

THE ROLE OF TRUST AND COMMITMENT ON COOPERATION BETWEEN ORGANIZATIONS ON SERVICES OUTSOURCING

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ABSTRACT

Organizations outsource their key activities more than past, this process of outsourcing needs to proper interaction between service buying organization and service provider. The purpose of this research is applicable according to purpose and descriptive according to data gathering method, and it is casual according to relationship among research variables and certainly based on SEM. Statistical society is people who work directly with oil industry employees. Information gathering method is surveying and its tool is questionnaire. Data analysis of questionnaire of 260 responders is as final sample which shows interactive dependency of research factors and variables; as though, most variables of research are confirmed. Results show that the result of outsourcing of services is function of cooperation between organizations influenced by trust and commitment between organizations.

Keywords: *Outsourcing, Cooperation, Trust, Commitment*

INTRODUCTION

Trust concept and related problems in several previous years are increasingly studied by organization. In addition, exploring cooperation among organizations is changing to an important researching chapter (Dekker, 2004). Today, trust importance I cooperation among organizations is clear, because making relationship and accomplishment cooperation purposes among organizations need trust, and trust is key factor, because it makes cooperation (Tylor, 2003).

Organizations move during recent decades toward specializing responsibilities and planning more intelligent to provide accessibility to competitive advantage in purpose environment by reinforcing central competencies. It is clear that specialization and consequently limitation activity fields would be possible when some of responsibilities are designated to outsourcing.

While organizations outsource most of their activities, emphasize on cooperation needs better understanding from how to ensure human source by Employers and contractors by relationships in outsourcing. When an organization decides to use outsourcing as a political approach, the relationship between contractors and Employers are mainly determined by certain relationship quality and cooperative behaviors (Kwon and Suh, 2004).

Various factors can be effective on successful inter-organizational cooperation that we can obtain to successful and effective relationship in outsourcing by identifying them; therefore, offering proper pattern for cooperation can lead to improve performance, reduce costs and improve interactions and cooperation in outsourcing services.

Theoretical Bases and Review on Research Background

Vantage partners' research group (2000) knows the most important failure factors in outsourcing as weak cooperation between suppliers and political planning (Weiss and Visoni, 2000). Organizations try to select and guide contractors to accomplish their services in defined framework of cost, time, and quality. Successful responsibility of outsourced services is an important challenge for Employer organizations. Therefore, they need to cooperate with organizations to get to their purposes or accelerate them (Vangen and Huxham, 2003).

Outsourcing let organizations to focus on their main abilities and competence by replacing limited sources to reinforce their main services or product (Lee and Kim, 2010). Studies showed that today organizations consider outsourcing an executive necessity and plan many services to designate (Juga *et al.*, 2010). Thompson (2004) said nowadays organizations use outsourcing as a tool to promote utilization growth.

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One of issues in outsourcing management field is how to manage relationships among organizations. Relationship management is a main factor in successful outsourcing. As providers are placed out of administration and organization management, it is necessary to control relationships with providers of services by proper methods to fulfill buyer organization's expectations (Employer) about bought or outsourced services. In addition, control in outsourcing contracts is intrinsically sophisticated and has high risk; in other words, agreements among cooperative organizations is more than regulations and rules and they are based on trust (J-Yi *et al.*, 2008).

Theoretical Approach for Organizations Relationships

Transaction cost theory was proposed for the first time by Coase (1973) and stated that why organizations should do all tasks inside it, then it was developed by Alchian (1972) and especially Williamson (1979). Transaction cost theory is based on this belief that decision making for outsourcing is influenced by management efficiency. These features determine that whether tasks are done inside organization or outside (Espino *et al.*, 2008). Transaction cost theory offers acceptable explanation about provision mechanisms about inter-organization relationships. (Hoyt and Huq, 2000) Though, it seems transaction cost theory has ability to answer to some concepts such as trust and cooperation about understanding the relationship between providers services and buyers that are essential is relatively disabled (Ghoshal and Moran, 1996).

The main core of social transaction is interactive correlation among organizations that are developed during time by colleagues' interaction (Seyyed- Mohammad, 1991). Social interaction theory is known by the importance of interaction and communications for successful relationships. His theory shows transaction as a social behavior that may lead to social and economics results, therefore, it is solely different from economics theory that consider one economics results of relationship. Commitment-trust theory gets root from Morgan and Hunt (1994) proposed that commitment for a relationship and also trust among them is an important issue for successful cooperation not power and ability to oblige others to work.

While researchers evaluate various models to obtain a proper and successful cooperation, they propose trust as infrastructure of relationship between Employer and contractor. The close cooperation between Employer and contractor provides proper advantages that the most important result has been determined as obtaining to purposes.

In this research, cooperation is a common attempt of organizations in their dependent relationships to a certain purpose of each organization and interacted organization by getting to mentioned purpose that won't obtained until with both parties cooperation. Commitment and trust relationship is necessary for success in cooperation among organizations. As it was said, according to Morgan and Hunt (1994) idea, commitment and trust directly lead to cooperation behavior. Moreover, this theory said that trust is a main factor in commitment to inter-organization relationships, because designated relationships by trust are very valuable and parties know themselves committed to such relationships. Moreover, Spekman *et al.*, (1998) stated that trust is infrastructure among organizations. According to Sucko (1992), trust among organizations can be classified in 3 groups: contractual trust: it is based on this assumption that other party does oral and written agreements, competence trust: it means cooperative organizations abilities to do agreements, and goodwill trust (Kale *et al.*, 2000), or competence trust (Khanna *et al.*, 1998). According to trust- commitment theory, commitment leads to proper cooperation among organizations, because it makes proper conditions for work communications; in addition, researches show that communication strength is function of trust that influence commitment in relationships (Hausman, 2001). Consequently, commitment directly leads to cooperation behavior (Morgan and Hunt, 1994). It should be mentioned that trust shows self-confidence among cooperated organizations, while commitment shows will to continue cooperation (Wilson, 1995).

H1: there is positive effect between competence trust and cooperation between Employer and contractor.

H2: there is positive effect between goodwill trust and cooperation between Employer and contractor.

H3: there is positive effect between commitment in relationship and cooperation between Employer and contractor.

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H4: there is positive effect between perceived competence trust from Employer and commitment for cooperation.

H5= there is positive effect between perceived goodwill trust and from Employer and commitment for cooperation.

Conceptual Model

According to proposed theories especially trust-commitment theory of Morgan and Hunt, transaction cost theory and social transaction, research conceptual model can be shown in figure 1. In this model, researcher explores effective factors on trust between organizations that finally lead to optimum cooperation between outsourcing organization and service provider organization, because according to past researches results, we believe that if trust is made between organizations according to competence and goodwill, the cooperation between organizations will be maximum and cooperation purposes will become possible. In this research, it is not tried to measure cooperation, but to know cooperation maximizing as a result of effective factors between organizations.

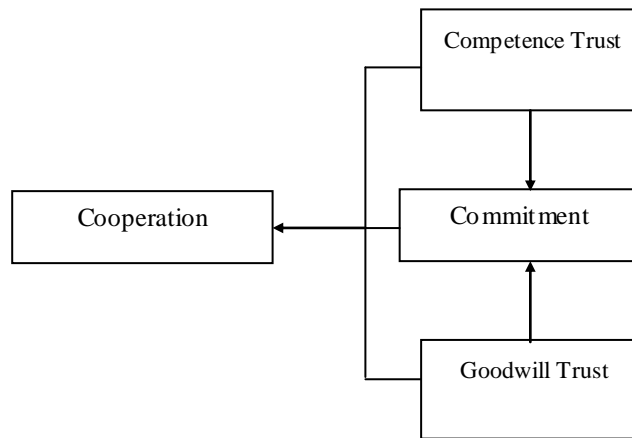


Figure 1: Conceptual Model

MATERIALS AND METHODS

Research Methodology

This research according to purpose is applicable and according to nature is descriptive-correlative form. In order to select sample among all employees of south oil-rising regions who are in direct relationship with contractor in outsourcing, this research is done by random method. Gathering questionnaire according to outsourcing in 4 groups of oil, gas, building and digging, main functional and service designs are done. Sample volume according to Cochran formula is determined 260.

Questionnaire reliability and Validity: in order to explore questionnaire reliability both content and functional validity are used. In order to measure questionnaire content validity, experts, scholars and university professors' ideas are used. In this step by interview and mentioned people idea gathering, necessary modifications are done so it is assured that questionnaire evaluates exactly the same mentioned features by researchers.

In order to determine questionnaire reliability alpha's Cronbach coefficient and Fisher test are used. Fisher test is calculated by Excel software. Based on table 1, pre-test results are shown by Spss and Excel software that questionnaire has efficient perpetuity. Therefore, by rejecting H₀ hypothesis, questionnaire perpetuity is confirmed.

Table 1: pre-test results by Spss and Excel

Reliability result test	Error probability	level	Cronbach alpha	P Fisher
Confirm the reliability	α= 0.05		0.9	0.652

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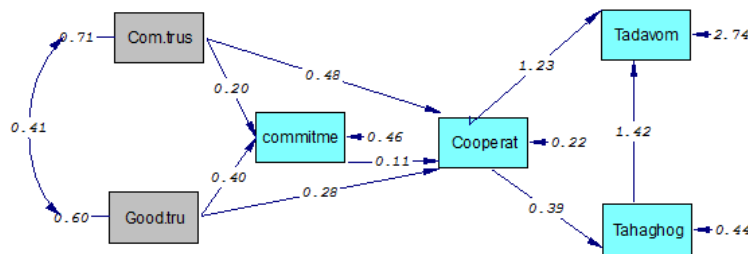
Data Analysis Method and Research Findings

In order to test research hypotheses confirmatory Functional Analysis is used; therefore, we should use normality and sample volume efficiency tests. In order to explore research variables normality, Kolmogorov-Smirnov test has been used and results have shown that considered variables in this research has normal distribution.

In order to explore the relationship between independent and dependent variables and total model confirmation, path analysis method is used. Path analysis in this research is done by LISREL 8.5. Diagram 1 and 2 shows the result of SEM. Table 2 shows model fitting indexes such as K2 (X^2), NNFI, IFI, CFL, and GFI.

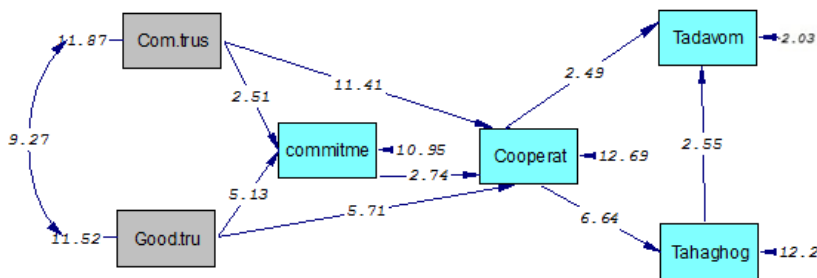
Table 2: Fitting indexes of SEM test for Research conceptual model

GFI	IFI	CFI	NNFI	RMSEA	X^2/df	df	X^2	variable
0.91	0.97	0.97	0.94	0.071	2.34	6	14.09	Main model
>0.9	>0.9	>0.9	>0.9	<0.8	<3	-	-	standard



Chi-Square=14.09, df=6, P-value=0.0007, RMSEA=0.071

Diagram 1: Research Structural model in standard estimation mode



Chi-Square=14.09, df=6, P-value=0.0007, RMSEA=0.071

Diagram 2: Significance numbers of Research structural model

Results obtained from Lisrel outputs about model fitting indexes show that the ration of K2 on freedom degree $\frac{x^2}{df}$ is less than 3. According to reported value for index in table (22-4) for this model is 2.34. Reported GFI value for this model is 0.91. In order to explore how model in comparison with other possible models according to determination of observed data is well, non-normed fit index (NNFI), increasing fit index (IFI), and comparative fitness index (CFI) are used that values higher than 0.9 of this indexes shows that model proper fitting is designed well.

Index RMSEA for good model is less than 0.08. This index value in this model is 0.071 that for designed model in this research shows proper fitness of data gathering. As it was seen, all indexes are in their

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proper interval. Table 3 shows functional analysis findings using SEM to test main and secondary hypotheses. This table includes standard coefficient and significant numbers.

Table 3: Results from research main model hypotheses

Test result	Significance number	Path coefficient	relationship	hypothesis
Confirmed	11.41	0.48	Competence trust→ Cooperation	H ₁
Confirmed	5.71	0.28	goodwill trust → Cooperation	H ₂
Confirmed	2.74	0.11	commitment → cooperation	H ₃
Confirmed	2.51	0.20	competence trust → Commitment	H ₄
Confirmed	5.13	0.40	goodwill trust → commitment	H ₅

In addition to the findings yielded from submitted answers in questionnaires, some information was also obtained through conducting interviews which largely has cleared most of the challenges and ambiguities. the obtained information from interviews with a group of pundits is studied by the analysis method of “ Them “, or coding, and according to the subject (the questions in the interview) was first classified in conceptually meaningful groups, and then common concepts was coded as a category to be matched with one of the indexes related to research variables. In current research the method of snowball sampling is used to select the most appropriate people for interview. In the research according to community classes 3 project executives were selected from each class and in total 12 people were interviewed. The interview questions are as follow :

- 1) Please explain about your current project or plan working with contractors and express your role in the cooperation.
- 2) From your viewpoint as a pundit the optimal cooperation between client and contractor should end to which conclusions and what cooperation do you name as successful.
- 3) When do you trust the contractor as client, or in other words what factors causes you to trust the contractor.
- 4) Please express some explanations about your experiences related to interagency cooperation.
- 5) Which solutions do you propose to improve current challenges in cooperation between client and contractor.

Interviews Data Analysis and Offering Extracted Themes

Cooperation theme in outsourcing means that joint efforts of organizations in interdependent relationships towards specified and desired organization and mutual organization goals, to reach the desired interests, which is not available without both sides working together.

Cooperation theme between client and contractor has been studied by two sub–themes of appropriate contractor features and process of cooperation with contractor. a number of answers obtained in interview regarding cooperation between two organizations are shortly as follow :

The first conceptual category which has been referred to in table 4, is the feedback received from outcomes of collaboration with contractors and that from the client viewpoint an appropriate and desired contractor is what a contractor. Cannon and Pralet (2009) state that cooperation is based on shared beliefs and mutual expectations of working together to achieve mutual goals. Some interviewees comments are shortly as below:

- Client satisfaction from contractor cooperation is obtained when project is accomplished in desired time with the quality specifications stated in the contract yet, contractor to has commitment both.
- In the contract documents or contract description has been anticipated that by how quality and condition and in what time work is to be completed, the outsourcing is successful which has considered documents goals.

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• The basis of cooperation between client and contractor is determined by a specific budget and time. Since our contracts are lump sum the result is significant to us. Contractor commitment is much important to achieve project goals.

With the respect to presented responses and transforming them into analyzable concepts, the theme 3 analysis table is offered.

The second question was a channel to specify researcher route to get to the main question and to find relationship between client – contractor cooperation and the results of this cooperation. Recognized category from obtained concepts conforms with Anderson and Narous theory (1990), related to interagency cooperation. Anderson and Narous (1990) believe that: cooperation is defined as a coordinated operation which its correlative parts seek to achieve mutual goals in predetermined time.

Close cooperation between client and contractor, will provide them proper advantages. The most important result from proper cooperation, is having access to predetermined goals.

Table 4: Theme analysis (proper contractor characteristics)

Category	Concepts	Topic
It is the organization which tries in direction of achieving predetermined goals	- Access to contract goals	Contractor characteristic for desired cooperation
	- Doing project by desired budget	
	- Non-stop activities	
	- Contractor commitment to perform works quick	
	- Proper performance	
	- Satisfaction from cooperation	
	- Implementation of project in desired time	

Another conceptual category which is classified in table 5 as the theme of process of cooperation with contractor. Kee (1995) aims the cooperation as a joint activity in the direction of common goal and so Excelson (2006) expresses that cooperation based on confidence is an effective model of operation, voluntary and with common processes between two or more organizations having common recognition, outlook, resources and goals. Most of interviewees in current research have the same viewpoint towards contractors in relation to cooperation process. Note the comments below:

- Both client and contractor are cooperating in one camp. Sometimes when activities proceed slowly and the supplier doesn't supply material to contractor we interfere and instead of giving fund to contractor, with the respect to our acceptability in the opinion of other organizations we contact the supplier directly and buy material from second contractor with our credibility.
- The relationship between we and our contractor should be win- win and we must change the view to assign the project with a lower price, because just it looks like we have won and could save costs, but contractor must cut something in somewhere to compensate the deficit. Reduce his performance quality and and ultimately causes loss both to himself and our organization.
- We should a little reconcile towards each other. This does not mean violating contract contents rather as we want to reach goal, as the result should not be strict related to contractor.
- Staying on slight bugs will deter us to achieve our main goals. for example if a project is scheduled to be completed in one year, paying attention to minor bugs may prolong the time this for units like manufacturers, which are income producers, is important.

Conclusion and summary of pundits responses is presented in Table 5.

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Table 5: Theme analysis (working with contractor)

Category	Concepts	Topic
A common and reasonable effort in addition of interdependence to achieve common goals	- Contractor as client,s executive arm	Working with contractor
	- Holding meeting to achieve proper resolution	
	- Win-win relationship and working in one camp	
	- Being flexible towards each other	
	- Interests of contractor and client together	
	- Getting reward when project properly proceeds	
	- Paying to main cooperation goals than minors	
	- Supporting contractor beyond the contract description, in case of client satisfaction	

In analyzing recognized categories from interviewees comments, with emphasis on Anderson and Narous outlook (1990), in order the cooperation leads to desired results, their process and common effort should be on the basis of a coordinated operation.

Sai and Young (2008) stated that cooperation is positively under the effects of service supplier performance, through which causes service buyer satisfaction.

Anderson and Narous (1990): the most important result from proper cooperation, is access to predetermined goal.

Krishnan and colleagues (2006), Morgan and Hunt (1994), Laxon and colleagues (2008), Criseman (2009), Juga and colleagues (2010) and Cannon and Pralet (2009) have concluded in their researches that access to goals is only determined according to proper and optimal cooperation between two organizations and its quality.

According to Wilson (1995) viewpoint, confidence is as the foundation of relationship structure between two organizations. There is another conceptual category which is classified in table 5 as the theme of confidence in working with contractor. a summary of comments is as below:

- Selecting a contractor is not just according to price and economic gain, but according to qualitative assessment and relying on its equipments and manpower and should be done.
- In each project we as client note to contractor reputation and its record in last contracts to begin other new contract, we consider how is the contractor behavior in cooperation, and whether he is honest or not. This form of confidence occurs when managers begin to collect data on reliability of a new potentially supplier. Therefore, interviews show that in the initial steps of formation of good record, confidence, qualitative assessment and plays a major role in their cooperation.
- Yes it is very important this organization (project contractor) to be good known, because it is expected this reputation not to be damaged. He tries to preserve the good record. Contractor reputation and good record is one of the important items, but not necessarily the only factor.
- The contract and method of performance according to what has been adjusted for cooperation is important to us, but cannot be as the main core of our relations because we may show necessary flexibility depending on conditions (like difficulties of importing materials from EU countries and cases like that in recent time) otherwise our costs rises. Therefore trust in contractor on how to do works and flexibility to admit changes, is important.

Created confidence specifies in the initial steps whether we can have a proper cooperation with the contractor and remove barriers. Then after these step contractor competencies is accurately assessed by the client.

- Contractor performance and his professionalism in implementation of assigned activity tell us whether he is reliable and deserves to be maintained or not.

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• There may be also some interactions out of the scope of contract in executive organizations for example since some time ago the Minister was scheduled to visit a project, the contractor was asked to build a bridge there, and later the work order and permits will be issued as a new contract (contract after execution of the new project). The contractor immediately started the new work according to verbal confirmation of the director and based on mutual trust.

Expert’s responses, is presented in the theme table 6:

Table 6: Theme analysis (trust in contractor)

Category	Concepts	Topic
Contractor has capability to cover the assigned activity as well as having intention to do the project	- Initial trust via past qualitative assessments	Trust in cooperation
	- More assessment and monitoring till trust availability	
	- Making confidence via accountability and data sharing	
	- Considering contractor reputation and record	
	- Contractor competence is detected from initial steps of work	
	- Contractor performance	
	- Operating speed of contractor in doing asked operations.	

Morgan and Hunt (1994) define trust such; confidence (trust) is when each part believes reliability and honesty of the other part and vice versa. The minimum need to establish confidence between two is that one side confide to other and also to be dependent to reliable behavior of him/her. Category recognized from Saku viewpoint (1994) obtained concepts on the basis of sufficiency trust and complete trust is justified.

Regarding the role of confidence in interagency cooperation, Krishnan and colleagues (2006) indicated that confidence has positive relation with cooperation performance between organizations, and the later has gained from interagency confidence when rate of correlative between two organizations is high. Results from Poppo and colleagues (2008) research through structural equations, showed that expects to continue working together causes strongly promotion of interagency confidence and also weak performance had negative relation to confidence. Results from Velar and colleagues (2007) research specified, at the initial steps, confidence has a profound impact on the opposite side and in continuation it will be developed and the cooperation is affected by confidence effectively at different stages of relation. Results obtained from Walenberg and colleagues (2011) research data analysis indicates that both dimensions of commitment and confidence are strong factors not only to maintain relationship, but also has caused return. Lee and Reynolds (2012) in their research express that interagency confidence ultimately leads to their commitment to more cooperation and confidence is a requisite for commitment. According to Morgan and Hunt (1994), commitment and confidence directly leads to cooperative behavior. Wallenberg and colleagues (2011) expressed that confidence and commitment are two very closely related concepts which cause related links to be incited and facilitate interagency cooperation. Gensan (1994) in his research concluded that confidence of service buyer to service supplier, affects buyer commitment in two ways: firstly, lowers interchange costs and secondly reduces understanding of risks related to opportunistic behavior of supplier.

Another conceptual category which has been classified as commitment theme in cooperation is seen in table 27 – 4, most interviewees in current research paid attention to the point that interagency relation could not simply be managed only on the basis of contract. Hakat (1998) has defined commitment as intention of one side of relation to continue or maintain an activity. Note to the comments below:

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- Although our communications with contractor is mostly based on telephone and written documents but when it changes to visual and face to face, then communication and interest to interactions increases.
 - If a contractor leaves a good record in the organization and has good qualitative assessment, we try to contribute them in following contracts and in contrary if has not good performance may enter black list and no more be invited to cooperate.
 - If we are satisfied with the contractor performance who is cooperating and his qualitative assessment has acceptable score, we enter him to qualified long list contractors, when an organization enters later list it can be used to perform limited tenders or force majeure projects and this is desirable for contractors.
- Most of interviewees express that if satisfied with contractor services they are willing to defend him for following projects to be selected and support him to quickly solve difficulties. With the respect to presented answers and their conversion to analyzable concepts, table 7 (commitment theme analysis) is presented.

in obtained categories analysis from interviewees comments, with emphasis on Morgan and Hunt theory, commitment and confidence directly lead to cooperative behavior, also Lee and Reynolds (2012) express that interagency confidence ultimately leads to their commitment to further cooperation, hence commitment in client - contractor relationship overt or covert causes continuation of cooperation and exchanges between them.

Table 7: Theme Analysis (Commitment)

Category	Concepts	Topic
an effort to continue cooperation and supporting contractor	- Supporting contractor if satisfied with its performance	Commitment to contractor
	- Listing contractor for next projects	
	- Defending contractor for next projects	
	- Faster handling the contractor affairs in organization	

Lee and Reynolds (2012) express in their research that interagency confidence ultimately leads to their commitment for further cooperation and confidence is requisite for commitment. According to Morgan and Hunt theory (1994), commitment and confidence directly leads to cooperative behavior. Wallenburg and colleagues (2011) stated that confidence and commitment are two closely related concepts which cause related links to be incited and facilitates interagency cooperation. Gensan (1994) in his research concluded that confidence of service buyer to service supplier, affects buyer commitment in two ways: firstly, lowers interchange costs and secondly reduces understanding of risks related to opportunistic behavior of supplier.

CONCLUSION

Discussion and Conclusion

When at the beginning of the research the concept of confidence was specified, we looked at confidence in service outsourcing from the viewpoint of organization. Therefore we were going to recognize affecting factors on two organizations cooperation which could lead realizing goals to use service supplier. In this research we found out that creation and preservation of confidence, significantly increases the landscape to reach success in buyer– service supplier cooperation on outsourcing and achieving the goals.

Services outsourcing leads to low organization costs, as the result saves resources which can be used in other places, on the other hand reinforces rate of activities in the organization, hence the organization should has proper understanding of its potentials and abilities for outsourcing services and does its effort in this regard.

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In outsourcing services we can reach the goal by proper cooperation and meanwhile to continue working together as well which causes increase in rate of service outsourcing itself, and also reduces organization costs that potentially is of outsourcing goals, in conclusion results of outsourcing services has different dimensions, with respect to our concentration and viewpoint, our view towards contractor changes and ultimately different outcomes is achieved.

Sufficient confidence has more effect on cooperation with contractor than complete confidence, what does it mean? It means that contractor capabilities should conform with agreements, meaning that by skills, competence and necessary experience, hands over the asked services in desired time and at the same time does the required follow-up for success of the contract. Therefore we can say: the main and real factor to achieve goals is specified in cooperation process, not necessarily by capabilities of service supplier or rate of process being outsourced.

Results of research indicates, that only factors mentioned in the contract with contractor cannot be the unique criteria for the contract to be success and cooperation process is an important part of the goals achievement.

Experts whom interviewed about different parts of services being outsourced, mainly explain that trust in opposite side and removing bugs and disputes and also establishing relation, is the key to success and indicated much evidences that in case of expressing problems, in proper time and by obvious reasons from contractor to client, they have benefited coordination and cooperation.

Confidence between client and service supplier is a way through which can achieve success and or by mismanagement provide the context to fail. Briefly, service buyer (client) is not going to be surprised by service supplier (contractor) in its activities.

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