How Factors Affect Value Creation and Satisfaction of IT Outsourcing: The Social Perspective

Li-Shan Chen
School of Management, Fujian University of Technology,
No. 3 Xueyuan Road, New University District, Fuzhou, Fujian, China

Chang-Yao Wu
Graduate Institute of Cultural and Creative Design, Tung Fang Design Institute, No. 110, Dongfang Rd., Hunei Dist., Kaohsiung City 82941, Taiwan, ROC

Szu-Yuan Sun*
Department of Information Management, National Kaohsiung First University of Science and Technology, #1 University Road, Yenchao, Kaohsiung 824, Taiwan, ROC

*Corresponding Author: sunnyy@nkfust.ed.tw

ABSTRACT
This study develops an integrated model from the viewpoint of social theory to understand how factors influence value creation and satisfaction of outsourcing between information technology outsourcing vendors and electronic commerce enterprises. Six factors impact value creation, which in turn influences outsourcing satisfaction. The authors argue that electronic commerce enterprises are able to increase value creation through information technology outsourcing beyond that which can be affected by social planning, stakeholder integration, social planning, social positioning, environment scanning, and customer participation. The study assumes that corporate social responsibility affects social planning and that stakeholder integration affects social positioning. The results show that all antecedent factors have significantly important effects on value creation and that value creation also significantly affects outsourcing satisfaction.

Keywords: Value creation, corporate social responsibility, stakeholder integration, outsourcing satisfaction, environment scanning
1. INTRODUCTION

For the last ten years, information technology (IT) outsourcing has appeared as a necessity for enterprise contention. Progressive outsourcing is different from conventional outsourcing. In this regard, IT is principal to the procedure accomplishments and the management of progressive relationships in outsourcing. Both factors are filled with contests and often result in insufficient outcomes for e-commerce enterprises. With regard to IT outsourcing satisfaction, many views have been considered, such as e-commerce enterprise representatives, vendor representatives, the relationship of vendors and e-commerce enterprises, vendor capabilities, and cultural differences.

The chief issue for IT clusters in enterprises is to understand how to handle such hardships to achieve better outsourcing satisfaction (Mani & Barua, 2015). IT outsourcing vendors have changed enterprises from insignificant users of outcomes to participators in value creation. Multitudinous enterprises try to involve groups in value creation, which is related to outsourcing satisfaction (Kohler, 2015). Value creation is conditional on complementary investments in social planning (SP), social positioning (SPO), environment scanning (EC), and customer participation (CP) with IT outsourcing vendors and electronic commerce (e-commerce) enterprises (Mani & Barua, 2015). It is important to recognize the role that social service organizations play between IT outsourcing vendors and e-commerce enterprises.

Value creation has been introduced by Prahalad & Ramaswamy (2004). They suggest that service values are not created by manufacturers or suppliers alone, but by both entities working together with IT outsourcing vendors. Based on this construct, researchers have devised models to examine how values are created. For instance, Maglio & Spohrer (2008) use the value creation construct to clarify the essentials of service science, whereas Wu & Wu (2011) apply it to construct a service process structure. Dong et al. (2008) investigate the contextual relation of service failures in a value co-creation situation. Vargo et al. (2008) and Payne
et al. (2008) construct models to study and perform value creation in service systems. Perks et al. (2012) study the value-creation process in car insurance industries through service creation. Ng et al. (2010) study enterprise-to-enterprise services by applying the value-creating structure. As it is an interrelated area, many studies concentrate on formulating research structures and measures for investigating value creation (Dong et al., 2008; Ng et al., 2010).

Social planning and social positioning are enterprise strategies composed of corporate social responsibility (CSR) and stakeholder integration (SI) (Ferreira & Proença, 2015). The levels of performance of social planning and social positioning can impact their competitive markets. CSR represents companies’ unconditional enterprises implements that are planned to better community interests (Korschun, Bhattacharya, & Swain, 2014). Many enterprises include CSR itemizations in yearly narratives and on enterprise websites, underscoring its importance (Mishra & Modi, 2016; Servaes & Tamayo, 2013). Strategic social planning of an enterprise is related to CSR. Stakeholder integration plays an important role in strategic SPO. Social planning is the new way of ensuring continuous corporate development. SPO can be seen as outsourcing vendors’ loyalties to e-commerce enterprises versus integrations to stakeholders (Nicolas, Jonathan, & Jonathan, 2015; Lockett et al., 2014).

E-commerce enterprises have definite plans for the development of social initiatives. They measure the results of their social initiatives and are usually among the first to adapt their corporate practices to changing social expectations. External environment influences IT outsourcing vendors and e-commerce enterprises (e.g., partnerships). External and internal environments are very important to e-commerce enterprises, which spend a lot of time discussing their needs with IT outsourcing vendors.

IT outsourcing vendors offer their services, and e-commerce enterprises, in return, provide their opinions to these vendors. This research design, which has
been used in previous studies, may be biased, however, toward findings that are favorable to the effectiveness of CSR, SI, SP, SPO, ES, CP, and VC for IT outsourcing satisfaction (OS).

The purpose of the current study is to examine how the above-mentioned factors influence IT outsourcing satisfaction. Being able to manage the IT outsourcing process formally and informally in order to protect the benefits of value creation is key to the success of an IT outsourcing project. The results can be a valuable tool in managing the services of IT outsourcing vendors and enhancing their performance.

2. THEORETICAL BACKGROUND AND RESEARCH MODEL

This study uses resource-dependency theory and the resource-based view to define the firm’s external and internal environments, respectively. Our review of the literature relating to the constructs of our research model and hypotheses development suggests that CSR, SI, SP, SPO, EC, and CP may be positively associated with value creation, which is positively associated with IT outsourcing satisfaction. In this section, we review and present operational definitions for all the constructs. Figure 1 depicts our research model, and subsequent sections present the hypotheses representing the links indicated between the constructs.

![Figure 1. Research Model for Current Study](image-url)
2.1 Corporate Social Responsibility (CSR) and Social Planning (SP)

Because of corporate questions relating to issues such as e-commerce enterprises divergence, execution, environmental pollution, and financial transparency (among others), there is an increasing interest in stakeholders’ interior and exterior views of management (Devlinney, 2009; Margolis & Walsh, 2003). Combining CSR and headship, researchers show how each could strengthen value creation and then clarify new types of personal questions to research when describing such junctions. Unusually, CSR lends contextual relations and performances to headship scholars, and headship research proposes operational models and illustrative mechanisms for CSR (Christensen et al., 2014). Schmeltz (2014) investigates whether enterprises with a CSR agenda have a strategic aim to adjust their value systems to mirror such an appointment. He demonstrates that the enterprises in the data-sampling have two outstandingly distinct value systems. The concurrence of value systems is debated, as are related hardships that E-commerce enterprises experience when confronting the new and complicated challenge of informing CSR. Based on these studies, we posit the following hypothesis:

**H1:** Corporate social responsibility (CSR) has a positive influence on social planning (SP).

2.2 Stakeholder Integration (SI) and Social Positioning (SPO)

Lempinen & Rajala (2014) report that assaying SI in IT service procedures helps us to understand how information system mechanisms may affect E-commerce enterprise. Only a few studies have researched SPO from the stakeholders’ perspective, looking at appropriate values or the procedures or actions. Accordingly, to date, some queries concerning how E-commerce enterprises should regard stakeholders in order to collaborate with stakeholders (Garriga, 2014) are still unanswered. Carlon & Downs (2014) report that the next step should be accounting for stakeholder value through changes in financial
reporting. Stakeholders represent a financial asset to E-commerce enterprises that can and should be accounted for through its financial reporting systems. Therefore, we hypothesize as follows:

**H2:** Stakeholder integration (SI) has a positive influence on social positioning (SPO).

### 2.3 Social Planning (SP) and Value Creation (VC)

If a strategic plan is completely executed, it will create a rule of thought, action, and learning that is of key importance in achieving e-commerce enterprise success (Jensen, 2014). SP has been defined as “a trained effort to create essential decisions, actions, and values that create and lead what e-commerce enterprises are, what they do and why they do them” (Bryson, 2011). It aims to help e-commerce enterprises create values with vendors. Accordingly, planning aims and intentions should be simple to comprehend and should not necessitate additional knowledge from elsewhere (Ayers, 2013). Thus, we posit as follows:

**H3:** Social planning (SP) has a positive influence on value creation (VC).

### 2.4 Social Positioning (SPO) and Value Creation (VC)

Positioning is frequently a critical strategic determination for e-commerce enterprises because the situation can be foremost in patrons’ comprehension and choice determination (Aaker & Shansby, 1982). Positioning is frequently regarded, erroneously, as a term interchangeable with the psychological concept of standing. Although there are similarities between the concepts, there are also major differences. SPO can create values by IT OS and e-commerce enterprises (Harrison-Walker, 2011). Accordingly, we hypothesize:

**H4:** Social positioning (SPO) has a positive influence on value creation (VC).
2.5 Environment Scanning (ES) and Value Creation (VC)

The needs and interests of persons or organizations motivate them to seek the benefits of change and to make innovations and efficacious changes. The enterprise behaviors portrayed in organizations can be thought of as environment scanning. These behaviors, however, are unlike those in autonomous entrepreneurship (Moghaddam, Khorakian, & Maharati, 2015). IT, OS, and e-commerce enterprises can each create values by their behavior. In this study, we posit the following hypothesis:

**H5:** Environment screening (ES) has a positive influence on value creation (VC).

2.6 Customer Participation (CP) and Value Creation (VC)

Customer participation may increase communication and build relationships between customers and employees (Claycomb, Lengnick-Hall, & Inks, 2001; Zhang et al., 2015). According to health care literature (e.g., Foreyt & Poston, 1998; Street et al., 2003), when patients work with doctors to incorporate their preferences and values, this participation improves the level of care delivered and encourages more empathetic, honest, and friendly interactions, which produces relational values. On the service provider side, employees may fulfill their social needs for approval when they co-create services with customers, similar to the way their perceptions of being valued by the organization enable them to satisfy their social needs for approval, affiliation, and esteem (Eisenberger et al., 1986). Thus, every interaction between employees and customers represents an opportunity to co-create relational values for both parties (Fleming, Coffman, and Harter, 2005). We therefore hypothesize:

**H6:** Customer participation (CP) has a positive influence on value creation (VC).
2.7 Value Creation (VC) and Outsourcing Satisfaction (OS)

Outsourcing has emerged as a key trend in contemporary business environments and has migrated from the procurement of non-core, support services to virtually every activity of a firm (Griffith & Yanhui, 2015). Outsourcing is also considered to be a strategic priority (Holcomb & Hitt, 2007). E-commerce enterprises may be conditional on complemental ventures in communications, harmony, and alliance with the outsourcing vendors. Many e-commerce enterprises quote negative episodes with their outsourcing projects. e-commerce enterprises get values through outsourcing vendors and differ in their abilities to create value. Therefore, e-commerce enterprises get more values, and outsourcing satisfaction is higher (Mani & Barua, 2015). Thus, we hypothesize:

H7: Value creation (VC) has a positive influence on outsourcing satisfaction (OS).

3. RESEARCH METHODOLOGY AND DESIGN

This section discusses the data collection effort and describes the analysis method used in the current study.

3.1 Data Collection

This study collected data using online questionnaires. The sample frame came from member firms of the Information Management Association (IMA) of ROC, International Service Industry Association (CISA) of ROC, and International Trade Executives Association (ITEA) of ROC. Subjects of the survey are CEOs or senior managers from the member firms of the sample frame. This study collected a sample of 300 firms, which yielded 289 useful questionnaires, a response rate of 96.3%.
3.2 Analysis Method

The method chosen to analyze the data is structural equations modeling (SEM), using the partial least squares (PLS) technique. The PLS technique is designed to reflect the theoretical and empirical characteristics of social sciences and behavioral characteristics, in which we often find theories with insufficient support or little information available. More specifically, we use SmartPLS 2.0.

4. RESEARCH RESULTS

The following section presents the results of the measurement model and the structural model.

4.1 Measurement Model

We assess Cronbach's alpha and the composite reliability of constructs to validate reliability of measurement. As shown in Table 1, the Cronbach's alpha values (reliability) of all constructs range from 0.8213 to 0.9727 (CP = 0.9643, CSR = 0.9562, ES = 0.9174, OS = 0.9727, SI = 0.9461, SP = 0.9648, SPO = 0.8213, VC = 0.9283).

Composite reliability values range from 0.8923 to 0.9821 (CP = 0.9768, CSR = 0.9716, ES = 0.9480, OS = 0.9821, SI = 0.9654, SP = 0.9770, SPO = 0.8923, VC = 0.9545) and are above the benchmark value of 0.70, suggesting acceptable degrees of internal consistency of each construct.

AVE values (discriminant validity) range from 0.7390 to 0.9483 (CP = 0.9335, CSR = 0.9195, ES = 0.8590, OS = 0.9483, SI = 0.9030, SP = 0.9342, SPO = 0.7390, VC = 0.8748). Table 2 indicates that the values of factor loadings are from 0.8696 to 0.9855, which satisfy the benchmark of the threshold value 0.5. These results indicate that the model explains most of the variation for those variables, and that the measurement model has satisfactory convergent validity.
### Table 1. Descriptive Statistics for the Constructs

<table>
<thead>
<tr>
<th>Construct</th>
<th>AVE</th>
<th>Composite Reliability</th>
<th>R Square</th>
<th>Cronbach’s Alpha</th>
<th>Redundancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer participation</td>
<td>CP</td>
<td>0.9335</td>
<td>0.9768</td>
<td>0.9643</td>
<td></td>
</tr>
<tr>
<td>Corporate social responsibility</td>
<td>CSR</td>
<td>0.9195</td>
<td>0.9716</td>
<td>0.9562</td>
<td></td>
</tr>
<tr>
<td>Environment scanning</td>
<td>ES</td>
<td>0.8590</td>
<td>0.9480</td>
<td>0.9174</td>
<td></td>
</tr>
<tr>
<td>Outsourcing satisfaction</td>
<td>OS</td>
<td>0.9483</td>
<td>0.9821</td>
<td>0.7397</td>
<td>0.9727</td>
</tr>
<tr>
<td>Stakeholder integration</td>
<td>SI</td>
<td>0.9030</td>
<td>0.9654</td>
<td>0.9461</td>
<td></td>
</tr>
<tr>
<td>Social planning</td>
<td>SP</td>
<td>0.9342</td>
<td>0.9770</td>
<td>0.6607</td>
<td>0.9648</td>
</tr>
<tr>
<td>Social positioning</td>
<td>SPO</td>
<td>0.7390</td>
<td>0.8923</td>
<td>0.6167</td>
<td>0.8213</td>
</tr>
<tr>
<td>Value creation</td>
<td>VC</td>
<td>0.8748</td>
<td>0.9545</td>
<td>0.8492</td>
<td>0.9283</td>
</tr>
</tbody>
</table>
The second criterion requires that the square root of AVE be greater than the correlations between the constructs. As shown in Table 3, the square roots of AVEs (diagonal elements) \( (CP = 0.9662, CSR = 0.9589, ES = 0.9268, OS = 0.9738, SI = 0.9503, SP = 0.9665, SPO = 0.8597, VC = 0.9353) \) are higher than the correlation between constructs (off-diagonal elements). The results support the discriminant validity of the scale used.

### 4.2 Structural Model

The structural model is assessed using the variance explained (R square measures) and the level of significance of the \( \beta \)-values and t-values (Figure 2).

![Figure 2. Results for Structural Model](image)
Table 3. Correlation Among Constructs and Square Root of the AVE on Diagonals

<table>
<thead>
<tr>
<th>Construct</th>
<th>CP</th>
<th>CSR</th>
<th>ES</th>
<th>OS</th>
<th>SI</th>
<th>SP</th>
<th>SPO</th>
<th>VC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer participation</td>
<td>CP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate social responsibility</td>
<td>CSR</td>
<td>0.7985</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment scanning</td>
<td>ES</td>
<td>0.9037</td>
<td>0.7822</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outsourcing satisfaction</td>
<td>OS</td>
<td>0.8357</td>
<td>0.7385</td>
<td>0.8028</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stakeholder integration</td>
<td>SI</td>
<td>0.8412</td>
<td>0.8520</td>
<td>0.8152</td>
<td>0.8141</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social planning</td>
<td>SP</td>
<td>0.8287</td>
<td>0.8128</td>
<td>0.8160</td>
<td>0.8619</td>
<td>0.8735</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social positioning</td>
<td>SPO</td>
<td>0.7696</td>
<td>0.7696</td>
<td>0.7732</td>
<td>0.7558</td>
<td>0.7853</td>
<td>0.8633</td>
<td></td>
</tr>
<tr>
<td>Value creation</td>
<td>VC</td>
<td>0.8795</td>
<td>0.8256</td>
<td>0.8650</td>
<td>0.8602</td>
<td>0.8462</td>
<td>0.8611</td>
<td></td>
</tr>
</tbody>
</table>

The R square results for the four dependent variables are high, particularly SP (R square = 0.661), SPO (R square = 0.617), VC (R square = 0.849), and OS (R square = 0.740). These values suggest that the model explains 66.1%, 61.7%, 84.92%, and 74.0%, respectively, of the variance in these dependent variables. We find that:
• CSR to SP (H1) is supported (β-value = 0.813, p < 0.001).
• SI to SPO (H2) is supported (β-value = 0.785, p < 0.001).
• SP to VC (H3) is supported (β-value = 0.234, p < 0.001).
• SPO to VC (H4) is supported (β-value = 0.198, p < 0.001).
• ES to VC (H5) is supported (β-value = 0.214, p < 0.001).
• CP to VC (H6) is supported (β-value = 0.340, p < 0.001).
• VC to OS (H7) is supported (β-value = 0.860, p < 0.001).

5. CONCLUSION AND DISCUSSION

The purpose of this research is to investigate the relationship between IT outsourcing satisfaction and value creation from the perspectives of social theory constructs, such as corporate social responsibility, social planning, and social positioning. Social planning and social positioning create value through their social projects. In this paper, we have developed an integrated research model to understand the factors influencing the value creation and IT outsourcing satisfaction between IT outsourcing vendors and e-commerce enterprises. Regarding IT outsourcing vendors, we have found that the antecedent factors significantly affect inter-organizational value-creating. We find that value creation has a strong influence on IT outsourcing satisfaction (R square = 0.740). We understand and can inform managers about appropriate strategies for leveraging IT outsourcing as part of a value-creating strategy for the e-commerce enterprises. Managing organization relationships are strategically important for IT outsourcing vendors, and they can be instrumental in creating e-commerce enterprises’ values.

This study has several theoretical and business implications:

1. This study contributes to e-commerce enterprises by integrating the relational view of value creation to solve social problems.
2. Corporations believe in performing in a manner consistent with the philanthropic and charitable expectations of society. This means that emphasizing the philanthropic behavior of e-commerce enterprises is a useful measure of corporate performance.

3. E-commerce enterprises facilitate collaboration with stakeholders (e.g., interest groups, customers, and suppliers) to develop solutions for social problems and can explain their points of views to the communities and their stakeholders.

4. E-commerce enterprises can measure the results of their social initiatives and enable employees to dedicate part of their work time to participate in social initiatives.

5. E-commerce enterprises can be among the first to adapt their corporate practices to changing social expectations.

6. This study shows how social action may be integrated into the strategies of e-commerce enterprises.

7. This study shifts attention from the highly contested concepts of CSR to the more instrumental concepts of e-commerce enterprise strategies.

8. By scanning the environment (sense-making), e-commerce enterprises and IT outsourcing vendors receive and interpret messages about new markets, new technologies, and competition threats that enable them to connect with their environment and invest wisely.

5.1 Limitations

This study is exploratory and not final. The samples it includes are typical of e-commerce enterprises, but some of the measures do not have an established track records of reliability. In future studies, the strategies of businesses other than e-commerce may be more appropriate for smaller, less well-positioned businesses.
5.2 Suggestions for Future Research

There are several avenues for future research. Studies can focus, for example on employee salience, government salience, non-governmental organization salience, and progressive decision-making orientation with regard to how these factors may affect social planning. It would also be beneficial to study how dynamism, munificence, and continuous innovation may affect social positioning. It is known that social planning and social positioning can create values with IT outsourcing.

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ABOUT THE AUTHORS

Li-Shan Chen is an associate professor in the School of Management, Fujian University of Technology, Fuzhou, Fujian, China.

Chang-Yao Wu is an assistant professor in the Graduate Institute of Cultural and Creative Design, Tung Fang Design Institute, Kaohsiung, Taiwan, ROC.

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