EVALUATING THE FINANCIAL IMPLICATIONS OF BUSINESS PROCESS OUTSOURCING: A CASE STUDY OF MIZA INTERNATIONAL CO. IN SAUDI ARABIA

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ABSTRACT

This study examines the financial implications of business process outsourcing (BPO) in the context of Saudi Arabia's Vision 2030 economic diversification agenda, using Miza International Co. as a case study. Drawing on Transaction Cost Economics and the Knowledge-Based View, the research analyzes how BPO selection quality and cost-management practices influence firm-level financial performance. Data were collected from 384 stakeholders and analyzed using multiple linear regression. The results indicate that both effective BPO selection ($\beta = 0.234$, $p < 0.001$) and cost management ($\beta = 0.168$, $p < 0.001$) significantly enhance financial performance, jointly explaining 47.5% of the variance. Strategic alignment emerged as the strongest predictor, suggesting that BPO functions primarily as a strategic value-creation mechanism rather than solely a cost-reduction tool in this emerging market context. The findings provide practical and policy-relevant insights for firms leveraging outsourcing to support national diversification objectives.

KEY WORDS

business process outsourcing, financial performance, Vision 2030, emerging markets

JEL CODES

D23, L24, M11, M15, M16, O32

1 INTRODUCTION

Business Process Outsourcing (BPO) has experienced a tremendous transformation in the last three decades. What started out as a strategic cost-cutting exercise has evolved into an effective strategic tool. Such a change enables current businesses to become highly efficient in their operations, quickly gain expertise in a specialized field, and strictly concentrate on their areas of competence. In a mature, developed economy, BPO is inherently associated with more general approaches towards organizational change and is broadly considered

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as a means of ensuring a competitive edge in a highly dynamic and turbulent environment. Companies in various sectors take advantage of outsourcing to optimize resources, guarantee the flexibility of response to market turbulence and how economies of scale could not have been reached without external activities.

There is a fast geographical shift in the global outsourcing arena. Although the leaders in the industry such as India and the Philippines still hold dominance in the industry, the new economies are actively competing in the industry. More importantly, much of these new market entries are not only pushed by corporate action but also national policies that have considered outsourcing as an important tool of economic modernization and globalization. The gulf region, especially Saudi Arabia, is a very interesting topic of this study, with the massive levels of economic and social changes that are underway. The main object of this change is the agenda of the Vision 2030 that is the ambitious plan to radically diversify the national economy beyond oil dependence, increase the pace of the development of the strong private sector, and improve the overall productivity.

In this regard, BPO implementation in Saudi Arabia is not just a company strategy, but a national development tool. It allows local companies to increase their efficiency in operations, reduce the need to be dependent on government subsidies and acquire within a short period of time the ability to compete based on the international standards. Outsourcing is also being viewed as one of the core processes in ensuring the ambitious productivity gains as envisaged in Vision 2030. Nonetheless, in spite of such a solid national policy recommendation and increased corporate usage, there is quite a thin academic literature concerning financial performance and operating efficacy of BPO in Saudi Arabia. Such under-academic focus limits contributions of both the managers and the policymakers who need evidence based conclusions in order to manoeuvre the outsourcing in this particular emerging-market environment successfully.

The sparse evidence in the Gulf region is in comparison to the widespread empirical research done on the developed markets posing both conceptual and practical challenges. In principle, it makes it difficult to develop subtle insights that take into consideration the institutional, cultural, and regulatory peculiarities of emerging markets. In practice, it compels regional managers to often use context-based lessons in order to adapt to their unique environment of operation, increasing the risk of misalignment and poor performance. This is especially sharp in locations such as Saudi Arabia where enterprises may be faced by steep learning curves and where the localized ecosystem of BPO vendors, regulators and intermediaries is yet to be established.

The current study focuses on Miza International Co. that can be used as a good example of these dynamics. The presence of the company in the multitude of out-sourcing programs is very strategic and in line with the national Vision. Nonetheless, there are internal reports that show inefficiencies in its operations always, which is contrary to the investments. It is this fundamental paradox that makes it necessary to analyze the exact mechanisms that condition the success of outsourcing. The paper goes beyond the broad question of is outsourcing necessarily good and instead focuses on the key aspects of organization practices, in terms of the quality of BPO decision-making and the rigor of cost management practices, that generate differentiated financial performance results.

The analysis of these practices in the given study is based on a dual theoretical model based on the Knowledge-Based View (KBV) and Transaction Cost Economics (TCE). TCE focuses on reducing the coordination and contractual expenses of outsourcing, which is concentrated on risks, such as opportunism and incomplete contracts. Conversely, KBV accentuates the strategic potential of BPO to tap external knowledge and professional skills thus strengthening the competitive edge of a firm. Using this integrated framework to the Saudi case, this study will do not only provide the much-needed empirical evidence to the current literature on BPO in emerging markets but will also widen theoretical discussions on the necessity of the interaction between local institutional factors and organizational decision-making on the success of outsourcing.

2 LITERATURE REVIEW

Business Process Outsourcing (BPO) has been a well-known competitive advantage, as well as a strategic option among companies trying to attain efficiency, scale, and flexibility. Early conceptualizations have advocated the role of BPO in assisting organizations to minimize the cost of operations and re-allocate resources to the core business functions (Willcocks et al., 2004). However, with time, there has been a growing perception of outsourcing as a multidimensional concept where monetary factors are not the sole determinants but institutional, contractual, and knowledge-based forces may also play a crucial role. The literature is dominated by two theoretical perspectives, namely, Transaction Cost Economics (TCE) and the Knowledge-Based View (KBV). Both give their own contribution towards the reason as to why firms outsource, and the circumstances under which outsourcing improves or deteriorates performance.

The concept of TCE developed by Williamson (1998) suggests that companies will outsource when external suppliers are able to execute tasks at a reduced joint production and transaction costs, in contrast to internal structures of governance. The reasoning is that by outsourcing, the firms will be able to bypass the fixed cost of vertical integration. Yet, as numerous research papers have demonstrated, the expected savings can be undone by transaction costs, including contract negotiation, contract monitoring, contract enforcement, and contract supplier switching (Lacity et al., 2011; Liu and Tyagi, 2016). Outsourcing success is not entirely a chance scenario; thus, it needs to be governed, relational contracting, and risk management (Handley, 2012; Neves et al., 2014).

In comparison, KBV views outsourcing in the form of a boundary decision that is influenced by knowledge and abilities (Grant, 1996). The outsourcing of routine or commoditized processes may also allow firms to specialize in areas of core competencies and leave those processes that involve strategic advantage as being knowledge-based processes to remain inhouse. The danger of losing critical capabilities through outsourcing is the risk of losing expertise, the reduction of absorptive capacity, and the loss of performance in the long term (Lahiri et al., 2022). KBV therefore points out that outsourcing is not merely concerned with cost reduction but also with the protection of competitive knowledge assets. The combination of TCE and KBV produces a two-level model: outsourcing is beneficial in the presence of a well-controlled cost of transaction when the core capabilities are not undermined. In its turn, bad decisions in either of the dimensions may lead to financial underperformance or strategic vulnerability (Neves et al., 2014; Charles and Ochieng, 2023).

This contingency view is supported by empirical research on the financial results of outsourcing. Lacity et al. (2011) showed that even though outsourcing can lead to cost savings, there are hidden costs and governance failures that negatively affect the expectation of benefits. Equally, Elia et al. (2014) demonstrated that the existence of strong contracts and monitoring systems can be the defining factor on whether outsourcing can improve the quality of services and cost savings, and poor governance has the propensity to worsen risks. Lahiri et al. (2022) further developed this point with the help of a meta-analysis and focused on the idea that financial gains are contingent upon the category of processes outsourced: transactional processes are usually associated with positive outcomes, whereas knowledge-heavy processes are likely to harm performance. These results reveal the pivotal position of managerial judgments to make opportunity choices and manage costs (Namadi, 2023).

Moreover, recent contributions have highlighted the complexity of outsourcing that is changing. Du and Miao (2022) claim that digitalization has revolutionized the relations of outsourcing so that it may be more integrated into governance, but it depends more on an external technological capability. As Le et al. (2025) point out, cultural distance and institutional voids continue to be a problem in emerging markets, which frequently result in opportunism and confidentiality breaches as well as quality concerns. On the other hand, researchers also specify that outsourcing remains a critical choice that could help companies in emerging economies modernise and gain access to foreign knowledge and decentralise in global value chains (Mhillu, 2022; Sia et al., 2021). This two-sidedness, the concurrent search for efficiency, and the risk exposure, predispose managerial control of the selection of a vendor and control of costs to such decisiveness in such circumstances.

BPO is also being established as a policy-supported source of efficiency and innovation within the Gulf region, and Saudi Arabia in particular. Vision 2030 recognizes outsourcing as the means of developing more agile organizational frameworks, decreasing the dependence on government subsidies, and provoking competitiveness in the spheres of the government and the private sector (Moshashai et al., 2018; Moreau and Aligishiev, 2024). Traditionally, Saudi companies used vertical models and did not engage in much outsourcing (Ramady, 2010). The recent surge in outsourcing practices is thus not only a change in terms of operations, but also a cultural and strategic change. Outsourcing has come to be viewed as being in tandem with national modernization and allows companies to experience international best practices, digitalization, and a cheaper flexible cost base (Aziz and Sarwar, 2023; Alrawabdeh et al., 2023).

Although there has been this policy momentum, the empirical evidence on the financial results of BPO in Saudi Arabia is limited. Although there are anecdotal and descriptive reports, there are limited systematic reports that have critically assessed the performance implications of outsourcing at a firm level. This lack is dramatic considering the rate at which BPO is being adopted in organisations like Miza International Co., which has signed over fifty outsourcing agreements but is still experiencing inefficiencies, cost escalations, and customer dissatisfaction. These experiences indicate that the financial gains of outsourcing are falling short of expectations, and there is a mediating impact of managerial capability to facilitate the outsourcing results and organizational objectives (Alrawabdeh et al., 2023).

This research disjuncture in Saudi-based research is reflective of existing constraints in outsourcing scholarship. A lot of empirical literature has focused on the Western and Asian economies, especially India and the Philippines, where outsourcing ecosystems have already developed. In comparison, little is known about the contexts in which institutional frameworks are weaker, the vendor markets are new, and cultural norms influence governance in different ways. Managerial activities turn that much more crucial in the context of these settings, where the potential benefits of outsourcing can be captured and the risks may be addressed (Elia et al., 2014; Le et al., 2025). The Saudi case, therefore, turns out to be not only a chance to examine local contexts but also a chance to broaden the global knowledge on how outsourcing operates in the light of emerging-market circumstances.

Critical evaluation of this literature shows that there are three coherent insights. To begin with, the financial advantages of outsourcing are conditional and depend on the governance practices, contractual design, and protection of the knowledge assets (Williamson, 1998; Grant, 1996; Lacity et al., 2011; Lahiri et al., 2022). Second, in developing nations, institutional deficiencies amplify the significance of managerial-level practices, especially in the process of selecting the vendor and controlling the costs, in either a successful or a failed outsourcing (Elia et al., 2014; Le et al., 2025). Third, although outsourcing is increasingly becoming popular under Saudi Vision 2030, few empirical studies have explored the impact of outsourcing on the financial performance of firms at the firm level in the Kingdom. To fill in this gap, there should be a framework that combines the cost management approach of TCE with the knowledge limits approach of KBV.

The current research based on this synthesis explores two practices in management as the key factors that determine the performance of outsourcing: BPO opportunities selection and outsourcing costs management. Opportunity selection is the decision to externalize which functions to outsource, and it has been shown that routine functions and non-core functions are the most likely to be able to experience efficiency, whereas outsourcing knowledge-based functions or functions of strategic value may result in the loss of capabilities (Grant, 1996; Lahiri et al., 2022). Cost management, in its turn, involves managing and controlling the production costs and the transaction costs throughout the outsourcing lifecycle. Williamson (1998) also pointed out how unchecked transaction costs may cancel out savings, whereas Handley (2012) and recent research (Du and Miao, 2022) argue that it should be transparently monitored with flexible contracts and capable oversight.

On this theoretical and empirical background, this research is conducted based on two hypotheses:

- H_1: *BPO opportunity selection is positively related to the financial performance.*
- H_2: *The effective cost management of BPO has a positive relationship with better financial performance.*

The research has implications for theory and practice as it answers these hypotheses within the framework of a Saudi company. In theory, it narrows the gap between TCE and KBV in demonstrating the interactions of the dual logic between cost and knowledge in the emergent market outsourcing decisions. Empirically, it increases the geographic range of outsourcing research as it analyzes a region that is mostly not covered in the literature. In practice, it represents a guide to the managers and policymakers in Saudi Arabia and other similar economies, aiming to coordinate outsourcing policies with financial and developmental objectives.

3 METHODOLOGY

3.1 Research Design

The study is based on a single-case study design, which was descriptive, with Miza International Co. serving as a critical case a Saudi Arabian based company that has made significant investments in BPO and has been facing frequent operational and financial difficulties. This design was suitable in the comprehensive exploration of a complex phenomenon such as outsourcing in its distinct institutional and cultural setting (Yin, 2018), which is vital in a new economy such as Saudi Arabia.

The research had a quantitative dominant mixed-methods approach. The quantitative stream enabled the robust testing of hypothesis to be conducted with the use of statistical models whereas the qualitative framing offered the required depth to the context. The theoretical framework that formed the methodological orientation of the study and the operationalization of its constructs were based on a bilateral theoretical framework; the Transaction Cost Economics (TCE) (Williamson, 1998) and Knowledge-Based View (KBV) (Grant, 1996). This two-lens rushed the chance to research on both cost-efficiency (TCE) and knowledge-transfer processes (KBV) as the stimulators of financial results.

3.2 Population of the Study and Sampling Strategy

The target population included the stakeholders of Miza International Co., directly or indirectly involved in outsourcing. This comprised both internal stakeholders within the five core functional departments- finance, operations, human resources, procurement, and administration and outside stakeholders, including outsourcing clients, contractors, and entrepreneurs, who interact with the outsourcing ecosystem of Miza. Since outsourcing involves cross-cutting across multiple functional and hierarchical levels, the participants encompassing various positions were intentionally chosen in order to exclude the risk of biasing towards one particular point of view.

The population included those stakeholders of Miza International Co. that were directly or indirectly involved in BPO. This involved internal and external stakeholders (outsourcing clients, contractors, and relevant entrepreneurs) meant that a stratified random sampling approach has been used to guarantee a proportional representation of the four major stakeholder groups according to their hierarchy of involvement: outsourcing clients (50%), company staff (20%), interested parties (20%) and entrepreneurs/others (10%). The standard statistical formulas were used to determine the minimum size of the sample at 95 percent confidence level and with a margin of error of 5 percent. In the end, 384 valid responses were received, and it gave enough statistical power to conduct multivariate analysis (Hair et al., 2019).

3.3 Data Collection

The information was gathered through a self-reported structured questionnaire. The tool is based on the current validated scales on outsourcing literature but it was adjusted according to the contextual relevance to the Saudi market. The measures were measured through a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). Clarity and face validity were verified with the help of pre-testing on 15 employees.

There were questions based on four main conceptual areas in the questionnaire. Most importantly, the independent variables were structured in the way that represented the dual theoretical framework (as seen in Tab. 1) and tested the hypotheses: The particular responses (Likert scores) that were directly related to the hypotheses through the formation of composite scores of the three main constructs. As an example, the high ratings in the questions of BPO Opportunities under Selection confirmed H_1, which states that strategic selection generates financial performance.

Tab. 1: Operationalization of Study Constructs and Alignment with Theoretical Frameworks (TCE and KBV)

Construct	**Alignment**	**Measurement Components (Items)**	**Role in Hypothesis**
Financial Impact of BPO (Dependent Variable)	Perception	Perceived financial outcomes (e.g., ROI, profit growth). Measured as stakeholder perception.	Measures the overall success outcome.
Selection of BPO Opportunities (Independent Variable)	KBV / Strategic	Strategic Goals, Service Quality, Shares Risks with Vendor.	Tests H_1: BPO selection (strategic alignment/quality) to Financial performance.
Cost Management in BPO (Independent Variable)	TCE / Efficiency	Reduces Operating Costs.	Tests H_2 (TCE core): Cost management to Financial performance.
Knowledge and Expertise (Independent Variable)	KBV (Core Construct)	Knowledge about BPO (e.g., expertise acquisition, BPO method awareness).	Critical Clarification (Addressing Review 2, Point 4): Although statistically tested with the cost item for internal consistency (as reported in Section 4.2), this construct is the primary measure for the KBV tenet strategic knowledge acquisition and its coefficient is interpreted as supporting KBV, not TCE.

3.4 Analytical Procedures

Data analysis was done through SPSS Version 28. The statistical tests were conducted as follows:

- *Descriptive Statistics:* Summed up sample scores (means, standard deviations) and preliminary perceptions.
- *Reliability Tests:* Cronbach's Alpha was applied to determine the high internal consistency of all constructs wherein the scores of the independent variables exceeded the acceptable figure of 0.70 (Nunnally and Bernstein, 1994).
- *Inferential Tests:* Both the bivariate relationship between the constructs and the dependent variable (Financial Impact of BPO) was tested using Pearson correlation analysis.
- *Hypothesis Testing:* Multiple Linear Regression (MLR) was employed to quantify the predictive power of the independent variables (BPO selection and cost management/knowledge) on the dependent variable (Financial Impact of BPO).

Furthermore, independent-samples t-tests and ANOVA are used as inferential statistics to evaluate the group differences between departments and roles, and Pearson correlation was used to evaluate the relationship between the outsourcing practices and the financial outcomes. In addition, Correlation analysis is used to test the hypotheses of the study. Financial performance was taken as a dependent variable, and BPO selection and cost management were taken as independent variables, whereby the predictive power of the two managerial capabilities highlighted in the theoretical framework was quantified.

3.5 Ethical Considerations

The research was conducted in accordance with all ethical standards: informed consent to take part in the study was collected, participation was optional, anonymity and confidentiality were guaranteed. The methodology was selected because of the requirements of the statistical rigor and contextual validity. The single-case study with a powerful quantitative research ($N = 384$) and stratified sampling gives a holistic and reliable empirical foundation to draw conclusions on the financial impact of the BPO in the specific reform-based setting in Saudi Arabia.

3.6 Methodological Rationale

The two factors that guided the methodological decisions are the necessity of statistical rigor and the necessity of contextual validity. The case study design provides a comprehensive cognizance of the outsourcing practices in a fast-evolving Saudi environment, and the structured questionnaire and stratified sampling of 384 stakeholders added to the representativeness and trustworthiness of the research. Similarly, measurement quality is ensured by the use of validated constructs and Cronbach's Alpha, which are higher than the recommended value. The use of SPSS facilitated the use of regression modeling, which enhanced the test of hypotheses and yielded academic and managerial results. The methodology, in general, enabled the empirical-based inferences about the financial implications of the BPO and helped to enhance knowledge about outsourcing in the emerging economies and align with the goals of Saudi Arabia's Vision 2030.

4 RESULTS

The survey produced 384 valid responses from the stakeholders in Miza International Co., who are outsourcing clients, employees, business startups, and so on. The findings are provided in four steps: descriptive statistics, reliability testing, correlation, and regression modeling. These analyses are evidence of testing the two hypotheses:

- H_1: *BPO opportunity selection is positively related to the financial performance.*
- H_2: *BPO financial performance is positively related to effective cost management in BPO.*

4.1 Descriptive Statistics

The descriptive statistics give the impression of an overview of how the stakeholders perceived outsourcing practices and results. The findings showed that there were positive attitudes towards BPO, especially in the areas of cost effectiveness, strategic alignment, and financial impact. Mean score of Financial Impact was 3.39 (SD = 0.681), indicating that the respondents view BPO as being moderately to strongly helpful to financial performance. There were similar levels of Reduces Operating Costs (M = 3.36, SD = 0.682) and Contributes to Strategic Goals (M = 3.44, SD = 0.619), which suggests a focus on both the economic and strategic goals.

However, interestingly, the likelihood to recommend BPO scored high (M = 3.40, SD = 0.662), hence posing a positive spillover effect like reputation and internal advocacy. Conversely, negative risks (loss of process control, M = 2.69, SD = 0.462) and negative risks (Unable to resolve conflicts, M = 2.74, SD = 0.437) were rated lower, meaning that they are perceived as secondary obstacles. These analytical conclusions underscore the fact that outsourcing is normally viewed as a constructive driver towards cost effectiveness and strategic fit, though the existence of threats moderates impetuous anticipation. The most important descriptive findings are summarized in Tab. 2.

4.2 Reliability Analysis

The internal consistency of the measurement tools was tested to prove that the constructs applied in this study were reliable and stable before testing the hypotheses. The two main constructs of interest in relation to the BPO Opportunities and Cost Management have been computed as the Alpha of Cronbach's. A Cronbach's Alpha of 0.70 or more is usually regarded as an acceptable threshold of reliability, which means that the items in a construct all measure the same underlying concept in similar way (Nunnally and Bernstein, 1994).

These findings affirmed that the two constructs had adequate levels of reliability. The construct, Selection of BPO Opportunities, that encompassed the items StrategicGoals, ImproveQuality, and ShareRisks, had a Cronbachs Alpha of 0.773. This indicates a high level of internal consistency in the items that were employed to measure the effectiveness with which the opportunities of outsourcing were spotted and matched with the organizational objectives. In the same manner, Cost Management in BPO, which is a set of three variables, ReduceCosts, Knowledge, and Financial Impact, produced

Tab. 2: Descriptive statistics of key variables

	N	Minimum	Maximum	Mean	Std. Deviation
Stakeholder Group	384	2	4	2.93	0.657
Knowledge about BPO	384	2	4	3.41	0.641
Financial Impact of BPO	384	2	4	3.39	0.681
Reduces Operating Costs	384	2	4	3.36	0.682
Contributes to Strategic Goals	384	2	4	3.44	0.619
Improves Service Quality	384	2	4	3.38	0.698
Cronbach's	384	2	4	3.40	0.662
Lack of Communication	384	2	3	2.76	0.431
Loss of Process Control	384	2	3	2.69	0.462
Inability to Resolve Conflict	384	2	3	2.74	0.437
Low Quality of Services	384	2	3	2.73	0.442
Minimal Knowledge of BPO Methods	384	2	3	2.72	0.449
Likelihood to Recommend BPO	384	2	4	3.40	0.662
Valid *N* (listwise)	384				

Tab. 3: Reliability statistics for study constructs

Construct	Items	Cronbach's Alpha	Number of Items
Selection of BPO Opportunities	Strategic_Goals, Improve_Quality, Share_Risks	0.773	3
Cost Management in BPO	Reduce_Costs, Knowledge, Financial_Impact	0.765	3

Cronbach's Alpha of 0.765. This value is also higher than the recommended value, which is a confirmation that the items are always relevant to the degree to which the consideration of costs and knowledge of outsourcing practices determines financial outcomes.

These reliability values are comparable with previous findings in the literature on the outsourcing subject when compared with the existing global studies. As an example, Lacity et al. (2009) reported Cronbach's Alpha of 0.72–0.81 when using this measure to investigate the outsourcing decision-making process in MNCs, and Sharma and Loh (2009) also found values of reliability coefficients higher than 0.75 in their cross-national study of BPO success factors. The current findings, hence, not only support but also exceed known standards within the research on outsourcing globally, indicating that the scales of measurement used in the research are both strong and cross-culturally relevant. When combined, the results show that the two constructs are both consistent and can be used in a later inferential test, like correlation and regression analysis. Tab. 3 gives the statistics on the reliability.

4.3 Correlation Analysis

Pearson correlation coefficients were determined to investigate the bivariate relationships of the study constructs. The findings of the correlation analysis are shown in Tab. 4 and suggest that all the key variables are significantly and positively correlated at the level of 0.01. This implies that there is a stable trend in the association of business process outsourcing (BPO) practices and perceived financial impact.

The findings indicate that the selection of BPO Opportunities- embodied in Contributes to Strategic Goals, Improves Service Quality, and shares risks with Vendor is highly associated with the financial results of BPO. In particular, contributing to Strategic Goals has a significant positive relationship with Financial Impact ($r = 0.564$, $p < 0.001$). This means that the stakeholders see BPO improving financial performance when the outsourcing initiative is strategically aligned with organizational goals. On the same note, Improves Service Quality ($r = 0.544$, $p < 0.001$) and Shares Risks with Vendor ($r = 0.543$, $p < 0.001$) also have moderate-to-strong positive relations with financial performance. Combined, these findings emphasize the fact that one must not choose outsourcing opportunities only based on the cost factor alone, but also depending on the fact that it can help improve competitiveness and minimize operational weaknesses.

When it comes to Cost Management in BPO, both Reduces Operating Costs ($r = 0.537$, $p < 0.001$) and Knowledge about BPO ($r = 0.514$, $p < 0.001$) are positively correlated with Financial Impact, but in all cases, in a statistically significant manner. It means that successful cost management and higher awareness of the execution of outsourcing are connected with better financial results. It is worth noting that the relationship between reducing operating Costs and financial performance is one of the strongest ones, which confirms the TCE view that effective contractual and operational cost management is one of the factors that lead to efficiency gains at the firm level. Additionally, Likelihood to Recommend BPO is positively interconnected with all other constructs, in particular, with Contributes to Strategic Goals ($r = 0.568$, $p < 0.001$) and Reduces Operating Costs ($r = 0.548$, $p < 0.001$). The observation is important in that, as long as the stakeholders see outsourcing as a source of strategic alignment and cost-efficiency, they will be more likely to support its further utilization in the organization.

In terms of robustness, most of the correlations are larger than 0.50, which is a strong

Tab. 4: Pearson correlation matrix

		Financial Impact of BPO	Contributes to Strategic Goals	Improves Service Quality	Shares Risks with Vendor	Reduces Operating Costs	Knowledge about BPO	Likelihood to Recommend BPO
Financial Impact of BPO	Pearson Corr.	1	.564**	.544**	.543**	.537**	.514**	.554**
	Sig. (2-tailed)		< 0.001	< 0.001	< 0.001	< 0.001	< 0.001	< 0.001
	N	384	384	384	384	384	384	384
Contributes to Strategic Goals	Pearson Corr.	0.564**	1	0.531**	0.511**	0.518**	0.501**	0.568**
	Sig. (2-tailed)	< 0.001		< 0.001	< 0.001	< 0.001	< 0.001	< 0.001
	N	384	384	384	384	384	384	384
Improves Service Quality	Pearson Corr.	0.544**	0.531**	1	0.555**	0.532**	0.523**	0.499**
	Sig. (2-tailed)	< 0.001	< 0.001		< 0.001	< 0.001	< 0.001	< 0.001
	N	384	384	384	384	384	384	384
Shares Risks with Vendor	Pearson Corr.	0.543**	0.511**	0.555**	1	0.531**	0.518**	0.505**
	Sig. (2-tailed)	< 0.001	< 0.001	< 0.001		< 0.001	< 0.001	< 0.001
	N	384	384	384	384	384	384	384
Reduces Operating Costs	Pearson Corr.	0.537**	0.518**	0.532**	0.531**	1	0.510**	0.548**
	Sig. (2-tailed)	< 0.001	< 0.001	< 0.001	< 0.001		< 0.001	< 0.001
	N	384	384	384	384	384	384	384
Knowledge about BPO	Pearson Corr.	0.514**	0.501**	0.523**	0.518**	0.510**	1	0.548**
	Sig. (2-tailed)	< 0.001	< 0.001	< 0.001	< 0.001	< 0.001		< 0.001
	N	384	384	384	384	384	384	384
Likelihood to Recommend BPO	Pearson Corr.	0.554**	0.568**	0.499**	0.505**	0.548**	0.548**	1
	Sig. (2-tailed)	< 0.001	< 0.001	< 0.001	< 0.001	< 0.001	< 0.001	
	N	384	384	384	384	384	384	384

Note: Correlation is significant at the 0.01 level (2-tailed).

association, but not one of them exceeds the 0.80 mark, which is a generally problematic multicollinearity threshold (Hair et al., 2019). This implies that the constructs are not redundant, though they are interrelated, and thus their usage as independent predictors in future regression analysis. On the whole, the results of correlation support the two hypotheses (H_1) that effective BPO opportunity selection is positively correlated with the financial performance, and (H_2) that the effectiveness of cost management in BPO arrangements is correlated with the financial outcomes. The fact that the correlations between variables were relatively high and consistent also implies that the decisions made at BPO at Miza International Co. are interrelated, and strategic and cost factors influence the perceptions of financial impact together.

4.4 Regression Analysis

In order to formally test the hypotheses, a multiple linear regression model was estimated to provide the Financing Impact of BPO with five predictors, including Contributes to Strategic Goals, Improves Service Quality, Shares Risks with Vendor, Reduces Operating Costs, and Knowledge about BPO. The statistical significance of the model was $F\,(5, 378) = 68.402$, $p < 0.001$, and the model had a value of $R^2 = 0.475$. This implies that the predictor set explains the variation in perceptions of financial performance when the set is used as a whole (i.e., 47.5 percent), which is a good outcome in organizational research in a single-firm environment. Contributes to Strategic Goals turned out to be the most powerful predictor among the independent variables ($b = 0.234$, $p < 0.001$). This finding highlights the notion that outsourcing is seen to positively impact financial performance in the most efficient way

Tab. 5: Multiple regression results for hypothesis testing-model summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	Change Statistics				
					R^2 Change	F Change	df1	df2	Sig. F Change
1	0.689[a]	0.475	0.468	0.496	0.475	68.402	5	378	< 0.001

Note: [a]) Predictors: (Constant), Knowledge about BPO, Contributes to Strategic Goals, Reduces Operating Costs, Shares Risks with Vendor, Improves Service Quality

in case it is strategically related to long-term organizational goals, which confirms H_1. On the same note, Reduces Operating Costs ($b = 0.168$, $p = 0.001$) and Knowledge about BPO ($b = 0.137$, $p = 0.005$) were also significant positive predictors, which give H_2 empirical support. These results in Tab. 5 validate the fact that cost effectiveness and experience built up concerning the outsourcing procedures can bring tangible financial benefits to the firm.

Interestingly, the other significant contribution to the model was Improves Service Quality ($b = 0.163$, $p = 0.001$) and Shares Risks with Vendor ($b = 0.173$, $p < 0.001$), which were not initially included in the hypotheses. Their presence offers more support to the fact that there are relational and service-related aspects of BPO that, in addition to the cost and strategy, influence the financial performance. This is in line with the perspective of the knowledge-based view (KBV) that highlights the relational capabilities and knowledge-sharing in inter-organizational partnerships. The regression coefficients in Tab. 6 show that there are no negative or insignificant coefficients at all, and all the predictors are statistically significant at the 0.01 level. Besides, the adjusted R^2 of 0.468 indicates that the model has explanatory robustness despite the consideration of the sample size and predictors.

Overall, both hypotheses are true and their results are supported by the regression results, which, in addition, demonstrate that relational and quality-enhancing elements of BPO also play a significant role in influencing financial performance. Collectively, these findings indicate that the success of outsourcing in the Saudi situation cannot be narrowed down to mere cost-saving, but the strategic alignment, cost discipline, service quality, risk sharing, as well as integration of knowledge, all play a role in determining the financial consequences of BPO solutions.

To supplement the regression findings, a graphical summary was formulated to be used to depict the perceptions of the respondents about the financial effects of BPO. A bar chart was used in Fig. 1 to examine the responses of Financial Impact. The findings show that 29.2% of the respondents assigned the financial impact to be VH (5), and 27.1% assigned it to be H (4). This is a huge positive perception by 56.3 percent of respondents, indicating that over 50 percent of employees have noticed significant financial gains linked with BPO practices at Miza International Co. This graphical analysis

Tab. 6: Multiple regression results for hypothesis Testing-Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	0.306	0.170		1.797	0.073
	Contributes to Strategic Goals	0.257	0.053	0.234	4.815	< 0.001
	Improves Service Quality	0.159	0.049	0.163	3.248	0.001
	Shares Risks with Vendor	0.177	0.051	0.173	3.469	< 0.001
	Reduces Operating Costs	0.167	0.049	0.168	3.412	< 0.001
	Knowledge about BPO	0.146	0.051	0.137	2.833	0.005

Note: Dependent Variable: Financial Impact of BPO

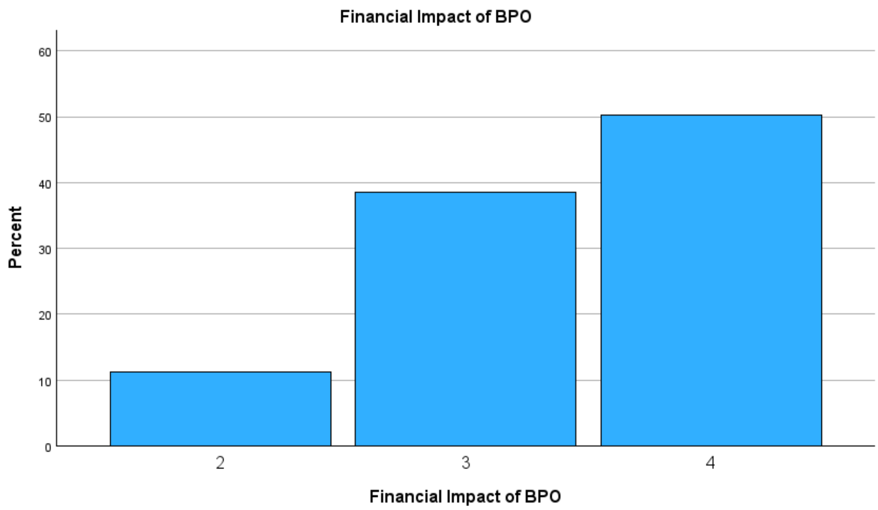

Fig. 1: Distribution of Perceived Financial Impact of BPO

supports the results of statistical analysis by pointing out the prevailing pattern of positive perceptions that also supports the presence of BPO as a value-adding practice within the organization.

4.5 Summary of Results

Miza international Co. stakeholders completed 384 valid of the study, and the preliminary descriptive data analysis showed that there was a high positive perception of BPO, with the mean score of Financial Impact (M = 3.39), contributes to strategic goals (M = 3.44); reduces operating cost (M = 3.36) having a moderate-strong positive perception. Internal consistency of the constructs was tested through reliability testing, and the results of Cronbachs Alpha of 0.773 of Selection of BPO Opportunities and Cronbachs Alpha of Cost Management in BPO is 0.765. It was determined that the correlation analysis demonstrated stable and significant positive relationships between all the key variables and Financial Impact ($r > 0.5$), and it has been indicated that BPO practices are highly interrelated in this firm. The multiple linear regression model was found to be statistically significant – $F(5, 378) = 68.402$, $p < 0.001$ – and explained the variation in perceived financial performance at 47.5%. Both main hypotheses were justified. The quality of BPO selection was highly encouraged, and Contributes to Strategic Goals was the most powerful predictor of quality ($b = 0.234$, p is not significant). The importance of Reduces Operating Costs ($\beta = 0.168$, $p < 0.001$) and Knowledge about BPO ($\beta = 0.137$, $p = 0.005$) also contributed to the effectiveness of cost management. Moreover, the relational variables, Shares Risks with Vendor and Improves Service Quality were also found to be significant positive contributor.

5 DISCUSSION

The results indicate that both the strategic choice of BPO opportunities and the practice of disciplined cost management aids significantly to the financial performance of Miza International Co., one of the leading enterprises that operates in the Saudi Arabian market. Considered through the prism of the concept of Transaction Cost Economics (TCE) and the Knowledge-Based View (KBV), the findings provide a solid argument in favor of Hypothesis

H1 as it reveals that strategic alignment is not limited to the reduction of costs but it also relates to the enhancement of organizational learning, building the capabilities, and maintaining the competitiveness. Notably, the fact that the factor of Strategic Goal Contribution became the strongest predictor ($b = 0.234$) requires mention. This implies that BPO in Miza International Co. is not viewed as an efficiency-oriented or sole initiative but as a strategic tool of developing the capability and creating value beyond short-term financial benefits.

This observation is quite consistent with the KBV argument that sustainable competitive advantage is based on integration and effective use of specialized external knowledge. In the context of the more general vision of Saudi Arabia, Vision 2030, in which the emphasis is placed on the economic diversification, privatization, and efficiency of operation, the focus on the strategic fit rather than merely cost reduction seems rather logical. Companies in such a reform-friendly environment need to use BPO to develop new competencies, to achieve international standards and to modernise operations as opposed to working on minimal cost reduction in the short term. This strategic orientation is the opposite of what can be more often seen in Western mature outsourcing markets where reducing the costs often predominates outsourcing justification and performance indicators.

It also proves hypothesis H_2 to be correct, and it is supported by the important effect of Reduces Operating Costs ($b = 0.168$), which confirms the applicability of TCE continues to be relevant today. Outsourcing agreements lead to lowered transaction costs and governance risks and greater operational efficiencies that are translated into financial benefits that can be quantified. Nevertheless, the importance of the variable of Knowledge about BPO ($b = 0.137$) implies that transactional efficiency is not sufficient in explaining the success of outsourcing. Even though the statistical clusters of knowledge development and absorptive capacity are placed in the same construct of cost management due to their reliability of the construct, the two are essentially consistent with the KBV. The positive correlation shows that the organizational knowledge in selected vendors, management of contracts, and knowledge integration is also a crucial non-cost determinant of financial performance. Combined, the results confirm the usefulness of a dual-framework approach, in the sense that both transactional efficiency (TCE) and strategic capability building (KBV) act in a complementary way and activate each other in the creation of outsourcing results.

This integrative interpretation is reinforced by the fact that the value of Shares Risks with Vendor ($b = 0.173$) is significant. Risk-sharing agreements indicate the relational governance mechanisms that are used to cope with uncertainty and encourage collaborative partnership forms. These management skills are particularly crucial in the Saudi environment, whereby the regulatory environments and local networks of suppliers are yet to be established. The comparatively low average perception risk scores, including the lack of control of the processes and the inability to resolve the conflict situation, indicate that the Miza International Co. has managed to engage in the practice of relational contracting that would help to avoid the most frequent outsourcing traps. These findings support the previous studies highlighting the role of the strength of governance and the relational management in the new economy (Lahiri et al., 2022).

On the macro level, the findings are very applicable to the Saudi economic transformation agenda. The pillars of national development as promoted by the vision 2030 encompass the promotion of privatization and digitalization and productivity, and BPO becomes a convenient tool that will allow firms to improve the performance of departments and at the same time become contributors to the overall national goals. As with existing evidence, institutional maturity does not seem to be the key determinant of outsourcing success in the developing economies but, rather, a firm-level managerial competence (Lahiri et al., 2022). The case of Miza International Co. that functions in a regulatory environment that is still developing illustrates the significance of governance competence, relationship contracting, and monitoring of vendors in maintaining financial gains.

However, there are still some issues that can be observed. Having moderate mean scores in the categories of communication gaps, less control process and conflict resolution (between 2.69 and 2.76) also bring out the vulnerabilities inherent to outsourcing in emerging markets. These are analogous to the results of Elia et al. (2014), who emphasized the decisive role of governance mechanisms in defining the success of outsourcing, and Amoozegar et al. (2025), who highlighted the necessity of the perpetual investment in the development of relational governance and internal capabilities to avoid the risks of dependency. Simultaneously, the high positive relationships between the intention to recommend BPO and strategic selection ($r = 0.568$) and cost management ($r = 0.548$) mean that the outsourcing practices are widely accepted in the organizations. This internal support minimizes cultural resistance and helps to implement it easier, which, according to Cabral et al. (2013), is one of the barriers that are especially important in the non-Western environment.

In general the discussion shows how cost efficiency does not serve as a driving force of outsourcing effectiveness in the Saudi Arabian context but a balanced interaction between strategic alignment, transactional discipline, knowledge integration, and relational governance.

6 CONCLUSION AND RECOMMENDATIONS

This paper explored financial performance of BPO at Miza International Co., showing that judicious choice of opportunities and effective cost management are both the significant factors of financial performance. The regression model expounded 47.5% of the financial results, and the five most important predictors, that is, contributes to Strategic Goals (maximum), Improves Service Quality, Shares Risks with Vendor, Reduces Operating Costs, and Knowledge about BPO, demonstrated their positive and significant contributions to the financial results. The results are very helpful to prove the practicality of a two theoretical approach (TCE and KBV): BPO is not only a cost-cutting strategy but the strategic skill that boosts organizational learning and long-term competitiveness in a new economy.

6.1 Limitations and Future Research

Although strong, there are two major limitations of this study. To start with, the dependent variable is solely based on stakeholder perception of financial impact (Likert scale) as opposed to objective financial measures (e.g. ROI, cost savings ratios). This creates the possibility of subjective bias. Second, the study is not able to sufficiently prove causality due to the cross-sectional survey design. Reverse causality may influence the results where the perceived high financial performance may cause the stakeholders to rate the managerial practices (independent variables) more positively. Future studies must overcome these limitations by using objective financial information and using longitudinal designs to achieve a better causating factor.

6.2 Managerial and Policy Recommendations

According to the findings, the phenomenon of BPO should be treated by Saudi companies on a long-term strategic basis:

1. *Strategic Alignment:* Assure that all the outsourcing projects are directly aligned with strategic organizational intent and national objectives including those related to efficiency and innovation described in Vision 2030.
2. *Capability Building:* Invest in enhancing knowledge and good vendor governance to avoid the unseen costs and to transfer knowledge as much as possible.

3. *Relational Governance:* Develop true partnerships with vendors to support the effective risk-sharing, reduce the number of communication gaps, and solve the issues of the process control with mutual trust and performance monitoring.

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Declaration of generative AI and AI-assisted technologies:

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