Service Quality, Resistance to Change, Employees’ Engagement, and Outsourcing in Telecom Enterprise Organizations

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Abstract: The purpose of this quantitative correlational study was to examine the relationship between service quality, employees resistant to change, employees’ engagement, and outsourcing in a telecom environment. While managers adopt outsourcing as a strategy that benefits organization, engagement of employees to achieve efficiency results to resistance to outsourcing. Porter’s theory of competitive advantage complemented the relational explanation of the variables. A random sample of 95 information technology employees from telecom service companies in the United States participated in an online survey. The results from a multiple linear regression model were significant in predicting the outsourcing behavior of the employees. Service quality and resistant to change were significant contributors to outsourcing behavior; the findings indicated moderate $R^2$ as the $p$-value was significant. The introduction of other organizational related variables by future researchers might enhance the effectiveness of the model. The practical implications for change includes the potential to enhance telecom managers appreciate factors that influence employee behavior during outsourcing.

Keywords — Outsourcing, employee engagement, comparative advantage, globalization, service quality.

I. BACKGROUND OF STUDY

Profit sharing and the unsustainable costs of maintaining skilled technical employees’ and systems are unique decisions why telecom companies’ managers outsource or move IT critical service functions to external vendors outside of the United States. Telecom companies outsource IT services as part of a strategy to balance productivity and competition [1][2]. With globalization and technological advancement in telecommunication, pools of inexpensive and highly trained offshore workers provide application support for critical business functions such as software development, systems testing, operations, helpdesk support, and call center services [3]. While outsourcing helps organizations to maximize production strategically and to consolidate scalable functions, it causes loss of jobs and relocation of operations knowledge beyond a country’s borders; the result is a fuelling of tensions between employees and management [4].

Several studies relating to outsourcing focused on the accrued benefits to organizations as justifications for contracting out IT functions to foreign-based vendors; researchers focused less attention on the negative impact on the employees [1][2]. Despite the rationale for the organizations’ pursuit of outsourcing, its impact on service quality, employees’ resistance to adopting organizational change and dampened engagements, have profound effects on the organizations’ success. Despite these accrued organizational gains from outsourcing, only a handful of studies investigated the relationships between outsourcing, service quality, employees’ resistance, and employees’ engagement. The business managers’ and organizational leaders’ lack of understanding of this relationship can be detrimental to organizational effectiveness [5][6]. An appreciation of this relationships could help telecom IT managers be better equipped on the moderation of employees’ behaviors when implementing outsourcing programs.

II. LITERATURE REVIEW

Sohail (2012) defined outsourcing as work performed or contracted to an external organization. Outsourcing involved the subcontracting of work performed by the companies paid employees to an external vendor [7]. Outsourcing of IT functions became a popular strategy and changed the employment practices among corporations in the United States [8][9][10][11]. This strategy included the in-house retention of core business functions [12] and the shifting of critical business functions to external vendors [13][14]. Achieving competitive advantage through outsourcing [15] did not necessarily improve employees’ commitment to organizational intent for service quality improvement. The dependence on globalized economies, improved technological innovation in telecommunication, availability of skilled pools of affordable workers outside the United States (US), and consumer demand for services and products, made outsourcing an attractive business model for telecom companies; specifically, this strategy provided an option to compete at lower costs [16][17]. Outsourcing reshaped the traditional
workplaces with the introduction of telecommuting work environment, conversion of US-based employees to re-hired employees of foreign entities, acquisitions and easy disposals of workers without geographical, cultural, legal (union protections) and linguistic constraints [17][18].

Because of the vitality of service quality to competition, service differentiation, and business continuity, global outsourcing bears a direct relationship to service quality provided and cost performances of the company [19]. Similarly, several studies linked service quality to customer satisfaction, and provided examples of poor service quality delivery when functions were funneled through offshore service centers [20][21]. The perception of service quality includes the interaction between the customers and the service representative, which is important in the role of the employees in creating service effectiveness [22]. The service quality expectations of the customers was adjudged from cultural and language contexts when call center service representatives’ demonstrated the inability to communicate in good business English while attempting to resolve problems [11][18]. Poor service quality as exemplified by unclear communication between customers and service representatives potentially affected service performance [12].

Managing service quality issues required an understanding and identifying of problems affecting the customers’ satisfaction, and taking appropriate corrective actions to address the problems at organizational level [23]. Managers face difficulties in moderating employee’s attitude and understanding engagement levels when providing excellent service quality and attending to customers’ satisfactions. Levels of service delivery have been linked to employees’ job satisfaction and customer orientation preferences for organizations [24]; this includes employees’ motivation, an important part of any engagement strategy for enhancing performance [25][24]. While customers expect service quality based on the performance of service representative [26], managers expect flawless execution to enhance profitability; therefore, managers must understand the importance of employee’s engagement, the perception of values within an organization during outsourcing [27][28][29]. Engagement efforts in work environment excel when organizations’ leaders promote employees’ values for change, commitment, and trust [30][31][32][33][34]. A highly engaged and well-motivated workforce typically reciprocates positively and supports of the organizations’ goals but is likely to withdraw such support on the perception that role incongruity exists [29].

The outsourcing IT functions causes a subsequent reduction in US jobs [35][36][37]. Perceived loss of employment creates a resistive workforce who become intolerant of organizational change [38][39]. Outsourcing brings about the transfer of technical knowledge to the offshore team, which inhibits the growth of domestic workforce [38][40]. The transfer of technical skills and loss of employees who are knowledgeable in managing high-end systems is detrimental to the overall management of knowledge necessary for accomplishing organization goals [41][42][43]. Employees resist changes that affect their wellbeing. The negativity effect of outsourcing jobs has the propensity to dampen moral within the team, elevate hostility in the workplace, and heighten employees’ resistance to organizational changes [44][45][46]. Manager’s motivational strategies are vital in reducing resistance to organizational change when the employees perceive some form of recognitions and assurances for career longevity [47]. Ultimately, employees’ unmitigated resistance to organizational change are misdirected at the customers during the interactive relationships with customers; potentially affecting the service quality delivered. Managers’ moderation of employees’ behavior is vital to organizations success [48][49][50][51]; especially when the employees’ perceive outsourcing of jobs as a career threat [52]. Appreciation of the relationships between outsourcing, service quality, resistance to change, and employee engagement, as an examination in this study may offer new perspectives in managing outsourcing strategies.

III.THEORY AND HYPOTHESIS

The theoretical framework used in this study is important for providing an examination of the relationship between the variables as perceived experiences of the respondents in the study. Porter’s theory of competitive advantage was selected to enhance our understanding of the relationships between outsourcing, service quality, resistance to change, and employees’ engagement in this study.

The theory of competitive advantage

The theory of competitive advantage provided a focus on the organization’s competencies to differentiate competition [53][54]. Conceptualized by Porter in 1985 as a model detailing the use available cheap labor and abundant natural resources in the competitive business environment [55]. The model specifically addressed cost advantages accruable to a firm, focused on economies of scale, product differentiation, innovation, and capital requirements [56]. Achieving competitive advantage included the retention of a strong market position, possession of technical and human skills, and differentiating offerings and business practices from those of competitors [57]. Organizations use these competencies to attracting customers, edging out competitors, and achieve preferred revenue [58]. The model cumulated these competencies into knowledge, resource, and cost; otherwise known as the three capabilities necessary for achieving
competitive advantage [59][60]. These capabilities are key considerations in articulating the organization’s strategic intent, identity and profitability [61].

The selected theory (theory of competitive advantage) was used in this study to expand the understanding of the variables broad-based scholarly disciplines [62]. It can be deduced that the theory expound upon the insights related to the consideration for outsourcing [63], as well as the outcomes of employees’ behaviors resulting from outsourcing [64][65][66]. The hypothesis therefore is:

Hypothesis 1a. There is no relationship between service quality, employees’ resistance to change, employees’ engagement, and outsourcing.

Hypothesis 1b. There is a relationship between service quality, employees’ resistance to change, employees’ engagement, and outsourcing.

IV. METHOD

A. Measures

1) Outsourcing: Employees’ perception of outsourcing was assessed with Perceived Organizational Support Scale (POS), a 36-item survey developed from Eisenberger, Huntington, Hutchison, & Sowa’s Scale (1986). POS has two distinct components, organizational support, and employees’ beneficial relationship with the organization [67]. The scale is widely used in measuring employees’ general satisfaction and their perceived value in the organization [68][69][70][71]. The Likert scale for the POS ranged from 1 = ‘strongly disagree’ to 7 = ‘strongly agree’ [72]. Researchers reported the reliability and validity of the scale with a Cronbach’s alpha coefficient between 0.82 to 0.86 [73][74].

2) Service Quality: An SERVQUAL, a 22-item multi-scale model, developed by Parasuraman, Zeithaml, and Berry (1985) was the instrument used in assessing participants’ perceptions of service quality [75]. The SERVQUAL instrument consists of 6 multidimensional constructs [76][77]. The scale is scored with a seven-point Likert scale ranging from strongly disagreed “1” to strongly agreed “7” [78][79]. The instrument’s reliability, content validity, and convergent validity was confirmed based on its wide application [80][81][82]. The reliability and validity of the scale has a Cronbach’s alpha coefficient ranged from 0.7 to 0.95 [83][84].

3) Employee Engagement: Utrecht Work Engagement Scale (UWES) was used to assess employee engagement; a scale developed by Schaufeli, Salanova, Gonzalez-Roma, Bakker in 2002, and is widely used as a multidimensional instrument for measuring employees’ engagement [85][86][87]. The instrument consists of 17 items rated on a seven-point Likert scale ranging from 0 to 6, with 0 representing never and 6 representing always [88][89]. The reliability and validity of the scale have a reported Cronbach’s alpha coefficient ranged from .80 to .90 [89][90].

4) Resistance to Change: Resistance to Change Scale (RTC) was used to measure multidimensional behaviors of an individual’s tolerance or resistance to change [46]. The instrument consists of 17-items developed by Oreg in 2003 from a combination of studies designed to measure the reliability and validity of the construct of resistance to change, tolerance for ambiguity, and individuals’ cognitive abilities [91]. The scale consists four constructs [92], appropriate for assessing employee’s descriptive and predictive resistance to change [93]. The scale is scored on a 6-point Likert-type scale ranging from one to six points with “1” representing strongly disagree, and “6” representing strongly agree [91]. The reliability and validity of the scale with a reported Cronbach’s alpha coefficient ranged from 0.92 [93][46][94].

B. Participants and Data Collection Procedure

The population identified in this study were IT employees working for telecom companies where managers had previously outsourced some functions to offshore vendors between 2010 and 2016. Participants were selected through random sampling. An appropriate sample size 95 was determined with GPower3 software and the participants were considered adequate for the study. The inclusion eligibility criteria for participants were the status as an IT employee and the organization’s recent history of outsourcing. The experience and characteristics of the participants was a relevant factor in assessing the understanding of the relationship between the variables examined in the study. The participants voluntarily accessed and completed the survey questionnaires using Fluidsurveys.com, an online data collection tool. Collected data was scrutinized for accuracy and uploaded into SPSS software for multiple linear regression computations to examine the relationship between variables.
V. TABLES

<table>
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<th>Variable</th>
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<th>Tolerance</th>
<th>VIF</th>
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<td>.822</td>
<td>1.202</td>
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VI. RESULT

Table 1 and Table 2 show the means, standard deviations, and correlations of the variables. The collinearity statistics were within the acceptable values, and the results indicated no violation of the assumption of multicollinearity. No possible influence of assumption of outliers, normality, linearity, homoscedasticity, and independence of residuals was detected. The results confirmed no violation of assumptions and standardized residuals with no discernible outlier in the data prior to testing the hypothesis with multiple regression model.

Based on the regression model summary and ANOVA (see Tables 3 and 4) and the correlation (R) between the dependent variable and the three predictor variables is significant (.576). The model significantly predicted outsourcing, \( F(3, 91) = 15.009, p < .001, R^2 = .332 \). The value of \( R^2 (.332) \) indicated that the combination of the three predictors accounted for 33% of the variation in outsourcing. Table 5 showed that two predictor variables, service quality and resistance to change, were statistically significant (service quality, Beta = .495, \( t = 5.691, p < .001 \); resistance to change, Beta = .316, \( t = 3.414, p < .005 \)). These results suggested that each of the two predictor variables significantly contributed to predicting outsourcing. The employee engagement as a predictor was not significant in predicting outsourcing (Beta = -.039, \( t = -.414, p = .680 \)). The overall results indicated that the regression weights were in the predicted direction, given that outsourcing was positively associated with service quality and resistance to change, but negatively associated with employee engagement.

The regression model indicated a positive slope for service quality (1.571) as a predictor of outsourcing, which predicted that for every one unit increase in service quality, outsourcing functions in the telecom organization would increase by 1.571. Outsourcing tends to increase as service quality increases. The squared semi-partial coefficient (.487\(^2\)) estimated how much variance in outsourcing was uniquely predictable from service quality at a value of .23, indicating 23% of the variance in outsourcing was uniquely accounted for by service quality when resistance to change and employee engagement were controlled.

Table 5 showed that the employee engagement as a predictor was not significant in predicting outsourcing events; therefore, the hypothesis was rejected.

VII. DISCUSSION

The central research question in this study was: What is the relationship between service quality,
resistance to change, employees’ engagement, and outsourcing in telecom IT based organization. A quantitative correlation analysis was conducted to examine the relationship between a linear combination of predictor variables and a dependent variable. The theory of competitive advantage was the selected models for explaining the perceived effect of outsourcing from the IT employees’ perspectives. The results showed that service quality and resistance to change significantly correlated with outsourcing. The hypotheses in the study were supported, and accepted, indicating that the model is significant.

The findings in this study have broad theoretical implication for outsourcing and competitive literature. The result from the study indicated the existence of a positive and significant relationship between the service quality, resistance to change, and outsourcing, which aligned with the competitive advantage synergies adopted by telecom companies used in this study. Improved service quality with moderate resistance to change are critical factors for achieving competitive advantage as indicated by the outcome of the study. It was found that service quality and resistance to change significantly explained the variation in outsourcing initiative in the telecom organization.

As predicted by the model, every unit increase in the quality service would increase outsourcing by 1.571, and every unit increase in the resistance to change would increase outsourcing by 1.107, which are key considerable components for achieving competitive advantage [95][96]. Several studies on outsourcing identified service quality and resistance to change as factors critical to organizational competitiveness in the business environment in achieving competitive advantage [97][98][99]. Therefore, the positive trend in service quality and resistant to change as indicated by the outcome of the study favoured the competitive advantage capability of the telecom organization, and also linked the variables to the consistencies outlined in the Porters competitive advantage theory [100][101].

**Theoretical implication.** The theory applied in this studied offered explanation of implications in relations the study outcome. The theory provided insights into value creation as organizational leaders’ intent for international business engagements with reliance on differences in technology, labor, and core competencies [102][103][63][104]. The components of the theory showcased a positive relationship between outsourcing and organizations intent to achieve competitive advantage, which aligns with the result of the study. As shown in Table 5, the positive slope of service quality tended to increase, when there was an increase in outsourcing; thus suggesting that outsourcing tended to increase as service quality increased.

Though the applicable theoretical framework in this study bears some similarities with the theory of comparative advantage, which in itself is a simple economic theory used in advancing the consequences of trade policy for sectoral specialization and welfare [105]. The basic assumption is that all factors of production are immobile if participating nations have the capacity to produce the goods, and thus key contention for conducting free trade with less-developed nations with an abundance of cheap labor [106]. The theory explicated labor productivity as the determinant of trade or business advantage [107]. Organizations use people and technology to create values at a lower cost [108], outsourcing of functions exemplified this theme in the theory of comparative advantage [109]. The theory of comparative advantage is central in promoting free trade and globalization [110][111], including the outsourcing of jobs at a lower cost to offshore vendors for achieving product efficiency.

Quality service was a key attribute of market differentiation and was strategic to a company’s competitiveness [83]. Service quality was the most important consideration in outsourcing service level agreements in vendor management. Goo, Huang, and Hart conducted a study on the relationship between a successful IT outsourcing, service-level agreements (SLA), and commitment that resulted in a positive trend for outsourcing [112]. This result was significant and supported the outcome of this study. Scholars explained service quality in terms of customers’ service preferences or satisfactions, user experiences, product performances, availability, and accessibility [113][83][114][80][81][82], but in the context of this study, service quality was evaluated on the basis of how the employees perceived the quality of services rendered to the customers.

Outsourcing of business functions caused loss of jobs and technical knowledge which negatively affected telecom employees in the US. Unemployment, because of outsourcing, was consistent with the downside of comparative advantage theory; an imbalance in economics of scale because of globalization existed [110]. The outcome of this study confirmed a relationship between outsourcing and employees’ resistance to change that was observed as a positive slope of that indicator which increased when outsourcing increased (see Table 5). This outcome is very similar to Lewin's force field theory of change, a theoretical framework used in analyzing perceived influences of individual’s dispositional behavior to change in a given organization [115][116][117][118].

Palley noted the disadvantages associated with job losses resulting from outsourcing and the impact on employee’s engagement. The measure of employees’ engagement indicated a negative relationship with outsourcing and was not a significant contributor in predicting outsourcing as displayed in Table 5. This negative trend could be
attributed to employees’ negative perception of outsourcing which is consistent with the views of many scholars on the consequences of outsourcing [36][119][120], which aligns with the result derived from the study.

**Practical implication.** First, there are implications for managers in telecom IT organizations who intend to outsource critical functions for achieving cost efficiency [121]. Managers can use the outcome of the study to understand the effects of outsourcing on the service quality, employees’ engagement, and resistance to change. Second, two predictor variables in this study were significant in predicting outsourcing; therefore, telecom managers can use this study to forecast outsourcing possibilities. Third, as indicated in the study, employee’s resistance to change tends to increase as outsourcing increases, which probable cause for employees’ disengagement. The understanding of these variables may help telecom managers become well informed about outsourcing strategies and moderation of employee’s attitude during outsourcing.

Finally, this study has implications for managers who plan to deploy service quality as a competitive edge while outsourcing critical IT functions. As indicated in the result, managers must create a positive balance between service quality and outsourcing. Though the outcome of this correlational study is significant and similar to the findings in Costinot and Donaldson, it can be acknowledged that the differences in technology and resources remain an important decision-making factor for outsourcing synergies [70], while the effect on employee’s engagement remains highly understudied.

**VIII. LIMITATIONS**

The use of US-based IT employees working for telecom companies was the first limitation in the study. The second limitation was the biases, sincerity, and honesty of the study’s participants, as well as the accuracy of the instruments used in assessing the variables. Third, the sample of participants was taken from different telecom companies across the country; therefore, there could be differences in outsourcing experiences among employees and organizations. Fourth, the study was restricted to three independent variables and one dependent variable, thereby limiting the findings to the variables in the study. These factors limited the generalizability of the study’s results.

**IX. SUMMARY AND CONCLUSION**

An understanding of the relationship between service quality, employee resistance to change, employee’s engagement, and outsourcing provided insights on the effects about each variable during the implementation of outsourcing decisions. The findings indicated that outsourcing as a strategy has the tendency to affect organizations bottom line, service quality, and employees’ behaviors. Considering that the objective of this study was to examine the relationship between service quality, resistance to change, employees’ engagement, and outsourcing in telecom IT based organization setting, the model was significant with overall $R^2$ (.332) therefore; signifying an appropriate level for predicting outsourcing. The findings here also connected literature relating to the variables to the selected theoretical framework in explaining the relationships revealed in the study. Finally, given that the results of the study established the presence of positive relationships between service quality, resistance to change, and outsourcing, the null hypothesis was rejected.

**REFERENCES**


