

# EXAMINING THE IMPACT OF OUTSOURCING OF DIGITAL SERVICE ON

# **ORGANIZATION PERFORMANCE**

BY

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# A DOCUMENTARY RESEARCH

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#### ABSTRACT

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This study used documentary research to explore the impact of outsourced digital services (ODS) on organization performance. Outsourcing digital services are perceived to have a direct effect on the organization's overall wellbeing, and also improves the relationship between the organization and its customers. This is mainly due to the services provided by the outsourcing agents are aimed towards efficient service delivery, cheaper, and easily accessed between the organization and their customers. The less time employees focus on the stressful digital service issues, the more time they have to conduct the organization's business, and to interact with their customers. The research analyzed 50 articles from various journals retrieved from the Siam Library, Wiley Online, and Scientific Research academic search engines for study. A conceptual framework, based on the reviewed articles to understand the impacts of ODS on organization performance. This paper was concluded that since the goal of many companies or profit-focused organizations was to maximize resources to achieve set objectives, outsourcing their digital services is imperative. Recommendations were offered to organizations based on the identified impacts.

Keywords: Digital Service, Organization Performance, Outsourcing

### Introduction

The rapid technological advancement that could make many jobs obsolete are no longer the subject of science fiction (Schoenherr & Speier-Pero, 2015) but a crystal reality of the digital world of the contemporary age. As never before, self-driven vehicles, drones, virtual reality, artificial intelligence, machine learning, and other technologies compete for jobs. For CEOs, Human Resources Managers, and leaders at all levels, these modifications raise new challenges to address. Left unaddressed, mainstream and more advanced technological developments would generate additional organizational problems and therefore cause the work experience and commitment of employees to decrease even more (Hewitt, 2017).

In the last decade, the number of users accessing the internet has risen from 300 million to over 2 billion (Callou, Ferreira, Maciel, Tutsch & Souza, 2014), ironically leading to growing demands for computing and networking resources needing larger capacities and highly efficient and specialized data centers in order to minimize or reduce the carbon footprint. The traditional view of the connection between sustainability and information technology has been driven by this trend. Some of the latest Green IT opinions concentrate on reducing corporate IT systems' energy usage (Dao, Langella & Carbo, 2011), allowing stand-alone green supply and self-contained green supply chain (Sabbaghi & Vaidyanthan, 2012), green adoption of the maturity model structure for IT capability (Jarmoszko, D'Onofrio, Lee-Partridge & Petkova, 2013), and IT virtualization (Bose & Luo, 2011).

Due to the limited amount of research and data availability, how to use the emerging developments in digital service (DS) technology is becoming a massive concern for many business organizations (Waller & Fawcett 2013). As research are revealing, organizations are drawn to the need to spend more in educating their workers in IT fields or outsourcing digital services. DS outsourcing may cost organizations less capital, but there is need to go for quality DS data (Hazen, Boone, Ezell & Jones-Farmer, 2014) and evaluate the relationship between data analytics and operational performance (Chae, Olson & Sheu, 2014). Digital service applications have been found to promote improved decision-making, greater visibility, better risk management and overall higher value (Akkermans & Van Wassenhove, 2013; Lycett, 2013).

This research primarily explored the impact of DS outsourcing on organizational effectiveness and efficiency. LaValle, Lesser, Shockley, Hopkins & Kruschwitz, (2013) drew attention to the managerial and cultural barriers to big data analytics adoption, and Jaspersoft (2014) discovered

a growing commitment to big data projects requiring the attention of external IT experts. While these might encourage businesses to buy DS, the patronizing businesses and DS businesses should not lose sight of the Great Data Protection (GDP) policy that is becoming a fad in our modern world because of data mining vulnerability and unauthorized use.

This paper argues, however that the outsourcing environment has changed radically since the digital revolution; that is, what outsourcing can offer, how it should be contracted and how it should be measured, embracing digital is a target worth striving for. Since it can drive cost savings in its own right, and by encapsulating digital within its overall consumer communication strategies, businesses that use it can reap additional benefits in order to provide highly differentiated multi-channel service offerings with a new level of efficacy and performance.

#### **Research Problem**

Many leading business firms, industries and organisations support the promise of digital transformation (Dreyer, 2019), but the issue is how to keep pace with the rapid innovation in modern times that characterizes the digital landscape. Using a DS in a company beyond one year is almost unlikely. What this means is that the problems presented by constantly scanning, reviewing and refining their organizational strategies to remain involved in competition are often faced by businesses or organizations. And to sustain this requires a lot of money. Thus, in one sense, while digital outsourcing is the present end-game, it is not easy to catch up with upgrades. The problem raised by conventional methods of outsourcing over transformational outsourcing is also present. The emergence of transformational outsourcing in recent years has shown that the best-outsourced service providers (OSPs) have the potential not just to duplicate the processes of their customers at a lower cost, but also to turn those processes to bring real and beneficial change. This study posits, in line with this pattern, that the contractual liability for the growth of digital channel adoption from the consumer to the OSP can be transferred. This however, calls for a new form of outsourcing partnership in which the client expects the OSP to reduce its voice channel reliance by incorporating new technology, processes and approaches to customer interaction. This is a long way from conventional externalization. A bottom-up model should follow approaches to contracting, remuneration and collaboration.

## **Research Objectives**

- To examine the impact of digital service outsourcing on organizational performance.
- To examine the factors affecting digital service outsourcing in an organization
- To identify the opportunities and risk involved in digital service outsourcing in an organization.

## Significance of the Study

This study will illustrate the impact of outsourced digital services on organization performance. It will also enhance managerial awareness of the effect of digital service outsourcing performance on organizational efficiency and effectiveness.

The results of the study would help the management of an organization to assess the digital service outsourcing approaches on the performance of employees, while identifying factors where changes are required. This will also assist management in planning the development and implementation of effective digital service outsourcing strategies which will contribute to better organization performance.

## Scope of the Study

This study attempts to provide the profit and non-profit organizations with a framework to measure the impact and identify the effectiveness of the digital service outsourcing factors. The scope of this study will be limited to 50 previous studies on the research topic from four academic search engines- Siam Library, Scientific Research, Research Gate, and Wiley Online. Documentary Research method was utilized in reviewing about 50 past studies relevant to the subject topic.

#### **Literature Review**

#### The Concept of Digital Services

While there are no commonly understood dialectics and paradigms to conceptualize the word 'services' (Brax & Visintin, 2017), it can be seen from the roles of the operations, offers, or activities that go with it (Kowlakowski, Gebauer, Kamp & Parry, 2017). The term digital service has a link with digital technologies, meaning that one cannot go without the other (Dekker, Sakaguchi & Kawai, 2018). Cloud computing, web techs, social media, big data analytics, digital service techs include (Fitzgerald, Kruschwitz, Bonnet & Welch, 2013).

Other reports have also referred to digital services implemented as 'solutions' in supply chain management and processes (Macdonald, Kleinaltenkamp & Wilson, 2016). Digital service has fully reshaped the interactions of manufacturers, customers and consumers, contributing to a new way of doing business with ease (Priem, Butler & Li, 2013).

Hylving & Henfridsson (2012) demonstrated the unfavorable effect of digital services and technology on the automotive industry's future. The automotive industry is traditionally known for its traditional hardware technology, but the future car is revolutionizing with the advent of digital tech, requiring more R&D over conventional competence with an emphasis on digital tech. Among traditional car manufacturers, this trend is considered disruptive, raising the level of anxiety of the CEOs of the car industry in their attempt to keep up with the rapid development of technology. Apple has recently declared its intention to develop the iCar (New York Times, 2015) which adds more tension in the automobile industry.

Established business structures, corporate policies, product differentiation and costing, marketing and customer support services have all been influenced by the emergence of digital service innovation (Hylving & Schultze, 2013). For example, due to the introduction of digital tech services, the organizations' strategy process has been reduced or shortened (Seeger & Bick, 2013).

### **Outsourcing: A Brief Conceptualization**

Xi, Xu & Todo, (2013) argued that because of the ever-growing competition in the business world, outsourcing has come to stay. In the other hand, as it includes IT, businesses and organizations find outsourcing cheaper because digital procurement often poses random technologies that are almost impossible to keep up with. Organizations are thus doing well by simply outsourcing while concentrating on their core strategic competence. According to Bordoloi & Powell (2013), outsourcing is more prevalent in the manufacturing industry, and understandably so because of the advent of cloud computers and the Internet and the high availability of qualified staff.

Depending on the use of meaning, outsourcing has been seen as both positive and negative. In the Washington Post, for instance, outsourcing in the United States was characterized as something worse than terrorism because it creates space for high-profile data vulnerability and puts many people out of work (Hamburger, Loennig & Goldfarb, 2012). On the positive side, cost-effectiveness and improvement of efficiency have been identified as reasons to consider digital service outsourcing by CEOs (Khan, Niazi & Ahmad, 2011).

In addition, Willcocks (2010) described the five reasons why outsourcing is welcomed by CEOs who are serious about strategic decisions that accommodate outsourcing of digital services in their organizations as (1) effect on market value; (2) omnipresent and growing expenditure that requires attention alone; (3) harm to corporate health; (4) playing a critical strategic role; and (5) the fact that CEOs alone possess the crucial bargaining power.

#### **Understanding Organizational Performance**

There has been a long-standing controversy between business academics and other academic researchers about the idea of corporate success (Salarzadeh, 2015). The idea of organizational success is supposedly related to the priorities and goals of the business. If this is the case, organizational success can simply be defined as the degree to which its objectives and goals have been met by any organization. Organizational success has also been correlated with productivity and effectiveness (Salarzadeh, 2015), just as digital services are evaluated on the basis of their productive and efficient capabilities. Opeyemi, Isaiah & Olugbenga (2019), argued that the success of a company is closely correlated with cost control, consumer provision of efficient and effective services, and maximization of benefit.

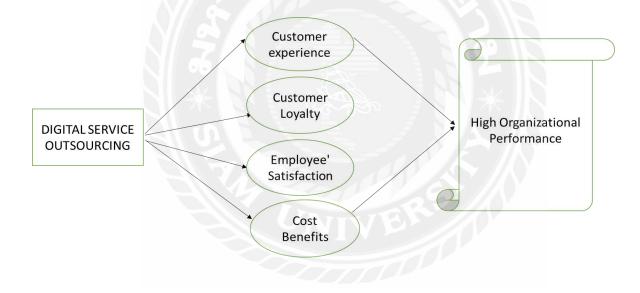
The rapid evolution of digitalization and its effect on today's market environments has remained a major challenge for CEOs, who still find it difficult to reconcile conventional strategic operations and the creative opportunities provided for the benefit of the organization by the use of digital services. Vieille, (2016) argued that two key types of decisions are needed to execute a digital transformation initiative: how much resources and costs are needed and how resources are allocated and enforced. He further argued that the success of an organization could not be isolated from the management of the organization.

### **Factors Affecting Digital Outsourcing**

Scholars have identified three major factors that aids digital outsourcing (Dixon, Freeman & Toman, 2010; Clark & Bryan, 2013)

- Customer experience
- Employee satisfaction
- Customer effort score
- Cost benefits

## Discussion on the Impact of Digital Outsourcing on Organizational Performance



### **Structural Analysis of Digital Outsourcing**

The onset of digital services has allowed organizations to shift low-value high-volume operations away from more productive resources in the contact center. As digital communication forms, platforms such as Self Service IVR, static and mobile websites, live chat and social media are all listed. Few studies have shown that companies that have succeeded in transforming their market through the use of emerging technology such as social media, smartphone, analytics and embedded devices benefit from a major digital advantage' and display substantially better financial results than their peers (approximately 9 percent on average on sales and approximately 26 percent on PR) (Clark & Bryan, 2013). Brcar & Bukovec (2013) also argued that by making it easy for clients to do business with them, those who also track and decrease consumer effort will minimize churn by up to 40 percent. For instance, BBC TV Licensing has identified and carefully migrated contacts that can be safely removed from the voice channel, without increasing customer effort or reducing customer satisfaction. Nearly 60% of all communication with TV Licensing is now via non-voice channels.

## **Digital Service Outsourcing on Customer Experience**

It is considered that outsourcing digital services has a significant effect on the overall well-being of the company and also strengthens the relationship between the organization and its customers. This is primarily because the outsourcing agents' services are aimed at offering reliable operation, cheaper and easier-to-access communications between the company and its clients (Accenture Technology Vision, 2019). The less time workers spend on the stressful issues of digital service, the more time they are available to perform the business of the company, and still have sufficient time to connect with their clients. On the other hand, the less time clients spend on troubleshooting the digital interfaces of the company, the more time they have to pick, buy and enjoy the goods and services of the organization. Many outsourced service providers provide a 24/7, year-round help desk service that serves both IT workers and end users of the company. They provide a range of levels of service that deal with both general technological problems and services unique to the company. These suppliers may provide internal workers, clients or a combination of the two with service. For buyers, this means never having to wait for help until the morning.

#### **Digital Service and Customer Loyalty**

Customers replicate purchasing habits that are typically enjoyable and beneficial to them (Dreyer, Olivetti, Lebek & Breitner, 2019). In other words, as they are pleased with the reliability of the service provided and supplied by the organization, their loyalty to a business or an organization remains constant. On the other side, service providers excel and benefit from

specializations. The multinational nature of their activities enables them to provide professional engineers with 24/7 support. The service providers are more likely to be able to fix problems when customers run into difficulties during off-peak hours, much quicker than in-house operations. In other words, consumers are rapidly getting back to work, improving productivity and raising the bottom line.

## **Digital Service and Employee' Satisfaction**

Any organization's satisfied employee is likely to be more committed and profitable than the less unsatisfied employee. An organization's outsourcing of digital resources helps relieve workers of the hassles that come with the constant expectations and needs of consumers (Yi, Y., Nataraajan, R. & Gong, T (2010). When it comes to helping desk support, some companies even want to go the extra mile. They outsource a managed service provider to their entire support desk. Callers do not even know that a service provider who is thousands of miles away is working with them.

## **Digital Service Outsourcing and Costing**

Organizations that are able to outsource parts of their IT services to managed service providers also understand essential financial advantages, but when it comes to the benefits of outsourcing, money is just the tip of the iceberg. Providers of IT services have access to cutting-edge technology, reduce IT risk, enhance reliability and boost customer experience (Accenture Technology Vision, 2019). These advantages make it a convincing case for CEOs to define and outsource product services to higher-priority services and reallocate internal IT workers for productivity. At the same time the organization relieves itself of the responsibility of hiring and maintaining high-turnover help desk employees, thus saving more resources that would otherwise have been spent on staff training and upgrading in-house IT operations for the business or organization. For example, businesses outsourcing digital security gain access to comprehensive security operations centers with highly qualified security practitioners. In most organizations, this stands in stark contrast to the thinly staffed cyber security teams who simply do not have the resources necessary for all-round-the-clock monitoring and incident resolution.

#### **Conclusion and Recommendations**

It is inevitably accepted that the purpose of profit-focused companies is to optimize profit and capital in order to achieve defined targets, so the outsourcing of digital services is important to the success of organizations because it creates productivity and decreases costs. Digital services also support the growth of employees in non-profit organizations to increase the pace and scope of their activities and facilitate progress towards each of the United Nations Sustainable Development Goals, such as the provision of quality education (System Transformation, 2016).

It is clear that various advances such as wireless internet, smartphones, e-commerce and wearable technology have been made in the global digital revolution. Throughout the developed world, these technologies have become popular and are increasingly evident in emerging markets. In a world where technology is increasingly pervasive, emerging technologies provide communication and productivity and enable workers and organizations to succeed. However, the study suggests that companies need to consider more informed interactions with more informed customers for those transactions that still maintain agent contact while determining the business case for a digital strategy. The challenge and risk of embarking on an efficient digital transformation must be considered by organizations. The study indicates that companies should embrace preparation and the high potential opportunities presented by digital transformations in order to stand out.

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