot be underestimated.

  In reality, there is a need for on-going and continuous management of relationships and the monitoring of communication. In addition, for the outsourcer to provide regular assistance and experience, it will need a smooth development of general understanding. This will help to resolve any dilemmas and allow for modifications. In achieving a successful relationship with an outsourcer, shared awareness and understanding are essential as control methods (Clark et al. 1998).

- **Maintaining support from management:** It is a top-level management responsibility to come up with strategic objectives. Getting support from management and stakeholders is therefore beneficial. Allocating required resources and initiating the goals and objectives of outsourcing are top management duties. More significantly, supporting the outsourcing aims and objectives is the management's responsibility. According to Gonzalez, Gasco, and Llopis (2005, p. 403), top-level management support has been repeatedly expressed as the most influential factor for high or low performance of IS divisions inside firms. Also, involvement of both senior and IT management is required to reduce political conduct (Lacity, Hirschheim & Willcocks 1994).

- **Other:** Appraisal of current literature has pointed out different success factors. In support of successful outsourcing management around five elements are identified as primary success essentials. Other than this list, there are a number of additional elements pointed out by Brown and Wilson (2005), Gottschalk and Solli-Saether (2005) and Koh Ser Mui (2003). These include: satisfactory and transparent IT outsourcing, encouragement as well as fines, dividing outsourcing tasks, dealing with the capability of outside suppliers, and preserving qualified and skilled inside staff.

As a result, success elements have been identified as 14 factors:

- Having a strategic vision and plan, and an understanding of the intended use of outsourcing
- Conducting a needs analysis prior to making the outsourcing decision
- Ensuring the outsourcer understands the organisation's goals and objectives
- Clear definition of term and conditions in the outsourcing contract
- Determining which areas of your company you would like to outsource
- Careful attention to personnel issues and conducting open communication with the affected individual or group
- Appropriate outsource selection procedures
- Financial planning and analysis
- On-going management of relationships and communication channels
- Properly drawn up contracts

- Establishing trust between organisation and outsourcer
- The outsourcer attaining some form of certification for instance ISO 9001[1], SEI[2], CMM[3] rating
- Top-level management's support and involvement
- Drawing up criteria to measure the outsourcer's performance.

In a study conducted in Singapore by Koh Ser Mui (2003, pp. 59), it was found that 'Conducting a needs analysis prior to making the outsourcing decision', 'Appropriate outsource selection procedures', 'Top-level management's support and involvement', 'Having a strategic vision and plan, and an understanding of the intended use of outsourcing', and 'Clear definition of term and conditions in the outsourcing contract' are strongly expressed as the top five outsourcing success elements.

2.2.9 Advantages, disadvantages and risks of outsourcing

In this competitive world, productivity for companies is extremely significant. Put simply, productivity is doing extra for a smaller amount. As Brown and Wilson (2005, p. 86) state, "productivity means lowering the cost for consumers and that leads to economic growth".

There are numerous persuasive reasons for, and benefits of, outsourcing business functions to a third party. On the other hand, there are also some barriers that can prevent a company from deriving the benefits of outsourcing.

According to Beaumont and Sohal (2004), Doyle and Tapper (2001), Brown and Wilson (2005), Embleton and Wright (1998), and Warren (1996), outsourcing can promise a clear future for businesses across a range of areas, including: continued demands to decrease costs, rationalisation, reducing improvement excess, and re-engineering. These advantages include:

- [1]ISO 9001: Quality Management Systems standard from International Organisation for Standardisation.
- [2]SEI: Software Engineering Institute, initiated by the U.S. Defence Department to assist advanced software development processes.
- [3]CMM: Capability Maturity Model, developed by the SEI with 5-method levels of organisational 'maturity' that verify efficiency in delivering value software.

- Improved services, performance quality, and efficiency
- Increased access to special resources, recruitment, and the latest technologies
- Increased sales prospects
- Enhanced management control
- Less systems enlargement sequences
- Removal of individual issues
- Reduced and controlled costs, such as operating costs
- Improved business focus on core activities and competencies
- Modernisation of business operations
- Increased reliability of processes
- Variable and separation requests
- Freeing up of human resources
- Support with organisational transformations
- Assistance with globalisation and greater flexibility
- Accelerated development and improved time to market
- Reduced customer complaints
- Beating competition
- Prevention of any cultural problems
- Clear definition of prospect goals
- Lower labour costs by offshoring (Quinn & Hilmer 1994, p. 48)

In addition, David (2007) has pointed out some other advantages of outsourcing. An outsourcing strategy enables the organisation to obtain support from 'best-in-the-world' providers who specialise in performing a particular duty. This provides the organisation with more flexibility for any unpredicted changes from customers, and allows more business concentration on other in-house value-chain significant activities to support viable benefits.

While all these advantages are promising, opposing realities and factors are also in effect. According to Claver et al. (2002), Koh Ser Mui (2003) and Warren (1996), the disadvantages and risks of outsourcing are as follows:

- Conflict of interests
- Nickel-and-dime condition
- Contract problems, such as termination
- Nonflexible contracts that limit a company's ability to accomplish, declare, and change business strategies and objectives
- Loss of in-house expertise and intellectual capital
- Loss of control and unique competencies
- Loss of focus on customers and concentration on the product (the outsourced process)
- Using the same service provider as competitors
- Potential job losses
- The requirement to control and maintain relationship with vendor/s
- Outsourcer may not comply with the contract
- Hidden costs in contract that in some cases can increase relevant costs
- Security of information
- Incorrect reasons for outsourcing
- Additional risks related through offshore outsourcing

The expression 'outsourcing' was first used in the late 1980s to reference to the delegation of work processes involving information systems (Aubert et al. 2004; Lacity & Hirschheim 1993; Loh & Venkartraman 1992). The expression has since evolved beyond information systems and is currently applied to all outsourced activities by any company or organisation (Bhagwati et al. 2004). Depending on customers' overall business operation, customers will obtain different business services, such as data processing, that were formerly performed by a vertically incorporated venture (Brown & Wilson 2005; Fill & Visser 2000).

- **Summary**

Reasons for outsourcing have been identified as 14 factors: improvements in quality knowledge; operational expertise; access to wider knowledge and experience; staffing issues; capacity management; contract; reduced time to market; commodification; risk management; time zone rationalisation; customer pressure; cost savings; cost restructuring and catalysts for change. Level of outsourcing identified as 3 different level; tactical outsourcing, strategic outsourcing, and transformational outsourcing. Three types of outsourcing are identified: total outsourcing, selective outsourcing and transitional outsourcing.

Success elements have been identified as 14 factors: conducting a needs analysis prior to making the outsourcing decision, clearly defining terms and conditions in the outsourcing contract, having a strategic vision and plan, and an understanding of the intended use of outsourcing, outsourcer understanding the organisation's goals and objectives, appropriate outsource selection procedures, determining which areas of your company you would like to outsource, on-going management of relationships and communication, properly drawn up contracts, outsourcer attains some form of certification such as ISO 9001, SEI, or CMM rating, top management's support and involvement, careful attention to personnel issues and conducting open communication with the affected individual or group, financial planning and analysis, establishing trust between organisation and outsourcer, criteria drawn up to measure the outsourcer's performance.

So, while outsourcing factors has been identified, the next section will provide more information about the history of Iran, Hofsted's cultural dimension, economy of Iran, and more.

2.3 History of Iran

Iran, previously known as Persia, is positioned in the heart of the Middle East, in southwest Asia. The word *Iran* is derived from the word *Aryan* [the noble], and Persia was the name Greeks gave to Iran. Persia comes from the word *Pars* or *Parsa*, the spirit of the great Persian Empire, and Persian means People of Persia. In 1935, the government officially registered the name of the country as Iran (Crane, Lal & Martini 2008; Kheirabadi 2011).

Before the discovery of oil, agriculture was the traditional source of living in Iran. Excellent handicrafts, particularly textiles and carpets, as well as enhanced gold, silver, copper, and brass items, were the nation's primary exports. Oil was discovered in Iran in 1908, and it has become the backbone of the country's economy (Crane, Lal & Martini 2008; Kheirabadi 2011). In 1925, with emergence of the Pahlavi dynasty, the economy underwent the beginnings of a revolution via the use of European countries as models of development (Kheirabadi 2011). King Reza (Reza Shah) and His son Mohammad Reza Shah endeavoured to modernise the country. The Pahlavi dynasty expanded the country's physical infrastructure. The 10 per cent annual growth rate from 1960-1977 indicates excellence for a developing country (Crane, Lal & Martini 2008). In 1978, the Iranian Islamic Revolution brought clerics to power, but left Iran's development and economic growth in critical disarray (Kheirabadi 2011). Per capita Gross Domestic Product (GDP) decreased from about USD 8,000 to USD 4,000 by end of the eight-year war with Iraq in 1988 (Kheirabadi 2011).

In Iran, changes in the management of the public sector have been attempted for decades, however until now there has been no achievement or accomplishment (Najafbagy 2006). In this perspective, prior to the 1979 Revolution, bureaucracy was the major complicating and delaying issue for managing government responsibilities in the country. Nevertheless, subsequent to the Revolution, government agencies have absorbed further organisations (Najafbagy 1990). This has boosted government participation in scheduling and controlling the community segment, which has critically delayed successful reform and the move away from the traditional and bureaucratic form of Iranian public administration (Najafbagy 2006). Presently, the government is concerned with various activities, from the supply of goods and services all the way

through to administration, which could be the responsibility of the private sector. In practice, the government is responsible for nearly all public services (Najafbagy 2006).

2.3.1 Hofstede's cultural dimensions for Iran

Cultural dimension theory has been proposed by Professor Geert Hofstede for evaluating and differentiating national cultures. Regarding Hofstede's (2001) study, there are five dimensions of values. These dimensions are: 'Power Distance Index' (equality versus inequality), 'Collectivism' (versus individualism), 'Uncertainty Avoidance' (versus tolerance), 'Masculinity' (versus femininity), 'Long-Term Orientation' (versus short-term).

According to Hofstede (2001), a comparison between Iran and other Islamic countries indicates that Iran's Uncertainty Avoidance Index (UAI) and Power Distance Index (PDI) are high, but still lower than other Arab (Muslim) countries, with rates of 59 and 58 for Iran and 68 and 80 for other Muslim countries. High UAI indicates a society's low level of acceptance in regard to uncertainty. Strict rules, laws, policies, and regulations were implemented and employed to reduce or diminish this level of uncertainty. According to this high Uncertainty Avoidance characteristic, the public does not willingly acknowledge the need for reform and finds risk incredibly unpleasant. A high level of unequal power and wealth inside the public is the result of high PDI. This condition has been accepted by society as a cultural heritage.

Lastly, a low rate of Individualism (41) indicates the society is collective. This is noticeable in secure, long-standing obligations, whether to a member of the family or extended family, or an unmitigated relation (Hofstede 2001).

2.3.2 Economy of Iran

Iran has the world's third major petroleum reserves, behind Saudi Arabia and Canada. Also, after Russia, Iran boasts the second largest gas reserves. Consistent with Ilias (2010), in comparison to other countries located in Middle East and North Africa, Iran has the region's second largest economy behind Saudi Arabia, and the second largest population following Egypt (see Table 2.5).

Table 2.5: Iran country overview

Indicator	Value
Land Area	1.6 million square kilometers (slightly smaller than Alaska)
Population	75.35 million (July 2011 estimate by Global Finance)
Median Age	26.8 years (July 2011 estimate)
Head of State	Mahmoud Ahmadinejad, President since August 2005
Capital	Tehran
Life Expectancy at Birth	70.06 years (2011 estimate)
Gross Domestic Product (GDP) at Price Purchasing Parity	USD 818.7 billion (2010 estimate)
GDP Real Growth Rate	3.2% (2011 estimate)
GDP Per Capita	USD 10,600 (2010 estimate)
GDP Composition by Sector (Current Prices)	Industry, 45.2%; services, 43.9%; agriculture, 10.9% (2009 estimate)
Unemployment Rate	14.6%, reported by Iranian government (2010 estimate)
Inflation Rate (Consumer Prices)	11.8% (2010 estimate)
Exports	USD 78.69 billion (2010 estimate)
Export Commodities	Petroleum, chemical and petrochemical products, fruits and nuts, carpets
Imports	USD 58.97 billion (2010 estimate)
Import Commodities	Industrial raw materials and intermediate goods, capital goods, foodstuff and other consumer goods, technical services

Sources: Central Intelligence Agency (CIA) Factbook (2011)
Note: The Iranian fiscal year runs from March 21st to March 20th.

Economic growth in Iran was rapid until 2009 (see Table 2.6). During 2009 economic growth was slow due to a reduction of oil value, home economic misconduct and mismanagement, inadequate oil revenue reserves, and worldwide economic decline. However, the economy has seen a significant upswing since 2010 (Ilias 2010, p. 4). During the early part of the last decade, the economy of Iran experienced expansive and rapid growth, particularly in 2007. According to Ilias (2010, p. 4), this development was "driven by government spending on priority sectors, expansionary monetary and fiscal economic policies, increase growth credit and privatisation".

Table 2.6: Iran's average annual rate GDP growth: 2000-2011

Fiscal Year	Average Annual Growth (%)
2000	5.1
2001	3.7
2002	7.5
2003	7.1
2004	5.1
2005	4.7
2006	5.8
2007	7.8
2008	6.5
2009	1.7
2010	2.9
2011 (Forecast)	3.2

Source: Ilias (2010, p. 5) and Central Intelligence Agency (CIA) Factbook (2011)

Supply chain and management services are currently dominated by the public sector in Iran. With economic growth gaining momentum as indicated by the growing importance of the export and the higher education sectors (Roshan, 2007 & Khorasgani 2008), private industry logistic management outsourcing is expected to increase. Global Finance estimates a total population of 75.35 million in 2010, and service and manufacturing sectors as accounting for 43.9 per cent of the GDP (Global Finance 2010). The Economist's latest report, cited in the Tehran Times (2010) stated that "Iran's Gross Domestic Product (GDP) in the current calendar year (began March 21, 2010) would rise by USD 5.5 billion, adding that the GDP figure would double in the next five years".

According to Roshan (2007) and Khorasgani (2008), Iran's economic growth is expanding rapidly. Iranian outsourcing and privatisation are in the early phases (Rajabzadeh, Rostamy & Hoseeini. 2008).

2.3.3 Development and changes in Iran

Privatisation law was initiated in Iran in 1975, before the Islamic Revolution, and related to manufacturing firms. The law stated that up to 99 per cent of the government's possession of non-fundamental manufacturing, plus up to 49 per cent of the stocks of the private division, be shifted to the blue-collar workers (Najafbagy 1990, 2006). In 1989 after the Revolution, sub-article 32 of the First Development Plan was the primary, officially authorised fulcrum for privatisation policies in the country. In

1999, as mentioned by Najafbagy (2006), one of the achievements of the privatisation plan was the transfer of shares worth over IRR (Iran Rials) 648 billion (IRR 9,000 equivalents to USD 1) from 180 manufacturing entities to more than 350,000 workers from 300 different workplaces.

Rezaei (2009) and Sedahi and Davarzani (2010) have pointed out that privatisation in Iran, after the Revolution, was started officially between May to June 1991 with respect to principles 44, 134, and 138 of constitutional law and reference to note 32 and clauses 4-37, 1-8, 2-8 and 3-8 of the economic, social, and cultural development act, as ratified in 1987. As it is inducted from the provisions of clause 4-37 of the first program act, no limitation or special policy for transferring activities have been considered. Having emphasised promotion and support from industrial, mineral, and special organisations, all governmental and nationalised industries (except for great and mother industries) can be transferred to private sector.

As stated by the Iran Chamber of Commerce, Industries, and Mines (2011), Rezaei (2009), and Sedahi and Davarzani (2010), privatisation procedures of government companies were put into two groups, taking into account various characteristics and after the identification and prioritisation of the companies. One group involved transferring through ownership transfer, and the other lacked transfer. This was followed by the publication of a state official declaration entitled the National Resolution to Execute Privatisation Policy.

Taking into account that the approval dated 19/05/1991 had been formulated by the Board of Ministers in the form and framework of a first program of development, there was no perfect correspondence between decisions made by the Board and the first program of economic, social and cultural development with, respect to the theoretical fundamentals of privatisation.

The introduction of a framework to transfer shares from governmental and affiliated companies provided a more prudent basis for privatisation. Attaching preference to this act over previous cases were, among other things, specifying the inclusion of scopes of conveyance, the identification of conveyance boards as a policy-making authority, the establishment of private organisations as an executing organ, conveyance revenue

sharing, the identification of a board of arbitrator, and responsibility insurance. This act is also preferred because it covers the following subject matter: Article 15 has obliged the third program of economic, social, and cultural development of government to take action in regard to the establishment of private organisations. According to the approval ratified on 18/04/2001 by the Board of Ministers, developing programs to increase the capabilities of, and to encourage, private sector groups and professional organisations, and the training of entrepreneurs are, among other things, the duties of private organisations.

It should be mentioned that the government has selected three procedures, with respect to the size of the company, concerning conveyance procedures of governmental companies. These are as follows:

- Selling shares of small companies to entrepreneurs and persons with empowering management
- Selling shares of medium companies to groups, cooperative companies, and professional-trade organisations
- Selling shares of large companies keeping controlling management shares, to the public

However, a single act of ratification in March 2003 resulted in the amendment of articles of the third program of economic, social, and cultural development. Article 16 was omitted and replaced by the following text:

> "Government can transfer shares to organisations, retirement fund, and its staff against their claims and upon their agreement. Manner of share transfer shall be in accordance with by-law recommended by Supreme Court of Transfer and approved by Board of Ministers. "

This approval attaches very high priority to the method of sale, and to studying the matter to determine appropriate procedure. It has determined a commission for off-exchange transfer to study the subject matter and to specify appropriate methods. After the appearance of some problems in the privatisation process, an act entitled "the act of how the government and government-owned shares are conveyed to war veterans and

workers" was ratified on 10/08/1994, resulting in the nullification of previous approvals, and in the provisions thereof being established as the basis for the execution of privatisation policy. Conveyance methods, in this act, were confined to the sale via the stock market or bid, and applying for sale by bid was merely, through negotiation, confined to companies and benevolent cooperative companies. This act granted some privileges for benevolent workers, but the majority of them could not afford to buy transferable shares, so execution of privatisation policy slumped.

Based on the state development program, disclosed by the Iran Chamber of Commerce, Industries, and Mines (2011), the government decided to attract more contributions from private and cooperative sectors in public and social services, production, employment, trade, research and maintenance, and exploitation of underlying and public installations. Such transfers of governmental sectors to private and cooperative entities observed principle 44 of constitutional law and public materials. Note 35 of the budget act of the years 1998 and 1999, and clause F, note 2 of the budget act of the year 2000, is a pairing which created the legal basis of a share conveyance program in the years prior to the execution of the third program of economic, social, and cultural development. This subject matter has manifested in the third program as a conclusion to the third chapter entitled "shares transfer and management of governmental companies", which contains 19 Articles. As with the previous rules, the goals and objectives of the share transfer of governmental companies were selected to be: efficiency promotion, raising productivity relating to material and human resources in Iran, and making the government far more efficient in the area of policy-making, and the development and empowering of private and cooperative departments.

2.3.4 Performed activities and enacted laws alongside privatisation of Iran

According to the Iran Chamber of Commerce, Industries, and Mines (2011), Rezaei (2009), and Sedahi and Davarzani (2010), activities and rules governing privatisation after the Revolution could be divided into five time periods, with respect to the differences between rules and related policies:

- **First term: 1989-1994**

Almost 10 years after the Islamic Revolution, note 32 and clauses 4-37 and 4-8 of the first program of economic, social, and cultural development formed legal reasons for privatisation. The goals of the act were management improvement, assets evaluation, specification of minimum profit-making, and nullification of governmental companies' exemptions. According to table 6-6, an equivalent of 47 per cent stocks--sold up to the end of the first 8 months of the year 2002--had been sold during a period of time in which the share of triple procedures of exchange, bid, and negotiation in transfer had been 21.3 per cent, 6.4 per cent, and 19 per cent, respectively. Thus, the goal of management improvement could be followed up merely through the selection of applied methods in transferring. Bid and negotiation methods would not lead to management improvement in the space of "limitation declaration" and "selection". Similarly, the method of presenting to the exchange market, in the newly-established condition of this market and "supportive agency", would not result in the entrepreneurs' possession of controlling stocks. It resulted in non-fulfilment of the main goals and objectives outlined at the end of the first program of economic, social and cultural development.

- **Second term: 1995-96**

During this period of time, the acts influencing the issue of management or ownership transfer of governmental foundations to non-governmental departments included, firstly, the act of the first program of economic, social, and cultural development 1995-1998 and secondly the act regarding the manner of transferring governmental stocks, and stocks belonging to the state, to benevolent and workers, which was ratified in August 1994.

Within these acts appeared the dual objectives of decreasing the capacity of governmental organisations, and increasing the welfare of poor layers of society. In this period of time a full 18.7 per cent of the assets of governmental foundations were transferred, of which 12.3 per cent were sold by way of exchange, 3 per cent by way of bid, and 3.4 per cent by way of negotiation. Applying a mix of the aforementioned procedures in this period represents an increase in the stocks of exchange in comparison to a decrease in the stock of the two other procedures. Assuming the accurate

performance of agencies, this certifies the repair of the transferring procedure. Of course, this repair relates to financial health in terms of the sale of assets, and does not necessarily confirm the adequacy of the aforementioned method of reaching the above-stated goals. The stock transfer via bid procedure, in this period of relative decline, was higher than that of the negotiation method, thus indicating the continuing power of beneficiary groups to gain the stocks of governmental foundations through uneconomic means. The number of governmental companies was increasing during the whole period of fourfold periods of time in 1995-97.

- **Third term: 1998-2000**

Note 35 of the budget act of the year 1999, which was the completed form of note 32 of the first program of economic, social, and cultural development was renewed afterwards in clause F of note 2 of budget act of 2000. In this period, this note was considered a legal reason for "dissolution, transferring and selling the transferable stocks of companies and governmental organisations" to private and cooperative departments.

The trend of developing the financial activities of governmental companies continued in this period of time, though at a lower rate than during the second period. The reason for the debts of the above-said companies rising surprisingly was that governmental banks constrained the supply of their required financial resources to these companies. In this period 30.4 per cent of the stocks of governmental foundations were sold. Of these sales 27.4 per cent resulted from exchange and 30 per cent came from the bid method, setting aside negotiation. This omission of negotiation as a transferring method, and the increase of sales by the way of exchange, has lead transferences toward financial health (assuming neutral agency). However, the objectives of this period were not reached.

- **Fourth term: 2000-2004**

Privatisation, in this period of time, was a new act cited in the second and third chapters of the third program of economic, social, and cultural development, 2000-2004. Privatisation’s objectives, as mentioned in article 9 of the program, are deficiency promotion and material, a rise in human productivity in Iran, making the government efficient in policy-making, and developing the empowerment of private and cooperative

departments. The mechanism predicted to be required for the fulfilment of the above-said objectives in this act is incompatible with the objectives themselves, in some cases.

- **Fifth term: after 2004**

In 2005, as the first year of the fourth program of economic, social, and cultural development, many more steps were taken toward providing grounds to access and accomplish goals specified in this program. Although there were relatively considerable quantitative changes to accomplish, and Rial written into the budget of the year in question, qualitative goals had an extraordinary mutation; the fulfilment of basic and fundamental reforms, in related by-laws and instructions, resulted in the overcoming of difficulties and problems facing this process, thus making the road clear.

Also, an approval ratified on 14/06/2005 by the Board of Ministers caused the requirements for selling governmental stock, and stocks belonging to the government, to be facilitated. This approval concerned a license for the presentation of stocks of companies with sale schedules remaining from the year 2004 as well as the sale schedule of 2005 (based on the fourth program of economic, social, and cultural development), together with other approvals and the addition of some governmental companies to the list of transferable companies.

Another important step in the process to reach the aims of privatisation was the development of public participation, based on the development of shares of the Cooperative Department, through transferring governmental stocks and stocks belonging to government to the poor. This was subject to the approval, dated 06/02/2006, by the Board of Ministers. The approval was entitled "executive by-law of raising Iranian families' wealth through development of shares of department of cooperation based equity shares", which was to be executed from the year 2005. This by-law includes 13 articles and 7 notes with the title of ‘equity shares transfer plan’, and is aimed at:

- More balanced distribution of wealth and salary
- Speeding up the trend of privatisation through broad transferral of governmental stocks, and stocks belonging to government

- Making use of more sound and transparent methods to transfer companies' shares
- Increasing wealth and making a permanent income for Iranian poor families
- Making poor families self-reliant and decreasing the government's direct undertakings and other supportive elements
- Decreasing the size of governmental departments and transferring ownership to public
- Extending the share of the Department of Cooperation in the Economy of Iran

It is declared that alongside putting into operation these eight aims, various elements have been defined as basic fundamentals.

2.3.5 Causes of development's failure and success, case of Iran

The majority of theorists contend that development via modernisation and revolution had risen as a replacement for tradition. In such an environment, with a preconceived theory of development, there is no function for tradition to perform and it is regarded as a blockage for modernisation (Seitz 2006, p. 322). Also, development and expansion will happen only when governments understand this concept, when they accept that their appropriate response is to discontinue blocking progress, to stop delaying development (Najafbagy 2006, 1990).

A look at the history of the West's impressive escape from poverty is an excellent place to begin for understanding development. The rapid economic and social progress in Europe, according to historian Ralph Raico, was because of superior market autonomy (Najafbagy 2006). During the development of the West rationalisation has been a sound foundation, but in numerous Middle East countries it played a more important role.

Since the development crises faced by Middle-East countries, the suppression of traditional cultures for Western developmental processes has no longer been the accepted wisdom. This was especially true at the beginning of 1970, as a result of many economic, social, cultural, and political proceedings beginning in countries such as Iran and Pakistan, and shortly after in Brazil, Argentina and many other countries. In these countries there were changes in thoughts amongst development planners and economists (Najafbagy 2006, 1990).

In reality, there is a Western preconception of opposition to tradition, and if tradition cannot deal with this preconception, then it will be mismatched. Middle East countries are not conquered by unchanging ethnicity, ethics, traditions, and beliefs (Najafbagy 2006). In addition, it is possible, only for long term study modifications and strategies to adapt to modernisation (Singer 1971).

Development projects have mostly focused on economic phases, while social, administrative, and cultural issues have been disregarded (Najafbagy 2006). Moreover, various projects' incompatibilities have begun with insufficient awareness of, and a consequential lack of, existing socio-cultural circumstances (Kottak 1986). As Najafbagy (2006, p. 75) states, we "can learn a lot from past experience such as the case of failed technical assistance to Iran".

In 1980, according to Seitz (2006, p. 325), a seminar was arranged through numerous American academics and advisors (The Agency for International Development - AID) who attempted for years to create reform within Iranian public administrative structures such as the Iranian Ministries and the National Police. Their lack of consideration of culture, society, administration, history, and politics not only led to the collapse of their administration restructuring, but it formed further problems and negativity between America and the people of the host country (Kottak 1986; Najafbagy 2006). As Seitz (cited in Najafbagy 2006, p. 75) put it, to "attune an American to internal politics of a different country require radical shifting of his habits and attitudes".

In conclusion to the above case, two important points are revealed: firstly, the honesty and ethics of the American academy advisors who attempted the reform could appreciably add to the purpose of management research as an outside agent. Secondly it indicates the heavy reliability of previous Iranian governments on foreign experts, without monitoring or coordination with any Iranian experts, when attempting to develop Iran's administration and management (Najafbagy 2006). Development in countries between 1975 and 1990, such as Chile, Iceland, and Malaysia, affected the degree of government involvement in public affairs, and the propensity and direction of privatisation and outsourcing (Bandow 1997; Najafbagy 2006).

- **Summary**

Centrally located in the Middle East, Iran (formerly Persia) has had a long and turbulent history. Oil was discovered in 1908, and it has become the backbone of the country's economy (Crane, Lal & Martini 2008; Kheirabadi 2011). Starting with beginning of the Pahlavi dynasty in 1925, the economy experienced the early stages of a revolution via the use of European countries as models of development (Kheirabadi 2011).

The Iranian Islamic Revolution in 1978 brought clerics to power, nevertheless left Iran's development and economic growth in critical disarray (Kheirabadi 2011). Changes in the management of the Iranian public sector have been attempted for decades, however until now there has been no achievement or accomplishment (Najafbagy 2006).

High UAI indicates a society's low level of acceptance in regard to uncertainty. Strict rules, laws, policies, and regulations were implemented and employed to reduce or diminish this level of uncertainty. A low rate of individualism indicates the society is collective. This is noticeable in secure, long-standing obligations, whether to a member of the family or extended family, or an unmitigated relation (Hofstede 2001).

Iran has the world's third major petroleum reserves. Iran has the region's second largest economy behind Saudi Arabia, and the second largest population following Egypt. Economic growth in Iran was rapid until 2009. According to Roshan (2007) and Khorasgani (2008), Iran's economic growth is expanding rapidly. Iranian outsourcing and privatisation are in the early phases (Rajabzadeh, Rostamy & Hoseeini. 2008).

Privatisation law was initiated in Iran in 1975, before the Islamic Revolution, and related to manufacturing firms. Rezaei (2009) and Sedahi and Davarzani (2010) have pointed out that privatisation in Iran, after the Revolution, was re-started officially in mid-1991, and activity extended to abroad range of industries.

2.4 Organisation

An organisation is group of individuals who perform duties toward a certain goal (March & Simon 1958). Organisations are viewed as influential and gain attention from management (Samson & Daft 2005). There are many different type of organisation, including corporations, government, and non-governments.

2.4.1 Size of organisation

Businesses all around the world are categorised in terms of their number of employees or business revenue. There are three different standards identified as the majority in this research. These standards are defined by the Australian Bureau of Statistics (ABS), the European Commission, the UK Department of Trade and Industry, and the Statistics of U.S. Businesses. The Australian Bureau of Statistics categorised businesses as below (ABS 2001):

- Micro Firm: a business employing less than 5 employees, together with non-employing businesses
- Small Firm: a business employing 5 or more employees, but less than 20 employees
- Medium Firm: a business employing 20 or more employees, but less than 200 employees
- Large Firm: a business employing 200 or more employees

For statistical purposes, the UK Department of Trade and Industry, and the European Commission (2003), apply the following definitions:

- Micro Firm: a business employing less than 10 people, together with non-employing businesses
- Small Firm: a business employing less than 50 employees
- Medium or Mid-sized Firm: a business employing less than 250 employees
- Large Firm: a business employing 250 or more people

The Statistics of U.S. Businesses categorised businesses differently in comparison to other countries. It classified by the number of employees and average annual receipts. The U.S. Small Business Administration (SBA 2011) has established the following standards for businesses:

- Businesses employing 500 employees for the majority of manufacturing and mining industries
- Businesses employing 100 employees for wholesale trade industries
- USD 7 million in average annual revenue for the majority of non-manufacturing industries
- USD 33.5 million of annual revenue for the majority of general and heavy construction industries
- USD 14 million of revenue for the entire particular trade contractors
- USD 0.75 million of revenue for the majority of agricultural industries

The Iran Chamber of Commerce, Industry, and Mines categorised businesses via two different criteria in their assessment of the size of the company. These criteria were based on an overall assessment of (a) divestible shares of the firm, or (b) its number of employees (ICCIM 2001). The Iran Chamber of Commerce, Industry, and Mines (ICCIM 2001) have established the following standards for businesses:

Article 5 - Criteria (a):

- Small Firm: total value of divestible shares less than IRR one hundred billion
- Medium Firm: total value of divestible shares between IRR one hundred billion and IRR five hundred billion
- Large Firm: total value of divestible shares between IRR five hundred billion and IRR one thousand billion.
- Very Large Firm: total base value of devisable shares more than IRR one thousand billion.

Article 5 - Criteria (b)

- Small Firm: a business employing less than 50 persons
- Medium Firm: a business employing 51 or more persons, but less than 500 employees
- Large Firm: a business employing 501 or more persons, but less than 2500 employees
- Very Large Firm: a business employing 2500 or more persons

2.4.2 Type of industry

The word 'industry' refers to the production of goods or services with the involvement of an organisation (Sedahi & Davarzani 2010). The Iran Chamber of Commerce, Industry, and Mines categorised industry via two bases. Firstly, based on the economic sector is primary, secondary and territory industry. Secondly, industries are named according to the products it produces.

- Primary industry involves extracting raw material from the Earth. Examples include agriculture, petroleum, oil, and gas.

- Secondary industry involves the conversion of extracted raw material into finished goods. Examples include electrical and electrics, construction, automobile and aerospace, and food.

- Territory industry involves the public sector. Examples include IT, communications, healthcare, retail, distribution and warehousing, and banking. This sector plays a major role in the economy of every nation.

In conclusion, sizes of organisations have been identified into 4 different categories: Small, Medium, Large, and Very Large with regards to the ICCIM. Also, three types of organisations have been identified as; Primary, Secondary and Territory Industries.

2.6 Summary

This chapter reviewed previous literature from studies conducted on many elements of outsourcing, including: a definition of outsourcing, differences between outsourcing and strategic alliances, outsourcing models, selecting activities for outsourcing, theoretical models of outsourcing, outsourcing options, trends or types of outsourcing, levels of outsourcing, reasons for outsourcing, successful outsourcing, advantages, disadvantages, and risks of outsourcing, the history of Iran (including Hofstede's cultural dimensions), economy, development, and changes in Iran, performed activities and enacted laws alongside privatisation in Iran, and the causes of development's failures and successes in Iran.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This study explores the factors affecting outsourcing decision making. Therefore, the researcher employed descriptive research design and quantitative research methods. Quantitative research is a means for testing theories to find relationships between variables via statistical procedures (Creswell 2009). A quantitative approach was taken, in which surveys were used to collect data. Survey research presents numeric explanations of developments or attitudes within a population by studying a sample population. Data is collected from the sample with the purpose of making assertions regarding the entire population (Creswell 2009; Babbie 1990).

This chapter explains the research approach, methodology, data collection method, and analysis used to investigate the research issues. This is an evaluation study that takes on a survey questionnaire approach. The main sources of data collection in this study are secondary data and primary data. The research questionnaires were self-administered in Tehran – Iran, as they are one of the most accepted methods for collecting data in this area. Supporting the collection of data by this method, according to Veal, is that:

> "Questionnaire surveys are an ideal means of providing quantified information for organisations that rely on quantified information for aspects of their decision making." (Veal 2005, p. 143)

This method engages a number of organisations or individuals, and utilises the complexity of quantitative analysis and computer software to analyse the result.

This chapter also explains in detail about the sampling process, questionnaire design, and the method of analysis. A convenience sampling method was carried out in this study. The questionnaire was developed to identify respondents' perceptions concerning the reason for outsourcing, levels and types of outsourcing, and the elements that lead to successful outsourcing in different Iranian industries.

As per the model used for the research (refer to Appendix A), an intensive literature search and review was carried out. The data from the survey was analysed, and lastly the conclusions of the research were discussed.

3.2 Sources of information

Primary data and academic literature are used in this study. At the preliminary stage, academic literature was used to gain some insights into the outsourcing characteristics while the primary data was gathered to obtain substantial evidence for this research.

3.2.1 Academic literature

In this study, academic literature was collected to develop capacity to discern the outsourcing characteristics other than solving the present problem. This information is historical, already assembled, and does not require access to respondents. The academic literature collected for this research was mostly obtained from books, published journals, business magazines, newspapers and also online resources.

3.2.2 Primary data

Primary data was collected by person (the researcher) to address factors affecting outsourcing decisions in Iranian industries. This data was obtained to explore how outsourcing decisions (type of outsourcing, level of outsourcing, reasons for outsourcing, and factors in outsourcing success) in firms from diverse industries, and of varying size, affect eventual outsourcing processes. Primary data for this research was obtained using the survey method. Data was collected through the distribution of a questionnaire to the target respondents. According to Veal (2005, p.143), a questionnaire or interview schedule is the most frequent method in management and business studies. It relies on information gathered from sample respondents.

3.3 Target population

The target population is an entire group of specific population elements that are relevant to this research. In this research, the target population is companies in the area of Tehran, Iran, that are involved in outsourcing activities such as IT, banking, construction, and automobile manufacturing.

3.4 Sampling frame

Sampling refers to the procedure of selecting a list of elements which may be drawn from the sample population in order to make a conclusion regarding the whole population. The sampling design process consists of a series of stages which are highly interrelated and relevant to the research project. The companies that are listed in the Iran Companies Directory and the Irannet web site (www.irannet.net) were selected as the sampling frame of this study. The Irannet website includes all the companies' details, products and services, locations, and telephone numbers.

3.4.1 Sampling element

The sampling unit is a single element or group of elements subject to selection in the sampling. For the purpose of this study, the sampling unit is a company.

3.4.2 Sampling method

Convenience sampling has been adopted in this research for the principle aim of selecting respondents. According to Sekaran (2000), convenience sampling refers to the anthology of information regarding the population, who are able to provide it expediently. Due to time and cost constraints, convenience sampling is conceivably the best way of receiving information from respondents promptly, efficiently, and professionally.

3.4.3 Sampling size

The sampling size for this project was a total of one hundred questionnaires distributed to different companies (only one questionnaire sent to each company). The respondents were encouraged to seek clarification from the author if they faced any difficulties while answering the questionnaire.

3.4.4 Method of data collection

Respondents in this study were high-level senior managers and CEOs from different Iranian companies in Tehran. Through known business associates and networks, the researcher requested introductions to these companies. In respect and politeness in line with Iranian business ethics and culture, it is important that an introduction has been made through known business associates and networks. The researcher requested

permission to speak with respondents and arranged an appointment with them, plus asked them to fill in the questionnaire. They returned their responses by mail, as per Iranian business ethics and culture. Since the survey was not available in Persian (Farsi), it was translated into Persian by a professional translator before it was distributed to any companies. The survey distribution and collection was conducted over a period of 3 months. The first meeting was held on 5 March 2010, with the last collection of responses occurring on 2 May 2010. Once most of the questionnaires were collected, the data were entered into SPSS software.

3.4.5 Approval from the Ethics Committee to conduct the research

This study was approved by Victoria University's Human Ethics Committee. To gain approval from the ethics committee the candidate prepared an application form to ensure all data to be collected was ethical. Also provided was an application review checklist, a translation of the questionnaire and information sheet into the Persian language, and a letter from a professional who translated those documents. Finally, when the ethics committee accepted the questionnaire, the researcher was able to commence data collection via the survey method.

To protect confidentiality, neither the name nor the address of any business has been provided in this study.

3.5 Theoretical framework

As part of proposing a theory, a researcher needs to clearly understand the relevant existing theories by reviewing past literature (Darlington & Scott 2003; Manning 2004). This can be achieved by visiting libraries and online investigation through literature (Denzin & Lincoln, cited in Manning 2004, p. 41).

A wide review of current literature assists the researcher in constructing theory (Manning 2004). In this study, to support the subject of this research, the review of existing theory has been undertaken by conducting a wide and an extensive literature search. However, according to Manning (2004), existing theory only guides the researcher to frame future studies.

The review of the previous literature showed that the majority of outsourcing research has been conducted in more developed countries and few studies have been undertaken in Iran. As already seen in Chapter 1, while the foundation for this study is a literature review, the research questions concerning outsourcing have been customised to address both theoretical matters and to provide a detailed understanding of the research investigation.

As stated by Manning (2004), in the early stage of any research it is critical for the researcher to formulate their problem statement with a rough knowledge of the field. This helps the researcher to develop further specificity and to review more detailed literature that relates to the field. Reviewing specific literature will enable relevant investigation of the 'substantive concepts' that lie beyond an initial inspection.

The aim of this study was to determine the factors that influence the outsourcing decisions in an Iranian context. Factors that may influence outsourcing decisions in Iran have been drawn from literature research. For ease of reference, the factors have been grouped at this time according to six major characteristics. The six characteristics that have been deemed to influence the outsourcing decisions in Iranian industries are divided into: four characteristics from outsourcing, and two characteristic from organisation. The theoretical framework utilised in this research has incorporated the following:

- Organisation
  - Size of organisation – Section 2.4.1
  - Industry – Section 2.4.2
- Outsourcing
  - Reasons for outsourcing – Section 2.2.5
  - Type of outsourcing – Section 2.2.6
  - Level of outsourcing – Section 2.2.7
  - Outsourcing success elements – Section 2.2.8

The major characteristics that were examined in this study are listed in Table 2.7 and Table 2.8.

Table 2.7: Major outsourcing characteristics examined in this study

Reasons for outsourcing
• Cost savings • Cost restructuring • Improvements in quality • Contract • Operational expertise • Access to wider knowledge and experience • Staffing issues • Capacity management • Catalysts for change • Reduced time to market • Commodification • Risk management • Time zone rationalisation • Customer pressure

Type of outsourcing
• Total outsourcing • Selective outsourcing • Transitional outsourcing

Level of Outsourcing
• Tactical outsourcing • Strategic outsourcing • Transformational outsourcing

Outsourcing success elements
• Conducting a needs analysis prior to making the outsourcing decision • Clearly defining terms and conditions in the outsourcing contract • Having a strategic vision and plan, and an understanding of the intended use of outsourcing • Outsourcer understanding the organisation's goals and objectives • Appropriate outsource selection procedures • Determining which areas of your company you would like to outsource • On-going management of relationships and communication • Properly drawn up contracts • Outsourcer attains some form of certification such as ISO 9001, SEI, or CMM rating • Top management's support and involvement • Careful attention to personnel issues and conducting open communication with the affected individual or group • Financial planning and analysis • Establishing trust between organisation and outsourcer • Criteria drawn up to measure the outsourcer's performance

Table 2.8: Major organisation characteristics examined in this study

Size of organisation	***Industry***
• Small firm (business employing less than 50 persons) • Medium firm (business employing 51 or more persons, but less than 500 employees) • Large firm (business employing 501 or more persons, but less than 2500 employees) • Very large firm (business employing 2500 or more persons)	• Electrical and electronics • Information technology • Petroleum, oil, and gas • Construction • Communication • Healthcare • Automobile and aerospace • Agriculture, food, and retail • Distribution and warehousing • Banking • Manufacturing

In this study, it was confirmed that there are relationships between outsourcing decision factors, the size of organisations, and different industries in the Iranian context (see Chapter 4). In addition, the following diagram (figure 2.6) illustrates the relationships between outsourcing characteristics.

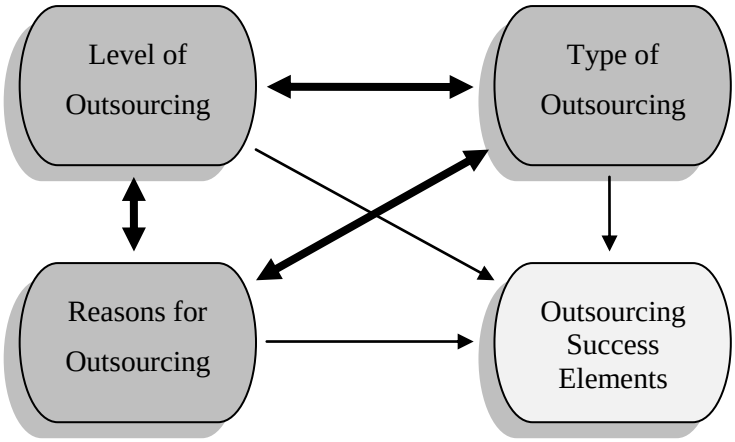

Figure 2.6: Relationship of outsourcing factors

3.6 Questionnaire design

The questions dealt with outsourcing decision making factors, and levels and types of outsourcing. The questionnaire for this study was separated into five major sections in the questionnaire with 43 questions in total. These sections included screening questions, types and levels of outsourcing, measurement of the reasons for outsourcing

and outsourcing success elements, company information, and finally demographic information from respondents.

Section 1: Screening questions

The screening section of the questionnaire began by seeking the respondents' outlook in order to discover whether the respondents' companies already outsourced any business functions. The second set of questions inquired whether respondents' companies had any upcoming plans to outsource any business function. Lastly, in the final part of this section, respondents were asked to identify the type of their organisation.

Section 2: Type and level of outsourcing

This section covers the type of outsourcing and the levels of outsourcing, consisting of three different factors each. The types of outsourcing measured were based on questions developed by Apte et al. (1997), Barnatt (1996), Jones, Bebbington and Blanch (1998), Koh Ser Mui (2003) Lacity and Willcocks (2001), Willcocks and Feeny (1996), Willcocks and Kern (2001). The level of outsourcing was measured based on questions developed by Brown and Wilson (2005) Jones, Bebbington, and Blanch (1998), and Mazzawi (2002). All items for this section were measured on a three-point Likert scale ranging from 1 (disagree) to 3 (agree).

Section 3: Measurement of reasons and success for outsourcing

This section covers three parts. In the first part the reasons for outsourcing and the consequences of outsourcing, in comparison with similar in-house efforts, were identified using fourteen elements (Alster 2005; Brown & Wilson 2005; Engardio 2006; Engardio, Arndt & Foust 2006; Gareiss 2002; Jones, Bebbington & Blanch 1998; Koh Ser Mui 2003; Kripalani & Engardio 2003; Roehrig, 2006). All items for this section were measured on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

In the second section, respondents were required to mention whether their organisation is successful in outsourcing or not, on a scale of Agree (1), Neutral (2), and Disagree (3).

Finally, in the third section the importance of factors affecting the success of outsourcing was measured using fourteen elements (Brown and Wilson 2005; Elmuti

2003; Embleton & Wright 1998; Gonzalez, Gasco and Llopis 2005; Gottschalk & Solli-Saether 2005; Kliem & Ludin 2000; Koh Ser Mui 2003; Lacity, Hirschheim & Willcocks 1994; McFarlan & Nolan 1995; Palvia 1995; Clark et al. 1998; Stone 2002). All items for this section were measured on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Section 4: Company information

This section of the questionnaire sought respondents' description of the size of their organisations and the scope of their companies' activities.

Section 5: Demographic

This section of the questionnaire consisted of the demographic information of the respondents, which included their working experience in their current organisation, their department, and their role in their current organisation. No name, material, age or other data that may have violated anonymity was requested.

3.7 Pilot study

The pilot study was conducted using a preliminary questionnaire before distributing it to the real respondents. The reason for the pilot study was to assess the consistency and effectiveness of these research instruments, to make certain that the questions were understood by the respondents, and to ensure there were no problems with the wording or measurement. A pilot study was carried out on 10 respondents who are known to the researcher with the purpose of identifying any areas that needed enhancement. Indeed, after the pilot study, some amendments were made to the questionnaire to improve the respondents' understanding of the questions and their enthusiasm to engage with the questionnaire. After being pre-tested, these questions were deemed to be understandable and suitable for data collection.

3.8 Data analysis

The survey data was analysed using the IBM Statistical Package for the Social Sciences (SPSS) version 19. This study utilised different methods for analysing the data obtained from questionnaires. Elaborations on each method are provided below:

3.8.1 Reliability analysis

The reliability of a measurement is an indication of the stability and consistency with which the instrument measures the concept and helps to assess the viability of a measurement. Cronbach's alpha is the most commonly used, reliable coefficient. The Cronbach's alpha indicates how well the items in a set are positively correlated to one another. The closer the Cronbach's alpha is to one, the higher the internally consistent reliability.

Data collected from the questionnaire was subjected to Cronbach's alpha reliability test. This was to ensure that the instrument items were homogenous and reflected the same underlying constructs. The results of the analysis, as shown in the table below, indicates that the variables 'reasons for outsourcing' and 'outsourcing success elements' are reliable, with scores of 0.800 and 0.844 respectively.

Table 3.1: Reliability analysis

Variables	Cronbach's Alpha
Reasons for Outsourcing	0.800
Outsourcing Success Elements	0.844

3.8.2 Calculation of relative importance of factors

Kometa et al. (1994) and Sambasivan and Yau (2007) used the relative importance index technique to establish the relative importance of the various causes and effects of delays in construction industries. A similar technique was adopted in this study. The five-point scale ranging from 1 (strongly disagree) to 5 (strongly agree) was adopted and altered to relative importance indices (RII) for all factors as follows:

$$RII = \frac{\sum W}{A * N}$$

Where 'W' is the weighting each respondent gave to each concern (ranging from 1 to 5), 'A' is the greatest weight (i.e. 5 in this case), and 'N' is the entire population of respondents. The 'RII' value had a range from 0 to 1 (0 not inclusive), with a higher value of RII indicating a more significant reason for, or successful element of, outsourcing.

The ‘RII’ was used to position (R), the different reasons. These positions made it feasible to cross-compare the relative significance of the factors as provided by respondents. Each individual reason’s ‘RII’, as perceived by all respondents, was used to evaluate generalised rankings, in order to provide an overall image of the reasons for outsourcing in different Iranian industries. A similar process was implemented for ranking the success of outsourcing. The indices ‘RII’ were then used to verify the rank of each item (success elements). These rankings made it possible to cross-evaluate the relative importance of the items, as perceived by the respondents. The weighted average for each item from the respondents was determined and ranks (R) were assigned to each entry.

3.8.3 Descriptive analysis

Descriptive analysis involves the transformation of raw data into a form that can provide information to describe a set of factors in a situation. It was used in this study to illustrate and analyse the demographic characteristics of the respondents in the form of frequencies and percentage. Results point out the frequencies and percentage of each factor, which were transformed into tables and graphs.

3.8.4 Factor analysis

Factor analysis’ purpose, as defined in the IBM SPSS manual (2010), is to classify factors and explain the outline of the relationship between experiential variables. Factor analysis is a data reduction practice used to shrink a great quantity of independent variables into a smaller set of primary factors that review the necessary information contained in the variable (Gorsuch, 1983; Veal 2005; Velicer and Jackson, 1990). It is also used to construct a reliable test. Factor analysis is used to determine whether items are tapping into the same construct.

Factor analysis with a Varimax rotation method was used in clustering the items in ‘reasons for outsourcing’ and ‘success in outsourcing’. Through factor analysis, the items that were not significant in the factor were deleted. Then the factors with the right variables loading on them are identified, confirming that the concepts are being measured properly.

3.8.5 Correlation analysis

A correlation is a function to observe the relationship between two or more normally interval variables. If two variables were at least interval-level variables, then Pearson's coefficient of correlation was used. Pearson Correlation analysis was used to measure the strength of involvement between variables and to establish the scale to which the variables are related.

3.8.6 Cross-tabulation

Cross-tabulation is a method to evaluate any association intended for two-way tables. It structures two-way or multi-way tables, and presents diverse tests. Cross-tabulation helps the researcher to organise the data gained from the survey by group, category, and class to facilities comparisons. It is a joint frequency distribution of observation on two or more sets of variables. Cross-tabulation was conducted to test the relationship between the selected factors relating to reasons for outsourcing, levels and types of outsourcing, and success elements in outsourcing.

3.8.7 Means

The mean method, defined in the IBM SPSS Statistics' manual (2010), is to evaluate subgroup means and independent variables (categorical) for dependent variables (surrounded by category of one or more). In addition, the dependent variables are quantitative.

3.9 Summary

The main purpose of this chapter was to present a discussion of the research design for the study, mostly regarding the data collection method, the location of the study, its sampling frame, questionnaire development, the sampling process, and analysis. A questionnaire survey with convenience sampling was the method used as the data-collection process for the study. Data collected was then analysed using reliability analysis, descriptive analysis, cross-tabulation, factor analysis, correlation analysis, the relative importance index (RII) method, and a pilot test.

CHAPTER 4

ANALYSIS AND RESULTS

4.1 Introduction

This chapter presents and elaborates the analysis and findings of the research based on the primary data gathered by way of questionnaire. This chapter also presents the results of data analysis and descriptive analysis, which was used to draw conclusions in regard to outsourcing factors.

4.2 Survey response

A total of one hundred questionnaires were distributed to the respondents. Seventy nine completed questionnaires were returned, with seventy-four of these being usable for analysis. The remaining five copies were not functional as a result of missing data and inconsistencies in their responses. This indicates a seventy four per cent response rate.

4.3 Demographic characteristics

Descriptive analysis was performed on the demographic data collected. This raw data was transformed into Figures 4.3.1, 4.3.2, and 4.3.3 for each element. As per the above mentioned figures, and Table 1 (refer to Appendix C), 43 (58.1%) respondents had 1 to 3 years working experience in their current organisation, 21 (28.4%) had 4 to 6 years, 7 (9.5%) had 7 to 9 years, followed by 3 (4.1%) with more than 9 years in their then-current organisation.

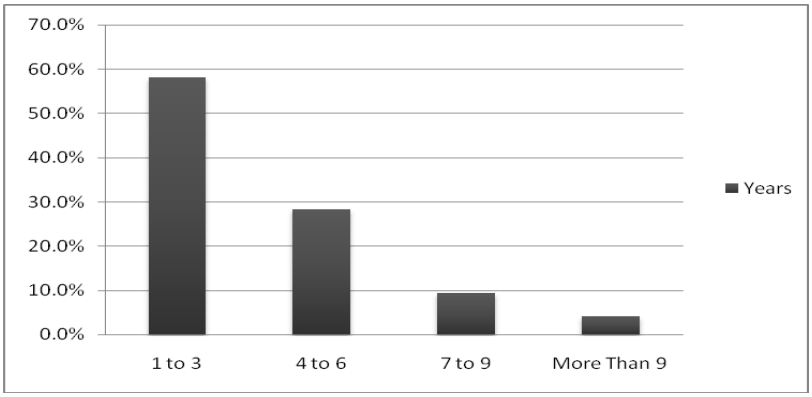

Figure 4.3.1: Length of employment with current organisation

Among them, as indicated in Figure 4.3.2 and Table 2 (refer to Appendix C), 63 (85.1%) respondents held director, middle, or senior management positions, followed

by 7 (9.5%) IT/IS managers, 2 (2.7%) business group managers, 1 (1.4%) IT/IS analyst, and a similar percentage for other occupations.

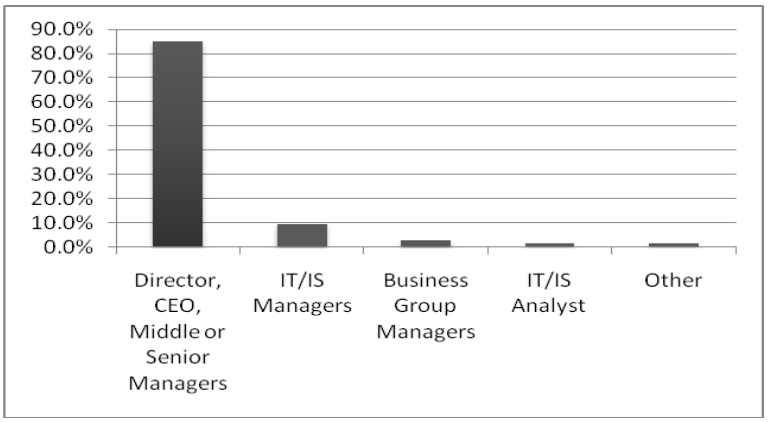

Figure 4.3.2: Respondent's role in the organisation

Figure 4.3.3 and Table 3 (refer to Appendix C) illustrates that 33 (44.6%) of respondents were from management departments, 12 (16.2%) from human resources, 9 (12.2%) were from business and policy departments, followed by 8 (10.8%) from IT and communication departments, while 6 (8.1%) were from both finance and sales and marketing departments.

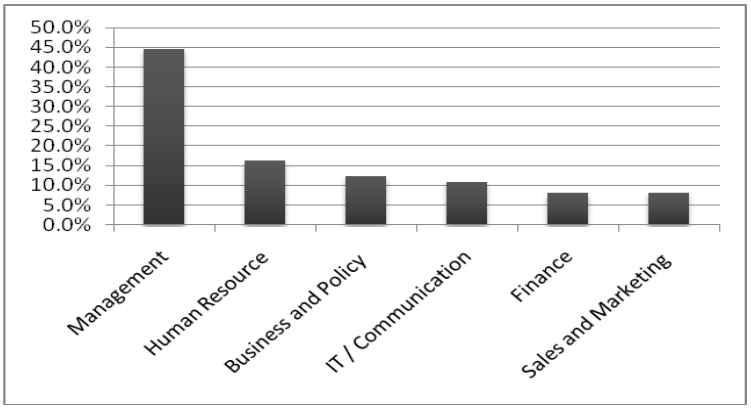

Figure 4.3.3: Respondent's department

To sum up, most of the collected data came from a director, middle management, or senior management, and most respondents worked in management departments. In addition, participants who replied to the survey had mostly worked for their current company for between one to three years.

4.4 Company information

Descriptive analysis was also performed on data collected regarding each company's general information. By referring to Figure 4.4.1 and Table 4 (refer to Appendix C), it

is revealed that 6 (8.1%) of companies had less than 50 employees, followed by 20 (27%) companies with between 51 to 100 employees, 22 respondents (29.7%) with between 101 to 500 employees, 8 companies (10.8%) with 501 to 1000 employees, 12 companies (16.2%) with 1001 to 5000 employees, and lastly 6 companies (8.1%) had more than 5000 employees.

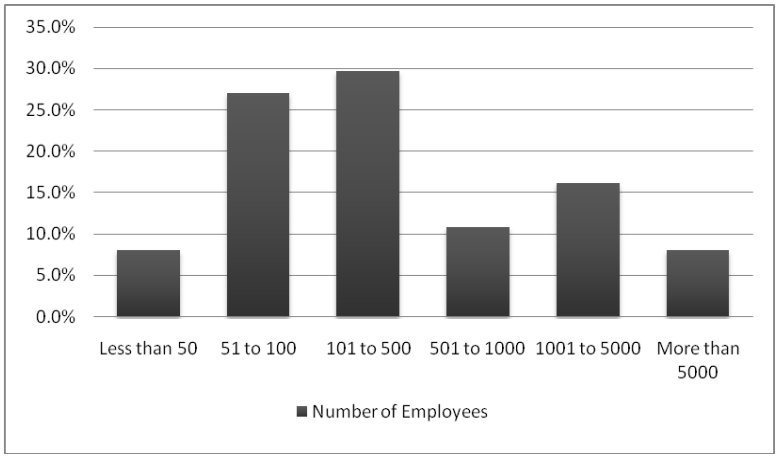

Figure 4.4.1: Number of employees in organisation unit

Figure 4.4.2 and Table 5 (refer to Appendix C) show that a total of 23 (31.1%) companies' scope was local, followed by 40 (54.1%) indicating a national focus, and finally 11 respondents (14.9%) were from international-scope companies.

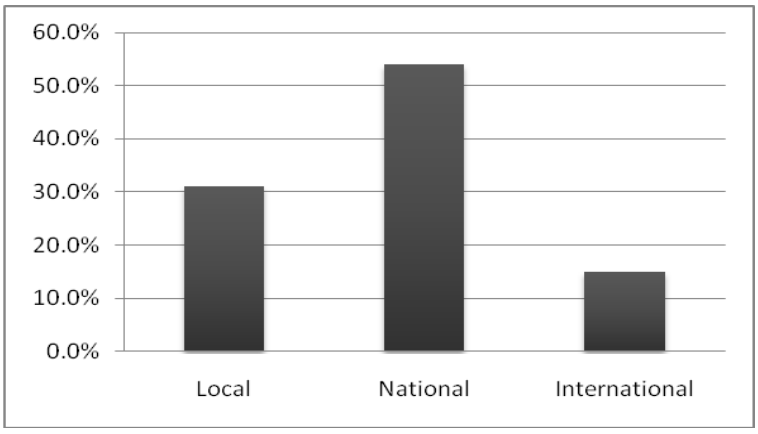

Figure 4.4.2: Scope of whole organisation

In conclusion, companies' responses to the survey indicated, in terms of size (expressed as number of employees), that most were within the ranges of 51 to 100, and 101 to 500 employees. Participants for this survey mostly operated nationally in Iran, followed by locally focused companies.

4.5 Calculation of relative importance of factors

The primary data collected from the third part of the questionnaire was analysed using the relative importance index (RII). The RII of each reason for outsourcing and success element of outsourcing, as perceived by respondents, was computed for overall analysis.

4.5.1 Ranking of outsourcing reasons factors

The relative importance index 'RII', was computed for each reason to identify the most significant reasons for outsourcing. The reasons were ranked based on 'RII' values. From the ranking assigned to each reason for outsourcing, it is possible to identify the most important factors or reasons for outsourcing in Iranian industry. The lowest RII is 0.621 while the highest is 0.794. As indicated in Table 4.5.1, the five most significant reasons for outsourcing, as perceived by respondents from different Iranian industries, were: (1) access to wider knowledge and experience (RII=0.794); (2) operational expertise (RII=0.767); (3) staffing issues: access to a larger talent pool and a sustainable source of skills (RII=0.764); (4) cost restructuring (RII=0.756); (5) improvements in quality (RII=0.74).

Table 4.5.1: Ranking of reasons for outsourcing

Reason for outsourcing	RII	Rank
Access to wider knowledge and experience	0.794	1
Operational expertise	0.767	2
Staffing issues: access to a larger talent pool and a sustainable source of skills	0.764	3
Cost restructuring	0.756	4
Improvements in quality	0.74	5
Catalysts for change	0.735	6
Cost savings	0.721	7
Capacity management improvement	0.718	8
Contract: provision of a legally binding contract	0.708	9
Commodification: allowing a wide range of businesses access to services	0.71	10
Reduced time to market	0.686	11
Risk management	0.681	12
Reduced Customer Pressure	0.659	13
Time-zone rationalisation	0.621	14

4.5.2 Ranking of outsourcing reasons factors by industry

The 'RII' was calculated for all reasons for outsourcing for each different industry. Significantly, Table 4.5.2 shows that different industries have different reasons for outsourcing. The rankings for different industries are as below:

Table 4.5.2: Ranking of outsourcing reasons by industry

Industry	***Rank***			
	First	***RII***	***Second***	***RII***
Electrical & electronics	Access to wider knowledge and experience	0.875	Improvements in quality, operational expertise, and reduced time to market	0.85
IT	Cost restructuring, and staffing issues	0.762	Cost savings	0.75
Petroleum, oil & gas	Cost savings	0.88	Access to wider knowledge and experience	0.84
Construction	Operational expertise	0.933	Access to wider knowledge and experience	0.885
Communication	Provision of a legally binding contract, and catalysts for change	0.828	Operational expertise	0.8
Automobile & aerospace	Cost restructuring	0.857	Cost savings, improvements in quality, Access to wider knowledge and experience, catalysts for change, reduced time to market, and commodification	0742
Agriculture, food & retail	Operational expertise	0.8	Catalysts for change	0.75
Distribution & warehousing	staffing issues	0.942	Wider experience and knowledge, and operational expertise	0.857
Banking	Access to wider knowledge and experience	0.857	Improvements in quality, staffing issues, and commodification	0.8
Manufacturing	Access to wider knowledge and experience	0.866	Improvements in quality, and operational expertise	0.8

Table 4.5.2 illustrates that different industries have diverse reasons for outsourcing in Iran. For electrical and electronics, banking, and manufacturing industries, access to

wider knowledge and experience is the most common reason for outsourcing. In addition, operational expertise is the most prevalent reason for outsourcing in the agriculture, food and retail, and construction industries.

4.5.3 Ranking of outsourcing success elements

Furthermore, the comparative index 'RII' was also computed for each success element to identify the most significant factors in successful cases of outsourcing. The success elements were ranked based on their 'RII' values. From the ranking assigned to each success element of outsourcing, it is possible to recognise the most significant factors, or success elements, of outsourcing in Iranian industry. The lowest RII is 0.662 while the highest is 0.905. As per Table 4.5.3, the five most significant elements leading to successful outsourcing, as perceived by respondents, were: (1) having a strategic vision and plan, and an understanding of the intended use of outsourcing (RII=0.905); (2) conducting needs analysis prior to making the outsourcing decision (RII=0.886); (3) the outsourcer understanding the organisation's goals and objectives (RII=0.878); (4) clearly defining terms and conditions in the outsourcing contract (RII=0.864); (5) determining which areas of your company you would like to outsource (RII=0.843).

Table 4.5.3: Ranking of outsourcing success elements

Success elements of outsourcing	RII	Rank
Having a strategic vision & plan and understanding the intended use of outsourcing	0.905	1
Conducting a needs analysis prior to making the outsourcing decision	0.886	2
Outsourcer understanding the organisation's goals & objectives	0.878	3
Clearly defining terms & conditions in the outsourcing contract	0.864	4
Determining which areas of your company you would like to outsource	0.843	5
Careful attention to personnel issues & conducting open communication with the affected individual or group	0.837	6
Appropriate outsource selection procedures	0.835	7
Financial planning and analysis	0.824	8
On-going management of relationships & communication	0.821	9
Properly drawn up contracts	0.8	10
Establishing trust between organisation and outsourcer	0.797	11
Criteria drawn up to measure the outsourcer's performance	0.786	12
Outsourcer attains some form of certification such as ISO 9001, SEI, or CMM rating	0.748	13
Top management's support & involvement	0.662	14

4.5.4 Ranking of outsourcing success elements by industry

The 'RII' was calculated for all elements for successful outsourcing for each surveyed industry. It is clear from tables 4.5.4.1 and 4.5.4.2 that different industries have different outsourcing success elements. Also, both tables indicate that many elements have the same 'RII' ranking, and thus the same value, for different industries. The rankings for different Iranian industries are demonstrated in the following two tables:

Table 4.5.4.1: Ranking of outsourcing success elements by industry (First)

Industry	***Rank***	
	First the most	***RII***
Electrical & electronics	Clearly defining terms & conditions in the outsourcing contract, having a strategic vision & plan and understanding the intended use of outsourcing, and the outsourcer understanding the organisation's goals & objectives	0.925
IT	Having a strategic vision and plan and understanding the intended use of outsourcing	0.9
Petroleum, oil & gas	Top management's support & involvement	0.92
Construction	Conducting a needs analysis prior to making the outsourcing decision	0.914
Communication	Properly drawn up contract	0.914
Automobile & aerospace	Having a strategic vision and plan and understanding the intended use of outsourcing, top management's support & involvement, and financial planning and analysis	0.914
Agriculture, food & retail	Careful attention to personnel issues and conducting open communication with the affected individual/group	1
Distribution & warehousing	Having a strategic vision and plan, and understanding the intended use of outsourcing	0.971
Banking	Conducting a needs analysis prior to making the outsourcing decision, and the outsourcer understanding the organisation's goals & objectives	0.942
Manufacturing	Conducting a needs analysis prior to making the outsourcing decision, clearly defining terms & conditions in the outsourcing contract, Having a strategic vision and plan and understanding the intended use of outsourcing, and determining which areas of your company you would like to outsource	0.9

Table 4.5.4.2 illustrates the second most successful elements for outsourcing in different Iranian industries:

Table 4.5.4.2: Ranking of outsourcing success elements by industry (Second)

Industry	***Rank***	
	Second the most	***RII***
Electrical & electronics	Conducting a needs analysis prior to making the outsourcing decision	0.9
IT	The outsourcer understanding the organisation's goals & objectives, and determining which areas of your company you would like to outsource	0.875
Petroleum, oil & gas	Conducting a needs analysis prior to making the outsourcing decision, and having a strategic vision and plan and understanding the intended use of outsourcing	0.88
Construction	Clearly defining terms & conditions in the outsourcing contract, having a strategic vision and plan and understanding the intended use of outsourcing, top management's support & involvement, and careful attention to personnel issues & conducting open communication with the affected individual/group	0.885
Communication	Conducting a needs analysis prior to making the outsourcing decision, clearly defining terms & conditions in the outsourcing contract, having a strategic vision and plan and understanding the intended use of outsourcing, appropriate outsource selection procedures, on-going management of relationships & communication, top management's support & involvement, and lastly, establishing trust between organisation and outsourcer	0.885
Automobile & aerospace	Careful attention to personnel issues & conducting open communication with the affected individual/group	0.885
Agriculture, food & retail	Top management's support & involvement, and financial planning and analysis	0.95
Distribution & warehousing	Clearly defining terms & conditions in the outsourcing contract	0.942
Banking	Having a strategic vision and plan and understanding the intended use of outsourcing, and appropriate outsource selection procedures	0.914
Manufacturing	Outsourcer understanding the organisation's goals & objectives, on-going management of relationships & communication, and top management's support & involvement	0.866

Tables 4.5.4.1 and 4.5.4.2 illustrate that different industries have diverse success elements for outsourcing in Iran. Significantly for the agriculture, food and retail

industries, careful attention to personnel issues and conducting open communication with the affected individual or group was identified as the most successful factor for this industry, recording a 100% ranking (RII=1). In general, it was identified that having a strategic vision and plan and understanding the intended use of outsourcing was considered a highly important factor in Iranian industries' considerations of outsourcing.

4.5.5 Ranking of types of outsourcing

The relative importance index (RII), was computed for each type of outsourcing to identify the most significant types. The types of outsourcing were ranked based on their 'RII' values. From the ranking assigned to each type of outsourcing, it is possible to identify the most practiced type of outsourcing in Iranian industry. As shown in Table 4.5.5, selective outsourcing is the most significant type of outsourcing according to respondents from different Iranian industries. The rankings of the types of outsourcing are as below:

Table 4.5.5: Ranking of types of outsourcing

Type of outsourcing	RII	Rank
Selective outsourcing	0.896	1
Transition outsourcing	0.689	2
Total outsourcing	0.518	3

This finding, with selective outsourcing identified as the most common practice, is similar to the findings of Kern and Wilcocks (2001), Lacity and Willcocks (2001), and Willcocks and Lacity (1998).

4.5.6 Ranking of levels of outsourcing

The 'RII' was computed for each level of outsourcing to identify the most significant level. The levels of outsourcing were ranked based on their 'RII' values. From the ranking assigned to each type of outsourcing, the most practiced level of outsourcing in Iranian industry becomes clear. Table 4.5.6 illustrates that selective outsourcing is the most significant level of outsourcing according to respondents from different Iranian industries. The ranking for the types of outsourcing are as below:

Table 4.5.6: Ranking of levels of outsourcing

Level of Outsourcing	RII	Rank
Strategic outsourcing	0.842	1
Tactical outsourcing	0.738	2
Transformational outsourcing	0.711	3

The above table shows companies that decided to perform outsourcing preferred 'strategic outsourcing' over 'transformational outsourcing' and 'tactical outsourcing'. Strategic outsourcing is approached as a redirection of the company's resources towards its highest value-creating activities and its core competencies.

4.6 Type of industry versus type of outsourcing

Cross-tabulation analysis, with a scale range from 1 (disagree), 2 (neutral), and 3 (agree), was performed between the types of surveyed industries and the types of outsourcing performed. This allowed for the identification of the types of outsourcing that Iranian companies select, and also the identification of which type of outsourcing was preferred by each particular Iranian industry.

Report summary

Figure 4.6.1 and Table 6 (refer to Appendix C) reveal the types of companies and their preferences for selective outsourcing. It shows that all eight (100%) respondents from the electrical and electronics industries had a preference for selective outsourcing. Information technology, electrical, and electronics companies had the highest preferences for using selective outsourcing in comparison with other industries. Next highest was the communication industry, followed by automobile and aerospace, distribution and warehousing, and banking, with a total number of six. The lowest preference for selective outsourcing was indicated by the petroleum, oil, and gas industry, with three.

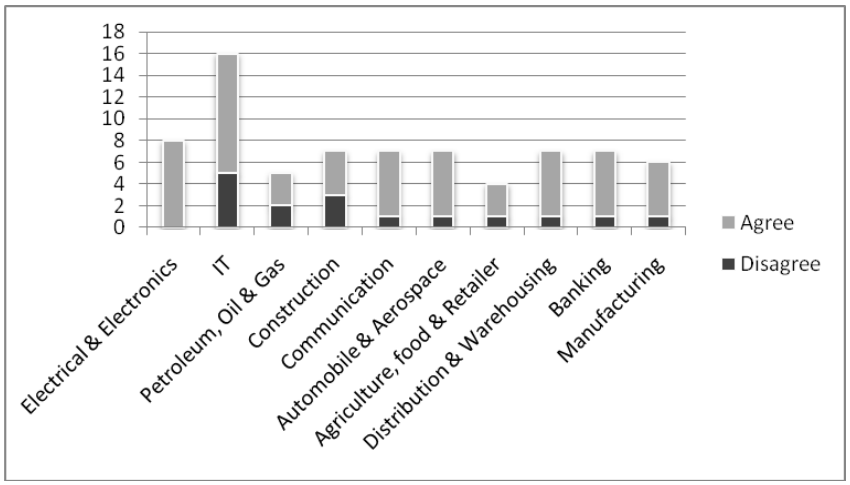

Figure 4.6.1: Type of industry versus selective outsourcing

Figure 4.6.2 and Table 7 (refer to Appendix C) show the types of companies and their preferences for transitional outsourcing. It shows that respondents from construction and communication industries have a higher preference to transitional outsourcing. It is significant that for electrical and electronics, and IT, performing transitional outsourcing is not deemed suitable for their business functions. In addition, the agriculture, food and retail, and IT industries have the highest number of respondents indicating that their industries to not employ this type of outsourcing.

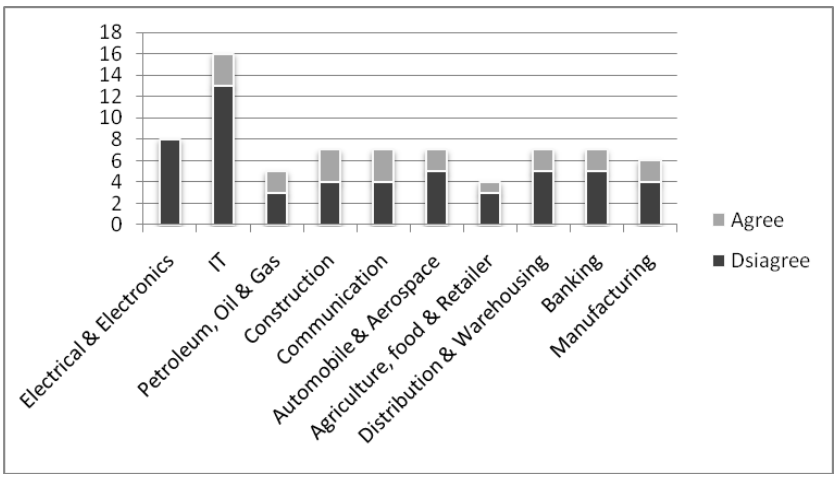

Figure 4.6.2: Type of industry versus transitional outsourcing

Additionally, Figure 4.6.3 and Table 8 (refer to Appendix C) disclose the types of companies and their preferences for total outsourcing. Significantly, it shows respondents from IT companies have the highest preference for total outsourcing with 8 respondents out of 16 (50%). Conversely, 100 per cent of respondents from industries such as automobile and aerospace, petroleum, oil and gas, banking, manufacturing, and

lastly communication indicated that they do not use total outsourcing. Similarly, the distribution and construction industries had only one respondent each state that total outsourcing was utilised. This indicates that total outsourcing is not performed by the majority of industries, with IT being the exception.

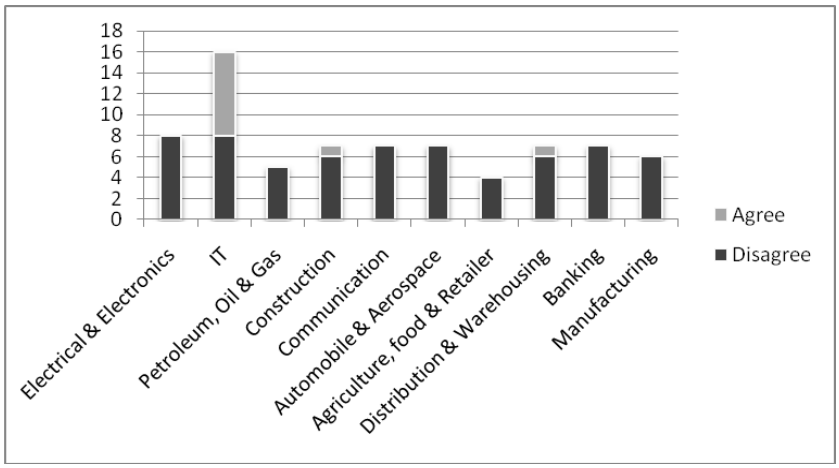

Figure 4.6.3: Type of industry versus total outsourcing

4.7 Type of industry versus level of outsourcing

Cross-tabulation analysis was performed in order to identify the level of outsourcing that industries preferred, and also to discover which level of outsourcing was most practiced by the various types of Iranian industries. This analysis was performed by using information from respondents and cross-tabulation between the types of industries, levels of outsourcing, and the comparative index 'RII' with a scale range from 1 (disagree), 2 (neutral), and 3 (agree).

Report summary

The results of the analysis, presented in Figure 4.7.1 and Table 9 (refer to Appendix C) reveal the types of industries and their preferences for tactical outsourcing. It shows that respondents from IT and construction industries have a higher preference for tactical outsourcing, followed by the electrical and electronics, and banking and manufacturing industries, with 50 per cent or higher. The lowest preference came from the petroleum, oil, and gas, and the agriculture, food, and retail industries, with just one respondent indicating a preference for tactical outsourcing of their business functions.

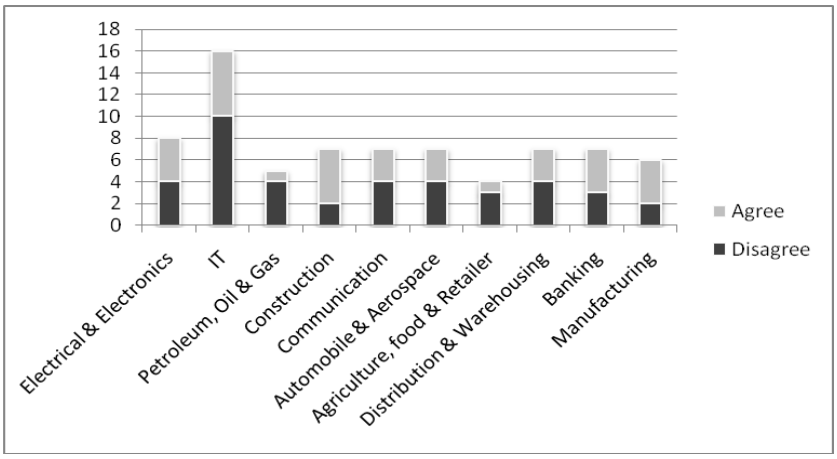

Figure 4.7.1: Type of industry versus tactical outsourcing

In addition, Figure 4.7.2 and Table 10 (refer to Appendix C) reveal the types of industry and their preferences for strategic outsourcing. Significantly, it shows that respondents from the banking industry have a higher preference for strategic outsourcing with 100 per cent performing this level of outsourcing for their business functions. This is followed by the IT and the electrical and electronics industries, and the lowest preference for strategic outsourcing was indicated by respondents from the agriculture, food and retail industries.

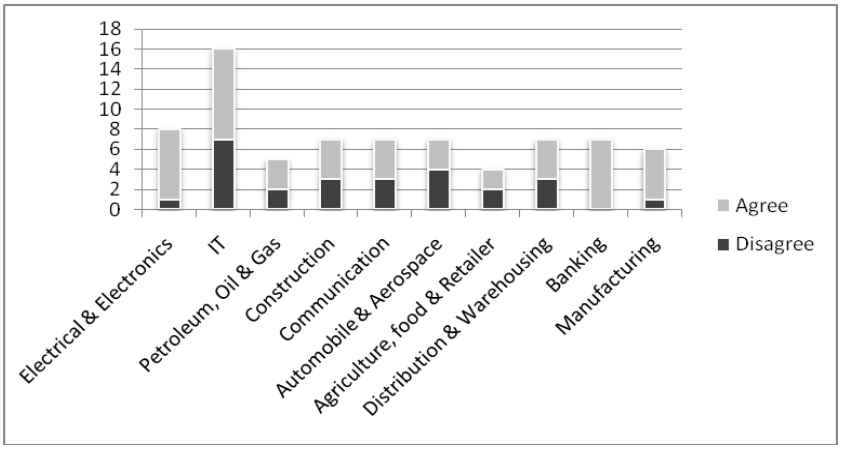

Figure 4.7.2: Type of industry versus strategic outsourcing

Furthermore, Figure 4.7.3 and Table 11 (refer to Appendix C) disclose the types of industry and their preferences for transformational outsourcing. It shows that a very high number of respondents from the agriculture, food and retail industries, with 75 per cent positive responses, implement this level of outsourcing. The communication industry had the second-highest preference for transformational outsourcing with 71 per

cent, followed by banking with 57 per cent, and the lowest preference was from the construction, and the distribution and warehousing industries with 14 per cent.

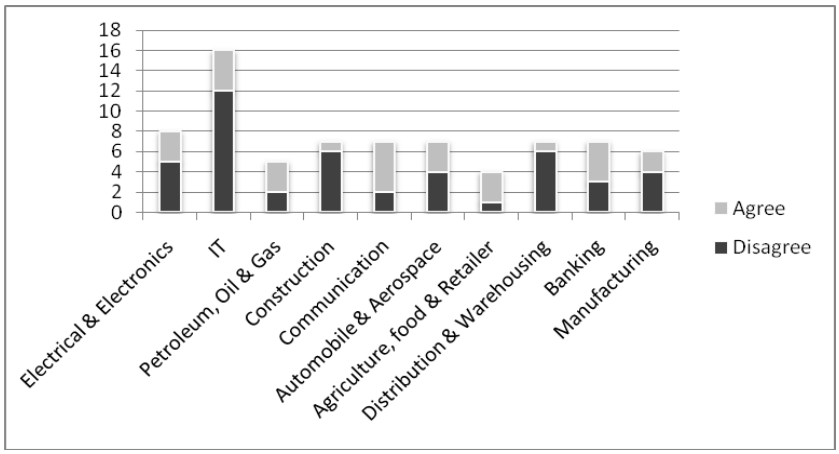

Figure 4.7.3: Type of industry versus transformational outsourcing

4.8 Type of industry versus success in outsourcing

It is important to identify which Iranian industry has been more successful in outsourcing. In order to discover the success rate of Iranian industries' outsourcing efforts, cross-tabulation analysis was performed. Respondents' answers regarding their type of industry and their success with outsourcing were cross-tabulated. Significantly, Figure 4.8 reveals that the IT industry had the most successful outsourcing history, reporting 10 companies out of 16 respondents (62.5 per cent) success in outsourcing efforts. This was followed by the construction industry (3 out of 7 respondents, 43 per cent), and the most unsuccessful industries were banking and distribution and warehousing, with 5 companies out of 7 respondents (28 per cent) of efforts to outsource their business function to third parties being unsuccessful.

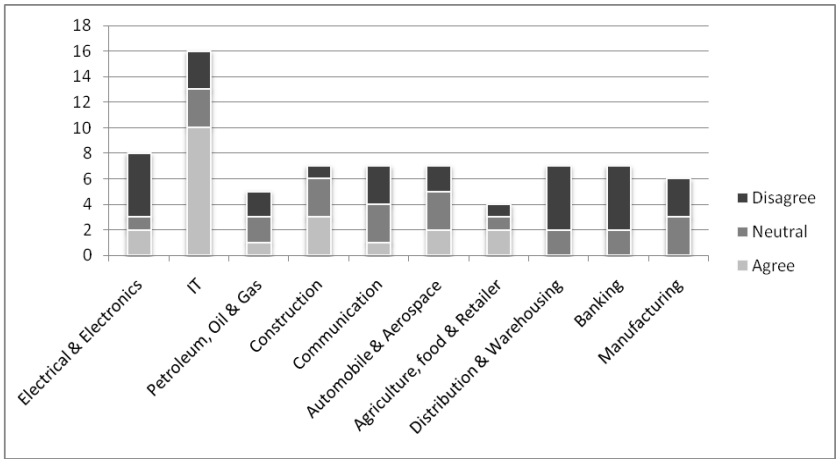

Figure 4.8: Type of industry versus success in outsourcing

4.9 Reason for outsourcing versus Type and level of outsourcing

As mentioned in Chapter 1, the principle aim of this study is to identify factors affecting outsourcing decision in Iranian industries. The reasons for outsourcing have been separated according to the types and levels of outsourcing. Based on the reasons for outsourcing, the 'mean' value for the various levels and types of outsourcing was obtained. This allowed a study of the position of respondents, based on their observations.

Report summary

In regard with that aim, the reasons for outsourcing were divided according to the differing types and levels of outsourcing. The 'mean' value for each level and type of outsourcing was acquired for each reason for outsourcing, which allowed for the examination of the diverse relationship, based on respondents' perceptions. In addition, this examination shows the differences between the most practiced outsourcing reasons by dividing the type and level of outsourcing for different Iranian industries.

- **Reasons for outsourcing versus outsourcing type**

Table 4.9.1 provides the 'mean' value of reasons for outsourcing for different types of outsourcing.

- Cost savings reason: The table indicate that total outsourcing has the highest mean value (4.30), followed by transitional outsourcing (3.65), and the lowest mean value is for selective outsourcing (3.38). This indicates that the relationship between total outsourcing and cost savings is the strongest, compared to selective and transitional outsourcing. In addition, all three types of outsourcing scored the same value for their 'median'.
- Cost restructuring reason: The result specify that total outsourcing achieved the highest mean value (4.50), followed by transitional outsourcing (3.80) and the lowest mean value was for selective outsourcing (3.77). This indicates that the relationship between total outsourcing and cost savings is the strongest, compared to selective and transitional outsourcing. Also, this indicates that companies determined to execute outsourcing with the aim of cost restructuring, to change the balance of fixed cost and variable cost ratios by offering a move from fixed to variable cost, preferred to select total outsourcing over other types of outsourcing.

Additionally, total outsourcing scored a higher value for its ‘median’, compared to other type of outsourcing.

- Improvements in quality reason: The results indicate that selective outsourcing had the highest mean value (3.74), followed by total outsourcing (3.50) and the lowest mean value was for selective outsourcing (3.45). This indicates that companies that decided to implement outsourcing with the aim of improvements in quality, to achieve a step-change in quality or performance through contracting out, preferred to select selective outsourcing over other types of outsourcing. Additionally, selective outsourcing scored a higher value for its ‘median’ compared with other types of outsourcing.
- Access to wider knowledge and experience reason: The results indicate that selective outsourcing scored a higher mean value (4.03), followed by transitional outsourcing and selective outsourcing (3.90). This indicates that the relationship between selective outsourcing and the access to wider knowledge and experience reason for outsourcing is the strongest, compared to total and transitional outsourcing. Also, companies that decided to perform outsourcing with the purpose of accessing intellectual property and wider experience and knowledge, as a result of finding that their in-house staff knowledge is insufficient for given task, preferred to select selective outsourcing over other types of outsourcing. Also, all three types of outsourcing scored an equivalent value for their ‘median’.
- Provision of a legally binding contract reason: The results indicate that total outsourcing had the highest mean value (4.00), followed by transitional outsourcing (3.77) and the lowest mean value was for selective outsourcing (3.73) with equivalent value for their ‘median’. This indicates that companies determined to execute outsourcing with the aim of securing a legally binding contract, an agreement to provide goods or services in return for payment, preferred to select total outsourcing over other types of outsourcing.
- Operational expertise reason: The results indicate that total outsourcing had the highest mean value (4.20), followed by transitional outsourcing (4.05) and the lowest mean value was for selective outsourcing (3.92). Also, companies that decided to perform outsourcing with the purpose of operational expertise, access to operational best practice that would be too difficult or time consuming to develop

in-house, preferred to select total outsourcing over other types of outsourcing. Additionally, total outsourcing scored a higher value for its 'median' compared with other types of outsourcing.

- Staffing issues reason: The result specifies that total outsourcing achieved the highest score of mean value (4.10), followed by transitional outsourcing (3.90), and the lowest mean value was for selective outsourcing (3.84). The compared mean value indicates that companies determined to execute outsourcing with the aim of staffing issues and a sustainable source of skills by access to third party data base, preferred to select total outsourcing over other types of outsourcing. Furthermore, all three types of outsourcing scored an equivalent value for their 'median'.
- Capacity management reason: The results indicate that total outsourcing scored the highest mean value (4.00), followed by transitional outsourcing (3.80) and selective outsourcing (3.67). The strong relationship indicate that companies that decided to perform outsourcing with the purpose of capacity management improvement preferred to select total outsourcing over other types of outsourcing.
- Catalysts for change reason: The result from the table indicates that total outsourcing scored the highest mean value (3.80), followed by selective outsourcing (3.63) and the lowest mean value was for transitional outsourcing (3.55). The result pointed out that total outsourcing was chosen by the respondents, compared to selective and transitional outsourcing. It also shows the companies choosing catalysts for change as the reason for outsourcing preferred to implement total outsourcing to arrange for rapidly moving to a new technology or acquiring a new share market. Total outsourcing and selective outsourcing scored the same value for their 'median', followed by transitional outsourcing.
- Reduced time to market reason: Selective outsourcing achieved the highest mean value (3.44), followed by total outsourcing (3.30) and the lowest mean value was for transitional outsourcing (3.25). This relationship between selective outsourcing and reduced time to market demonstrate that respondents who preferred to reduce time to market responded more for selective outsourcing compared to the two other type of outsourcing.

- Commodification reason: The result shows that transitional outsourcing scored the highest mean value (3.75), followed by selective outsourcing (3.51) and total outsourcing (3.40) in the last position. The compared mean value shows an excellent relationship between selective outsourcing and the desire for commodification, in comparison with total and selective outsourcing. Also, respondents who preferred commodification responded more for transitional outsourcing compared to the two other types of outsourcing. Transitional and selective outsourcing scored the same value for their 'median'.
- Risk management reason: The result indicates that transitional outsourcing scored a higher mean value (3.90), followed by total outsourcing (3.50) and transitional outsourcing (3.37). The result pointed out that transitional outsourcing had the highest preference from respondents, compared to selective and total outsourcing. It also shows the companies that decided to perform outsourcing with the aim of risk management preferred transitional outsourcing during major transitions for the company, such as when bringing in a new technology. Transitional outsourcing scored a higher value for its 'median' followed by total and selective outsourcing.
- Time zone rationalisation reason: The result shows that transitional outsourcing scored a higher mean value (3.25), followed by selective outsourcing (3.13), with total outsourcing (3.10) in the last position. The compared mean value shows an excellent relationship between transitional outsourcing and time zone rationalisation, in comparison with total and selective outsourcing. Companies that decided to perform outsourcing with the aim of time zone rationalisation preferred transitional outsourcing during major transitions for the company, such as when bringing in a new technology.
- Reduced customer pressure reason: Lastly the result from the table indicates that transitional outsourcing scored a higher mean value (3.60), followed by selective outsourcing (3.32) and the lowest mean value was for total outsourcing (3.30). The result pointed out that transitional outsourcing was most indicated by the respondents, compared to selective and total outsourcing. It also shows the strong relationship between reduced customer pressure and transitional outsourcing, in comparison with the other two types of outsourcing.

It is interesting to note that there is a significant relationship between ‘transitional outsourcing’ and ‘reduce time to market’, ‘commodification’ and ‘risk management’ ($p<0.05$).

Lastly, there is a significant relationship between ‘total outsourcing’ and ‘cost saving’ and ‘cost restructuring’ which noticeably shows companies choosing outsourcing in total for economical reasons. It becomes clear that companies that decided to perform outsourcing with the aim of cost savings preferred to select total outsourcing over other types of outsourcing.

Table 4.9.1: Mean value of outsourcing type for outsourcing reasons

		Outsourcing Type		
		Selective Outsourcing	Transitional Outsourcing	Total Outsourcing
Cost savings	Mean value	3.58	3.65	***4.30*** **
	Median	4	4	4
	Sig. (ANOVA)	.860	.975	.041
Cost restructuring	Mean value	3.77	3.80	***4.50*** **
	Median	4	4	4
	Sig. (ANOVA)	.974	.658	.008
Improvements in quality	Mean value	3.74	3.50	3.45
	Median	4	3	3
	Sig. (ANOVA)	.687	.084	.676
Access to wider knowledge and experience	Mean value	4.03	3.90	3.90
	Median	4	4	4
	Sig. (ANOVA)	.314	.130	.946
Contract: provision of a legally binding contract	Mean value	3.70	4.00	3.73
	Median	4	4	4
	Sig. (ANOVA)	.068	.867	.417
Operational expertise	Mean value	3.92	4.05	4.20
	Median	4	4	5
	Sig. (ANOVA)	.448	.428	.330
Staffing issues: access to a larger talent pool and a sustainable source of skills	Mean value	3.84	3.90	4.10
	Median	4	4	4
	Sig. (ANOVA)	.803	.765	.504
Capacity management improvement	Mean value	3.67	3.80	4.00
	Median	4	4	4
	Sig. (ANOVA)	.651	.094	.312
Catalysts for change	Mean value	3.63	3.55	3.80
	Median	4	3	4
	Sig. (ANOVA)	.637	.576	.556
Reduced time to market	Mean value	3.44	***3.25*** **	3.30
	Median	3	3	3
	Sig. (ANOVA)	.603	.000	.052
Commodification: allowing a wide range of businesses access to services	Mean value	3.51	***3.75*** **	3.40
	Median	4	4	3
	Sig. (ANOVA)	.167	.028	.063
Risk management	Mean value	3.37	***3.90*** **	3.50
	Median	3	4	3
	Sig. (ANOVA)	.859	.006	.913
Time-zone rationalisation	Mean value	3.13	3.25	3.10
	Median	3	3	3
	Sig. (ANOVA)	.709	.547	.506
Reduced Customer Pressure	Mean value	3.32	3.60	3.30
	Median	3	4	4
	Sig. (ANOVA)	.414	.547	.272

**. Correlation is significant p<0.05 (ANOVA).

- **Reasons for outsourcing versus outsourcing level**

Table 4.9.2 provides the 'mean' value of reasons for outsourcing for different levels of outsourcing.

- Cost savings reason: The table indicate that transformational outsourcing had the highest mean value (3.82), followed by strategic outsourcing (3.60) and tactical outsourcing (3.58). This indicates that the relationship between transformational outsourcing and cost savings factors is the strongest, compared to strategic and tactical outsourcing. Companies who decided to perform outsourcing with the aim of cost savings preferred to select transformational outsourcing over other levels of outsourcing. The purpose of this level of outsourcing is to redefine the business. In addition, all three levels of outsourcing scored an equivalent value for their 'median'.
- Cost restructuring reason: The result specify that transformational outsourcing had the highest mean value (3.79), followed by tactical outsourcing (3.76) and the lowest mean value is for strategic outsourcing (3.75) with equivalent value for their 'median'. This indicates that respondents gave a higher preference to transformational outsourcing, compared with tactical and strategic outsourcing, when the concern was cost restructuring. Companies that decided to perform outsourcing with the aspiration of cost restructuring, to make variable costs more predictable, preferred to select transformational outsourcing in contrast with tactical and strategic outsourcing.
- Improvements in quality reason: By comparing results, it specifies that tactical outsourcing scored a higher mean value (3.794) followed closely by strategic outsourcing (3.791) and the lowest mean value was for transformational outsourcing (3.72). This indicates that respondents gave a higher preference to tactical outsourcing. The table demonstrates that companies that decided to perform outsourcing with the aspiration of improvements in quality or performance, preferred to select 'tactical outsourcing' in contrast with transformational and strategic outsourcing.
- Access to wider knowledge and experience reason: The results indicate that tactical outsourcing had the highest mean value (4.11), followed by strategic outsourcing (4.06) and the lowest mean value was for transformational outsourcing (3.89). This

indicates that respondents gave a higher preference to tactical outsourcing. The principle underlying reason for using tactical outsourcing is the experience of a specific problem by firm, such as insufficient knowledge for a given task.

- Provision of a legally binding contract reason: The results indicate that tactical outsourcing achieved the highest mean value (3.79), followed by strategic outsourcing (3.68) and transformational outsourcing (3.63). This indicates that the relationship between tactical outsourcing and legal binding contract factors is the strongest, compared to strategic and transformational outsourcing.
- Operational expertise reason: The results indicate that tactical outsourcing had the highest mean value (4.00), followed by strategic outsourcing (3.95) and transformational outsourcing (3.79). This indicates that the relationship between tactical outsourcing and operational expertise factors is the strongest, compared to strategic and transformational outsourcing. Moreover, all three levels of outsourcing scored an equivalent value for their 'median'.
- Staffing issues reason: Table 4.9.2 signifies that strategic outsourcing had the highest mean value (3.97) followed closely by tactical outsourcing (3.95) and lastly transformational outsourcing (3.67) with equivalent value for their 'median'. The results indicate that the relationship between strategic outsourcing and staffing issues factors is the strongest, compared to the other levels of outsourcing. Strategic outsourcing is approached as a redirection of the organisation's resources toward its highest value-creating activities and its core competencies.
- Capacity management reason: The table show that tactical outsourcing had the highest mean value (3.78), followed by strategic outsourcing (3.70) and transformational outsourcing (3.67) with equivalent value for their 'median'.. This indicates that the relationship between tactical outsourcing and management capacity improvement is the strongest, compared to strategic and transformational outsourcing.
- Catalysts for change reason: Table 4.9.18 shows that tactical outsourcing scored a higher mean value (3.76), followed closely by transformational outsourcing (3.72) and lastly strategic outsourcing (3.66). The result indicates an excellent relationship between tactical outsourcing and catalyst for change factors, compared to the other

levels of outsourcing. The result pointed out that tactical outsourcing was chosen by the respondents. All levels of outsourcing scored the same value for their 'median'.

- Reduced time to market reason: tactical outsourcing achieved a higher mean value (3.58), followed by strategic outsourcing (3.47) and finally transformational outsourcing (3.44). The results indicate that the relationship between tactical outsourcing and reduced time to market is the strongest, compared to the other levels of outsourcing. The table shows that the need to reduce time to market was a critical problem faced by the surveyed companies, and that it led them to outsource business functions to a third party.
- Commodification reason: The tactical outsourcing scored a higher mean value (3.79), followed by strategic outsourcing (3.60) and the lowest mean value was for transformational outsourcing (3.41). This indicates that respondents gave a higher preference to tactical outsourcing, compared to strategic and transformational outsourcing. There was a strong relationship between tactical outsourcing and commodification. Tactical and selective outsourcing scored the same value for their 'median'.
- Risk management reason: The tactical outsourcing achieved a higher mean value (3.47), followed by strategic outsourcing (3.43) and the lowest, transformational outsourcing (3.17). The results indicate that the relationship between tactical outsourcing and risk management is the strongest, compared to the other levels of outsourcing.
- Time zone rationalisation reason: The result shows that tactical outsourcing scored the higher mean value (3.20), followed by strategic outsourcing (3.12) and the lowest mean value was for transformational outsourcing (3.10). This indicates that respondents gave a higher preference to tactical outsourcing, compared to strategic and transformational outsourcing. This indicates a strong relationship between tactical outsourcing and time zone rationalisation. In addition, all three levels of outsourcing scored the same value for their 'median'.
- Reduced customer pressure reason: Lastly, strategic outsourcing had the highest mean value (3.37), followed by tactical outsourcing (3.14) and the lowest, transformational outsourcing (3.13). The results indicate that the relationship between strategic outsourcing and reduced customer pressure reason was the

strongest, compared to the other level of outsourcing. Strategic outsourcing is approached as a redirection of the organisation's resources toward its highest value-creating activities and its core competencies.

It is interesting to note that there is a significant relationship between ‘tactical outsourcing’ and ‘risk management’ ($p<0.05$). Lastly, there is a significant relationship between ‘transformational outsourcing’ and ‘cost saving’ which noticeably shows companies choosing transformational outsourcing for economical reasons.

Table 4.9.2: Mean value of outsourcing level for outsourcing reasons

		Outsourcing Level		
		Tactical Outsourcing	Strategic Outsourcing	Transformational Outsourcing
Cost savings	Mean value	3.58	3.60	382
	Median	4	4	4
	Sig. (ANOVA)	.843	.332	.257
Cost restructuring	Mean value	3.76	3.75	***3.79*** **
	Median	4	4	4
	Sig. (ANOVA)	.640	.491	.044
Improvements in quality	Mean value	3.794	3.791	3.72
	Median	4	4	4
	Sig. (ANOVA)	.535	.366	.778
Access to wider knowledge and experience	Mean value	4.11	4.06	3.89
	Median	4	4	4
	Sig. (ANOVA)	.069	.379	.663
Contract: provision of a legally binding contract	Mean value	3.79	3.68	3.63
	Median	4	4	4
	Sig. (ANOVA)	.166	.701	.168
Operational expertise	Mean value	4.00	3.95	3.79
	Median	4	4	4
	Sig. (ANOVA)	.385	.584	.440
Staffing issues: access to a larger talent pool and a sustainable source of skills	Mean value	3.95	3.97	3.67
	Median	4	4	4
	Sig. (ANOVA)	.830	.342	.153
Capacity management improvement	Mean value	3.78	3.70	3.67
	Median	4	4	4
	Sig. (ANOVA)	.483	.252	.950
Catalysts for change	Mean value	3.76	3.66	3.72
	Median	4	4	4
	Sig. (ANOVA)	.488	.884	.878
Reduced time to market	Mean value	3.58	3.47	3.44
	Median	4	3	4
	Sig. (ANOVA)	.303	.483	.992
Commodification: allowing a wide range of businesses access to services	Mean value	3.79	3.60	3.41
	Median	4	4	3
	Sig. (ANOVA)	.055	.342	.448
Risk management	Mean value	***3.47*** **	3.43	3.17
	Median	3	3	3
	Sig. (ANOVA)	.026	.053	.171
Time-zone rationalisation	Mean value	3.20	3.12	3.10
	Median	3	3	3
	Sig. (ANOVA)	.280	.187	.797
Reduced Customer Pressure	Mean value	3.14	3.37	3.13
	Median	3	3	3
	Sig. (ANOVA)	.216	.629	.506

**. Correlation is significant p<0.05 (ANOVA).

4.10 Success elements of outsourcing versus type and level of outsourcing

In accordance with the principle aim of this study, the success elements of outsourcing were separated according to the different types and levels of outsourcing. Based on the outsourcing success elements, as indicated in respondents' observations, the compared mean value for the levels and types of outsourcing was obtained.

Report summary

The success elements in outsourcing were separated according to the different types and levels of outsourcing. Based on the success of respondents' outsourcing efforts, the 'mean' value for each level and type of outsourcing was obtained for each success element. This allowed examination of the ranking based on respondents' perceptions. In addition, it shows the most practiced success elements for each type and level of outsourcing in different Iranian industries.

- **Success elements of outsourcing versus outsourcing type**

Table 4.10.1 provides the 'mean' value for 'conducting a needs analysis prior to making the outsourcing decision' as an outsourcing success elements for each type of outsourcing.

- Conducting a needs analysis prior to making the outsourcing decision: The table indicate that total outsourcing had higher mean value (4.60), followed by selective outsourcing (4.53) and the lowest mean value was for transitional outsourcing (4.30). The results pointed out that total outsourcing was most chosen by the respondents. It also shows the strong relationship between 'conducting a needs analysis prior to making the outsourcing decision' and total outsourcing, in comparison with the other two types of outsourcing. Total outsourcing and selective outsourcing scored the same value for their 'median' in this regard. According to Kern and Willcocks (2001), Lacity and Willcocks (2001), Willcocks and Lacity (1998), selective outsourcing is the most common practice, however the finding from Iranian Industries shows differences in this regard.
- Clearly defining terms and conditions in the outsourcing contract: The results indicate that selective outsourcing had the highest mean value (4.41), followed by transitional outsourcing (4.35) and the lowest mean value was for total outsourcing

(4.10). Additionally, all types of outsourcing scored the same value for their 'median'. This finding on selective outsourcing being the most common practice is similar to the findings in studies by Kern and Willcocks (2001), Lacity and Willcocks (2001), and Willcocks and Lacity (1998).

- Having a strategic vision and plan, and an understanding of the intended use of outsourcing factor: The table indicates that total outsourcing had the highest mean value (4.70), followed by transitional outsourcing (4.60) and the lowest mean value was for selective outsourcing (4.55). The result pointed out that total outsourcing was chosen by the respondents, and selective outsourcing had the lowest preferences. It is also indicates an excellent relationship between 'having a strategic vision and plan, and an understanding of the intended use of outsourcing' and total outsourcing.
- Outsourcer understanding organisation's goals and objectives: The results indicate that total outsourcing had the highest mean value (4.50), followed by selective outsourcing (4.43) and the lowest mean value was for transitional outsourcing (4.30). This result indicates that total outsourcing was chosen by respondents, and transitional outsourcing had the lowest preferences. It is also indicates an excellent relationship between 'outsourcer understanding the organisation's goals and objectives' and total outsourcing. In addition, total outsourcing scored a higher value for its 'median', followed by selective outsourcing and transitional outsourcing.
- Appropriate outsource selection procedures: The result indicates that total outsourcing had the highest mean value (4.40), followed by selective outsourcing and transitional outsourcing (4.22). The results show that total outsourcing was chosen by the respondents. It is also indicates an excellent relationship between 'appropriate outsource selection procedures' and total outsourcing.
- Determinant of outsourcing business function: The result signifies that total outsourcing had the highest mean value (4.45), followed by selective outsourcing (4.25) and the lowest mean value was for transitional outsourcing (4.15). The result indicates that total outsourcing was chosen by the respondents, and transitional outsourcing had the lowest preferences. It is also indicates an excellent relationship between 'determinant of outsourcing business function' and total outsourcing.

- On-going management of relationships and communication: The result indicates that total outsourcing had the highest mean value (4.20) followed closely by selective outsourcing and transitional outsourcing (4.10). The result indicates that total outsourcing was chosen by the respondents. It is also indicates an excellent relationship between ‘on-going management of relationships and communication’ and total outsourcing. Additionally, all three types of outsourcing scored the same value for their ‘median’ in support of ‘on-going management of relationships and communication’.
- Properly drawn up contract: The results indicate that selective outsourcing had the highest mean value (4.15), followed by transitional outsourcing and total outsourcing (4.10). However, total outsourcing scored a higher median in this regard. The result shows that selective outsourcing was chosen by the respondents. It is also indicates an excellent relationship between ‘properly drawn up contract’ and selective outsourcing.
- Outsourcer attains some form of certification: The results indicate that selective outsourcing had the highest mean value (3.77), followed by total outsourcing and transitional outsourcing (3.70), but with the same ‘median’ score. The result shows that selective outsourcing was chosen by the respondents in different Iranian industries. It is also indicates an excellent relationship between ‘outsourcer attains some form of certification’ and selective outsourcing, compared to the other types of outsourcing.
- Top management’s support and involvement: The results indicate that transitional outsourcing had the highest mean value (4.45), followed by selective outsourcing (4.41) and the lowest mean value was for transitional outsourcing (4.00). The result shows that transitional outsourcing was chosen by the respondents, compared to selective and total outsourcing. It also shows the strong relationship between ‘top management’s support and involvement’ and transitional outsourcing, in comparison with the other two types of outsourcing.
- Careful attention to personnel issues and conducting open communication: Selective outsourcing had the highest mean value (4.31), followed by total outsourcing (4.10) and transitional outsourcing (3.95), but with the same ‘median’ score. It is also indicates a strong relationship between ‘careful attention to

personnel issue and conducting open communication' and selective outsourcing, compared to the other types of outsourcing.

- Financial planning and analysis: Selective outsourcing had the highest mean value (4.22) followed closely by total outsourcing (4.20) and the lowest mean value was for transitional outsourcing (3.15). The results indicate a strong relationship between 'financial planning and analysis' and selective outsourcing, compared to the other types of outsourcing.
- Establishing trust: The result shows that total outsourcing had the highest mean value (4.40), followed by selective outsourcing (4.08) and the lowest mean value was for transitional outsourcing (4.05). The outcome indicates that total outsourcing was chosen by the respondents, and transitional outsourcing had the lowest number of preferences. It is also indicates an excellent relationship between 'establishing trust' and total outsourcing.
- Measure outsourcer's performance: Total outsourcing score higher mean value (4.40), followed by selective outsourcing (4.08) and the lowest mean value was for transitional outsourcing (4.05). The result also pointed out the strong relationship between 'measure outsourcer's performance' and total outsourcing; in comparison with the other two type of outsourcing

It is interesting to note that there is a very significant relationship between 'selective outsourcing' with 'clearly defining terms and conditions in the outsourcing contract' and 'properly drawn up contracts' ($p<0.01$). This shows that drawing a perfect contact will play an absolute significant role in selective outsourcing to achieve a high rate of success in the process of outsourcing.

There is a significant relationship between 'selective outsourcing' with 'top management's support and involvement',' careful attention to personnel issues and conducting open communication with the affected individual or group' and 'establishing trust between organisation and outsourcer'. Lastly, a significant relationship between 'total outsourcing' and 'top management's support and involvement' clearly shows the importance of this success element for being successful in outsourcing.

Table 4.10.1: Mean value of outsourcing type for outsourcing reasons

		Outsourcing Type		
		Selective Outsourcing	Transitional Outsourcing	Total Outsourcing
Conducting a needs analysis prior to making the outsourcing decision	Mean value	4.53	4.30	4.60
	Median	5	4	5
	Sig. (ANOVA)	.012	.455	.211
Clearly defining terms & conditions in the outsourcing contract	Mean value	***4.41*** **	4.35	4.10
	Median	4	4	4
	Sig. (ANOVA)	.000	.094	.190
Having a strategic vision & plan and understanding the intended use of outsourcing	Mean value	4.55	4.60	4.70
	Median	5	5	5
	Sig. (ANOVA)	.751	.538	.114
Outsourcer understanding the organisation's goals & objectives	Mean value	4.43	4.30	4.50
	Median	4	4	5
	Sig. (ANOVA)	.512	.744	.796
Appropriate outsource selection procedures	Mean value	4.22	4.22	4.40
	Median	4	4	4
	Sig. (ANOVA)	.400	.216	.513
Determining which areas of your company you would like to outsource	Mean value	4.25	4.15	4.45
	Median	4	4	5
	Sig. (ANOVA)	.075	.835	.108
On-going management of relationships & communication	Mean value	4.18	4.10	4.20
	Median	4	4	4
	Sig. (ANOVA)	.154	.299	.854
Properly drawn up contracts	Mean value	***4.15*** **	4.10	4.10
	Median	4	4	4
	Sig. (ANOVA)	.005	.090	.433
Outsourcer attains some form of certification such as ISO 9001, SEI, or CMM rating	Mean value	3.77	3.70	3.70
	Median	4	4	4
	Sig. (ANOVA)	.684	.130	.576
Top management's support & involvement	Mean value	***4.41*** **	4.45	***4.00*** **
	Median	5	5	4
	Sig. (ANOVA)	.040	.621	.020
Careful attention to personnel issues & conducting open communication with the affected individual or group	Mean value	***4.31*** **	3.95	4.10
	Median	4	4	4
	Sig. (ANOVA)	.024	.163	.542
Financial planning and analysis	Mean value	4.22	***3.***15	4.20
	Median	4	4	4
	Sig. (ANOVA)	.134	.498	.072
Establishing trust between organisation and outsourcer	Mean value	***4.08*** **	4.05	4.40
	Median	4	4	4
	Sig. (ANOVA)	.025	.567	.201
Criteria drawn up to measure the outsourcer's performance	Mean value	4.08	4.05	4.40
	Median	4	4	4
	Sig. (ANOVA)	.123	.934	.636

**. Correlation is significant p<0.05 (ANOVA).

- **Reasons for outsourcing versus outsourcing level**

Table 4.10.2 provides the 'mean' value for 'conducting a needs analysis prior to making the outsourcing decision' as an outsourcing success elements for each level of outsourcing.

- Conducting a needs analysis prior to making the outsourcing decision: The result shows that strategic outsourcing scored the highest mean value (4.50), followed by tactical outsourcing (4.44) and transformational outsourcing (4.37). This is a high preference to strategic outsourcing. Strategic outsourcing and 'conducting a needs analysis prior to making the outsourcing decision'. In addition, strategic outsourcing scored a higher value for 'median', followed by tactical outsourcing and transformational outsourcing.
- Clearly defining terms and conditions in the outsourcing contract: strategic outsourcing achieved the highest compared mean value (4.354) followed extremely closely by tactical outsourcing (4.352) and then the lowest, transformational outsourcing (4.31). The result indicates that the relationship between strategic and tactical outsourcing and 'clearly defined terms and conditions in the outsourcing contract' is the strongest, compared to transformational outsourcing. In addition, all level of outsourcing scored the same value for their 'median'.
- Having a strategic vision and plan, and an understanding of the intended use of outsourcing factor: strategic outsourcing achieved the highest compared mean value (4.58), followed by transformational outsourcing (4.51) and finally tactical outsourcing (4.47). The results indicate that the relationship between strategic outsourcing and 'having a strategic vision and plan and understanding the intended use of outsourcing' is the strongest, compared to the other levels of outsourcing.
- Outsourcer understanding organisation's goals and objectives: The results indicate that strategic outsourcing achieved the highest compared mean value (4.43), followed by tactical outsourcing (4.38) and transformational outsourcing (4.37). The results indicate that the relationship between strategic and 'outsourcer understanding the organisation's goals and objectives' is the most prominent, compare to the others.

- Appropriate outsource selection procedures: Transformational outsourcing achieved the highest compared mean value (4.275) followed closely by strategic outsourcing (4.27) and finally tactical outsourcing (4.14). The results indicate that the relationship between strategic outsourcing and 'appropriate outsource selection procedures' is the most prominent, compared to the other levels of outsourcing. In addition, all the levels of outsourcing scored the same value for their 'median' in favour of 'appropriate outsource selection procedures'.
- Determinant of outsourcing business function: Table 4.10.2 shows that strategic outsourcing achieved the highest compared mean value (4.27), followed by tactical outsourcing (4.11) and the lowest mean value was for transformational outsourcing (4.06). The result indicates that the relationship between strategic outsourcing and 'determinant of outsourcing business function' is strong, compared to tactical and transformational outsourcing.
- On-going management of relationships and communication: Tactical outsourcing achieved the highest compared mean value (4.26), followed by strategic outsourcing (4.16) and finally transformational outsourcing (4.13). The results indicate that the relationship between tactical outsourcing and 'on-going management of relationships and communication' is the strongest, compared to the other level of outsourcing.
- Properly drawn up contract: The results indicate that tactical outsourcing achieved the highest compared mean value (4.17), followed by transformational outsourcing (4.03) and the lowest mean value was for strategic outsourcing (4.00). The result indicates that the relationship between tactical outsourcing and 'properly drawn up contract' is the strongest, compared to strategic and transformational outsourcing. The result shows that tactical outsourcing was chosen by the respondents, and strategic outsourcing had the lowest number of preferences.
- Outsourcer attains some form of certification: The results indicate that tactical outsourcing achieved the highest compared mean value (3.79), followed by strategic outsourcing (3.77) and finally transformational outsourcing (3.62). The results indicate that the relationship between tactical outsourcing and 'outsourcer attains some form of certification' is the strongest, compared to the other levels of outsourcing. Likewise, all three types of outsourcing scored the same value for their

‘median’ in when ‘outsourcer attains some form of certification’ was indicated as a success factor.

- Top management’s support and involvement: Tactical outsourcing achieved the highest compared mean value (4.41), followed by strategic outsourcing (4.37) and the lowest mean value was for transformational outsourcing (4.31). The result reveals that the relationship between tactical and ‘top management’s support and involvement’ is the strongest, compared to strategic and transformational outsourcing. The result shows that tactical outsourcing was chosen by the respondents, and transformational outsourcing had the lowest number of preferences. Also, tactical and strategic outsourcing scored a higher value for their ‘median’.
- Careful attention to personnel issues and conducting open communication: The table reveals that strategic outsourcing achieved the highest compared mean value (4.25) followed closely by tactical outsourcing (4.23) and the lowest mean value were for transformational outsourcing (4.13). The result indicates that the relationship between tactical outsourcing and ‘careful attention to personnel issue and conducting open communication’ is the strongest, compared to tactical and transformational outsourcing. The result shows that strategic outsourcing was chosen by the respondents, and transformational outsourcing had the lowest number of preferences. Similarly, all three levels of outsourcing scored the same value for their ‘median’.
- Financial planning and analysis: Tactical outsourcing achieved the highest compared mean value (4.23), followed by strategic outsourcing (4.20) and the lowest mean value was for transformational outsourcing (4.13). The result reveals that the relationship between tactical outsourcing and ‘financial planning and analysis’ is the strongest, compared to strategic and transformational outsourcing. The result also pointed out that tactical outsourcing was chosen by the respondents, and transformational outsourcing had the lowest preferences.
- Establishing trust: The result shows that tactical outsourcing achieved the highest compared mean value (4.05), followed by transformational outsourcing (3.96) and the lowest mean value was for strategic outsourcing (3.95). The result indicates that the relationship between tactical and ‘establishing trust’ is the most significant. The

result shows that tactical outsourcing was chosen by the respondents, and strategic outsourcing had the lowest number of preferences for ‘establishing trust’.

- Measure outsourcer’s performance: tactical outsourcing achieved the highest compared mean value (4.05), followed by strategic outsourcing (3.96) and the lowest mean value was for transformational outsourcing (3.89). The result reveals that the relationship between tactical outsourcing and ‘measure outsourcer’s performance’ is the strongest, compared to strategic and transformational outsourcing.

The strong relationship between ‘strategic outsourcing’ with two success elements, ‘having a strategic vision and plan and understanding the intended use of outsourcing’ and ‘top management’s support and involvement’ shows the importance of these elements in order to be successful in strategic outsourcing.

Table 4.10.2: Mean value of outsourcing level for outsourcing reasons

		Outsourcing Level		
		Tactical Outsourcing	Strategic Outsourcing	Transformational Outsourcing
Conducting a needs analysis prior to making the outsourcing decision	Mean value	4.44	4.50	4.37
	Median	4	5	4
	Sig. (ANOVA)	.942	.397	.497
Clearly defining terms & conditions in the outsourcing contract	Mean value	4.352	4.354	4.31
	Median	4	4	4
	Sig. (ANOVA)	.494	.845	.828
Having a strategic vision & plan and understanding the intended use of outsourcing	Mean value	4.47	***4.58*** **	4.51
	Median	4	5	5
	Sig. (ANOVA)	.690	.019	.881
Outsourcer understanding the organisation's goals & objectives	Mean value	4.38	4.43	4.37
	Median	4	5	4
	Sig. (ANOVA)	.550	.629	.974
Appropriate outsource selection procedures	Mean value	4.14	4.270	4.275
	Median	4	4	4
	Sig. (ANOVA)	.281	.133	.275
Determining which areas of your company you would like to outsource	Mean value	4.11	4.27	4.06
	Median	4	4	4
	Sig. (ANOVA)	.100	.516	.258
On-going management of relationships & communication	Mean value	4.26	4.16	4.13
	Median	4	4	4
	Sig. (ANOVA)	.217	.540	.364
Properly drawn up contracts	Mean value	4.17	4.00	4.03
	Median	4	4	4
	Sig. (ANOVA)	.212	.589	.945
Outsourcer attains some form of certification such as ISO 9001, SEI, or CMM rating	Mean value	3.79	3.77	3.62
	Median	4	4	4
	Sig. (ANOVA)	.700	.244	.386
Top management's support & involvement	Mean value	4.41	***4.37*** **	4.31
	Median	5	5	4
	Sig. (ANOVA)	.508	.033	.908
Careful attention to personnel issues & conducting open communication with the affected individual or group	Mean value	4.23	4.25	4.13
	Median	4	4	4
	Sig. (ANOVA)	.838	.255	.579
Financial planning and analysis	Mean value	4.23	4.20	4.13
	Median	4	4	4
	Sig. (ANOVA)	.246	.255	.579
Establishing trust between organisation and outsourcer	Mean value	4.05	3.95	3.96
	Median	4	4	4
	Sig. (ANOVA)	.665	.867	.512
Criteria drawn up to measure the outsourcer's performance	Mean value	4.05	3.89	3.96
	Median	4	4	4
	Sig. (ANOVA)	.432	.772	.796

**. Correlation is significant p<0.05 (ANOVA).

4.11 Factor analysis

Factor analysis was performed on the collected data regarding outsourcing reasons and success elements due to a large number of factors. Its use was needed to summarise the necessary information enclosed in the items, with the 'Varimax' rotation technique used in factor extraction. The results were as presented below:

4.11.1 Reasons for outsourcing

Factor analysis was implemented on 14 different elements relating to the reasons for outsourcing's scope, as per the questionnaire. The theory of component analysis is that it is able to issue the elements and to categorise the dimensions within the reasons behind outsourcing. From the analysis, as shown in Table 4.11.1, it was established that there are four interpretable factors that denote the reasons for outsourcing: management and resource support factors, cost set factors, change factors, and operation and convention support factors.

Table 4.3 further illustrates a relatively high factor loading for each dimension. Four components are listed below:

- Management and resource support factors: operational expertise, staffing issues, improvements in quality, access to wider knowledge and experience, reduced time to market, and capacity management.
- Operation and convention support factors: provision of a legally binding contract, Time zone rationalisation, risk management, customer pressure and commodification.
- Cost set factors: cost savings, cost restructuring.
- Change factors: catalysts for change.

Table 4.11.1: Rotated component matrix [a] for outsourcing reasons

	Component			
	1	2	3	4
Operational expertise	.772			
Improvements in quality	.738			
Staffing issues: access to larger talent pool & a sustainable skills	.696			
Wider knowledge & experience	.681			
Reduced time to market	.664			
Capacity management	.537			
Risk management		.727		
Time zone rationalisation		.705		
Customer Pressure		.684		
Provision of a legally binding contract		.563		
Commodification		.542		
Cost savings			.925	
Cost restructuring			.871	
Catalysts for change				.821

Extraction method: Principal component analysis.
Rotation method: Varimax with Kaiser normalisation.
a. Rotation converged in 5 iterations.

4.11.2 Outsourcing success elements

Factor analysis was also performed on the 14 success elements from the questionnaire. The analysis illustrated that there are four principal factors for success in outsourcing, with clear definitions: strategy and contract conditions, trust commitment and measurement, top management support and personnel issues, and merits of the outsourcer.

Table 4.11.2 further illustrates a relatively high factor loading for each dimension. The four components are listed below:

- Clear designation of strategy and convention condition: clearly defining terms and conditions in the outsourcing contract, conducts needs analysis prior to making outsourcing decision, having a strategic vision and plan, and an understanding of the intended use of outsourcing.
- Trust commitment and measurement: Criteria drawn up to measure the outsourcer's performance, seek to establish trust between organisation and outsourcer, properly

drawn up contract, appropriate outsource selection procedures, and on-going management of relationships and communication.

- Top management support and personnel issues: Top management's support and involvement, financial planning and analysis, careful attention to the personnel issues, and conducting open communication.
- Merits of the outsourcer: Outsourcer attains some form of certification, such as ISO 9001, SEI, or CMM, determining which area of the company to outsource, and the outsourcer understanding the organisation's goals and objectives.

Table 4.11.2: Rotated component Matrix [a] for outsourcing success elements

	Component			
	1	2	3	4
Clearly defining terms & conditions in the outsourcing contract	.797			
Conducts needs analysis prior to making outsourcing decision	.789			
Having a strategic vision and plan and understanding the intended use of outsourcing	.716			
Criteria drawn up to measure the outsourcer's performance		.822		
Establishing trust between organisation and outsourcer		.641		
Properly drawn up contract		.630		
Appropriate outsource selection procedures		.565		
On-going management of relationships & communication		.553		
Financial planning and analysis			.817	
Top management's support & involvement			.737	
Careful attention to the personnel issues and conducting open communication			.619	
Outsourcer attains some form of certification, such as ISO 9001, SEI, CMM				.774
Determining which areas of company needs to be outsourced				.655
Outsourcer understanding the organisation's goals & objectives				.612

Extraction method: Principal component analysis.
Rotation method: Varimax with Kaiser normalisation.
a. Rotation converged in 7 iterations

4.12 Reasons for outsourcing and outsourcing success elements

The Pearson correlation was performed among reasons for outsourcing and success elements of outsourcing to identify the relationship between these two factors. Reasons for outsourcing were divided into four factors by using a rotated component matrix in factor analysis: management and resource support factors, operation and convention support factors, cost set factors, and lastly, change factors. The success of outsourcing was also divided into four different factors using same technique: clear designation of strategy and convention condition, trust commitment and measurement, top management support and personnel issues, and finally, merits of the outsourcer.

4.12.1 Correlation between reasons for outsourcing

Pearson correlation was carried out for all the variables, which included four variables that existed in the reasons for outsourcing. Table 4.12.1 shows the Pearson correlation matrix for the four variables that exist within the reasons for outsourcing.

Table 4.12.1 indicates that there is a very significant relationship between ‘management and resource support’ factors and ‘operation and convention support’ factors ($p<0.01$), and also between ‘operation and convention support’ factors and ‘change’ factors ($p<0.01$).

Additionally, the relationship between ‘management and resource support’ factors and ‘operation and convention support’ factors demonstrates that companies with wider skill and knowledge can reduce customer pressure, and reduce time to market. This is shown by the high customer satisfaction exhibited, while operational expertise in a company enables it to access operational best-practice that would be too difficult or time consuming to develop in-house, which allows it to improve quality and access to services.

Furthermore, the relationship between ‘operation and convention support’ factors with ‘management and resource support’ factors shows that with access to wider knowledge and experience, a company can use outsourcing as a catalyst for a major change that cannot be achieved single-handedly. With the assist of operational expertise, the risks for the company can be reduced. Management capacity will be amplified as well.

Moreover, with operational expertise and wider knowledge, the company will be able to determine which area they should outsource, and the company will be able to access a larger talent pool with suitable skills. Most significantly, companies will be able to prepare for any changes in the future of their business market.

Table 4.12.1: Correlation between reasons for outsourcing factors

		Management & resource support factors	Operation & convention support factors	Cost set factors	Change factors
Management & resource support factors	Pearson correlation	1	***.539*****	.091	.120
	Sig. (2-tailed)		.000	.440	.309
	N	74	74	74	74
Operation & convention support factors	Pearson correlation	.539**	1	.116	***.354*****
	Sig. (2-tailed)	.000		.324	.002
	N	74	74	74	74
Cost set factors	Pearson correlation	.091	.116	1	.103
	Sig. (2-tailed)	.440	.324		.381
	N	74	74	74	74
Change factors	Pearson correlation	.120	.354**	.103	1
	Sig. (2-tailed)	.309	.002	.381	
	N	74	74	74	74

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

*. Correlation is significant at the 0.05 level (2-tailed).

4.12.2 Correlation between outsourcing success elements

Pearson correlation was carried out for all four variables that exist in the outsourcing success elements. Table 4.12.2 displays the Pearson correlation matrix as carried out on the four variables. Table 4.5.2 highlighted a very strong relationship between ‘trust commitment and measurement’ and ‘top management support and personnel issues’ ($p<0.01$), and also ‘merits of the outsourcer’ ($p<0.01$).

Moreover, there is a significant relationship between ‘designation of strategy and convention conditions’ and ‘top management support and personnel issues’ ($p<0.01$). Furthermore, there is a very strong relationship between ‘designation of strategy and convention conditions’ and ‘top management support and personnel issues’ ($p<0.01$), and also ‘merits of the outsourcer’ ($p<0.01$). Lastly there is a highly significant relationship between ‘top management support and personnel issues’ and ‘merits of the outsourcer’ ($p<0.01$).

It is interesting to note that there is a very significant relationship between all the variables in outsourcing success elements. This demonstrates that all these elements are related to each other and that by applying these four variables, a company can be successful in outsourcing their business functions. Similarly, the performance of the outsourcer will increase as well.

Furthermore, the relationship between the ‘designation of strategy and convention conditions’ and ‘top management support and personnel issues’ elements shows that with the involvement of top management, companies can have a clear strategic vision and plan, and more understanding of outsourcing decision making. Also management can clearly define terms and conditions in the outsourcing contract to control any further issues and help to measure the outsourcer create a faster process.

In addition, the relationship between the ‘top management support and personnel issues’ and ‘merits of the outsourcer’ elements shows that a company can create a smooth outsourcer selection process by classifying and engaging an expert team to guide the organisation during the outsourcing decision, selection, and contracting process, and by reviewing the certification of the outsourcer.

Table 4.12.2: Correlation between outsourcing success elements

		Designation of strategy & convention conditions	Trust commitment & measurement	Top management support & personnel issues	Merits of the outsourcer
Designation of strategy & convention conditions	Pearson correlation	1	***.333*** **	***.341*** **	***.360*** **
	Sig. (2-tailed)		.004	.003	.002
	N	74	74	74	74
Trust commitment & measurement	Pearson correlation	.333**	1	***.535*** **	***.458*** **
	Sig. (2-tailed)	.004		.000	.000
	N	74	74	74	74
Top Management Support & Personnel Issues	Pearson correlation	.341**	.535**	1	***.393*** **
	Sig. (2-tailed)	.003	.000		.001
	N	74	74	74	74
Merits of the outsourcer	Pearson correlation	.360**	.458**	.393**	1
	Sig. (2-tailed)	.002	.000	.001	
	N	74	74	74	74

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

*. Correlation is significant at the 0.05 level (2-tailed).

4.12.3 Correlation between reasons for outsourcing and outsourcing success elements

Pearson correlation was carried out for all four variables that indicate the reasons for outsourcing and the four variables that indicate the outsourcing success elements. It is interesting to note, as illustrated in Table 4.12.3, that all of the variables in reasons for outsourcing are associated with outsourcing success elements ($p<0.05$). It is shown that there is a highly significant relationship between 'management and resource support' and 'merits of the outsourcer' ($p<0.01$), and also there is a strong relationship between 'merits of the outsourcer' and 'chnge factors' ($p<0.05$).

Moreover, there is a significant relationship between 'designation of strategy and convention conditions' and 'operation and convention support' ($p<0.05$), and also there is a significant connection between 'designation of strategy and convention conditions' and 'cost set factors' ($p<0.05$). Furthermore, there is also a strong relationship between 'designation of strategy and convention conditions' and 'cost set factors' ($p<0.05$).

Table 4.12.3 highlighted a very strong relationship between 'trust commitment and measurement' and two reasons: 'operation and convention supports' and 'change factors' ($p<0.01$). Lastly there is a significant relationship between 'top management support and personnel issues' and 'change factors' ($p<0.05$).

Determining which area of a company should be outsourced, and ensuring the outsourcer understands the organisation's goals and objectives can be considered goals for companies. The association between 'designation of strategy and convention conditions' and 'operation and convention support' and also 'cost set factors' can be observed in Table 4.12.3. This table shows an integrated relationship between 'trust commitment and measurement' and also with 'operation and convention support' and 'change factors'. These elements relied on the information provided by each other in a very significant way. The more accurate this information, the better they can trust each other. On the other hand, a legal contract ratified by the two parties helps them to establish mutual trust. Lastly, by getting support from top management in a transformative process, and by paying careful attention to personnel issues while conducting open communication and financial planning and analysis, companies can outsource a business process within conditions for success.

Table 4.12.3: Correlation between outsourcing success elements and reasons for outsourcing

		Management & resource support factors	Operation & convention support factors	Cost set factors	change factors
Designation of strategy & convention conditions	Pearson correlation	.189	***.255****	***.236****	.161
	Sig. (2-tailed)	.106	.029	.043	.171
	N	74	74	74	74
Trust commitment & measurement	Pearson correlation	.183	***.333*****	.139	***.311*****
	Sig. (2-tailed)	.118	.004	238	.007
	N	74	74	74	74
Top management support & personnel issues	Pearson correlation	.105	.186	.185	***.266****
	Sig. (2-tailed)	.373	.113	.114	.022
	N	74	74	74	74
Merits of the outsourcer	Pearson correlation	***.332*****	.219	-.018	***.258****
	Sig. (2-tailed)	.004	.061	.881	.027
	N	74	74	74	74

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

4.13 Size of organisation

As mentioned earlier, the purpose of this research is to identify the factors affecting outsourcing decisions in Iranian industries. In accordance with this purpose, the size of the surveyed industries (expressed as number of employees) was separated in relation to the types and levels of outsourcing, reasons for outsourcing, and success elements of outsourcing as indicated by respondents. Based on the size of organisation, the cross-tabulation of the various levels and types of outsourcing, reasons for outsourcing, and success elements of outsourcing was obtained. This allowed for the study of the position of each element based on respondents' observation.

For the types and levels of outsourcing, a three-point scale ranging from 1 (disagree), 2 (neutral), and 3 (agree) was presented, and for reasons for outsourcing and outsourcing success elements, a five-point scale ranging from 1 (strongly disagree) to 5 (strongly agree) was adopted.

4.13.1 Size of organisation versus type of outsourcing

Cross-tabulation analysis with a scale range including 1 (disagree), 2 (neutral), and 3 (agree) was performed between the size of each organisation and the types of outsourcing in order to identify the types of outsourcing that Iranian companies of different sizes preferred to perform.

Report summary

As mentioned in Chapter 1, the principle aim of this study is to identify the factors affecting outsourcing decision in Iranian industries. In accordance with this aim, types of outsourcing were divided according to the size of the surveyed organisations (expressed as number of employees) with regard to ICCIM standards and Article 5 - Criteria (b). Based on the size of the organisations, cross-tabulation analysis for each type was obtained to examine the links between the size of the respondent's organisation and type of outsourcing it employed.

Selective outsourcing

Figure 4.13.1 and Table 13 (refer to Appendix C) reveal that all respondents (100 per cent) from very large companies with more than 5000 employees agreed with selective outsourcing, followed by medium-sized companies with 101-500 employees (more than 85 per cent). Small companies with less than 50 employees and large companies with

1001-5000 employees were next, with positive responses of more than 80 per cent. On the other hand, Figure 4.13.1 indicates that medium-sized companies with the scope of 51-100 employees responded 'disagree' for selective outsourcing far more than different sized companies. The next highest proportion of 'disagree' selections came from small companies with less than 50 employees. In addition, the Figure indicates the high number of respondents from medium-sized companies with 101-500 employees.

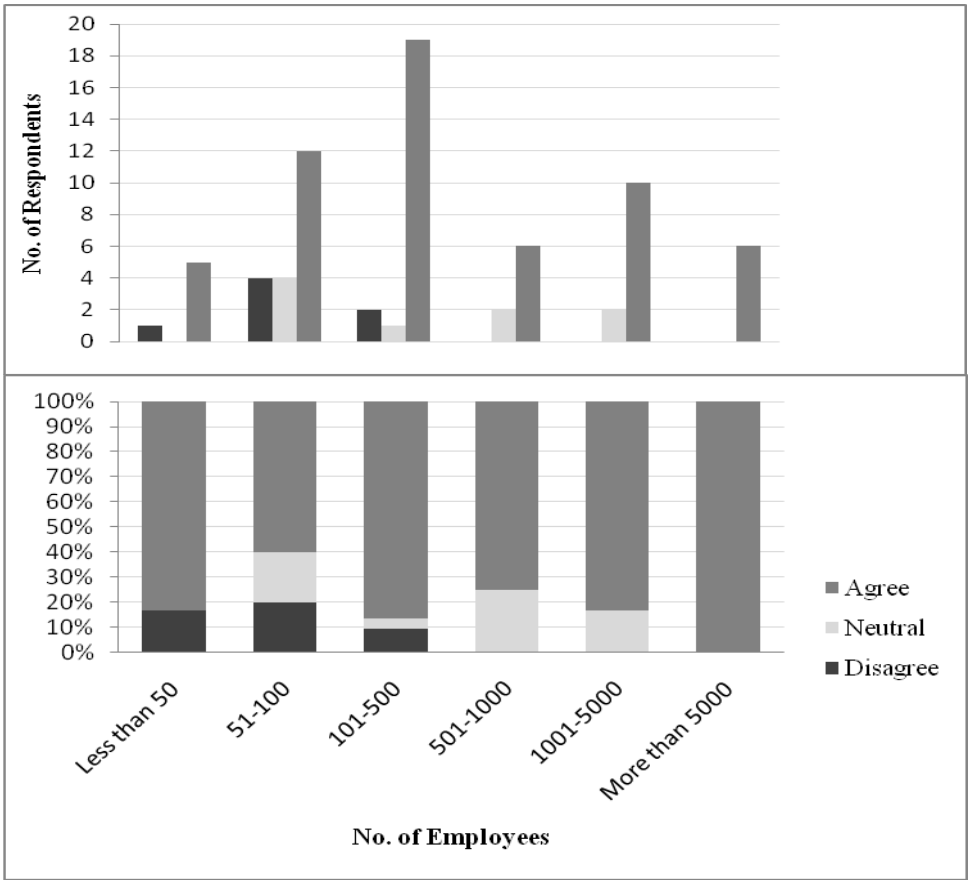

Figure 4.13.1: Size of organisation versus selective outsourcing

Moreover, Figure 4.13.1 shows that very large companies with more than 5000 employees used selective outsourcing to reduce risks and gain more control results over their business. It is stated that selective outsourcing is the most common type of outsourcing (Kern and Willcocks 2001; Lacity and Willcocks 2001; Willcocks and Lacity 1998) and it has been proven as a generally successful type of outsourcing (Koh Ser Mui 2003). Also, Jones, Bebbington, and Blanch (1998) mentioned that selective outsourcing presents itself as an attractive option for companies, as it is less intimidating compared to total outsourcing.

Transitional outsourcing

Figure 4.13.2 and Table 14 (refer to Appendix C) show that large and very large companies with employees numbering 1001-5000 had the highest preference for transitional outsourcing with 8 ‘agree’ responses, followed by large and very large companies with 1001-5000 employees with more than 50 per cent ‘agree’ responses. It also indicates that a very high number of respondents chose ‘neutral’ for transitional outsourcing, from large companies with 501-1000 employees. In addition, Figure 4.13 indicates a high number of ‘disagree’ selections from small companies with less than 50 employees. Lastly, it is interesting to note that small companies and very large companies with more than 5000 employees certainly did not agree with transitional outsourcing. In addition, the Figure indicates the high number of respondents from medium-sized companies with between 101-500 employees.

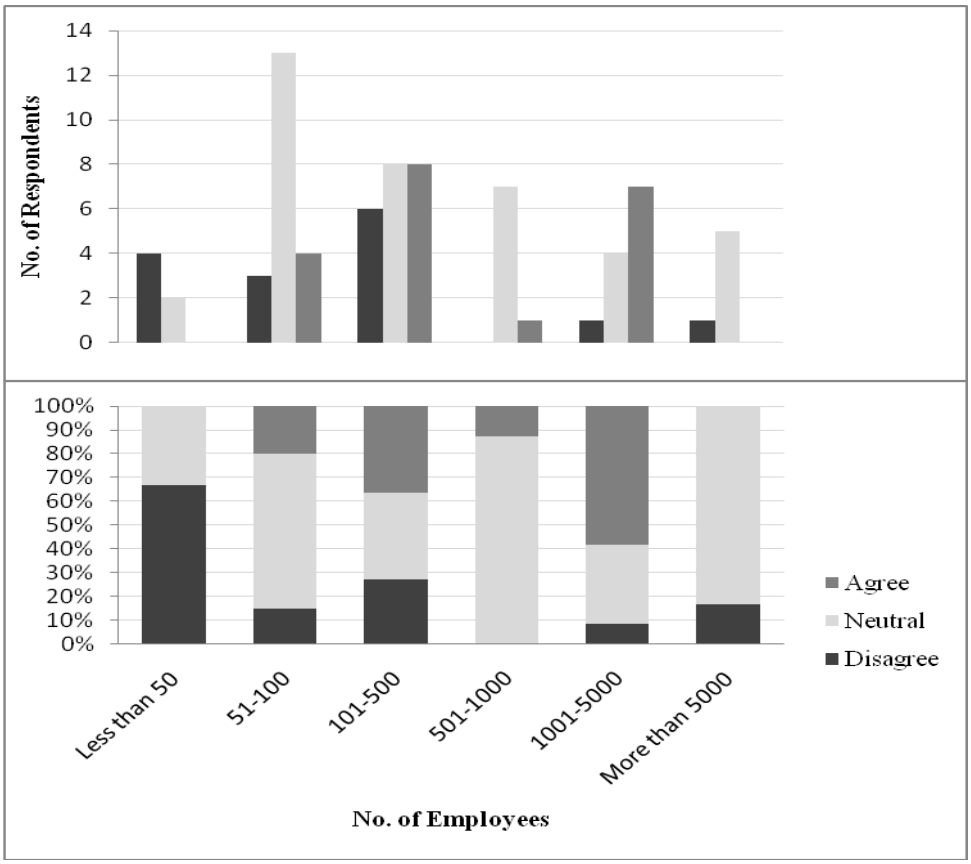

Figure 4.13.2: Size of organisation versus transitional outsourcing

Moreover, Figure 4.13.2 illustrates that large and very large companies with 1001 to 5000 employees use traditional outsourcing during major transitions to bring in a new technology. Transitional outsourcing is the practice for temporary outsourcing. In

addition, this offers a condition that allows a company to have more focus on the creation of new systems or infrastructure, as the company or organisation can outsource old systems or technology to a third party (Jones, Bebbington & Blanch 1998).

Total outsourcing

Figure 4.13.3 and Table 15 (refer to Appendix C) reveal that small organisations with less than 50 employees agreed the most with total outsourcing with 50 per cent 'agree' responses, followed by medium-sized companies with 51-100 and 101-500 employees. In contrast, it is interesting to note that companies with more than 501 employees disagreed with total outsourcing, and the small number of companies with lower employee numbers agreed with this type of outsourcing. Large and very large companies with 1001-5000 employees indicated the most disagreement with total outsourcing, followed by very large companies with more than 5000 employees. Also, the Figure illustrates the high number of respondents from medium-sized companies with between 101-500 employees.

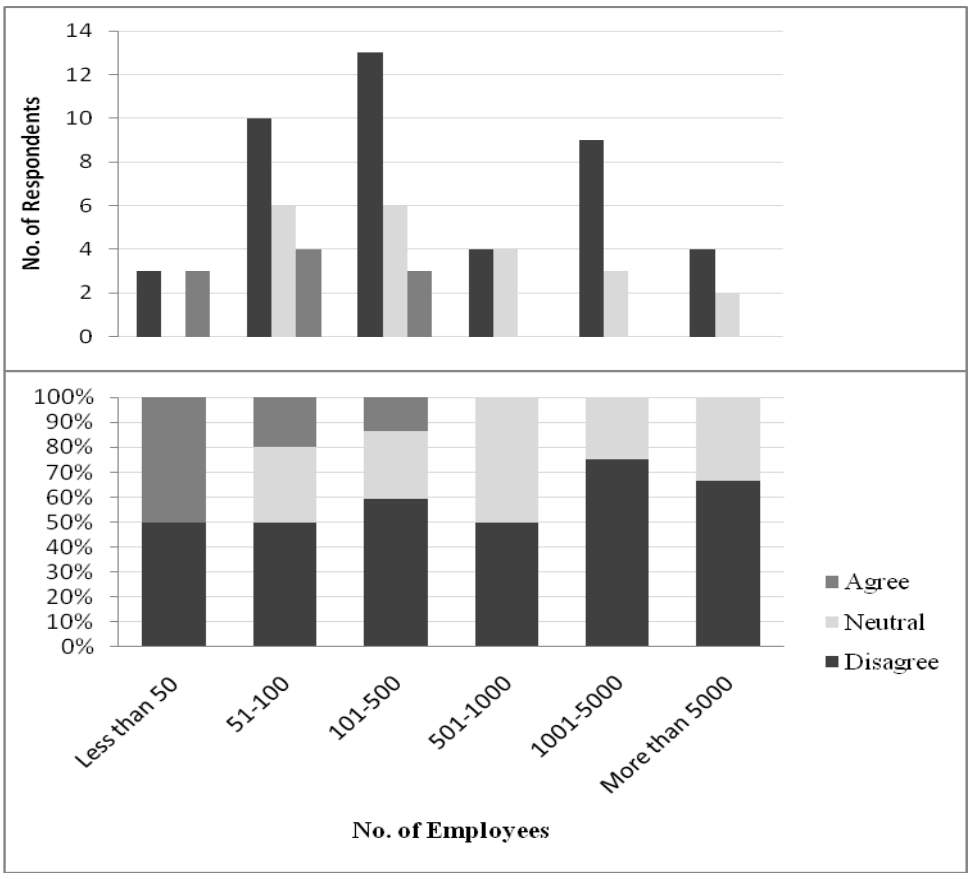

Figure 4.13.3: Size of organisation versus total outsourcing

Furthermore, Figure 4.13.3 indicates that medium, large and very large companies with more than 501 employees never use total outsourcing due to it being considered a specifically high-risk practice (Willcocks & Kern 2001). Total outsourcing involves the outsourcing to a third party of activities, possessions, leases, staff, management responsibility for delivery of products and services, or entire departments such as IT/IS (Apte et al. 1997). On the other hand, there are still specific companies in a range of less than 500 employees using or agreeing with total outsourcing. Although, according to Jones, Bebbington and Blanch (1998), it is more intimidating when compared to selective outsourcing.

4.13.2 Size of organisation versus level of outsourcing

Cross-tabulation analysis with a scale range including 1 (disagree), 2 (neutral), and 3 (agree) was performed between the size of the surveyed organisation and the various levels of outsourcing in order to identify the levels of outsourcing that different sizes of Iranian companies preferred to perform.

Report summary

As mentioned earlier, the principle aim of this study is to identify the factors affecting outsourcing decision in Iranian industries. In accordance with that aim, the levels of outsourcing were divided according to the size of the organisations (expressed as number of employees) with regard to ICCIM standards and Article 5 – Criteria (b). Based on the size of organisations, cross-tabulation analysis for each level was obtained to examine the links between the size of the organisations and the level of outsourcing respondents' preferred.

Tactical outsourcing

Figure 4.13.4 and Table 16 (refer to Appendix C) show that large and very large companies with employees numbering 1001-5000 had the highest preference for tactical outsourcing with more than 70 per cent 'agree' responses, followed by medium-sized companies with 101-500 employees, with more than 60 per cent 'agree' responses. The Figure also indicates a very high number of respondents chose 'neutral' for tactical outsourcing from medium-sized companies with 51-100 employees and very large companies with more than 5000 employees. In addition, Figure 4.13 indicates a

high number of ‘disagree’ selections from small companies with less than 50 employees. Also, the Figure illustrates the high number of respondents from medium-sized companies with between 101-500 employees.

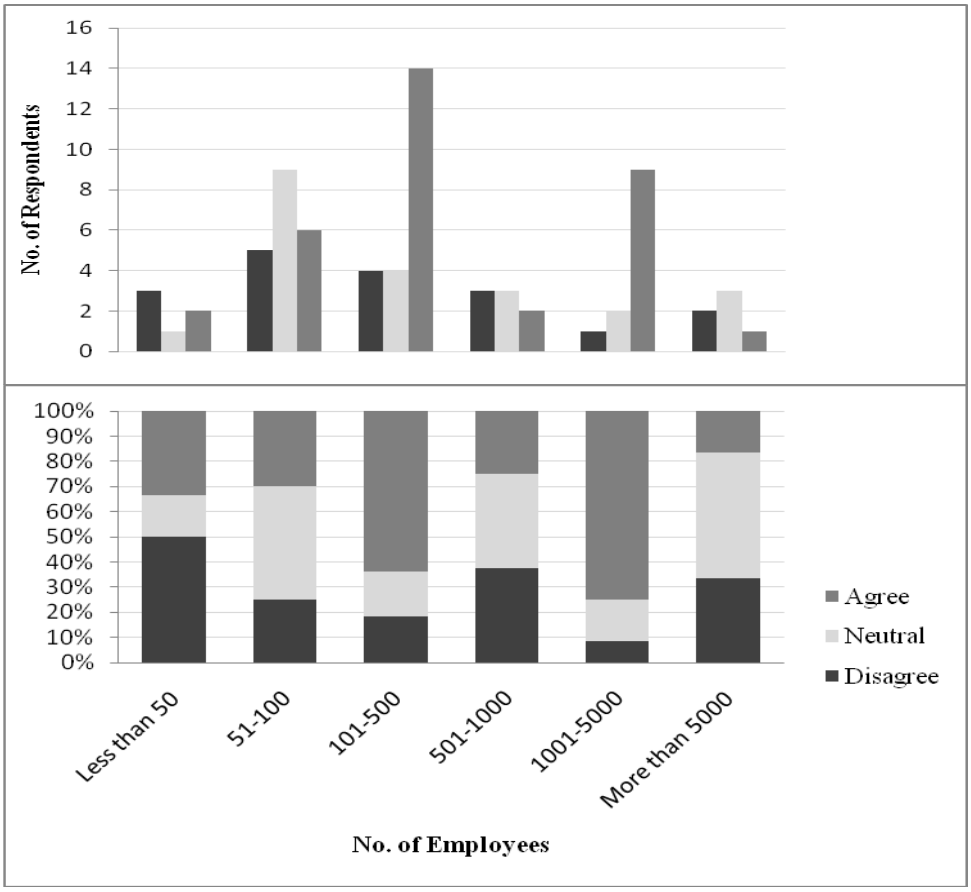

Figure 4.13.4: Size of organisation versus tactical outsourcing

Figure 4.13.4 similarly indicates that medium-sized, large, and very large companies ‘highly agreed’ with tactical outsourcing. Tactical or traditional outsourcing is on the first level and is chosen when a firm is experiencing specific problems (Brown & Wilson 2005). It is interesting to note that companies of all sizes agreed with or used this level of outsourcing. However, several medium-sized companies with 51-100 and 101-500 employees nominated ‘disagree’ in this regard. As mentioned by Mazzawi (2002), traditional outsourcing places emphasis on non-core business functions through best-practice scales within non-difficult surrounding areas. This type of outsourcing is also about changing from doing something internally to giving the task to others who know how to perform it more professionally and efficiently.

Strategic outsourcing

Figure 4.13.5 and Table 17 (refer to Appendix C) reveals that 14 respondents from large and very large companies with 1001-5000 employees agreed the most with strategic outsourcing with more than 80 per cent positive responds, followed by medium-sized companies with 51-100 employees by 70 per cent affirmative accepted responds, small companies with less than 50 employees with more than 65 per cent 'agree' responses, medium-sized companies with 501-1000 employees with more than 60 per cent positive responses. It is important to note that very large companies with more than 5000 employees nominated the lowest number of 'agree' responses and the highest 'disagree' responses. Additionally, the figure illustrates the high number of respondents from medium-sized companies with between 101-500 employees.

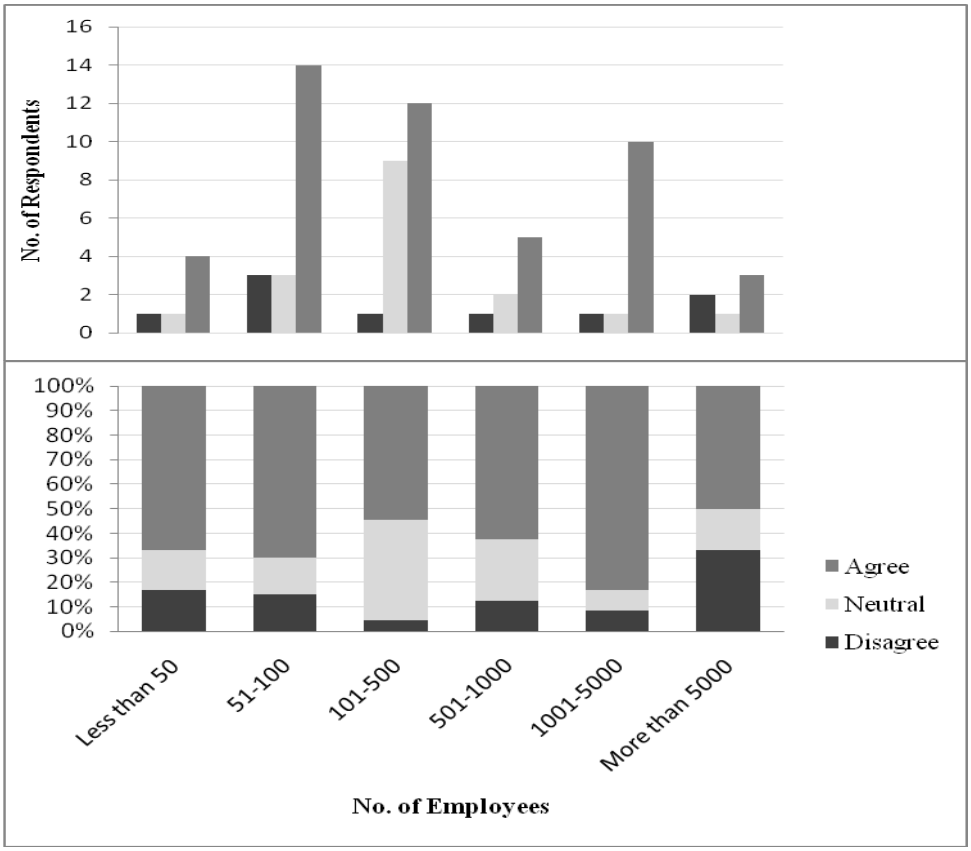

Figure 4.13.5: Size of organisation versus strategic outsourcing

In addition, Figure 4.13.5 specifies that medium-sized, large, and very large companies had a high demand for strategic outsourcing. According to Brown and Wilson (2005), strategic outsourcing is more focused on long-term relationships between the company and vendors. As a result, as shown in Figure 4.13.5, most companies agreed with or

practiced strategic outsourcing, in terms of the level of outsourcing, in the process of outsourcing decisions.

Transformational outsourcing

Figure 4.13.6 and Table 18 (refer to Appendix C) show that large and very large companies with employees numbering 1001-5000 had the highest preference for transformational outsourcing with 7 'agree' responses, followed by medium-sized companies with 51-100 employees with more than 55 per cent affirmative responses. The figure indicates a very high number of respondents from medium-sized companies with 101-500 employees chose 'neutral' for transformational outsourcing. In addition, Figure 4.13.6 points to a high number of 'disagree' responses from medium-sized companies with 40 per cent of responses.

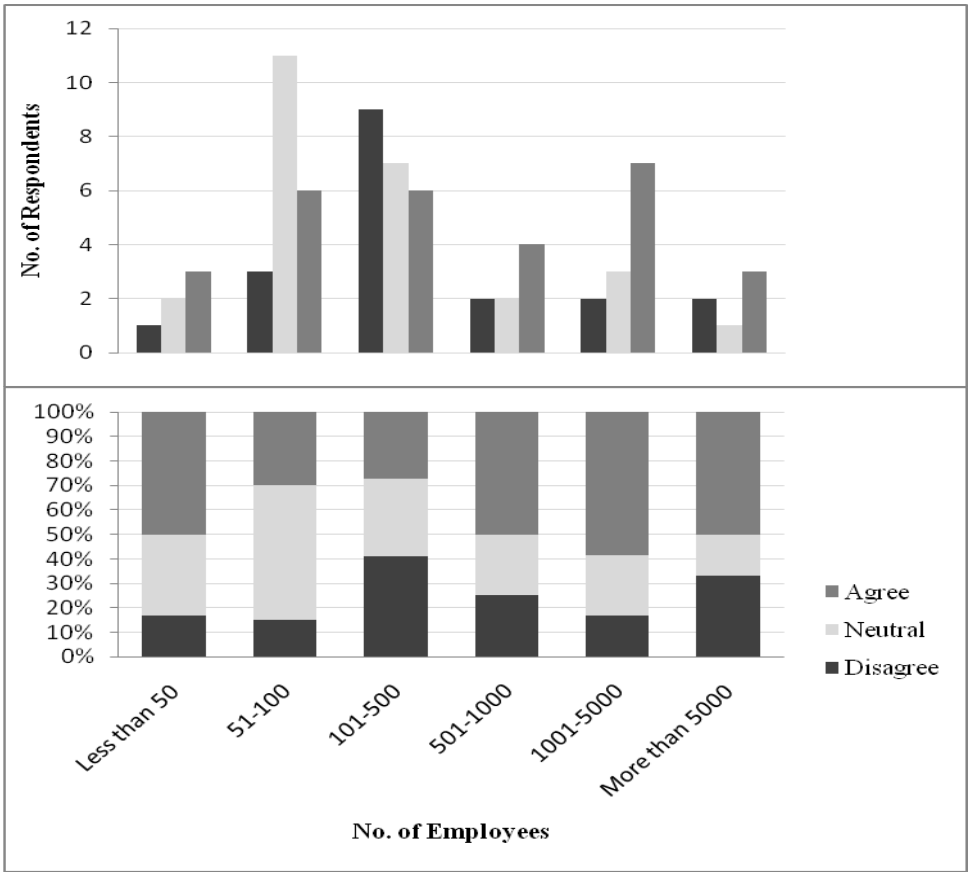

Figure 4.13.6: Size of organisation versus transformational outsourcing

Furthermore, Figure 4.13.6 specifies that large and very large companies elected transformational outsourcing more than other companies. This method is an approach to essentially define movement for the organisation directly from its markets.

‘Transformational outsourcing potentially enables an enterprise to win quick and sustained benefit from any new market opportunities’ (Mazzawi 2002, p. 42). It is also interesting to note that medium-sized companies with 101-500 employees nominated ‘disagree’ more often than other companies.

4.13.3 Size of organisation versus reasons for outsourcing

Cross-tabulation analysis with a five-point scale ranging from 1 (strongly disagree) to 5 (strongly agree) was adopted to analyse the connections between the size of the surveyed organisations (expressed as number of employees) and reasons for outsourcing. This enabled the identification of the reasons why different sizes of Iranian company preferred to outsource their business functions to the third party.

Report summary

The principle aim of this study is to identify the factors affecting outsourcing decisions in Iranian industries. In accordance with that aim, the various reasons for outsourcing have been separated according to the number of each company’s employees and presented in following fiqures and tables (refer to Appendix C). Based on the number of employees of the companies, cross-tabulation analysis for each factor was undertaken to examine the links between the size of respondents’ companies and their reasons for outsourcing.

Cost savings

Figure 4.13.7 shows that respondents from large and very large companies with 1001-5000 employees agreed the most with ‘cost savings’ as a reason for outsourcing, followed by medium companies with 51-100 employees, and medium-sized companies with 101-500 employees in the third position. Also, small companies with less than 50 employees most often elected ‘strongly agree’ for ‘cost savings’ in this regard. In addition, small companies with less than 50 employees, and large companies with employees numbering 1001-5000, never disagreed.

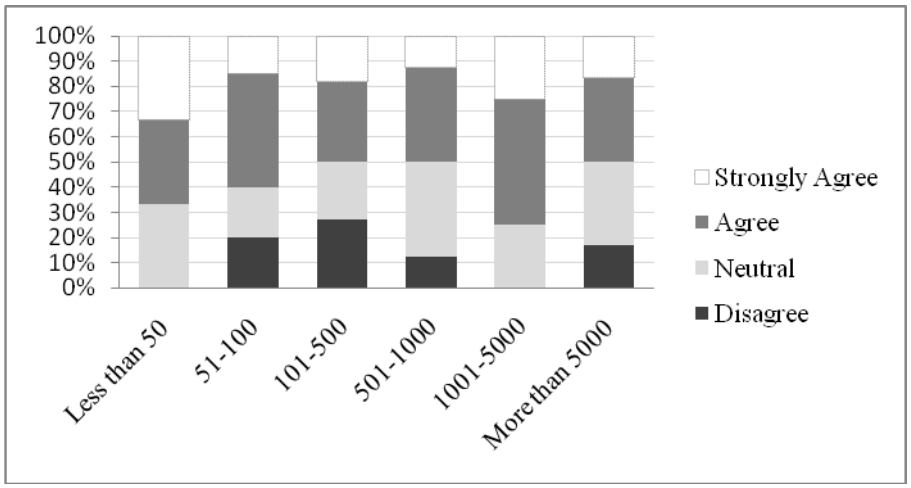

Figure 4.13.7: Size of organisation versus cost savings

Cost restructuring

Figure 4.13.8 shows that respondents from large and very large companies with 1001-5000 employees agreed the most with 'cost restructuring' as a reason for outsourcing, followed by medium-sized companies with 101-500 employees, and medium-sized companies with 51-100 employees.

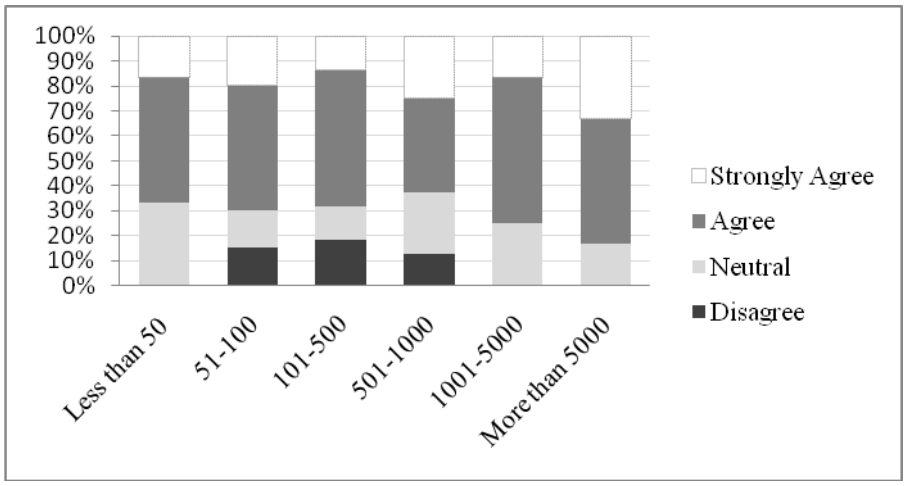

Figure 4.13.8: Size of organisation versus cost restructuring

Improvements in quality

Figure 4.13.9 shows that respondents from large and very large companies with 1001-5000 employees agreed the most with 'improvements in quality' as a reason for outsourcing, followed by medium-sized companies with 51-100 employees. Also, medium-sized companies with 51-100 employees elected 'strongly agree' for 'improvements in quality' as a reason for outsourcing.

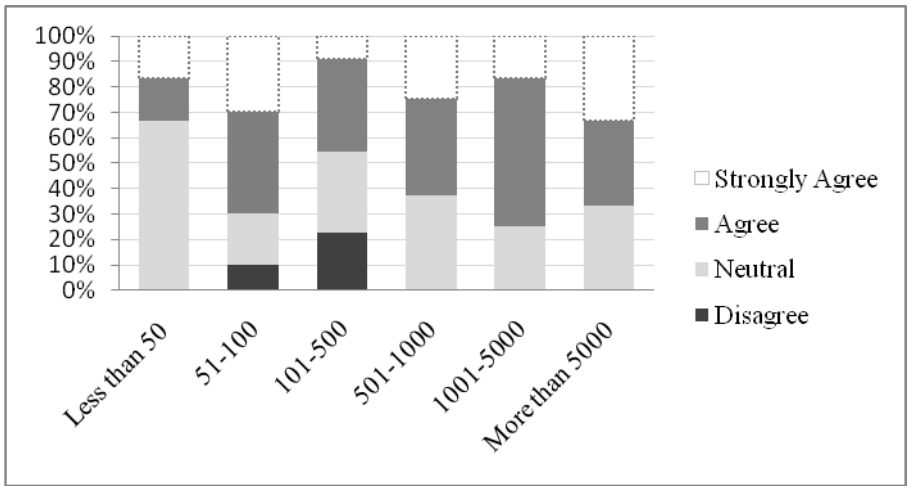

Figure 4.13.9: Size of organisation versus improvements in quality

Access to wider knowledge and experience

Figure 4.13.10 shows that respondents from medium-sized companies with employees between the numbers of 101-500 agreed the most with 'access to wider knowledge and experience' as a reason for outsourcing, followed by large companies with 501-100 employees. In addition, medium-sized companies with employees numbering 51-100 selected 'strongly agree' most often.

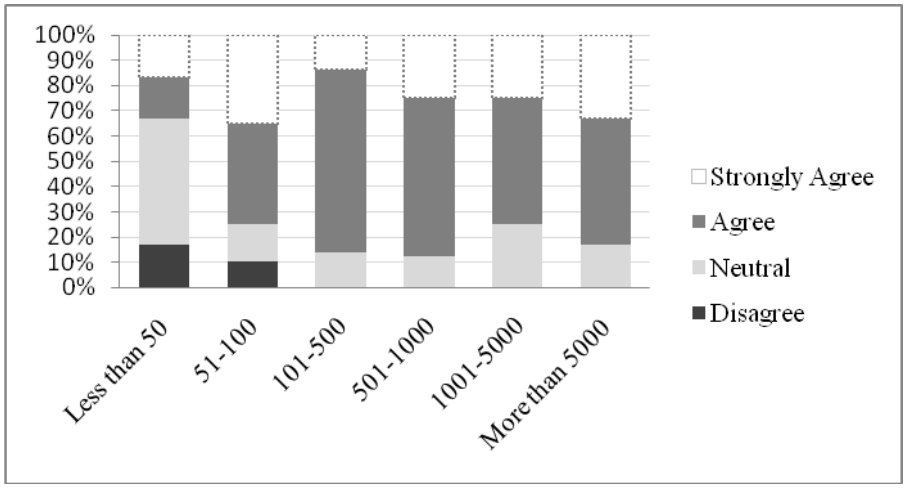

Figure 4.13.10: Size of organisation versus access to wider knowledge and experience

Provision of a legally binding contract

Figure 4.13.11 indicates that respondents from medium-sized companies with 101-500 employees agreed the most with 'provision of a legally binding contract' as a reason for outsourcing, followed by small companies with less than 50 employees. It is interesting to note that very large companies never indicated a disagreement with this reason.

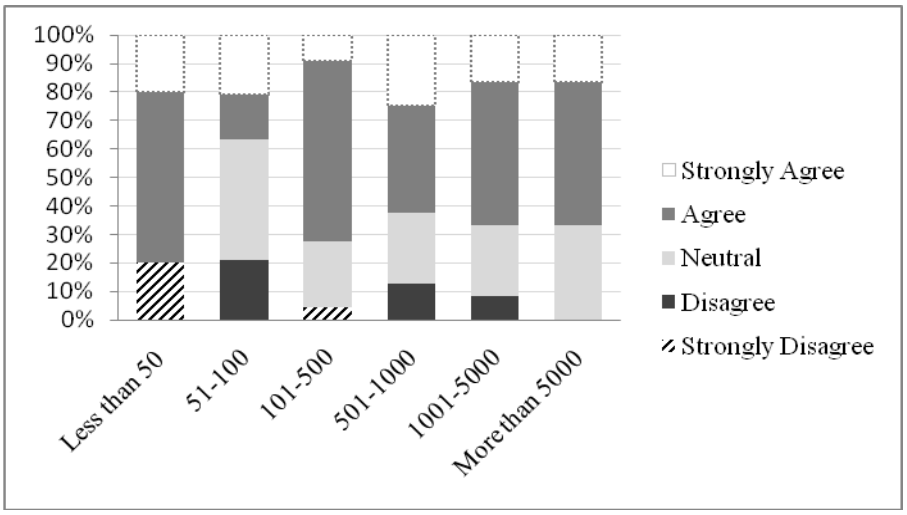

Figure 4.13.11: Size of organisation versus provision of a legally binding contract

Operational expertise

Figure 4.13.12 shows that respondents from very large companies with more than 5000 employees mainly agreed with 'operational expertise' as a reason for outsourcing. In contrast, small companies with less than 50 employees gave the most 'agree' and 'strongly agree' responses to 'operational expertise' as an outsourcing reason. In addition, a number of large companies with 501-1000 employees indicated that they disagreed with 'operational expertise' as a reason to outsource business functions.

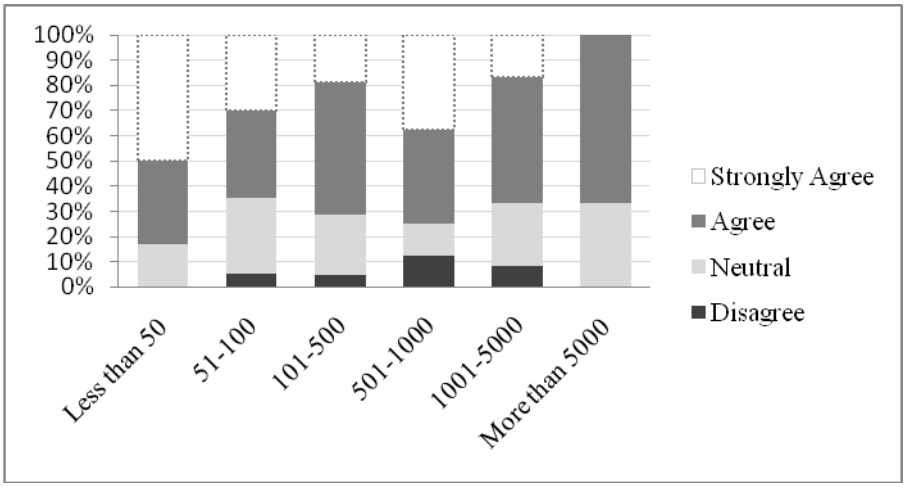

Figure 4.13.12: Size of organisation versus operational expertise

Staffing issues

Figure 4.13.13 shows that respondents from medium-sized companies with 101-500 employees agreed the most with 'staffing issues' as a reason for outsourcing. On the contrary, large and very large companies with 501 to 5000 most often nominated

‘agree’ and ‘strongly agree’ responses for ‘staffing issues’ as an outsourcing reason, compared to the other sizes of companies.

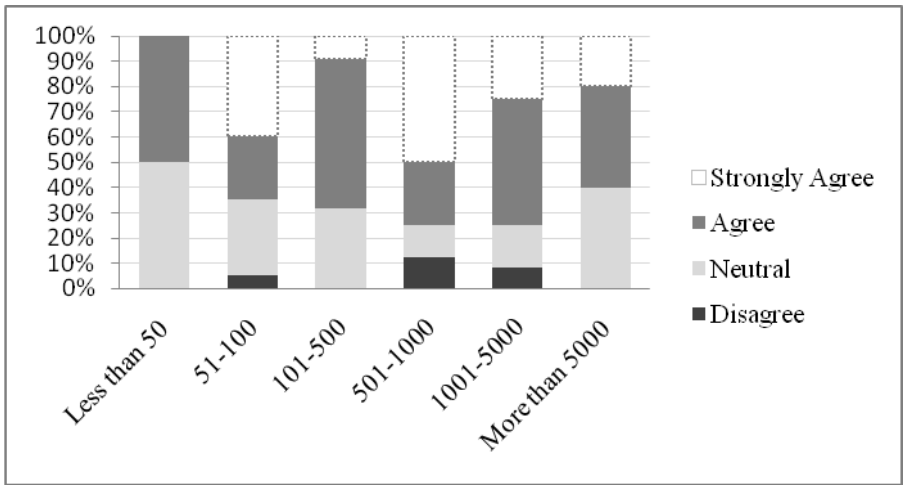

Figure 4.13.13: Size of organisation versus staffing issues

Capacity management

Figure 4.13.14 shows that large companies with 501-1000 employees and very large companies with more than 5000 employees mainly responded ‘agree’ to ‘capacity management’ as an outsourcing reason. In addition, large companies with 501-1000 employees had the highest ‘agree’ and ‘disagree’ responses. It is interesting to note that companies with more than 101 employees never disagreed with this reason for outsourcing.

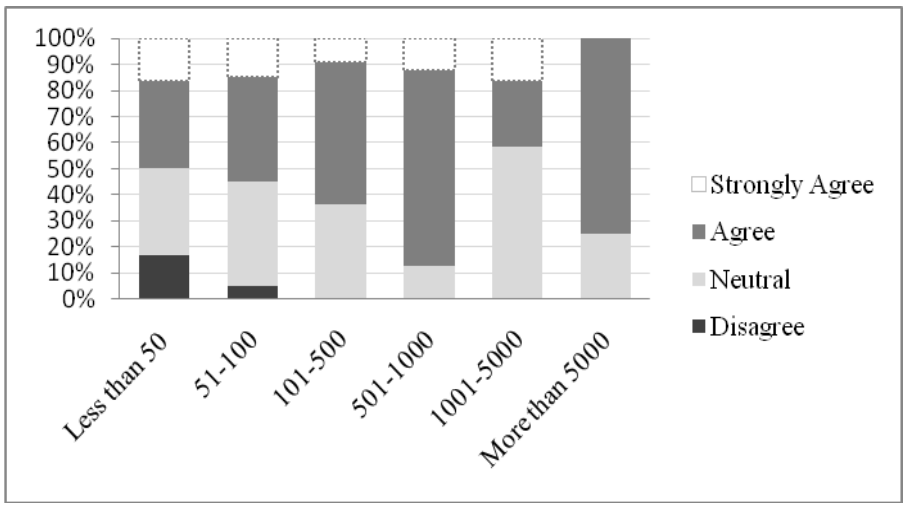

Figure 4.13.14: Size of organisation versus capacity management

Catalysts for change

Figure 4.13.15 shows that respondents from very large companies with more than 5000 employees gave the most support for 'catalysts for change' as a reason for outsourcing, followed by large and very large companies with 1001-5000 employees. It is also interesting to note that none of the companies chosen disagreed with 'catalysts for change', with the exception of medium-sized companies with 101-500 employees.

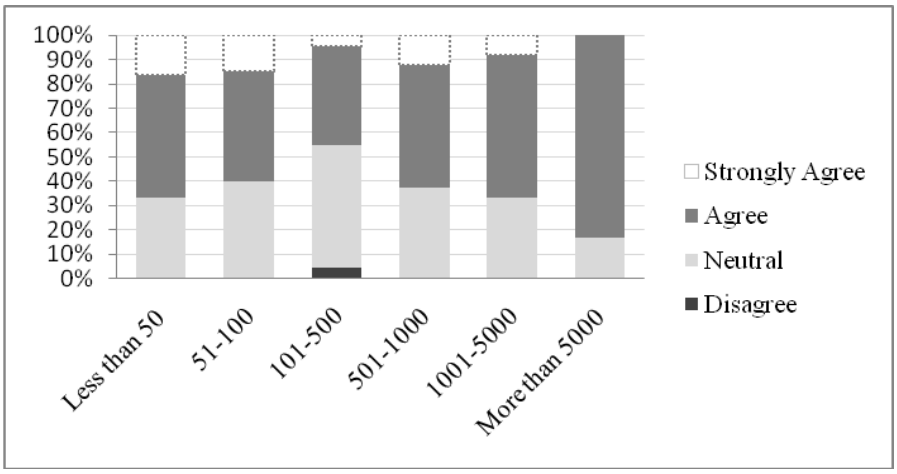

Figure 4.13.15: Size of organisation versus catalysts for change

Reduced time to market

Figure 4.13.16 illustrates the high number of 'agree' responses to 'reduced time to market' as a reason for outsourcing by very large companies with more than 5000 employees. In addition, large companies with 501-1000 employees most often nominated 'agree' and 'strongly agree' responses to 'reduced time to market' as a reason for outsourcing. (sig. $p<0.05$ in Pearson Chi-square, see appendices)

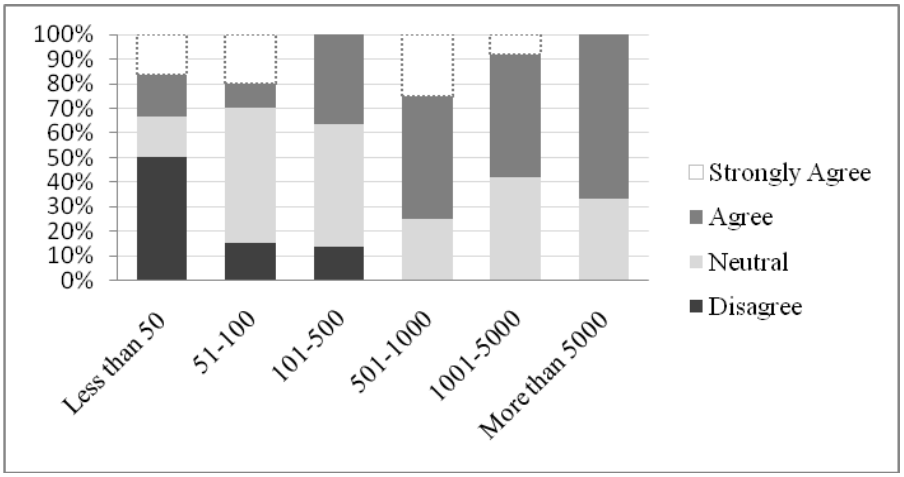

Figure 4.13.16: Size of organisation versus reduced time to market

Commodification

Figure 4.13.17 indicates that respondents from large companies with 501-1000 employees most often nominated 'agree' and 'strongly agree' responses to 'commodification' as a reason for outsourcing, followed by large and very large companies with employees numbering of 1001-5000. It is also appealing to note that companies with more than 501 employees never voted disagreed with 'commodification'.

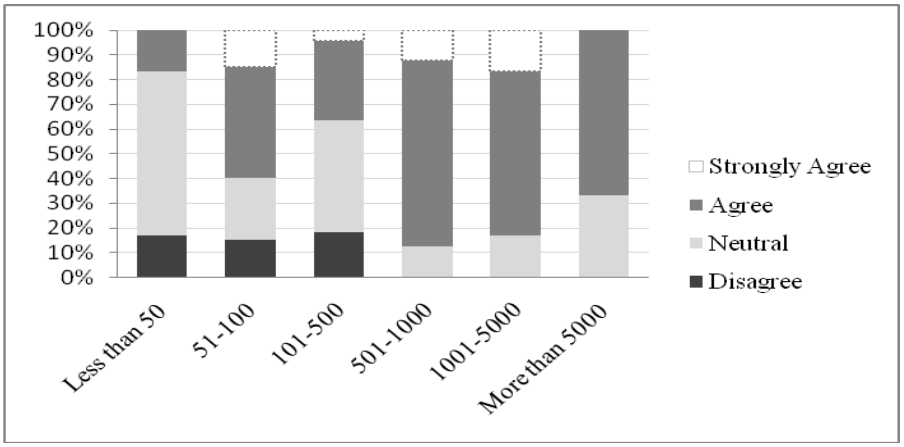

Figure 4.13.17: Size of organisation versus commodification

Risk management

Figure 4.13.18, it demonstrates that respondents from medium-sized companies with 101-500 employees appointed the highest agreed and 'strongly agree' responses to 'risk management' as a reason for outsourcing, followed by large companies with employees numbering 501-1000.It is interesting to note a high number of 'disagree' responses to 'risk management' from small companies.

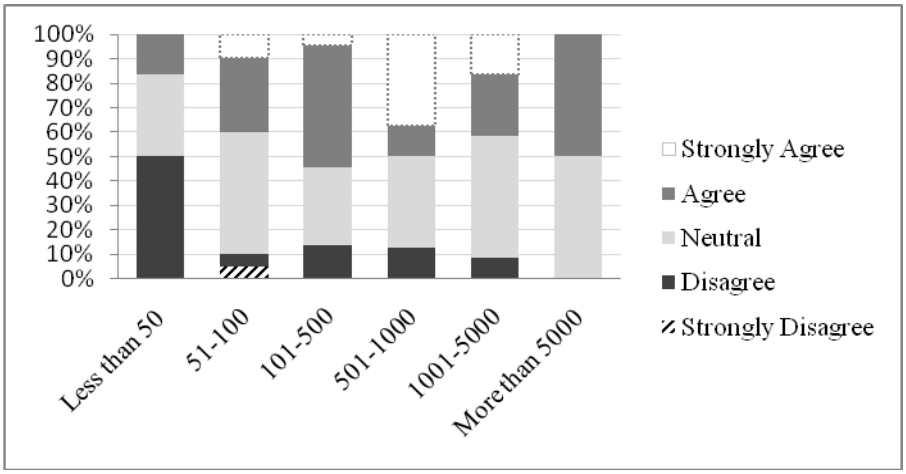

Figure 4.13.18: Size of organisation versus risk management

Time zone rationalisation

Figure 4.13.19 indicates that respondents from very large companies with more than 5000 employees most often nominated ‘agree’ and ‘strongly agree’ responses to ‘time zone rationalisation’ as a reason for outsourcing. It is also interesting to note a high nomination of ‘neutral’ for ‘time zone rationalisation’. In addition, large and very large companies 1001 and more employees never elected ‘disagree’ for this outsourcing reason. In contrast, small companies with less than 50 employees disagreed in 65 per cent of responses. (sig. $p<0.05$ in Pearson Chi-square, see appendices)

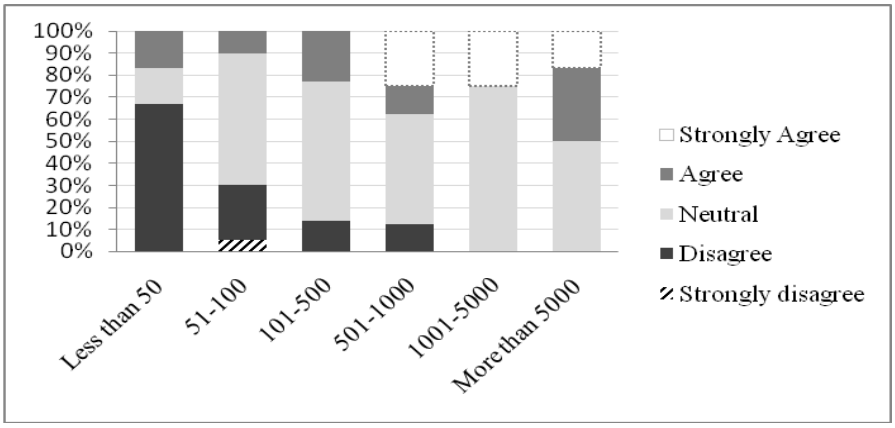

Figure 4.13.19: Size of organisation versus time zone rationalisation

Reduced customer pressure

Figure 4.13.20 illustrates that respondents from medium and large companies with 101 to 1000 employees and very large companies with more than 5000 employees most often nominated ‘agree’ and ‘strongly agree’ responses to ‘reduced customer pressure’ as a reason for outsourcing. In contrast, small companies with less than 50 employees most often elected ‘disagree’ and ‘strongly disagree’ when considering ‘reduced customer pressure’ as a reason for outsourcing.

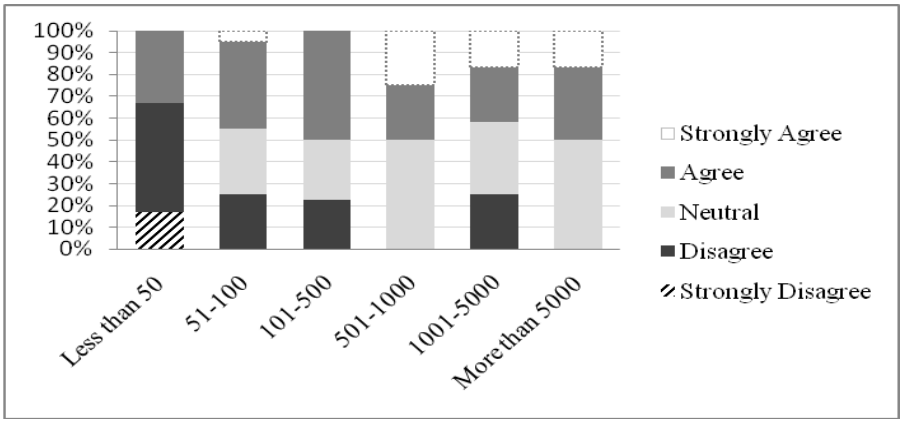

Figure 4.13.20: Size of organisation versus reduced customer pressure

4.13.4 Size of organisation versus outsourcing success elements

Cross-tabulation analysis with a five-point scale ranging from 1 (strongly disagree) to 5 (strongly agree) was adopted to analyse the connections between the size of the surveyed organisations (expressed as number of employees) and outsourcing success elements. This allowed for the identification of different factors that different sizes of Iranian companies indicated as contributing to successful outsourcing.

Report summary

In regard to aim of the study, outsourcing success elements were separated according to the number of employees of each respondent's company. Based on the number of employees of each company, cross-tabulation analysis for each factor was undertaken to examine the links between the size of companies and their perception of factors leading to successful outsourcing.

Conducting a needs analysis prior to making the outsourcing decision

Figure 4.13.21 interestingly shows that small companies with less than 50 employees, large companies with 501-1000 employees and very large companies with more than 5000 employees nominated 100 per cent 'agree' and 'strongly agree' responses to 'conducting a needs analysis prior to making the outsourcing decision'. In addition, none of companies elected 'disagree' for this success element except medium-sized companies with 51-100 employees. In addition, the figure shows a small number of 'neutral' responses chosen by medium-sized companies with 101-500 employees and large and very large companies with 1001 to 5000 employees.

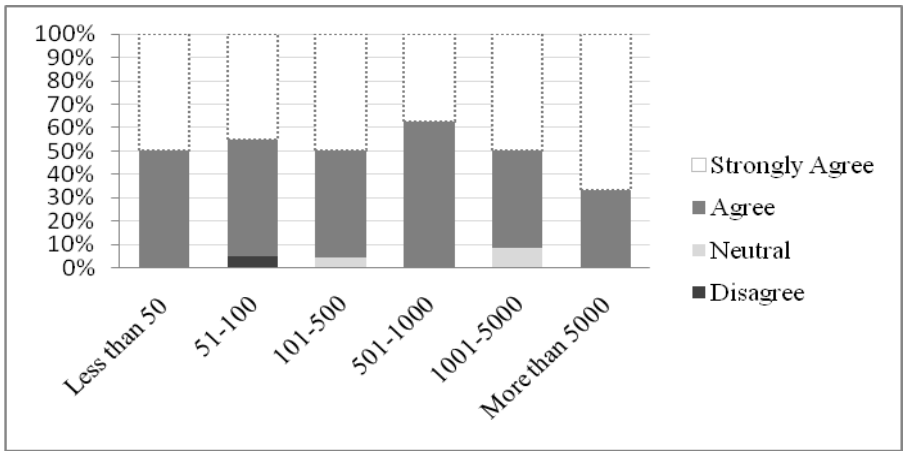

Figure 4.13.21: Size of organisation versus conducting a needs analysis prior to making the outsourcing decision

Clearly defining terms and conditions in the outsourcing contract

Figure 4.13.22 indicates that very large companies with more than 5000 employees elected 100 per cent 'agree' and 'strongly agree' responses to 'clearly defining terms and conditions in outsourcing contract' as an outsourcing success element. It is important to note that none of the companies nominated 'disagree' or 'strongly disagree' for this success element.

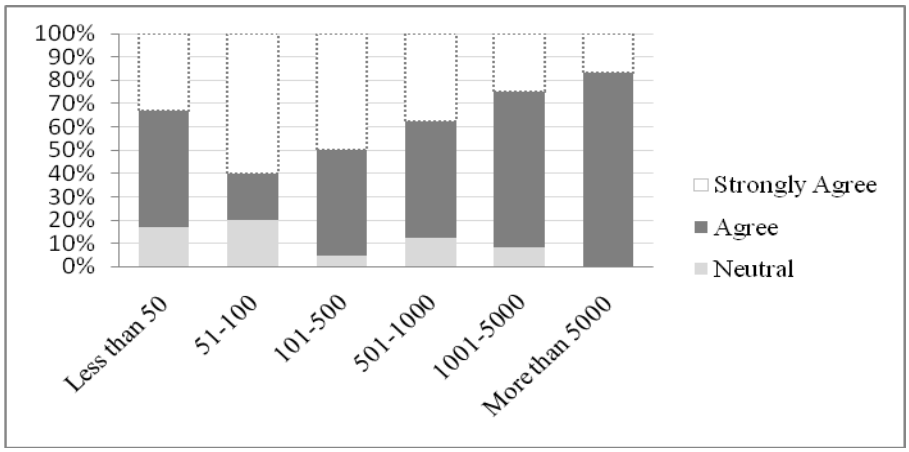

Figure 4.13.22: Size of organisation versus clearly defining terms and conditions in outsourcing contract

Having a strategic vision and plan, and an understanding of the intended use of outsourcing

Figure 4.13.23 points out that very large companies with more than 5000 employees most often nominated 'strongly agree' to 'having a strategic vision and plan, and an understanding of the intended use of outsourcing' as an outsourcing success element. It is interesting to note that none of the companies nominated 'disagree' or strongly disagree' for this outsourcing success element.

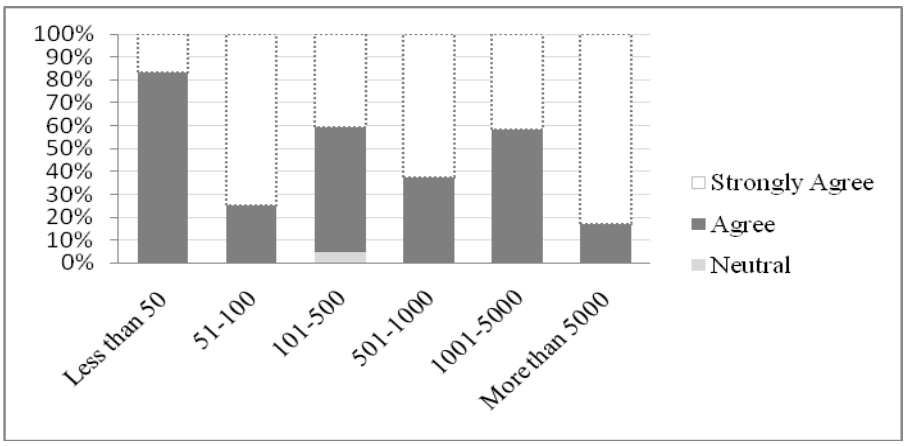

Figure 4.13.23: Size of organisation versus having a strategic vision and plan, and an understanding of the intended use of outsourcing

Outsourcer understanding the organisation's goals and objectives

Figure 4.13.24 indicates that small companies with less than 50 employees elected the highest proportion of 'strongly agree' responses to 'outsourcer understanding the organisation's goals and objectives' as an outsouring success element. In addition, large and very large companies with 1001-5000 employees, and very large companies with more than 5000 employees nominated 100 per cent affirmative to this element of outsourcing success.

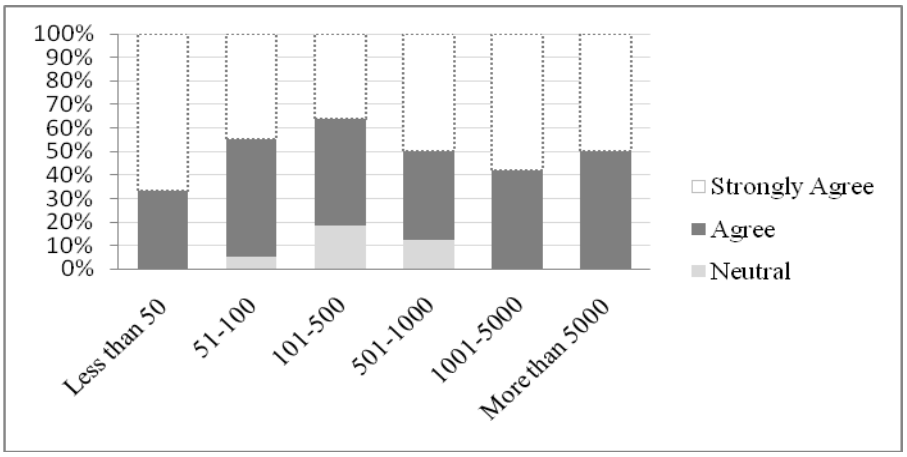

Figure 4.13.24: Size of organisation versus outsourcer understanding the organisation's goals and objectives

Appropriate outsource selection procedures

Figure 4.13.25 explains that 100 per cent of small companies with less than 50 employees and very large companies with more than 5000 employees selected 'agree' and 'strongly agree' responses to 'appropriate outsource selection procedures' as an outsourcing success element. It is important to note that companies with less than 50 and more than 5000 employees never chose 'neutral', 'disagree', or 'strongly disagree'.

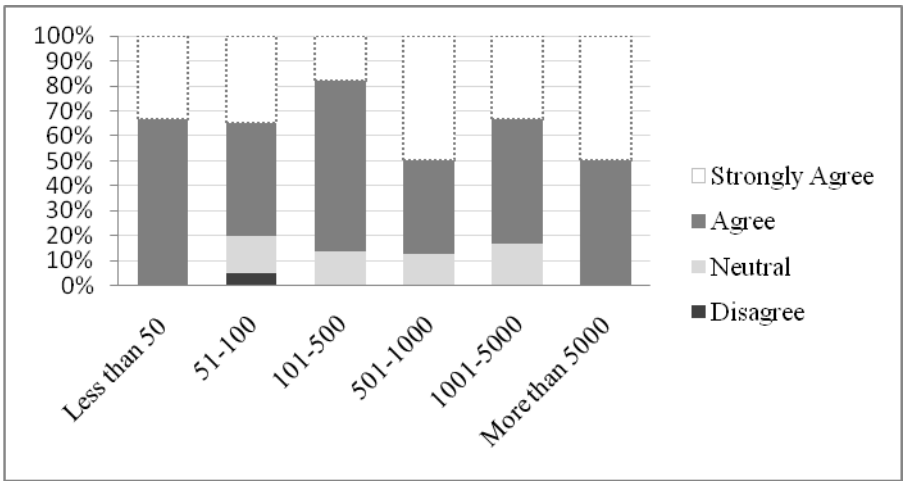

Figure 4.13.25: Size of organisation versus appropriate outsource selection

Determining which area of company should follows outsourcing practice

Figure 4.13.26 illustrates that 100 per cent of small companies with less than 50 employees, large companies with 501-1000 employees, and very large companies with more than 5000 employees nominated ‘agree’ and ‘strongly agree’ responses for ‘determining which area of company should follows outsourcing practice’ as an outsourcing success element.

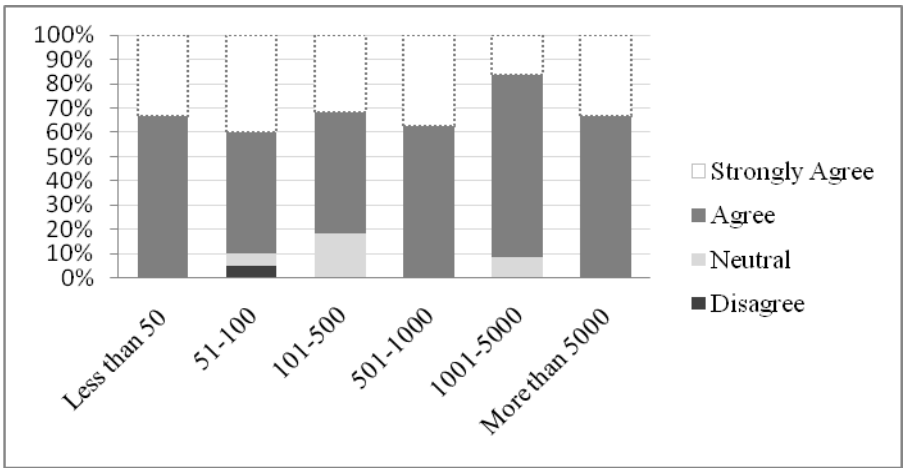

Figure 4.13.26: Size of organisation versus determining which area of company should follows outsourcing practice

On-going Management of Relationships and Communication

Figure 4.13.27 shows that large and very large companies with the range of 1001-5000 most often nominated ‘agree’ and ‘strongly agree’ responses to ‘on-going management of relationships and communication’ as an outsourcing success element. Also, only small companies with less than 50 employees elected ‘disagree’ for ‘on-going management of relationships and communication’.

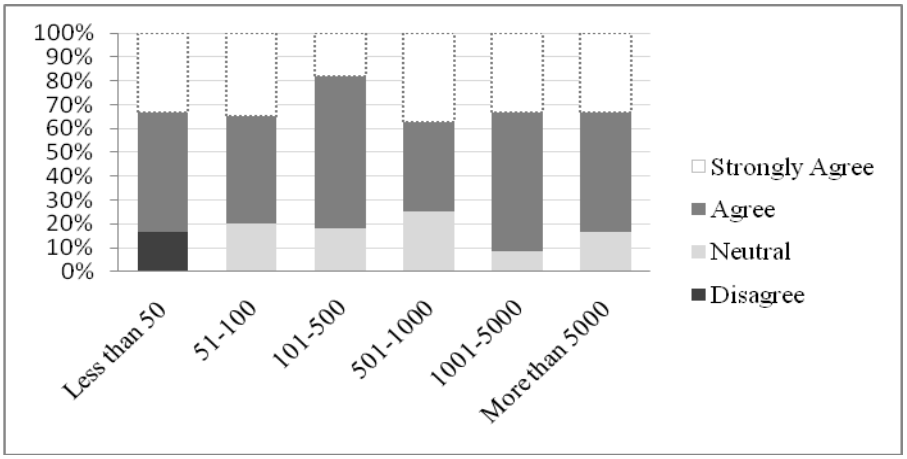

Figure 4.13.27: Size of organisation versus on-going management of the relationships and communication

Properly drawn up contract

Figure 4.13.28 shows that 100 per cent of very large companies with more than 5000 employees elected ‘agree’ and ‘strongly agree’ responses to ‘properly drawn up contract’, followed by large and very large companies with 1001-5000 employees, which had more than 90 per cent positive responses. In addition, a number of medium-sized companies with 51-100 employees, and large and very large companies with 1001-5000 employees nominated ‘disagree’ in this regard.

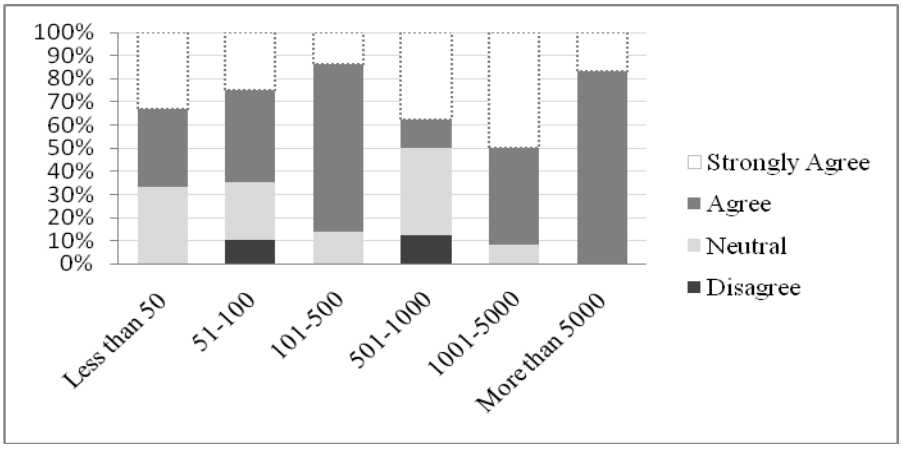

Figure 4.13.28: Size of organisation versus properly drawn up contract

Outsourcer attaining some form of certification

Figure 4.13.29 indicates that medium-sized companies with 51-100 employees had the highest proportion of ‘agree’ and ‘strongly agree’ nominations for ‘outsourcer attaining some form of certification’, followed by small companies with less than 50 employees and large and very large companies with 1001-5000 employees.

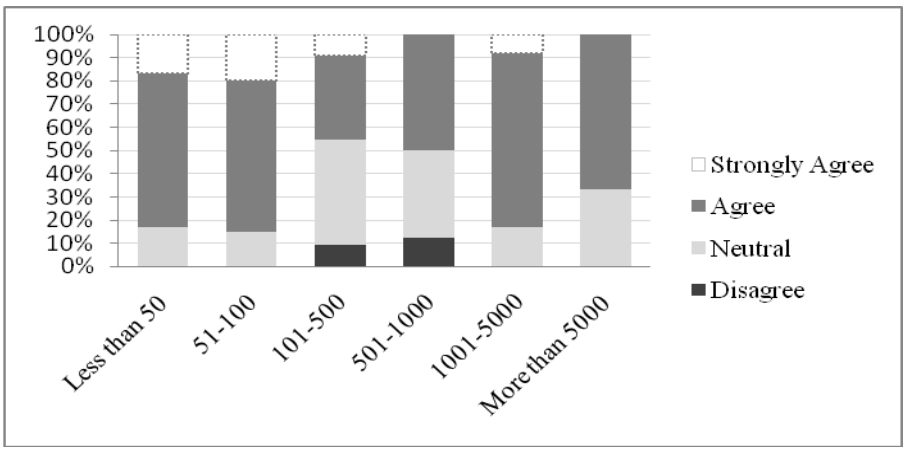

Figure 4.13.29: Size of organisation versus outsourcer attaining some form of certification

Top management's support and involvement

Figure 4.13.30 demonstrates that 100 per cent of large companies with 501-1000, and very large companies with more than 5000 employees nominated 'agree' and 'strongly agree' for 'management's support and involvement' as an outsourcing success element. This universal response was followed by large and very large companies with 1001-5000 employees, with more than 90 per cent affirmative responses.

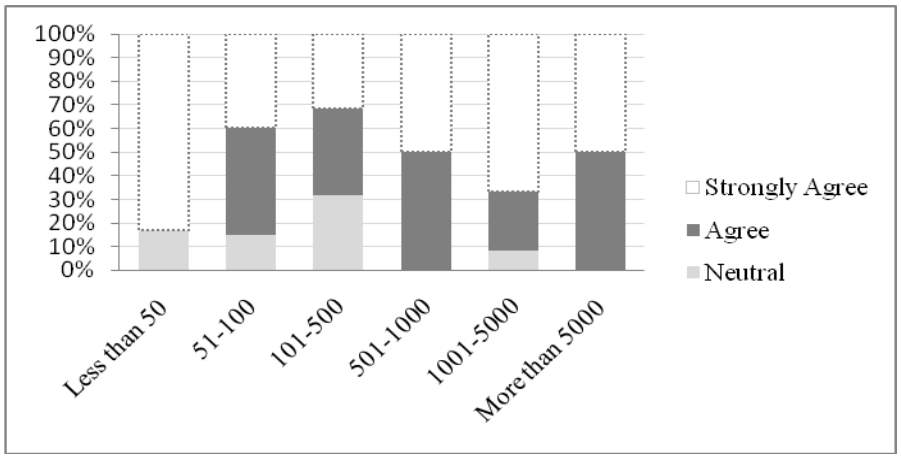

Figure 4.13.30: Size of organisation versus top management's support and involvement

Careful attention to personnel issues and conducting open communication

Figure 4.13.31 indicates that small companies with less than 50 employees and very large companies with more than 5000 employees provided 100 per cent 'agree' and 'strongly agree' responses to 'careful attention to personnel issues and conducting open communication'. In addition, a number of medium-sized companies with 51 to 500 employees elected 'disagree' for this success element.

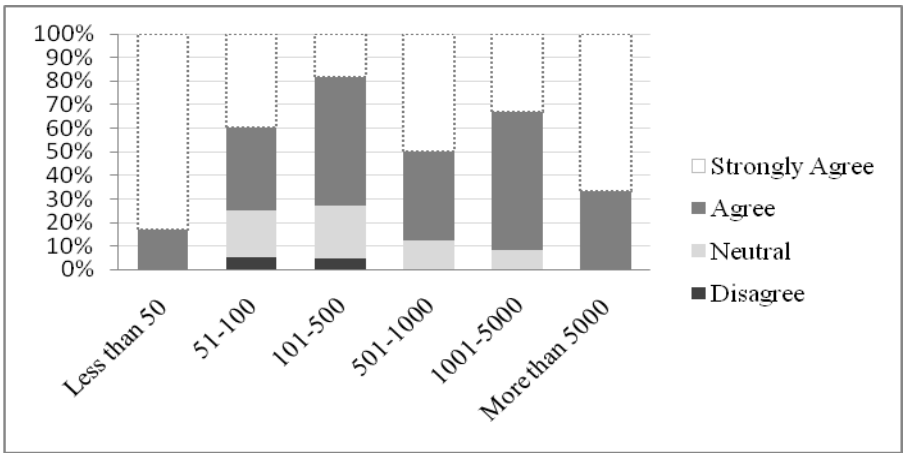

Figure 4.13.31: Size of organisation versus careful attention to personnel issues and conducting open communication

Financial planning and analysis

Figure 4.13.32 shows that 100 per cent of small companies with less than 50 employees agreed or strongly agreed to 'financial planning and analysis', followed by large and very large companies with more than 1001 employees. In addition, small companies with less than 50 employees did not elect 'neutral', 'disagree', or 'strongly disagree' for this success element. In contrast, a number of medium-sized companies with 51-100 nominated 'disagree' in this regard.

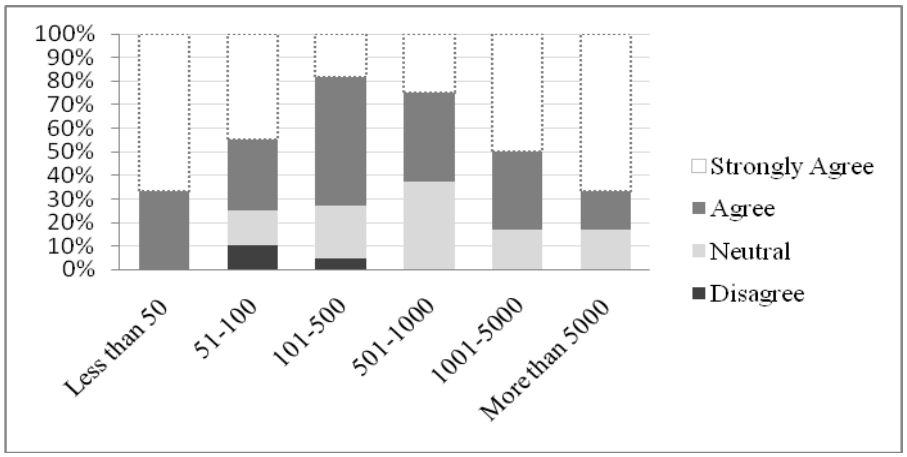

Figure 4.13.32: Size of organisation versus financial planning and analysis

Establishing trust between organisation and outsourcer

Figure 4.13.33 indicates that small companies with less than 50 employees and very large companies with more than 5000 employees 100 per cent agreed or strongly agreed to 'establishing trust between organisation and outsourcer' as an outsourcing success element. On the contrary, a number of large companies with 501-1000 employees nominated disagreement with this success element.

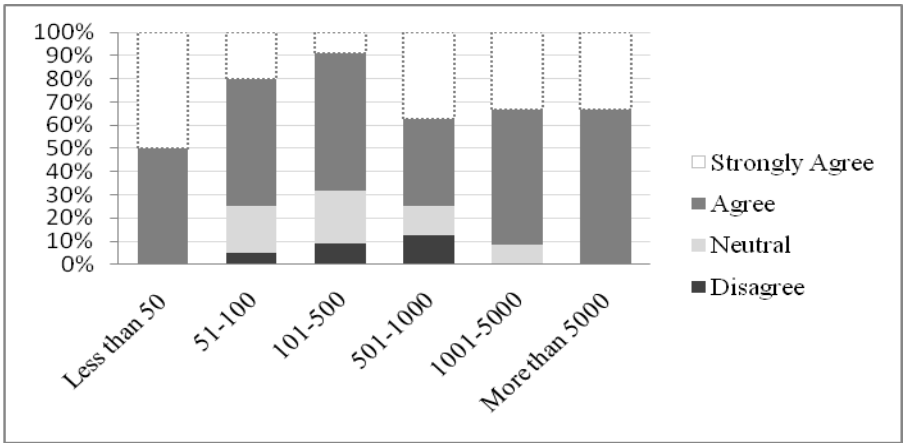

Figure 4.13.33: Size of organisation versus establishing trust between organisation and outsourcer

Criteria drawn up to measure the outsourcer's performance

Figure 4.13.34 shows that 100 per cent of large and very large companies with 1001-5000 employees nominated 'agree' and 'strongly agree' to 'criteria drwan up to measure outsourcer's performance' as an outsourcing success element, followed by large companies with 501-1000 employees. Large and very large companies with 1001-5000 employees never elected 'neutral', 'disagree' or 'strongly disagree' for this success element. It is interesting to note that medium-sized companies with 51-100 and 101-500 employees, gave a high proportion of 'neutral' responses for this success element. Conversely, some large companies provided the highest number percentage of 'disagree' nominations.

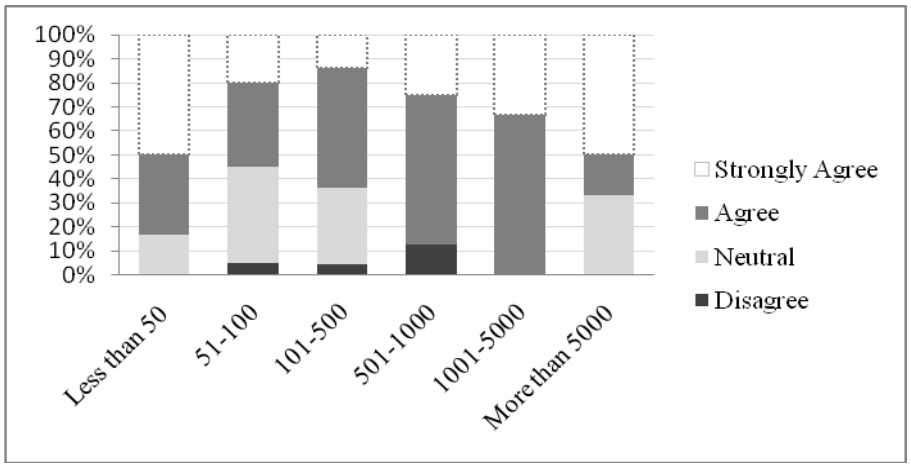

Figure 4.13.34: Size of organisation versus criteria drwan up to measure the outsourcer's performance

4.13.5 Size of organisation versus type of industry

Cross-tabulation analysis was adopted to analyse the connections between the size of the surveyed organisations (expressed as number of employees) and the types of industries. This enabled the identification of the different sizes and industries of Iranian companies that preferred to outsource their business function to a third party with the respect to ICCIM standard.

Report summary

As mentioned earlier, the purpose of this study is to identify the factors affecting outsourcing decisions in Iranian industries. As a result, it is important to identify the relationship between industry type and the size of organisations, in relation to outsourcing. In accordance with this aim, the types of industries were separated

according to the size of the surveyed organisations (expressed as number of employees). Based on the number of employees of the companies, cross-tabulation analysis for each industry was undertaken to examine the links between the size and types of industries surveyed.

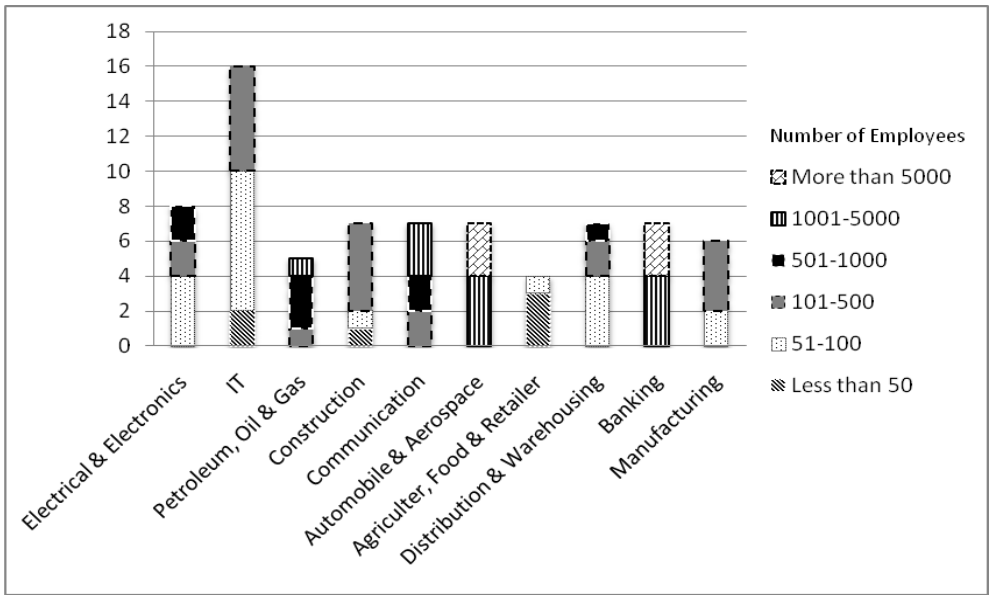

Figure 4.13.35: Size of organisation versus type of industry

Figure 4.13.35 and Table 19 (refer to Appendix C) indicate significantly that respondents from large and very large companies with 1001 employees and above were from the banking, automobile, and aerospace industries. In addition, the above figure indicates that respondents from the agriculture, food, and retail industries were mostly from small companies. Furthermore, it is interesting to note that all respondents from the IT industry were from companies that employed less than 500 people (medium-sized).

4.14 Summary

This chapter focused on the findings of the data analysis. The profiles of the respondents' companies were examined, and each variable's descriptive statistics was utilised. The results of factors analysis were presented. Inferential statistics was carried out as well. The research shows that organisations desire to outsource their business tasks as a functional way to gain wider experience and knowledge, and operational expertise. Although, the research identifies that different industries chose outsourcing

for different reasons. For instance, ‘cost restructuring’ was the most common reason for outsourcing indicated by the automobile and aerospace industries.

Additionally, it was identified that selective outsourcing is the most practiced type of outsourcing in Iranian industries. Conversely, total outsourcing was employed most in the IT industry. Concerning the level of outsourcing, it was identified that strategic outsourcing was the most practiced level in Iranian companies. In some cases, such as in the construction field, tactical outsourcing was the chosen level of outsourcing. It is interesting to note that the IT industry was identified as the most successful industry for outsourcing. In contrast, manufacturing, banking, and distribution and warehousing are facing difficulties with the outsourcing process.

Finally, it was identified that ‘having a strategic vision and plan, and an understanding of the intended use of outsourcing’ was the most important element for Iranian industries to be successful in outsourcing.

CHAPTER 5

DISCUSSION OF RESULTS

5.1 Introduction

This chapter discusses the results of this study based on the findings presented in the previous chapter. The findings of the research are completed based on the analysis in chapter four.

The research questions that were developed to fulfil the aims of this study were outlined in Chapter 1 (Section 1.2). The research questions were designed to address four specific aims, as below:

- To identify the types and levels of outsourcing practiced in Iran
- To identify the key reasons why Iranian organisations have adapted outsourcing
- To identify the key outsourcing success elements for Iranian industries
- To identify diverse relationships between outsourcing decision factors, the size of organisations, and different industries

This chapter addresses the answers to the four research questions.

5.2 Summary of the major findings

This research had examined the various factors involved in outsourcing decisions according to information gathered from respondents representing different Iranian industries. Outsourcing success elements were also analysed. Details of the findings will be presented in the following sections.

5.2.1 Reasons for outsourcing decision

As mentioned in Chapter 1, the principle aim of this study is to identify the factors affecting outsourcing decisions in Iranian industries. In Chapter 2 (Section 2.2.5), reasons for outsourcing have been identified as 14 factors: improvements in quality knowledge; operational expertise; access to wider knowledge and experience; staffing issues; capacity management; contract; reduced time to market; commodification; risk

management; time zone rationalisation; customer pressure; cost savings; cost restructuring and catalysts for change. The relative importance index, RII, was computed for each reason to identify the most significant reasons for outsourcing. The reasons were ranked based on RII values. Based on the results, the rankings of the reasons for outsourcing, as per respondents in Iranian industries, were: (1) wider experience and knowledge; (2) operational expertise; (3) staffing issues: access to a larger talent pool and a sustainable source of skills; (4) cost restructuring; (5) improvements in quality; (6) catalysts for change; (7) cost savings; (8) capacity management; (9) contract; (10) commodification; (11) reduced time to market; (12) risk management; (13) customer pressure; (14) Time zone rationalisation.

One of the specific aims for this study was to identify the key reasons for outsourcing in Iranian industries. The results of the 'RII' analysis indicate that for Iranian companies 'wider experience and knowledge' and 'operational expertise' are the most prominent reasons for outsourcing business functions to a third party.

Industry

To understand the different outsourcing decisions in diverse Iranian industries, the relative importance index, RII, was computed for each reason and these results were divided by industry. This enabled the identification of the most significant outsourcing reasons for each industry. The results show that for the automobile and aerospace industry, 'cost restructuring' is the most significant reason for outsourcing. For the petroleum, oil, and gas industry, 'cost savings' is the key reason. For the construction industry, along with the agriculture, food, and retail industries, 'operational expertise' is the major reason for outsourcing. The RII shows that reasons for outsourcing can vary greatly depending on the industry being considered.

Type of outsourcing

The findings indicate that total outsourcing was the most practiced type of outsourcing in Iran, when the purpose of the outsourcing was 'cost savings', 'cost restructuring', 'provide a legal binding contract', 'operational expertise', 'staffing issues', 'capacity management', or 'catalysts for change'. In Chapter 2 (Section 2.2.6), type of outsourcing is identified as: total outsourcing, selective outsourcing and transitional outsourcing.

According to Kern and Willcocks (2001), Lacity and Willcocks (2001), and Willcocks and Lacity (1998), selective outsourcing is the most common outsourcing type. However the findings from Iranian industries show differences in this regard.

Despite the prominence of total outsourcing, transitional outsourcing was identified as the most common type when the reason for outsourcing was 'commodification', 'risk management', 'time zone rationalisation', or 'customer pressure'. This shows that during a major transition to a new technology, transitional outsourcing is the most practiced outsourcing type. It manages the migration from legacy systems to client applications, as mentioned by Willcocks and Lacity (1998).

In addition, selective outsourcing scored the highest mean value for 'improvements in quality', 'access to wider knowledge and experience', and 'reduced time to market'. The finding that selective outsourcing is the most common practice for these reasons for outsourcing is similar to the findings of Kern and Willcocks (2001), Lacity and Willcocks (2001), and Willcocks and Lacity (1998).

Level of outsourcing

The findings indicate that tactical outsourcing was the most prominent level of outsourcing in Iran, when the purpose of the outsourcing was 'improvements in quality or performance', 'access to wider knowledge and experience', 'providing a legally binding contract', 'operational expertise', 'capacity management', 'catalysts for change', 'reduced time to market', or 'commodification'. In Chapter 2 (Section 2.2.7), the level of outsourcing was identified as 3 different levels; tactical outsourcing, strategic outsourcing and transformational outsourcing.

The reasons companies decided on tactical outsourcing is due to them having experienced a specific problem (Brown and Wilson 2005). Tactical outsourcing is approached as a competition between existing internal operations and outside service providers.

However, transformational outsourcing had the highest mean value, making it the most used outsourcing level, along with 'cost savings' and 'cost restructuring factors'. As mentioned by Brown and Wilson (2005), the purpose of transformational outsourcing is to redefine the businesses. Transformational outsourcing is a method to essentially take movements for the organisation directly from its markets.

In addition, strategic outsourcing was the highest scoring level of outsourcing when 'staffing issues' or 'customer pressure' were given as reasons for outsourcing. Over time, as businesses face development and the goals of company and provider start to move apart, it is time to seek superior value from outsourcing relationships. Managers realise that they could gain more control over all responsible functions, instead of losing control of outsourced function.

Factor analysis for outsourcing reasons

From the statistical analysis, it was found that there are four factors in reasons for outsourcing which are listed below:

- Management and resource support factors: operational expertise, staffing issues, improvements in quality, access to wider knowledge and experience, reduced time to market, and capacity management.
- Operation and convention support factors: provision of a legally binding contract, Time zone rationalisation, risk management, and catalysts for change, customer pressure, and commodification.
- Cost set factors: cost savings, cost restructuring.
- Change factors: catalysts for change.

5.2.2 Success of outsourcing decisions

As stated previously in Chapter 1, the principle aim of this study is to identify the factors affecting outsourcing decision in Iranian industries. In Chapter 2 (Section 2.2.8), success elements have been identified as 14 elements: conducting a needs analysis prior to making the outsourcing decision, clearly defining terms and conditions in the outsourcing contract, having a strategic vision and plan, and an understanding of the intended use of outsourcing, outsourcer understanding the organisation's goals and objectives, appropriate outsource selection procedures, determining which areas of your company you would like to outsource, on-going management of relationships and communication, properly drawn up contracts, outsourcer attains some form of certification such as ISO 9001, SEI, or CMM rating, top management's support and involvement, careful attention to personnel issues and conducting open communication with the affected individual or group, financial planning and analysis, establishing trust

between organisation and outsourcer, criteria drawn up to measure the outsourcer's performance.

Accordingly, the relative importance index, RII, was computed for each success element of outsourcing to identify the most significant success elements. The success elements were ranked based on their RII values. Based on the results, the ranking of success elements of outsourcing, as indicated by data provided by respondents in Iranian industries, were: (1) having a strategic vision and plan, and an understanding of the intended use of outsourcing; (2) conducting needs analysis prior to making the outsourcing decision; (3) the outsourcer understanding the organisation's goals and objectives; (4) clear definition of terms and conditions in the outsourcing contract; (5) determining which areas of your company you would like to outsource; (6) careful attention to personnel issues and conducting open communication with the affected individual or group; (7) appropriate outsource selection procedures; (8) financial planning and analysis; (9) on-going management of relationships and communication; (10) a properly drawn up contract; (11) seeking trust between organisation and outsourcer; (12) merits are drawn up to measure the outsourcer's performance; (13) Outsourcer attains some form of certification such as ISO 9001, SEI, or CMM rating, and (14) top management's support and involvement.

One of the specific aims for this study was to identify the key success elements for Iranian industries in outsourcing. As a result, the 'RII' analysis indicates that for Iranian companies 'having a strategic vision and plan, and an understanding of the intended use of outsourcing' and 'conduct needs analysis prior to making the outsourcing decision' are the key elements for success when outsourcing business function to a third party.

Industry

In order to understand the diverse outsourcing decisions in different Iranian industries, the relative importance index, RII, was computed for each success element and these results were divided by industry. This enabled the identification of the most significant outsourcing success elements for each industry. Based on the results, for the petroleum, oil and gas industry, 'top management's support and involvement' is the most significant element for successful outsourcing. For construction and banking industry, conducting a needs analysis prior to making the outsourcing decision is the most reason

and for communication industry, properly drawn up contact is the majority element for successful outsourcing. In addition, for the agriculture, food, and retail industry, ‘careful attention to personnel issues’ and ‘conducting open communication with the affected individual or group’ was identified as the most important success factor. The RII shows reasons for outsourcing can vary based on each particular industry.

Type of outsourcing

Concerning the types of outsourcing practiced in Iran, the findings indicate that selective outsourcing is the most prominent type when the following success elements were identified by respondents: ‘clearly defining terms and conditions in the outsourcing contract’, ‘properly drawn up contract’, ‘outsourcer attains some form of certification, such as ISO 9001, SEI, CMM’, ‘careful attention to personnel issues and conducting open communication’, and ‘financial planning and analysis’. This shows similarity with the results outlined by Kern and Willcocks (2001), Lacity and Willcocks (2000), and Willcocks and Lacity (1998), where studies found that selective outsourcing is the most common practice.

However, total outsourcing had the highest mean value for ‘conducts needs analysis prior to making outsourcing decision’, ‘having a strategic vision and plan, and an understanding of the intended use of outsourcing’, ‘outsourcer understanding the organisation's goals and objectives’, ‘appropriate outsource selection procedures’, ‘determining which areas of company needs to be outsourced’, ‘on-going management of relationships and communication’, ‘establishing trust between organisation and outsourcer’, and ‘criteria drawn up to measure the outsourcer's performance’. According to Kern and Willcocks (2001), Lacity and Willcocks (2001), and Willcocks and Lacity (1998), selective outsourcing is the most common practice. However, these findings from Iranian industries indicate differences in this regard. This shows that outsourcers try to understand their companies’ goals and objectives, and also the business functions that companies require outsourcing (Barnatt, 1996; Kern and Willcocks, 2001).

In addition, transitional outsourcing scored the highest mean value for ‘top management's support and involvement’. This shows that during a major transition to a new technology, transitional outsourcing is the most practiced outsourcing type. It

allows the management of migrations from legacy systems to client applications, as mentioned by Willcocks and Lacity (1998).

Level of outsourcing

An examination on the levels of outsourcing, with the aim of identifying common practice in Iranian industries, shows that strategic outsourcing had the highest mean value for ‘conducts needs analysis prior to making outsourcing decision’, ‘clearly defining terms and conditions in the outsourcing contract’, ‘having a strategic vision and plan, and an understanding of the intended use of outsourcing’, ‘outsourcer understanding the organisation's goals and objectives’, ‘determining which areas of company needs to be outsourced’ and ‘careful attention to personnel issues and conducting open communication’. This result is consistent with Brown and Wilson’s (2005) arguments, where they found that when businesses sought greater value from outsourcing relationships, the goals of these relationships changed.

However, the highest mean value for ‘on-going management of relationships and communication’, ‘properly drawn up contract’, ‘outsourcer attains some form of certification, such as ISO 9001, SEI, CMM’, ‘top management's support and involvement’, ‘financial planning and analysis’, ‘establishing trust between organisation’ and ‘outsourcer and criteria drawn up to measure the outsourcer's performance’ was tactical outsourcing. As found by Brown and Wilson (2005), ‘trust, commitment, and measurement’, ‘top management support’, and ‘personnel issues’ are associated with tactical outsourcing. So, businesses chose this level of outsourcing because of specific problems being experienced by the company.

Additionally, transformational outsourcing scored the highest mean value for ‘appropriate outsource selection procedures’. As mentioned by Brown and Wilson (2005), the purpose of transformational outsourcing is to redefine a business. Transformational outsourcing is a method to plan movements for the organisation from information gathered from its markets.

Factor analysis for outsourcing success elements

From the factor analysis, it was found that there are four factors within successful elements of outsourcing, which are listed below:

- Clear designation of strategy and convention condition: clearly defining terms and conditions in the outsourcing contract, conducts needs analysis prior to making outsourcing decision, and having a strategic vision and plan, and an understanding of the intended use of outsourcing.
- Trust commitment and measurement: criteria drawn up to measure the outsourcer's performance, establishing trust between organisation and outsourcer, properly drawn up contract, appropriate outsourcing selection procedures, and on-going management of relationships and communication.
- Top management support and personnel issues: top management's support and involvement, financial planning and analysis, careful attention to personnel issues, and conducting open communication.
- Merits of the outsourcer: outsourcer attains some form of certification, such as ISO 9001, SEI, or CMM, determining which area of company would like to outsource, and the outsourcer understanding the organisation's goals and objectives.

5.2.3 Reasons for outsourcing versus outsourcing success elements

This study identified a significant relationship between the ‘management and resource support’ and ‘operation and convention support’ factors, and also between the ‘operation and convention support’ and ‘change’ factors. The relationship between ‘management and resource support’ factors and ‘operation and convention support’ factors demonstrates that companies with wider skill and knowledge can reduce customer pressure, and reduce time to market. This can be shown by high customer satisfaction, while operational expertise in a company enables them to access best practice that would be too difficult or time consuming to develop in-house, and to improve quality and access to services.

Moreover, it is interesting to note that there is very significant relationship between all the variables in outsourcing success elements. This demonstrate that all these elements are related to each other and that by applying these four variables, companies can be successful in outsourcing their business functions, and the performance of the outsourcer will be increased as well.

In addition, it is interesting to note that all of the variables in reasons for outsourcing are associated with outsourcing success elements. It is shown that there is a very strong

relationship between ‘management and resource support’ and ‘merits of the outsourcer’. Moreover, there is a very strong relationship between ‘trust commitment and measurement’ and two reasons: ‘operation and convention supports’ and ‘change factors’. Determining which area of company should be outsourced and the outsourcer understanding of the organisation’s goals and objectives can be considered a key goal for companies. The results present an association between the ‘designation of strategy and convention conditions’, ‘operation and convention support’, and ‘cost set factors’.

Lastly, the data revealed that an integrated relationship between ‘trust commitment and measurement’, ‘operation and convention support’, and ‘change factor’, relied on the information provided by each organisation in a very significant way. The more accurate this information, the more they can trust each other. On the other hand, a ‘legal contract’ ratified by the two parties helps them to establish mutual trust. Also, by getting support from top management in a transformative process, while paying careful attention to personnel issues, financial planning, and analysis, companies can outsource business processes within conditions for success.

5.2.4 Size of organisation

Cross-tabulation analysis with a scale range of 1 (disagree), 2 (neutral), and 3 (agree) was performed between the size of each organisation (with the respect to definitions provided by the Iran Chamber of Commerce, Industry, and Mines) and the various types and levels of outsourcing. This analysis was conducted in order to identify the types and levels of outsourcing that different sizes of Iranian companies preferred to implement. The results indicate that companies of different sizes (expressed as its number of employees – Article 5, Criteria b) have different approaches to outsourcing in terms of reasons, types, levels, and success elements. These results are detailed below.

Industry

In order to understand the diverse outsourcing decisions in different Iranian industries, cross-tabulation analysis was adopted for the different sizes of organisations, and these results were divided by industry. This enabled the identification of differences within each size of organisation and different industries. The results illustrate that respondents from large and very large companies with 1001 employees and above were from the

banking, automobile, and aerospace industries. In addition, the results indicate that respondents from agriculture, food, and retail industries were mostly from small and medium-sized organisations. Furthermore, it is interesting to note that all respondents from the IT industry were from firms that employed less than 500 people.

Type of outsourcing

Concerning the identification of common practice for types of outsourcing in Iranian industries, the findings indicate that medium and small companies with less than 500 employees used selective outsourcing more than large companies. On the other hand, medium and small companies with less than 500 employees employed total outsourcing at a much lower rate than large and very large companies. Furthermore, performing transitional outsourcing was most prominent amongst medium-sized companies with 101-500 employees. Also, small companies indicated that they never adopted transitional outsourcing.

Level of outsourcing

In terms of the levels of outsourcing presently exercised by Iranian industries, the results show that tactical outsourcing is more popular in medium-sized companies with 101-500 employees. However, strategic outsourcing is the most popular level , but it is more often preferred by medium-sized companies with 51-100 employees. On the other hand, transformational outsourcing was popular in several very large companies with 1001-5000 employees, and quite a few medium-sized companies with 51-500 employees.

Reasons for outsourcing

Regarding the identification of the key reasons for outsourcing, the results show that ‘cost restructuring’ and ‘catalysts for change’ are the most prominent reasons amongst very large companies with more than 5000 employees. ‘Cost savings’, ‘improvements in quality’, and ‘time-zone rationalisation’ were selected as reasons for outsourcing more often by large and very large companies with 1001-5000 employees. For several large size companies with 501-1000 employees, ‘access to wider knowledge and experience’, ‘staffing issues’, ‘capacity management’, ‘reduced time to market’, and ‘allows access to a wide range of business services’ are the most prominent outsourcing reasons. ‘Risk management’ and ‘reduced customer pressure’ were indicated as reasons

for outsourcing by several medium-sized companies with 101-500 employees. And lastly, ‘operational expertise’ and ‘access to a legally binding contract’ were most often selected as reasons for outsourcing by small companies with less than 50 employees. However, ‘reduced customer pressure’ was also indicated by several large and very large companies with 501-100 and more than 5000 employees.

Success elements

Regarding the classification of the key outsourcing success elements within Iranian industries, the findings indicate that ‘clearly defining terms and conditions in the outsourcing contract’, ‘having a strategic vision and plan, and an understanding of the intended use of outsourcing’, and ‘properly drawn up contract’ were the most regularly identified success elements for outsourcing in very large companies with more than 5000 employees. In addition, ‘conduct needs analysis prior to making the outsourcing decision’, ‘outsourcer understanding the organisation’s goals and objectives’, ‘appropriate outsource selecting procedures’, ‘determining which area of company should follows outsourcing practice’, ‘careful attention to personnel issues and conducting open communication’, and lastly, ‘establishing trust between organisation and outsourcer’ were the most often cited success elements for small companies with less than 50 employees and very large companies with more than 5000 employees.

Furthermore, for large and very large companies with 1001-5000 employees, ‘on-going management of the relationship and communication’ and ‘criteria drawn up to measure the outsourcer's performance’ were more often indicated as success elements compared with companies of other sizes. ‘Management’s support and involvement’ was identified as a success element most often by large and very large companies with 501-1000, or more than 5000, employees.

Lastly, medium-sized companies with 51-100 employees selected ‘outsourcer attains some form of certification, such as ISO 9001, SEI, CMM’ most often, and small companies most regularly identify ‘financial planning and analysis’ as the key outsourcing success element.

5.2.5 Types of outsourcing decision

Concerning the principle aim of this study, the relative importance index, RII, was computed for each type of outsourcing to identify the most practiced type of outsourcing. The outsourcing types were ranked based on their RII values. According to the results, the rankings of the types of outsourcing, as perceived by respondents in Iranian industries, were: (1) selective outsourcing; (2) transition outsourcing; and lastly (3) total outsourcing.

One of the specific aims for this study was to identify the types of outsourcing practiced Iran. The results of the RII analysis indicate that for Iranian companies, selective outsourcing is the most performed type of outsourcing.

Industry

In order to understand the diverse outsourcing decisions in different Iranian industries, cross-tabulation analysis with a scale range from 1(disagree), 2(neutral), and 3 (agree) was computed for each type of outsourcing. These results were divided by industry, which enabled the identification of the most significant outsourcing types for each industry. The results show that all industries significantly practiced selective outsourcing. It is interesting to note that only the construction industry chose both selective and transition outsourcing.

5.2.6 Levels of outsourcing decision

Regarding the principle aim of this study, the relative importance index, RII, was computed for each level of outsourcing to identify the most significant outsourcing levels. The results show that the rankings of the levels of outsourcing, as perceived by respondents in Iranian industries, were: (1) strategic outsourcing; (2) tactical outsourcing; and lastly (3) transformational outsourcing.

As a result, the RII analysis indicates that for Iranian companies strategic outsourcing was the most practiced level of outsourcing.

Industry

In order to identify the different outsourcing decisions in various Iranian industries, cross-tabulation analysis with a scale range from 1(disagree), 2(neutral), and 3 (agree)

was computed for each level of outsourcing. These results were divided by industry, which enabled the identification of the most practiced levels of outsourcing for each industry. The results indicate that strategic outsourcing is the chosen level of outsourcing in most industries. It is also interesting to note that the communication, agriculture, food, and retail industries were the industries that practiced transformational outsourcing most often. The result shows that based on the type of industry, the implemented levels of outsourcing can vary.

5.3 Summary

This chapter discussed the factors affecting outsourcing decisions in Iranian industries and indicated the diversity of outsourcing decisions in these industries. It is interesting to note the strong relationships between all outsourcing factors, including reasons for outsourcing, types and levels of outsourcing, and success elements in outsourcing, and the different sizes and types of Iranian industries. This investigation into Iranian industry indicates that the most significant reason for outsourcing is to access a wider-range of experience and knowledge. It shows that having a strategic vision and plan, and an understanding of the usefulness of outsourcing, is the most significant factor that may influence the success of outsourcing. Research in the future should also attempt to integrate research on the effects of economics and culture on the success of outsourcing. The conclusions and limitations of this study are detailed in the next chapter.

CHAPTER 6

CONCLUSIONS AND LIMITATIONS

6.1 Introduction

This chapter discusses the conclusions and limitations of this study as well as suggestions for future research based on the results presented in the previous chapter. The conclusions of the research were based on the analysis in chapter four and the findings in chapter five.

6.2 Conclusions of the study

The main purpose of this study was to investigate what outsourcing strategies were adopted by small, medium, and large businesses when outsourcing decisions were made, such as reasons for outsourcing, types and levels of outsourcing, and outsourcing success elements in differently sized organisation and in different industries.

Until this study, the majority of outsourcing research has been conducted in more developed countries (e.g., Beaumont and Sohal 2004; Koh Ser Mui 2003) and few studies have been undertaken in Iran. Outsourcing has been studied in many environments with different social and economical factors. In different economical surroundings, the importance of the various reasons for outsourcing and factors that lead to outsourcing success, vary. As such, the importance of ranking these elements comes from the sociological and economical factors in Iranian industries. This study extends the earlier research to consider factors affecting outsourcing decisions in different social and economical environments.

The economy of Iran is growing rapidly, and privatisation and outsourcing are in the early phases. The primary aim of this research was to identify factors affecting outsourcing decisions in Iranian industries. Even though this was an exploratory research project, it presents a significant contribution to knowledge for Iranian companies seeking to outsource their business functions. A quantitative approach was taken, which involved a questionnaire survey, and the data in this study was drawn from seventy four companies and eleven different industries.

From literature in Chapter 2 outsourcing factors identified as below:

- Reasons for outsourcing have been identified as 14 factors: improvements in quality knowledge; operational expertise; access to wider knowledge and experience; staffing issues; capacity management; contract; reduced time to market; commodification; risk management; time zone rationalisation; customer pressure; cost savings; cost restructuring and catalysts for change.

- Level of outsourcing identified as 3 different level; tactical outsourcing, strategic outsourcing, and transformational outsourcing.

- Type of outsourcing identified as 3 different type; total outsourcing, selective outsourcing and transitional outsourcing.

- Success elements have been identified as 14 elements: conducting a needs analysis prior to making the outsourcing decision, clearly defining terms and conditions in the outsourcing contract, having a strategic vision and plan, and an understanding of the intended use of outsourcing, outsourcer understanding the organisation's goals and objectives, appropriate outsource selection procedures, determining which areas of your company you would like to outsource, on-going management of relationships and communication, properly drawn up contracts, outsourcer attains some form of certification such as ISO 9001, SEI, or CMM rating, top management's support and involvement, careful attention to personnel issues and conducting open communication with the affected individual or group, financial planning and analysis, establishing trust between organisation and outsourcer, criteria drawn up to measure the outsourcer's performance.

- Size of organisation has been identified as Small, Medium, Large, and Very Large with regard to ICCIM.

- Three types of organisation are identified as; Primary, Secondary and Tertiary Industries. Primary industry involves extracting raw material from the Earth. Examples include agriculture, petroleum, oil, and gas. Secondary industry involves the conversion of extracted raw material into finished goods. Examples include electrical and electrics, construction, automobile and aerospace, and food. Tertiary

industry involves the public sector. Examples include IT, communications, healthcare, retail, distribution and warehousing, and banking. This sector plays a major role in the economy of every nation.

The research shows that organisations desired to outsource their business task as a functional way to gain access to wider experience, knowledge, and organisational expertise. This concurs with findings of Beaumont & Sohal (2004, pp. 696). Although, the research identifies that different industries desire outsourcing in order to accomplish different goals. For instance, cost restructuring is the most common reason of outsourcing for automobile and aerospace industries.

In addition, this research found that outsourcing decisions regarding reasons for outsourcing, and types and levels of outsourcing, vary for different Iranian industries. For instance, medium-sized organisations with 1001 to 5000 employees mostly chose selective outsourcing as their type of outsourcing, tactical and strategic outsourcing for the level of outsourcing, 'access to wider knowledge and experience' as their most common reason for outsourcing, and 'having a strategic vision and plan, and an understanding of the intended use of outsourcing' as a most important element for successful outsourcing.

There is a significant amount to learn from this exploratory research into outsourcing factors and practices in Iranian industries. Therefore, the insights discovered through this study responded to the research questions that developed earlier in Chapter 1.

Question 1: Which types and levels of outsourcing are the most prevalent in Iran?

- Selective outsourcing is the most practiced type of outsourcing in Iranian industries. Selective and transition outsourcing are most often considered by the construction industry.

- The study identified that Iranian companies mainly practice strategic outsourcing. In some cases, such as in communication and agriculture, and the food and retail industry, the preferred level of outsourcing is transformational outsourcing.

Question 2: How are the reasons for adopting outsourcing by Iranian industries ranked? Which of these reasons are most common in Iran?

- The study found that organisations often choose to outsource their business processes to harness wider experience and knowledge, and operational expertise.

Question 3: What are the key success elements for outsourcing by Iranian industries? Which outsourcing elements are the most prevalent among Iranian industries?

- This study identified that success in outsourcing requires 'having a strategic vision and plan, and an understanding of the intended use of outsourcing'. These are the most important elements for Iranian industries to consider when making outsourcing decisions.

- It is interesting to note that the IT industry was identified as the most successful at outsourcing. In contrast, the manufacturing, banking, and distribution and warehousing industries face difficulties with outsourcing processes.

Question 4: What are the relationships between outsourcing decision factors, the size of organisations, and different industries?

- This research shows that different industries choose different pathways and decisions for outsourcing their business functions. For instance, cost savings is the most common reason for outsourcing in the petroleum, oil and gas industry. The top outsourcing success element for this industry was identified as the involvement and support of top management.

- The research verified all factors are related to each other. It is interesting to note the following significant relationship ($p<0.05$) between factors:

    - 'Transitional outsourcing' with 'reduce time to market', 'commodification' and 'risk management'.
    - 'Total outsourcing' with 'cost saving' and 'cost restructuring'.
    - 'Tactical outsourcing' with 'risk management'.
    - 'Transformational outsourcing' with 'cost saving'.

- ‘Selective outsourcing’ with ‘clearly defining terms and conditions in the outsourcing contract’ and ‘properly drawn up contracts’ ($p<0.01$). ‘Selective outsourcing’ with ‘top management’s support and involvement’,’ careful attention to personnel issues and conducting open communication with the affected individual or group’ and ‘establishing trust between organisation and outsourcer’.
- ‘Total outsourcing’ and ‘top management’s support and involvement’ clearly shows the importance of this success element for being successful in outsourcing.
- ‘Strategic outsourcing’ with two success elements, ‘having a strategic vision and plan and understanding the intended use of outsourcing’ and ‘top management’s support and involvement’.
- ‘Management and resource support’ factors and ‘operation and convention support’ factors ($p<0.01$), ‘operation and convention support’ ($p<0.05$), and ‘merits of the outsourcer’ ($p<0.01$).
- ‘Operation and convention support’ factors and ‘change’ factors ($p<0.01$).
- ‘Operation and convention support’ factors and ‘management and resource support’.
- ‘Trust commitment and measurement’ and ‘top management support and personnel issues’ ($p<0.01$), and also ‘merits of the outsourcer’ ($p<0.01$).
- ‘Management and resource support’ and ‘merits of the outsourcer’ ($p<0.01$).
- ‘Merits of the outsourcer’ and ‘change factors’ ($p<0.05$).
- ‘Designation of strategy and convention conditions’ with ‘operation and convention support’ ($p<0.05$) and ‘cost set factors’ ($p<0.05$).

In general, outsourcing in Iran is in the early phases and the survey results revealed that outsourcing has not been viewed optimistically by several industries at this stage. The lessons learned from this research were merged and offered in a structure that confidently assists Iranian industries who are enthusiastically moving towards outsourcing. It is important for Iranian companies to understand that different outsourcing advances may result in diverse benefits and risks, as well as management methods and barriers.

6.3 Limitations of the study

The results of this research were drawn from a literature review and a questionnaire. Also, unlike most outsourcing research, which has been conducted in more developed countries, this study was conducted in an Iranian context. Since the effects of outsourcing for the many different Iranian industries are diverse, the survey sample is slightly small (with high response rate – 74 per cent) in relation to the total residents of Iran. The 74 per cent response rate for this study is higher than Birk et al. (2007) with 35 per cent respondents in IT outsourcing within Malaysia. It is presumed the high rate was achieved due to personal delivery of the questionnaire.

As such, further research should be performed to investigate the practice of outsourcing in Iranian industries. The study mainly focused on companies in the area of Tehran – Iran, despite the results being effective for generalisations. The lack of cooperation from respondents is another factor that impeded the process of data collection. This is probably due to the respondents' viewing the study as holding no benefit for them and the government new law. On 10 March 2011, Iranian students studying abroad were barred to perform any research topic related to or about Iran with the exception of Iran government sponsored students (Eurasia Review, 2011). The new government law was raised in the middle of the researcher data collection process and stopped the researcher to gather more data.

In addition, only some of the companies in Iran have outsourced their business activities. Thus, it is not possible to fully measure the reasons for outsourcing and success elements in outsourcing and this may have affected the findings.

Despite obstacles encountered throughout the investigation, the information and knowledge gathered from the primary data and academic literature resulted in the researcher being able to present and analyse the findings with reference to the objectives of the research plan. In addition, this study has answered proposed research questions, regardless of the above limitations. The general aim of this study was to identify the factors affecting outsourcing decisions for Iranian industries.

6.4 Suggestions for future research

While this research provides greater understanding of factors affecting outsourcing decisions in Iranian industries, further research is encouraged. In brief, this section presents prospective research topics that should be considered to advance studies of affecting factors for outsourcing in Iranian industries.

This research approach is highly transferrable and could be replicated for multiple countries with different cultures, perceptions, type of companies to enable a comparison between such countries.

Moreover, this research could be integrated with studies of the risks of outsourcing, reasons not to outsource, outsourcing development in Iran, business process outsourcing (BPO), economical effects on outsourcing decisions and success in outsourcing, cultural effects on outsourcing decisions and success in outsourcing, as well as consequence of sanctions on outsourcing decision making. Through connecting these concepts, this study may be capable of presenting additional information in the field of outsourcing.

6.5 Summary

In this final chapter of the study, the limitations of the study and suggestions for future research were given. It elaborated some difficulties experienced during the collection of data, such as a lack of cooperation from companies, and a very short list of companies already involved in outsourcing due to their lack of knowledge. Also, this chapter listed several possible avenues for future research, such as further investigation with a wider scale, and exploring further into the risks of outsourcing, outsourcing development, and BPO in Iran. In brief, this study concluded that successful outsourcing is always dependent on business cases, and organisations should not undertake the outsourcing of their business functions without fully understanding outsourcing concepts and its consequences.

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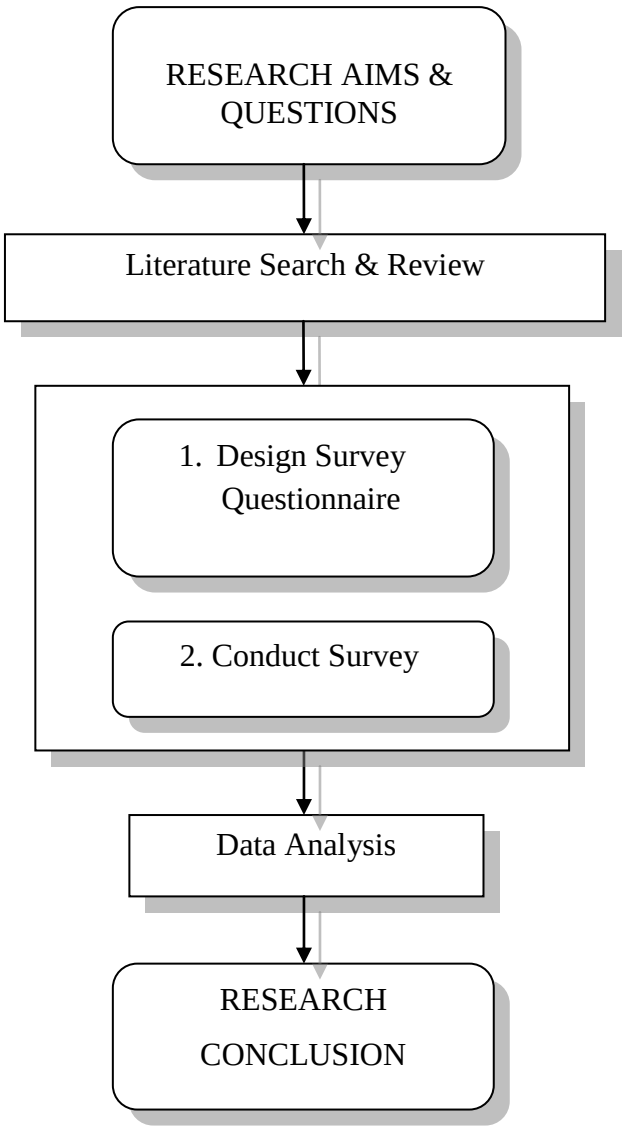
APPENDICES

LIST OF APPENDICIES

APPENDIX A: RESEARCH DESIGN

The model used for the research design of this study is shown in figure below:



APPENDIX B: QUESTIONNAIRE

INFORMATION TO PARTICIPANTS INVOLVED IN RESEARCH

You are invited to participate

You are invited to participate in a research project entitled Factor affecting Outsourcing Decisions in Iran. This project is being conducted by a student researcher Mohammadreza Akbari as part of a Doctor of Business Administration at Victoria University under the supervision of Dr. Nick Billington from Management Information System Centre

Project explanation

Outsourcing has been previously studied in many environments which have different social and economical factors. In different economical surroundings, the importance of reasons for outsourcing and success factors vary. The economics of Iran are growing rapidly by examine the relation between export and higher education development linkage to economic growth. Outsourcing and privatisation in Iran are at the early phase. Since, few studies have been conducted in an Iranian context, this presents the contribution of this research on the subject, and Iran is an interesting case due to important and valuable of end result in this regard. Therefore, the present research will identify the different types and levels of outsourcing, and also reasons and success elements for outsourcing in Iran within different industries.

What will I be asked to do?

Participants will be requested to fill in the questionnaire and it will only take 15 minutes.

What will I gain from participating?

Participating in this research will assist future Iranian practitioners who are looking to outsource their business segments in Iran. In particular, Iranian organisations (small, medium and large) can reduce their overhead cost, provide better customer service quality, and obtain a better satisfaction rating from customers, by outsourcing.

How will the information I give be used?

The survey data will be analysed by using the Predictive Analytics Soft-Ware (PASW) Statistics 18 (previously known as Statistical Package for the Social Science). Data collected will be kept confidential and responses will be aggregated in the thesis and any subsequent academic publications.

What are the potential risks of participating in this project?

There are no potential risks of participating in this project

How will this project be conducted?

This study will use the survey research method and self-administered questionnaires as they are one of the most frequently used methods for collecting data in research studies. The researcher will then give you the survey with a stamped addressed envelope and request you to fill in the questionnaire and return it back to him. You have the opportunity to raise any questions and you can withdraw from this study at any time and this withdrawal will not jeopardise you in any way.

Who is conducting the study?

Mr. Mohammadreza Akbari – Ph: (+98) 9121156360 or (+61) 416775007
Dr. Nick Billington – Ph (+61) (3) 99191076 or (+61) 419582203

Any queries about your participation in this project may be directed to the Principal Researcher listed above.

If you have any queries or complaints about the way you have been treated, you may contact the Ethics and Biosafety Coordinator, Victoria University Human Research Ethics Committee, Victoria University, PO Box 14428, Melbourne, VIC, 8001 phone (+61) (3) 9919 4148.

Outsourcing Survey

Part 1: Screening questions

Please **tick (√)** for your answer.

1. Does your organisation outsource any business function?
   (1) Yes
   (2) No

2. Will your organisation outsource any / other business function in the future?
   (1) Yes
   (2) No

3. Type of organisation:

(1) Electrical and Electronics
(2) IT
(3) Petroleum, Oil and Gas
(4) Construction
(5) Communication
(6) Healthcare
(7) Automobile & Aerospace
(8) Agriculture, food and retail
(9) Distribution and warehousing
(10) Banking
(11) Manufacturing
(12) Other Services: _____

Part 2: Type and Level of outsourcing

Please **Circle** your chosen answer using the following scale:

(1) Disagree (2) Neutral (4) Agree

Based on your experience(s) / expert judgment, what type and level of outsourcing is currently the most common practice for your company?

1.	We currently outsourced only a subset of activities	*1*	*2*	*3*
2.	We see outsourcing as a temporary activity	*1*	*2*	*3*
3.	We outsourced possible business function across organisation which represents more than 80% of company business	*1*	*2*	*3*
4.	We choose *Tactical Outsourcing* **(**specific problems being experienced by firm)	*1*	*2*	*3*
5.	We choose *Strategic Outsourcing* (a redirection of the organisation's resources toward its highest value-creating activities its core competencies)	*1*	*2*	*3*
6.	We choose *Transformational Outsourcing* (purpose of redefining the business or a way to fundamentally reposition the organisation in its markets)	*1*	*2*	*3*

Part 3: Measurement of Reasons for Outsourcing and Success in Outsourcing

Please **Circle** your chosen answer in section (a) and (c).

a) Based on your experience(s) / expert judgment, assess the reasons why the company outsources in comparison to similar in-house efforts using the following scale:

(1) Strongly Disagree (2) Disagree (3) Neutral (4) Agree (5) Strongly Agree

1. Cost savings	*1*	*2*	*3*	*4*	*5*
2. Cost restructuring	*1*	*2*	*3*	*4*	*5*
3. Improvements in quality	*1*	*2*	*3*	*4*	*5*
4. Wider experience and knowledge	*1*	*2*	*3*	*4*	*5*
5. Contract - Provision of a legally binding contract	*1*	*2*	*3*	*4*	*5*
6. Operational expertise	*1*	*2*	*3*	*4*	*5*
7. Staffing Issues - access to a larger talent pool and a sustainable source of skills	*1*	*2*	*3*	*4*	*5*
8. Capacity management improvement	*1*	*2*	*3*	*4*	*5*
9. Catalysts for change	*1*	*2*	*3*	*4*	*5*
10. Reduced time to market	*1*	*2*	*3*	*4*	*5*
11. Commodification - Allowing a wide range of businesses access to services	*1*	*2*	*3*	*4*	*5*
12. Risk management improvement	*1*	*2*	*3*	*4*	*5*
13. Time zone rationalisation	*1*	*2*	*3*	*4*	*5*
14. Reduced customer pressure	*1*	*2*	*3*	*4*	*5*

b) Based on your experience(s) / expert judgment, your organisation is successful in outsourcing. (Please **tick (√)** for your answer)

(1) Agree
(2) Neutral
(3) Disagree

c) Based on your experience(s) / expert judgment, assess the important factor in success of outsourcing using the following scale:

(1) Strongly Disagree (2) Disagree (3) Neutral (4) Agree (5) Strongly Agree

1. Conducting a needs analysis prior to making the outsourcing decision	*1*	*2*	*3*	*4*	*5*
2. Clearly defining terms and conditions in the outsourcing contract	*1*	*2*	*3*	*4*	*5*
3. Having a strategic vision and plan, and an understanding of the intended use of outsourcing	*1*	*2*	*3*	*4*	*5*
4. Outsourcer understanding the organisation's goals and objectives	*1*	*2*	*3*	*4*	*5*
5. Appropriate outsource selection procedures	*1*	*2*	*3*	*4*	*5*
6. Determining which areas of your company you would like to outsource	*1*	*2*	*3*	*4*	*5*
7. On-going management of relationships and communication	*1*	*2*	*3*	*4*	*5*
8. Properly drawn up contact	*1*	*2*	*3*	*4*	*5*
9. Outsourcer attains some form of certification such as ISO 9001, SEI, CMM rating	*1*	*2*	*3*	*4*	*5*
10. Top management's support and involvement	*1*	*2*	*3*	*4*	*5*
11. Careful attention to personnel issues and conducting open communication with the affected individuals/groups	*1*	*2*	*3*	*4*	*5*
12. Financial planning and analysis	*1*	*2*	*3*	*4*	*5*
13. Establishing trust between organisation and outsourcer	*1*	*2*	*3*	*4*	*5*
14. Criteria drawn up to measure the outsourcer's performance	*1*	*2*	*3*	*4*	*5*

Part 4: Company Information

Please **tick (√)** for your answer.

1. Number of employees in the organisation
   - (1) Less than 50
   - (2) Between 51 to 100
   - (3) Between 101 to 500
   - (4) Between 501 to 1,000
   - (5) Between 1,001 to 5,000
   - (6) More than 5,000

2. Scope of the whole organisation
   (1) Local
   (2) National
   (3) International

Part 5: Demographic

1. How long in current organisation:
   (1) 1-3 years
   (2) 4-6 years
   (3) 7-9 years
   (4) More than 9 years

2. Which of the following best describes the department you work under?
   (1) Management
   (2) Business and policy Planning
   (3) Finance
   (4) IT / Communication
   (5) Human Resource
   (6) Sales and Marketing
   (7) Learning and Training
   (8) Others: _____

3. Which of the following best describe the role you play in your organisation?
   (1) Directors, CEO, Middle or Senior Management
   (2) IT/IS Managers
   (3) IT/IS Analysts
   (4) Business Group Managers
   (5) Business Group Analysts
   (6) Others (please specify) _____

Thank you for your time.

APPENDIX C: SPSS OUTPUT

Table 1: In Current Organisation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 - 3 years	43	58.1	58.1	58.1
	4 - 6 years	21	28.4	28.4	86.5
	7 - 9 years	7	9.5	9.5	95.9
	More than 9 years	3	4.1	4.1	100.0
	Total	74	100.0	100.0	

Table 2: Respondent's Role in Current Organisation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	CEO, Directors, Middle or Senior Management	63	85.1	85.1	85.1
	IT/IS Managers	7	9.5	9.5	94.6
	IT/IS Analysts	1	1.4	1.4	95.9
	Business Group Managers	2	2.7	2.7	98.6
	Others	1	1.4	1.4	100.0
	Total	74	100.0	100.0	

Table 3: Respondent's Department

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Management	33	44.6	44.6	44.6
	Business and Policy Planning	9	12.2	12.2	56.8
	Finance	6	8.1	8.1	64.9
	IT / Communication	8	10.8	10.8	75.7
	Human Resource	12	16.2	16.2	91.9
	Sales & Marketing	6	8.1	8.1	100.0
	Total	74	100.0	100.0	

Table 4: Number of Employees

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 50	6	8.1	8.1	8.1
	51-100	20	27.0	27.0	35.1
	101-500	22	29.7	29.7	64.9
	501-1000	8	10.8	10.8	75.7
	1001-5000	12	16.2	16.2	91.9
	More than 5000	6	8.1	8.1	100.0
	Total	74	100.0	100.0	

Table 5: Scope of Organisation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Local	23	31.1	31.1	31.1
	National	40	54.1	54.1	85.1
	International	11	14.9	14.9	100.0
	Total	74	100.0	100.0	

Table 6: Type of Industry vs Selective Outsourcing

No.	Industry	Selective Outsourcing			Total	
		Disagree	Agree		Frequency	Percent
1	Electrical & Electronics	0	8		8	10.81%
2	IT	5	11		16	21.62%
3	Petroleum, Oil & Gas	2	3		5	6.76%
4	Construction	3	4		7	9.46%
5	Communication	1	6		7	9.46%
7	Automobile & Aerospace	1	6		7	9.46%
8	Agriculture, food & Retailer	1	3		4	5.41%
9	Distribution & Warehousing	1	6		7	9.46%
10	Banking	1	6		7	9.46%
11	Manufacturing	1	5		6	8.11%
	Total	16	58	0	74	100.00%

Table 7: Type of Industry vs Transitional Outsourcing

No.	Industry	Transitional Outsourcing			Total	
		Disagree	Agree		Frequency	Percent
1	Electrical & Electronics	8	0		8	10.81%
2	IT	13	3		16	21.62%
3	Petroleum, Oil & Gas	3	2		5	6.76%
4	Construction	4	3		7	9.46%
5	Communication	4	3		7	9.46%
7	Automobile & Aerospace	5	2		7	9.46%
8	Agriculture, food & Retailer	3	1		4	5.41%
9	Distribution & Warehousing	5	2		7	9.46%
10	Banking	5	2		7	9.46%
11	Manufacturing	4	2		6	8.11%
	Total	54	20	0	74	100.00%

Table 8: Type of Industry vs Total Outsourcing

No.	Industry	Total Outsourcing			Total	
		Disagree	Agree		Frequency	Percent
1	Electrical & Electronics	8	0		8	10.81%
2	IT	8	8		16	21.62%
3	Petroleum, Oil & Gas	5	0		5	6.76%
4	Construction	6	1		7	9.46%
5	Communication	7	0		7	9.46%
7	Automobile & Aerospace	7	0		7	9.46%
8	Agriculture, food & Retailer	4	0		4	5.41%
9	Distribution & Warehousing	6	1		7	9.46%
10	Banking	7	0		7	9.46%
11	Manufacturing	6	0		6	8.11%
	Total	64	10	0	74	100.00%

Table 9: Type of Industry vs Tactical Outsourcing

No.	Industry	Tactical Outsourcing			Total	
		Disagree	Agree		Frequency	Percent
1	Electrical & Electronics	4	4		8	10.81%
2	IT	10	6		16	21.62%
3	Petroleum, Oil & Gas	4	1		5	6.76%
4	Construction	2	5		7	9.46%
5	Communication	4	3		7	9.46%
7	Automobile & Aerospace	4	3		7	9.46%
8	Agriculture, food & Retailer	3	1		4	5.41%
9	Distribution & Warehousing	4	3		7	9.46%
10	Banking	3	4		7	9.46%
11	Manufacturing	2	4		6	8.11%
	Total	40	34	0	74	100.00%

Table 10: Type of Industry vs Strategic Outsourcing

No.	Industry	Strategic Outsourcing			Total	
		Disagree	Agree		Frequency	Percent
1	Electrical & Electronics	1	7		8	10.81%
2	IT	7	9		16	21.62%
3	Petroleum, Oil & Gas	2	3		5	6.76%
4	Construction	3	4		7	9.46%
5	Communication	3	4		7	9.46%
7	Automobile & Aerospace	4	3		7	9.46%
8	Agriculture, food & Retailer	2	2		4	5.41%
9	Distribution & Warehousing	3	4		7	9.46%
10	Banking	0	7		7	9.46%
11	Manufacturing	1	5		6	8.11%
	Total	26	48	0	74	100.00%

Table 11: Type of Industry vs Transformational Outsourcing

No.	Industry	Transformational Outsourcing			Total	
		Disagree	Agree		Frequency	Percent
1	Electrical & Electronics	5	3		8	10.81%
2	IT	12	4		16	21.62%
3	Petroleum, Oil & Gas	2	3		5	6.76%
4	Construction	6	1		7	9.46%
5	Communication	2	5		7	9.46%
7	Automobile & Aerospace	4	3		7	9.46%
8	Agriculture, food & Retailer	1	3		4	5.41%
9	Distribution & Warehousing	6	1		7	9.46%
10	Banking	3	4		7	9.46%
11	Manufacturing	4	2		6	8.11%
	Total	45	29	0	74	100.00%

Table 12: Type of Organisation versus Success in Outsourcing

No.	Industry	Success			Total	
		Agree	Neutral	Disagree	Frequency	Percent
1	Electrical & Electronics	2	1	5	8	10.81%
2	IT	10	3	3	16	21.62%
3	Petroleum, Oil & Gas	1	2	2	5	6.76%
4	Construction	3	3	1	7	9.46%
5	Communication	1	3	3	7	9.46%
7	Automobile & Aerospace	2	3	2	7	9.46%
8	Agriculture, food & Retailer	2	1	1	4	5.41%
9	Distribution & Warehousing	0	2	5	7	9.46%
10	Banking	0	2	5	7	9.46%
11	Manufacturing	0	3	3	6	8.11%
	Total	21	23	30	74	100.00%

Table13: Number of Employees vs Selective Outsourcing

Crosstab

Count

		Selective Outsourcing			
		Disagree	Neutral	Agree	Total
Number of Employees	Less than 50	1	0	5	6
	51-100	4	4	12	20
	101-500	2	1	19	22
	501-1000	0	2	6	8
	1001-5000	0	2	10	12
	More than 5000	0	0	6	6
Total		7	9	58	74

Table14: Number of Employees vs Transitional Outsourcing

Crosstab

Count

		Transitional Outsourcing			
		Disagree	Neutral	Agree	Total
Number of Employees	Less than 50	4	2	0	6
	51-100	3	13	4	20
	101-500	6	8	8	22
	501-1000	0	7	1	8
	1001-5000	1	4	7	12
	More than 5000	1	5	0	6
Total		15	39	20	74

Table15: Number of Employees vs Total Outsourcing

Crosstab

Count

		Total Outsourcing			
		Disagree	Neutral	Agree	Total
Number of Employees	Less than 50	3	0	3	6
	51-100	10	6	4	20
	101-500	13	6	3	22
	501-1000	4	4	0	8
	1001-5000	9	3	0	12
	More than 5000	4	2	0	6
Total		43	21	10	74

Table16: Number of Employees vs Tactical Outsourcing

Crosstab

Count

		Tactical Outsourcing			
		Disagree	Neutral	Agree	Total
Number of Employees	Less than 50	3	1	2	6
	51-100	5	9	6	20
	101-500	4	4	14	22
	501-1000	3	3	2	8
	1001-5000	1	2	9	12
	More than 5000	2	3	1	6
Total		18	22	34	74

Table17: Number of Employees vs Strategic Outsourcing

Crosstab

Count

		Strategic Outsourcing			
		Disagree	Neutral	Agree	Total
Number of Employees	Less than 50	1	1	4	6
	51-100	3	3	14	20
	101-500	1	9	12	22
	501-1000	1	2	5	8
	1001-5000	1	1	10	12
	More than 5000	2	1	3	6
Total		9	17	48	74

Table18: Number of Employees vs Transformational Outsourcing

Crosstab

Count

		Transformational Outsourcing			
		Disagree	Neutral	Agree	Total
Number of Employees	Less than 50	1	2	3	6
	51-100	3	11	6	20
	101-500	9	7	6	22
	501-1000	2	2	4	8
	1001-5000	2	3	7	12
	More than 5000	2	1	3	6
Total		19	26	29	74

Table19: Number of Employees vs Type of Industry

Crosstab

		Number of Employees						
		Less than 50	51-100	101-500	501-1000	1001-5000	More than 5000	Total
Type of Company	Electrical & Electronics	0	4	2	2	0	0	8
	IT	2	8	6	0	0	0	16
	Petroleum, Oil & Gas	0	0	1	3	1	0	5
	Construction	1	1	5	0	0	0	7
	Communication	0	0	2	2	3	0	7
	Automobile & Aerospace	0	0	0	0	4	3	7
	Agriculture, Food & Retailer	3	1	0	0	0	0	4
	Distribution & Warehousing	0	4	2	1	0	0	7
	Banking	0	0	0	0	4	3	7
	Manufacturing	0	2	4	0	0	0	6
Total		6	20	22	8	12	6	74

Reliability: Reasons for Outsourcing

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.800	.805	14

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Inter-Item Correlations	.228	-.197	.645	.842	-3.282	.031	14

Factor Analysis: Reasons for Outsourcing

Rotated Component Matrix [a]

	Component			
	1	2	3	4
Operational Expertise	.772	-.032	.006	.316
Improvements in Quality	.738	.200	-.023	-.107
staffing issues	.696	.050	.098	.192
Wider Knowledge & Experience	.681	.323	-.117	-.144
Reduced Time to Market	.664	.282	-.009	-.127
Capacity Management	.537	.308	.185	.257
Risk Management	.150	.727	.035	.195
Time zone rationalisation	.257	.705	.053	.081
Customer Pressure	.047	.684	-.063	-.410
Provision of a Legally Binding Contract	.192	.563	-.012	.513
Commodification	.452	.542	.145	.046
Cost Savings	.029	-.040	.925	-.087
Cost Restructuring	.019	.116	.871	.159
Catalysts for Change	.025	.057	.047	.821

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 5 iterations.

Reliability: Outsourcing Success Elements

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.844	.846	14

Summary Item Statistics

	Mean	Minimum	Maximum	Range	Maximum / Minimum	Variance	N of Items
Inter-Item Correlations	.281	-.097	.661	.758	-6.847	.018	14

Factor Analysis: Outsourcing Success Elements

Rotated Component Matrix [a]

	Component			
	1	2	3	4
Clearly Defining Terms & Conditions in the Outsourcing Contract	.797	.095	.094	.017
Conducts Needs Analysis Prior to Making Outsourcing Decision	.789	.092	.155	.121
Having a Strategic Vision & Plan and Understanding the intended Use of Outsourcing	.716	-.009	.220	.222
Criteria Drawn up to measure the outsourcer's Performance	-.071	.822	.206	.187
Establishing Trust Between Organisation and Outsourcer	-.276	.641	.468	.074
Properly Drawn up Contract	.338	.630	.241	.016
Appropriate Outsource Selection Procedures	.512	.565	-.048	.079
On-going Management of relationships & Communication	.242	.553	.161	.356
Financial Planning and Analysis	.115	.182	.817	-.047
Top Management's Support & Involvement	.232	.243	.737	.168
Careful Attention to Personnel Issues and Conducting Open Communication	.203	.141	.619	.268
Outsourcer Attains Some form of Certification, Such as ISO 9001, SEI, CMM	-.165	-.040	.374	.774
Determining Which Areas of Company Needs to be Outsourced	.306	.252	-.128	.655
Outsourcer Understands the Organisation's Goals & Objectives	.326	.287	.145	.612

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 7 iterations.

Correlation: Reasons for Outsourcing and Outsourcing Success Elements

		Management & Resource Support Factors	Operation & Convention Support Factor	Cost Set Factors	Change Factors	Designation of Strategy & Convention Conditions	Trust Commitment & Measurement	Top Management Support & Personnel Issues	Merits of the Outsourcer
Management & Resource Support Factors	Pearson Correlation	1	.539**	.091	.120	.189	.183	.105	.332**
	Sig. (2-tailed)		.000	.440	.309	.106	.118	.373	.004
	N	74	74	74	74	74	74	74	74
Operation & Convention Support Factor	Pearson Correlation	.539**	1	.116	.354**	.255*	.333**	.186	.219
	Sig. (2-tailed)	.000		.324	.002	.029	.004	.113	.061
	N	74	74	74	74	74	74	74	74
Cost Set Factors	Pearson Correlation	.091	.116	1	.103	.236*	.139	.185	-.018
	Sig. (2-tailed)	.440	.324		.381	.043	.238	.114	.881
	N	74	74	74	74	74	74	74	74
Change Factors	Pearson Correlation	.120	.354**	.103	1	.161	.311**	.266*	.258*
	Sig. (2-tailed)	.309	.002	.381		.171	.007	.022	.027
	N	74	74	74	74	74	74	74	74
Designation of Strategy & Convention Conditions	Pearson Correlation	.189	.255*	.236*	.161	1	.333**	.341**	.360**
	Sig. (2-tailed)	.106	.029	.043	.171		.004	.003	.002
	N	74	74	74	74	74	74	74	74
Trust Commitment & Measurement	Pearson Correlation	.183	.333**	.139	.311**	.333**	1	.535**	.458**
	Sig. (2-tailed)	.118	.004	.238	.007	.004		.000	.000
	N	74	74	74	74	74	74	74	74
Top Management Support & Personnel Issues	Pearson Correlation	.105	.186	.185	.266*	.341**	.535**	1	.393**
	Sig. (2-tailed)	.373	.113	.114	.022	.003	.000		.001
	N	74	74	74	74	74	74	74	74
Merits of the Outsourcer	Pearson Correlation	.332**	.219	-.018	.258*	.360**	.458**	.393**	1
	Sig. (2-tailed)	.004	.061	.881	.027	.002	.000	.001	
	N	74	74	74	74	74	74	74	74

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

*. Correlation is significant at the 0.05 level (2-tailed).

Type of Company and Type of Outsourcing

Type of Company vs Selective Outsourcing Cross-tabulation

			Selective Outsourcing			
			Disagree	Neutral	Agree	Total
Type of Company	Electrical & Electronics	Count	0	0	8	8
		% of Total	.0%	.0%	10.8%	10.8%
		Std. Residual	-.9	-1.0	.7	
	IT	Count	4	1	11	16
		% of Total	5.4%	1.4%	14.9%	21.6%
		Std. Residual	2.0	-.7	-.4	
	Petroleum, Oil & Gas	Count	0	2	3	5
		% of Total	.0%	2.7%	4.1%	6.8%
		Std. Residual	-.7	1.8	-.5	
	Construction	Count	2	1	4	7
		% of Total	2.7%	1.4%	5.4%	9.5%
		Std. Residual	1.6	.2	-.6	
	Communication	Count	0	1	6	7
		% of Total	.0%	1.4%	8.1%	9.5%
		Std. Residual	-.8	.2	.2	
	Automobile & Aerospace	Count	0	1	6	7
		% of Total	.0%	1.4%	8.1%	9.5%
		Std. Residual	-.8	.2	.2	
	Agriculture, Food & Retailer	Count	0	1	3	4
		% of Total	.0%	1.4%	4.1%	5.4%
		Std. Residual	-.6	.7	-.1	
	Distribution & Warehousing	Count	1	0	6	7
		% of Total	1.4%	.0%	8.1%	9.5%
		Std. Residual	.4	-.9	.2	
	Banking	Count	0	1	6	7
		% of Total	.0%	1.4%	8.1%	9.5%
		Std. Residual	-.8	.2	.2	
	Manufacturing	Count	0	1	5	6
		% of Total	.0%	1.4%	6.8%	8.1%
		Std. Residual	-.8	.3	.1	
Total		Count	7	9	58	74
		% of Total	9.5%	12.2%	78.4%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.840*	18	.402
Likelihood Ratio	21.337	18	.263
Linear-by-Linear Association	1.225	1	.268
N of Valid Cases	74		

* 23 cells (76.7%) have expected count less than 5. The minimum expected count is .38.

Type of Company vs Transitional Outsourcing Cross-tabulation

			Transitional Outsourcing			
			Disagree	Neutral	Agree	Total
Type of Company	Electrical & Electronics	Count	0	8	0	8
		% of Total	.0%	10.8%	.0%	10.8%
		Std. Residual	-1.3	1.8	-1.5	
	IT	Count	5	8	3	16
		% of Total	6.8%	10.8%	4.1%	21.6%
		Std. Residual	1.0	-.1	-.6	
	Petroleum, Oil & Gas	Count	0	3	2	5
		% of Total	.0%	4.1%	2.7%	6.8%
		Std. Residual	-1.0	.2	.6	
	Construction	Count	1	3	3	7
		% of Total	1.4%	4.1%	4.1%	9.5%
		Std. Residual	-.4	-.4	.8	
	Communication	Count	1	3	3	7
		% of Total	1.4%	4.1%	4.1%	9.5%
		Std. Residual	-.4	-.4	.8	
	Automobile & Aerospace	Count	0	5	2	7
		% of Total	.0%	6.8%	2.7%	9.5%
		Std. Residual	-1.2	.7	.1	
	Agriculture, Food & Retailer	Count	3	0	1	4
		% of Total	4.1%	.0%	1.4%	5.4%
		Std. Residual	2.4	-1.5	-.1	
	Distribution & Warehousing	Count	2	3	2	7
		% of Total	2.7%	4.1%	2.7%	9.5%
		Std. Residual	.5	-.4	.1	
	Banking	Count	2	3	2	7
		% of Total	2.7%	4.1%	2.7%	9.5%
		Std. Residual	.5	-.4	.1	
	Manufacturing	Count	1	3	2	6
		% of Total	1.4%	4.1%	2.7%	8.1%
		Std. Residual	-.2	-.1	.3	
Total		Count	15	39	20	74
		% of Total	20.3%	52.7%	27.0%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	22.534*	18	.209
Likelihood Ratio	27.335	18	.073
Linear-by-Linear Association	.011	1	.917
N of Valid Cases	74		

* 29 cells (96.7%) have expected count less than 5. The minimum expected count is .81.

Type of Company vs Transitional Outsourcing Cross-tabulation

			Total Outsourcing			
			Disagree	Neutral	Agree	Total
Type of Company	Electrical & Electronics	Count	5	3	0	8
		% of Total	6.8%	4.1%	.0%	10.8%
		Std. Residual	.2	.5	-1.0	
	IT	Count	3	5	8	16
		% of Total	4.1%	6.8%	10.8%	21.6%
		Std. Residual	-2.1	.2	4.0	
	Petroleum, Oil & Gas	Count	3	2	0	5
		% of Total	4.1%	2.7%	.0%	6.8%
		Std. Residual	.1	.5	-.8	
	Construction	Count	4	2	1	7
		% of Total	5.4%	2.7%	1.4%	9.5%
		Std. Residual	.0	.0	.1	
	Communication	Count	3	4	0	7
		% of Total	4.1%	5.4%	.0%	9.5%
		Std. Residual	-.5	1.4	-1.0	
	Automobile & Aerospace	Count	7	0	0	7
		% of Total	9.5%	.0%	.0%	9.5%
		Std. Residual	1.5	-1.4	-1.0	
	Agriculture, Food & Retailer	Count	4	0	0	4
		% of Total	5.4%	.0%	.0%	5.4%
		Std. Residual	1.1	-1.1	-.7	
	Distribution & Warehousing	Count	6	0	1	7
		% of Total	8.1%	.0%	1.4%	9.5%
		Std. Residual	1.0	-1.4	.1	
	Banking	Count	3	4	0	7
		% of Total	4.1%	5.4%	.0%	9.5%
		Std. Residual	-.5	1.4	-1.0	
	Manufacturing	Count	5	1	0	6
		% of Total	6.8%	1.4%	.0%	8.1%
		Std. Residual	.8	-.5	-.9	
Total		Count	43	21	10	74
		% of Total	58.1%	28.4%	13.5%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	41.467*	18	.001
Likelihood Ratio	45.886	18	.000
Linear-by-Linear Association	9.278	1	.002
N of Valid Cases	74		

* 29 cells (96.7%) have expected count less than 5. The minimum expected count is .54.

Type of Industry and Level of Outsourcing

Type of Industry vs Tactical Outsourcing Cross-tabulation

			Tactical Outsourcing			
			Disagree	Neutral	Agree	Total
Type of Company	Electrical & Electronics	Count	1	3	4	8
		% of Total	1.4%	4.1%	5.4%	10.8%
		Std. Residual	-.7	.4	.2	
	IT	Count	5	5	6	16
		% of Total	6.8%	6.8%	8.1%	21.6%
		Std. Residual	.6	.1	-.5	
	Petroleum, Oil & Gas	Count	1	3	1	5
		% of Total	1.4%	4.1%	1.4%	6.8%
		Std. Residual	-.2	1.2	-.9	
	Construction	Count	0	2	5	7
		% of Total	.0%	2.7%	6.8%	9.5%
		Std. Residual	-1.3	-.1	1.0	
	Communication	Count	3	1	3	7
		% of Total	4.1%	1.4%	4.1%	9.5%
		Std. Residual	1.0	-.7	-.1	
	Automobile & Aerospace	Count	3	1	3	7
		% of Total	4.1%	1.4%	4.1%	9.5%
		Std. Residual	1.0	-.7	-.1	
	Agriculture, Food & Retailer	Count	3	0	1	4
		% of Total	4.1%	.0%	1.4%	5.4%
		Std. Residual	2.1	-1.1	-.6	
	Distribution & Warehousing	Count	2	2	3	7
		% of Total	2.7%	2.7%	4.1%	9.5%
		Std. Residual	.2	-.1	-.1	
	Banking	Count	0	3	4	7
		% of Total	.0%	4.1%	5.4%	9.5%
		Std. Residual	-1.3	.6	.4	
	Manufacturing	Count	0	2	4	6
		% of Total	.0%	2.7%	5.4%	8.1%
		Std. Residual	-1.2	.2	.7	
Total		Count	18	22	34	74
		% of Total	24.3%	29.7%	45.9%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.573*	18	.357
Likelihood Ratio	23.727	18	.164
Linear-by-Linear Association	.447	1	.504
N of Valid Cases	74		

* 29 cells (96.7%) have expected count less than 5. The minimum expected count is .97.

Type of Industry vs Strategic Outsourcing Cross-tabulation

			Strategic Outsourcing			
			Disagree	Neutral	Agree	Total
Type of Company	Electrical & Electronics	Count	0	1	7	8
		% of Total	.0%	1.4%	9.5%	10.8%
		Std. Residual	-1.0	-.6	.8	
	IT	Count	2	5	9	16
		% of Total	2.7%	6.8%	12.2%	21.6%
		Std. Residual	.0	.7	-.4	
	Petroleum, Oil & Gas	Count	0	2	3	5
		% of Total	.0%	2.7%	4.1%	6.8%
		Std. Residual	-.8	.8	-.1	
	Construction	Count	0	3	4	7
		% of Total	.0%	4.1%	5.4%	9.5%
		Std. Residual	-.9	1.1	-.3	
	Communication	Count	1	2	4	7
		% of Total	1.4%	2.7%	5.4%	9.5%
		Std. Residual	.2	.3	-.3	
	Automobile & Aerospace	Count	3	1	3	7
		% of Total	4.1%	1.4%	4.1%	9.5%
		Std. Residual	2.3	-.5	-.7	
	Agriculture, Food & Retailer	Count	1	1	2	4
		% of Total	1.4%	1.4%	2.7%	5.4%
		Std. Residual	.7	.1	-.4	
	Distribution & Warehousing	Count	2	1	4	7
		% of Total	2.7%	1.4%	5.4%	9.5%
		Std. Residual	1.2	-.5	-.3	
	Banking	Count	0	0	7	7
		% of Total	.0%	.0%	9.5%	9.5%
		Std. Residual	-.9	-1.3	1.2	
	Manufacturing	Count	0	1	5	6
		% of Total	.0%	1.4%	6.8%	8.1%
		Std. Residual	-.9	-.3	.6	
Total		Count	9	17	48	74
		% of Total	12.2%	23.0%	64.9%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.858*	18	.341
Likelihood Ratio	22.319	18	.218
Linear-by-Linear Association	.012	1	.914
N of Valid Cases	74		

* 28 cells (93.3%) have expected count less than 5. The minimum expected count is .49.

Type of Industry vs Transformational Outsourcing Cross-tabulation

			Transformational Outsourcing			
			Disagree	Neutral	Agree	Total
Type of Company	Electrical & Electronics	Count	2	3	3	8
		% of Total	2.7%	4.1%	4.1%	10.8%
		Std. Residual	.0	.1	-.1	
	IT	Count	3	9	4	16
		% of Total	4.1%	12.2%	5.4%	21.6%
		Std. Residual	-.5	1.4	-.9	
	Petroleum, Oil & Gas	Count	0	2	3	5
		% of Total	.0%	2.7%	4.1%	6.8%
		Std. Residual	-1.1	.2	.7	
	Construction	Count	5	1	1	7
		% of Total	6.8%	1.4%	1.4%	9.5%
		Std. Residual	2.4	-.9	-1.1	
	Communication	Count	1	1	5	7
		% of Total	1.4%	1.4%	6.8%	9.5%
		Std. Residual	-.6	-.9	1.4	
	Automobile & Aerospace	Count	2	2	3	7
		% of Total	2.7%	2.7%	4.1%	9.5%
		Std. Residual	.2	-.3	.2	
	Agriculture, Food & Retailer	Count	0	1	3	4
		% of Total	.0%	1.4%	4.1%	5.4%
		Std. Residual	-1.0	-.3	1.1	
	Distribution & Warehousing	Count	3	3	1	7
		% of Total	4.1%	4.1%	1.4%	9.5%
		Std. Residual	.9	.3	-1.1	
	Banking	Count	2	1	4	7
		% of Total	2.7%	1.4%	5.4%	9.5%
		Std. Residual	.2	-.9	.8	
	Manufacturing	Count	1	3	2	6
		% of Total	1.4%	4.1%	2.7%	8.1%
		Std. Residual	-.4	.6	-.2	
Total		Count	19	26	29	74
		% of Total	25.7%	35.1%	39.2%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	22.500*	18	.211
Likelihood Ratio	23.375	18	.177
Linear-by-Linear Association	.071	1	.790
N of Valid Cases	74		

* 28 cells (93.3%) have expected count less than 5. The minimum expected count is 1.03.

Selective Outsourcing vs Reasons for Outsourcing

No.	Reasons for Outsourcing	Selective Outsourcing			Total	
		Disagree	Neutral	Agree	Frequency	Percent
1	Cost savings	10	16	32	58	78.38%
2	Cost restructuring	6	12	40	58	78.38%
3	Improvements in quality	5	18	35	58	78.38%
4	Wider experience and knowledge	2	9	47	58	78.38%
5	Contract	4	14	39	57	77.03%
6	Operational expertise	2	13	42	57	77.03%
7	Staffing Issues	1	19	37	57	77.03%
8	Capacity management improvement	1	22	33	56	75.68%
9	Catalysts for change	1	24	33	58	78.38%
10	Reduced time to market	8	23	27	58	78.38%
11	Commodification	7	19	32	58	78.38%
12	Risk management	7	27	25	58	78.38%
13	Time zone rationalisation	10	34	14	58	78.38%
14	Reduced Customer Pressure	13	17	28	58	78.38%
	Total	77	267	464	74	77.90%

Transitional Outsourcing vs Reasons for Outsourcing

No.	Reasons for Outsourcing	Transitional Outsourcing			Total	
		Disagree	Neutral	Agree	Frequency	Percent
1	Cost savings	3	5	12	20	27.03%
2	Cost restructuring	3	2	15	20	27.03%
3	Improvements in quality	3	7	10	20	27.03%
4	Wider experience and knowledge	2	3	15	20	27.03%
5	Contract	1	6	12	19	25.68%
6	Operational expertise	1	3	15	19	25.68%
7	Staffing Issues	0	6	14	20	27.03%
8	Capacity management improvement	0	8	12	20	27.03%
9	Catalysts for change	0	10	10	20	27.03%
10	Reduced time to market	4	8	8	20	27.03%
11	Commodification	2	3	15	20	27.03%
12	Risk management	0	6	14	20	27.03%
13	Time zone rationalisation	3	11	6	20	27.03%
14	Reduced Customer Pressure	2	6	12	20	27.03%
	Total	24	84	170	74	26.83%

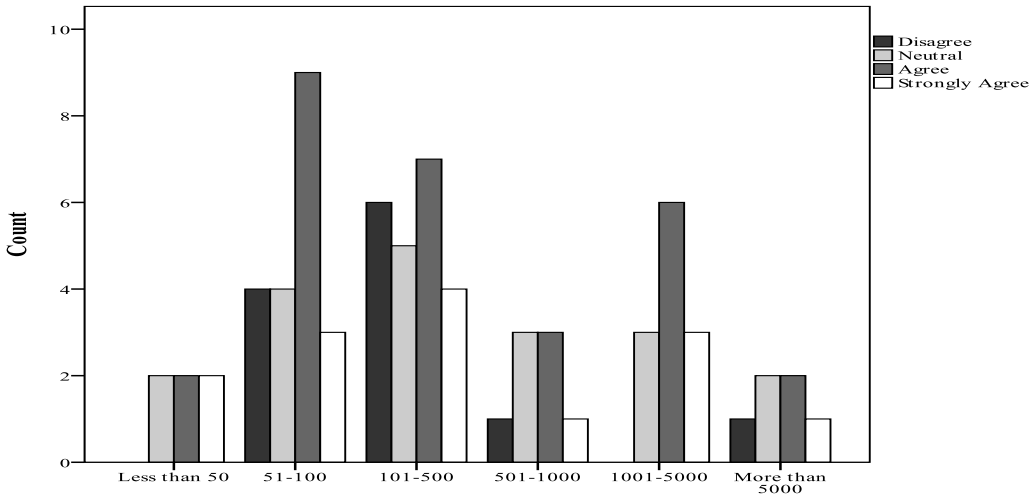
Total Outsourcing vs Reasons for Outsourcing

No.	Reasons for Outsourcing	Total Outsourcing			Total	
		Disagree	Neutral	Agree	Frequency	Percent
1	Cost savings	0	1	9	10	13.51%
2	Cost restructuring	0	0	10	10	13.51%
3	Improvements in quality	0	6	4	10	13.51%
4	Wider experience and knowledge	0	2	8	10	13.51%
5	Contract	0	2	8	10	13.51%
6	Operational expertise	0	4	6	10	13.51%
7	Staffing Issues	0	3	7	10	13.51%
8	Capacity management improvement	0	2	8	10	13.51%
9	Catalysts for change	0	4	6	10	13.51%
10	Reduced time to market	1	6	3	10	13.51%
11	Commodification	0	7	3	10	13.51%
12	Risk management	1	4	5	10	13.51%
13	Time zone rationalisation	2	5	3	10	13.51%
14	Reduced Customer Pressure	3	1	6	10	13.51%
Total		7	47	86	74	13.51%

Size of Organisation versus Cost Savings

Count

		Cost Savings				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	0	2	2	2	6
	51-100	4	4	9	3	20
	101-500	6	5	7	4	22
	501-1000	1	3	3	1	8
	1001-5000	0	3	6	3	12
	More than 5000	1	2	2	1	6
Total		12	19	29	14	74



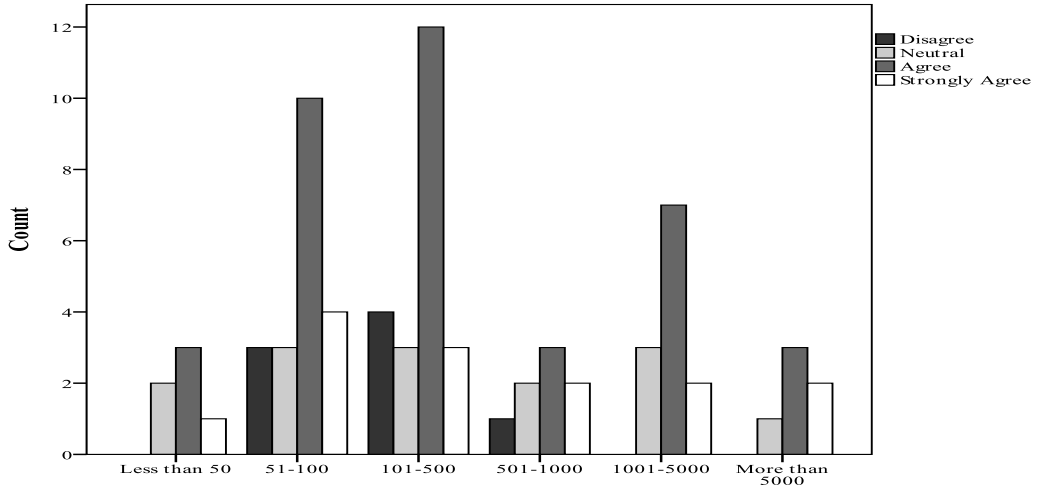
Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.059[a]	15	.921
Likelihood Ratio	10.514	15	.786
Linear-by-Linear Association	.065	1	.798
N of Valid Cases	74		

Size of Organisation versus Cost Restructuring

Count

		Cost Restructuring				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	0	2	3	1	6
	51-100	3	3	10	4	20
	101-500	4	3	12	3	22
	501-1000	1	2	3	2	8
	1001-5000	0	3	7	2	12
	More than 5000	0	1	3	2	6
Total		8	14	38	14	74



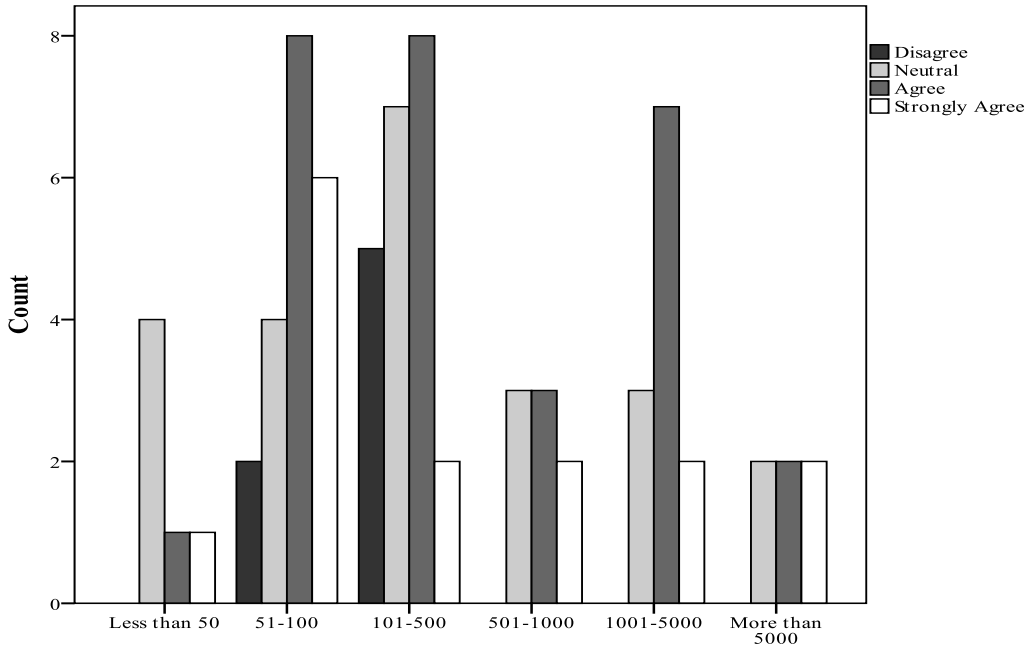
Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.267[a]	15	.950
Likelihood Ratio	9.450	15	.853
Linear-by-Linear Association	.844	1	.358
N of Valid Cases	74		

Size of Organisation versus Improvements in Quality

Count

		Improvements in Quality				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	0	4	1	1	6
	51-100	2	4	8	6	20
	101-500	5	7	8	2	22
	501-1000	0	3	3	2	8
	1001-5000	0	3	7	2	12
	More than 5000	0	2	2	2	6
Total		7	23	29	15	74



Chi-Square Tests

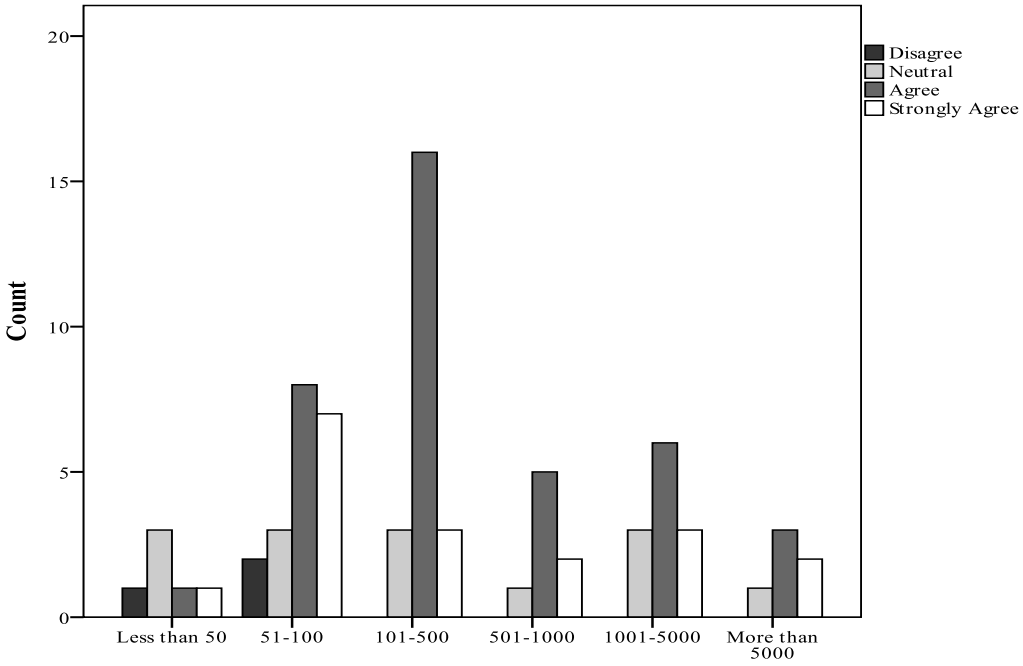
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.629*	15	.407
Likelihood Ratio	17.222	15	.306
Linear-by-Linear Association	.879	1	.348
N of Valid Cases	74		

* 20 cells (83.3%) have expected count less than 5. The minimum expected count is .57.

Size of Organisation versus access to wider knowledge and experience

Count

		Wider Knowledge & Experience				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	1	3	1	1	6
	51-100	2	3	8	7	20
	101-500	0	3	16	3	22
	501-1000	0	1	5	2	8
	1001-5000	0	3	6	3	12
	More than 5000	0	1	3	2	6
Total		3	14	39	18	74



Chi-Square Tests

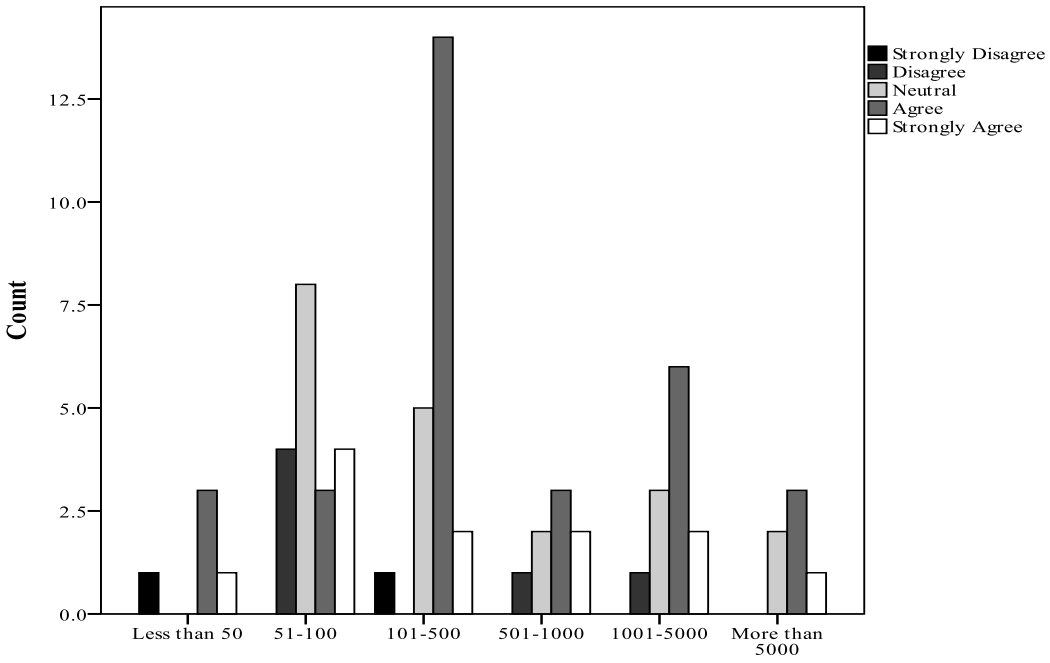
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.274*	15	.364
Likelihood Ratio	16.251	15	.366
Linear-by-Linear Association	1.731	1	.188
N of Valid Cases	74		

* 20 cells (83.3%) have expected count less than 5. The minimum expected count is .24.

Size of Organisation versus Provision of a Legally Binding Contract

Count

		Provision of a Legally Binding Contract					
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	1	0	0	3	1	5
	51-100	0	4	8	3	4	19
	101-500	1	0	5	14	2	22
	501-1000	0	1	2	3	2	8
	1001-5000	0	1	3	6	2	12
	More than 5000	0	0	2	3	1	6
Total		2	6	20	32	12	72



Chi-Square Tests

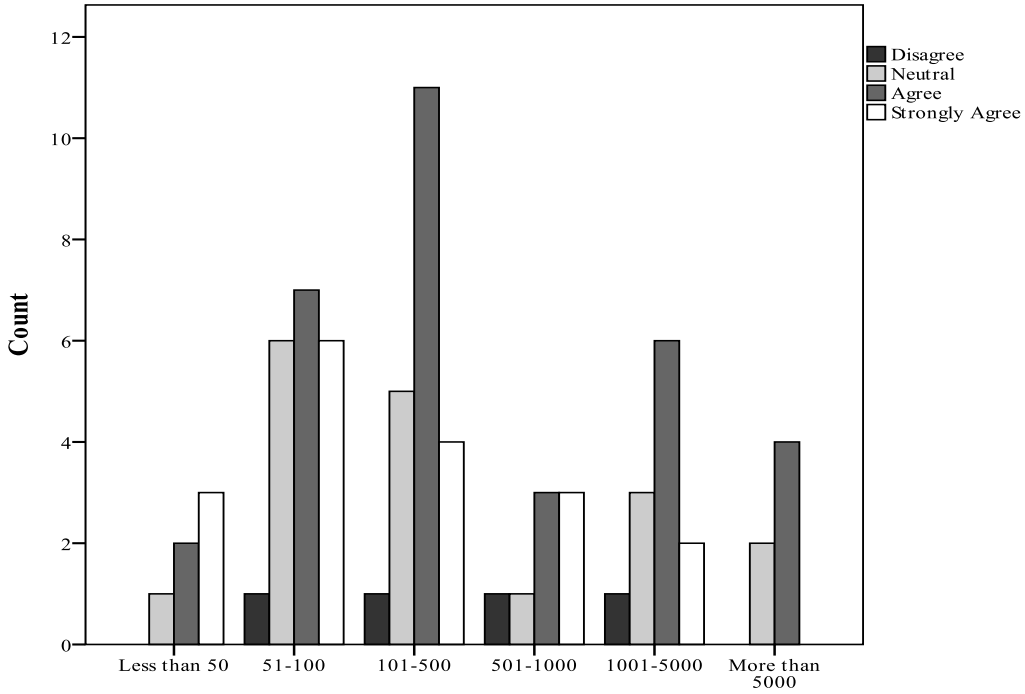
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.720*	20	.255
Likelihood Ratio	25.655	20	.177
Linear-by-Linear Association	1.218	1	.270
N of Valid Cases	72		

* 25 cells (83.3%) have expected count less than 5. The minimum expected count is .14.

Size of Organisation versus Operational Expertise

Count

		Operational Expertise				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	0	1	2	3	6
	51-100	1	6	7	6	20
	101-500	1	5	11	4	21
	501-1000	1	1	3	3	8
	1001-5000	1	3	6	2	12
	More than 5000	0	2	4	0	6
Total		4	18	33	18	73



Chi-Square Tests

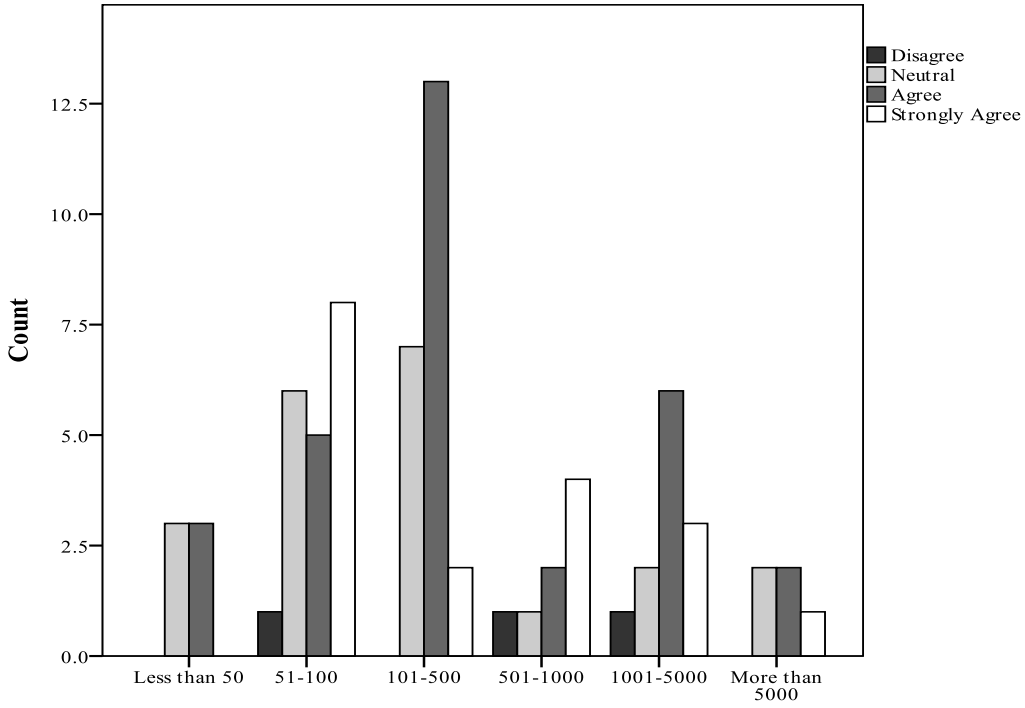
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.197*	15	.867
Likelihood Ratio	10.884	15	.761
Linear-by-Linear Association	1.327	1	.249
N of Valid Cases	72		

* 19 cells (79.2%) have expected count less than 5. The minimum expected count is .33.

Size of Organisation versus staffing issues

Count

		staffing issues				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	0	3	3	0	6
	51-100	1	6	5	8	20
	101-500	0	7	13	2	22
	501-1000	1	1	2	4	8
	1001-5000	1	2	6	3	12
	More than 5000	0	2	2	1	5
Total		3	21	31	18	73



Chi-Square Tests

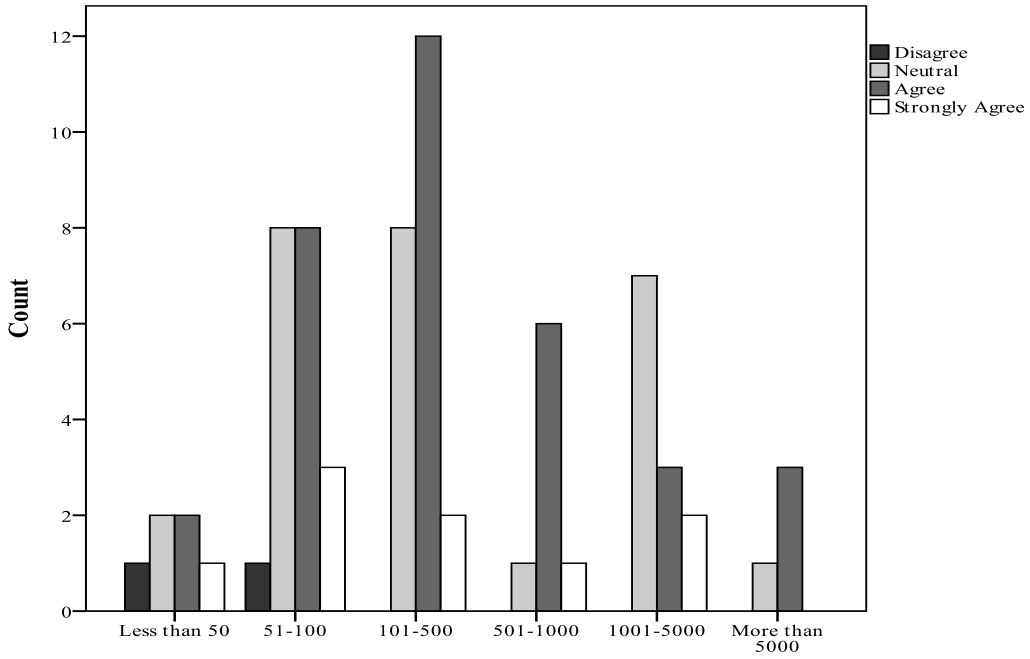
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.244*	15	.304
Likelihood Ratio	19.673	15	.185
Linear-by-Linear Association	.151	1	.698
N of Valid Cases	73		

* 18 cells (75.0%) have expected count less than 5. The minimum expected count is .21.

Size of Organisation versus Capacity Management

Count

		Capacity Management				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	1	2	2	1	6
	51-100	1	8	8	3	20
	101-500	0	8	12	2	22
	501-1000	0	1	6	1	8
	1001-5000	0	7	3	2	12
	More than 5000	0	1	3	0	4
Total		2	27	34	9	72



Chi-Square Tests

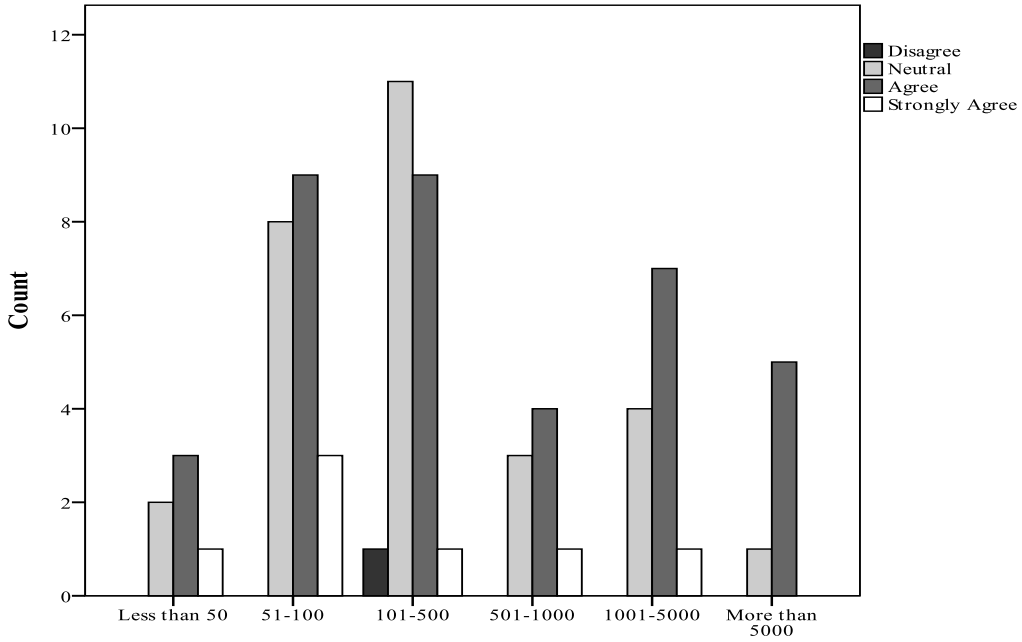
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.744*	15	.545
Likelihood Ratio	13.474	15	.566
Linear-by-Linear Association	.191	1	.662
N of Valid Cases	72		

* 19 cells (79.2%) have expected count less than 5. The minimum expected count is .11.

Size of Organisation versus Catalysts for Change

Count

		Catalysts for Change				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	0	2	3	1	6
	51-100	0	8	9	3	20
	101-500	1	11	9	1	22
	501-1000	0	3	4	1	8
	1001-5000	0	4	7	1	12
	More than 5000	0	1	5	0	6
Total		1	29	37	7	74



Chi-Square Tests

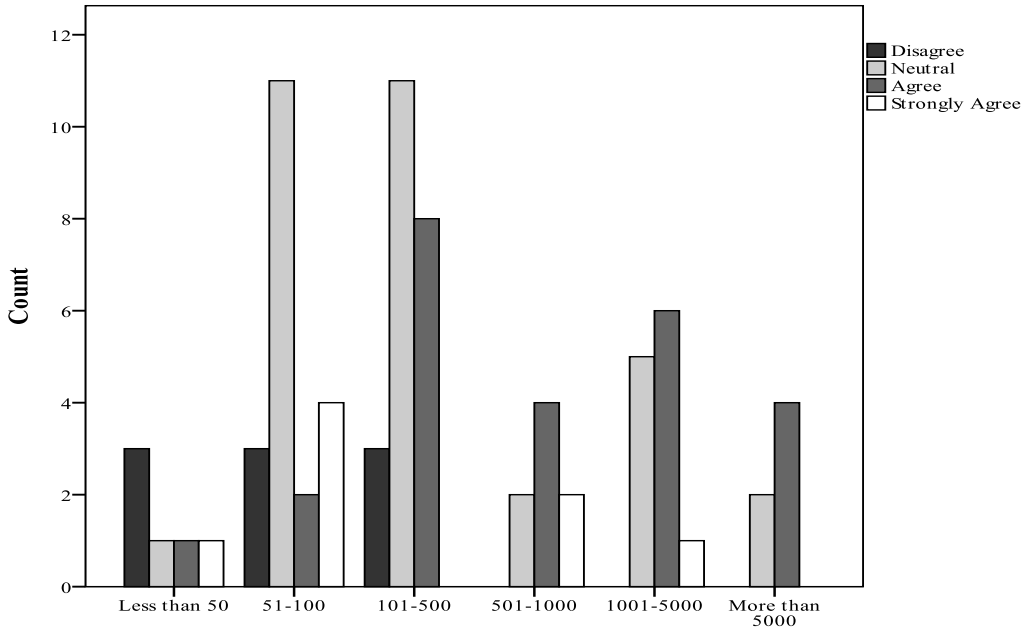
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.129*	15	.919
Likelihood Ratio	8.692	15	.893
Linear-by-Linear Association	.051	1	.821
N of Valid Cases	74		

* 19 cells (79.2%) have expected count less than 5. The minimum expected count is .08.

Size of Organisation versus Reduced Time to Market

Count

		Reduced Time to Market				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	3	1	1	1	6
	51-100	3	11	2	4	20
	101-500	3	11	8	0	22
	501-1000	0	2	4	2	8
	1001-5000	0	5	6	1	12
	More than 5000	0	2	4	0	6
Total		9	32	25	8	74



Chi-Square Tests

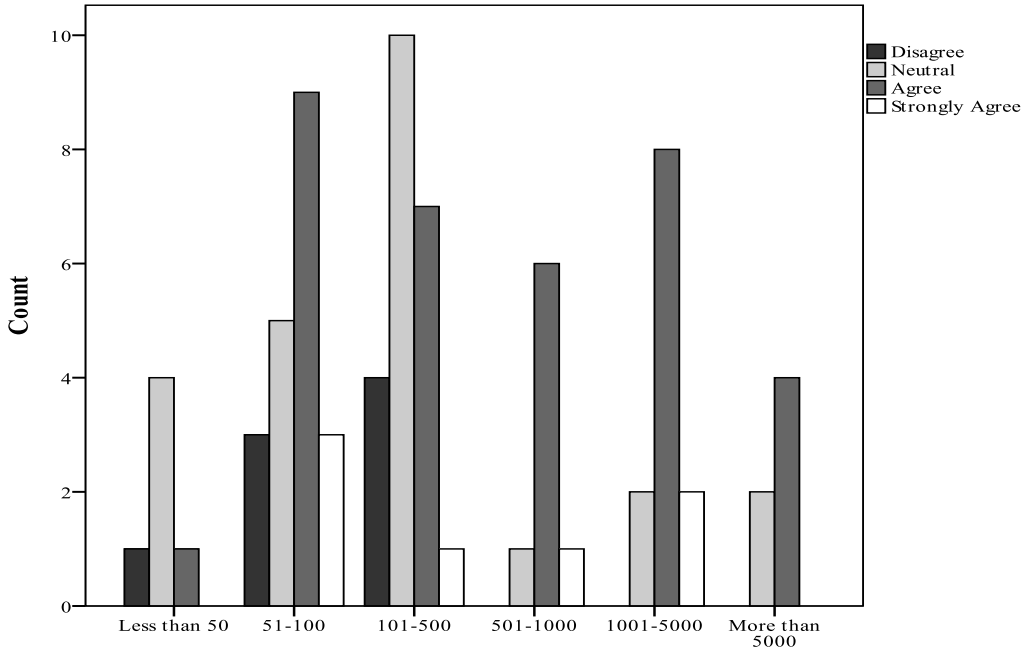
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	26.734*	15	.031
Likelihood Ratio	30.194	15	.011
Linear-by-Linear Association	4.210	1	.040
N of Valid Cases	74		

* 19 cells (79.2%) have expected count less than 5. The minimum expected count is .65.

Size of Organisation versus Commodification

Count

		Commodification				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	1	4	1	0	6
	51-100	3	5	9	3	20
	101-500	4	10	7	1	22
	501-1000	0	1	6	1	8
	1001-5000	0	2	8	2	12
	More than 5000	0	2	4	0	6
Total		8	24	35	7	74



Chi-Square Tests

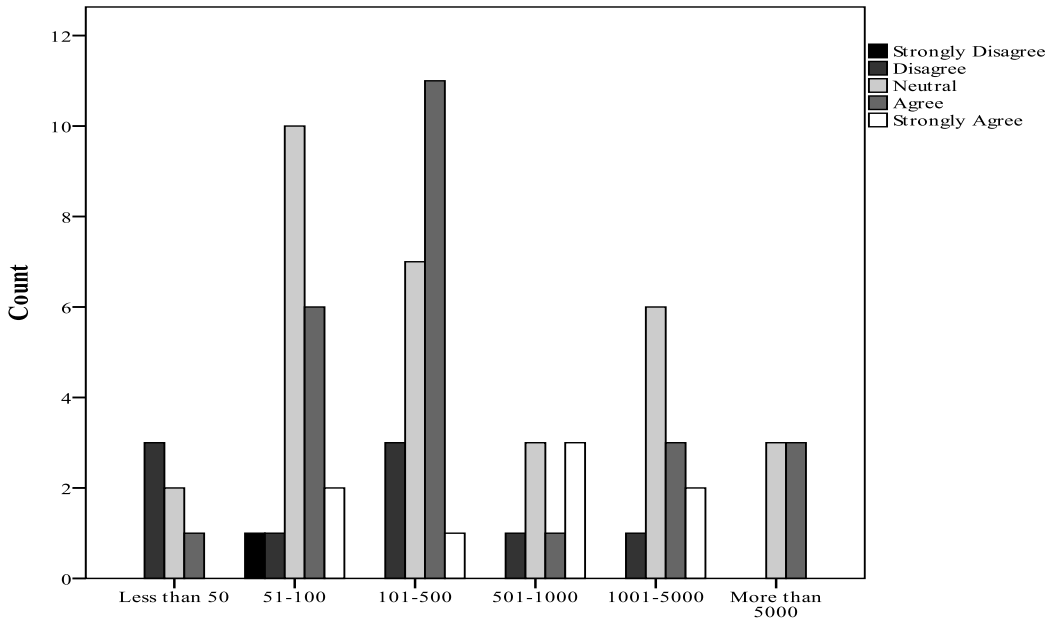
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.128*	15	.256
Likelihood Ratio	21.804	15	.113
Linear-by-Linear Association	4.903	1	.027
N of Valid Cases	74		

* 19 cells (79.2%) have expected count less than 5. The minimum expected count is .57.

Size of Organisation versus Risk Management

Count

		Risk Management					
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	0	3	2	1	0	6
	51-100	1	1	10	6	2	20
	101-500	0	3	7	11	1	22
	501-1000	0	1	3	1	3	8
	1001-5000	0	1	6	3	2	12
	More than 5000	0	0	3	3	0	6
Total		1	9	31	25	8	74



Chi-Square Tests

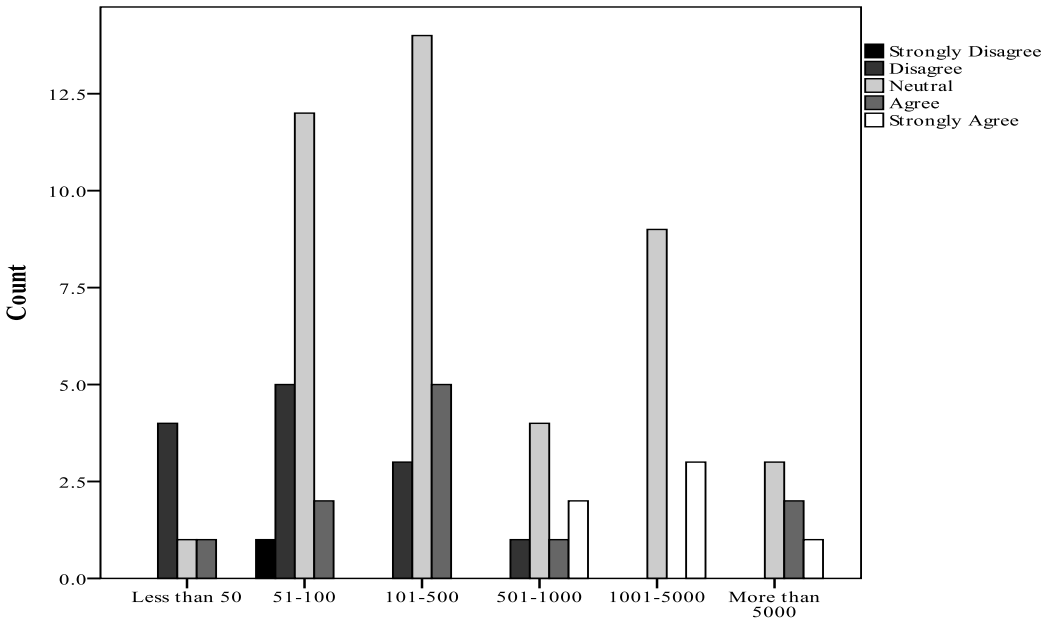
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24.683*	20	.214
Likelihood Ratio	22.093	20	.335
Linear-by-Linear Association	2.353	1	.125
N of Valid Cases	74		

* 25 cells (83.3%) have expected count less than 5. The minimum expected count is .08.

Size of Organisation versus Time Zone Rationalisation

Count

		Time zone rationalisation					
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	0	4	1	1	0	6
	51-100	1	5	12	2	0	20
	101-500	0	3	14	5	0	22
	501-1000	0	1	4	1	2	8
	1001-5000	0	0	9	0	3	12
	More than 5000	0	0	3	2	1	6
Total		1	13	43	11	6	74



Chi-Square Tests

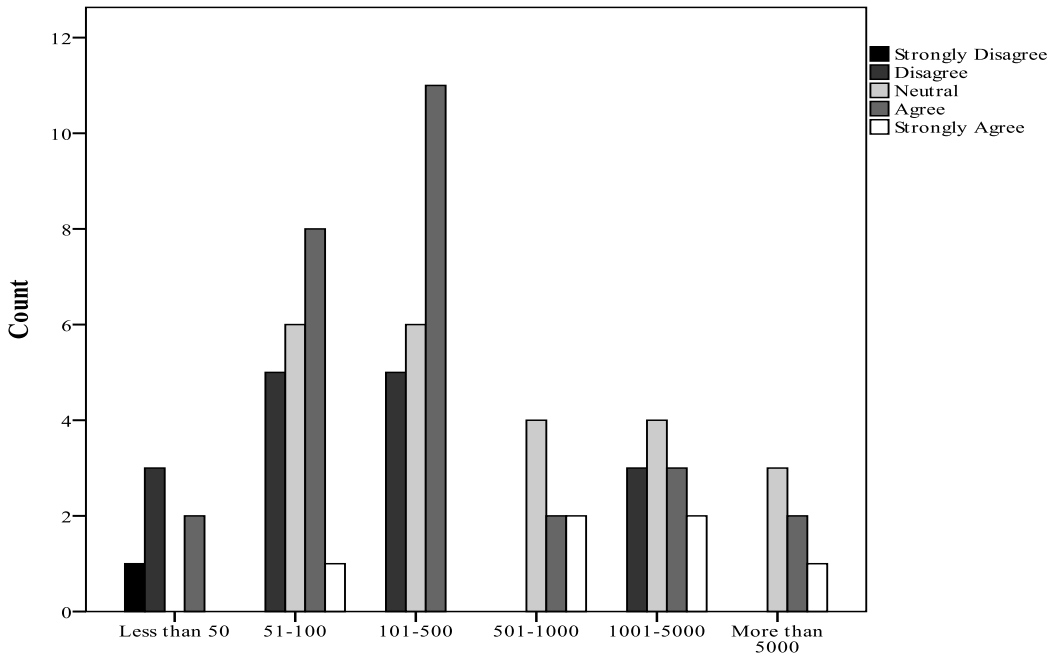
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	33.593*	20	.029
Likelihood Ratio	36.392	20	.014
Linear-by-Linear Association	13.100	1	.000
N of Valid Cases	74		

* 27 cells (90.0%) have expected count less than 5. The minimum expected count is .08.

Size of Organisation versus Reduced Customer Pressure

Count

		Customer Pressure					
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	1	3	0	2	0	6
	51-100	0	5	6	8	1	20
	101-500	0	5	6	11	0	22
	501-1000	0	0	4	2	2	8
	1001-5000	0	3	4	3	2	12
	More than 5000	0	0	3	2	1	6
Total		1	16	23	28	6	74



Chi-Square Tests

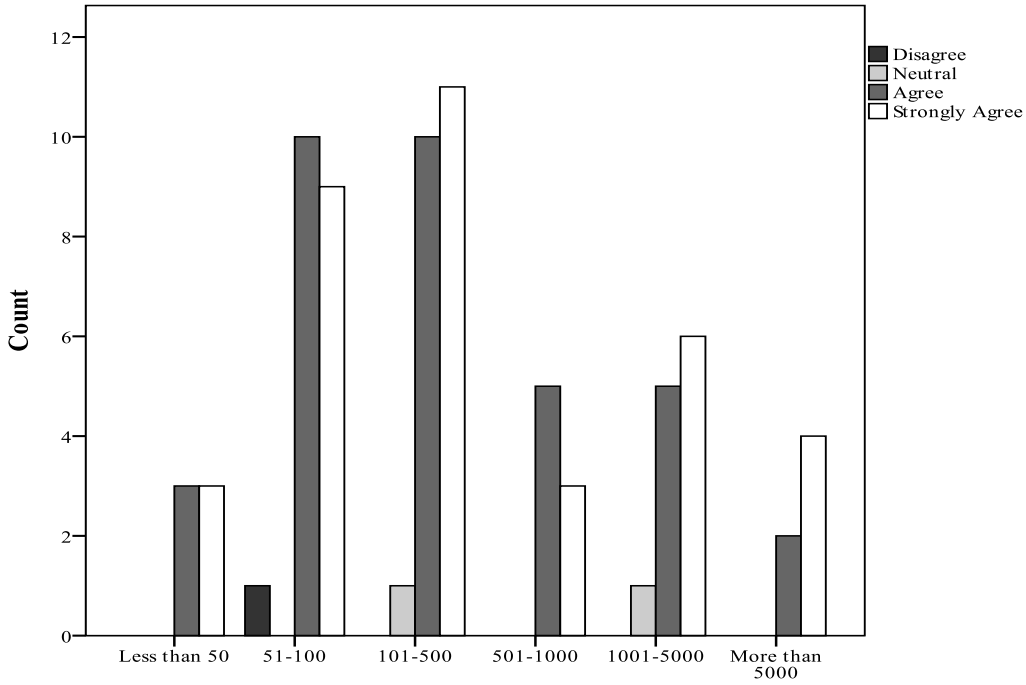
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	29.154*	20	.085
Likelihood Ratio	27.821	20	.114
Linear-by-Linear Association	3.493	1	.062
N of Valid Cases	74		

* 26 cells (86.7%) have expected count less than 5. The minimum expected count is .08.

Size of Organisation versus Conducting a Needs Analysis Prior to Making the Outsourcing Decision

Count

		Conducts Needs Analysis Prior to Making Outsourcing Decision				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	0	0	3	3	6
	51-100	1	0	10	9	20
	101-500	0	1	10	11	22
	501-1000	0	0	5	3	8
	1001-5000	0	1	5	6	12
	More than 5000	0	0	2	4	6
Total		1	2	35	36	74



Chi-Square Tests

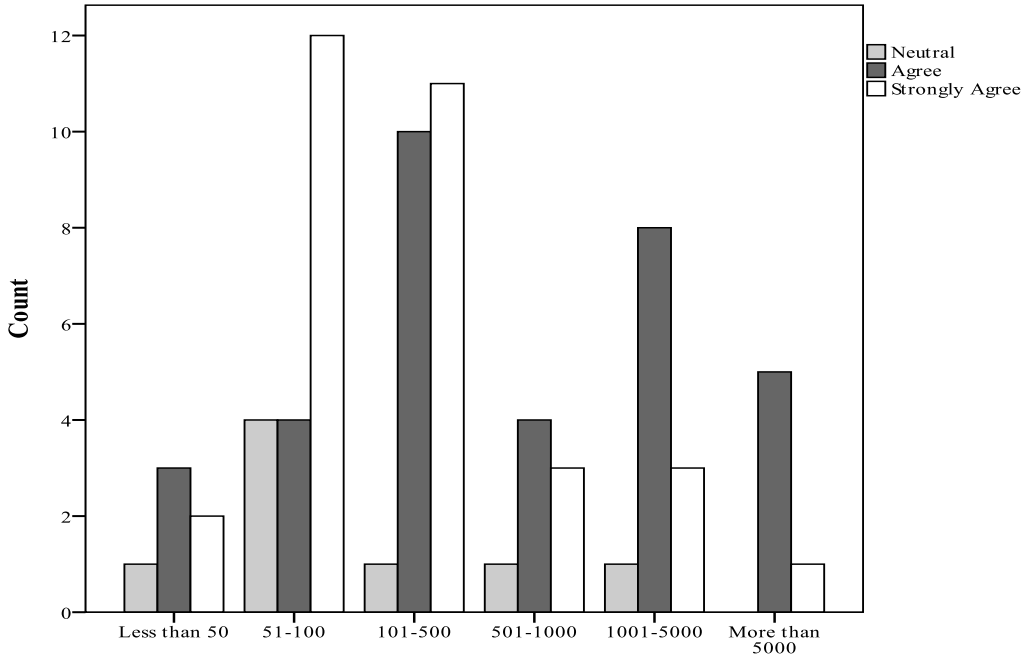
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.914*	15	.960
Likelihood Ratio	7.330	15	.948
Linear-by-Linear Association	.308	1	.579
N of Valid Cases	74		

* 18 cells (75.0%) have expected count less than 5. The minimum expected count is .08.

Size of Organisation versus Clearly Defining Terms and Conditions in Outsourcing Contract

Count

		Clearly Defining Terms & Conditions in the Outsourcing Contract			
		Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	1	3	2	6
	51-100	4	4	12	20
	101-500	1	10	11	22
	501-1000	1	4	3	8
	1001-5000	1	8	3	12
	More than 5000	0	5	1	6
Total		8	34	32	74



Chi-Square Tests

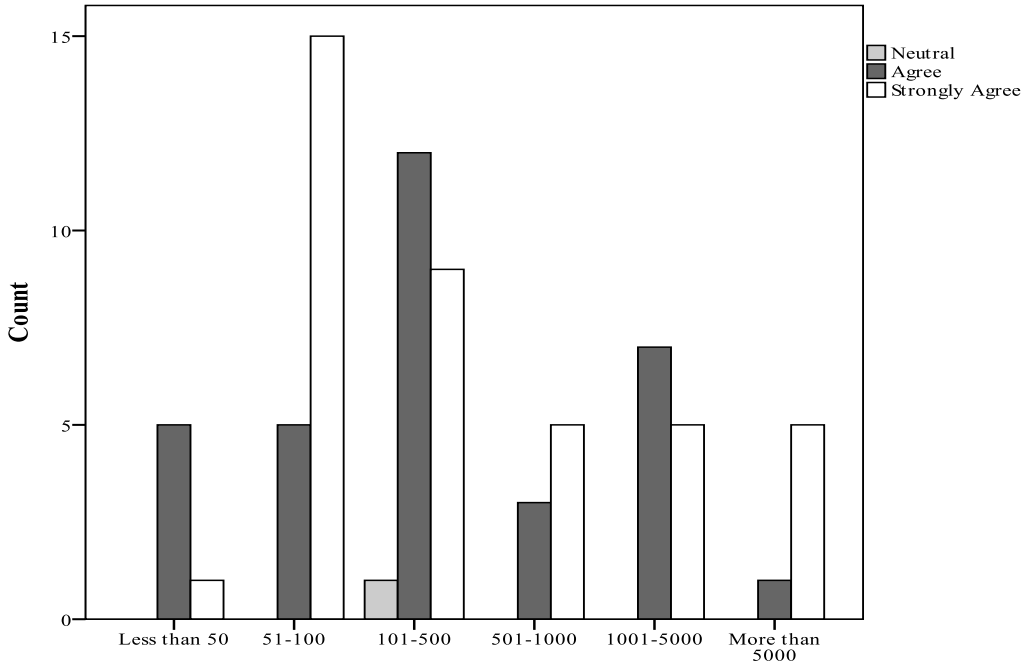
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.849*	10	.232
Likelihood Ratio	14.012	10	.172
Linear-by-Linear Association	.708	1	.400
N of Valid Cases	74		

* 12 cells (66.7%) have expected count less than 5. The minimum expected count is .65.

Size of Organisation versus Having a Strategic Vision and Plan, and an Understanding of the Intended Use of Outsourcing

Count

		Having a Strategic Vision & Plan and Understanding the intended Use of Outsourcing			
		Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	0	5	1	6
	51-100	0	5	15	20
	101-500	1	12	9	22
	501-1000	0	3	5	8
	1001-5000	0	7	5	12
	More than 5000	0	1	5	6
Total		1	33	40	74



Chi-Square Tests

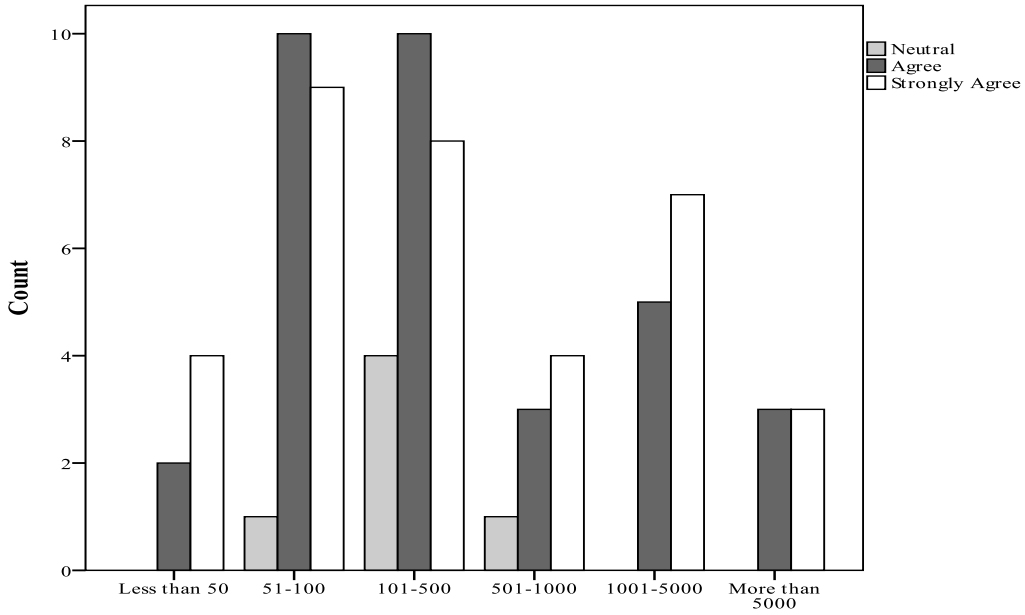
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.517*	10	.196
Likelihood Ratio	14.111	10	.168
Linear-by-Linear Association	.295	1	.587
N of Valid Cases	74		

* 12 cells (66.7%) have expected count less than 5. The minimum expected count is .08.

Size of Organisation versus Outsourcer Understanding the Organisation's Goals and Objectives

Count

		Outsourcer Understanding the Organisation's Goals & Objectives			
		Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	0	2	4	6
	51-100	1	10	9	20
	101-500	4	10	8	22
	501-1000	1	3	4	8
	1001-5000	0	5	7	12
	More than 5000	0	3	3	6
Total		6	33	35	74



Chi-Square Tests

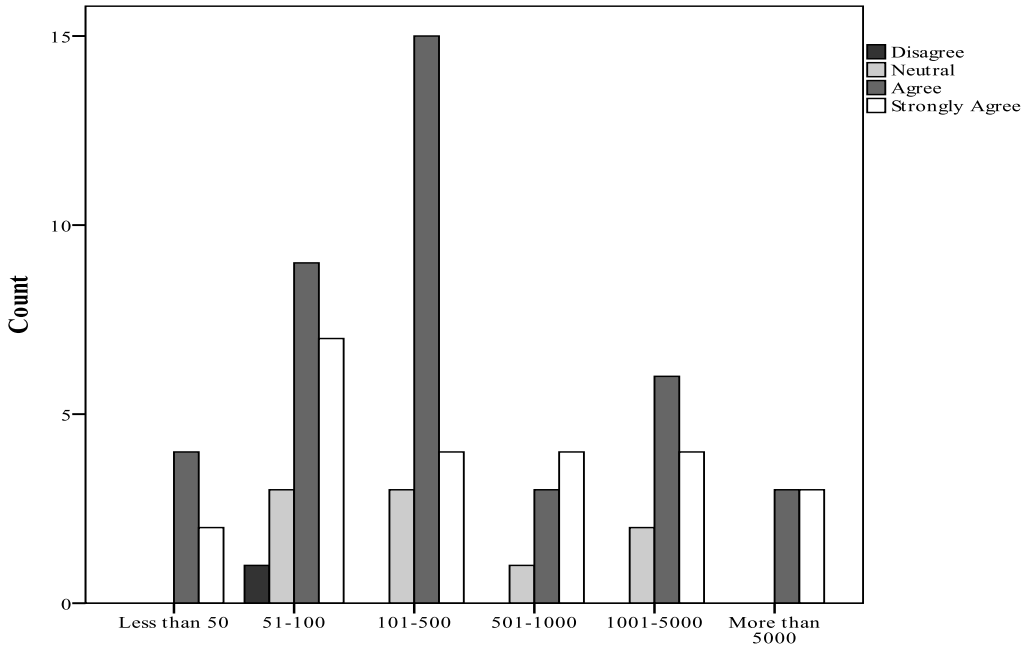
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.971*	10	.728
Likelihood Ratio	8.191	10	.610
Linear-by-Linear Association	.143	1	.705
N of Valid Cases	74		

* 12 cells (66.7%) have expected count less than 5. The minimum expected count is .49.

Size of Organisation versus Appropriate Outsource Selection

Count

		Appropriate Outsource Selection Procedures				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	0	0	4	2	6
	51-100	1	3	9	7	20
	101-500	0	3	15	4	22
	501-1000	0	1	3	4	8
	1001-5000	0	2	6	4	12
	More than 5000	0	0	3	3	6
Total		1	9	40	24	74



Chi-Square Tests

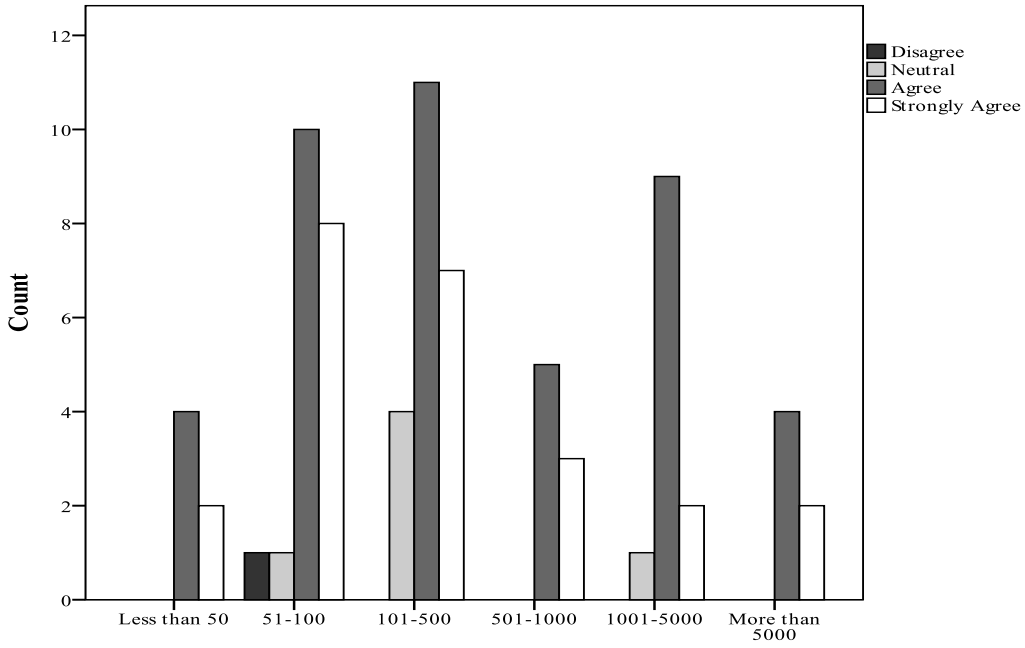
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.040*	15	.875
Likelihood Ratio	10.449	15	.791
Linear-by-Linear Association	.657	1	.418
N of Valid Cases	74		

* 19 cells (79.2%) have expected count less than 5. The minimum expected count is .08.

Size of Organisation versus Determining Which Area of Company Should Follow Outsourcing Practice

Count

		Determining Which Areas of Company Needs to be Outsourced				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	0	0	4	2	6
	51-100	1	1	10	8	20
	101-500	0	4	11	7	22
	501-1000	0	0	5	3	8
	1001-5000	0	1	9	2	12
	More than 5000	0	0	4	2	6
Total		1	6	43	24	74



Chi-Square Tests

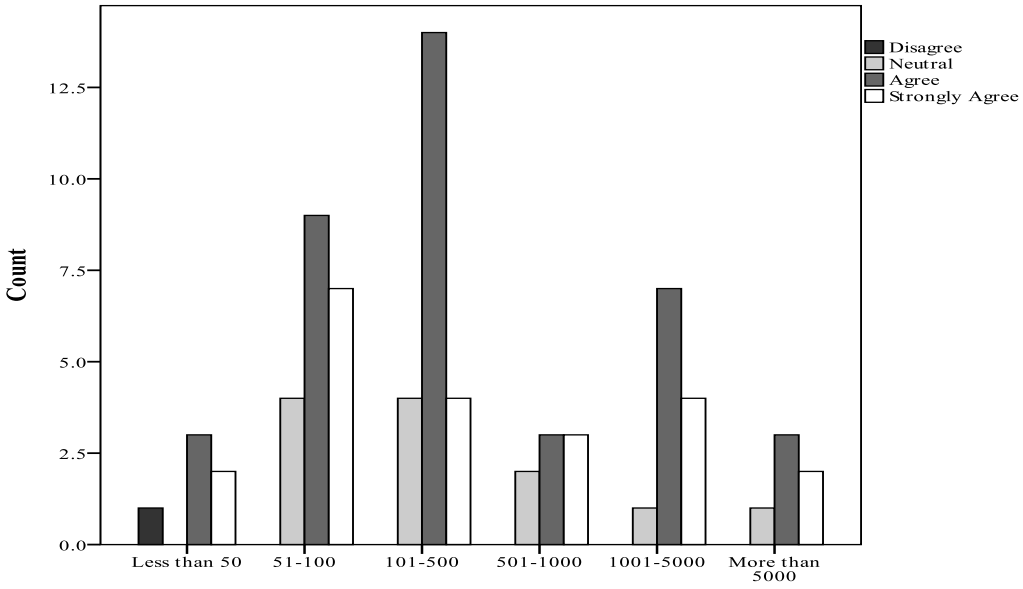
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.898*	15	.826
Likelihood Ratio	10.889	15	.760
Linear-by-Linear Association	.057	1	.811
N of Valid Cases	74		

* 19 cells (79.2%) have expected count less than 5. The minimum expected count is .08.

Size of Organisation versus On-going Management of relationships and Communication

Count

		On-going Management of relationships & Communication				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	1	0	3	2	6
	51-100	0	4	9	7	20
	101-500	0	4	14	4	22
	501-1000	0	2	3	3	8
	1001-5000	0	1	7	4	12
	More than 5000	0	1	3	2	6
Total		1	12	39	22	74



Chi-Square Tests

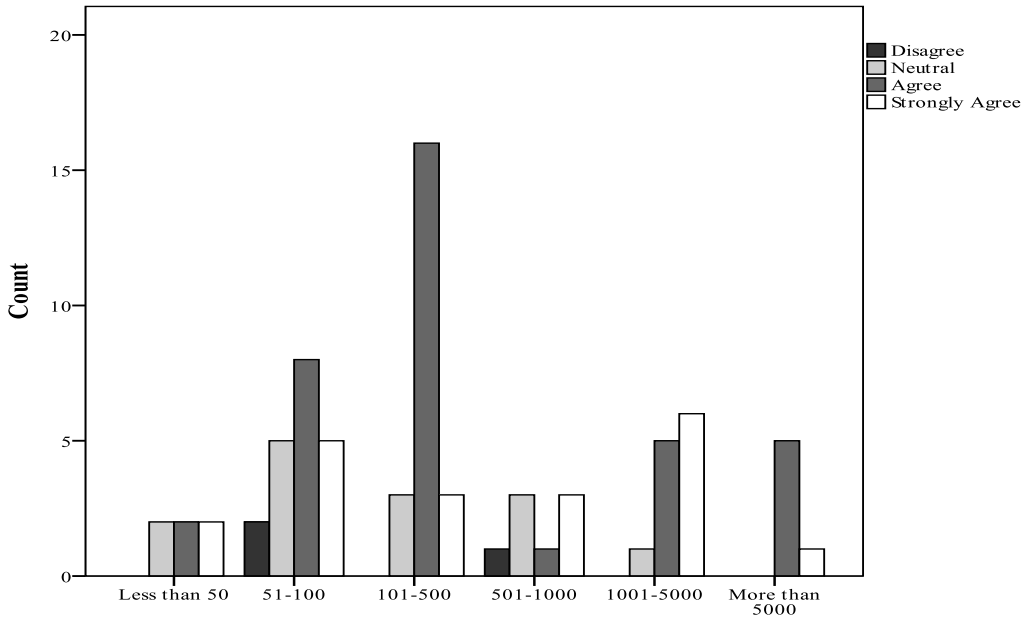
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.981*	15	.383
Likelihood Ratio	10.829	15	.765
Linear-by-Linear Association	.336	1	.562
N of Valid Cases	74		

* 19 cells (79.2%) have expected count less than 5. The minimum expected count is .08.

Size of Organisation versus Properly Drawn up Contract

Count

		Properly Drawn up Contract				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	0	2	2	2	6
	51-100	2	5	8	5	20
	101-500	0	3	16	3	22
	501-1000	1	3	1	3	8
	1001-5000	0	1	5	6	12
	More than 5000	0	0	5	1	6
Total		3	14	37	20	74



Chi-Square Tests

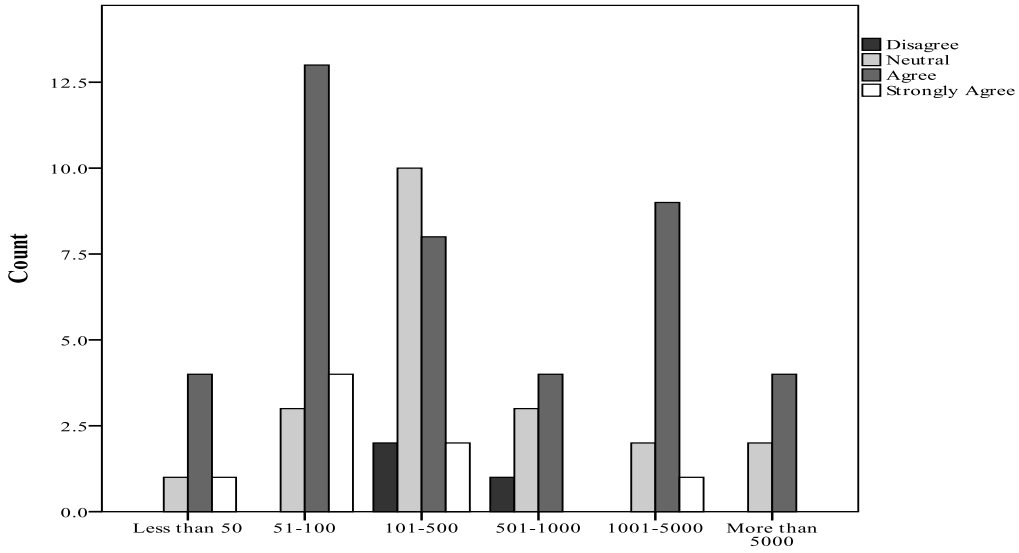
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	20.937*	15	.139
Likelihood Ratio	23.063	15	.083
Linear-by-Linear Association	2.386	1	.122
N of Valid Cases	74		

* 19 cells (79.2%) have expected count less than 5. The minimum expected count is .24.

Size of Organisation versus Outsourcer Attaining Some Form of Certifications

Count

		Outsourcer Attains Some form of Certification, Such as ISO 9001, SEI, CMM				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	0	1	4	1	6
	51-100	0	3	13	4	20
	101-500	2	10	8	2	22
	501-1000	1	3	4	0	8
	1001-5000	0	2	9	1	12
	More than 5000	0	2	4	0	6
Total		3	21	42	8	74



Chi-Square Tests

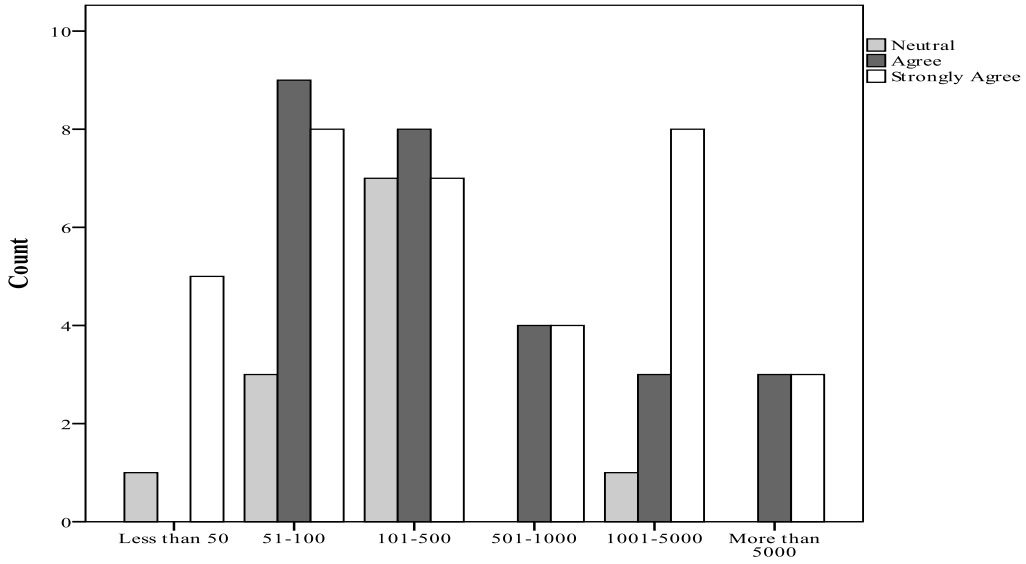
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.468*	15	.418
Likelihood Ratio	17.755	15	.276
Linear-by-Linear Association	1.188	1	.276
N of Valid Cases	74		

* 19 cells (79.2%) have expected count less than 5. The minimum expected count is .24.

Size of Organisation versus Top Management's Support and Involvement

Count

		Top Management's Support & Involvement			
		Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	1	0	5	6
	51-100	3	9	8	20
	101-500	7	8	7	22
	501-1000	0	4	4	8
	1001-5000	1	3	8	12
	More than 5000	0	3	3	6
Total		12	27	35	74



Chi-Square Tests

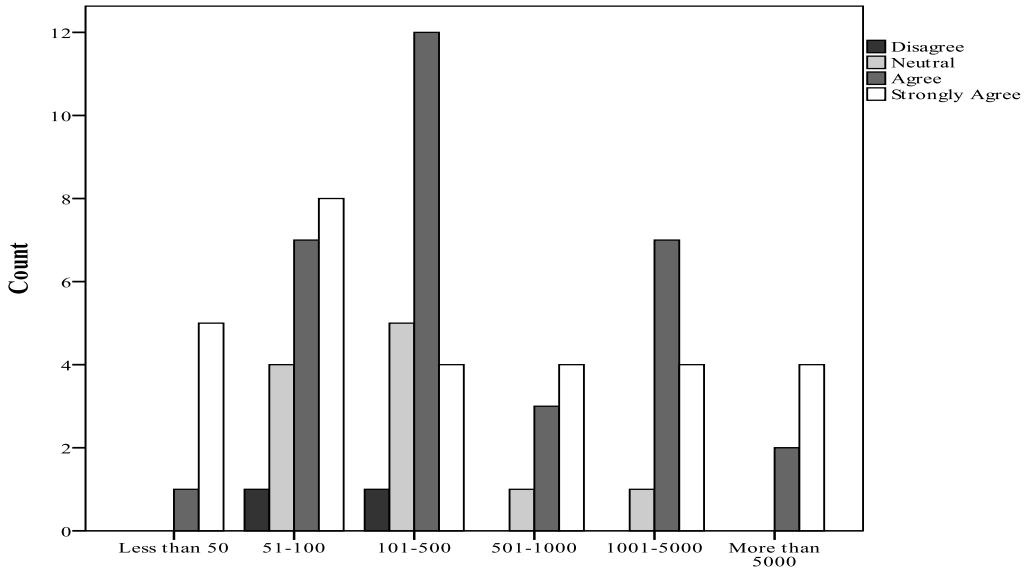
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.733*	10	.186
Likelihood Ratio	17.259	10	.069
Linear-by-Linear Association	.865	1	.352
N of Valid Cases	74		

* 13 cells (72.2%) have expected count less than 5. The minimum expected count is .97.

Size of Organisation versus Careful Attention to Personnel Issues and Conducting Open Communication

Count

		Careful Attention to Personnel Issues and Conducting Open Communication				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	0	0	1	5	6
	51-100	1	4	7	8	20
	101-500	1	5	12	4	22
	501-1000	0	1	3	4	8
	1001-5000	0	1	7	4	12
	More than 5000	0	0	2	4	6
Total		2	11	32	29	74



Chi-Square Tests

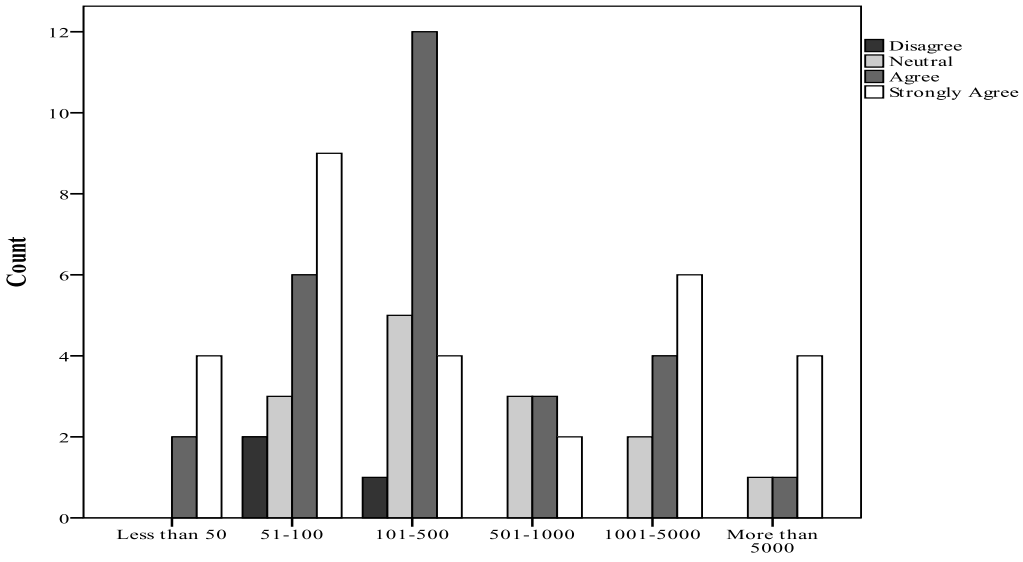
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.448*	15	.492
Likelihood Ratio	16.732	15	.335
Linear-by-Linear Association	.106	1	.745
N of Valid Cases	74		

* 19 cells (79.2%) have expected count less than 5. The minimum expected count is .16.

Size of Organisation versus Financial Planning and Analysis

Count

		Financial Planning and Analysis				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	0	0	2	4	6
	51-100	2	3	6	9	20
	101-500	1	5	12	4	22
	501-1000	0	3	3	2	8
	1001-5000	0	2	4	6	12
	More than 5000	0	1	1	4	6
Total		3	14	28	29	74



Chi-Square Tests

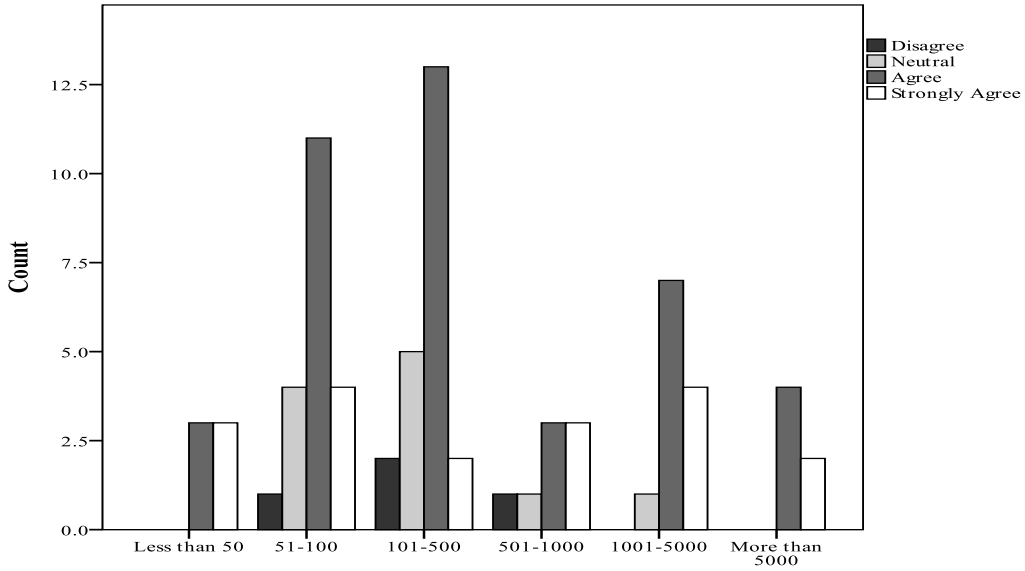
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.515*	15	.487
Likelihood Ratio	16.375	15	.358
Linear-by-Linear Association	.131	1	.717
N of Valid Cases	74		

* 20 cells (83.3%) have expected count less than 5. The minimum expected count is .24.

Size of Organisation versus Establishing Trust between Organisation and Outsourcer

Count

		Establishing Trust Between Organisation and Outsourcer				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	0	0	3	3	6
	51-100	1	4	11	4	20
	101-500	2	5	13	2	22
	501-1000	1	1	3	3	8
	1001-5000	0	1	7	4	12
	More than 5000	0	0	4	2	6
Total		4	11	41	18	74



Chi-Square Tests

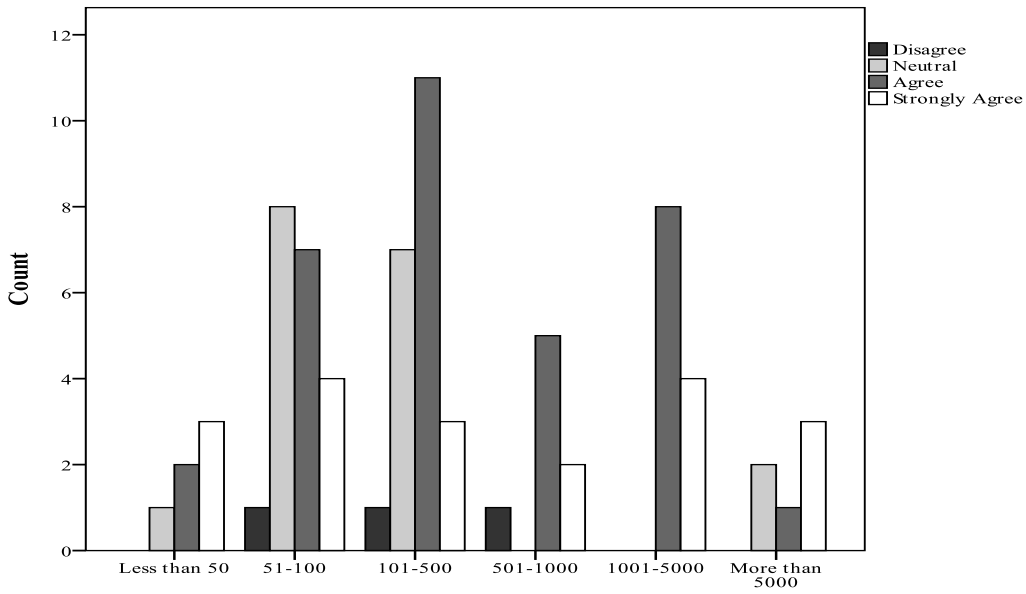
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.784*	15	.695
Likelihood Ratio	14.670	15	.475
Linear-by-Linear Association	.737	1	.391
N of Valid Cases	74		

* 20 cells (83.3%) have expected count less than 5. The minimum expected count is .32.

Size of Organisation versus Criteria Drawn up to measure the outsourcer's Performance

Count

		Criteria Drawn up to Measure the Outsourcer's Performance				
		Disagree	Neutral	Agree	Strongly Agree	Total
Number of Employees	Less than 50	0	1	2	3	6
	51-100	1	8	7	4	20
	101-500	1	7	11	3	22
	501-1000	1	0	5	2	8
	1001-5000	0	0	8	4	12
	More than 5000	0	2	1	3	6
Total		3	18	34	19	74



Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.236*	15	.250
Likelihood Ratio	23.078	15	.082
Linear-by-Linear Association	2.026	1	.155
N of Valid Cases	74		

* 18 cells (75.0%) have expected count less than 5. The minimum expected count is .24.

Report

Tactical Outsourcing		Cost Savings	Cost Restructuring	Improve Quality	Wider Knowledge & Experience	Provide to a Legal Binding Contract	Operational Expertise	Access to a Larger Talent Pool & a Sustainable of Skills	Capacity Management	Catalyst for Change	Reduce Time to Market	Allows a Wide Range of Businesses Access to Services	Risk Management	Time Zone	Customer Pressure
Disagree	Mean	3.7222	3.9444	3.5000	3.6111	3.2500	3.9444	3.8235	3.7059	3.6667	3.2222	3.2778	2.9444	2.8333	3.2222
	N	18	18	18	18	16	18	17	17	18	18	18	18	18	18
	Std. Deviation	.82644	.87260	.85749	.77754	1.06458	.93760	.95101	.58787	.68599	.87820	.66911	.72536	.70711	.94281
	Median	4.0000	4.0000	3.5000	4.0000	3.5000	4.0000	4.0000	4.0000	4.0000	3.0000	3.0000	3.0000	3.0000	3.0000
Neutral	Mean	3.5455	3.6818	3.7273	4.0455	3.6818	3.6818	3.8182	3.5455	3.5455	3.3636	3.4091	3.6818	3.1818	3.5909
	N	22	22	22	22	22	22	22	22	22	22	22	22	22	22
	Std. Deviation	1.05683	.94548	.98473	.84387	.94548	.83873	.95799	.67098	.59580	.78954	.79637	1.08612	1.05272	.90812
	Median	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	3.5000	3.0000	3.5000	4.0000	3.0000	4.0000
Agree	Mean	3.5882	3.7647	3.7941	4.1176	3.7941	4.0000	3.9412	3.7879	3.7647	3.5882	3.7941	3.4706	3.2059	3.1471
	N	34	34	34	34	34	32	34	33	34	34	34	34	34	34
	Std. Deviation	1.01854	.85489	.88006	.68599	.88006	.80322	.69375	.81997	.69887	.85697	.84493	.74814	.72944	.95766
	Median	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	3.0000	3.0000	3.0000
Total	Mean	3.6081	3.7838	3.7027	3.9730	3.6389	3.8889	3.8767	3.6944	3.6757	3.4324	3.5541	3.4054	3.1081	3.2973
	N	74	74	74	74	72	72	73	72	74	74	74	74	74	74
	Std. Deviation	.97668	.88007	.90250	.77589	.95395	.84845	.83242	.72460	.66432	.84531	.81328	.89011	.83695	.94695
	Median	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	3.0000	4.0000	3.0000	3.0000	3.0000

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
Cost Savings * Tactical Outsourcing	Between Groups	(Combined)	.334	2	.167	.171	.843
	Within Groups		69.301	71	.976		
	Total		69.635	73			
Cost Restructuring * Tactical Outsourcing	Between Groups	(Combined)	.706	2	.353	.449	.640
	Within Groups		55.835	71	.786		
	Total		56.541	73			
Improve Quality * Tactical Outsourcing	Between Groups	(Combined)	1.037	2	.518	.630	.535
	Within Groups		58.422	71	.823		
	Total		59.459	73			
Wider Knowledge & Experience * Tactical Outsourcing	Between Groups	(Combined)	3.184	2	1.592	2.773	.069
	Within Groups		40.762	71	.574		
	Total		43.946	73			
Provide to a Legall Binding Contract * Tactical Outsourcing	Between Groups	(Combined)	3.280	2	1.640	1.845	.166
	Within Groups		61.332	69	.889		
	Total		64.611	71			
Operational Expertise * Tactical Outsourcing	Between Groups	(Combined)	1.394	2	.697	.967	.385
	Within Groups		49.717	69	.721		
	Total		51.111	71			
Access to a Larger Talent Pool & a Sustainable of Skills * Tactical Outsourcing	Between Groups	(Combined)	.265	2	.132	.187	.830
	Within Groups		49.626	70	.709		
	Total		49.890	72			
Capacity Management * Tactical Outsourcing	Between Groups	(Combined)	.779	2	.389	.736	.483
	Within Groups		36.499	69	.529		
	Total		37.278	71			
Catalyst for Change * Tactical Outsourcing	Between Groups	(Combined)	.644	2	.322	.724	.488
	Within Groups		31.572	71	.445		
	Total		32.216	73			
Reduce Time to Market * Tactical Outsourcing	Between Groups	(Combined)	1.725	2	.862	1.214	.303
	Within Groups		50.437	71	.710		
	Total		52.162	73			
Allows a Wide Rang of Businesses Access to Services * Tactical Outsourcing	Between Groups	(Combined)	3.796	2	1.898	3.029	.055
	Within Groups		44.488	71	.627		
	Total		48.284	73			
Risk Management * Tactical Outsourcing	Between Groups	(Combined)	5.650	2	2.825	3.843	.026
	Within Groups		52.188	71	.735		
	Total		57.838	73			
Time Zone * Tactical Outsourcing	Between Groups	(Combined)	1.804	2	.902	1.298	.280
	Within Groups		49.332	71	.695		
	Total		51.135	73			
Customer Pressure * Tactical Outsourcing	Between Groups	(Combined)	2.765	2	1.383	1.566	.216
	Within Groups		62.694	71	.883		
	Total		65.459	73			

Report

Strategic Outsourcing		Cost Savings	Cost Restructuring	Improve Quality	Wider Knowledge & Experience	Provide to a Legal Binding Contract	Operational Expertise	Access to a Larger Talent Pool & a Sustainable of Skills	Capacity Management	Catalyst for Change	Reduce Time to Market	Allows a Wide Range of Businesses Access to Services	Risk Management	Time Zone	Customer Pressure
Disagree	Mean	3.2222	4.1111	3.3333	3.8889	3.7500	3.8750	3.6250	3.2857	3.7778	3.1111	3.5556	2.7778	2.6667	3.1111
	N	9	9	9	9	8	8	8	7	9	9	9	9	9	9
	Std. Deviation	.83333	1.05409	.86603	.60093	.88641	.99103	.91613	.95119	.44096	.78174	.72648	.66667	.50000	.78174
	Median	3.0000	4.0000	3.0000	4.0000	4.0000	4.0000	4.0000	3.0000	4.0000	3.0000	4.0000	3.0000	3.0000	3.0000
Neutral	Mean	3.8235	3.7059	3.6471	3.7647	3.4706	3.7059	3.7059	3.8235	3.6471	3.4706	3.4118	3.6471	3.2941	3.1765
	N	17	17	17	17	17	17	17	17	17	17	17	17	17	17
	Std. Deviation	1.18508	.84887	.99632	.90342	.94324	.91956	.84887	.80896	.60634	.87447	.93934	.93148	.91956	.88284
	Median	4.0000	4.0000	4.0000	4.0000	3.0000	4.0000	4.0000	4.0000	4.0000	3.0000	3.0000	4.0000	3.0000	3.0000
Agree	Mean	3.6042	3.7500	3.7917	4.0625	3.6809	3.9574	3.9792	3.7083	3.6667	3.4792	3.6042	3.4375	3.1250	3.3750
	N	48	48	48	48	47	47	48	48	48	48	48	48	48	48
	Std. Deviation	.91651	.86295	.87418	.75530	.98038	.80643	.81187	.65097	.72445	.85027	.79197	.87291	.84110	1.00266
	Median	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	3.0000	4.0000	3.0000	3.0000	3.5000
Total	Mean	3.6081	3.7838	3.7027	3.9730	3.6389	3.8889	3.8767	3.6944	3.6757	3.4324	3.5541	3.4054	3.1081	3.2973
	N	74	74	74	74	72	72	73	72	74	74	74	74	74	74
	Std. Deviation	.97668	.88007	.90250	.77589	.95395	.84845	.83242	.72460	.66432	.84531	.81328	.89011	.83695	.94695
	Median	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	3.0000	4.0000	3.0000	3.0000	3.0000

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
Cost Savings * Strategic Outsourcing	Between Groups	(Combined)	2.130	2	1.065	1.120	.332
	Within Groups		67.505	71	.951		
	Total		69.635	73			
Cost Restructuring * Strategic Outsourcing	Between Groups	(Combined)	1.122	2	.561	.719	.491
	Within Groups		55.418	71	.781		
	Total		56.541	73			
Improve Quality * Strategic Outsourcing	Between Groups	(Combined)	1.660	2	.830	1.020	.366
	Within Groups		57.799	71	.814		
	Total		59.459	73			
Wider Knowledge & Experience * Strategic Outsourcing	Between Groups	(Combined)	1.186	2	.593	.984	.379
	Within Groups		42.760	71	.602		
	Total		43.946	73			
Provide to a Legal Binding Contract * Strategic Outsourcing	Between Groups	(Combined)	.663	2	.332	.358	.701
	Within Groups		63.948	69	.927		
	Total		64.611	71			
Operational Expertise * Strategic Outsourcing	Between Groups	(Combined)	.792	2	.396	.543	.584
	Within Groups		50.319	69	.729		
	Total		51.111	71			
Access to a Larger Talent Pool & a Sustainable of Skills * Strategic Outsourcing	Between Groups	(Combined)	1.507	2	.753	1.090	.342
	Within Groups		48.384	70	.691		
	Total		49.890	72			
Capacity Management * Strategic Outsourcing	Between Groups	(Combined)	1.462	2	.731	1.408	.252
	Within Groups		35.816	69	.519		
	Total		37.278	71			
Catalyst for Change * Strategic Outsourcing	Between Groups	(Combined)	.112	2	.056	.123	.884
	Within Groups		32.105	71	.452		
	Total		32.216	73			
Reduce Time to Market * Strategic Outsourcing	Between Groups	(Combined)	1.059	2	.529	.736	.483
	Within Groups		51.103	71	.720		
	Total		52.162	73			
Allows a Wide Range of Businesses Access to Services * Strategic Outsourcing	Between Groups	(Combined)	.465	2	.232	.345	.709
	Within Groups		47.819	71	.674		
	Total		48.284	73			
Risk Management * Strategic Outsourcing	Between Groups	(Combined)	4.587	2	2.294	3.058	.053
	Within Groups		53.250	71	.750		
	Total		57.838	73			
Time Zone * Strategic Outsourcing	Between Groups	(Combined)	2.356	2	1.178	1.714	.187
	Within Groups		48.779	71	.687		
	Total		51.135	73			
Customer Pressure * Strategic Outsourcing	Between Groups	(Combined)	.850	2	.425	.467	.629
	Within Groups		64.609	71	.910		
	Total		65.459	73			

Report

Transformational Outsourcing		Cost Savings	Cost Restructuring	Improve Quality	Wider Knowledge & Experience	Provide to a Legal Binding Contract	Operational Expertise	Access to a Larger Talent Pool & a Sustainable of Skills	Capacity Management	Catalyst for Change	Reduce Time to Market	Allows a Wide Range of Businesses Access to Services	Risk Management	Time Zone	Customer Pressure
Disagree	Mean	3.3684	4.1579	3.5789	4.1053	3.9474	4.1176	4.1579	3.6667	3.6316	3.4211	3.5789	3.4737	3.2105	3.3684
	N	19	19	19	19	19	17	19	18	19	19	19	19	19	19
	Std. Deviation	.83070	.76472	.76853	.56713	.62126	.69663	.60214	.59409	.68399	.69248	.76853	.61178	.53530	.83070
	Median	3.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	3.0000	4.0000	3.0000	3.0000	3.0000
Neutral	Mean	3.5385	3.5000	3.7692	3.9615	3.6538	3.8462	3.8846	3.7308	3.6538	3.4231	3.6923	3.6154	3.0385	3.4231
	N	26	26	26	26	26	26	26	26	26	26	26	26	26	26
	Std. Deviation	1.02882	.81240	.86291	.91568	.89184	.73170	.81618	.60383	.68948	.80861	.67937	.69725	.72004	.90213
	Median	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	3.0000	4.0000	3.5000	3.0000	4.0000
Agree	Mean	3.8276	3.7931	3.7241	3.8966	3.4074	3.7931	3.6786	3.6786	3.7241	3.4483	3.4138	3.1724	3.1034	3.1379
	N	29	29	29	29	27	29	28	28	29	29	29	29	29	29
	Std. Deviation	1.00246	.94034	1.03152	.77205	1.15223	1.01346	.94491	.90487	.64899	.98511	.94556	1.13606	1.08050	1.05979
	Median	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	3.0000	3.0000	3.0000	3.0000
Total	Mean	3.6081	3.7838	3.7027	3.9730	3.6389	3.8889	3.8767	3.6944	3.6757	3.4324	3.5541	3.4054	3.1081	3.2973
	N	74	74	74	74	72	72	73	72	74	74	74	74	74	74
	Std. Deviation	.97668	.88007	.90250	.77589	.95395	.84845	.83242	.72460	.66432	.84531	.81328	.89011	.83695	.94695
	Median	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	3.0000	4.0000	3.0000	3.0000	3.0000

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
Cost Savings * Transformational Outsourcing	Between Groups	(Combined)	2.615	2	1.307	1.385	.257
	Within Groups		67.021	71	.944		
	Total		69.635	73			
Cost Restructuring * Transformational Outsourcing	Between Groups	(Combined)	4.756	2	2.378	3.260	.044
	Within Groups		51.785	71	.729		
	Total		56.541	73			
Improve Quality * Transformational Outsourcing	Between Groups	(Combined)	.419	2	.210	.252	.778
	Within Groups		59.040	71	.832		
	Total		59.459	73			
Wider Knowledge & Experience * Transformational Outsourcing	Between Groups	(Combined)	.505	2	.253	.413	.663
	Within Groups		43.441	71	.612		
	Total		43.946	73			
Provide to a Legal Binding Contract * Transformational Outsourcing	Between Groups	(Combined)	3.261	2	1.630	1.834	.168
	Within Groups		61.351	69	.889		
	Total		64.611	71			
Operational Expertise * Transformational Outsourcing	Between Groups	(Combined)	1.203	2	.602	.832	.440
	Within Groups		49.908	69	.723		
	Total		51.111	71			
Access to a Larger Talent Pool & a Sustainable of Skills * Transformational Outsourcing	Between Groups	(Combined)	2.603	2	1.302	1.927	.153
	Within Groups		47.287	70	.676		
	Total		49.890	72			
Capacity Management * Transformational Outsourcing	Between Groups	(Combined)	.055	2	.028	.051	.950
	Within Groups		37.223	69	.539		
	Total		37.278	71			
Catalyst for Change * Transformational Outsourcing	Between Groups	(Combined)	.117	2	.059	.130	.878
	Within Groups		32.099	71	.452		
	Total		32.216	73			
Reduce Time to Market * Transformational Outsourcing	Between Groups	(Combined)	.012	2	.006	.008	.992
	Within Groups		52.150	71	.735		
	Total		52.162	73			
Allows a Wide Range of Businesses Access to Services * Transformational Outsourcing	Between Groups	(Combined)	1.079	2	.540	.812	.448
	Within Groups		47.205	71	.665		
	Total		48.284	73			
Risk Management * Transformational Outsourcing	Between Groups	(Combined)	2.809	2	1.405	1.812	.171
	Within Groups		55.029	71	.775		
	Total		57.838	73			
Time Zone * Transformational Outsourcing	Between Groups	(Combined)	.326	2	.163	.228	.797
	Within Groups		50.809	71	.716		
	Total		51.135	73			
Customer Pressure * Transformational Outsourcing	Between Groups	(Combined)	1.244	2	.622	.688	.506
	Within Groups		64.215	71	.904		
	Total		65.459	73			

Report

Transitional Outsourcing		Cost Savings	Cost Restructuring	Improve Quality	Wider Knowledge & Experience	Provide to a Legal Binding Contract	Operational Expertise	Access to a Larger Talent Pool & a Sustainable of Skills	Capacity Management	Catalyst for Change	Reduce Time to Market	Allows a Wide Range of Businesses Access to Services	Risk Management	Time Zone	Customer Pressure
Disagree	Mean	3.6000	3.6000	3.4667	3.6667	3.5714	4.0000	4.0000	3.3333	3.6667	2.8000	3.0667	3.0000	2.9333	2.9333
	N	15	15	15	15	14	14	15	15	15	15	15	15	15	15
	Std. Deviation	.98561	.91026	.74322	.81650	.85163	.78446	.75593	.61721	.72375	.56061	.59362	.84515	.70373	1.03280
Neutral	Mean	3.5897	3.8462	3.9231	4.1282	3.6154	3.7692	3.8158	3.7838	3.7436	3.7692	3.6410	3.3077	3.1026	3.2821
	N	39	39	39	39	39	39	38	37	39	39	39	39	39	39
	Std. Deviation	.99255	.84413	.92863	.65612	1.06661	.87243	.92577	.71240	.67738	.77668	.84253	.89307	.88243	.94448
Agree	Mean	3.6500	3.8000	3.4500	3.9000	3.7368	4.0526	3.9000	3.8000	3.5500	3.2500	3.7500	3.9000	3.2500	3.6000
	N	20	20	20	20	19	19	20	20	20	20	20	20	20	20
	Std. Deviation	.98809	.95145	.88704	.91191	.80568	.84811	.71818	.76777	.60481	.85070	.78640	.71818	.85070	.82078
Total	Mean	3.6081	3.7838	3.7027	3.9730	3.6389	3.8889	3.8767	3.6944	3.6757	3.4324	3.5541	3.4054	3.1081	3.2973
	N	74	74	74	74	72	72	73	72	74	74	74	74	74	74
	Std. Deviation	.97668	.88007	.90250	.77589	.95395	.84845	.83242	.72460	.66432	.84531	.81328	.89011	.83695	.94695

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
Cost Savings * Transitional Outsourcing	Between Groups	(Combined)	.049	2	.025	.025	.975
	Within Groups		69.586	71	.980		
	Total		69.635	73			
Cost Restructuring * Transitional Outsourcing	Between Groups	(Combined)	.664	2	.332	.422	.658
	Within Groups		55.877	71	.787		
	Total		56.541	73			
Improve Quality * Transitional Outsourcing	Between Groups	(Combined)	4.007	2	2.003	2.565	.084
	Within Groups		55.453	71	.781		
	Total		59.459	73			
Wider Knowledge & Experience * Transitional Outsourcing	Between Groups	(Combined)	2.454	2	1.227	2.099	.130
	Within Groups		41.492	71	.584		
	Total		43.946	73			
Provide to a Legal Binding Contract * Transitional Outsourcing	Between Groups	(Combined)	.268	2	.134	.143	.867
	Within Groups		64.344	69	.933		
	Total		64.611	71			
Operational Expertise * Transitional Outsourcing	Between Groups	(Combined)	1.241	2	.620	.858	.428
	Within Groups		49.870	69	.723		
	Total		51.111	71			
Access to a Larger Talent Pool & a Sustainable of Skills * Transitional Outsourcing	Between Groups	(Combined)	.380	2	.190	.269	.765
	Within Groups		49.511	70	.707		
	Total		49.890	72			
Capacity Management * Transitional Outsourcing	Between Groups	(Combined)	2.474	2	1.237	2.453	.094
	Within Groups		34.804	69	.504		
	Total		37.278	71			
Catalyst for Change * Transitional Outsourcing	Between Groups	(Combined)	.497	2	.248	.556	.576
	Within Groups		31.719	71	.447		
	Total		32.216	73			
Reduce Time to Market * Transitional Outsourcing	Between Groups	(Combined)	11.089	2	5.545	9.584	.000
	Within Groups		41.073	71	.578		
	Total		52.162	73			
Allows a Wide Range of Businesses Access to Services * Transitional Outsourcing	Between Groups	(Combined)	4.626	2	2.313	3.762	.028
	Within Groups		43.658	71	.615		
	Total		48.284	73			
Risk Management * Transitional Outsourcing	Between Groups	(Combined)	7.730	2	3.865	5.477	.006
	Within Groups		50.108	71	.706		
	Total		57.838	73			
Time Zone * Transitional Outsourcing	Between Groups	(Combined)	.862	2	.431	.609	.547
	Within Groups		50.273	71	.708		
	Total		51.135	73			
Customer Pressure * Transitional Outsourcing	Between Groups	(Combined)	3.829	2	1.914	2.205	.118
	Within Groups		61.631	71	.868		
	Total		65.459	73			

Report

Total Outsourcing		Cost Savings	Cost Restructuring	Improve Quality	Wider Knowledge & Experience	Provide to a Legal Binding Contract	Operational Expertise	Access to a Larger Talent Pool & a Sustainable of Skills	Capacity Management	Catalyst for Change	Reduce Time to Market	Allows a Wide Range of Businesses Access to Services	Risk Management	Time Zone	Customer Pressure
Disagree	Mean	3.4419	3.7674	3.6977	3.9767	3.6098	3.9024	3.7857	3.6098	3.6047	3.2791	3.4186	3.3721	3.0233	3.1628
	N	43	43	43	43	41	41	42	41	43	43	43	43	43	43
	Std. Deviation	.98325	.84056	.88734	.85880	.94546	.80015	.78198	.70278	.65971	.82594	.76322	.87351	.77116	.87097
Neutral	Mean	3.6190	3.4762	3.8095	4.0000	3.5238	3.7143	3.9524	3.7143	3.7619	3.8095	3.9048	3.4286	3.2857	3.5714
	N	21	21	21	21	21	21	21	21	21	21	21	21	21	21
	Std. Deviation	.97346	.92839	1.03049	.70711	1.07792	.84515	.92066	.78376	.62488	.81358	.88909	.97834	1.00712	1.07571
Agree	Mean	4.3000	4.5000	3.5000	3.9000	4.0000	4.2000	4.1000	4.0000	3.8000	3.3000	3.4000	3.5000	3.1000	3.3000
	N	10	10	10	10	10	10	10	10	10	10	10	10	10	10
	Std. Deviation	.67495	.52705	.70711	.56765	.66667	1.03280	.87560	.66667	.78881	.82327	.69921	.84984	.73786	.94868
Total	Mean	3.6081	3.7838	3.7027	3.9730	3.6389	3.8889	3.8767	3.6944	3.6757	3.4324	3.5541	3.4054	3.1081	3.2973
	N	74	74	74	74	72	72	73	72	74	74	74	74	74	74
	Std. Deviation	.97668	.88007	.90250	.77589	.95395	.84845	.83242	.72460	.66432	.84531	.81328	.89011	.83695	.94695

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
Cost Savings * Total Outsourcing	Between Groups	(Combined)	5.978	2	2.989	3.334	.041
	Within Groups		63.657	71	.897		
	Total		69.635	73			
Cost Restructuring * Total Outsourcing	Between Groups	(Combined)	7.128	2	3.564	5.121	.008
	Within Groups		49.413	71	.696		
	Total		56.541	73			
Improve Quality * Total Outsourcing	Between Groups	(Combined)	.652	2	.326	.393	.676
	Within Groups		58.808	71	.828		
	Total		59.459	73			
Wider Knowledge & Experience * Total Outsourcing	Between Groups	(Combined)	.069	2	.035	.056	.946
	Within Groups		43.877	71	.618		
	Total		43.946	73			
Provide to a Legal Binding Contract * Total Outsourcing	Between Groups	(Combined)	1.617	2	.808	.886	.417
	Within Groups		62.994	69	.913		
	Total		64.611	71			
Operational Expertise * Total Outsourcing	Between Groups	(Combined)	1.616	2	.808	1.126	.330
	Within Groups		49.495	69	.717		
	Total		51.111	71			
Access to a Larger Talent Pool & a Sustainable of Skills * Total Outsourcing	Between Groups	(Combined)	.967	2	.483	.692	.504
	Within Groups		48.924	70	.699		
	Total		49.890	72			
Capacity Management * Total Outsourcing	Between Groups	(Combined)	1.236	2	.618	1.183	.312
	Within Groups		36.042	69	.522		
	Total		37.278	71			
Catalyst for Change * Total Outsourcing	Between Groups	(Combined)	.528	2	.264	.591	.556
	Within Groups		31.689	71	.446		
	Total		32.216	73			
Reduce Time to Market * Total Outsourcing	Between Groups	(Combined)	4.173	2	2.086	3.087	.052
	Within Groups		47.989	71	.676		
	Total		52.162	73			
Allows a Wide Range of Businesses Access to Services * Total Outsourcing	Between Groups	(Combined)	3.609	2	1.805	2.868	.063
	Within Groups		44.675	71	.629		
	Total		48.284	73			
Risk Management * Total Outsourcing	Between Groups	(Combined)	.148	2	.074	.091	.913
	Within Groups		57.689	71	.813		
	Total		57.838	73			
Time Zone * Total Outsourcing	Between Groups	(Combined)	.973	2	.486	.688	.506
	Within Groups		50.162	71	.707		
	Total		51.135	73			
Customer Pressure * Total Outsourcing	Between Groups	(Combined)	2.356	2	1.178	1.325	.272
	Within Groups		63.103	71	.889		
	Total		65.459	73			

Report

Selective Outsourcing		Cost Savings	Cost Restructuring	Improve Quality	Wider Knowledge & Experience	Provide to a Legal Binding Contract	Operational Expertise	Access to a Larger Talent Pool & a Sustainable of Skills	Capacity Management	Catalyst for Change	Reduce Time to Market	Allows a Wide Range of Businesses Access to Services	Risk Management	Time Zone	Customer Pressure
Disagree	Mean	3.5714	3.8571	3.4286	3.5714	3.1667	4.0000	4.0000	3.5714	3.8571	3.1429	3.2857	3.4286	3.1429	2.8571
	N	7	7	7	7	6	7	7	7	7	7	7	7	7	7
	Std. Deviation	.78680	.89974	.78680	.53452	.75277	1.15470	1.00000	.97590	.69007	.37796	.75593	.78680	.69007	.89974
Neutral	Mean	3.7778	3.7778	3.6667	3.8889	3.1111	3.5556	4.0000	3.8889	3.7778	3.5556	4.0000	3.5556	2.8889	3.4444
	N	9	9	9	9	9	9	9	9	9	9	9	9	9	9
	Std. Deviation	.97183	.97183	1.00000	1.05409	1.05409	1.01379	1.11803	.78174	.66667	.88192	.70711	1.23603	.92796	.88192
Agree	Mean	3.5862	3.7759	3.7414	4.0345	3.7719	3.9286	3.8421	3.6786	3.6379	3.4483	3.5172	3.3793	3.1379	3.3276
	N	58	58	58	58	57	56	57	56	58	58	58	58	58	58
	Std. Deviation	1.00933	.87946	.90922	.74846	.92616	.78293	.77435	.69038	.66750	.88203	.82167	.85486	.84704	.96223
Total	Mean	3.6081	3.7838	3.7027	3.9730	3.6389	3.8889	3.8767	3.6944	3.6757	3.4324	3.5541	3.4054	3.1081	3.2973
	N	74	74	74	74	72	72	73	72	74	74	74	74	74	74
	Std. Deviation	.97668	.88007	.90250	.77589	.95395	.84845	.83242	.72460	.66432	.84531	.81328	.89011	.83695	.94695

ANOVA Table

			Sum of Squares	df	Mean Square	F	Sig.
Cost Savings * Selective Outsourcing	Between Groups	(Combined)	.296	2	.148	.152	.860
	Within Groups		69.339	71	.977		
	Total		69.635	73			
Cost Restructuring * Selective Outsourcing	Between Groups	(Combined)	.042	2	.021	.026	.974
	Within Groups		56.499	71	.796		
	Total		56.541	73			
Improve Quality * Selective Outsourcing	Between Groups	(Combined)	.624	2	.312	.377	.687
	Within Groups		58.835	71	.829		
	Total		59.459	73			
Wider Knowledge & Experience * Selective Outsourcing	Between Groups	(Combined)	1.412	2	.706	1.178	.314
	Within Groups		42.534	71	.599		
	Total		43.946	73			
Provide to a Legall Binding Contract * Selective Outsourcing	Between Groups	(Combined)	4.854	2	2.427	2.802	.068
	Within Groups		59.757	69	.866		
	Total		64.611	71			
Operational Expertise * Selective Outsourcing	Between Groups	(Combined)	1.175	2	.587	.812	.448
	Within Groups		49.937	69	.724		
	Total		51.111	71			
Access to a Larger Talent Pool & a Sustainable of Skills * Selective Outsourcing	Between Groups	(Combined)	.311	2	.156	.220	.803
	Within Groups		49.579	70	.708		
	Total		49.890	72			
Capacity Management * Selective Outsourcing	Between Groups	(Combined)	.460	2	.230	.431	.651
	Within Groups		36.817	69	.534		
	Total		37.278	71			
Catalyst for Change * Selective Outsourcing	Between Groups	(Combined)	.407	2	.203	.454	.637
	Within Groups		31.809	71	.448		
	Total		32.216	73			
Reduce Time to Market * Selective Outsourcing	Between Groups	(Combined)	.738	2	.369	.509	.603
	Within Groups		51.424	71	.724		
	Total		52.162	73			
Allows a Wide Rang of Businesses Access to Services * Selective Outsourcing	Between Groups	(Combined)	2.372	2	1.186	1.834	.167
	Within Groups		45.911	71	.647		
	Total		48.284	73			
Risk Management * Selective Outsourcing	Between Groups	(Combined)	.246	2	.123	.152	.859
	Within Groups		57.592	71	.811		
	Total		57.838	73			
Time Zone * Selective Outsourcing	Between Groups	(Combined)	.493	2	.246	.345	.709
	Within Groups		50.643	71	.713		
	Total		51.135	73			
Customer Pressure * Selective Outsourcing	Between Groups	(Combined)	1.604	2	.802	.892	.414
	Within Groups		63.855	71	.899		
	Total		65.459	73			