

Consciousness and Unconsciousness in Outsourcing: A Conceptual Integrated Model

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Abstract: This paper aims to highlight the role of unconscious factors in outsourcing choices, with particular reference to the strategic outsourcing, in which some cultural dimensions play a significant role, conditioning the decision-making process even unconsciously. In fact, even though managers always claim to be able to manage outsourcing relationships based on rational and conscious factors, they are inevitably affected by their personal and organizational culture, and in particular by some irrational or unconscious factors which affect their evaluations and decisions. That is, the aim of this paper is to identify these factors and to provide a conceptual framework to highlight these factors' interdependence outsourcing choices. Methodologically, this paper is conceptual in nature, based on reviewing existing research, and strives to contribute to existent literature putting together the theoretical concerns about both organizational culture and strategic outsourcing. The findings of this study showed that, along with the rational factors involved in making outsourcing choices, there are some cultural factors affecting attitudes and evaluations towards outsourcing unconsciously; this study contributes to the advancement of knowledge and provides a conceptual integrated model underlining how conscious and unconscious factors interact in outsourcing choices.

Key words: outsourcing; organizational culture; path dependency; uncertainty avoidance; trust

JEL codes: M10, M19

1. Introduction

The outsourcing choices have been a sensational phenomenon within the entrepreneurial practice, concerning now almost every business activity, function, and process (Feeny, Lacity, & Willcocks, 2012; Leavy, 2001; Marjit & Mukherjee, 2008). More than the great diffusion from the quantitative point of view, the outsourcing phenomenon development concerned most of all the continuous widening of goals and contents non restricting to the outsourcing of business activities and functions characterized by a low complexity and by a little strategic significance (*commodities*), but also concerned other activities, functions and even complete processes characterized by a strong impact on company competitiveness and on the value creation. Eventually there has been a proliferation of different kinds of outsourcing which came from the more traditional *tactical* outsourcing to the more complex *strategic outsourcing*, *business process outsourcing* and *transformational outsourcing*.

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The evolution of the outsourcing can be seen from the point of view of its goals; in particular, whereas in the past outsourcing was essentially aimed to achieve cost reduction, nowadays its goals are linked to knowledge, expertise and technology held by third companies (Maskell et al., 2007; McIvor, 2000); these goals are based on a high management and control ability of relational dynamics that companies have been developing through experiential learning (Popoli P. & Popoli A., 2009). During the last decades, firms have learned to consider outsourcing from a strategic perspective, which constitutes the most innovating feature in the business system organization in a hypercompetitive and globalized contest as the one we live in (Brown & Wilson, 2005; Popoli, 2011).

The idea of studying the role of the unconscious factors in outsourcing choices derives from the consideration that despite firms often claim to be willing and capable of opening up to the outsourcing and managing cooperative dynamics with other organizations, empirical observation has reported difficulties or resistance affecting the choice to entrust to outside providers certain entrepreneurial activities, processes, or functions; furthermore, these factors also affect the nature of the inter-organizational dynamic that develops between the client and vendor.

For the goal of this paper, it is important to underline how outsourcing choices are usually made using a range of criteria pre-arranged by every company aiming to give the process the higher level of “rationality”. In particular, outsourcing choices are determined, first and foremost, by three rational factors: the *need for change*, the *costs/benefits*, and the *risks* associated with the decision. Especially in strategic outsourcing, rather than in tactical outsourcing, the degree of openness of a firm to outsourcing engagements depends on:

first of all, the ability to capture the need for change, and specifically the external and internal pressures that demand changes in the architecture of the firm’s business system, requiring structural interventions on the value chain;

secondly, the greater value that may be achieved through the outsourcing of activities, processes, or functions, specifically in reference to the exploitation of the supplier’s innovative capacity, and to its potential contribution to the generation of sources of competitive advantage, increasing benefits and reducing costs;

thirdly, the risks attributed to outsourcing, often ascribable to the subject’s limited rationality more so than the objective uncertainty of the organizational change.

The thesis upheld by this study is that the choice is not only made by rational factors, but also by organizational culture conditioning every stage of the process above described. The conditioning can emerge in two ways, consciously and unconsciously. In fact, organizational culture is partly conscious because it is included in the criteria and procedures used in the choice, and partly unconscious, because unconsciousness characterizes every single individual working in a company, both as top manager having the organizational responsibility of the choice and as middle and low manager who is the one concretely appointed to improve the choice of outsourcing. This has happened since outsourcing has to be defined inside strategic and organizational change processes, so it cannot avoid cultural interferences and changes going with every company change. In the case of outsourcing, organizational culture has to be considered as a very outstanding and conditioning factor for the choice making and its implementation, as well as relationship management between client and vendor.

Having said that this paper aims to provide conceptual insights on this subject and to represent a useful reference to further studies and future research. In particular, in this study two research questions are defined: (1) What are the cultural factors which are at the same time conscious and unconscious factors of choice of whether to resort to outsourcing? (2) How do these identified factors act in the outsourcing choices, and, in particular, how

do they interfere with rational factors?

This paper is organized as follow: after this introduction, the second section provides a literature review on both outsourcing choice process and organizational culture, aiming to identify, on the one hand, the main factors which the outsourcing choice is generally based on; and, on the other hand, the role of the organizational culture in change processes; the third section describes the research framework and what this study strives to provide as knowledge advancement in the field of outsourcing; the fourth section identifies the most relevant cultural factors affecting (both consciously and unconsciously) the decision-making process to outsource, and provides an integrated model to conceptualize this interdependence; finally, in the conclusion, findings are summarized; limitations of this study and future research are also identified.

2. Literature Review

2.1 Rational Factors at the Root of Outsourcing Choices

Outsourcing choices are mainly determined by rational factors, namely:

- the need for change, given external environmental conditions;
- the costs and benefits of outsourcing;
- the risks related to it.

2.1.1 The Need for Change

Above all, as any other strategic choice, the decision to outsource business activities, functions or processes is triggered by some environmental condition external to the firm, both at a macro or general level, and at a micro or competitive level (Taylor & McAdam, 2004), which require the firm to respond for the proper adaptation. Furthermore, it has been observed that powerful trends in the global business environment have made outsourcing a growing phenomenon (Brown & Wilson, 2005).

Therefore, the need to outsource may arise triggered from different factors, and be addressed at different aims (Arnold, 2000; McIvor, 2005). Traditionally, the objectives associated with outsourcing are: cost reduction, focusing on core business, risk fragmentation, and access to resources, knowledge and technologies that the firm does not have.

Furthermore, the most important lessons from the 1990s with regards to business and strategic management clearly taught firms that the search for competitive advantage should be based on the possession of distinctive long-lasting competencies, which would be difficult to imitate or reproduce for competing firms, and through which competitive differentials are generated; what the 1990s have shown is that distinctive advantages may also be built through the knowledge and abilities contributed by third parties, rather than only from the resources and competences existing within the firm (Barney, 1999).

Consequently, today's outsourcing choices should be studied as a main drive to the development of a firm's activities, no longer rooted in search of cost saving, but rather of the opportunities for growth that may be created through the integration of complimentary resources and competencies owned by third parties. "What" and "why" are, therefore, the first questions to be addressed with regards to outsourcing choices, in that they most definitely constitute the main determinants of the success or failure of this choice. Furthermore, all phases of the outsourcing process is influenced by what the firm is intending to outsource and which are the aims behind such a decision, and will thus take a variety of forms of differing levels of complexity.

2.1.2 The Costs and Benefits of Outsourcing

The second factor in question is represented by the benefits of outsourcing. After having defined “what” and “why” of an outsourcing choice, all the managerial issues that will be affected by such a decision should be evaluated, and, most importantly, to assess the consequences that outsourcing will have on the strategic, economic and organizational aspects of management, with the aim of obtaining a clear picture of its costs and benefits.

With regards to strategic aspects, it is necessary to identify the changes that outsourcing triggers in the firm’s value chain and in its competitive ability, both in the short- and long-term. This phase of strategic analysis regards the following main features, hereby presented in the form of questions:

- how does the firm’s value chain change after the integration of the supplier?
- how are the firm’s strengths and weaknesses affected by it?
- how does the firm’s degree of strategic and operational flexibility change?
- which entrepreneurial activities, different from but related to the outsourced ones, become involved in this decision and which changes do they suffer – or need to be actively promoted – within the context of a “systemic” management of the outsourcing?
- how do the sources and modalities of competitive advantage change?
- which repercussions are there at the level of distinctive competencies? Enrichment, substitution, pauperism?
- which impacts does outsourcing have in the short-, medium- and long-term on all of the above?
- finally, what happens if the outsourcing relationship fails, and what might be the paths of development in the prospect of a reversal of this decision?

With regards to the economic aspects of this decision, the identification of the costs that arise from outsourcing may be achieved through the criteria defined by the theory of transaction cost economics (Williamson, 1975, 1979), hereby assumed as known. Specifically, the theory identifies which costs should be taken into consideration for the ‘make or buy’ decision, which are in reference to the management, coordination, and control of the relationship of exchange with the supplier. Furthermore, this theory also specifies which internal and external conditions influence the transaction costs, and teaches us that these transaction costs may only be partly identified *ex ante*, both due to the limited rationality of those carrying out the analysis, and to the uncertainty and complexity that characterize the external environment.

Finally, as far as the organizational aspects are concerned, the choice to outsource involves all organizational variables: the structure, human resources, company culture, organizational environment, managerial style, and information systems. All of these aspects are simultaneously relevant both within and outside the firm, in that they concern both inter-organizational relations between the client and vendor, and the infra-organizational relations between actors internal to the firm: the owners, the management, and the human resources.

Specifically, with regards to the relationship with the supplier, the main issues concern the modalities through which an effective organizational integration is achieved, both in terms of procedures, structures, human resources, and information and communication systems. The complexity of the organizational integration between client and vendor obviously also depends on the type of outsourcing; specifically, it is greater in relation to strategic outsourcing, compared to tactical outsourcing, and in relation to a medium- or long-term partnership, compared to a mere short-term transaction. Furthermore, the complexity of integration highly depends on the company culture characterizing both firms. In this regard, it has been observed that cultural diversity may be a significant cause of friction in the management of the partnership, and consequently determine an increase in managerial costs (Power,

Bonifazi & Desouza, 2004). Also Mahnke, Overby and Vang (2003) highlight the importance of a potential cultural discrepancy between the two parties, and consider it to be one of the main causes of failure of outsourcing endeavours.

In fact, an important aspect of the analysis of organizational consequences of outsourcing is the assessment of the type of relationship that will arise with the supplying firm; specifically, if the resulting relationship is of a unilaterally dependent nature, a reciprocal dependence nature, or a partnership. Indeed, the possibility of finding oneself in a dependent dynamic with the supplier, be it from a strategic, technological or managerial viewpoint, constitutes one of the main risks associated with the decision to outsource.

With regards to the internal impact of outsourcing suffered by the firm, one of the main critical aspects is the management of the human resources that had previously been assigned to the outsourced activities, functions or processes, which may result in a variety of organizational choices, namely:

- continuing to carry out the same tasks, in collaboration or under the directives of the new supplier;
- being involved in different tasks to the ones previously covered;
- becoming employed by the supplying firm.

One of the risks of outsourcing operations which involve significant changes in the organigram of labour functions concerns the emergence of friction or resistance to change on the part of human resources, even though, on the other hand, there may be scope for the valorisation of existing competencies or of professional growth. Nonetheless, in most cases outsourcing generates staff demotivation, in that it is perceived as a means to side-line or marginalize certain groups of employees, and in some cases even some managers (Hall, 1997).

In this regard, one of the specific risks of outsourcing is social in nature (Quélin & Barthélemy, 2006), which concerns the exacerbation of union dynamics, or the weakening of the relationship of trust with the employees, who will start to perceive a threat to their job security, and consequently tend to reduce their sense of belonging and identification towards the firm. As Greaver (1999) observed, “the true measure of the success will be how quickly the employees accept the change and move forward”.

2.1.3 The Outsourcing Risks

The third rational factor is the assessment of the risks related to the outsourcing choice. A risk is the probability of a “negative departure from prefixed objectives” (Lam, 2014; Sadgrove, 2015). Specifically, a risk is related to events that may be damaging to the firm, generally referring to the obtainment of a negative result, or a positive result inferior in nature to the quantitative and/or qualitative expectations of the firm.

Subsequently, risks arise when the conditions to predict potentially harmful events are lacking, and they are therefore the consequence of a scarcity of information during the decision-making process. Specifically, informational scarcity may be due to two different reasons: the first one is the objective difficulty of determining in advance the degree of probability of a given event, whereas the second is the insufficient availability of information or inadequate ability to elaborate it on the part of the decision-makers.

Therefore, risks of outsourcing are all those conditions or circumstances which may not be predicted in a quantitatively or qualitatively precise manner at the time the decision is made; these risks may be in regards to economic, strategic or organizational aspects of outsourcing, and distance the results obtained from the prefixed objectives.

For example, empirical evidence of the main risks that firms associate to outsourcing is given by a study carried out by Ernst & Young on the practices and tendencies of the outsourcing market in France (Baromètre Outsourcing, 2003) (Table 1).

Table 1 Impediments to Outsourcing (Perceptions of Risk)

Loss of control of the outsourced activity	46%
Quality performance issues	33%
Overall costs of the outsourced activity	26%
Human resources management issues	24%
Loss of competence in the outsourced activity	21%
Other issues	2%

2.2 The Role of Organizational Culture in Organizational Change

Organizational culture is one of the widest concepts which could be seen from various perspectives, and it has been conceptualized by very different subjects, such as sociology, psychology, anthropology and management. Among these, the management science perspective observes what organizational culture means in terms of organizational “dimension” and how it impacts behavior and choices made by firms.

From this point of view, researchers have defined organizational culture according to values and beliefs, patterns, symbols, ritual, and myths, as a holistic construct guiding organization through its behavior and choices (Schwartz & Davis, 1981; Schein, 1992; Trice & Beyer, 1984). So, organizational culture refers to shared values, beliefs, expectations and practice shaping and guiding individuals’ attitudes and behavior (Davis, 1984; Rousseau, 1990), and this is what differentiates an organization from the others.

According to Schein (1985), one of the most famous researchers into this topic, organizational culture can be defined as “a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems” (p. 9). The author considers organizational culture as a construct where you can identify three domains (Figure 1): (a) *artifacts*, such as procedures, organizational structures, as well as visible behavior, styles and even clothing; (b) *espoused values*, made by the complex of rules, values, beliefs, standards, and prohibitions; (c) *basic underlying assumptions*, which are the invisible essence of organizational culture, the ones determining the perceptions, the feelings, and all is beneath the individuals’ behavior. In this model, the three domains interact with each other and give the organizational culture a precise identity.

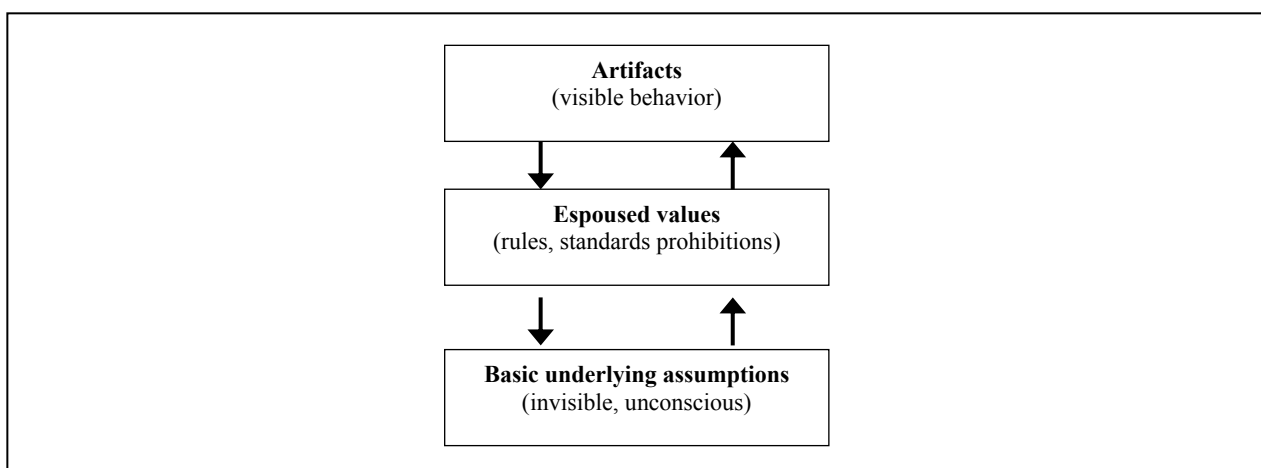


Figure 1 The “Domains” of Organizational Culture by Schein (1992)

According to Schein (1985), organizational culture is a set of basic underlying assumptions and guiding principles affecting the way of doing business. In particular, organizational culture affect all organizational domains, strategy, structure, and operations, in a hierarchical order in which there is a learning process allowing the organization learn and adjust each element in function of the others.

The link between organizational culture and strategy, and in particular between organizational culture and strategic change, is important for this study to achieve its goal. Gordon (1991) assumes that organizational culture is a result of the successfully adaptation to the environment. In the current globalized scenario, the external environment changes very quickly and it is really difficult for organizations to follow this continuous and rapid technological, economic, societal, and political evolution. As a consequence, it is reasonable that organizations show some difficulties and inertial forces to change, because this adaptation process involves change in organizational culture, whose formation and consolidation is processes being slower than the environmental change. Moreover, the organizational change is unique in each situation, because of the nature of the organization, the business nature, the management style, the values, and the behavior successfully experienced in the past.

Every organizational change involves technological, organizational and personal factors, as pointed out by Linstone and Mitroff (1994), and among these, people are undoubtedly the most difficult element to cope with. This is due to the fact that people are generally more comfortable with what they have learned or knew, while they show resistance towards the change and in particular towards uncertainty and what is unknown or risky. As a consequence, as Dunham (1984) affirms, the crucial factor for being any change effective is the way organization deals with the individuals' beliefs, values, assumptions, and attitudes.

Similarly, Juechter et al. (1998) assume that most important leverage for significant and realistic change resides within the human sphere at the core of every business system.

People are generally worried about the substantive change in job, reduction in economic security, and lowering of status and psychological aspects as well. Elizur and Guttman (1976) suggested that there are three dimensions of individuals' reaction to organizational change: *affective*, *cognitive*, and *instrumental*. *Affective* reaction refers to the feeling of satisfaction or anxiety relating to the change; *cognitive* reaction refers to the opinions about knowledge required by the change, and its usefulness and necessity; *instrumental* reaction refers to the concrete actions required by the change in the professional sphere.

In sum, according to Cartwright and Cooper (1993), culture is to an organization what personality is to an individual. As well as personality, organizational culture is unique to each organization, and concerns tradition, shared values and beliefs, shared expectations about organizational life, referring to the present as well as to the future. This is the reason why organizations show very often a relevant resistance towards organizational change, since organizational culture is the result of the successfully adapting to the internal and external environment (Gordon, 1991).

3. Research Framework

We can call "degree of openness to outsourcing" the propensity and attitude that a firm has towards opening up their business system to the participation of third parties, externalizing important activities, functions, and even entire processes highly significant from a strategic stand point.

As stated before, outsourcing choices are determined, first and foremost, by three rational factors: the need for change, the costs/benefits, and the risks associated with the decision. These three factors have different effects

on the formulation of the final decision: specifically, the decision to outsource is, on the one hand, positively correlated to the need for change and the benefits of outsourcing, and, on the other hand, inversely correlated to the totality of economic, strategic, and organizational risks which may be associated with the choice to outsource (Figure 2).

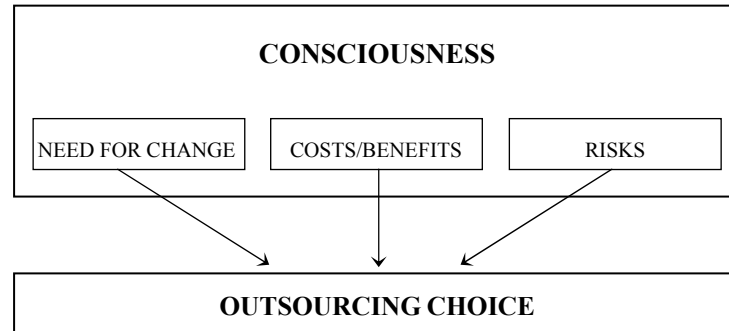


Figure 2 Rational Factors Affecting Outsourcing Choice

Figure 2 represents the first conceptual indication of how the three identified rational factors influence the decision to outsource. The aim of this study is to provide a conceptual model which will take into account both rational and emotional or irrational factors, which, in our opinion, play more than a secondary role in the final outsourcing choice. In particular, the decision to outsource does not only depend on the abovementioned rational factors, but also on some organizational culture factors. Among these, those that in our opinion directly affect outsourcing choices, in both conscious and unconscious way, are the following: (1) *degree of path dependency*; (2) *uncertainty avoidance*; (3) *trust*.

The *degree of “path dependency”* that each organization shows vis-à-vis change: Arthur (1989) and Gordon (1991) highlight that organizations are often mistrustful about implementing new working conditions that consolidate a particular organizational culture. In many cases, the company is bound to a dependence phenomenon that conditions both the objective and rational evaluation of all factors involved in the outsourcing choice.

Since each entrepreneurial decision is taken in conditions of uncertainty, every organization shows a different degree of *“uncertainty avoidance”*. It is a dimension of organizational culture that regards the way in which the organization perceives and deals with the uncertainty of change (Liu & Almor, 2016); often, it is translated into an overestimation of risks and an underestimation of potential benefits of change.

The *“trust”* that companies have towards partners, if decreased, can limit the tendency to collaborate and share, create mistrust towards the goals achieved by the counterpart, create a tendency to organise strict processes of control and make the relationship quite formal (Kim et al., 2007; Greenburg et al., 2008).

In the next section, these cultural dimensions and their impact on outsourcing choices will be discussed more in details. For now, what needs to be highlighted is that the identification of *need for change*, the analysis of the *costs/benefits* of outsourcing, and the assessment of the *risks* are three factors that “just appear” to be merely rational, but instead they are conditioned by organizational culture through an unconscious mechanism that influences the individual perceptual sphere. Therefore, it becomes more appropriate to speak of — *perceived need for change*, — *perceived costs and benefits* and — *perceived risks*. This means that managing outsourcing choices relying exclusively on assumptive rationality is an unrealistic ambition and conceptually deceptive.

What we want to discuss below is that a firm’s degree of openness to outsourcing is highly conditioned by the cultural factors which influence (both consciously and unconsciously) the rational factors that drive the

decision-making process to outsource.

4. Discussion

As stated above, organizational culture refers to shared values, beliefs, expectations and practices shaping and guiding individuals' attitudes and behavior (Davis, 1984; Rousseau, 1990), and this is what differentiates an organization from the others. Organizational culture is also a concept referring to formal and informal elements, and it is the result of a combination of them (Hofstetter & Harpaz, 2015); moreover, organizational culture is influenced not only by the internal environment but also, at the same time, by the external environment.

Organizational culture is consolidated within people and organizations, as a structural element. It is specific to each organization and thoroughly pervades it. Therefore, to link organizational culture and outsourcing choices, first of all we had to identify what organizational factors are involved, more than others, both directly and relevantly to this relationship (*research question n. 1*).

4.1 The Degree of Path Dependency

Referring to the internal and external integration processes (Schein, 1985), two different types of organizational culture can be distinguished: *integrative* and *hierarchical cultures*, which differ on how the organizational change processes are facilitated or hindered in each specific organization according to its unique characteristics (Schein, 1985; O'Reilly et al., 1991; Tsui et al., 2007).

The *integrative culture* is characterized by widespread and shared strong values by all organizational members, which facilitate the achievement of both internal integration and external adaptation. According to O'Reilly et al. (1991), it is a type of culture based on the strong values: caring for employees, customers and society, strong focus on product and process innovation and high performances. What characterises organizations with integrative culture is that managers and employees show a strong degree of flexibility and willingness to change, because of their strong sense of belonging, commitment and focus on organizational performances. In integrative cultures, these characteristics belong to both individuals working inside organizations (internal integration) and those interacting with external subjects and institutions that are beyond the boundaries of the organization (external adaptation).

The *hierarchical culture* is characterized by formal rules, coordination mechanisms based on hierarchy and supervision, with less presence of strong and shared values within the organization. This culture shows great rigidity and formalisation of working conditions, and both managers and employees tend to have defensive behavior, searching for a greater sense of security in continuity rather than in change. Therefore, they show low levels of availability towards organizational change because they fear the uncertainty and the risks of change. Naranjo-Valencia et al. (2011) claim that this is the reason why, in organizations characterized by hierarchical culture, it is more difficult to find the appropriate conditions for both internal integration and external adaptation.

Moreover, organizational change depends on the management style, organizational value and past successful practices (Gao, 2017), which play a relevant role on defining if and how organization should be changed. In fact, in most cases managers and employees tend to counteract everything that is unknown or considered risky; what is already known and internalized in one's behavior is much more reassuring, whereas what is new (and its consequences) is feared. In addition, people are generally worried about the impact of organizational change on work conditions, status, wages and any other psychological issues.

As Elizur and Guttman (1976) stated, people could show three different reactions towards organizational

change, namely *affective*, *cognitive* and *instrumental* reaction. The *affective reaction* refers to the sense of satisfaction or concern that an individual can feel in organizational change processes; the *cognitive reaction* refers to the sphere of rationality, that is, to the opinions that individuals form about the importance and need to change, as well as about the ability to do things differently; the *instrumental reaction* refers to all concrete actions and professional implications related to the organizational change.

For these reasons, Dunham (1984) states that the effectiveness and success of an organizational change depend on the individuals' reaction that is guided by their beliefs, their values, and their consequent behaviors. Similarly, Juechter et al. (1998) and Nikpour (2017) affirm that the human resources are the crucial factor of any organizational change, since they are the foundation of every organization.

In conclusion, the life of any organization is a succession of processes of internal integration and external adaptation (Gordon, 1991), during which it develops its own *path dependency* which then emerges in organizational change processes. Therefore, path dependency plays a crucial role when organization has to choose whether and how to change due to internal or external factors. According to Chukwuka (2016) and Arif et al. (2017), organizational culture can be both strength and weakness in organizational change processes.

4.2 The Attitude of Organizational Culture Towards Uncertainty

Another important aspect to consider is the relationship that exists between the organizational culture and uncertainty, which is undoubtedly one of the main critical aspects of any type of organizational change. All managerial decisions are taken under uncertain conditions and in particular all decisions that have a strategic dimension. So, how to face to uncertainty is another cultural factor affecting organizational change (Shendel, 2007). In this regard, Liu and Almor (2016) outlined that both societal and organizational culture are critical in determining how organizations perceive, analyse and face uncertainty; often it happens that organizations operating in the same environment and exposed to the same degree of uncertainty react differently carrying out very different organizational change processes.

The same opinion was expressed by Milliken (1990), who highlighted that organizations face uncertainty through three conditions: *state uncertainty*, *effect uncertainty* and *response uncertainty*.

State uncertainty concerns the unpredictability of the environmental conditions change; therefore, it might be difficult to know and interpret the true state of them. This issue is defined in literature as "perceived environmental uncertainty". *Effect uncertainty* refers to the uncertain impact of the environmental conditions change on the specific organization. This is an "interpretive" field for organizational decision makers regarding the way uncertainty could affect their organization and the possible positive as well as negative consequences of change on the different parts of the firm's system. Finally, *response uncertainty* refers to the effectiveness of strategic options planned as responses to environmental stimuli, including the uncertainty of each possible consequential effect of that response (Wang & Rafiq, 2014).

4.3 Trust Towards Partners

Trust towards potential partners is another crucial cultural factor affecting outsourcing choices. Trust derives from both societal and organizational culture, which are two different yet not separate domains due to interdependence and mutual influence. In particular, scholars outlined that trust placed by individuals on potential interlocutors represents a relevant element of societal culture that is reflected in organizational culture (Wicks et al., 1999; Van der Meer-Kooistra & Vosselman, 2000).

This trust, regarding our specific focus on human action, is important to all form of partnership among companies. In this regard, some studies have emphasised trust in entrepreneurial relationships and have identified

a link between trust and societal-cultural dimensions. Among these, perhaps the most famous theory regarding the link that exists between societal culture and organizational culture (and trust) is the Hofstede's theory (1983, 1993). According to this theory, there are four main dimensions of societal culture: individualism, power distance, uncertainty avoidance and masculinity. For the aim of this paper, it is important to outline that, excluding the dimension of masculinity, empirical studies confirm the existence of a link between the other three dimensions and the level of trust that people (and, as a result, the organization) indirectly express when they are involved in a relationship.

In particular, regarding collectivism versus individualism, Realo et al. (2008) and Etzioni (1993) find a higher level of interpersonal trust in countries where collectivism prevails over individualism. Similarly, Putnam (2001) underlines that, where collectivism prevails, people believe that the achievement of their well-being can be facilitated if collective goals are pursued. Regarding power distance, Huff et al. (2002) demonstrate that, the more people feel they live in a high hierarchy context, the less they are willing to trust others. Finally, regarding uncertainty avoidance, Inglehart (1997) demonstrates that a high level of uncertainty avoidance generally decreases interpersonal trust; in this condition, people find it more difficult to place trust outside their inner circle of family, friends and acquaintances.

4.4 The Integrated Model

Regarding the second research question (How do the identified unconscious factors affect the outsourcing choices, and, in particular, how do they interfere with rational factors?), the thesis proposed in this study can be described through a conceptual model that shows the role of the unconscious factors on outsourcing choices and how this role emerges. This model highlights the critical factors in outsourcing choices by identifying those related to the unconscious part of organizational culture and those that use the "rational" tools consciously.

In particular, the thesis hereby proposed is that the choice of whether to make a decision to outsource to third parties some activity, function or process is not only based on conscious and rational assessments, but it is affected by the degree of path dependency, by uncertainty avoidance, and by the degree of trust in potential partners.

Therefore, the three cultural factors above identified interfere (in both consciously and unconsciously) with the rational and conscious factors. This interdependence is hereby expressed through a conceptual model graphically represented in Figure 3.

As shown in Figure 3, each of the three rational factors is under the unconscious factors influence, which will inevitably affect the perception of the need for change, the significance and the importance given to the costs-benefits analysis, and the identification and evaluation of economic, strategic and organizational risks that are linked to the outsourcing choice.

In conclusion, *path dependency*, *uncertainty avoidance* and *risks perception* are the three most important cultural factors affecting outsourcing choice; therefore, they play a relevant role determining the degree of openness to outsourcing engagement, conditioning the evaluation criteria that are "at first sight" rational and conscious.

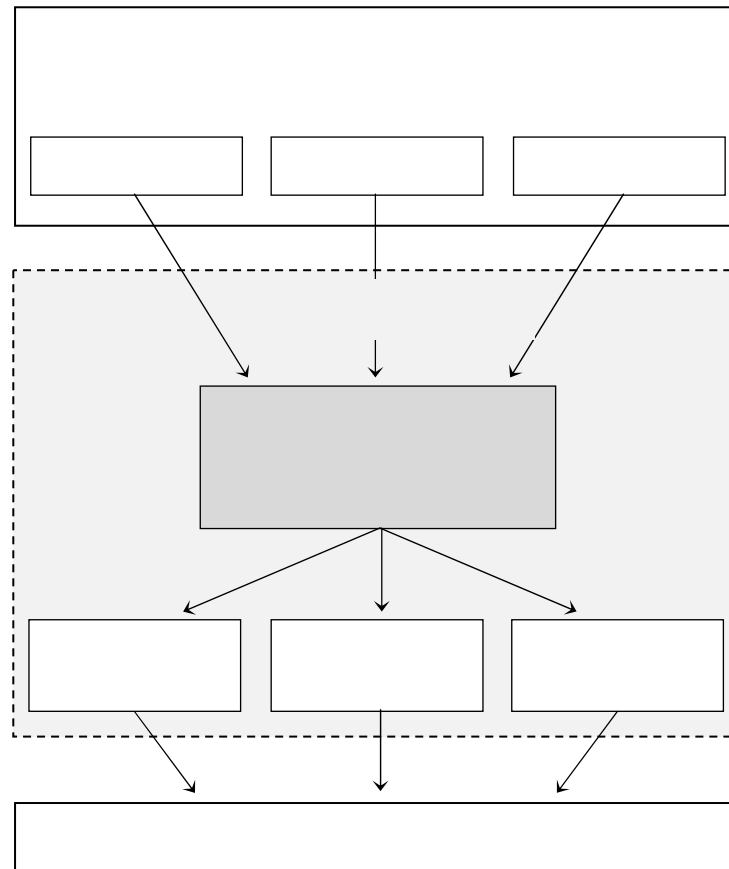


Figure 3 The Interdependence Between Conscious and Unconscious Factors: A Conceptual Integrated Model

Integrating conscious (rational) and unconscious factors, we can summarize that outsourcing choices depend on both of them, and that in each situation the first ones or the seconds ones could be prevalent. However, in all situation unconscious factors play a relevant role in outsourcing choice, as well as in all organizational change, because of they are inevitably connected to every individual, and are therefore incorporated, both consciously and unconsciously, in his behavior.

5. Conclusion

This paper investigated the impact of organizational culture on outsourcing choices, with particular reference to some unconscious factors which, more than others, interfere with the rational factors usually adopted in this kind of decision. It has been showed that managers usually consider three main factors as critical for the outsourcing choice, namely need for change, costs/benefits, and risks. The thesis put forward in this paper claims that these three factors usually considered as “rational”, actually do not are. On the contrary, they are very conditioned by the organizational culture and hence the outsourcing choices derive from a complex process of analysis and evaluation, subjective and not objective, partly conscious and partly unconscious. In particular, we identified three cultural factors which have in our opinion a great impact on outsourcing choices, conditioning both consciously and unconsciously all assessments linked to the decision on whether and how to outsource; they are *path dependency*, *uncertainty avoidance* and *risks perception*. These factors determine the degree of openness to outsourcing engagement, conditioning the evaluation criteria that are “at first sight” rational and conscious.

This paper provided an integrated model to unify in an overall conceptual framework the main conscious and unconscious factors affecting the decision-making process. Its aim was essentially to provide conceptual insights on outsourcing domain which could be further enriched or better specified by future research. In particular, future research could pass the limits of this study through the closer examination of the dimensions of organizational culture which could impact on outsourcing choices; moreover they could enrich the content of organizational culture going beyond the identified elements; finally differentiating the analysis based on the different types of outsourcing considered, in particular its different objects and aims.

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