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Impact of firms capabilities on outsourcing success : Evidences from Pakistan

Farooque, Umer

Karachi University Business School

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Impact of Firms' Capabilities on Outsourcing Success
(Evidences from Pakistan)

Umer Farooque¹

Research Scholar

Karachi University Business School, University of Karachi, Pakistan
umerfarooque533@gmail.com

Dr. Danish Ahmed Siddiqui

Associate Professor

Karachi University Business School, University of Karachi, Pakistan
Daanish79@hotmail.com

¹ Corresponding Author, Main University Road Karachi – 75270 Sindh,

Abstract

This study is going to analyze the impact of Firm's Capabilities on Outsourcing Success; Evidences from Pakistan. A conceptual framework has been composed determinants of Outsourcing success. A questionnaire survey was conducted to obtain data from selected Organizations of about 180 respondents and their responses were further tested on SPSS software by applying different statistical techniques. Results concluded that IT Capabilities, Collaboration Participation, and Information Sharing have a significant positive impact on Outsourcing Success. Whereas, Vendor Management Capabilities has not significant impacted on Outsourcing Success. It is recommended that supplier visibility as well as control of information sharing would enhance the vendor's performance.

Keywords: *Outsourcing Success, IT Capabilities, Collaborative Participation, Vendor Management Capabilities, Information Sharing*

1: Introduction

1.1 Overview:

Outsourcing success is the major element of the business function after the revolution in information technology. People are align to each other which helps them to share knowledge, collaborative participation, IT capabilities, and vendor management capabilities. It is important in outsourcing that partners share the information on each elements to work effectively. In general, outsourcing can be define as the process of turning over part or all of an organization functions or practices to external service providers with the aim of acquiring technological, economic and strategic advantages (Venkatraman, 1992). Despite of the significance, now it is considered as the mandatory function of the business.

According to Mohr (1994), partnership integrates between independent firms that sets to achieve mutual goals, work effectively with the high level of dependent relationships. The ability to share the knowledge is not an easy task, in the context of organization sharing of knowledge could not be easily transferred carrying different cultures, structures and goals. Therefore, it is important that both the partners have clear vision and goals as well as quality oriented (Nonaka and Takeuchi 1995). Outsourcing covers different aspects from the development of simple application program, data entry, transaction processing, facility management, personnel and network that incorporate with Information system (Chaturvedi & Gulati 1994).

A business process, as an outsourcing object state as “set of logically related tasks performed to achieve a define business outcome” (Davenport and short 1990). In contrast to IT operations business process outsources consider as much closer to its core business and its customers (Willcocks et al. 2004). Coordination among the members of the supply chain is very much important as it gives sufficient benefits such as increase asset utilization, reduction in cost of product development, increase in customer service, enhance skill, knowledge and more. The potential of information technology IT to provide firms with competitive advantage. In recent years, several studies have used the resource based theory to examine the IT- firm performance relationship. These studies have focused on identifying Information sharing resources that are likely to be valuable and inimitable (Mata 1995 & Ross 1995). While studies have focused on

intangible resources as a source of competitive advantage and it also emphasizes that Information sharing resources and capabilities have the direct relationship on firm's performance.

1.2 Research Objective:

The main objective of this study is to examine the impact of firms' capabilities on outsourcing success in context of Pakistan.

1.3 Research Questions:

Research questions of this study are as follows:

What are the firms' capabilities to outsource their businesses of operations?

What are the impacts of firms' capabilities on outsourcing success?

1.4 Significance of the study:

The purpose of this study is to address the success of outsourcing with effect to its firm's capabilities. Main factors are carefully examined that significantly impact on success of outsourcing. **This study will give guidelines to managers or individuals about firms' capabilities which influence outsourcing success. This study is based on research based theories and is being conducted first time in context of Pakistan.**

1.5 Limitation of the study:

The purpose of this study is to test the impact of outsourcing success with effect to its firm's capabilities but there are some restrictions and constraints which cannot be ignored. First limitation is time to work under it. Second, response rate from respondents and their understanding about subject is another limitation against this study which makes it difficult to analyze result on time.

2: Literature Review

2.1 Theoretical Background:

In this section some theoretical backgrounds and possibilities have been reviewed. This paper contributes literature in two different ways Firstly; a brief overview of the strategic alliances was elaborated then theoretical framework was developed that includes two levels of theories which

are Social Exchange Theory and Social Contract Theory. Furthermore, significant empirical studies have been reviewed followed by hypothesis development.

2.1.1 Social Exchange Theory:

The concept of IT capability, vendor management, information sharing and collaborative participation on the outsourcing success to achieving the good services and product and also made a strong relationship between the both parties who are doing business. Some researchers explain this theory through the proper frame work which is Alpar & Saharia, (1995); Clark et al., (1995); De Loof, (1995 & 1997); Jurison, (1995); Klepper, (1994); Klepper & Jones, (1998); Lacity & Hirschheim, (1993).

Social exchange theory defines by Thibaut and Kelley (1959), Homans (1961), Blau (1964), Emerson (1972), and Cook (1977), according to them this theory determines the exchange of resources i.e collaboration participation between the two or more individuals to get the benefits from it. But as per Levine and White (1961) it does not interact with each other, it's totally depends on individual nature and focus based on give and take theory and behavior to show.

This theory is explaining to understand the structure which create the social relationship between the individuals. Cook (1987) and Homan's (1958) is focused on the exchange of goods, material and tangible items but information sharing or intangible is also more important according to Blau (1987) which provide a clear insight vision about the whole.

2.1.2 Social Contract Theory:

Macneil (1974, 1978 and 1980) identify the four principles of outsourcing success which are information sharing, IT capabilities and vendor management services and partnerships. With the IT capabilities and information sharing they need to know how much the products will require to fulfill the needs. The organization aware about their future requirement exactly, they do not produce over then their requirement.

The weakness of social contract theory which is based on extreme poles of organization structure (Barnett, 1992; Whitford, 1985). If the organization choosing the interaction and exchange structure they will get the success in future indeed, but if they won't it can be reciprocal of it. But

for the short comings we argue that its integration between the individuals or organization and get the uniqueness of insight the whole organization.

2.2 Empirical Studies:

Mohr and Spekman (1994) examined Characteristics of Partnership Success. The main focus of this study was creation of partnerships between various organizations to catch and sustain competitive advantage and relationships between organizational partners. A Survey Technique was used in which questionnaires were filled by managers and dealers through email and on phone calls and a total of 140 respondents returned surveys with 25% response rate. The variables which were used in this paper include dependent variables such as Dyadic sales, Satisfaction with return, and Satisfaction with support from producers and independent variables such as Trust, Commitment, Coordination, Communication quality, collaborative Participation, and Information sharing. Results Shows that the characteristics of partnership success are; coordination, Trust, commitment, communication quality with partner and participation. The results presented insight into how to manage these relations to make sure outsourcing success.

Lee and Kim (1999) examined the impact of partnership quality on outsourcing success. Model of this study was tested by collecting data from 75 respondents between 54 service providers and 36 service receivers. Variables which were tested in this study include participation, management support, and communication, information sharing, and outsourcing success. Findings of this research indicate that partnership and collaborative participation quality serves as a core predictor of outsourcing success and attention has been gained to more focus on building strong relationships with partners in outsourcing success.

Lee (2000) observed the relationship between knowledge sharing and outsourcing success. The impact of the capability of the service receiver to absorb the desired knowledge and of companies to build a partnership on these relationships were modeled and hypotheses defined. These were examined using a sample of 195 public sector companies in Korea. Variables for this study include Information outsourcing, knowledge sharing, organizational capability, partnership quality and outsourcing success. Results Indicate that all hypotheses in this model are significant and result that explicit knowledge sharing is one of the key predictors for outsourcing sharing appears to be a more effective and efficient way for outsourcing success, organizational capability to learn and

obtain sourcing success than implicit knowledge sharing, the desired knowledge from other firms both are significant predictors.

Levina and Ross (2003) explored the vendor's perspective of value proposition in IT outsourcing and clients and vendor's relationships were examined in this study. In this research an investigation was conducted of vendor strategy for long term application management in outsourcing management. A qualitative technique was used and data was collected through structured and semi structured interviews, historical records, publications, documentations, direct and indirect observations, and other past projects. Variables were tested which include Client management philosophy, knowledge sharing, vendor management philosophy, and engagement success. Findings indicate that the vendor's competence was based on the benefits resulting from the ability to improve a corresponding set of core competencies. These core competencies outcome in a persuasive value proposition when investing in the development of any of these competencies conflict with optimization of the client's key business events and when incentives inspire vendors to share the competence gained from these capabilities with their clients.

Bassellier, Benbasat, and Reich (2003) explored the idea of IT capability of business managers as a contributor to their intention to champion Information Technology within their organizations. Based on the information, IT capability was defined as "the set of IT-related information and experience that a business manager should possesses." The relationship between IT knowledge, IT experience, and championing IT was analyzed empirically by using Structural Equation Modeling SEM. 404 managers were surveyed from two large insurance companies. Specific areas of IT knowledge and IT experience were analyzed and the first half of the data was utilized to measure properties of the tools in a confirmatory analysis. The influence of IT knowledge and IT experience to their intention to champion IT was analyzed using the second half of the data. The findings show that IT knowledge and IT experience both explain 34% of the variance in managers' intentions to champion IT. This study suggested as to how organizations can improve their business managers' IT knowledge and experience to accomplish stronger IT management.

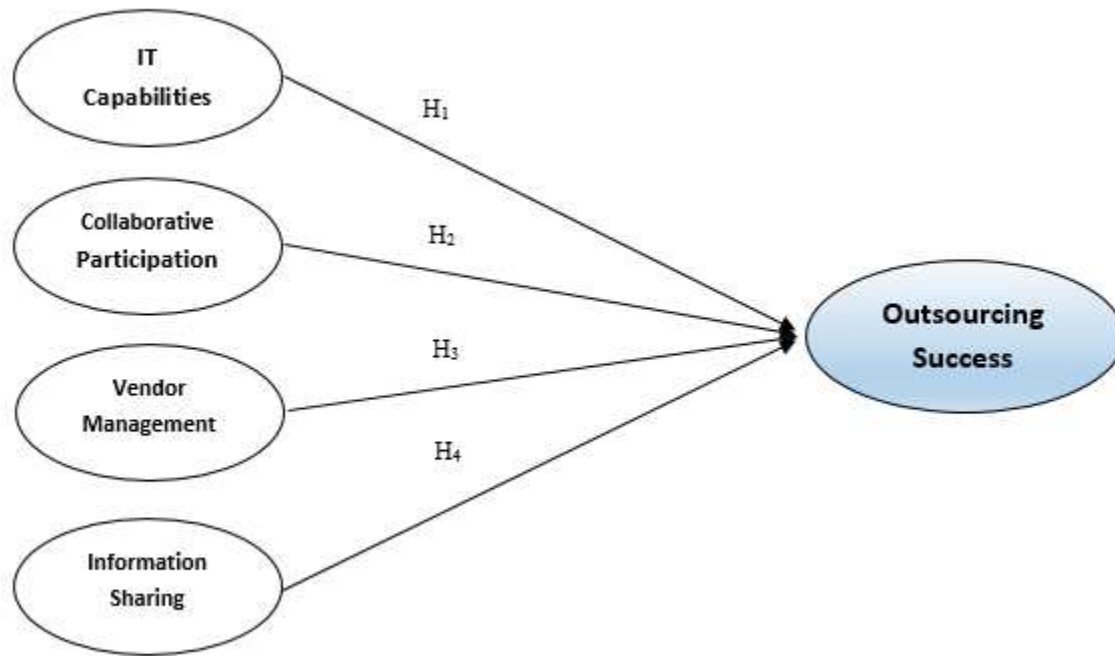
Auberta, Rivarda, and Patrya (2004) tests a descriptive model of Information Technology outsourcing behavior. The variables which were used to in this research are IT operation activities that are asset specificity, business skills, uncertainty, and technical expertise required to perform the actions will influence their outsourcing success. The variables were tested by using data from

a survey of 335 companies. Findings indicate that uncertainty is the major preventive to outsourcing, while the level of technical expertise is the most important cause to outsource. Whereas business skills do not play a significant role in outsourcing. Finally, asset specificity, presented as a limitation to outsourcing, showed unpredictable effects.

Ravichandran and Lertwongsatien (2005) identified the Effect of Information Systems Resources and Abilities on Firm Performance. The focus of this study is to highlight the firm's performance by analyzing that how effectively the firm is using information technology to support and improve its core competencies. For this study, the model was tested using data gathered from 129 companies in the United States by using variables; Information Sharing human resource capital, Partnership quality, IT infrastructure flexibility, IS capabilities, Information intensity, IT support for core competencies, and Firm performance. The findings provide strong support of research model and propose that variation in firm performance is described by the extent to which Information Technology is used to support and improve a firm's core competencies.

Rivard, Raymond and Verreault (2006) identified the influence of IT to business performance from two core perspectives. A 'strategy as positioning perspective,' which highlights a market control imperative, and a resource based view RBV perception, which hypothesizes the organization as a 'bundle of unique resources.' The purpose of this study is to increase understanding of the influence of IT to firm performance in building upon the complementarity between the two viewpoints. A model proposed by Spanos, Y.E., Lioukas, S. (2001) "To identify the comparative impact of business vs. organization precise factors on firm performance" was used. First suggestion of this study results is the importance of examining IT influence to business performance by building upon the complementarity between the resource based view of the firm and the competitive strategy vision. It recommended that in order to get knowledge on the procedures by which organizations use IT to support their key capabilities.

2.3 Conceptual Framework:



2.4 Hypothesis Development:

2.4.1 IT Capabilities:

In modern era it is important to change the things as a period of time. IT capability is one of the key function of the business which have significant impact overall business performance. The IT personnel managerial activity guides the vendor outsourcing effort in a performance enhancing direction. To leverage the IT outsourcing managerial and Technical capabilities are required to cater the issues arising from both the parties. Therefore, in-depth understanding of business requirements will encourage vendor share information and increase the level of collaborative participation between the client and vendor. The first set of Hypothesis explores the relationship between IT capability and outsourcing success.

H₁: The firm's IT capability positively influences the degree of outsourcing success.

2.4.2 Collaborative Participation:

Participation refers to the extent in which partners jointly engage with aim of particular goal and objective. The inputs of partners will help for decision making that enables the satisfaction, the need of participation specifying the roles, responsibilities and expectation increases. When both the parties engage in joint problem solving, a mutually satisfactory solution reached that concludes enhancing outsourcing success. Therefore, following are the hypothesis generated:

H₂: The firm's collaborative participation positively influences the degree of outsourcing success.

2.4.3 Vendor Management Capabilities:

Vendor Management capability is one of the core business function that facilitate outsourcing. It is efficient for the vendors by implement their best services to the customers. The systematic approach of communication and sharing information would be competitive advantage for the success of outsourcing. Accordingly, effective vendor management may impact the relationship for this following hypothesis will generate.

H₃: The firm's vendor management capability positively influences the degree of outsourcing success.

2.4.4 Information Sharing:

Information is the key asset of the organization which has been shared with their strategic partners. Being knowledgeable and informative will act effectively and to communicate with their partners as a competitive advantage. Thus, we made a following hypothesis.

H₄: The firm's information sharing positively influences the degree of outsourcing success.

3: Research Methodology

The main objective of the study is to explore the impact of Firm's capabilities on Outsourcing Success. The unit of analysis is to study the relationship between IT Capabilities, information sharing, vendor management capabilities, collaborative participation and outsourcing Success.

3.1 Research Design:

A cross sectional survey instrument was conducted to gather the primary data from a group of managerial level and supply chain professionals in the relevant organizations by using five point Likert Scale beginning from “Strongly Disagree to Strongly Agree”. Questionnaire was designed by modifying or adapting of different research papers or publications.

3.2 Target Population:

Population includes different manufacturing and services organizations and professionals who are working in relevant field in Karachi and other parts of Pakistan.

3.3 Sample Size:

Questionnaire was distributed to 400 professionals out of which 219 responses were received representing 55% response rate in which 39 respondents were excluded because of the incompleteness. Finally, 180 respondents were finalized for data gathering. The main reason of the low response rate is because of time constraint.

3.4 Data Collection:

A questionnaire survey tool was conducted to gather the primary data from group of professionals by using five point Likert Scale beginning from “Strongly Disagree, Disagree, Neutral, Agree and Strongly Agree” (Likert, R., 1932).

3.5 Statistical Technique for Data analysis:

To find the results, Statistical Package for the Social Sciences (SPSS) software was used to test the data. Relationships between independent variables to dependent variable were measured through software.

Independent Variables (IDV's):

- IT Capabilities (ITC)
- Collaborative Participations (CP)
- Vendor Management Capabilities (VMC)
- Information Sharing (IS)

Dependent Variable (DV):

- Outsourcing Success (OS)

Regression model has been indulged to evaluate the relationship between independent variables which define as follow:

$$OS = \beta_0 + B_1 (ITC) + B_2 (CP) + B_3 (VMC) + B_4 (IS) + E$$

4: Findings

To find the results, Statistical Package for the Social Sciences (SPSS) software was used to test the data. Furthermore, Reliability of variables, Factor Analysis, Regression Analysis, t-Tests, And ANOVA have been measured.

4.1 Reliability Analysis:

Data reliability has been validated by applying statistical test of reliability. The questionnaire for this study is based on 20 Items which include both dependent and independent variables.

Table 4.1.1
Reliability Statistics

Cronbach's Alpha	No. of Items
0.801	20

Reliability test has been applied in SPSS software and according to the limitation; the value of Cronbach's Alpha should be more than 0.5 means 50%. After applying reliability test, the Cronbach's alpha value of this study is 0.801 means 80.1% which shows that the reliability of data is acceptable.

Table 4.1.2

Variable	Cronbach's Alpha	No. of Items
IT Capabilities	0.797	4
Collaborative Participation	0.726	5
Vendor Management Capabilities	0.581	3
Information Sharing	0.734	5
Outsourcing Success	0.750	3

The first variable is “IT Capabilities” which has 4 items and the value of Cronbach’s Alpha of these items is 0.797. The second variable is “Collaborative Participation” which has 5 items and the value of Cronbach’s Alpha is 0.726. The third variable is “Vendor Management Capabilities” which has 3 items and their value of Cronbach’s Alpha is 0.581. The fourth variable is “Information Sharing” which has 5 items and the value of Cronbach’s Alpha is 0.734. The fifth variable is “Outsourcing Success” which has 3 items and Cronbach’s Alpha is 0.750. The overall reliability of scale is 0.801 or 80.1%.

4.2 Factor Analysis:

KMO & Bartlett’s Test is a measure of sampling adequacy and it shows how much the sample is fitted. The value of KMO (alpha) should be greater than 0.50 that means 50% and the Bartlett’s Test of Sphericity must be less than 0.05 i.e. it should be significant.

Table 4.2.1

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.756
Bartlett's Test of Sphericity	Approx. Chi-Square	1105.305
	df	190
	Sig.	0.000

From the above mentioned table, the result shows that the value of KMO is greater than 0.50 that is 0.756 and the Bartlett's Test is also significant which is less than 0.05 i.e. 0.000.

Table 4.2.2

Items	Rotated Component Matrix				
	1	2	3	4	5
ITC1	0.686				
ITC2	0.679				
ITC3	0.759				
ITC4	0.791				
CP1		0.614			
CP2		0.68			
CP3		0.669			
CP4		0.778			
CP5		0.674			
VMC1			0.571		
VMC2			0.812		
VMC3			0.739		
IS1				0.503	
IS2				0.556	
IS3				0.555	
IS4				0.795	
IS5				0.77	
OS1					0.532
OS2					0.849
OS3					0.824

Rotated Matrix analyze whether a variable might relate to more than one factor.

In the above table, factor result shows the independent variables accuracy of the data. In above table rotated component matrix defines the correlation in the variables to the dependent variable. The value which has the highest value of correlation shows the highest level of relationship to the dependent variable. It makes group of each variable.

4.3 Regression Analysis:

It is used to predict the value of a dependent variable based on the value of independent variables.

Table 4.3.1
Regression (ANOVA)

Variables	Coefficients (β)	t-test	Prob.	VIF
(Constant)	0.830	1.192	0.235	-
IT Capabilities	0.292	3.449	0.001	1.454
Collaborative Participation	0.189	2.395	0.018	1.017
Vendor Management Capabilities	0.027	0.181	0.857	1.045
Information Sharing	0.347	3.756	0.000	1.421
Adjusted R Square				0.254
F-Stats				16.219
ANOVA (Prob.)				0.000

The above table describes the statistics of all the dependent and independent variables. The value of coefficient (β) shows that the rate of change in dependent variable due to change in the independent variables. It also shows the nature of relationship between dependent and independent variables. If the value of coefficient is positive that means the nature of relationship between dependent and independent variable is positive and if the value of coefficient is negative, then there exists a negative relationship. In our model, all the independent variables (IT Capabilities, Collaborative Participation, Vendor Management Capabilities, and Information Sharing) have a positive impact on dependent variable (Outsourcing Success). Probe value of ANOVA of three independent variables (IT Capabilities (0.001), Collaborative Participation (0.018), and Information Sharing (0.000)) is less than 0.05 which indicates that these variables are significant impact on dependent variable whereas, Probe value of ANOVA of Vendor Management Capabilities is more than 0.05 i.e. 0.857 which is insignificant to dependent variable.

Coefficient values are used to form a regression model and we can present the regression equation as follows:

$$\text{OS} = 0.830 + 0.292(\text{ITC}) + 0.189(\text{CP}) + 0.027(\text{VMC}) + 0.347(\text{IS}) + e$$

VIF value shows the multi co-linearity among the independent variable. Multi co-linearity refers to the relationship and correlation among the independent variables. If there is severe multi co-linearity among the independent variables, it may make coefficient inefficient. If VIF value is greater than 10 that means the multi-co-linearity exist. In this model, VIF value of all the independent variables is less than 10 so multi co-linearity doesn't exist in this regression model.

Adjusted R square elaborate the changes in dependent variable accurately explained by independent variables. Here it explains the outsourcing success that is elaborated by IT Capabilities, Collaborative Participation, Vendor Management Capabilities, and Information Sharing. The value of adjusted R square shows for this research is 0.254 which means that all the independent variables have captured 25.4% of the variation in Outsourcing Success.

After Adjusted R square, the above table shows the value of F- statistics. If the prob. value of F- statistics is greater than 5% then it shows that there is no significant combined effect of independent variables on dependent variable and if this value is less than 5% then independent variables have combined significant impact on dependent variable. In the above table Prob. Value of F- statistics is less than 0.05 and highly significant as well which means that overall impact of independent variables on Outsourcing Success.

4.4 t-Tests:

In this study two different t-test "Independent Sample T-test" and "One Way ANOVA" have been applied.

4.4.1 Independent Sample t-Test:

Here we compare the averages of variable across the two categories. i.e. averages of Male and Female among Outsourcing Success and other variables.

The claim for our data is that variances are equal. i.e.

Ho: All variances are equal

Table 4.4.1
Independent- Sample t-Test.

Variables	Gender	N	Mean
IT Capabilities	Male	146	3.8904
	Female	34	3.9412
Collaborative Participation	Male	146	3.6630
	Female	34	3.3647
Vendor Management Capabilities	Male	146	4.2717
	Female	34	4.2157
Information Sharing	Male	146	3.5438
	Female	34	3.8471
Outsourcing Success	Male	146	4.0114
	Female	34	4.0196

Table 4.4.1 shows the mean values for the two different groups. Independent sample t-test measures the means of two different groups in order to know if there is a different statistical evidences to show difference result among groups. In above mentioned table, independent sample t-test has been run between two groups as male and female and their result has been shown in above table which stated that all variances are equal.

Table 4.4.2
Independent Samples Test

Variables	Assumption	Levene's Test for Equality of Variances		t-test for Equality of Means	
		F	Sig.	t	Sig.
ITC	Equal variances assumed	5.052	.026	-.381	.704
	Equal variances not assumed			-.461	.647
CP	Equal variances assumed	.917	.339	2.528	.012
	Equal variances not assumed			2.440	.018
VMC	Equal variances assumed	.021	.885	.864	.389
	Equal variances not assumed			.870	.388
IS	Equal variances assumed	.436	.510	-2.548	.012
	Equal variances not assumed			-2.598	.012
OS	Equal variances assumed	.006	.939	-.056	.955
	Equal variances not assumed			-.057	.955

Table 4.4.2 shows levene's test which tells us whether variances are different or not. In levene's test we claim that variances are equal. Here we see the sig value for levene's test in three cases (ITC, CP, and IS) is greater than 0.1, thus we accept our claim that is variances are equal whereas, in two cases (VMC and OS) is less than 0.1. Thus we reject our claim in these cases. After that we choose variance assumed to check the significance value of independent sample t-test. In independent sample t-test we check whether the mean of two different groups is different or not.

We claim that mean of two groups are not different. In all the above table, the sig value of “ITC”, “VMC,” and “OS” is greater than 0.1, thus we accept our claim that is mean of two groups are not different whereas, the significance value of “CP” and “IS” is Less than 0.1, thus we reject our claim in these cases.

4.4.2 ANOVA

ANOVA is used to analyze average of one variable across different categories.

We have applied ANOVA test on each variable across different Education groups.

Ho: All means are equal

Table 4.4.3
Test of Homogeneity of Variances

Variables	Levene Statistic	Sig.
IT Capabilities	1.939	.147
Collaborative Participation	.909	.405
Vendor Management Capabilities	1.286	.279
Information Sharing	1.073	.344
Outsourcing Success	1.811	.167

Test of Homogeneity of Variances significance should be more than 0.1. In Our Study, all the variables have more than 0.1 significance, thus we accept that all the means are equal.

Table 4.4.4
ANOVA

Variables	Groups	Sum of Squares	Sig.
ITC	Between Groups	.011	.989
	Within Groups	87.439	
	Total	87.450	
CP	Between Groups	.428	.585
	Within Groups	70.364	
	Total	70.792	
VMC	Between Groups	.386	.189
	Within Groups	20.341	
	Total	20.728	
IS	Between Groups	.858	.346
	Within Groups	71.182	
	Total	72.040	
OS	Between Groups	1.407	.298
	Within Groups	102.229	
	Total	103.636	

After applying one-way ANOVA, it is observed that averages of variables across different education groups are equal because Sig value is greater than 0.1, thus our claim is accepted that all means are equal among different education groups.

5: Discussion, Conclusion and Recommendations

5.1 Discussions:

This study investigated the impact of firm's capabilities on outsourcing success by examining different variables through data gathering by questionnaire from different managerial level employees. A survey research questionnaire consists of 20 items distributed to gather data from managers of different organizations within Pakistan. The firm's capabilities which has been focused in this study includes collaborative participation, IT capabilities, and vendor management capabilities, information sharing and their impact on Outsourcing success.

As IT outsourcing has become more extensive and exploring effectively after the revolution in information technology. The literature enables the theoretical background with the help of two theories that includes Social Exchange theory and Social Contract theory. We also identify the vendor management capability as key intervening variable that affect the relationship intensity which firm's investigate that nowadays put everything in one hand is not an efficient way. Firms have to work on mutual basis. Organization shares the most relevant information to their vendors to avoid bullwhip effect. After analysis and study the result indicates that Collaborative Participation, Information sharing and IT capabilities have significantly impacted on the outsourcing success. Whereas vendor management have insignificant impact.

5.2 Conclusion:

The results of the research demonstrate that for outsourcing success firms must be focused on collaborative participation, they need to implement tools and techniques which can be beneficial for the success of the business like CPFR, there should be centralized IT system in which transparency of knowledge should be focused and for that firms need to review their core competencies each year and work on it since information technology varies by the period of time. It would recommend that firms have to work internal business core function which includes work force of the organization that need to be invested to get them skillful that minimize the outsourcing function that directly impact on reduction of lead time and being innovative. As it is identified by the managerial outcome that has been drawn in which Collaborative participation, information sharing and IT capabilities are significantly impacting on outsourcing success. However, the challenge is the control of capabilities of vendor which firm has to engage while planning and organizing which takes into account of other party.

5.3 Recommendations:

It is recommended after getting insignificant relationship between vendor management and outsourcing success that Firms need to build strong relationships with their vendors by emphasizing on trust and commitment towards each other's goal. There should be assigned roles and responsibilities too to achieve and accomplish mutual benefits by gaining profits to enhance business.

“Appendix”

Impact of Firm’s Capabilities on Outsourcing Success

Questionnaire

Note: The main theme of this questionnaire is to identify the "**Impact of Firm's Capabilities on Outsourcing Success**", kindly fill this questionnaire by marking on your desired options. We hereby personally assure you that your information will be used for the purpose of this study only.

Demographics:

Age: o 20-30 o 31-40 o 41-50 o 50 above

Educations: o Graduation o Post Graduation o Others

Gender: o Male o Female
above

Experience: o 0-5 years o 6-10 years o 10 years and above

Please mark your answer as per below category.

1_Strongly Disagree) 2_Disagree) 3_Neutral) 4_Agree) 5_Strongly Agree)

	IT CAPABILITIES	1	2	3	4	5
1	We have our systems for Information Technology standardization.					
2	We have capability to integrate Information Technology with partners.					
3	We understand the trend of current Information Technology practices.					
4	We have capability to leverage IT as a strategic core competence.					
	COLLABROTIVE PARTICIPATION	1	2	3	4	5
1	We and our partners together make collective decisions for business goals and direction.					
2	We and our partners together resolve most problems together.					
3	We and our partners are ready to fulfill with each other’s demands.					
4	We and our partners are concerned in each other’s problems.					
5	We and our partners are normally supportive in conducting business.					

	VENDOR MANAGMENT CAPABILITIES	1	2	3	4	5
1	We have formal procedures to select our vendors.					
2	We have capability to evaluate the performance of our vendors.					
3	We have management procedures to accomplish outsourcing contracts with our vendors.					
	INFORMATION SHARING	1	2	3	4	5
1	We and our partners share each other's personal information.					
2	We and our partners share knowledge of core operations process.					
3	Information providing by us assists our partners' business execution.					
4	We and our partners share information about business situations and technical changes that affect each other's operations.					
5	We and our partner share information about advantage and risk sharing.					
	OUTSOURCING SUCCESS	1	2	3	4	5
1	We have been able to refocus on our core business or operations.					
2	We have enlarged access to expert personnel.					
3	We have improved economies of scale in technical resources.					

Thanks for your precious Time! ☺

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