

# DETERMINANTS OF ORGANISATIONAL COMMITMENT IN OUTSOURCING RELATIONSHIP

Katarzyna GRONDYS

Częstochowa University of Technology, Częstochowa; katarzyna.grondys@wz.pcz.pl; phone no.: +34 3250 276

**Abstract:** Outsourcing relationships are an important element of creating the value chain, determining new conditions and challenges of business cooperation. Despite the widespread use of outsourcing, many agreements end in failure and the search for a new partner. The development of mutual attachment deepens the quality of the relationship not only in terms of financial benefits, but also those of an intangible nature. The aim of the article was to indicate features of affective, duration and moral commitment, depending on the shaping tendencies of outsourcing costs, that have the strongest influence on the stability and long-term nature of relationships. The study was conducted among randomly selected enterprises from the Opole region automotive industry. On the basis of the obtained results, a multivariable regression model was built. It presents the costs changes of the use of outsourcing due to the organisation's level of commitment to the contractor.

**Keywords:** outsourcing, organizational commitment, long-lasting business relationships, co-operation.

## 1. Introduction

Features of modern outsourcing are the long-term and partner nature of cooperation between business entities, which result in the creation of an integrated inter-organisational business formation (Ciesielska and Radło, 2014). Moreover, outsourcing relationships contribute to organisational networks creation, which is an inseparable part of the value chain, creating new determinants for cooperation (Pec, 2017).

A good outsourcing relationship is primarily determined by generating benefits for both parties to the agreement. The source of this type of relationship is mainly of an economic nature and is based on simultaneous maximisation of profit while minimising the costs of hitherto implemented processes (Potkány et al., 2016). Each party of the cooperation seeks to generate benefits as big as possible, mainly for itself.

In the literature, the outsourcing relationship, from the perspective of financial and organizational benefits as well as barriers to effective cooperation, is described very broadly. An important part of it, much less emphasized, are non-economic factors, which also affect the efficiency and timeliness of the relationship. On the other hand, economic reasons determining the outsourcing relationship may also contribute to the partners getting accustomed to each other (DePersis, Lewis, 2015).

In search of the source of an effective and long-term cooperation, the concept of commitment plays an important role. The concept is based primarily on affective factors, which gain importance in the sustainability of the organisation's commitment to its business partners. Both economic and non-economic factors determine the frequency of change of partners, the scope of outsourcing and the length of an agreement. In building of a cohesive structure, it is important to strengthen those situations and elements of cooperation that allow for maintenance of a long-term, dependent relationship with one outsourcing partner.

## **2. Emotions in the business relationship**

In achieving of mutual organisational balance, beyond technical issues, social and environmental issues that take into account the emotional aspects of human behavior are also important (McGrath, 2006). E. Banachowicz points out that interpersonal contacts in outsourcing are one of the key reasons for the problems of effective cooperation, which means that they are at the same time an important aspect of efficient implementation of the planned solutions. In her research, the author pays particular attention to the attitude of the employees of the outsourcing company, exchanging disputes during negotiation and design meetings, and a negative atmosphere as important symptoms of limited communication with the customer.

P. Mosak directs his observations towards the emotions accompanying outsourcing relationships that require understanding by managers. Skilful emotion management allows for influencing the partner and proper interpretation of its behavior (Ciesielska and Radło, 2014). D. Hill emphasizes proper communication in the relationship as "helping in finding mutually beneficial solutions, submitting proposals in search of realistic forms of cooperation and introducing a good atmosphere between the parties based on mutual trust and respect" (Hill, 2010, p. 152).

A necessary condition for the implementation of the assumed effects of cooperation is mutual trust between the parties (Ciesielska and Radło, 2014). B. Seligman treats the factor of mutual trust in the interaction between enterprises as enabling mutual cooperation and implementation of set goals (Seliman, 1997). In turn, M. Mitreęa indicates key differences between trust built between enterprises and between an enterprise and a customer. These

relationships differ in complexity, as part of which enterprises create a set of interrelationships in the supply chain, as a result of which trust is conditioned by many entities. Organisational cohesion is, therefore, a basic element of a correct relationship based on trust. The author also emphasises that in the case of B2B relationship, termination of cooperation is much more difficult in case of unfavourable transaction due to the costs of changing the contractor (Mitręga, 2009). Such costs result not only from typical outsourcing estimates, but also have an indirect and social character. The former may include monitoring and supervisory agreement, creation of agreements and purchases, intangible assets and traditional costs. The social outsourcing costs are related to human resources and amount to a significant, but hard to specify level (Kremic et al. 2006). These costs are rationally justified only in the light of long-term cooperation related to the engagement in the success of the relationship of both parties.

Therefore, the transition costs derive not only from the so-called hard activities regarding the development of a proper strategy, financial analysis or physical flows, but are also conditioned by "soft" factors regarding changes in attitudes and behaviors as well as streams of knowledge, competences and emotions (Preus, 2012). On the other hand, it is possible that "the outsourcing costs are slightly higher than the costs of realisation of the process within the company, however, in turn additional benefits are obtained, ie: guaranteed quality, technical security or experience" (ONZ, 20.05.2017). All of those factors should be included in the final assessment of the effectiveness of the outsourcing relationship.

### **3. Organisation Commitment Types**

Assessment of the engagement of business partners in the outsourcing relationship requires the identification of factors affecting the level of engagement. Particular attention was paid to the level of mutual commitment of the cooperators, based on the theory of employees commitment to the organisation (commitment theory), according to which the duration factor determines the level of work performance and profit generation (Lewicka and Pec, 2017).

The organisational commitment theory can be applied to business relationships in an outsourcing agreement, according to which an external company by being associated with the contractor is obliged to perform specific services in order to develop new benefits for its partner with simultaneous care for its own interests.

There are three leading types of commitment for an organisation that can be observed in the outsourcing relationship distinguished in the literature (Lewacka and Pec, 2017):

1. Affective commitment, related to emotional commitment with the business relationship, which can result from the partners being used to each other.
2. Duration of commitment, resulting from the reluctance to change the partner and incur costs due to implementation of a new project.
3. A normative commitment, related to staying in a relationship due to the concluded contract.

In this context, the outsourcing commitment should be considered in the aspect of mutual commitment of partners to each other in the dimension of emotional involvement, reluctance to change and the adopted principles of cooperation. In the case of outsourcing, the generated benefits include, above all, profit, minimisation of performance-limiting behaviours and limitation of the Customer's tendency to change the partner.

#### **4. Aim and scope of the study**

The aim of the study was to identify the factors of organisational commitment, which determine the mutual commitment of partners in the outsourcing relationship. The obtained results may be used to create a strategy of effective and long-standing cooperation of both parties to the agreement. The analysis was based on the data collected on the basis of a research questionnaire addressed to persons holding managerial positions in enterprises of the automotive industry of the Opole region for the N = 51 sample.

The task for the respondents was to assess individual features of cooperation, assigned to three categories of organisational commitment, expressed on a five-point Likert scale (where 1 meant – "definitely agree", whilst 5 meant – "definitely disagree"). Tables 1-3 contain individual elements of engagement along with the average assessment of the relationship with a key outsourcing partner.

The average rating of elements above 3 indicate a high level of an organisation commitment to the partner. Ultimately, as part of duration, affective and moral commitment, a total of 21 out of 33 elements of partnership features have been identified, which are positively perceived. This means that the surveyed entities highly assess their involvement in cooperation with their outsourcing partner, constituting an appropriate research background, which suggests that the condition necessary to identify the key factors of commitment in outsourcing has been met.

**Table 1.***Features of affective commitment in outsourcing*

<b>Symbol</b>	<b>Features of affective commitment</b>	<b>Average rating</b>
P1_1	Our business partner negotiates terms of our cooperation in an honest manner	<b>3.81</b>
P1_2	Our business partner shares his plans with us	2.85
P1_3	The outsourcing applied by us is of great importance for the future success of our company	<b>4.16</b>
P1_4	Our strenghts complement one another	<b>3.92</b>
P1_5	Together, we have contributed to the development of knowledge concerning our cooperation	<b>3.50</b>
P1_6	We hold unique advantages, which are related to our relationship	3.12
P1_7	We are greatly involved in our relationship	<b>3.88</b>
P1_8	The use of outsourcing is very significant for us	<b>3.96</b>
P1_9	Outsourcing allows for the improvement of cooperation skills	2.19
P1_10	Our relationship is strongly supported by management	<b>3.77</b>
P1_11	We share industry information	2.73

**Table 2.***Features of duration commitment in outsourcing*

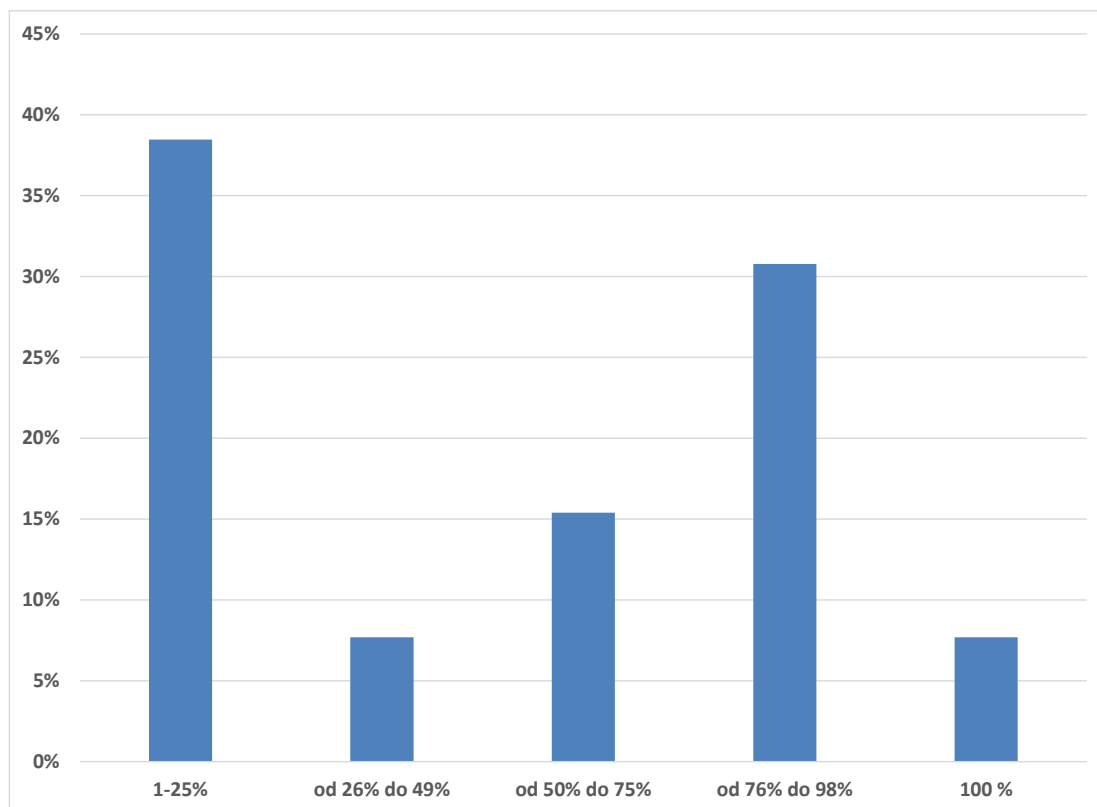
<b>Symbol</b>	<b>Features of duration commitment</b>	<b>Average rating</b>
P2_1	The use of outsourcing enables the acquisition of new knowledge	1.96
P2_2	Outsourcing enables the implementation of our strategic goals	3.23
P2_3	Outsourcing allows us to develop competitive advantage	3.27
P2_4	We use the relationship to increase profits	<b>4.32</b>
P2_5	Outsourcing relationships enables us to realise benefits at the synergy level	<b>3.58</b>
P2_6	Changing of the partner would cause losses for us	2.73
P2_7	We search new possibilities and opportunities for the development of our current relationships	<b>3.96</b>
P2_8	The most important thing for us is to obtain low transaction costs	<b>3.73</b>
P2_9	We have jointly generated large profits	3.31
P2_10	This cooperation provides both parties with more profits rather than for each of us separately	<b>3.46</b>
P2_11	We present a predictable structure of costs	<b>4.62</b>

**Table 3.***Features of moral commitment in outsourcing*

<b>Symbol</b>	<b>Features of moral commitment</b>	<b>Average rating</b>
P3_1	Outsourcing relationships enable us to achieve common goals	<b>4.12</b>
P3_2	Each of has made a great number of investments for the success of this cooperation	<b>4.04</b>
P3_3	Our partner has been strongly committed to maintain this relationship	<b>3.77</b>
P3_4	Our partner has acted in an honest manner and has complied with the principles	<b>3.96</b>
P3_5	We exchange information on the new events	<b>3.92</b>
P3_6	Our partner has adjusted his activities to our expectations	<b>4.38</b>
P3_7	Our partner has modified the offer specifically for us	<b>3.54</b>
P3_8	For the needs of the relationship, our partner has made investment in the information technology	2.88
P3_9	For the needs of the relationship, our partner has invested in additional resources and measures to increase the performance of services	3.19
P3_10	For the needs of the relationship, our partner has invested in technical infrastructure.	3.08
P3_11	For the needs of the relationship, our partner has adopted out procedures	3.31

## 5. Identification of significant relation between cost and the commitment factor

For the aim of distinguishing of significant factors influencing the sustainability of organisations commitment to business partners, a research method of multivariable regression model, preceded by an analysis of statistical relations between individual variables, was used (Bedyńska and Brzezicka, 2007). The costs level related to the use of outsourcing in the surveyed entity was assumed as an independent variable (subjectively assessed by the respondents). The costs of using outsourcing were considered in five percentage ranges. The first range meant a maximum of 25% of costs of the use of outsourcing in relation to the activities costs incurred in the given area before separation and the fifth range meant 100% of all these costs.



**Figure 1.** The share of costs of outsourcing in a given area in relation to the general operational costs incurred before the separation.

It was observed (Figure 1) that the surveyed enterprises have highly differentiated costs of outsourcing in relation to their level before separation. Every third entity does not spend more than 25% of the so far generated costs on outsourcing. The costs of outsourcing in the range of 76-98% are observed almost as often.

Thereafter, the relations between a dependent variable and the evaluations of the cooperation elements were research. As a result, a lack of correlation between the variables was observed, which enabled including all four variables into the further analysis (Table 4).

**Table 4.**

*Significant relations between costs and individual ratings of commitment of the entity to its outsourcing partner*

Type of commitment Independent variable	Affective commitment		Duration commitment		Moral commitment	
	Symbol	Independent variables (significance level p)	Symbol	Independent variables (significance level p)	Symbol	Independent variables (significance level p)
COSTS	P1_2	<b>0.027</b>	P2_3	<b>0.008</b>	P3_1	<b>0.001</b>
	P1_3	<b>0.003</b>	P2_5	<b>0.025</b>	P3_3	<b>0.018</b>
	P1_4	<b>0.006</b>	P2_7	<b>0.000</b>	P3_4	<b>0.001</b>
	P1_5	<b>0.003</b>	P2_8	<b>0.011</b>	P3_5	<b>0.000</b>
	P1_6	<b>0.005</b>	P2_9	<b>0.004</b>	P3_6	<b>0.018</b>
	P1_7	<b>0.000</b>	P2_10	<b>0.000</b>	P3_7	<b>0.005</b>
	P1_8	<b>0.000</b>			P3_9	<b>0.000</b>
					P3_10	<b>0.001</b>
					P3_11	<b>0.001</b>

Based on pairwise correlation for p values < 0.05, 22 significant relationships between the examined variables were identified, and it can be assumed that each type of attachment is determined by the level of costs related to outsourcing. At the same time, average ratings of all of the significant cooperation elements were above 3, therefore, were characterised by positivity corresponding to a high level of commitment in cooperation.

## 6. Linear regression model of organizational commitment

The further part of the research was concentrated on prediction model building, in which outsourcing costs determine the type of commitment of the service recipient considered. The significance of regression model was calculated for the aim of fitting it to the data. Moreover, the Durbin-Watson test was conducted to assess the variations between residues.

**Table 5.**

*Testing and selection of variables for the model*

Dependent variables	Sum of squares	Average of square	F (50)	Significance	Durbin-Watson test
P1_5	9.455	9.455	7.939	.007	2.141
	59.545	1.191			
P1_7	22.799	22.799	33.034	.000	1.966
	34.509	.690			
P1_8	20.596	20.596	40.661	.000	2.164
	25.327	.507			
P2_10	11.460	11.460	12.604	.001	1.935
	45.463	.909			
P3_3	3.469	3.469	4.594	.037	2.149
	37.761	.755			

P3_9	7.159	7.159	14.366	.000	2.044
	24.918	.498			
P3_11	13.441	13.441	10.903	.002	2.164
	61.636	1.233			

The coefficients of the multivariable regression equation were assessed for the model, to enable prediction of the commitment level of an enterprise depending on the outsourcing costs (Table 6).

**Table 6.**  
*Coefficients of the regression line equation*

The variable number	Dependent variables	Unstandarised coefficients		Standarised coefficients	t	significance
		B	Standard error	Beta		
1	P1_5	2.4	.408		5.957	.000
		.295	.105	.370	2.818	.007
2	P1_7	2.3	.311		7.163	.000
		.459	.080	.631	5.748	.000
3	P1_8	2.4	.266		8.959	.000
		.436	.068	.670	6.377	.000
4	P2_10	2.3	.357		6.408	.000
		.325	.092	.449	3.550	.001
5	P3_3	3.1	.325		9.605	.000
		.179	.084	.290	2.143	.037
6	P3_9	2.3	.264		8.569	.000
		.257	.068	.472	3.790	.000
7	P3_11	2.0	.415		4.898	.000
		.352	.107	.423	3.302	.002

Based on the calculations for  $y = b_0 + b_1 * x_i$  equation, the regression model can be recorded as:

$$Y = P_0 + P_1 * k_j \wedge P_2 * k_j \wedge P_3 * k_j \wedge P_4 * k_j \wedge P_5 * k_j \wedge P_6 * k_j \wedge P_7 * k_j$$

where  $k_j$  signifies next outsourcing costs values for  $j$  ranges, where  $j = 1, 2, 3, 4, 5$  therefore:

$$y_j = \sum_{i=1; j=1} P_0 + P_i * k_j \quad (1)$$

where  $i = 1, \dots, 7$  constitutes the consecutive commitment variables, while  $j = 1, \dots, 5$  constitutes consecutive variables of percentage outsourcing costs.

The created model enabled the separation of material factors of affective, normative and moral commitment, which constitute significant aspect of business relationships maintainance. With the costs per unit level increase, the rating level of outsourcer's commitment to the service provider changes (**assuming that in a given relation the duration factor will be connected to profit** [symbol P2\_10]).

At the same time, the model is based on the affective and moral rather than duration commitment. This means that the increase of cooperation costs contributes to the creation of emotional rather than economical bond. Therefore, high cooperation costs affect higher entity



engagement only under the condition of generation of higher profit. In any other case the duration factors will have a decisive influence on the further course of the cooperation.

Ultimately, from more than thirty initially separated cooperation elements assigned in accordance with the type of organisation commitment to the business partner, seven turned out to be particularly important for the considered relationship in the aspect of the costs of outsourcing. These include: working together on relationship development and knowledge about it, high engagement in the cooperation of both parties, justified use of external company services, the synergy effect visible in profit generation for both parties, efforts to relationship maintenance, additional investments undertaken for the needs of cooperation by the outsourcing partner and his adaptation to the procedures prevailing in the customer's organisation. These elements can serve as basis to rate a potential as well as an existing service provider.

## **7. Research Results Discussion**

The basic reason for outsourcing is the need to decrease the costs of own activity (Doh, 2005; Click and Duening, 2005; Brzozowska, 2006), however, often the decision about outsourcing does not have a solely financial character, and other factors take on importance in cooperation. In the case of outsourcing, the synergy effect is emphasised. It results from establishment of new relations in the structure of enterprise's resources, as a result of which the benefit generation is be delayed in time. The implementation of outsourcing changes the structure of enterprise's resources, at the same time influencing the level of total costs, which growth may be rational from the economic point of view (Williamson, 2000). Simultaneously, the reduction of basic costs of the service provider contributes to the consolidation of the relationship.

Therefore, costs may concurrently be a reason to start cooperation (Nowodziński, 2004), and to build mutual commitment of partners. This may contribute to the reduction of basic errors made at the beginning of the cooperation, concerning shortening the time of agreement, instead of strengthening the ties and, therefore, generate mutual benefits.

The obtained research results show that each undertaken investment of outsourcing cooperation causes commitment in the aspect of:

- creating new knowledge about relationships,
- engagement in the agreement,
- the necessity of outsourcing,
- the synergy effect in relation to profit,
- appreciation of the partner's efforts.

The identified factors are the key to the success of the relationship both for service users and service providers in such a complex and demanding undertaking as outsourcing. The impact of the undertaken investments and expenditures related to the establishment of a cooperation agreement clearly influences the perception of relationships. The expenses, efforts, joint discussions and time devoted to the mutual adaptation to the expectations and requirements make it more difficult to give up cooperation with a given business partner. The effort put in its success determines the level of partner attachment, thus allowing a greater probability of long-term and effective outsourcing cooperation.

## 8. Summary

The created model of linear regression examines changes of the business commitment level due to the changes in costs of outsourcing application, presenting the linear dependencies between these variables. The obtained results allowed to identify the set of elements, which determine the construction of corporate commitment to the outsourcer as a result of changes in the level of outsourcing costs. In the decision on the continuation of outsourcing, the costs of outsourcing, which are the economic factor, which mainly contributes to emotional and moral commitment. As for the aspect of duration commitment, the increasing costs of outsourcing are rewarded by profit being generated by both parties.

When assuming costs, the higher level of identifiable costs related to the use of outsourcing may contribute to greater corporate commitment and thus increase the probability of maintaining long-term relationships. The managers of both sides should be aware of the multidimensionality of mutual commitment, which should be considered when striving for effective cooperation.

## Bibliography

1. Bedyńska, S., Brzezicka, A. (2007). *Statystyczny drogowskaz. Praktyczny poradnik analizy danych w naukach społecznych na przykładach z psychologii*. Warsaw: Publishing House Academica.
2. Brzozowska, A. (2006). Business Outsourcing – Minimising the Costs. In H. Kościelniak (ed.), *Processes of Capital Supply in Production Enterprises. Joint Work*. Prace Wydziału Zarządzania Politechniki Częstochowskiej, Monographs No. 1. Częstochowa: Wydawnictwo Wydziału Zarządzania Politechniki Częstochowskiej.

3. Ciesielska, D., Radło, M.J. (2014). *Outsourcing w praktyce*. Warsaw: Publishing House Poltext.
4. Click, R., Duening, T. (2005). *Essentials of Business Process Outsourcing*. New Jersey: John Wiley & Son's Inc.
5. DePersis, D., Lewis, A. (2015). Podstawowe przyczyny nieodpowiedzialności biznesu w kontekście korporacyjnym i pozakorporacyjnym. *Kwartalnik Naukowy "Organizacja i Zarządzanie"* 32.
6. Doh, J.P. (2005). Offshore Outsourcing: Implications for International Business and Strategic Management, Theory and Practice. *Journal of Management Studies*, 42(3).
7. Hill, D. (2010). *Emocjonika*. Poznań: Publishing House Rebis.
8. Kott, I. (2012). Wartość dodana w obsłudze klienta na przykładzie centrów logistycznych. In H. Kościelniak, B. Skowron-Grabowska (Eds.), *Uwarunkowania przedsiębiorczości i rozwoju organizacji*. Częstochowa: Sekcja Wydawnictw Wydziału Zarządzania Politechniki Częstochowskiej.
9. Kremic, T., Tukul, O.I., Rom, W.O., (2006). Outsourcing decision support: a survey of benefits, risks, and decision factors. *Supply Chain Management: An International Journal*, 11/6.
10. Lewicka, D., Pec, M. (2017). *Czynniki kształtujące przywiązanie trwania pracowników*. Studia i prace WNEiZ US, seria Zarządzanie, nr 48/2, Szczecin.
11. McGrath, K. (2006). Affection not affliction: The role of emotions in information systems and organizational change. *Elsevier Information and Organization*, 16(4), 277-303.
12. Mitręga, M. (2009). Zależność i zaufanie w relacjach na rynku B2B. In L. Garbarski, J. Tkaczyk (Eds.), *Kontrowersje wokół marketingu w Polsce. Niepewność i zaufanie a zachowania nabywców*. Warsaw: Publishing House WAiP.
13. Nowodziński, P. (2004). *Ekonomika kosztów transakcyjnych w kontekście outsourcingu. Techniczne, ekonomiczne i społeczne uwarunkowania rozwoju państw europejskich. Stan, perspektywy, możliwości, szanse, zagrożenia*. Presented at Międzynarodowa Konferencja Naukowa, Gorzów Wielkopolski.
14. Pec, M., Tereszko, W. (2017). *Współpraca organizacyjna niezależnych podmiotów w sieci – rozwiązanie dla sprzedaży XXI wieku*. Studia i prace WNEiZ US, seria Zarządzanie, nr 48/2, Szczecin.
15. Potkány, M., Stasiak-Betlejewska, R., Kováč, R., Gejdoš, M. (2016). Outsourcing in conditions of SMEs – the potential for cost savings. *Polish Journal of Management Studies*, 13(1).
16. Preus, A., (2012). *Jakość a outsourcing procesów w przedsiębiorstwie*. Warsaw: Publishing house Wiedza i Praktyka.
17. Rogala, R., *Deloitte CFO Survey 2016* (12/05/2016), <https://www.cdb.pl/gazeta-prawna-o-mitach-na-temat-outsourcingu-31052016/>.
18. Seligman, A.B. (1997). *The problem of trust*. Princeton: Princeton University Press.

19. Trocki, M. (2001). *Outsourcing. Metoda restrukturyzacji działalności gospodarczej*. Warsaw: PWE.
20. Williamson, O.E. (2000). The new institutional economics: Taking stock, looking ahead. *Journal of Economics Literature*, 16, 3.