



The Relationship of Outsourcing Activities and Organizational Performance in Iran's Isfahan Bureau of Taxation

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Abstract: Service outsourcing is a strategy that has recently been used to create the ground for the optimal use of the expertise of the organization's staff. The purpose of this study is to investigate the relationship between outsourcing activities of Isfahan province's bureau of taxation affairs and their organizational performance. The research method is applied in terms of purpose and terms of nature, and the method is descriptive-correlation with the survey method. For this purpose, a sample of 349 subjects was selected among 3750 employees of Isfahan province's bureau of taxation affairs by the multi-stage cluster sampling method. To collect data, the organizational performance questionnaire and outsourcing questionnaire were used and to assess the validity and reliability of the questionnaire, content validity and Cronbach's alpha method was used, respectively. With applying structural equation modelling, Lisrel software was used to analyze the data and test the hypotheses. The results of the study revealed that there is a significant relationship between the outsourcing of the Isfahan province's bureau of taxation affairs and their organizational performance. Accordingly, outsourcing activities have a significant relationship with fast-track activities, increasing the quality of services, using employee expertise, increasing customer satisfaction and reducing organizational costs. The feedback on the results of this research helps the Isfahan province's bureau of taxation affairs to eliminate the shortcomings of outsourcing activities. Second, the use of the effects and consequences of outsourcing activities effectively improves organizational performance through its relationship with increasing the quality of services, reducing organizational costs, fast-track activities, upgrading customer satisfaction, and increasing the specialized skills of employees using employees' expertise.

Keywords: *Outsourcing activities, organizational performance, Isfahan province's bureau of taxation affairs*

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INTRODUCTION

Due to many issues such as reinforcement of competitive pressures, trade problems, resource constraints, technical complexities and task specialization, speed of environmental changes, uncertainty about the future, too much increasing of costs, and extreme expansion of some firms and some legal considerations, firms, nowadays, reconsider their managerial models to achieve competitive advantage. The success key in the past was to be voluminous and massive, but today, reducing costs and increased quality of services and products are significant for the firms. Outsourcing is one of the tools for achieving this (Bals & Turkulainen, 2017).

Outsourcing is a tool to divide business risks. In outsourcing, a firm can decrease risks such as technology failure, technical knowledge and skill besides reducing costs and the use of other companies' capital and labour by creating a

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portfolio for different scopes of its business activities and choosing various contractors for assigning and outsourcing of firm activities. Besides, outsourcing enables a firm to keep future costs down by choosing the most competitive bid contract (Mirsepasi, 2014). Likewise, the term outsourcing has replaced the traditional concept of a subcontract. However, some scholars have distinguished between these two; they believe that contracting is to obtain some items (including a product, piece or service) that the company can produce, and outsourcing is to obtain items that the company cannot produce (Aghghaleh, Mohamed, & Ahmad, 2014; Gilang, M., Pradana, Saragih, & Khairunnisa, 2018).

According to Dekker, Mooi, and Visser (2020), outsourcing is a form of contracting activity that has previously been carried out in the company and now performing those tasks are delegated to others. In other words, outsourcing has replaced services previously performed by the company. Farzaneh (2019) also indicated that the outsourcing plans in many project-oriented firms focus on main activities, downsizing, achieving the best performance and control and cost transparency.

The relationship between outsourcing and organizational performance has been confirmed in studies done by Alatrash (2018), Baloh, Jha, and Awazu (2008), Blaskovich and Mintchik (2011), Espino-Rodríguez, Chun-Lai, and Gil-Padilla (2017), Farhangi Farghani, Abbasnejad, and Ghafourni (2019), Kabachia and Kihara (2019), Munjal, Requejo, and Kundu (2019), and Nzitunga (2019). This relationship is also essential at the Bureau of Taxation Affairs since organizational performance helps realize tax revenues considerably. On the other hand, it can present good feedback toward outsourcing in this institution and its relationship with organizational performance in some dimensions, such as increasing the quality of services, reducing costs, and fast-track activities.

Given the emphasis of Article 221 in the Fifth Development Plan Law regarding enhancement of productivity, reduction of costs and downsizing of companies and institutions, the Bureau of Taxation Affairs intends to outsource some of their activities in the form of contracts to the private sector and contractors in specialized affairs across the country. This is because the importance of tax in supplying the cost for the provision of public goods and its role in the redistribution of revenues is one of the considerable issues by economists in the public sector. Tax payment is one of society's growths and development factors and leads to economic prosperity and enhancement of its indexes, realization of social justice, increased services, and country development. The country's social and economic problems, including the annual budget deficit, inflation, and unemployment, can be eliminated through fair tax collection from taxpayers. The ground for the establishment of social justice can be provided through the redistribution of revenues. The most suitable device for the Bureau of Taxation Affairs success in countries besides coherence of the tax system, i. e. proper enforcement of rules and regulations, is to improve the organizational performance of Bureau of Taxation Affairs based on new managerial methods outsourcing. This organizational performance includes fast-track activities, increasing the quality of services, using employees' expertise, customer satisfaction, and reducing costs (Espino-Rodríguez et al., 2017). Thus, it seems necessary to perform a survey in this regard. In the present study, this question is explored: whether or not there is any relationship between outsourcing activities of Isfahan province's Bureau of Taxation Affairs and their organizational performance.

Likewise, this study aims to determine the relationship between outsourcing activities of Isfahan province's bureau of taxation affairs and their organizational performance and fast-track activities, increasing the quality of services, using employees' expertise, upgrading customer satisfaction and reducing organizational costs.

Theoretical Principles

Outsourcing: Outsourcing means assigning one part or part of a firm's internal activities to natural or juridical persons outside the firm in the form of a contract or agreement (Mori, 2017). In its preliminary concept, outsourcing means that employees outsource one part of the firm's activities, and indeed, they exit the process, which is performed by employees who supply the activities (Skipworth, Delbufalo, & Mena, 2020). Outsourcing is to transfer or delegate a supplier of services or operations and daily management of the business process. Thus, the customer receives more certain services about issues of the business-related process, and the whole set of them completes the business process. Out outsourcing aims to reduce costs, increase quality, or liberalize some firm resources to allocate them to affairs with more priority (Rahnavard & Khalil-Pour, 2015). The outsourcing process can contain all manufacturing activities or even activities with a service nature. Decision-making about the method and degree of assigning the affairs to others proposed as the most basic discussion on outsourcing directly relates to various kinds of technical and economic analyses. The results of these analyses determine the firm's behaviour in the future (Tooranloo & Saghafi, 2019). Hence,

the term outsourcing is usually employed when firms decompose the activities or perform vertical decomposition. This term was invented and utilized about subcontract and the management information system at the end of the 1980s. Although many contracting services were related to manufacturing parts or information systems in the past, many other tasks in various sectors such as administrative services, labour force activities, telecommunication, customer services, logistics, and even security have been outsourced in recent years. What distinguishes outsourcing from other methods of assigning activities to others is the special attention of this method to the relative advantages of the assignor and suppliers. In this method, activities are assigned in a framework that increases productivity through affairs that suppliers have a relative advantage over the assignor company. Suppliers have advantages in the issue of assigning. In other words, suppliers must use the dimensions of costs, timing and other managerial indexes professionally (Mahnke, Overby, & Vang, 2005).

Similarly, outsourcing is one of the strategies of firms to efficiently spend resources and possibilities in development projects and one of the most attractive attitudes in the industry due to the reduction of costs, although it can be regarded as one of the factors that reduce risk. Through outsourcing, a firm can have access to technology, people and processes, and access to them through other economies of scale is impossible. Outsourcing often makes it possible to have access to advanced technologies and utilize modern technology, have access to specialized experts and, as a result, improve the quality of service offering related to the firm and customers.

Importance of outsourcing activities for Bureaus of Taxation Affairs: Firms are looking for techniques and methods to maintain and develop their competitive advantages across the world. In recent years, outsourcing has been introduced as one of these methods. Some firms have embarked on outsourcing some activities in recent years to improve the quality of services and products, reduce costs and production time, concentrate on significant competitive advantages, and generally enhance the firm's effectiveness. It appears that firms can focus better on activities that create more value-added and maximize their performance effectiveness through outsourcing activities to other specialized firms. Explorations confirm that outsourcing decreases costs and reduces the need for investment in facilities, equipment and labour force.

On the other hand, evidence shows that outsourcing can decrease innovation and controlling the works. Therefore, decision-making for outsourcing is one of the issues that all organizational considerations, prerequisites and preparation conditions of the firm, and process usage, management and control stages must be investigated (Wang, Wu, Liang, & Huang, 2016). As one of the essential government revenue sources, tax has a remarkable role in financial policy-making and is effective on macro-economic variables like production, inflation, unemployment, and balance of payments. Therefore, tax and the firms' tax collection and realization of tax revenues are important from many aspects. On the other hand, given that oil in Iran's economy has a major role in supplying the government expenditure, decreased dependence on it and its replacement by the tax is highly important and vital. One of the most important strategies to realize tax revenues in Iran is to enhance the organizational performance of the Bureau of Taxation Affairs across the country, and outsourcing is one of the ways in this regard (Mahnke et al., 2005). Outsourcing activities at the Bureau of Taxation Affairs have been carried out in several activities, especially car tax and declaration of tax returns and other activities are taken into account. This is important at the Bureau of Taxation Affairs since tax revenues constitute many revenues in countries. In some countries, tax revenues are 48 to 54 percent of gross domestic product, and it is maximally equal to 7 percent in Iran. This is while according to the economic statistics by global institutions such as the World Bank and the International Monetary Fund, more than 84 percent of the revenue of most countries is supplied through tax except some oil-rich countries in the Middle East and the US, Russia, and Belgium which have oil reserves. Tax revenue should cover the government's public expenditure, and this is while this coverage has reached 35 percent from 25 percent in previous years so that tax revenues in 2017 were predicted about 100 thousand billion Toman, while the government's public budget was about 300 thousand billion. Undoubtedly, the realization of tax revenues equal to 150 thousand billion is possible in the short-term by strengthening the organizational performance of the Bureau of Taxation Affairs through various tools like outsourcing activities (Rostami & Roodi, 2014).

Organizational performance: Performance means the state or quality of function, and organizational performance is a general construct that refers to the manner of performing organizational operations Espino-Rodríguez et al. (2017). Allan, Batz-Barbarich, Sterling, and Tay (2019) believe that performance is a multi-dimensional concept that is variable considering different measurement factors. Performance means both behaviour and results; behaviours arise from individuals and convert performance into a practical state from a mental state. Behaviours are a device to obtain the results, but they are achievements naturally; that is, they are the product of mental and physical attempt to do the tasks

and can be evaluated apart from the results (Amin, 2016). Performance does not have a unit, and a certain definition and a more suitable definition can be employed for its use. Various definitions have been proposed about performance utilized in humanities literature, especially management and other phrases like human performance, job performance, and organizational performance (Mori, 2017). Performance is a behaviour to achieve organizational and measured or evaluated purposes, and it is a general construct that emphasizes how organizational operations are performed. It can be stated that performance explains the quality of effectiveness and efficiency of previous acts (Ghanbari, 2014). To realize organizational purposes, employees should perform their tasks at an acceptable level of efficiency. This is important for public firms whose weak performance paves the way for failure in performing public services and private firms whose weak performance paves the way for their bankruptcy. Socially, the most interesting point for firms is that they should have employees who perform their work well. Good performance will enhance the firm's productivity and finally lead to the enhancement of the national economy. Performance is a mixed construct according to which successful employees are recognized in a group of behaviours. Thus, organizational performance is a multiple and extensive criterion in which the whole behaviours that have accurately been defined are used to state it. Organizational performance is one of the variables that has highly been considered in many developed countries. Psychologists believe that organizational performance is the product of human behaviours, and motivations and needs effectively affect people's performance and economic growth and development (Armstrong, 2006; Katato, Leelawat, & 3, 2019; Razalli & Hasnan, 2017).

Effective factors on organizational performance: The effective factors on organizational performance must be recognized and managed to enhance performance and improve organizational performance to lead to the firm's success. Some of the most important factors are:

Employees' personality traits (Hejazi & Iravani, 2002), locus of control (Haghighi Kafash & Jalaeian Dehghani, 2014), job characteristics (Farzaneh, 2019), reward system (Rezaei, Salahimoghadam, & Shabanali, 2015), technology design (Amirkhani, 2015; Hosseinpour, Asghari Aghdam, & Mahjoub, 2014), employees' professional motivation (Chenari, Eydi, & Abbasi, 2015), talent (Rahimian, Taheri, Najafi, et al., 2018), and employees' age (Tabriz, 2016).

Previously, several researches have similar titles with this study, but so far, they investigated only the relationship between service outsourcing with employee productivity or organizational performance with emphasis on costs. Research on the relationship between outsourcing activities and organization performance has not been done according to the present research model. First, the feedback on the results of this research helps the Isfahan province's bureau of taxation affairs to eliminate the shortcomings of outsourcing activities. Second, the use of the effects and consequences of outsourcing activities effectively improves organizational performance through its relationship with increasing the quality of services, reducing organizational costs, fast-track activities, upgrading customer satisfaction, and increasing the specialized skills of employees using employees' expertise.

LITERATURE REVIEW

Baloh et al. (2008) determined the relationship between various strategies of service outsourcing and innovation of organizational performance in a study entitled "The relationship between strategies of service outsourcing and innovation of organizational performance". The results revealed that the relationship between strategies of service outsourcing and innovation of organizational performance has been above average.

Blaskovich and Mintchik (2011) determined the effect of outsourcing information technology services on organizational performance in a survey entitled "Organizational performance and service outsourcing in the information technology sector". The results illustrated that managers' degree of emphasis and attention to service outsourcing of information technology positively affects organizational performance.

Ghanbari (2014) surveyed to explore the relationship between service outsourcing and organizational performance at the Regional Electricity Company in Zanjan province. The results revealed a significant relationship between service outsourcing and organizational performance at the Regional Electricity Company in Zanjan province.

Mori (2017) aimed to explore the role of components of outsourcing strategy in employees' performance. The results of data analysis indicated that there is a significant relationship between components of outsourcing strategy and performance.

Amin (2016) conducted a study entitled "Proposing a model to explore the effect of outsourcing on organizational performance at the Social Security Organization in Tehran province". The results showed that outsourcing has been effective on various dimensions of organizational performance like reduction of costs, fast-track activities and customer

satisfaction.

Espino-Rodríguez et al. (2017) determined the relationship between expertise and organizational performance and the mediating role of outsourcing in a study entitled "Exploring the mediating role of outsourcing in the relationship between expertise and organizational performance of tourism sector at the hotels in Taiwan". Based on the results, outsourcing plays a mediating role in the relationship between gaining expertise and organizational performance in the tourism sector.

Aghghaleh et al. (2014) determined the role of inter-corporate knowledge sharing in outsourcing logistics services. The results demonstrated that as a company grows and changes, its human resources must grow and change. Changing and adding new scopes to the extensive human resource management system in a company can be a complicated and cost-intensive attempt. From the viewpoint of reducing costs, outsourcing human resources can reduce operational costs and eliminate the need to purchase internal systems of information technology.

According to Agburu, Anza, and Iyortsuun (2017), outsourcing back-office activities (such as bookkeeping, payroll, billing, order processing, payment processing, cleaning services, security services and other administrative activities); primary activities (such as manufacturing, purchases, warehousing, sales force and customer service); and supporting activities (such as shipping, IT services/system, training, advertising, legal services, transport services, public relations) has a significant effect on organizational profitability of SMEs. Whereas outsourcing of accounting activities like financial reporting, tax processing has no significant effect on the performance of SMEs.

Nargesian, Pourezzat, and Rasouli Porshokouh (2017) stated the advantages and disadvantages of outsourcing. The most important advantage of outsourcing is the reduction of costs, and the most important disadvantage is that the existing knowledge and skills in the firm are gradually transferred to the service provider firm. Even the service provider firm may sell the firm's secrets to the competitors. To eliminate or decrease this risk, firms have to consider some articles in their contracts that restrict the access level of the service provider firm to the information at the level of the same activity and eliminate the possibility of assigning the contract to the third party.

Nyameboame and Haddud (2017), studied and revealed that most of the outsourced activities include transport services, information technology consulting and business consulting services, system infrastructure provision and management and logistical services. Likewise, most advantages of outsourcing were reducing operational costs, avoiding major investment costs in technology, providing consistent and improved service delivery, accessing current technology and expert knowledge and focusing more on core business activities. However, outsourcing could also result in the conflict of firm culture with outsourced vendors, inefficient management and loss of innovative capacity are possible negative effects of outsourcing.

Munjal et al. (2019) discovered that three variables of resource size, growth, and weakness affect the relationship between outsourcing and performance.

Awe, Kulangara, and Henderson (2018) asserted that outsourcing enhances the firm performance; however, among other dimensions of outsourcing functions, only IT outsourcing had significant effects on firm performance when studied individually, as against other forms of outsourcing.

Naimi, Rostami, and Rostami (2018) investigated social responsibility and outsourcing on the organizational performance given the moderating role of environmental uncertainty at Mihan Dairy and Ice Cream in Kermanshah province. According to the results, environmental uncertainty moderates the effect of social responsibility and outsourcing of organizational performance. Components of social responsibility did not significantly affect organizational performance, but supervision and execution had a significant effect on organizational performance.

Kivuva (2018) examined the effects of outsourcing on the organizational performance of oil marketing companies in Kenya and found out that outsourcing influences organization performance. The majority of the managers agreed that outsourcing had influenced the firm's operational costs, technical capacity, performance contract, market share, customer service, productivity, and profitability.

Saeidpour, Faridfar, and Ghaziasgar (2019) explored the effective factors on outsourcing in hospitals from the managers' viewpoint at Tehran University of Medical Sciences. The results revealed that issues such as the constitution of a strategic outsourcing team, exploring the quality of outsourced services, accurate supervision and managers' dominance over the principles of outsourcing must be considered for successful implementation of outsourcing in hospitals.

Pomegbe, Li, Dogbe, and Otoo (2019) carried out a study entitled 'Outsourcing performance and overall firm performance in the banking sector: The moderating role of monitoring'. The results indicated that outsourcing

performance significantly influences overall bank performance. Monitoring had a positive effect on overall bank performance and moderate the effect of outsourcing performance on overall bank performance.

A review of previous research shows that outsourcing has in many cases been used interchangeably with the decision to take things out. Terms such as construction or purchase, merge or division of activities also refer to outsourcing, and some researchers have used outsourcing to refer to vertical merge decisions. Today, the word outsourcing has replaced the traditional concept of the traditional contractor. However, some scholars distinguish between the two terms, to the extent that some consider a contractor to acquire items such as a product, part or service that the company itself can produce, and outsourcing is the acquisition of items that the company cannot produce. However, others view outsourcing as a contracting activity that the company once did, which is now abandoned. In any case, outsourcing is contracting with an outside supplier to carry out activities previously performed in the company or doing completely new activities.

Considering the literature and the existing background on the relationship between outsourcing and organizational performance at the Bureau of Taxation Affairs in Isfahan province, the below model has been proposed by merging the proposed models by [Munjal et al. \(2019\)](#) and [Espino-Rodríguez et al. \(2017\)](#) (Figure 1). According to this model, the researcher explores this hypothesis: whether there is a relationship between outsourcing activities at Iran's Isfahan Bureau of Taxation Affairs and organizational performance.

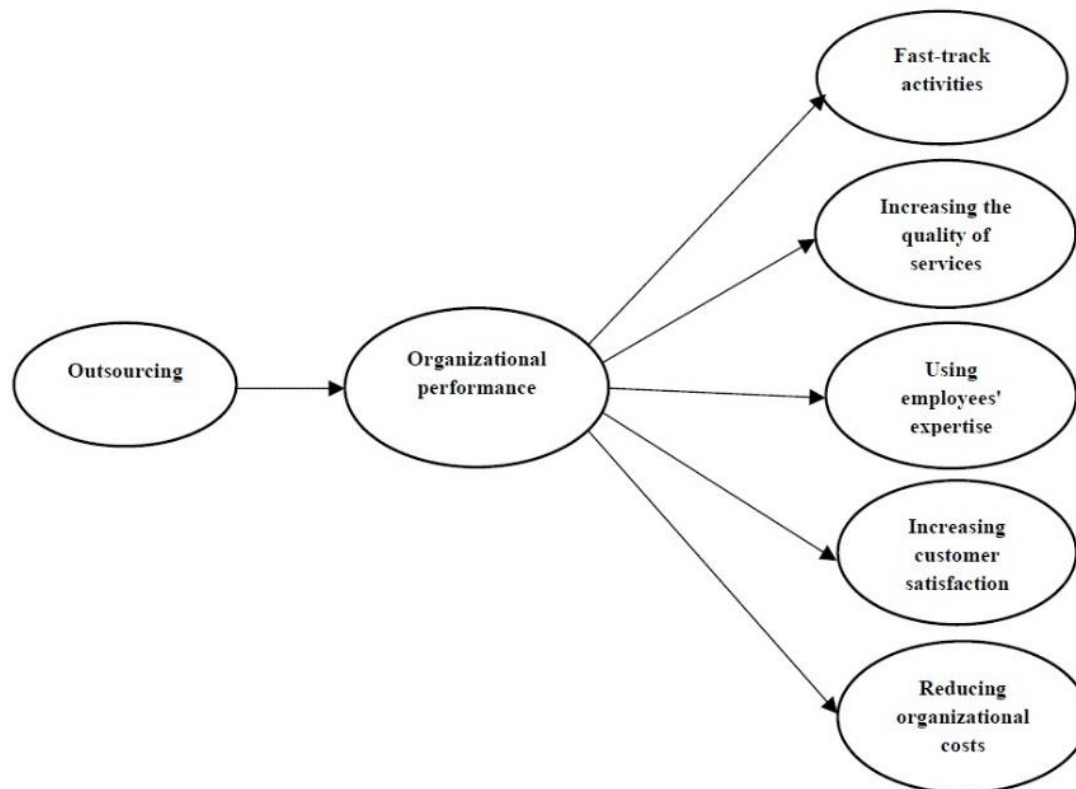


Figure 1 *Conceptual Framework of a Study* (Source: Adapted from [Munjal et al. \(2019\)](#) and [Espino-Rodríguez et al. \(2017\)](#))

According to the conceptual model, the below hypotheses are proposed:

Main Hypothesis

H1: *There is a relationship between outsourcing activities at Iran's Isfahan Bureau of Taxation Affairs and organizational performance.*

Sub-hypothesis:

H1a: *There is a relationship between outsourcing activities at Iran's Isfahan Bureau of Taxation Affairs and fast-track activities.*

H1b: *There is a relationship between outsourcing activities at Iran's Isfahan Bureau of Taxation Affairs and increasing the quality of services.*

H1c: *There is a relationship between outsourcing activities at Iran's Isfahan Bureau of Taxation Affairs and using employees' expertise.*

H1d: *There is a relationship between outsourcing activities at Iran's Isfahan Bureau of Taxation Affairs and increasing customer satisfaction.*

H1e: *There is a relationship between outsourcing activities at Iran's Isfahan Bureau of Taxation Affairs and reducing organizational costs.*

RESEARCH METHODOLOGY

This study is applicable from an objective aspect and descriptive-correlational field from a methodological aspect. The statistical population included all employees at the Bureau of Taxation Affairs in Isfahan province in 2018, including 50 Bureau of Taxation Affairs and 3750 employees. Due to the spatial extent of the statistical population, i.e. Isfahan province, multi-stage cluster sampling was used. Using the Cochran formula, the sample volume was determined to be 349 people. The necessary information was gathered using the organizational performance questionnaire developed by Espino-Rodríguez et al. (2017) and the service outsourcing questionnaire developed by Rai, Keil, Hornyak, and Wüllenweber (2012). The researchers confirmed the content validity of questionnaires, and their face validity was explored and confirmed through professors' viewpoints. The Cronbach's alpha coefficient was also obtained equal to 0.85 and 0.84 for performance and outsourcing questionnaires, respectively. Thus, they have adequate measurement accuracy and are reliable.

Statistical Methods

The Kolmogorov-Smirnoff test was used to investigate data normality before analyzing the results of questionnaires.

Before testing the research hypotheses, the normality of data distribution was examined using the Kolmogorov-Smirnoff test because the normality of data distribution in regression is one of the most important presuppositions. The results of this test are shown in Table 1.

H0: *Data distribution is normal.*

H1: *Data distribution is not normal.*

Table 1 RESULTS OF KOLMOGOROV-SMIRNOFF TEST

Variable	Frequency	Mean	Standard Deviation	t-statistic	p-value
Outsourcing activities	349	3.74	0.589	0.864	0.413
Organizational performance	349	3.66	0.573	0.759	0.360

As the value of significance level for all variables is greater than 0.05, H0 is confirmed, and as a result, data distribution is normal about all research variables. Hence, structural equation modelling in Lisrel software is employed to test the hypotheses.

Figur 2 shows the results of confirmatory factor analysis for organizational performance. All indexes have an acceptable factor loading (greater than 0.4) and are suitable indexes for all components.

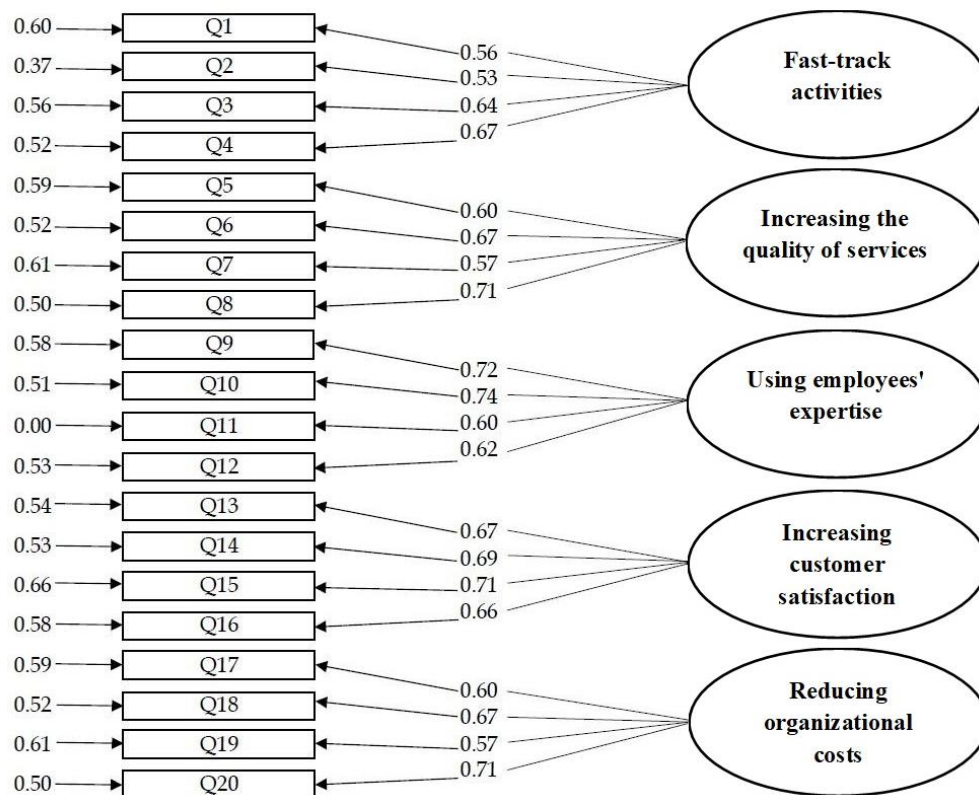


Figure 2 Model of Confirmatory Factor Analysis for Organizational Performance

The results demonstrate that the model of service outsourcing has the goodness of fit (Table 2). The root means square error of approximation is less than 0.1, the goodness of fit index, comparative fit index, normed fit index and incremental fit index is greater than 0.90. Similarly, the root means square residual is less than 0.1.

Table 2 GOODNESS INDEXES FOR SERVICE OUTSOURCING

Name of the Index	Concept	The Calculated Value	The Permissible Value
χ^2/df	Chi-square on the degree of freedom	2.65	Less than 3
RMSEA	Root mean square error of approximation	0.067	Less than 0.1
GFI	The goodness of fit index	0.93	Less than 0.9
CFI	Comparative fit index	0.92	Less than 0.9
NFI	Normed fit index	0.94	Less than 0.9
IFI	Incremental fit index	0.95	Less than 0.9
RMR	Root mean square residual	0.043	Less than 0.1

The results of factor analysis revealed that all indexes related to the component of task performance have an acceptable factor loading (greater than 0.4) and are appropriate indexes for this component (Figure 3).

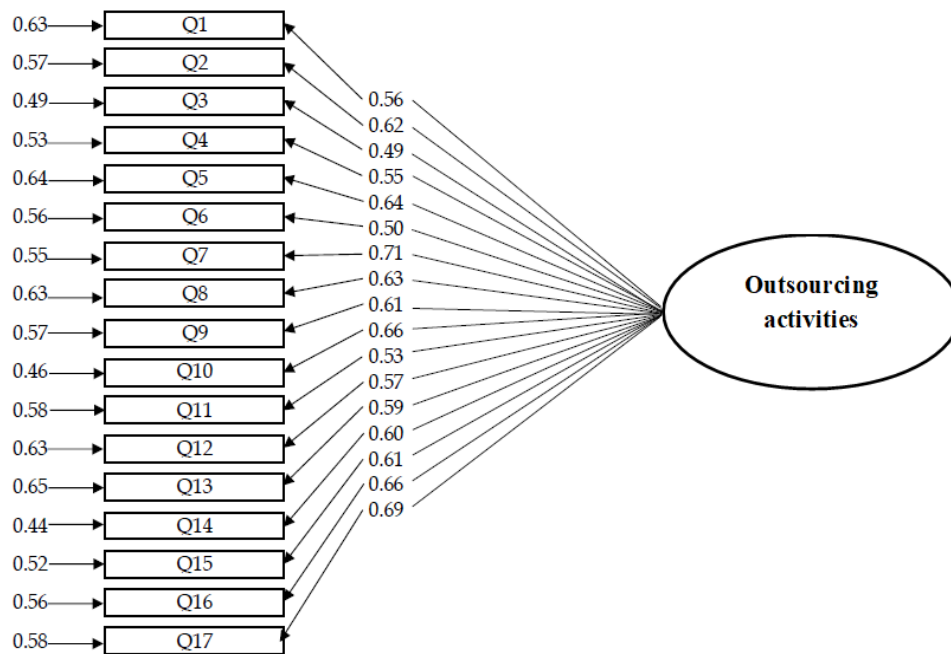


Figure 3 Model of Confirmatory Factor Analysis for Service Outsourcing (Standard Estimation)

The results indicate that organizational performance has the goodness of fit (Table 3). The root mean square error of approximation is less than 0.1, the goodness of fit index, comparative fit index, normed fit index and incremental fit index is greater than 0.90. Similarly, the root mean square residual is less than 0.1.

Table 3 GOODNESS INDEXES FOR ORGANIZATIONAL PERFORMANCE

Name of the Index	Concept	The Calculated Value	The Permissible Value
χ^2/df	Chi-square on the degree of freedom	2.64	Less than 3
RMSEA	Root mean square error of approximation	0.075	Less than 0.1
GFI	The goodness of fit index	0.95	Less than 0.9
CFI	Comparative fit index	0.96	Less than 0.9
NFI	Normed fit index	0.92	Less than 0.9
IFI	Incremental fit index	0.93	Less than 0.9
RMR	Root mean square residual	0.054	Less than 0.1

RESULTS AND DISCUSSION

Considering the results for the main hypothesis and the path coefficient of 0.71 and the t -statistic of 9.51. According to Table 4, between bureau outsourcing activities and organizational performance, there is a positive and significant relationship between outsourcing activities at the Bureau of Taxation Affairs in Isfahan province and organizational performance at the confidence level of 99%.

Given path coefficients and t -statistic in Table 4, it can be indicated that there is a relationship between outsourcing activities at the Bureau of Taxation Affairs in Isfahan province and all criterion variables; hence, all Sub-hypotheses are significant and are confirmed. In other words, outsourcing activities at Bureau of Taxation Affairs in Isfahan province can enhance organizational performance in fields such as fast-track activities, increasing the service quality, using employees' expertise, customer satisfaction, and reducing costs. Likewise, inferential statistics based on covariance-based structural equations showed that the main and sub-hypotheses are confirmed. There is a relationship between outsourcing activities at the Bureau of Taxation Affairs in Isfahan province and organizational performance and its components.

Testing of Hypotheses

According to the estimation of the structural equation modelling in Figure 4 and 5 and the summary of the results, the testing of hypotheses is displayed in Table 4.

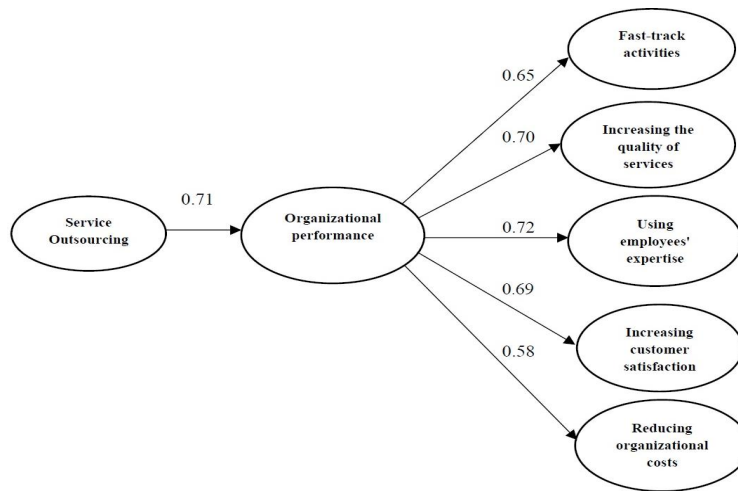


Figure 4 Structural Equation Modelling for the Conceptual Model (Standard Estimation)

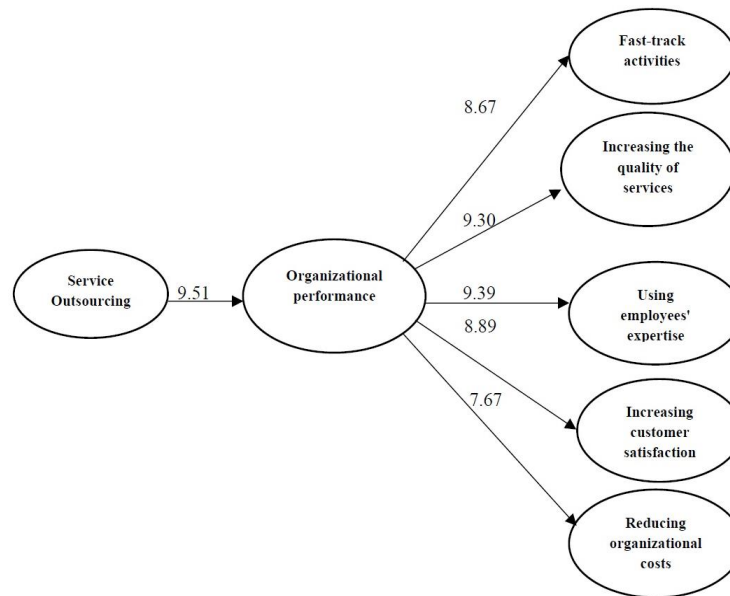


Figure 5 Structural Equation Modelling for the Conceptual Model (Coefficients' Significance)

Table 4 RESULTS OF TESTING THE HYPOTHESES

Hypothesis	Predictor Variable	Criterion Variable	Path Coefficient (β)	t-Statistic	The Total Coefficient of Determination
Main	Service outsourcing	Organizational performance	0.71	9.51**	0.82
Sub 1		Fast-track activities	0.65	8.67**	0.68
Sub 2		Increasing the quality of services	0.70	9.30**	
Sub 3		Using employee expertise	0.72	9.39**	
Sub 4		Customer satisfaction	0.69	8.89**	
Sub 5		Reduction of costs	0.58	7.67**	

** $p < 0.01$ * $p < 0.05$

The obtained result from the test of hypothesis confirmed a positive association between outsourcing the activities of Isfahan province's bureau of taxation affairs with its organizational performance. To discuss that relation, it can be said that today, firms use the strategy of outsourcing organizational activities to achieve sustainable competitive advantage in global markets and their areas of activity and decrease their investment risks. Outsourcing is a modern concept in the industry and business world, and its ever-increasing advantages and importance is a discussion that has recently attracted too much attention in business environments. Usually, outsourcing is proposed as a method for assigning one part of activities to the units outside the firm and other firms or inside the firm in the form of contracting. Besides its advantages, outsourcing can have risks and drawbacks for the firm, like many strategies and methods.

This finding is consistent with the results of previous research such as [Aghghaleh et al. \(2014\)](#), [Ghanbari \(2014\)](#), [Baloh et al. \(2008\)](#), [Blaskovich and Mintchik \(2011\)](#), [Espino-Rodríguez et al. \(2017\)](#), [Pomegbe et al. \(2019\)](#), [Mori \(2017\)](#), and [Nzitunga \(2019\)](#). But is not consistent exactly with the results of research such as [Agburu et al. \(2017\)](#), [Awe et al. \(2018\)](#), and [Nyameboame and Haddud \(2017\)](#).

CONCLUSION AND SUGGESTIONS

The use of new methods of service management, including outsourcing in which all or part of the activities of the organization is assigned to individuals or external organizations, is one of the production methods that has been considered in the last two decades and also, reviewing performance results is considered an important strategic process. In the public sector, this leads to the promotion and accountability of executive bodies and public trust in the performance of organizations and the efficiency and effectiveness of the government. The private sector also promotes resource management, customer satisfaction, contributing to national development, creating new capabilities, sustainability, and promoting world-class companies and institutions.

From this aspect, it is important to determine whether service outsourcing has been able to meet pre-defined goals and expectations of outsourcing activities, in other words, to what extent outsourcing has led to improved organizational performance. Therefore, the present study was conducted to explore the relationship between outsourcing activities at Iran's Isfahan Bureau of Taxation Affairs and organizational performance. Given the obtained results, all hypotheses were confirmed. Therefore, the total research hypothesis is significant, and there exists a relationship between outsourcing activities in Iran's Isfahan Bureau of Taxation and organizational performance. Likewise, the coefficient of multiple determination (R^2) was obtained equal to 0.82. Namely, outsourcing activities at the Bureau of Taxation Affairs in Isfahan province have predicted 82% of organizational performance. Thus, it can be concluded that outsourcing activities at the Bureau of Taxation Affairs in Isfahan province can enhance organizational performance in fast-track activities, increase service quality, use employees' expertise, customer satisfaction, and reduce costs. In other words, service outsourcing at the Bureau of Taxation Affairs has omitted repetitive tasks and has reinforced the specialized ones.

Suggestions

Considering the results of the hypotheses, below are some suggestions.

- Outsourcing activities at the Bureau of Taxation Affairs in Isfahan province are suggested to supplier firms to enhance fast-track activities.
- Outsourcing activities at the Bureau of Taxation Affairs in Isfahan province shall include activities that decrease clients' number.
- Outsourcing activities at the Bureau of Taxation Affairs in Isfahan province shall reduce errors and mistakes and increase customer satisfaction and reduce organizational costs.
- Service supplier firms for outsourcing activities at the Bureau of Taxation Affairs in Isfahan province shall have the capability to offer high-quality services.
- Outsourcing activities at the Bureau of Taxation Affairs in Isfahan province shall be planned and implemented so that more opportunity is provided to perform specialized tasks of employees.
- Outsourcing activities at the Bureau of Taxation Affairs in Isfahan province shall be designed and implemented to enhance effectiveness by focusing on what the firm performs in the best manner.

Suggestions for Future Research

Based on increasing the generalizability of the present research findings, the following topics are suggested for future research:

- The relationship between outsourcing the Bureau of Taxation Affairs services in Isfahan province with other organizational variables such as job satisfaction, quality of work life, and organizational effectiveness should be investigated. The results should be compared with the results of the present study.
- The relationship of outsourcing the Bureau of Taxation Affairs services in Isfahan province with new management models such as participatory management, total quality management, and employee job performance should be investigated. The results should be compared with the results of the present study.
- Compare the relationship between outsourcing the Bureau of Taxation Affairs services in Isfahan province with their organizational performance in Iran with the target countries.

Limitations

This research has been conducted in the Bureau of Taxation Affairs in Isfahan province, and therefore the results obtained apply to this community and its generalization to other organizations is difficult, and care should be taken in this work.

- Because the present study has been conducted in the Bureau of Taxation Affairs in Isfahan province in 2018, so using its results in other places and times needs considerable care.
- Despite the fact that this study yielded the expected results, other empirical studies in different segments and areas, using different methods to validate the research model and generalize its results, are yet to be conducted.

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