

SERVICE OUTSOURCING AND PERFORMANCE OF UNIVERSITIES IN KENYA

BY

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DECLARATION

This is my original work and has not been presented for a degree award in any other university.

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DEDICATION

I dedicate this research project to my loving family and all those who assisted me directly or indirectly in compiling this proposal. To you all I say thank you.

ABSTRACT

Outsourcing is a business philosophy that implies entrusting business to other people to perform them on your behalf. The benefits that can be derived from service outsourcing on some services are numerous and firms only need to take advantage of the available opportunities. The objective of the study was to establish the relationship between service outsourcing and performance of the Universities in Kenya. With the specific objectives that include, to determine the extent to which services have been outsourced by Universities in Kenya, to establish the correlation between outsourcing and performance of Universities in Kenya and to investigate the challenges of service outsourcing by Kenyan Universities. Data was collected using questionnaire and was analyzed using descriptive statistics where the data was presented in the form of frequencies, tables, pie-chart and percentages. According to the findings service outsourcing is of paramount significance to the Universities in Kenya. These results imply that Universities in Kenya outsource insurance services, computer and software services and legal services to a large extent. The study findings further showed that the dependent variable (organisational performance) is influenced by outsourcing of legal services, insurance services, computer and software services to a large extent and catering services with security services to a moderate extent. This has to be done carefully by looking at the best record from the service providers. From the study, the researchers found out that service outsourcing improves organizational performance of Universities in Kenya. The main finding on challenges was that Universities are outsourcing key services but have not established how to measure the quality of impact it has in its operations. The most challenging component was proper management and improved accountability. The recommendation in relation to outsourcing was that Universities in Kenya should work towards improving services to its clients through outsourcing of services important services and ensure they are offered in an efficient and effective manner.

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ABBREVIATIONS AND ACRONYMS

ANOVA- Analysis of Variance

BPO- Business process outsourcing

IT - Information Technology

LIA - Letter of Interim Authority

R²- R-Squared (Coefficient of determination)

ROA- Return on Asset

ROE- Return on Equity

ROI- Return on Investment

SGAS- Selling, general and advertising expenses / net sales

SPSS - Statistical Product and Services Solution

TCT - Transaction Cost Theory

US - United States

VIF- Variance Inflation Factor

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

As a result of the varying business environment, organizations have begun to radically rethink about restructuring themselves. The dynamism in technology or fashion of goods, decreased duration to market and increasingly knowledgeable customers have made it hard for organizations to manage and to be excellent at all activities that creates competitive edge over their rivals. Improved flexibility was therefore a key requirement to fulfil the dynamic consumer preferences (Agron, 2002). In outsourcing and organisation is allowed to focus on areas that gives a business the competitive edge. Each and every organization tries to improve on specific parts of the organization which has been causing difficulties. Organizations desires to meet the cost reduction target and there was the hope of expected cost savings in the long-term and cash benefits as they outsource. According to Rushton and Walker (2007), organizations should endeavour to achieve two objectives that involve providing a product at a reduced cost and of good quality to the customer.

The correlation between outsourcing and organizational performance is anchored on various theories. First is resource based view theory. This theory challenges firms to engage in activities that bring about `resource-advantage' (Griffith & Yalcinkaya, 2010; Barney, Ketchen & Wright, 2011). A firm must develop capabilities that are dynamic or core competencies in order to address needs in the market. Second is transaction cost theory (TCT) which has been linked to Nobel laureates Oliver Williamson and Ronald Coase (Martins, Serra, Leite, Ferreira & Li, 2010). This theory gives the reasons why firms exit and why firms outsource services to external agents. This theory shows that firms while undertaking their activities try to minimize costs in

bureaucratic processes often embedded in internal processes. Costs incurred in exchanging resources or activities with the external environment should be minimized (Martins 2010; Madhok, 2002).

In Kenya, universities both private and public have in the recent past expanded tremendously and this has brought about a strain on their resources (Sang, 2010). Decentralization of campuses and programmes expansion has led to increased rate of enrolment causing a strain on the limited resources especially the public universities fund by the central government. Starting from 1970 when the first university, The University of Nairobi was founded (started as Royal Technical College of East Africa) at present there are more than 26 universities in Kenya and this expansion has posed great challenges to managers leading to outsourcing of some services (Ogechi & Nyameino, 2010; Sang, 2010).

1.1.1 Service Outsourcing

Outsourcing can be viewed from different perspectives. It is establishing strategies to use resources outside a firm to carry out functions that are managed by internal staff. Outsourcing does not imply procurement but a process of reassigning existing business activities to third parties allowing an organization to concentrate on core areas for enhanced value (Giustiniano & Clarioni, 2013; Lonsdale & Cox, 1998). Lysons and Farrington (2006) states that outsourcing is a process of shifting functions that are not core to a firm to specialists or external parties who are efficient. Oshri, Kotlarsky and Willcocks (2011) look at outsourcing as entering in a contract with the third party service providers to handle and finish certain amount of work for certain cost and time frame. Outsourcing can also be defined as retaining service delivery but devolving day to day activities to external parties with a clear contract that stipulates cost, conditions of delivery, time frame and standards (Fogg, 2008). From these definitions, it can be deduced that

firms tend to concentrate on what they can offer best using the available resources and form partnership with other people or organizations who offer services that such firms are not able to offer internally.

Overall, outsourcing allows firms to concentrate on core areas in order to provide customers with unique value (Brannemo, 2006; Giustiniano & Clarioni, 2013; Oshri, 2011). There are various goals of outsourcing and some of them are: enhanced efficiencies, minimizing costs, increased flexibility, enhanced quality and increased chances of gaining competitive advantage over competitors (Brannemo, 2006). A firm will concentrate on core areas and utilize qualified third parties or vendors to provide services that a firm may not be able to provide adequately. This helps to reduce risks by sharing them with suppliers. Organizations are faced with some of the following challenges when implementing service outsourcing strategies. These are lack of the top management support, poor planning and decision making, outsourcing services that don't have strong financial background, ignoring customer's specific needs, some organizations are unable to choose what is to be outsourced and lastly not involving the shareholders in outsourcing (Thomas, 2000).

According to (1999) Bacon, (1999) countries like US, Canada and Australia have added service outsourcing to be very ordinary with around 72 percent of it being sourced. Every firm often has to decide whether it should perform a business activity in-house or outsource, which is also called make-or buy decisions. Service outsourcing is asking a third-party seller to work for you on legal terms. Organizations outsource mainly to reduce costs. Currently, it is not only about cost reduction but also about harvesting the gains of planned outsourcing such as getting the expertise, overhead reduction, and heightening efficiency and finally producing more profit.

Outsourcing has in recent years been made a key aspect considered for organizations development, most to managers consider it an important operational matter.(Bowser, 1990) acknowledges that if successfully implemented outsourcing can reduce cost of doing business, enhance capability and quality of service (Lau & Hurley, 1997) and heightened output (Casale, 1996), and strengthen organizational competitive advantage (Lever, 1997). Outsourcing has shifted from performing a unit function more efficiently to reconfiguring entire procedure in modern methods to produce higher shareholder worth across the organization, Price water House Coopers (1998).

According to Zameer and Ali (2013) the reason for outsourcing by many companies is to allow the companies to focus on the core activities and capitalize in their efficiencies. It strengthens some critical aspects of operation such as structure and flexibility of operations and smooth management. Organizations in need of service outsourcing should make accurate decisions on the kind of services they intend to outsource and which ones will be done internally, while considering the possible risks associated with service outsourcing and calculate the everlasting economic outcome. In outsourcing arrangements, a lot of organizations have been unsuccessful because of risks losing the learning process in the organization, privacy and information security. Decreasing degree of innovation, reduced performance rates, transaction costs being on the high amongst other hidden costs and above all loss of employees, may importantly surpass opening capital approximation (Willcocks & Feeny, 2006).

Relly and Tamkem (2006) mention that the major complaint to service outsourcing is the possible loss of competitive edge to its rivals through loss of staff skills and expertise,

insufficient internal investments and the passage of knowledge and expertise to the providers who may be able to capture the initiative for their advantage. When outsourcing of service, customers slowly miss there is tendency of missing the aspect that brings in depth on the service over time. The organization may lose its capability to be in line with the technological updates. University fraud, waste and abuse are also challenges likely to impact the future of the service outsourcing industry.

1.1.2 Organizational Performance

Organizational performance entails actual results or output measured against its laid down objectives (Richard, Devinney, Yip & Johnson, 2009). Mahapatra (2010) looks at organizational performance as the ability to meet the mission and vision by using strong corporate governance, management that is sound and persistent dedication to achieving desired results. The idea behind organizational performance is to enhance sustainability in service delivery. Performance can be measured both financially and non-financially as stated by (Qian, Hua & Sorensen, 2007; Wen, 2010; Khrawish, 2011). A firm's performance measurement in the traditional way is done through the use of financial measures such as investment returns, return on asset, return on equity, profitability ratios, net profit cash flows but performance goes beyond financial measures and includes non – financial measures which look at efficiency in an organization's operations.

In addition, efficiency in operations encompasses reliability in production, low defect rates, reduction in production cycle time, delivery on time, high quality and minimizing of wastes. An organization's performance can be looked at in terms of financial results nevertheless there are metrics that can be used to gauge performance. These other metrics or measures include retention of customer, satisfaction of customers, managing wastes, efficiency in operations,

quality of services or products, innovation and others. More importantly, all measures must be in line with organizations goals, objectives and mission. The greatest challenge for firms is aligning measures of performance with overall business strategy and corporate culture (Zuriekat, Salameh & Alrawashdeh, 2011; Arnold, 2008).

1.1.3 Service Outsourcing and Organizational Performance

Service outsourcing enables the organizations achieve competitiveness and competitive advantages and increase efficiency and effectiveness. Outsourcing of services also enables organizations to concentrate on their core business while having third party service providers handle business activities that are not core. Companies contracted to outsource work usually play a major role in streamlining organizational performance which includes; concentration improvement on key capabilities, access up to date technology and skilled expertise, cost savings, specialization and access to innovation (Kolawole & Agha, 2015).

Firms which don't have better procurement performance leads to their processes, procedures and plans experience a decreased level of performance and greater customer dissatisfaction which then causes increased employee turnover (Nyangau, Mburu & Ogollah, 2014; Amaratunga & Baldry, 2002). Decisions to outsource products and services may affect firm's structure of the cost, competitive situation in the long run and can also change the type of risks that the organization must control (Brannemo, 2006). Therefore, it is important for managers to grasp very clearly total conceptual framework of their outsourcing decision.

In most instances performance is linked to strategies developed between stakeholders' interest and company objectives. In Cases where performance is key, outsourcing is taken as one of the strategies to ensure that there is quality, timelines and deliverability. Therefore companies that

outsource their products have a higher tendency of providing services that are superior and satisfy the customers compared to companies that don't outsource.

1.1.4 Universities in Kenya

University education in Kenya has in the recent years increased and continues to swell in demand. Many students who are graduating from schools and the working class are looking for opportunities to pursue university education. Since the public as stakeholders need the universities to be accountable they need a guarantee that they will offer quality teaching, research and community service to its students, Oundo and Oanda,(2011) cited that this has led to the increase in numbers of students seeking places in public universities. According to Mwiria & Nyuruki (1994) study on management of double intakes in Universities, they describe planning and implementation that needs to be taken into consideration in order to hold in the pressure in the limited resources that arise from the double intake. This kind of pressure can inevitably be seen also in operations. A deeper understanding of outsourcing some services in Universities can help expound these crucial matters.

In this study, 'outsourcing' in universities is borrowed from a paper by Sang (2010) who describes it as a person or firm outside a university given the responsibility to manage part or whole of certain university activities for example cleaning, catering and others. The third party may use their own staff and assets or university staff and assets to deliver the services as per the contractual agreement. Some of the services often outsourced by universities are preparing tax returns, computer programming, accounting, designing the web, manufacturing, construction, building, carrying out repairs and maintenance, creative services, engineering works, health services, legal services, research and development and customer support (Capel, 2010). Other

outsourced areas are human resource management, catering, information technology, equipment and facilities maintenance (Clegg 2008; Robbins, 2008).

The Government of Kenya has continued to emphasize the need for education whose major role is to promote the country's development. This is the reason why the government has been determined to increase the number of the universities to reach marginalized areas and this has posed various challenges to managers of universities (Sang, 2010; Nyangau, 2014). Kenya has a total of 67 universities in various parts of the country. It has 23 public universities which are chartered, 10 public colleges that are constituent, private university constituent colleges are five, private chartered universities are sixteen and twelve institutions that hold letters of interim and one institutions that is privately registered.

Globalization has increasingly changed the higher education system in Kenya. There has been immense pressure related to decreased sources of income, highly increasing costs and competition for the world student market. Higher education institutions are overseeing a long term effect from the world financial crisis both in the numbers of students' enrolment, the increasing demands and expectations of their educational experience (Stephanie, 2013).

Kenyan universities in a bid to improve service delivery and promote efficiency have resorted to outsourcing strategy which has been proved to be unsuccessful. Jefferies (1996) observed the increased use of outsourcing by institutions of higher learning across the globe shows the acceptance by administrators that it will minimize costs and enhance efficiency in service delivery.

Higher education institutions decide that universities should be more fruitful to acquire an external provider to handle nonacademic work than to hire and train its own staff. A seller will

regularly pay an expert a higher salary than a college or university can offer. Traders can make this cheaper by apportioning worker's time between different institutions. Higher education institutions should focus on their core strengths that is; research, instruction and service. Bringing skilled personnel to campus is also a very important factor to consider when outsourcing that is a team that can do the task more efficiently and effectively than the organization's staff (Mahnke, Overby & Vang, 2005).

1.2 Research Problem

Significant uncertainty remains as to how practices in outsourcing affect performance of organizations, whether some outsourcing practices affect performance much more than others, and whether synergies or complementary among such other practices can further increase organizational performance (Mahapatra, 2010). Some firms find that there are increased earnings when producing their own products or services in-house while other firms find it beneficial to outsource from outsiders. This is the conundrum most managers face in a bid to manage while at the same time not compromising on quality. Such a decision may have either a bad or a good result in an organization in the long-term (Akewushola & Elegbede, 2013; Giustiniano & Clarioni, 2013; Bolat & Yilmaz, 2009). This debate and uncertainty about outsourcing strategy benefits has created some reasonable amount of uncertainty hence the necessity to perform further analysis on correlation between service outsourcing and organizational performance in various contexts.

The initiatives of outsourcing in Kenyan higher institutions of learning have fallen short of management's expectations. According to Synovate survey on performance in outsourcing efforts among Kenyan universities, 66 percent of the outsourcing efforts failed to yield desired results

and 34 percent were successful. The survey further states that one of the deadly mistake in most failed outsourcing efforts is poor or lack of strategy. Poor performance will continue to be observed in the Kenyan universities as a result of lack of outsourcing strategies. Outsourcing services in most organizations can be associated with situations where parties lack common interests or have divergent views about the expected outcomes (Nyangau, 2014).

Lately, the Kenyan government has been facing serious problems in support the universities financially due to rapid expansion and poor management of the resources. Partnerships from foreign companies and financial backups have been playing key role in increment of universities financial shortcomings (Sang, 2010; Cheboi, 2004). However, financial strain and lack of adequate resources remains the biggest challenge in Kenyan universities while they are anticipating giving valuable education to students whose capacity has been increasing rapidly. Therefore, dilemma has forced some universities to cut on their expenditures and consider “outsourcing” as a choice in their attempt to control costs, foster efficiency, encounter the demands of their clients and bring about enhanced accountability.

Furthermore, a few of the past studies done locally and internationally have tended to focus on other sectors such as manufacturing sector, hotel sector, food industry, financial institutions and publishing. For example a global study by Yung ping (2010) on impact of Outsourcing of IT on firm’s performance shows that indeed these services have very limited performance of firms as stated by Khaki and Rasidi (2012). There research investigated business processes and how they affect operations and performance of some telecommunication companies in Iran. It states that organizations accept outsourcing as a key strategy to financial and non-financial performance.

Locally a study by Sang (2010) on outsourcing specifically focused on Kenyan public universities and not all universities in Kenya. The study was also general in nature and only considered the challenges and opportunities. Mulama (2012) established that logistics outsourcing processes being embraced by the large production organizations resulted in heightened productivity, overall organizational effectiveness, huge profits, continuous improvement and good quality. Consequently, there is the necessity to assess the link between service outsourcing and performance among universities in Kenya by answering the following research questions: to what extent have universities in Kenya outsourced services? Is there a correlation between service outsourcing compared to performance of universities in Kenya?

1.3 Research Objective

The objectives of this study were to:

- i. Determine extent to which services have been outsourced by universities in Kenya.
- ii. Establish the correlation between service outsourcing and performance of universities in Kenya.
- iii. Investigate the challenges of service outsourcing by Kenyan universities.

1.4 Value of Study

The study is invaluable to the management of universities in Kenya as they will be able to uncover the relationship that outsourcing has with organizational performance. They would therefore be able to take appropriate measures to look at internal activities that can be outsourced to outside parties in order to concentrate on activities that add value. This in essence will enhance profitability and overall performance through minimizing on costs and promoting efficiency.

The study will be useful to policy makers in the education sector especially the Ministry of Education Science and Technology who would use the information to develop a regulatory framework for management of universities and subsequently optimizing performance of universities. Universities play a critical role in enhancing economic growth in Kenya. The information will be suitable when understanding the need for universities to manage resources in a manner that promotes efficiency.

The outcome of this study will also be crucial to researchers for the additional research on the dynamic scope of outsourcing various services. This study shall be used by students, academicians and other researchers as a key reference literature to further the debate on outsourcing and performance. Future researchers and scholars will also find this paper useful in advancing the knowledge gap and reference materials.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This part of this paper covers theoretical review which includes: major services organizations outsource, theoretical foundation of the study, empirical literature review, set back of outsourcing. It also has a section on summary of the literature review and the last section it presents the conceptual framework.

2.2 Theoretical Foundation of the Study

The structure of service outsourcing is very complicated and made up of variety of processes that results to a chain of administrative and managerial dilemmas. Several theories have been used to assist researchers to appreciate the essence of these operation activities and also help the managers of organizations control these activities in effectual way. This study will anchor its source based on transaction theory and resource based view.

2.2.1 The Transaction Cost Theory

Transaction cost theory states that the corresponding transaction and manufacturing cost linked with the process dictates either to outsource or contain the process and transaction has three dimensions comprise of: the amount of transaction, uncertainty and level of asset specificity (Mahnke, Overby & Vang, 2005). If transactions are found to be limited, the organisation will further look at what approach to use, then the organization will choose to outsource its business approaches. This theory highlights the demand for comprehensive and certain agreement between the buyer and the seller so as to avoid performance measuring issues (Poppo & Zenger, 2002) which may cause lack of trust and exploitation. This thought promotes inflexibility and lack of trust among sellers because of its emphasis on over specification.

Transaction cost theory shows that organizations outsource business activities to lower cost. Manufacturing cost is the cost acquired to make a good or a service for example material, capital and labour while coordination cost is the cost that includes monitoring, controlling and managing work internally. Sourcing of services or production externally leads to lower manufacturing cost than exercising it in-house because of the economies of scale however in such a situation due to the importance of controlling and checking transaction costs sellers need to be controlled. (Kulmala, 2003).

Even though transaction cost theory has been widely used in outsourcing it has little tolerance. It depends on a sole transaction as an element of research ignoring the current industrial common agreements. It is stagnant, which doesn't match to modern changing environment (Lacity & Willcocks, 1995). The researchers gave the wind up that when the decisiveness to outsource is built on the TCT the results are superior, as is the situation when the seller controls to create a strong production basis.

2.2.2 Resource Based View

This theory analysis is based on the organization's inner capacity that is the resources and capabilities. An organization's competitiveness is acquired from those competencies that are special and are the chief determinants of the organizations' performance (Barney, 1991). Resource based view explores whether it is more cost effective for an organization to make a product internally or market oriented. Considering this structure, outsourcing has a wide favour especially when the organization determines how a task is not one of core activities and it mostly find its acquisition on a fair price from the external market which in the final objective of the resource based view is to lower cost and enhance service and support management talent for the organization's core strategic concerns (Baiye, 2012).

The resource based view underlines the interior resources of the firm in expanding a plan to attain sustainable competitiveness in its market share (Valmohammadi & Servati, 2011). Supposing the organization appears to consist of assets that can be designed to give it a competitive advantage, then its perception does truly become reversed. The fundamental of the resource-based perspective is that prosperous organizations will find their later competitive advantage on the growth of different and unique capacities, which may frequently be immaterial in nature. Building of capabilities originates from the first huge and risky investments which allow organizations to utilize the chances available for measure and scope (King, 2007).

It is therefore assumed that with the fundamentals of resource based perspective is to ensure that an organization is kept ahead of competition through different cut edge services. This performance can be achieved through outsourcing of critical services with the aim of achieving set targets and goals. If in any case an organization desires to reach a high stake of performance in line with different key operational areas, its analysis on internal capacity is key to ensure that it does not affect its ability to outsource for better services with an aim of improving performance.

2.3 Major Services Organizations Outsource

Outsourcing was being propelled by a robust demand and the wish among organizations to enhance performance after a nine years collapse, mainly cash flow and to manage people justly while doing it. The economic slump in most countries was driving organizations to determine a way to reduce cost, mostly in providing services. The organization reliance on information had heightened the use of outsourcing (Bacon, 1999). Because information was so distinct now,

organizations realized that they could no longer do everything they wanted to do, so they had to outsource.

Firms that dealt with large volumes of information resulted from activities such as research, or collection of customer feedback, usually hired a data management firm to compile and compress the raw data into useable format. According to Ogechi and Nyamieno (2010) in other cases these companies were used as data storage facilities for capacity purposes or due to lack of storage space. Human Resources outsourcing referred to using an outside third party to manage personnel functions of the organization. Many organizations tend to select human resource outsourcing to lessen the costs and time related with controlling human resource processes. Some of the areas outsourced in human resource included payroll, staffing, training and administration and other management support services like advertising and public relations services Richard, (2009).

Outsourcing of transport services is increasingly becoming a way in which there is a control or reduction cost. Transportation is generally among the areas where outsourcing is well established and universities have become a key source of revenues. Guidelines and charters have been instituted in an attempt to ensure that high quality transport vehicles are prepared and delivered to the university and to some extent student fraternity. Contracted transporters specialize in different service provision have now stepped up their services extensively to other areas (De Raeve, 1994). Lever (1997) in his research expounded on the importance of outsourcing some services such as insurance services in the universities. Even though he insisted on the efficiency of such services being offered at the level of expertise and ability to provide expected product. The kind of concern raised was that some services were difficult to analyze their impact due to

the fact that they are not core activities in the university. However, the morale of staff in the university was identified as a key ingredient to enabling of such services. Some of the services widely analyzed in his research were consultancy, security and computer software services.

2.4 Empirical Literature Review

This section presents various studies that were carried out to test the above theories and models. Their findings, conclusions and recommendations will help to come up with research gaps.

2.4.1 Studies of Outsourcing Processes

Academic studies have been done in the area of outsourcing decisions and operational processes and control. Most researchers have not confirmed well their results(Jiang & Qureshi, 2006).They assume that researchers only focus on financial results of outsourcing which in most times is provided by managers whose estimates are from available accounting data.

In general, a lot of methods applying different perspectives have been used to measure the outsourcing outcome. According to (Lacity & Hirschman, 1994; Feeny, 2008), most methods have uses case studies and interviews. The other methodologies have focused on the stock prices and financial accounting (Hayes, Huston & Rech 2000).

Financial data records are key in determining performance (Wang et al. (2008) and Jiang and Qureshi (2006). However, studies that are mostly available concerning outsourcing relies a lot on perceived metrics instead of direct measures, in most cases there is subjective perception that affects these measures (Jiang & Qureshi 2006). Those interviewing mostly think of their fields and other times departments rather than seeing the firm's bigger picture being considered.

There are very few studies that look into the objective financial data. Public available data in accounting, Jiang et al. (2006) found no big difference in assets turnover, net profit margin and ROA. Most of these studies conclude that outsourcing improves efficiency but not its profitability and productivity. Wang et al. (2008) developed in their study a conceptual framework that was meant to examine the impact of IT outsourcing on how firms performed. In their study a sample of 20 firms were put into the test within a period of 1993 to 2003. It is in this study that the findings suggested that IT outsourcing firms have a higher SGAS (Selling, general, advertising, expenses) and lower ROA compared with other outsourcing counterparts in the year t+1 (One year after sourcing even though there is no significance difference on measuring other aspects of the same outcomes. Some studies of similar nature focus on the IT outsourcing impact in the banking industry have very limited scope; most of their methodologies revolve around case studies or surveys.

2.4.2 Challenges of Outsourcing Decisions

There are many other reasons why an organization should or should not outsource; these reasons revolve around cost savings, efficiency, core strengths among others. Not all outsourcing companies have the same factors or characteristics, in fact outsourcing by it is not an end to all corporate strategies. Other factors must touch upon expertise search as technical expertise, quality of service, vendors' expertise in a firm's business space and overall business strategy (Kalawole & Agha, 2015). According to Zameer and Ali (2013) the main reason why most firms resort to outsourcing is the purpose of competency and institutional aspects like the organizational management style designs and other flexible processes.

Companies that are in need of BPO should consider making the right decisions regarding BPO services in order to outsource on the other hand which ones they should retain as in house, as

these considerations are made they should take into account the consequences they get from BPO. Some companies have failed due to the risks such as loss of organizational opportunity to learn, privacy challenges in BPO arrangements and information security. Due to a serious decline in innovation, with employees becoming less motivated, transactions costs being high-performance rates reduced among many other costs that are hidden that may affect the initial capital estimates and originally paused.(Willcocks & Feeny, 2006). Rellyand Tamkem (2006) mention that a principle objection to BPO is the possible loss of competitive advantage through loss of staff skills and expertise, insufficient internal investments and the passing of knowledge and expertise to the suppliers who may be able to seize the initiative for their advantage. In circumstances that services are outsourced in a company, clients gradually lose their understanding of the service over time. Companies always find themselves losing the ability to update technology as per current market trends. Waste and abuse as well as Healthcare fraud are also challenges likely to impact the future of the BPO industry.

The areas not exploited by research in the context of outsourcing are the challenges that outsourcing might ring in an organization that is understaffed. This gap can be research to bring about the clear impact this might have in an organization. This research paper is intended to fill study universities service outsourcing and performance with a purpose of filling the gap.

2.5 Summary of Literature and Research Gaps

From the above analysis of literature, outsourcing is derived from a strong desire by organizations to initiate new processes that are meant to sustain growth and profitability. Organizations' are depicted to be keen on promoting effectiveness and efficiency. The conclusions from a bigger part of the research flow is that there is a big value added in the

process of outsourcing that cannot be ignored in the desire to improve performance of universities. The general conclusion is that service outsourcing has an impact on the performance of the universities in Kenya.

The literature reviewed shows that the conclusions enlightened are valid in other sectors of the industries widely analyzed. However there are many other sectors that outsourcing has been widely practiced that have not been expounded and widely researched.

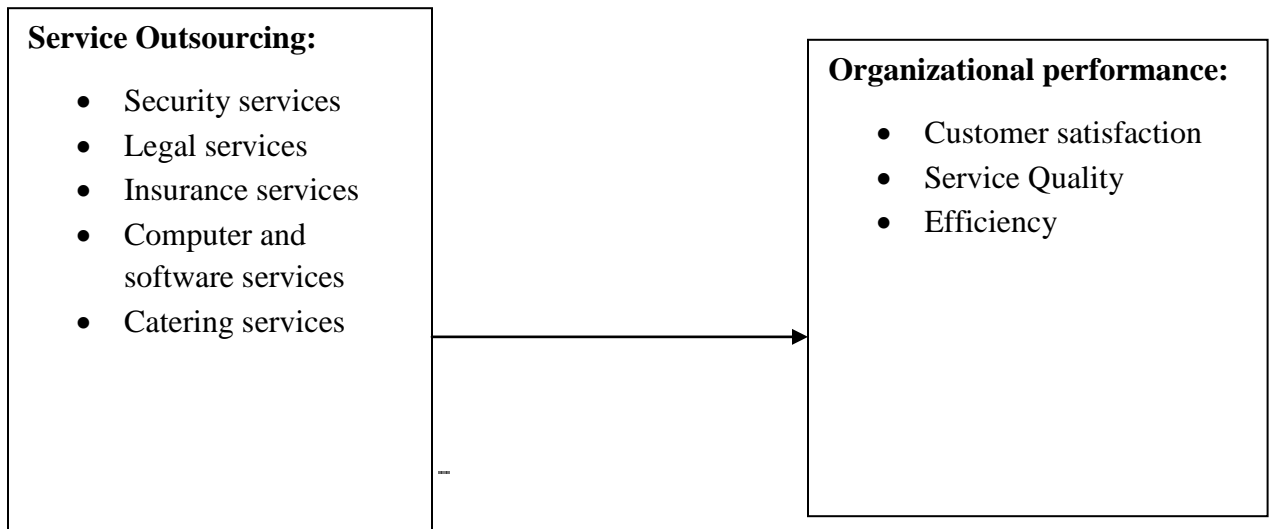
This study intends to find out the relationship between service outsourcing and performance of the universities in Kenya. More importantly, is to identify how outsourcing practices affect performance of Universities in Kenya.

2.6 Conceptual Framework

The service outsourcing activities which entails services such as security, legal, cleaning, technical among others outlined in the conceptual framework. These are categorized as independent variables; they are interrelated to the dependable variables such as cost reduction, customer satisfaction, increased productivity and flexibility. In an event that there is any change in the independent variable, this study expects a reflection of the same in either manner to the dependable variables.

Independent Variables

Dependent Variables



Source: Researcher (2017)

Figure 2.1: Conceptual Framework

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

In this chapter the research design, data collection methods that the study seeks to address to expound on the research objectives and research questions are widely discussed. This section is subtitled under the target population, data collection and research design and data analysis.

3.2 Research Design

This study adopted a cross sectional descriptive survey design. Cross sectional descriptive design aims to describe or define a subject, (Cooper & Schindler, 2003) describes description of data is done through data collection and tabulation thereafter tabulating the frequencies of research variables and their interactions in order to get intended results . A descriptive survey is deemed appropriate as it would enable the researcher to make comparisons based on differences in demographics. These require a broad range of data which would be possible through a descriptive survey.

3.3 Population of the Study

The study population was all Kenyan universities both public and private. According to Commission for university education (2016) there are total of 67 Kenyan Universities. The study was a census of all the 67 public and private universities in Kenya since the population is small.

3.4 Data Collection

The study utilized primary data. This will be collected using a questionnaire that will be structured, which will be administered using the drop – and –pick later method of acquiring data

with less cost in terms of researcher time, energy and costs. They also tend to be used for descriptive research.

The questionnaire is structured into four parts. Part A seeks for personal profile details of the respondents whereas part B seeks Services outsourced, C seeks organisational performance cost, and D challenges of outsourcing. The questionnaire comprises of both closed and open ended items. The open ended items are convenient in areas where the researcher needs more information. Closed items help respondents to make quick decisions by choosing an appropriate response among the alternatives given.

The questionnaires were given to registrars in the respective departments under study of outsourcing; at least each university shall have one respondent totalling to 67 respondents.

3.5 Data Analysis

After collection of questionnaire the data was scrutinized to see if they are filled properly. The ones found to be properly filled will be coded and entered into the SPSS and analyzed according to descriptive statistics. The statistics to be used include mean score, ratios as well as percentages. They were thereafter being presented in tabulation form in order to have easier interpretation. Regression analysis was used to assess the degree of relationship between the independent variable and dependent variable, whereas regression coefficients indicated the importance of the independent variables in the prediction of the dependent variables.

Moreover, the relationship that is between service outsourcing and the performance of the universities in Kenya will be analyzed using multiple regression models. The model is as shown below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5$$

Where Y = Dependent variables

X₁= Security services

X₅= Catering services

X₂ = Legal services

β_1 to β_5 = the intercept on the regression model

X₃= Insurance Services

X₄= Computer and Software services

3.6 Operationalization of study variables

The variables were operationalized as shown in table 3.1

Table 3.1: Operationalization of Study Variables

Variable	Sub Variable	Indicators
Service outsourcing (Independent Variable)	Security Services	<ul style="list-style-type: none"> ▪ Student Hostel Security ▪ Campus Surveillance ▪ Senior Staff Security ▪ Campus gate Security
	Legal Services	<ul style="list-style-type: none"> ▪ Number of Legal Officers ▪ Number of Cases per Year
	Insurance Services	<ul style="list-style-type: none"> ▪ Senior Staff Insurance ▪ Students Insurance Cover ▪ Administration Asset Insurance

	Computer and Software Services	<ul style="list-style-type: none"> ▪ Number of computers per department ▪ Number of staff in Computer Department ▪ Number of Software for Management and Administration
	Catering Services	<ul style="list-style-type: none"> ▪ Staff Meeting food ▪ Student Canteen Services ▪ Special Function Catering
Organisational Performance (Dependent Variable)	Customer Satisfaction	<ul style="list-style-type: none"> ▪ Time taken to serve students. ▪ Number of customer complaints ▪ Availability of services or products required.
	Service Quality	<ul style="list-style-type: none"> ▪ Cycle time from request to delivery ▪ Customer ratings of service.

		<ul style="list-style-type: none"> ▪ Number of late tasks.
	Efficiency	<ul style="list-style-type: none"> ▪ Volume of tasks per staff ▪ Time allocated for administration, training and management ▪ Number of human errors

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND INTERPRETATION

4.1 Introduction

This chapter analyses the data collected, with an intention of presenting the findings collected from the universities in Kenya. The data herein is presented and interpreted as per the research objectives. The analysis was divided into several sections namely, Part A Bio data of University, Part B services outsourced, Part C Organizational performance, Part D Challenges of Outsourcing. Out of the targeted 67 public and private universities, 5 questionnaires were not returned, hence 62 questionnaires were returned making 92.5% return rate which is above the 78% generally accepted rate for surveys (Kothari, 2004).

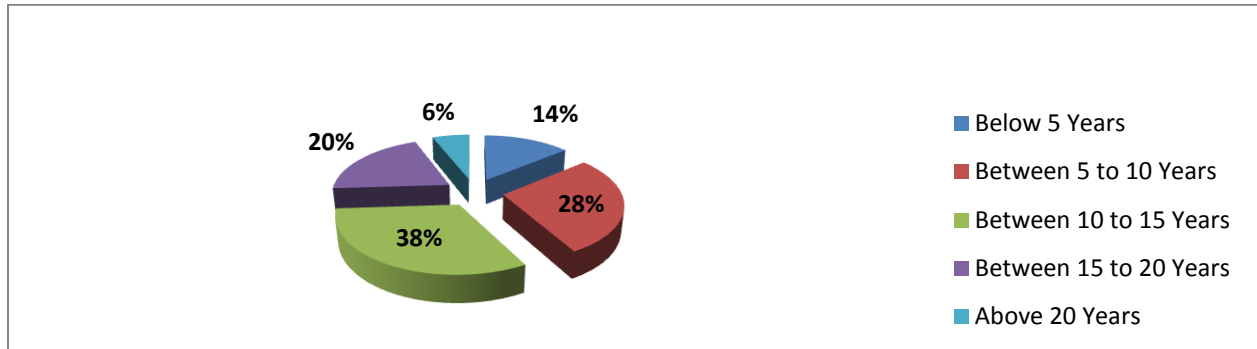
4.2 The Bio data of the University

This section analyses the Bio-data of the respondents and their organizations. The information includes length of time the respondents' institution has been in existence, length of time respondent has worked for the current employer, the average student population in the institution, level of education of the respondent and the extent to which the organization structure has changed since outsourcing.

4.2.1. Institutional Existence

The respondents were asked to indicate how long their organization has existed. Figure 4.1 presents findings.

Figure 4.1: Institutional Experience



Source: Researcher (2017)

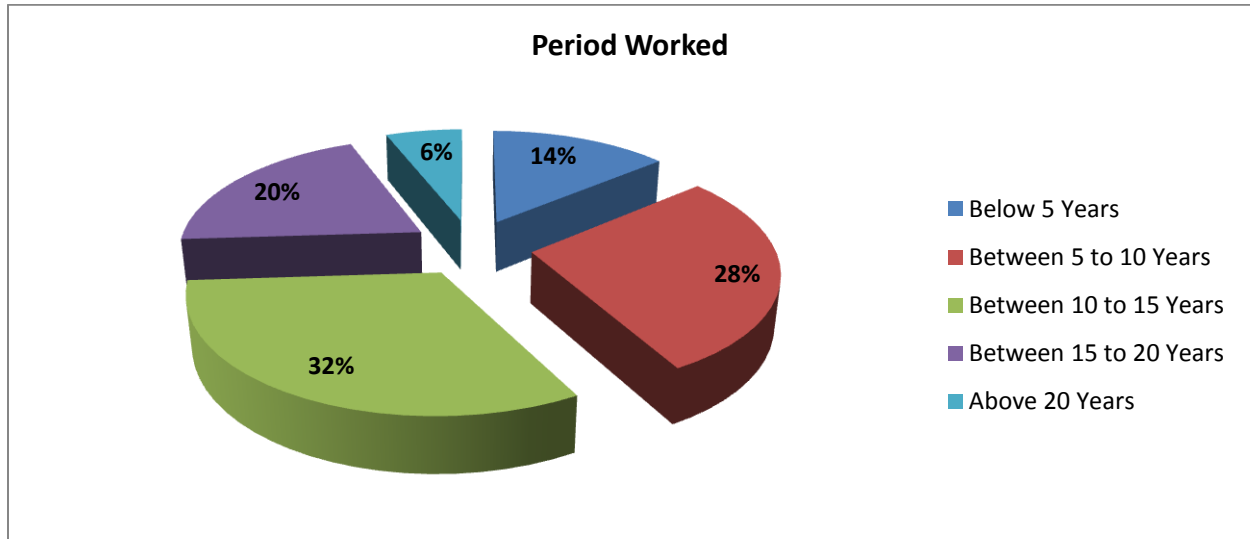
As depicted in the Figure 4.1, 38% of the respondents stated that their organization had been in existence between 10 and 15 years. This was followed by 28%, which had been in existence for between 5 to 10 years. 20% has been in existence for between 15 to 20 years. According to the results from the respondents, majority of the universities have existed for more than ten years thus they are in a better position of having implemented the outsourcing practices for better improvement of organizational services and performance.

4.2.2 Length of Time Respondent has worked for Current Employer

The respondents were asked to indicate how long they had worked for the current employer.

Figure 4.2 presents findings.

Figure 4.2: Length of Time Respondent has Worked for Current Employer



Source: Researcher (2017)

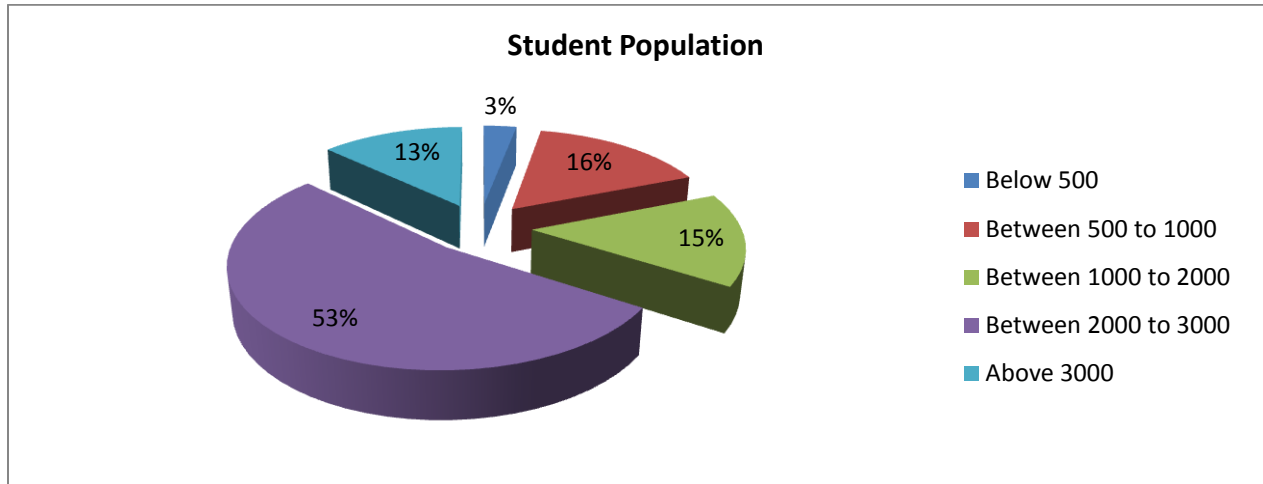
From the chart 4.2, 32% of the respondents stated that they have worked with their current employers for between 10 to 15 years. This was then followed by 28% who had worked for 5 to 10 years and 20% who have worked between 15 to 20 years. The results generally indicate that the respondents had enough experience to understand the impact of outsourcing in the performance of the organization being researched.

4.2.3 Average Student Population

The respondents were also asked to indicate the average student population in their institution.

Figure 4.3 presents findings.

Figure 4.3: Average Population



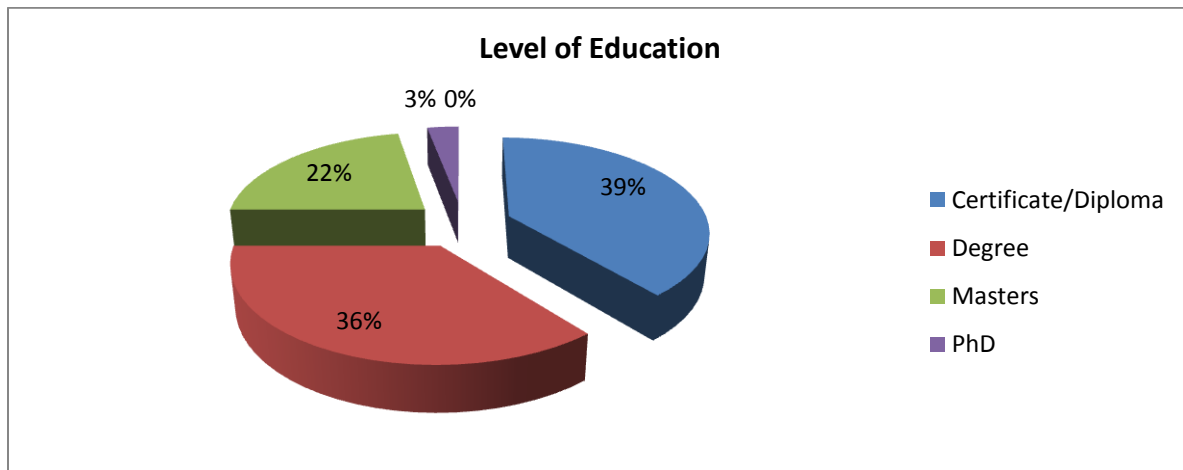
Source Researcher (2017)

From the figure 4.3, majority of the respondents (53%) had an average student population of between 2000 to 3000 students. On the other hand 16% had between 500 and 1000 students. 15% of institutions had between 500 to 1000 students. 13% had students population above 3000 students .3% of the institutions had below 500 students.

4.2.4 Level of Education

The researcher also sought to know from the respondents their level of education. The figure 4.4 presents the findings.

Figure 4.4: Level of Education



Source Researcher (2017)

39% of the respondents are Certificate and Diploma holders, 36 % are degree holders and 22% are Masters' degree holders. Lastly 3% are PhD holders. This implies that most of the respondents must have been officers working in the registrar's office since they are Diploma holders.

4.3 Extent of Service Outsourcing

This section analyzes the questions addressed to the university staff in relation to outsourcing of services in their organizations. The questions addressed various services namely security services, legal services, insurance services, computer and software services and catering services. The respondents were asked to indicate the extent to which their organizations had outsourced the services. The results were measured on Likert scale of between 1 and 5 where 1=not at all, 2=to a small extent, 3=to a moderate extent, 4=to a large extent and 5=to a very large extent.

The rating of not at all and a small extent represented a component with an influence a small extent (S.E) equivalent to a mean score of 0 to 2.0 on a likert scale; ($0 \leq S.E \leq 2.0$). Scores of moderate extent (M.E) were taken to represent a component that had an influence to a moderate extent (M.E) equivalent to a mean score of 2.1 to 3.0 on the continuous likert scale: ($2.1 \leq M.E \leq$

3.0). The scores for both large extent and a very large extent were taken to represent a component which had an influence to a large extent (L.E) equivalent to a mean score of 3.1 to 5.0 on a continuous Likert scale; ($3.1 \leq L.E \leq 5.0$).

4.3.1 Security Services

The respondents were asked to indicate the extent to which various aspects of security services were outsourced in their institutions. The findings are shown in table 4.1

Table 4.1: Security Services

	N	Mean	Std. Deviation	Rank
Student hostel security	62	2.82	.587	2
Campus surveillance cameras	62	2.60	.495	4
University senior staff security	62	2.85	.355	1
Campus gate security	62	2.77	.422	3
Overall Mean	62	2.7621	.23707	
Valid N (list wise)	62			

Source: Research (2017)

From table 4.1, the most outsourced security service was university senior staff security with a mean of 2.85. This was followed closely by student hostel security services with a mean of 2.82, and campus gate security mean 2.77. The least outsourced security service was campus surveillance cameras that had a mean of 2.60. The overall mean for security services outsourcing was 2.76 indicating that the security services was outsourced to a moderate extent.

4.3.2 Legal Services

The respondents were asked to indicate the extent to which various aspects of legal services were outsourced in their institutions. The findings are shown in table 4.2

Table 4.2: Legal Services

	N	Mean	Std. Deviation	Rank
University internal litigation	62	3.79	.410	1
Inter parties external litigation	62	3.69	.465	2
Legal Services	62	3.7419	.29673	
Valid N (list wise)	62			

Source Researcher (2017)

From the table 4.2 the most outsourced legal service was university internal litigation with a mean of 3.79. This was followed by inter parties external litigation with a mean of 3.69. The overall mean for legal services outsourcing was 3.74 indicating that the legal services was outsourced to a large extent.

4.3.3 Insurance Services

The respondents were asked to indicate the extent to which various aspects of insurance services were outsourced in their institutions. The findings are shown in table 4.3

Table 4.3: Insurance Services

	N	Minimum	Maximum	Mean	Std. Deviation	Rank
Senior staff insurance	62	4	5	4.02	.127	3
Student insurance cover	62	4	5	4.31	.465	2
Administration asset insurance	62	4	5	4.90	.298	1
General Insurance	62	4	5	4.86	.376	4
Overall Mean	62	4.25	4.75	4.5565	.13135	
Valid N (list wise)	62					

Source: Researcher (2017)

From table 4.3, the most outsourced insurance service was the administrative asset with a mean of 4.90. This was followed closely by general insurance with a mean of 4.86 and student insurance cover with a mean of 4.31. Lastly senior staff insurance had a mean of 4.02. The overall mean for insurance services was 4.56 indicating that insurance services was outsourced to a large extent.

4.3.4 Computer and Software Services

The respondents were asked to indicate the extent to which various aspects of computer and software services were outsourced in their institutions.

The results are as shown in table 4.4.

Table 4.4 Computer and Software Services

	Mean	Std. Deviation	Rank
Repairs	4.26	.693	1
Acquisition of New Computers	4.08	.179	2
Software Installation	3.82	.885	4
Software Management	4.00	.051	3
Overall Mean	4.02		

Source Researcher (2017)

From table 4.4, the most outsourced computer and software service was repairs with a mean of 4.26. This was followed by acquisition of new computers with a mean of 4.08 and software management with a mean of 4.00. Lastly software installation had a mean of 3.82. The overall mean for computer and software services was 4.02 indicating that computer and software services were outsourced to a large extent.

4.3.5 Catering Services

The respondents were asked to indicate the extent to which various aspects of catering services were outsourced in their institutions. The results are shown in table 4.5

Table 4.5 Catering Services

	Mean	Std. Deviation	Rank
Staff meetings food	2.84	.601	3
Students Catering Services	2.90	.649	1
Special functions Catering	2.87	.604	2
Overall Mean	2.87		

From table 4.3, the most outsourced catering services was students catering services with a mean of 2.90. This was followed closely by special functions catering with a mean of 2.87 and finally staff meetings food with a mean of 2.84. The overall mean for catering services outsourcing was 2.87 indicating that catering services was outsourced to a moderate extent.

4.4 Organizational Performance

The respondents were asked to indicate the extent to which their organizations have experienced the following outcomes as a result of outsourcing services key services. The results are summarized in table 4.6.

Table 4.6: Organization Performance

	Mean	Std. Deviation	Rank
speed of delivery of service	3.26	.957	1
Timeliness	2.81	.846	6
Quality of service delivered	2.84	.891	5
Cost incurred	3.27	.872	2
Staff ability to adopt the new system	3.03	.829	3
Improved documentation and serviceability	3.02	.859	4
Fastened capture of organization performance by readily available data	2.71	.710	7
Efficiency in service delivered	2.35	.889	8
Organizational Performance	2.9113	.40703	
Valid N (list wise)			

From table 4.6, the component improved most in organization performance by outsourcing services is speed of delivery with a mean of 3.26. This was followed closely by cost incurred with a mean of 3.27, staff ability to adopt the new system with a mean of 3.03, quality of service delivered with a mean of 2.86, timeliness with a mean of 2.81 and finally fastened capture of organizational performance by readily available data with a mean of 2.71 and efficiency in service delivery with a mean of 2.35. The overall mean for organization performance was 2.91 indicating that outsourcing affected organization performance to a moderate extent.

4.5 Service Outsourcing and Organizational Performance

The above data indicates the variable output of security services, legal services, insurance services, computer and software services and catering services.

Table 4.7: Service Outsourcing and Organizational Performance

Q	X ₁	X ₂	X ₃	X ₂	X ₅	Y
1	2.75	3.50	4.50	3.75	3.00	4.13
2	3.00	3.50	4.50	3.75	3.00	4.00
3	3.00	3.50	4.50	3.75	2.33	3.88
4	3.00	4.00	4.50	3.75	3.00	3.75
5	2.75	3.50	4.75	4.00	2.67	3.88
6	2.50	3.50	4.75	4.00	2.67	3.63
7	2.75	4.00	4.50	4.00	3.00	3.50
8	2.50	4.00	4.50	4.00	2.67	3.13
9	2.50	4.00	4.25	4.00	2.67	3.13
10	2.75	3.50	4.25	4.00	2.67	2.88
11	3.00	3.50	4.50	4.00	2.67	2.88
12	2.75	3.50	4.50	4.00	3.00	2.88
13	2.75	3.50	4.50	4.00	3.00	2.88
14	2.75	3.50	4.50	4.00	3.00	2.63
15	2.50	4.00	4.50	4.00	3.00	2.88
16	2.50	4.00	4.50	4.00	3.00	2.63
17	2.50	4.00	4.50	4.00	2.67	2.75

18	2.75	4.00	4.50	4.00	2.67	2.63
19	3.00	4.00	4.50	4.00	2.67	3.00
20	2.50	4.00	4.50	4.00	3.00	2.50
21	3.00	3.50	4.75	4.00	3.00	2.63
22	2.75	3.50	4.75	4.00	3.00	2.75
23	3.00	4.00	4.75	3.75	3.00	2.50
24	2.75	4.00	4.75	4.00	3.00	2.38
25	3.00	4.00	4.75	3.75	3.00	2.38
26	3.00	4.00	4.75	4.00	3.00	2.88
27	2.75	4.00	4.75	4.00	3.00	3.00
28	3.00	3.50	4.75	4.00	3.00	3.13
29	2.75	3.50	4.75	4.00	2.67	3.13
30	2.50	3.00	4.50	4.00	2.33	2.88
31	2.50	3.50	4.50	4.00	2.33	3.00
32	2.50	3.50	4.50	4.25	2.67	2.63
33	3.00	3.50	4.50	4.25	2.67	2.63
34	3.00	3.50	4.50	4.25	3.00	2.38
35	2.50	4.00	4.50	4.00	3.00	2.63
36	2.50	4.00	4.50	4.00	3.00	3.00
37	2.25	4.00	4.50	4.00	3.00	3.00
38	2.50	4.00	4.50	4.00	3.00	2.88
39	2.75	3.50	4.50	4.25	2.67	2.50
40	3.00	4.00	4.50	4.25	3.00	2.63
41	2.75	4.00	4.50	4.25	3.00	2.38
42	2.75	4.00	4.50	4.25	2.67	2.63
43	2.75	4.00	4.50	4.25	3.00	2.75
44	2.25	3.50	4.50	4.00	3.00	2.63
45	2.50	4.00	4.50	4.00	3.00	3.13
46	2.75	4.00	4.50	4.00	3.00	3.13
47	3.00	4.00	4.50	4.25	3.00	3.13
48	2.75	4.00	4.75	4.00	3.00	3.13
49	3.00	4.00	4.75	4.00	3.00	3.13
50	2.75	4.00	4.75	4.00	3.00	2.88

51	3.00	4.00	4.75	4.00	3.00	2.88
52	3.25	4.00	4.75	4.00	3.00	2.63
53	3.00	4.00	4.75	4.00	3.00	2.88
54	2.75	4.00	4.50	3.75	3.00	2.75
55	3.25	3.50	4.50	4.00	3.00	2.75
56	2.75	3.50	4.50	4.00	3.00	2.75
57	3.00	3.00	4.50	4.00	3.00	3.00
58	2.75	3.00	4.50	4.25	3.00	3.00
59	3.00	3.50	4.50	4.25	2.67	3.13
60	2.50	3.50	4.50	4.00	2.67	2.88
61	3.00	3.50	4.50	4.00	2.67	2.50
62	2.25	3.50	4.25	4.00	2.67	2.13

Source Researcher (2017)

Where,

X_1 = Security Services

X_2 = Legal Services

X_3 = Insurance Services

X_4 = Computer and Software Services

X_5 = Catering Services

4.5.1 Pearson Correlations Coefficient Matrix

The table 4.8 shows the distribution of correlation of variables. The correlation coefficient can range from -1 to +1, with -1 indicating a perfect negative correlation, +1 indicating a perfect positive correlation, and 0 indicating no correlation at all.

Table 4.8: Pearson's correlations coefficient Matrix
Correlations

		Security Services	Legal Services	Insurance Services	Computer and Software Services	Catering Services	Organizational Performance
Security Services	Pearson Correlation	1	-.042	.373**	-.038	.183	.091
	Sig. (1-tailed)		.372	.001	.384	.077	.241
	N	62	62	62	62	62	62
Legal Services	Pearson Correlation	-.042	1	.170	-.099	.361**	-.116
	Sig. (1-tailed)	.372		.094	.222	.002	.184
	N	62	62	62	62	62	62
Insurance Services	Pearson Correlation	.373**	.170	1	-.168	.290*	.066
	Sig. (1-tailed)	.001	.094		.096	.011	.304
	N	62	62	62	62	62	62
Computer and Software Services	Pearson Correlation	-.038	-.099	-.168	1	-.076	-.394**
	Sig. (1-tailed)	.384	.222	.096		.279	.001
	N	62	62	62	62	62	62

Catering Services	N	62	62	62	62	62	62
	Pearson Correlation	.183	.361**	.290*	-.076	1	-.113
	Sig. (1-tailed)	.077	.002	.011	.279		.192
Organizational Performance	N	62	62	62	62	62	62
	Pearson Correlation	.091	-.116	.066	-.394**	-.113	1
	Sig. (1-tailed)	.241	.184	.304	.001	.192	
	N	62	62	62	62	62	62

** . Correlation is significant at the 0.01 level (1-tailed).

* . Correlation is significant at the 0.05 level (1-tailed).

In table 4.8 all the independent variables namely security services, legal services, insurance services, computer and software services and catering services correlate either in some instances positively or negatively with organisational performance in different degrees. This depicts that as the outsourcing services change (decrease/increase), the organisational performance also changes (decrease/increase) in a similar direction. Considering specific services, the results depicted a varying strong and weak correlation depending on the variable in question. Security services at $r=1$, legal services $r=-0.42$, insurance services at $r=0.373$, computer and software services at $r=-0.38$, catering services at $r=0.183$.

This study also assessed the significance of the relationship with its strength where, the smaller the p-level, the more significant the relationship. In the results it was found that the relationship between all the independent variables (security services, legal services, insurance services, computer and software services and catering services) and organisational was significant since

the p-level even though in most cases not less than 0.005 but p was small in most cases. In software services and catering services the p value was less than 0.05 ($p \leq 0.05$).

4.5.2 Model Summary and ANOVA

Table 4.10 shows the results for variations between the dependent and independent variables. R^2 is the coefficient of determination and shows how organizational performance is influenced by security services; legal services, insurance services, computer and software services and catering services.

Table 4.9: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.443 ^a	.197	.125	.38078	.560

a. Predictors: (Constant), Catering Services, Computer and Software Services, Security Services, Legal Services, Insurance Services

b. Dependent Variable: Organizational Performance

From the Model Summary in Table 4.9, correlation coefficient (R) = 0.443 and R Square = 0.197. The coefficient of determination is such that $0 \leq r^2 \leq 1$, and denotes the strength of the linear association between x and y since these R tend towards 1, this indicates a strong relationship between the independent variable (outsourcing services). As shown in table 4.8 overall p value for the null hypothesis (tests of significance of the model) showed a significant relationship between outsourcing services and organizational performance at 0.28 as shown in table 4.9. This shows that the relationship between outsourcing services and organizational performance was not very significant $p < 0.05$. We can conclude that this model cannot be used to predict the outcome of outsourcing services on organizational performance of universities in Kenya.

In addition, table 4.9 shows R^2 of .197 for the model, this means that the independent variables in the model (security services, legal services, insurance services, computer and software services and catering services) 19.7% explanation of the variance in organizational performance. This implies that variations in independent variables causes 19.7% change in dependent variable. But, the conservative explanation offered by adjusted R square was 12.5% which shows a relatively weak relationship such that the predictors identified in this study might not be great influencers of organizational performance of universities under study. This may also imply that there are there are other factors that affect organizational performance other than the outsourced services as identified in this study. Hence, this implies that security services; legal services, insurance services, computer and software services and catering services contribute to organizational performance and this numerical evidence is enough to support a contrary notion that there exists a strong relationship between the study variables.

Table: 4.10: ANOVA Results

ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	1.986	5	.397	2.740	.028 ^b
Residual	8.120	56	.145		
Total	10.106	61			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Catering Services, Computer and Software Services, Security Services, Legal Services, Insurance Services

The results in table 4.10 show that the F statistic was 10.106 and was significant at 2.8% level of confidence ($p = 0.028$). This means that the model was not the best to explain the relationship between outsourcing services (catering services; computer and software services, security services, legal services and insurance services) and organizational performance.

4.5.3 Distribution of Coefficients

The table (4.10) below measures the individual relationship between the various variables, that is, outsourced services versus organizational performance. The table also shows the coefficient Betas for each of the predictor and its values indicate the individual contribution of each predictor to the model.

Table 4.11: Distribution of coefficients

Model	Coefficients					
	Unstandardized Coefficients	Standardized Coefficients	T	Sig.	Collinearity Statistics	
	Std. Error	Beta			Tolerance	VIF
(Constant)	8.466	2.491		3.398	.001	
Security Services	.147	.225	.086	.652	.517	.835
Legal Services	-.153	.179	-.112	-.855	.396	.842

Insurance Services	.066	.420	.021	.158	.875	.781
Computer and Software Services	-1.229	.368	-.407	-3.342	.001	.966
Catering Services	-.262	.280	-.125	-.935	.354	.802

a. Dependent Variable: Organizational Performance

As per table 4.11 some of the variables had both strong positive and negative relationship at $t=0.05$ compared to the rest of the variables. The researcher deduced that the coefficients that are negative indicate that as continuous outsourcing services increases by a scale organization performance will decrease by same scale provided all other independent variable are constant. The positive t-values for all the independent variables (security services; legal service, insurance services, computer and software services and catering services factual approach to decision making) show that they impact positively on organizational performance. This therefore suggests that outsourcing services have a positive impact on organizational performance.

In addition to t-values, computer and software services had $p=0.01$ this indicates how the relationship is significant whereas legal services, insurance, and security had more than 0.05 ($P>0.05$) implying that they are significant factors affecting organizational performance.

From table 4.10 the regression model the following regression equation was derived:

$$Y = 8.466 + 0.147 X_1 + 0.153 X_2 - 0.066 X_3 - 1.229 X_4 + 0.262 X_5$$

Where,

Y= Organizational performance in Universities in Kenya;

β_0 = Constant

X_1 = Security services

X_2 = Legal Services

X_3 = Insurance Services

X_4 = Computer and Software Services

X_5 =Catering services

ϵ = Error term

Constant = 8.466, shows that if outsourcing services practices are all rated as zero or held constant; organizational efficiency would be a factor of 8.466.

$X_1 = 0.147$ indicate one unit increase in security services outsourced results in an increase in organizational performance by a factor of 0.147 and vice versa

$X_2 = -0.153$ indicate that one unit increase in legal services outsourced results in a decrease in organizational performance by a factor of -0.153 and vice versa

$X_3 = 0.066$, shows that one unit increase in insurance services results in an increase in organizational performance by a factor of 0.066 and vice versa

$X_4 = -1.229$, shows that one unit increase in computer and software services results in a decrease in organizational performance by a factor of - 1.229 and vice versa

$X_5 = -0.262$, shows that one unit increase in catering services results in a decrease in organizational performance by a factor of -0.262 and vice versa.

From the above regression model, keeping security services, legal services, insurance services, computer and software services and catering services at a constant, organizational performance in the universities would be a factor of 8.466. Thus, it can be seen that all the independent variables have a positive influence on the dependent variable organizational performance.

4.6 Challenges of Service Outsourcing

The study also intended to establish the challenges that firms face in outsourcing services. The results are shown in table 4.12.

Table 4.12: Challenges of Service Outsourcing

	Mean	Std. Deviation	RANK
Availability of Professional Services	2.06	.957	8
Provision of high quality services	2.79	.846	4
Improved public image	2.48	.891	6
Specialization in core services	3.32	.872	2
Proper management and improved accountability	3.92	.829	1
Diversity of Services	3.11	.859	3
Coordinating the outsourced services	2.72	.710	5
Financing departmental tasks	2.29	.889	7
Overall mean	2.9113	.40703	
Valid N (list wise)			

From table 4.12, the most challenging component was proper management and improved accountability with a mean of 3.92. This was followed closely by specialization in core services with a mean of student hostel security services with a mean of 3.32, Diversity of Services with a mean of 3.11, Provision of high quality services with a mean of 2.79 , Coordinating the outsourced services with a mean of 2.72. Among the least was Improved public image with a

mean of 2.48, Financing departmental tasks with a mean of 2.29 and Training staff to harmonize operations with a mean of 2.06. The overall mean for the challenges was 2.9 indicating that generally the challenges in outsourcing was to a moderate extent.

CHAPTER FIVE: SUMMARY CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter has been structured into summary of findings, conclusions, recommendations and areas for further research. As per study objectives, the study provided answers to research questions as indicated in chapter one. The answers to the research questions were on regression outcome and are further discussed here. The aim of the study was to show the strength of relationships between outsourcing services and organizational performance. Thus, the discussions from the findings as analyzed and presented in chapter four.

5.2 Summary of Findings

The study looked at Service outsourcing and performance of 62 universities in Kenya. The correlation between the variables under study revealed that the independent variables had both a positive and negative correlation with organizational performance of universities although at varying degrees.

5.2.1 Extent of Service Outsourcing by Universities in Kenya

The study sought to establish the extent of outsourcing services by universities in Kenya in the respondent's organizations. The findings relate to various practices namely security services, legal services, insurance services, computer and software services and catering services. The results were summarized using descriptive statistics, mean and standard deviation to be precise.

The results measured on a scale of 1-5 indicated that insurance services outsourcing has affected organizational performance (Universities in Kenya) to a large extent with a mean of 4.25 followed by computer and software services with a mean of 4.02 affect organizational performance (Universities in Kenya) also to a large extent then legal services with a mean of 3.74 followed by catering services with a mean of 2.86 and finally security services at 2.76.

These results imply that Universities in Kenya outsource insurance services, computer and software services and legal services to a large extent. On the contrary, catering services and security services have affected performance to a moderate extent. These findings support (Bacon ,1999) whose insights in his research were that outsourcing was being propelled by a robust demand and the wish among organizations to enhance performance after a nine years collapse, mainly cash flow and to manage people justly while doing it. The economic slump in most countries was driving organizations to determine a way to reduce cost, mostly in providing services. The organization reliance on information had heightened the use of outsourcing (Bacon, 1999).

5.2.2 Service Outsourcing and Performance

The respondents were asked to indicate the relationship between outsourcing services and performance. This results revealed the significance of the relationship with its strength where, the smaller the p-level, the more significant the relationship. In the results it was found that the relationship between all the independent variables (security services, legal services, insurance services, computer and software services and catering services) and organisational performance of universities in Kenya was significant since the p-level even though in most cases less than

0.005 but p was small in most cases. In software services and catering services the p value was less than 0.05 ($p \leq 0.05$).

Furthermore, considering specific services, the results depicted a varying strong and weak correlation depending on the variable in question. Security services at $r=1$, legal services $r=-0.42$, insurance services at $r=0.373$, computer and software services at $r=-0.38$, catering services at $r=0.183$. These findings concur with Mulama (2012) who established that logistics outsourcing processes being embraced by the large production organizations resulted in heightened productivity, overall organizational effectiveness, huge profits, continuous improvement and good quality. According to (Barney, 1991), an organization's competitiveness is acquired from those competencies that are special and are the chief determinants of the organizations' performance.

5.2.3 Challenges of Service Outsourcing

The respondents were asked to indicate the challenges of outsourcing services in the organizational performance Universities in Kenya. The findings showed that the most challenging component was proper management and improved accountability with a mean of 3.92. This was followed closely by specialization in core services with a mean of student hostel security services with a mean of 3.32, Diversity of Services with a mean of 3.11, Provision of high quality services with a mean of 2.79, Coordinating the outsourced services with a mean of 2.72. Among the least was Improved public image with a mean of 2.48, Financing departmental tasks with a mean of 2.29 and Training staff to harmonize operations with a mean of 2.06. The overall mean for the challenges was 2.9 indicating that generally the challenges in outsourcing was to a moderate extent.

These findings support (Willcocks & Feeny, 2006) who mentioned that a principle objection to BPO is the possible loss of competitive advantage through loss of staff skills and expertise, insufficient internal investments and the passing of knowledge and expertise to the suppliers who may be able to seize the initiative for their advantage. In circumstances that services are outsourced in a company, clients gradually lose their understanding of the service over time due to overbearing challenges.

5.3 Conclusions

Overall, outsourcing services and organizational performance in this study was 0.028, this depicted a positive and significant figure at $p < 0.05$. This study is in line with the following researchers who also established a positive relationship in their studies.

Zameer and Ali (2013) stated in his study that the reason for outsourcing by many companies is to allow the companies to focus on the core activities and capitalize in their efficiencies. It strengthens some critical aspects of operation such as structure and flexibility of operations and smooth management. The study findings further show that organizations in need of service outsourcing should make accurate decisions on the kind of services they intend to outsource and which ones will be done internally, while considering the possible risks associated with service outsourcing and calculate the everlasting economic outcome. The study findings further showed that the dependent variable (organisational performance) is influenced by legal services, insurance services, computer and software services in a large extent and catering services with security services at a moderate extent.

5.4 Recommendations of the Study

There are a number of recommendation in relation to outsourcing services and organization performance that can be adopted by Universities in Kenya.

First, Universities in Kenya should work towards improving services to its clients through outsourcing important services. Outsourcing of key services ensures that each component is taken care of efficiently and there is more focus on the services delivery. Outsourcing services in Universities in Kenya depend on how well the universities expect to improve on their performance in areas that are clearly showing laxity in service delivery to meet the expected standards.

Second, Universities should adopt the outsourcing approach to service delivery. Some services are very key to running of the University systems, services such as security, legal insurance computer and software and catering services are very essential and in case there is any problem or laxity, the impact can be widely felt across organization functional areas.

Lastly, for universities in Kenya as service organizations, the goal should be to ensure that services are offered at the most efficient manner. However in light with the challenges mentioned, it is imperative that universities also consider the quality of services they are receiving from the outsourced organizations. Strict measures need to be put in place to curb the challenges since it can become a management burden to explain outsourcing underperforming services compared to what was initially there.

5.5 Limitations of Study

Lack of adequate cooperation, as much as the researcher was able to collect all the required information it was evident that some registrars were hesitant to provide the information as they were too busy, in that case some of the questionnaire were not filled on the spot but had to be left behind and were to be collected later.

Some of the respondents were afraid that they would be victimized since the information being sought was confidential. Some of respondents were unwilling to provide information as their busy schedule was being diverted hence time wasting this made the accuracy of the data to reduce. Most Universities treat their data very confidential this instilled some fear of their own privacy. However, the confidentiality was assured to respondents that no data would leak and no employee was to be linked.

Lack of information from the respondents was as a result of little exposure in specific area. The respondents being given enough time to consult and give proper and honest answers overcame this. On the same note, the researcher feared that a few cases selected in terms of respondents may not have captured all the issues intended by the researcher hence not able to apply the results to the whole industry.

Most of the respondents from the questionnaires seem to have helped the registrars feel the forms. This is because quite a number of them were diploma holders and the registrars' position would in most cases comprise of persons with higher qualification than that.

5.6 Suggestion for Further Studies

Other studies can be done on impact of outsourcing services on organizational performance measured in terms of other variables other than the ones researched herein. In many instances, Universities in Kenya are judged based on performance and efficiency.

Additionally, a study can be done on the relationship between Universities that outsource their services and those that do not. This comparative study can be used to give more light on the service outsourcing in the Universities and also other related organizations.

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APPENDICES

Appendix I: Where the study was conducted

The study was conducted in the following institutions:

Public universities

1. Laikipia University College
2. Maseno University
3. KimathiUniverstiy College of Technology
4. MasindeMuliroUniversit of Science and Technology
5. Meru University
6. Egerton University
7. University of Nairobi
8. University of Eldoret
9. Kisii University
10. Kenyatta Unversity
11. Moi University
12. Karatina University
13. Chuka University
14. JaramogiOgingaOdingaUniversit of Science and Technology (JOOUST)
15. Jomo Kenyatta University of Agriculture and Technology
16. Multimedia University of Kenya
17. Technical University of Mombasa
18. Pwani University College

19. Technical University of Kenya

Public universities- constituent colleges

1. Bondo University College
2. Cooperative University College of Kenya
3. Embu University College
4. Kibabii University College (KIBUCO)
5. Machakos University College
6. Murang'a University College (MRUC)
7. Rongo University College
8. South Eastern University College Kenya
9. Taita Taveta University College

Chartered private universities in Kenya

1. Africa International University
2. Africa Nazarene
3. Daystar University
4. Great Lakes University of Kisumu
5. Kabarak University
6. KCA University (KCAU)
7. Kenya Highlands Evangelical University
8. Kenya Methodist University (KeMU)
9. Mt. Kenya University
10. Pan Africa Christian University-PAC
11. Scott Christian University

- 12.St.Pauls University
- 13.Strathmore University
- 14.The Catholic University of Eastern Africa (CUEA),
- 15.United States International University – USIU
- 16.University of Eastern Africa, Baraton
- 17.The Management University of Africa

Private universities in Kenya with letters of interim authority

- 1.Africa International University
- 2.Africa Nazarene
- 3.Daystar University
- 4.Great Lakes University of Kisumu
- 5.Kabarak University
- 6.KCA University (KCAU)
- 7.Kenya Highlands Evangelical University
- 8.Kenya Methodist University (KeMU)
- 9.Mt. Kenya University
- 10.Pan Africa Christian University-PAC
- 11.Scott Christian University
- 12.St.Pauls University
- 13.Strathmore University
- 14.The Catholic University of Eastern Africa (CUEA),
- 15.United States International University – USIU
- 16.University of Eastern Africa, Baraton

17.The Management University of Africa

Private universities in Kenya- Constituent colleges

1.Hekima University College

2.Marist International University College (MIUC)

3.Tangaza University College

4.Uzima University College

5.Regina Pacis University College

Appendix II: Questionnaire

Questionnaire for university registrars

Data Collection Instrument

This is a research aimed at understanding Adoption of continuous improvement practices and efficiency in the banking industry. Please note that the information provided shall be treated with utmost confidentiality and are for academic purposes only. Your honest participation in this survey will be highly appreciated. Please answer below by ticking (√) accordingly.

Part A. Bio data of University

1. For how long has your institution been in existence?

Below 5 years ()

Between 5 to 10 years ()

Between 10 to 15 years ()

Between 15 to 20 years ()

Above 20 years ()

2. For how long have you worked for the current employer?

Below 5 years ()

Between 5 to 10 years ()

Between 10 to 15 years ()

Between 15 to 20 years ()

Above 20 years ()

3. What is the average student population in your institution?

Below 500 ()

Between 500 to 1000 ()

Between 1000 to 2000 ()

Between 2000 to 3000 ()

Above 3000

4. What is your level of education?

Certificate/Diploma ()

Degree ()

Masters ()

PhD ()

PART B: Services Outsourced

Answer the questions by ticking (√) accordingly as per the scale below

Indicate to what extent your organization has outsourced the following services using the following scale;

1. Not at all 2.To a small extent 3.To a moderate extent 4.To a large extent 5.To a very large extent.

Tick(√) once	1	2	3	4	5
i) Security Services					
Student Hostel Security					
Campus surveillance Cameras					
University Senior Staff Security					
Campus Gate Security					
ii) Legal Services					
University Internal Litigation					
Inter Parties External Litigation					
iii) Insurance Services					
Senior Staff Insurance					
Student Insurance cover					
Administration Asset Insurance					
iv) Computer and Software Services					
Repairs					
Acquisition of New Computers					
Software Installation					

Software Management					
v)Catering Services					
Staff Meeting Food					
Student Canteen Services					
Special Functions Catering					

PART C: Organizational Performance

Please indicate the extent to which outsourcing of services enables our organization to achieve the following benefits.

Answer the questions by ticking (√) accordingly as per the scale below

To what extent do changes in technology influence outsourcing of services?

1. Very High Extent
2. High Extent
3. Moderate Extent
4. Low Extent
5. Lowest Extent.

Tick(√) once	1	2	3	4	5
Speed of delivery of service					
Timeliness					

Quality of service delivered					
Cost incurred					
Staff Ability to adopt the new system					
Improved documentation and serviceability					
Fastened capture of organization performance by readily available data.					
Efficiency in service delivered					

PART D: Challenges of Outsourcing

To what extent does competition influence outsourcing of services?

- Very High Extent
- High Extent
- Moderate Extent
- Low Extent
- Lowest Extent

Please indicate the extent to which outsourcing of services enables our organization to achieve the following benefits.

Answer the questions by ticking (√) accordingly as per the scale below

- 1. No Extent. 2. Little Extent 3. Moderate Extent 4. Great Extent
- 5. Very Great Extent.

Challenges	1	2	3	4	5
i) Availability of professional Services.					
ii) Provision of high quality service.					
iii) Improved public image.					
iv) Specialization in core services.					
v) Proper management and improved accountability					
vi) Diversity of Services					
vii) Coordinating the outsourced services					
viii) Financing departmental tasks					
ix) Training staff to harmonize operations					

To what extent do changing consumer preferences influence outsourcing of services?

Very High Extent High Extent Moderate Extent

Low Extent Lowest Extent

Indicate what you consider as the appropriate rating in regard to Outsourcing of Services?

1. Very Important 2. Important 3. Less Important 4. Not Important

Services	1	2	3	4	5
i) Increased Efficiency in responding to services requested by clients					
<ul style="list-style-type: none"> • Timeliness 					
<ul style="list-style-type: none"> • Cost per particular output 					
ii) Consumers Satisfaction					
<ul style="list-style-type: none"> • Overall Satisfaction 					
<ul style="list-style-type: none"> • Conversion rate 					
iii) Quality of Service					
<ul style="list-style-type: none"> • Customer Retention 					
<ul style="list-style-type: none"> • Employee productivity 					

Outsourcing of Services

Services	1	2	3	4	5
i) Increased Efficiency in responding to services requested by clients					
• Timeliness					
• Cost per particular output					
ii) Consumers Satisfaction					
• Overall Satisfaction					
• Conversion rate					
iii) Quality of Service					
• Customer Retention					
• Employee productivity					