

**0 IMPACT OF OUTSOURCING OF TRAINING SERVICES ON SUPPLY CHAIN  
PERFORMANCE IN GOVERNMENT PARASTATALS: A CASE STUDY OF KENYA  
POWER & LIGHTING COMPANY (KPLC) LIMITED**

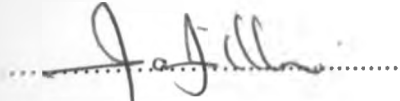
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**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE MASTER OF  
BUSINESS ADMINISTRATION (MBA) DEGREE, SCHOOL OF BUSINESS,  
UNIVERSITY OF NAIROBI**

**OCTOBER, 2012**

## DECLARATION

This research project is my original work and has not been presented for a degree in any other University.

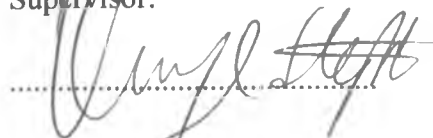
  
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This research project has been submitted for examination with my approval as University Supervisor:

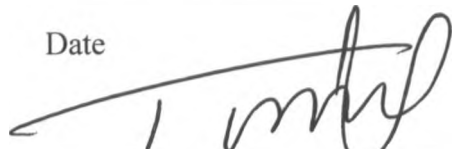
  
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## **DEDICATION**

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## **ACKNOWLEDGEMENTS**

My foremost gratitude goes to God Almighty who renewed my strength at every single stage of doing this proposal.

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## ABSTRACT

Outsourcing is growing at a rapid rate throughout the world because organizations view it as a way to achieve strategic goals, improve customer satisfaction and provide other efficiency and effectiveness improvements. Outsourcing assists management focus all their intellectual resources, expertise and time on the distinctive competencies that give the firm an edge in the market. With the increasing globalization, outsourcing has become an important business approach, and a competitive advantage may be gained as products or services are produced more effectively and efficiently by outside suppliers.

The objective of the study was to determine the impact of outsourcing of training services in Kenya Power and Lighting Company. The research design for the company was descriptive research design. Data was collected using a questionnaire which consisted of both open and closed ended questions. The data collected was analyzed using descriptive statistics and classified, tabulated and summarized using descriptive measures, percentages and frequency distribution tables and graphs.

The findings of the study was that the the company considers past supplier performance, competence, cost, flexibility, right time, qualification, professionalism, experience, reputation, right quality of service and type of relationship before deciding the company to outsource the service to. The performance of supply chain was being influenced by quality of service, supplier management, supplier relationship, supplier selection, time service delivered and the internal assessment of criticality of business activities. The risks facing the company as a result of outsourcing training services was found to be loss of command of outsourced service, over reliance of external parties, loss of confidentiality, loss of control in decision making, limited flexibility, low quality work and limited time. The benefits the company derived from outsourcing the service was found to be reduced costs and improvement of its competitive position, increased productivity, focusing on the core competence and strategic flexibility through changes in external flexibility, functional flexibility, change in product range, workplace flexibility and internal flexibility.



# CHAPTER ONE: INTRODUCTION

## 1.1. Background of the Study

In today's world public sector organizations can hardly ignore the opportunities for cutting down costs. As pressure mount on the heads of procurement and chief executives to contribute more to efficiency, they tend to outsource non-core functions as a measure to cut down costs and increase efficiency. The benefits of buying services from specialized suppliers have been recognized for many years. More recently the scope of service considered for outsourcing has been extended considerably. In the recent years privatization of activities in the public sector has been driven by the Government in order to improve efficiency and effectiveness of the public sector bodies. (Baily et al. 2008)

This has led to an increase in discussion of outsourcing of training services in government parastatals as well as the advantages and disadvantages of outsourcing of training services of the non-core functions to the experts. The current attitude is that outsourcing of training services is possible but care must be exercised not to outsource what an organization does best (Kotler, 2003).

Outsourcing is the strategic use of resources outside the company to perform tasks that are usually handled internally by the company itself. Baily et al, (2008) defines outsourcing as a contractual relationship between an external vendor and an enterprise in which the vendor assumes one or more business functions of the enterprise. Outsourcing is essentially the contracting out of non-core activities. That is not to say that your activities are unimportant.

Although the positive impacts of outsourcing of training services are evident in many academic literatures and texts, empirical findings scarce. This paper attempts to examine the impact of outsourcing of training services in government parastatals. It must be highlighted that the effectiveness of outsourcing is measured using perceived measures as described by Elmuti, (2003).

Outsourcing of training services is valuable if it identifies the factors that should be considered when decisions about outsourcing of training services are made. As organizations battle to get the most from outsourcing of training services, the determinants that foster outsourcing of

training services are paramount. Despite the established importance of the determinant of outsourcing of training services in influencing the success of the process, and consequently improving the performance of the firm, researchers have given little attention to the determinants (Hancox and Hackney, 2000).

Therefore, outsourcing of training services when properly structured and monitored can lead to numerous benefits such as reduced operating costs, improved service delivery and increased efficiency and innovation.

### **1.1.1 Concept of Outsourcing.**

The word outsourcing defines the process of transferring the responsibility for a specific business function from an employee group to a non-employee group. It refers to contracting out of non-core activities (Tarlochan (2001). Outsourcing of training services is therefore concerned with the external provision of functional activity. Outsourcing of training services decisions are strategic in nature and consequently their decisions are not taken at the operational level or at the tactic level but at the top management level. According to Kotler (2003) more organizations prefer to own brand rather than physical assets. Kotler (2003), further states that companies are moving toward hiring outside parties to provide almost all services.

Companies outsource a wide range of services aimed at creating competitive advantages. These are accounting and financial services, human resource services, customer care services, security services, catering and cleaning services. This is because these services are non-core and repetitive in nature thus similar in almost all organisations. Furthermore they can be done by an outside company at cheaper cost or at the same cost but in better ways (Quinn, 1999).

Many organizations focus on course price when measuring training cost, but they often fail to recognise that the majority of their training cost is swallowed up by the management, coordination and administration involved in delivering learning and development activities which is where outsourcing of training services becomes important and cost effective (Kotler, 2003).

Outsourcing of training services is essential to companies. Successful companies share the same success factors, they have clear understanding of their core-activities, have done adequate research and planning; and most importantly have developed clear objectives, goals and expectations of outsourcing of training services activities. Another important ingredient for

success is a good partner. Essentially in outsourcing of training services, the relationship between the companies and their partners are based on trust and contracts. So it is essential that the right partners are selected based on criteria like credibility, expertise, and reliability. This will eventually lead to closer ties and relationships (Barthelemy, 2003).

### **1.1.2 Outsourcing in Government Parastatals**

Outsourcing is one of supply chains best practices. It is a strategy used by most government parastatals to archive overall supply chain performance. Procurement of goods and services in public institutions is complex On one hand there is the need to ensure best value for money on behalf of the taxpayers, and the need to ensure that the process to archive this are fair and open to scrutiny. On the other hand there is considerable pressure to make savings ((Baily et al, 2008).

### **1.1.3 Kenya Power and Lighting Company Ltd. (KPLC)**

Kenya Power and Lighting Company Limited (KPLC) is a limited liability company, where the majority shareholder is the government of Kenya and its institutions, while the rest is owned by private shareholders ([www.kplc.co.ke](http://www.kplc.co.ke)). KPLC is responsible for ensuring that there is adequate line capacity to supply and maintain quality of electricity across the country i.e. distribution and retailing of electricity. Before a major power sector restructuring in 1997, KPLC also managed all generating stations on behalf of the state. Reform of power sector commenced in the early 1990's and has made steady progress. The Electric power Act 1997 and the Energy Act in 2006, accelerated the reform by creating an autonomous regulatory body (KPLC report Q3 2010). KPLC has a training School that was started in 1957 by the then East African Power & Lighting Company Ltd and whose aim is to develop the technical skills needed by the company. However the company outsources training of operations and administrative courses. ([www.kplc.co.ke](http://www.kplc.co.ke))

## **1.2 Statement of the Problem**

Successful major organizations in the public sector recognize that investing in training is vital for future success (Quinn, 1999). However, increasingly in these tight economic conditions, organizations are trying to find ways of improving their commitment to staff training at the same time cutting on costs.

Most corporations believe that in order to increase their performance and employee efficiency, they have to look at efficiency and cost containment rather than relying strictly on revenue increases. As such, it appears that many factors such as pay level, promotional opportunities and demand uncertainty should be considered when deciding to outsource functions or activities. Government agencies are facing several critical issues at once: loss of personnel to retirement, shrinking budgets, and a refocus of Government funding as it deals with unprecedented financial issues (Hancox and Hackney, 2000). The benefits of outsourcing of training services make it well worth considering. The fact is, training is critical to business, but it's not the business most companies are in.

Outsourcing of training services is also used to provide seasonal workforce and to overcome constraints in production capacity. Banerjee, P. (2004) suggests that in order for an out-sourcing strategy to work effectively, companies must proactively manage their outsourcing of training services strategies by establishing top management commitment, global sourcing structures and processes, and global sourcing business capabilities

Locally, studies on outsourcing of training services have been conducted. Kinyua (2000) surveyed outsourcing of training services of selected financial activities by publicly quoted companies in Kenya and found that the practice provided opportunities for cutting down costs and creating competitive advantages; Kirui (2001) conducted a survey on competitive advantage through outsourcing of training services in supply chain services which was a case study of BAT and established that the company outsource non-core services like accounting and financial services, human resource services, customer care services, security services, and cleaning services because they are repetitive in nature resulting in reduction in operating costs; improve service delivery and increase efficiency and innovation; while Chanzu (2002) carried out a research survey of business outsourcing of training services practices amongst private manufacturing companies in Nairobi and found that benefit of outsourcing of training services are substantial and include reduced costs, experienced services and expertise, while Motari (2002) carried out a survey on outsourcing of logistics practices of medium and large Kenyan manufacturing firms and concluded that outsourcing allowed the companies to refocus their resources on their core manufacturing business.

Despite the fact that the outsourcing of training services is drawing quite a bit of attention and the value they bring can be tremendous. It is worth noting that there is no evidence of local studies that have focused on outsourcing of training services in the government parastatals hence leaving a research gap.

This study therefore sought to answer the following research questions.

- i. What are the factors influencing adoption of outsourcing of training services in Kenya Power and Lighting Company Ltd?
- ii. How does outsourcing of training services impact on supply chain performance at Kenya Power and lighting Company?
- iii. What are the challenges of outsourcing training services in Kenya Power and Lighting Company Ltd?

### **1.3 Objective of the study**

This study will be guided by the following research objective.

- i. To establish factors influencing adoption of outsourcing of training services in Kenya Power and Lighting Company Ltd.
- ii. To find out how outsourcing of training services impact on supply chain performance at Kenya Power and Lighting Company Ltd.
- iii. To identify the challenges of outsourcing training services in Kenya Power and Lighting Company Ltd?

### **1.4 Significance of the Study**

The aim of the study was to investigate impact of outsourcing of training services on supply chain performance in government parastatals and to find amongst the factors identified, which ones were likely to enhance and which ones were most likely to inhibit the adoption of outsourcing of training services. In theory several factors are bound to appear.

The study further provided standard criteria of factors influencing adoption of outsourcing of training services strategy for parastatals in the current economic environment.



In addition the study is expected to yield information which will be of much value to government parastatals for future improvement in the field of outsourcing of training services as it endeavours to adopt outsourcing of training services in various fields.

The study is expected to contribute additional knowledge in the discipline of outsourcing of training services by exploring additional factors promoting its use. The study is also likely to establish areas of further research in the field of outsourcing of training services.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Introduction

This chapter discusses the past studies on outsourcing practices in organizations. The chapter reviews the literature on the variable relations in this study. The variables are divided into dependent and independent variables. The dependent variable is the overall performance of an entity in relation to cost efficiency, focus on core competencies and productivity while the independent variables are internal assessment of criticality of business activities, supplier selection, supplier management and supplier relationships. These variables are given in conceptual framework.

#### 2.1.1 Defining Outsourcing

According to Jennings (2002), outsourcing refers to any circumstances where an institution contracts with a different organization for the provision of a service that could equally be provided by a person, unit or department within the organization that requires the service (Best and Khan, 2004). The word outsourcing defines the practice of transferring the responsibility for a definite business function from an employee group to a non-employee group (Qureshi, 2006). Outsourcing is known as a probable source of competitiveness and wealth creation through decreasing costs, scaling without mass, disturbing innovation, and strategic relocation. According to Hadfield et al, (2009), outsourcing of training services provides some leverage that is not available to a company's domestic departments. This leverage can have numerous dimensions: economies of scale, process expertise, access to capital, access to luxurious technology, the mixture of these dimensions creates the cost savings intrinsic in outsourcing.

Outsourcing is a commerce approach whereby a company hires an autonomous outside company to do a number of its non-core company work. (Kotler, 2003). These are accounting and financial services, human resource services, customer care services, security services, and cleaning services. This is for the reason that these services are non-core and recurring in nature thus similar in almost all organizations. Moreover they can be completed by an outside company at cheaper cost or at the equivalent cost but in better ways (CIPS Study Guide, 2006).

Outsourcing is also referred to as contracting out or a form of privatization that refers to an institution's resolution to contract with an external firm to provide utility or service. In the

private sector this involves relinquishing the otherwise internal activities to external service providers to achieve the organizations expectations as driven by the push and pull factors that influence the outsourcing. (CIPS Study Guide, 2006)

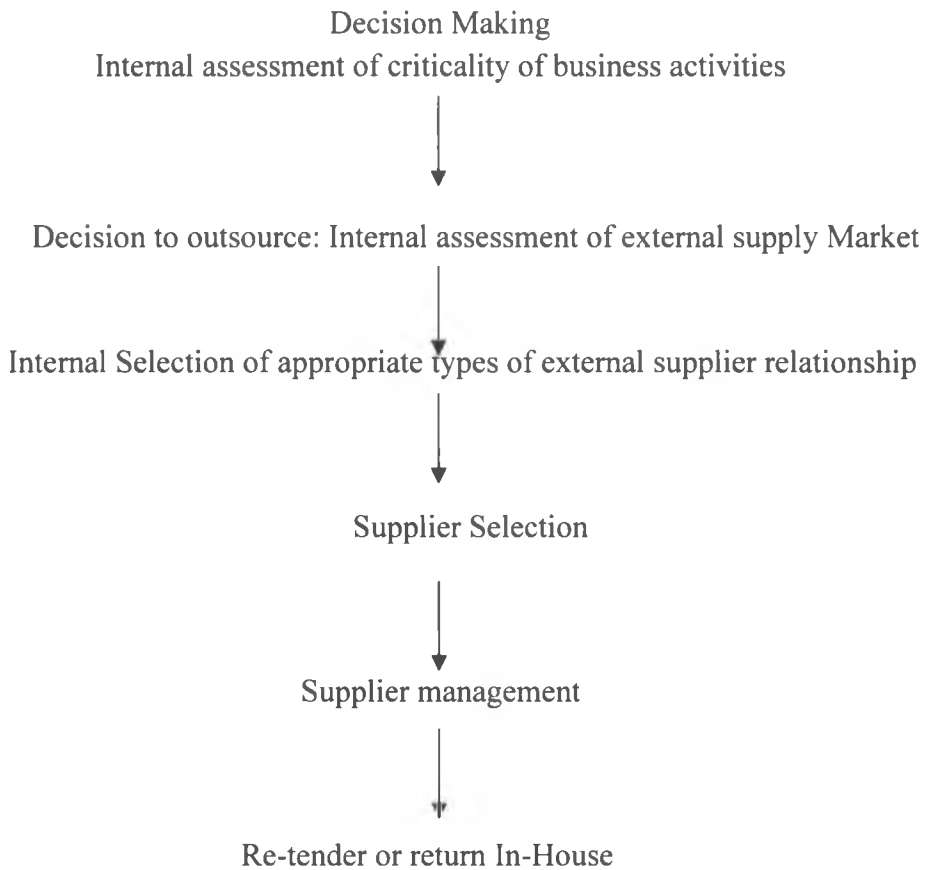
This is a managed process of transferring activities to be performed by others and its main advantage is conceptually based on two strategic pillars the use of domestic resources mainly for the core competencies of the company and the outsourcing of all other (support) activities that are not considered strategic necessities and/or whenever the company does not possess the adequate competencies and skills. (Campbell, 2005)

William, (1999) defines outsourcing as the procurement of products or services from sources that are outside of the organization. Firms should consider outsourcing when it is thought that certain functions can be accomplished faster, cheaper, or better by another organization. Tasks that are not core competencies are candidates for being contracted out. However any skill or knowledge that allows a firm to serve its customer base better is one that ought to remain in house.

### **2.1.2 The Outsourcing process**

There is a demonstrable correlation between the adoption of strategic approach to outsourcing and the achievements of satisfied outcome. Many companies have no formal outsourcing processes, and make shorter decision based on reduction of head counts and cost rather than managing the risks and securing added value and continuous improvement. (Handfield et al. 2009)

**Fig 1.0 Framework or methodology for effective outsourcing strategies.**



Source: (Cox and Dale, 2002)

**Internal Assessment of Criticality of Business Activity:** At this stage companies are allowed to assess the risks of outsourcing in terms of non-core competencies. Companies must have a clear understanding of what business they are in, what activities are noncore and the risks involved in terms of outsourcing.

**Assessment of External Supply Market:** At this stage emphasis is on assessing the supply market. Companies are required to carry out an assessment of the supply market. In addition, capable external sources are established

**Supplier Relationship:** Appropriate partnership and collaborative approaches are imperative if benefits of outsourcing are to be realised. At this stage companies are attempting to select suppliers who have the ability to initiate and develop suitable relationship.

Outsourced functions normally lead to relationships where the vendor is providing services on a continuous basis. The determination of an appropriate relationship within which this continuous service is to be provided is likely to require a very great investment of time and effort at the planning stage. (Baily et al, 2008)

**Supplier Selection:** This stage involves selection of supplier. In order to receive superior level of service and continuous improvement, it is important that we select suppliers who have more specialised knowledge.

**Supplier Management:** Supplier management is imperative. A company must retain a small team with the commercial and technical credibility to manage the contractual relationship and to manage supplier performance over the life of the contract. Firms need to carry out better planning and post contract management to prevent outsourcing ideas from collapsing. (Baily et al, 2008)

**Re Tender or Return to In House:** Finally the retender or return to in House decision must be managed effectively since badly managed terminations of provision of services can cause interruption in service level. Van et al, (2006) found that nearly a quarter of the UK biggest firms have bought an outsourced function and got back in house after failed expectations.

### **2.1.3 Factors affecting Outsourcing**

A major reason firms begin outsourcing work is to decrease their cost of doing business. Many businesses have a call for short-term help for specific projects or tasks. Hiring and training staff for short-term projects is time consuming and costly. Using provisional employees may leave the firm unsatisfied, but outsourcing to companies may be both a time and money saver.

Outsourcing is a viable supply chain option for companies. Businesses outsource for many and varied reasons such as increase shareholder value, reduce costs, improve operations, overcome lack of internal capabilities, keep up with competitors, gain competitive advantage, improve capabilities, increase sales, improve service, reduce inventory, increase inventory velocity and turns, mitigate capital investment, improve cash flow, turn fixed costs into variable costs and other benefits, both tangible and intangible. (CIPS Study Guide, 2006)

Nicholas and Amrik (2004) reports that the fundamental assumption is that outsourcing is becoming popular for sound business due to reasons such as economies of scale and enabling the management and executives to focus on the core business activities of the firm.

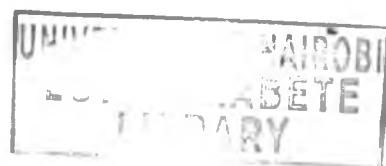
One of the most significant reasons for outsourcing is to enable organizations to focus on core activities. The reasons why companies outsource are varied and factors such as freeing the management hands of non-core activities is one of the key reasons. (CIPS, Study Guide, 2006)

Outsourcing allows organizations to remove functional “silos”, separate departments and barriers between them. This is particularly beneficial to larger, more mature organizations whose strong, hierarchical structures make them less agile. The objectivity of outsourcing is that it relieves organizations of the constraints of cultures, established attitudes and taboos, providing fresh ideas and creativity for new opportunities.

Outsourcing has been particularly evident in logistics where the provision of transport, warehousing and inventory control is increasingly subcontracted to specialists or logistics partners. Also, managing and controlling this network of partners and suppliers requires a blend of both central and local involvement. It is often said that the secret of successful outsourcing is a solid relationship between the two parties. (Handfield et al, 2009)

## **2.2 Supply Chain Performance**

A supply chain is a coordinated flow of materials and services from origins, through suppliers into and through organisations and onto the ultimate end users (Baily et al, 2008). To decide what actions to take to ensure service delivery, it is necessary to measure supply chain performance. Reliable and efficient supply chain is to have the right quality, in the right quantity available at the right place at the right time at the expected cost (Jonsson, 2008). Supply Chain performance can be viewed as both quantitative and qualitative.



### **2.2.1 Quality**

Many output performance measures are easily represented numerically such as number of items produced, time required to produce a particular item and number of on-time deliveries (orders). However, there are also many output performance measures that are much more difficult to express numerically, such as, customer satisfaction, quality of training and product quality.

A minimum level of output is often specified, although the relationship between the costs required to achieve different output levels is not generally considered. What is the added value or cost if the product is delivered early? Likewise, what are the costs if the product is delivered late? Additionally, output measures are based on short, finite time horizons, and address issues such as how many did I produce today? Not how many can I produce tomorrow? Thus, resources affect the output of a supply chain, and the output of the supply chain Measuring supply chain Performance 283 system (quality, quantity, etc.) is important in determining the flexibility of the system. Output performance measures must not only correspond to the organization's strategic goals, but must also correspond to the customers' goals and values, since strategic goals generally address meeting customer requirements (Benita, 2009).

### **2.2.2 Time**

In today's competitive business environment, customers require dependable on-time delivery from their suppliers for both goods and services. In the short term, delivery deviations and in particular late deliveries are disruptive to supply chains. Lead times have serious effects on the coordination among supply chain partners. Therefore, lead time reduction can be viewed as a coordination enabler in supply chain. Lead time reduction has been viewed as an investment strategy (Jonsson, 2008).

## **2.3 Outsourcing as a Supply Chain Best Practice**

As many companies step back and examine their core competencies, some realize that outsourcing parts or all of a supply chain can be advantageous. With marketplace improvements around (1) information media and systems (2) cost and quality of global manufacturing and distribution, and (3) product design capabilities, companies are gaining additional synergies by outsourcing all or parts of their supply chain. There can be significant economic benefits from outsourcing all or part of your supply chain operation, but without the right systems, processes,

or organizational management structure the risk to success can increase to frightening levels. In an outsource-heavy environment companies need to put more controls and systems in place to compensate for the fact that their supply chain capabilities no longer reside onsite. In an outsourced supply chain environment the need for information, controls and excellence from the “information worker” becomes a high priority (Hitachi. 2009).

The traditional outsourcing emphasis on tactical benefits like, focus on core competencies, cost reduction increased, productivity and strategic flexibility. As a result of these benefits the market for all types of outsourced services is rapidly growing.

### **2.3.1 Focus on Core Competencies**

Outsourcing has been prescribed as an important tool for attaining and maintaining a competitive advantage. A core competency lies in an ability to differentiate outputs so that they match a market segment very precisely. Firms are continuing to be highly specialized in product and process technology. Increased specialization implies focus investment in a process or technology, which contributes to greater cost differential among firms. Firms will increasingly focus more on what they excel at, while outsourcing areas of non-expertise (Handfield et al, 2009).

To identify the core competencies requires assessment of the contribution of every activity undertaken in an organisation, to decide whether: has a direct effect on satisfying customers’ needs; would achieve comparable quality more cheaply; of resources to other activities, would earn a superior return; benefits might arise from outsourcing, such as lower inventory cost, reduced management time and improved production flow. An increased focus on a firm's core competencies is an important benefit associated with outsourcing (Gilley and Rasheed, 2000).

In the public sector, there may be particular uncertainty about what is core; and it has been suggested that government may aim to discover its core competencies via a residualisation process (Hancox and Hackney,2000).

### **2.3.2 Cost Efficiency**

If outsourcing is done for the wrong reasons, then it is unlikely that the desired cost savings will be archived. If the objective is cost saving or improved service or being better able to cope with



the flexible demand then outsourcing offering should be well evaluated and monitored. (Baily et al, 2008)

Cost efficiency remains the primary explanation for outsourcing. Firms evaluate outsourcing to determine whether current operating costs can be reduced and if saved resources can be reinvested in more competitive processes.

Some researchers contend that an important source of cost reductions is the outsourcing firm's access to economies of scale and the unique expertise that a large outsourcing vendor can deliver (Anderson and Weitz, 1986; Roodhooft and Warlop, 1999).

### **2.3.3 Productivity**

Several studies seek to explain the relationship between productivity growth and outsourcing. Abraham and Taylor (1996) find that firms "contract out" services with the objectives of smoothing production cycles and benefiting from specialization. Ten Raa and Wolff (2001) find a positive association between the rate of outsourcing and productivity growth.

Efficient firms allocate their resources to activities for which they enjoy comparative advantage. Other activities are increasingly outsourced. Contracting out production of goods and services to a firm with competitive advantages in terms of reliability, quality and cost is emphasized by Perry (1997). Outsourcing not only results in a shift of labour but also exacerbates the productivity differential between outsourcing contract granting firms and outsourcing contract receiving firms (Siegel and Griliches, 1992).

### **2.3.4 Strategic Flexibility**

Several potential benefits may be achieved by outsourcing in-house activities (Harland *et al.*, 2005). One of these benefits is increasing the firm's flexibility capabilities. Because flexibility is viewed as a reaction to environmental uncertainty (Riley and Lockwood, 1997), it is important to extend the notion of flexibility beyond the factory floor linking it to market requirements (Olhager and West, 2002).

Firms may outsource in order to obtain workplace flexibility to face environmental uncertainty and improve performance. However, we have not found any study that has analysed the

concurrent impact of outsourcing and other workplace flexibility dimensions on firm performance.

The potential for improved flexibility may apply not only to the volume of output but also the ability of the organization to change the product range in response to market conditions. Richardson (1996).

#### **2.4 Potential Challenges of Outsourcing.**

Outsourcing is a recent managerial tool and therefore the complete costs are not yet known, which poses a risk in itself. Lack of methodology also causes some outsourcing failures. Nicholas and Amrik (2004) suggests that outsourcing failures are not due to an inherent problem with outsourcing but rather the lack of guiding methodology for managers. (Kremic et al, 2006).

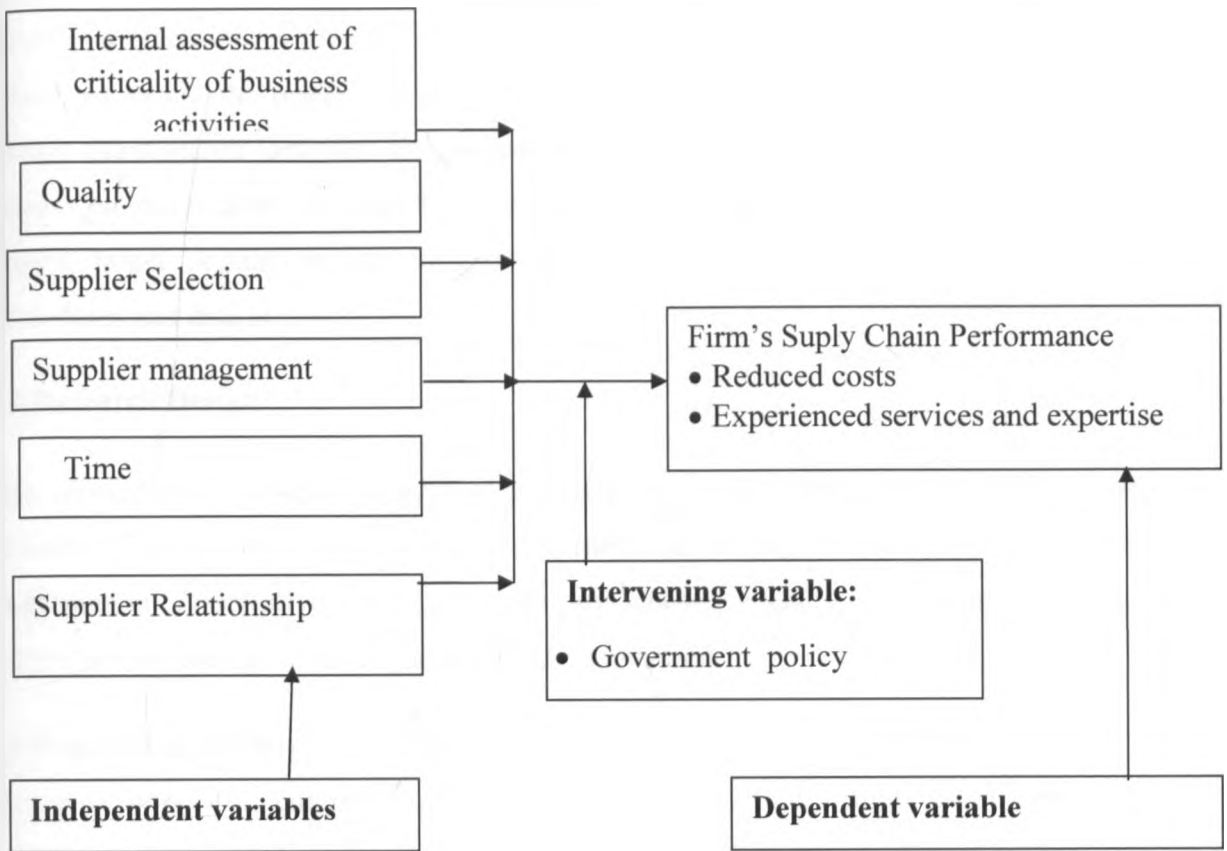
Another difficulty encountered with outsourcing particularly in the public and government parastatals, is the lack of skills within organizations to manage and monitor outsourced functions. It is also noted that outsourcing may fail because of inadequate requirements definition, a poor contract, lack of guidance in planning or managing an outsourcing initiative, or because of poor supplier relations. (Kakabadse, 2005).

While it is recognized that all the potential risks of outsourcing are not currently known, an attempt is made to identify some of the known risks. Some of the potential risks include; unrealized savings with a potential for increased costs, employee morale problems, over dependence on a supplier, lost corporate knowledge and future opportunities, and dissatisfied customers. (Kremic et al, 2006). The degree of these benefits and risks depends on the experience of the supplier and on the preferred type of outsourcing contract.

#### **2.5. Conceptual Framework**

A conceptual framework can be defined as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Reichel and Ramey, 1987). The schematic diagrams below will not only guide the study but will also show the interrelatedness among the key variables in the study as illustrated in Fig. 2.0.

**Fig. 2.0 Schematic diagram showing variable relationships**



Source: Researcher 2012

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter sets out various stages and phases that were followed in completing the study. It involves a blueprint for the data collection. This section is an overall scheme, plan or structure conceived to aid the researcher in answering the raised research questions. Therefore in this section the research identifies the procedures and techniques that were used in the collection, processing and analysis of data. Specifically the following subsections were included; research design, target population, sampling procedure, data collection instruments, data collection procedures and data analysis.

### **3.2 Research Design**

This research study adopted the use of a descriptive research design. According to Cooper and Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon. Descriptive research design was chosen because it enables the researcher to generalise the findings of a sample to a larger population.

### **3.3 Population of study.**

The target population comprised of all managerial staff currently employed at Kenya Power and Lighting Company in Nairobi. The structure of KPLC has classified the staff in three categories, that is, Top, middle and low level management. Top level consisting of executives, senior (middle) management consisting of functional heads and low level management is mainly unionizable staff. For purpose of this study the target population was stratified through top, middle, and low level management.

The top management level was equivalent to the strategic level and comprises the Chief Executive Officer (C.E.O), Head of Departments and the Deputies Head of Departments. The Senior Officer Level was equivalent to the tactical level of management and comprises all the senior and middle level officers in all departments of the company. The senior and middle level officers are tasked with the responsibility of implementing policies made at the strategic level. Finally there were low level officers whose main duty is performing daily tasks which are routine and repetitive in the company.

Thus from the above the target population consist of 600 employees (KPLC HR Records, 2011). Since Kenya Power and Lightning Company is a national Parastatal, the employees were drawn from all over the country. This implies that this population had diverse socio-economic backgrounds that are relevant to this study.

### 3.4 Sampling Procedure

Sampling ensured that some elements of a population are selected as representative of the population. Stratified random sampling technique was used to select the sample. According to Kerry and Bland (1998) the technique produce estimates of overall population parameters with greater precision and ensures a more representative sample is derived from a relatively homogeneous population. Stratification aims to reduce standard error by providing some control over variance. The study grouped the population into three strata i.e. Top Management, Senior Officer and Low Officer Level. From each stratum the study used simple random sampling to select the respondents. According to Bartlett, Kotrlik and Higgins a population size of 600 at five percent significance level should be represented with a sample size of 100 respondents (appendix II), thus the study used a sample size of 100 respondents as shown in the table below.

**Table 1 Sample size**

Category	Population size	Sample size
Top level management	50	8
Middle level management	450	75
Low level management	100	17
Total	600	100

### 3.5 Data Collection Methods and Instruments.

The study used both primary and secondary data. A structured questionnaire was used to collect data. The questionnaire was divided into two sections, section I comprised of general questions relating to the respondents and organization profile while section II comprised of questions relating to the relevance of outsourcing of training services. The researcher adopted drop and

pick questionnaires method. Follow-up was done via personal visits and telephone calls which facilitated responses rate. Primary data was supplemented by secondary data from organization reports and academic journals with relevant information.

### **3.6 Pilot Test**

The researcher carried out a pilot study to pre-test and validate the questionnaire. According to Cooper and Schindler (2003), the pilot group can range from 25 to 120 subjects depending on the method to be tested but it does not need to be statistically selected. To establish the validity of the research instrument the researcher sought opinions of experts in the field of study especially the researcher's supervisor and lecturers in the department. This facilitated the necessary revision and modification of the research instrument thereby enhancing validity

According to Shanghverzy (2003), reliability refers to the consistency of measurement and is frequently assessed using the test-retest reliability method. Reliability is increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures. The researcher intends to select a pilot group of 10 individuals from the target population at KPLC to test the reliability of the research instrument. The pilot study will allow for pre-testing of the research instrument. The clarity of the instrument items to the respondents was established so as to enhance the instrument's validity and reliability. The result helped the researcher to correct inconsistencies arising from the instruments, which ensured that they measure what is intended.

### **3.7 Data Processing and Analysis**

The data analysed using descriptive statistics and regression analysis. Descriptive statistics enabled the researcher to summarize and organize data in an effective and meaningful way. They provide tools for describing collections of statistical observations and reducing information to understandable forms (Frankfort-Nachmias and Nachmias, 1996).

Regression analysis was used to come up with the model expressing the relationship between the dependent variable and independent variables. A multiple regression model was developed to describe the relationship between the dependent and independent variable. The regression equation was of the form:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4$$

Where

Y= Firm supply chain performance (reduced cost)

X<sub>1</sub>= Internal assessment of criticality of business activities

X<sub>2</sub>= Supplier Selection

X<sub>3</sub>= Supplier relationship

X<sub>4</sub>= Right quality of service

Statistical Package for social science [SPSS] was used for the analysis. Results were presented in terms of tables, graphs and pie charts.

# CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

## 4.1 Introduction

The research objective was to establish the impact of outsourcing of training services on supply chain performance in Kenya Power and Lighting Company Limited. This chapter presents the analysis, results and the discussion. The findings are presented in percentages and frequency distributions, mean and standard deviations. A total of 100 questionnaires were issued out. Of the 100 questionnaires issued out, only 78 were returned. This represented a response rate of 78% and this was considered satisfactory for the analysis.

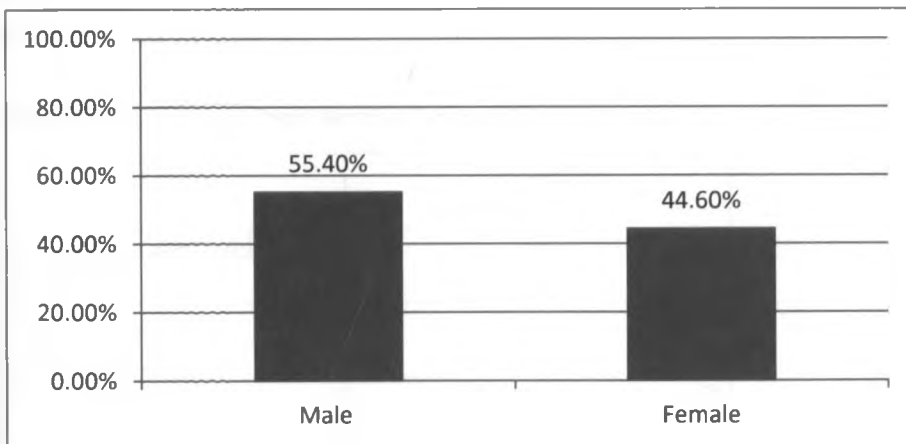
## 4.2 Profiles of the respondents

This section presents the characteristics of the respondents as follows: gender, age, level of education, management level and length of continuous service with the company.

### 4.2.1 Respondents Gender

The researcher sought to establish the respondents' gender and the research findings indicated that, 55.4% were male while 44.6% were female.

**Figure 4.1: Respondents Gender**



### 4.2.2 Respondents age bracket

The respondents were requested to indicate their age bracket.



**Table 4.1: Respondents age bracket**

Years	Frequency	Percent
Under 30	12	15.4
31-40	19	24.4
41-50	30	38.5
over 50	17	21.8
Total	78	100.0

The results in table 4.1 indicates that 38.5% of the respondents were 41 to 50 years, 24.4% of the respondents were between 31 and 40 years, 21.8% of the respondents were over 50 years while 15.4% of the respondents indicated that they were under 30 years. The results indicate that majority of the respondents were above forty years. With the majority of the staff being over 40 years, they will be nearing their retirement age and it will be necessary for the organization to have to introduce younger staff in the levels of respondents to facilitate a flawless succession program and also introduce new views in the decision making process.

#### 4.2.3 Respondents level of education

The respondents' were asked to indicate the level of education they have attained and the results are presented in table 4.2.

**Table 4.2: Respondents level of education**

Years	Frequency	Percent
Post graduate level	30	38.7
University	38	48.7
Tertiary college	7	8.9
Secondary	3	3.7
Total	78	100.0

The results presented in table 4.2 indicate that 48.7% of the respondents had attained university level, 38.7% of the respondents had attained postgraduate level, 8.9% of the respondents were tertiary college level holders while 3.7% had attained secondary level of education. The results

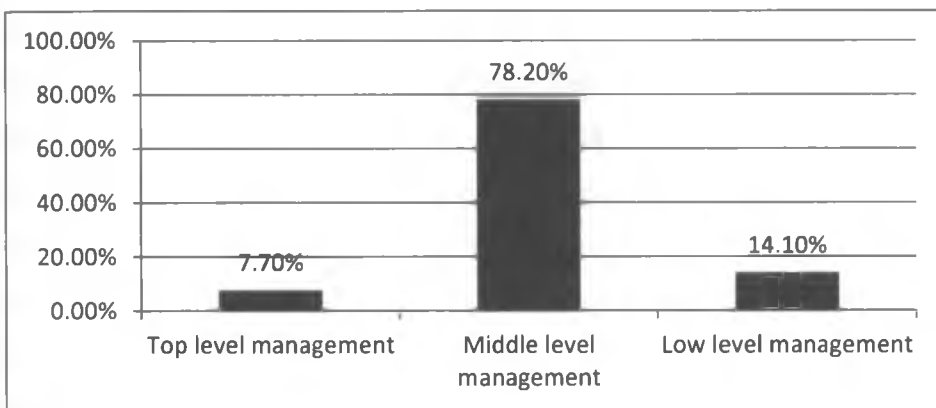
indicates that majority of the respondents were university degree holders and above an indication that the company's' employees have pursued university education.

The staff in the organization can be said to be well trained and have the necessary education to steer the company to greater heights. It is therefore necessary for the management to come up with necessary reward system to retain the same staff. It is also necessary for the management to involve this cadre of staff in decision making and preferable a bottom- up decision making need to be adopted in the company to capture the expertise in the these staff.

#### 4.2.4 Level of management

The respondents were asked to indicate their level of management and the results are presented in figure 4.2.

**Figure 4.2: Level of management**

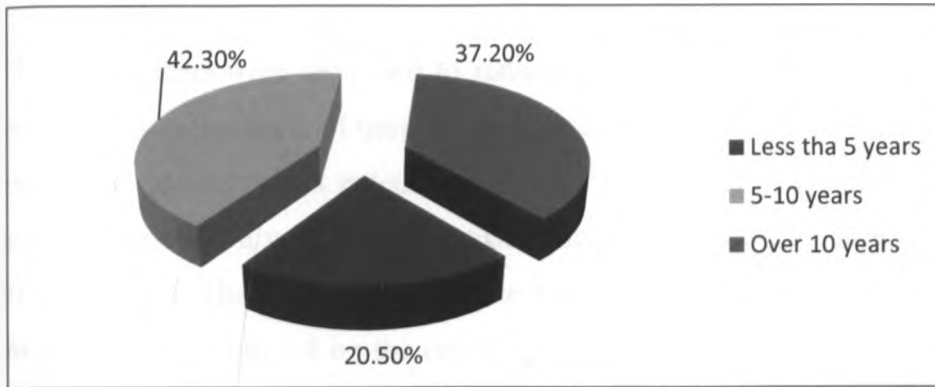


The results in figure 4.2 indicates that 78.2% of the respondents were in the middle level management, 14.1% of the respondents were in the low level management while 7.7% of the respondents were in the top level management. The results indicates that majority of the respondents were the middle level management.

#### 4.2.5 Length of continuous service with KPLC

The respondents were requested to indicate the duration they have worked with KPLC and the results are presented in figure 4.3.

**Figure 4.3: Length of continuous service**



The results in figure 4.3 indicates that 42.3% of the respondents have been working in the company for 5 to 10 years, 37.2% of the respondents indicated that they have worked in the company for over 10 years while 20.5% of the respondents indicate that they have worked in the company for less than 5 years. The results indicate that majority of the respondents have worked on the company for more than five years and thus they understand the impact of outsourcing training services. The implication of this trend is that the companies need to come up with adequate knowledge management policy to preserve the acquired knowledge and retain the same in the case of a loss of an employee. The company should also include a mechanism of rotating the staff in all section and avoid a situation where staff stay long in a section develop an 'empire building' situation.

#### **4.3 Supply chain performance factors to be considered in outsourcing of training services at KPLC**

Firms should consider outsourcing when it is thought that certain functions can be accomplished faster, cheaper, or better by another organization. Outsourcing of training services enables organizations to take advantage of a whole host of benefits and it is fast becoming the preferred model among organizations looking to focus on their core competencies as well as reduce risk, decrease costs and improve the efficiency and effectiveness of all training activities (Elmuti, 2003).

#### **4.3.1 Factors considered important from service providers in outsourcing of training services**

The respondents were requested to indicate the services they consider important from service providers in outsourcing of training services in a five point likert scale. The range was 'very low extent (1)' to 'very great extent' (5). The scores of very low extent and low extent have been taken to represent a variable which had a mean score of 0 to 2.5 on the continuous likert scale; ( $0 \leq S.E. < 2.4$ ). The scores of 'moderate extent' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous likert scale: ( $2.5 \leq M.E. < 3.4$ ) and the score of both great extent and very great extent have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous likert scale; ( $3.5 \leq L.E. < 5.0$ ). A standard deviation of  $>0.7$  implies a significant difference on the impact of the variable among respondents. The results are presented in table 4.5.

**Table 4.3: Factors considered important from service providers in outsourcing of training services**

Factors considered	Mean	Std. Deviation
Qualification	3.8718	.8075
Professionalism	3.7923	.5419
Competence	4.0538	.5303
Experience	3.7821	.4739
Right quality of service	3.5077	.6096
Right time	3.9231	.7344
Cost	4.0436	.6070
Past supplier performance	4.1410	.7849
Type of relationship	3.4513	.8041
Flexibility	3.9692	.7327
Reputation (credibility)	3.6718	.6858

The results in table 4.3 indicate that factors considered important by KPLC from service providers in outsourcing of training services was past supplier performance (mean 4.1410), competence (mean 4.0538), cost (mean 4.0436), flexibility (mean 3.9692), right time (mean 3.9231), qualification (mean 3.8718), professionalism (3.7923), experience (mean 3.7821), reputation (mean 3.6718) right quality of service (mean 3.5077) and type of relationship (mean 3.4513). The low variation of standard deviation indicates that the respondents were unanimous on the factors considered important by the company.

#### **4.3.2 Reasons for outsourcing of training services**

The respondents were asked to indicate the reasons for KPLC to outsource training services

**Table 4.4: Reasons for outsourcing of training services**

Reasons for outsourcing	Mean	Std. Deviation
Lack of in-house expertise	3.1590	1.1949
High administration costs	3.3359	.8579
Improved company focus	4.1179	.5500
High operational costs	3.2872	.8295
Lack of time	3.2077	1.0727
To improve efficiency	4.0897	.6483
Pressure from business environment	3.7692	.9924
Access skills and resources not available in-house.	3.7949	.6264

The findings in table 4.4 on the reasons for the company to outsource training services were that, the company wants to improve its focus (mean 4.1179), improve efficiency (mean 4.0897), the need to access skills and resources not available in-house and due to pressure from business environment (mean 3.7692). The reasons which were being considered by the company to a moderate extent for outsourcing of training services was high administration costs (mean 3.3359), high operational costs (mean 3.2872), lack of time (mean 3.2077) and lack of in-house expertise (mean 3.1590). The high variation of standard deviation for the factors was an indication that the respondents view of the reasons for the company outsourcing training services varied.

#### **4.3.3 Factors influencing supply chain performance**

The respondents were to indicate the extent to which the factors have contributed to the performance of supply chain in KPLC.

**Table 4.5: Factors influencing supply chain performance**

Factors influencing supply chain	Mean	Std. Deviation
Internal assessment of criticality of business activities	3.7821	.5500
Supplier Selection	3.9872	.6930
Supplier management	4.0385	.6921
Supplier relationship	4.0256	.8213
Quality of service	4.2051	.6714
Time service is delivered	3.9744	.7554

Table 4.5 indicates that the factors influencing supply chain performance in the company was the quality of service (mean 4.2051), supplier management (mean 4.0385), supplier relationship (mean 4.0256), supplier selection (mean 3.9872), time service delivered (mean 3.9744) and the internal assessment of criticality of business activities (mean 3.7821). The results indicate that the company's supply chain performance is affected by various factors.

#### 4.3.4 Risk of outsourcing training services

The respondents were asked to indicate the risks of outsourcing training services by the company.

**Table 4.6: Risk of outsourcing training services**

Risk of outsourcing training services	Mean	Std. Deviation
Loss of control in decision making	4.1079	.6575
Loss of command of outsourced service	4.3333	.5504
Limited time	3.6923	.7085
Limited flexibility	4.0256	.8969
Low quality work	3.7949	.8661
Loss of confidentiality	4.1667	.7101
Over reliance of external parties	4.2179	.6770

The results in table 4.6 was that the risks which the company faces in outsourcing of training services was loss of command of outsourced service (mean 4.3333), over reliance of external parties (mean 4.2179), loss of confidentiality (mean 4.1667), loss of control in decision making (mean 4.1079), limited flexibility (mean 4.0256), low quality work (mean 3.7949) and limited

time (mean 3.6923). The results indicate that the company is faced by various risks if they outsource training services and these could affect achievement of the intended objectives.

#### 4.3.5 Factors inhibiting supply chain performance

The respondents were asked to indicate the factors inhibiting supply chain performance during outsourcing of training services by the company.

**Table 4.7: Factors inhibiting supply chain performance**

Factors inhibiting supply chain performance	Mean	Std. Deviation
Outsourcing before being really ready	3.7051	.7913
Increase in costs of administering the outsourcing function	3.6513	.5070
Failure to adhere to quality systems	3.8333	.8283
Poor planning	3.9615	.5908
High rates of redundancies	3.7949	.7271
Holding unrealistic expectations	3.7821	.8319
Dilution of control e.g. the corporation does not have control over the quality	3.6026	.6901
Providing unclear specifications	3.6282	.7404
Leaking of information to competitors	3.1410	.6590
Security threat e.g. the third parties may pose a threat to the operations of the Corporation	3.1718	.6905
Poor structures to manage the outsourcing function well	4.0256	.8524

The factors inhibiting supply chain performance during outsourcing of training services in the company was found to be poor structures to manage the outsourcing function well (mean 4.0256), poor planning (mean 3.9615), failure to adhere to quality systems (mean 3.8333), high rates of redundancies (mean 3.7949), holding unrealistic expectations (mean 3.7821), outsourcing before being really ready (mean 3.7051), increase in costs of administering the outsourcing function (mean 3.6513), providing unclear specifications (mean 3.6282) and dilution of control e.g. the corporation does not have control over the quality (mean 3.6026). Security threat like the third parties posing a threat to the operations of the corporation (mean 3.1718) and leaking of information to competitors (mean 3.1410) was found to inhibit supply chain performance to a moderate extent. There was unanimous agreement among the respondents on



the factors inhibiting supply chain performance as indicated by the low variation of standard deviation.

#### 4.3.6 Benefits of outsourcing training services on supply chain performance at KPLC

The respondents were asked to indicate the benefits of outsourcing training services on supply chain performance in a five point Likert scale. The range was 'strongly disagree (1)' to 'strongly agree' (5). The scores of strongly disagree have been taken to represent a variable which had a mean score of 0 to 2.5 on the continuous likert scale; ( $0 \leq S.E < 2.4$ ). The scores of 'moderate' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous likert scale: ( $2.5 \leq M.E. < 3.4$ ) and the score of both agree and strongly agree have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous likert scale; ( $3.5 \leq L.E. < 5.0$ ). The results are presented in table 4.8.

**Table 4.8: Costs benefits**

<b>Costs benefits</b>	<b>Mean</b>	<b>Std. Deviation</b>
Reduced operating costs and reinvestment in more competitive processes of saved resources	3.8077	.8687
Access to economies of scale and the unique expertise that a large outsourcing vendor can deliver	4.0897	.5390
Contracts are necessarily incomplete, project costs are unknown and outputs are often intangible	3.0308	.8478
The amount of the transaction costs may be used as an indicator for the decision of outsourcing	3.4128	.6740
Transaction costs are thought through together with the production costs	3.8718	.9718
<b>Productivity benefits</b>		
Provide a shortcut to a more competitive product	3.4231	.8756
Contributes little to build the people-embodied skills that are needed to sustain future product leadership	3.5385	.9214
Smoothened production cycles and specialization	3.8077	.7035
Positive association between the rate of outsourcing and productivity growth	3.7436	.7285
Reliance on other organizations to oversee tasks at which it is at a relative disadvantage	3.7564	.6872
Increased managerial attention and resource allocation to those tasks that it does best	3.8205	.9499

Shift of labour but also exacerbates the productivity differential between KPLC and outsourcing contract receiving firms	3.6846	.7892
<b>Focus on core competencies</b>		
Whole sale restructuring of the corporation around core competencies and outside relationship	3.6410	.6441
Core competency lies in an ability to differentiate outputs so that they match a market segment very precisely	3.8205	.5282
Non-core competencies, are considered for outsourcing to the best-in-the-world suppliers	3.7949	.4930
Some non-core activities are retained in house if they are part of a defensive posture to protect competitive advantage	3.5385	.7286
<b>Strategic Flexibility</b>		
Results in workplace flexibility to face environmental uncertainty	4.0128	.4411
Some workplace flexibility practices reduce costs or increase flexibility capabilities	3.7821	.5953
Internal flexibility increase the firm's ability through modifications of the internal labour market or work organization	3.9615	.4952
External flexibility uses changes in the external labour market and outsourcing	4.1538	.4287
Functional flexibility makes the deployment workers to particular tasks more adaptable through multi-skilling teams or job rotation	4.1410	.7849
Improved flexibility apply not only to the volume of output but also the ability to change the product range in response to market condition	4.1282	.7448

The findings in table 4.8 was that the cost benefits of outsourcing training services in the company was access to economies of scale and the unique expertise that a large outsourcing vendor can deliver (mean 4.0897), transaction costs are thought through together with the production costs (mean 3.8718), reduced operating costs and reinvestment in more competitive processes of saved resources (mean 3.8077) and that the amount of the transaction costs may be used as an indicator for decision of outsourcing (mean 3.4128). Contracts being incomplete, project costs are unknown and outputs being often intangible (mean 3.0308) was indicated as

being a benefit to a moderate extent. The findings indicate that the company benefits as a result of outsourcing training services.

The results in table 4.8 indicate that the productivity benefits accruing to the company as a result of outsourcing was that it results in increased managerial attention and resource allocation to those tasks that it does best (mean 3.8205), smoothed production cycles and specialization (mean 3.8077), reliance on other organizations to oversee tasks at which it is at a relative disadvantage (mean 3.7564), positive association between the rate of outsourcing and productivity growth (mean 3.7436), shift of labour but also exacerbates the productivity differential between KPLC and outsourcing contract receiving firms (mean 3.6846), contributes little to build the people-embodied skills that are needed to sustain future product leadership (mean 3.5385) and provide a shortcut to a more competitive product (mean 3.4231).

The findings in table 4.8 was that the focus on core competence benefits the company gain as a result of outsourcing was core competency lies in an ability to differentiate outputs so that they match a market segment very precisely (mean 3.8205), non-core competencies, are considered for outsourcing to the best-in-the-world suppliers (mean 3.7949), whole sale restructuring of the corporation around core competencies and outside relationship (mean 3.6410) and the retention of non-core competencies in house if they are part of a defensive posture to protect competitive advantage (mean 3.5385). Outsourcing of training services by the company will enable it to concentrate on the core competencies thus achieving its objectives.

The strategic flexibility benefits the company achieves as a result of outsourcing was that external flexibility uses changes in the external labour market and outsourcing (mean 4.1538), functional flexibility makes the deployment workers to particular tasks more adaptable through multi-skilling teams or job rotation (mean 4.1410), improved flexibility apply not only to the volume of output but also the ability to change the product range in response to market condition (mean 4.1282), results in workplace flexibility to face environmental uncertainty (mean 4.0128), internal flexibility increases the firm's ability through modifications of the internal labour market or work organization (mean 3.9615) and some workplace flexibility practices reduce costs or increase flexibility capabilities (mean 3.7821). The results indicate that the company benefits as a result of outsourcing training services.

#### 4.4 Regression Analysis

The determinants of firm supply chain performance were investigated from the results of the respondents. From Table 4.4.1 below, the established multiple linear regression equation becomes:

$$Y = -0.887 + 0.07X_1 + 0.009X_2 + 0.14X_3 + 1.008X_4$$

**Table 4.4.1: Results of General Least Square**

Model		Un-standardized Coefficients		Standardized Coefficients	t
		B	Std. Error	Beta	
1	(Constant)	-.887	.618		-1.436
	X <sub>1</sub>	.007	.006	-.349	-1.249
	X <sub>2</sub>	.009	.006	-.585	-1.566
	X <sub>3</sub>	.140	.005	-.017	-.061
	X <sub>4</sub>	.008	.006	.568	1.349

**Source: Researcher 2012**

The intercept of the vertical axis has a value (-0.887) and means that that the point where the independent variables is zero then the performance will be negative. The coefficient of all the independent variables are positive at  $\alpha = 5\%$ , and implies that the increase in the independent variables results in an increase in the firms supply chain performance. From the coefficients, it can be deduced that the most critical factor which affects an organizations supply chain performance is the increased service quality that results from outsourcing of services.

**Table 4.2: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F -statistic
1	.664 <sup>a</sup>	.4409	.339	.2296886	59.4

**Source: researchers' computation**

The  $R^2$ , also called the coefficient of determination, is the percentage of the variance in the dependent variable explained uniquely or jointly by the independent variables and is 66.4 %. This means that 66.4 % of the changes in the firms supply chain performance are explained by the changes in the independent variables in the model. The remaining 33.6% of the changes in the Y is explained by other factors not in the model. The C is the constant, where the regression line intercepts the y axis, representing the amount the dependent y will be when all the independent variables are 0. Here C is -0.887; the probability of the coefficient is significant. The F statistic is used to test the significance of R. Overall; the model is significant as F-statistics is 59.4.

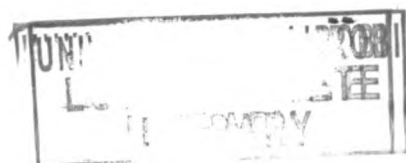
## CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

### 5.1 Summary

The study found out that in order to ensure that they outsource the training services to the organization that will offer services which meets the standards they desired, the company considers past supplier performance, competence, cost, flexibility, right time, qualification, professionalism, experience, reputation, right quality of service and type of relationship. The reasons which the company advances for outsourcing of training services was found to be the need to improve its focus, improve efficiency and access skills and resources not available in-house and due to pressure from business environment. Outsourcing of the services will enable the company to concentrate on its core functions which would enable the company to achieve strategic advantage and at the same time act as a means in which a business condition or problem can be alleviated in a manner that is more efficient or effective than in-house performance of logistics functions. The study established that the performance of supply chain was being influenced by quality of service, supplier management, supplier relationship, supplier selection, time, service delivered and the internal assessment of criticality of business activities.

Although outsourcing of training services is essential to companies, the respondents indicated that as a result of outsourcing training services, the company is faced by risks emanating from loss of command of outsourced service, over reliance of external parties, loss of confidentiality, loss of control in decision making, limited flexibility, low quality work and limited time. The performance of the supply chain was indicated as being affected by poor structures to manage the outsourcing function well, poor planning, failure to adhere to quality systems, high rates of redundancies, holding unrealistic expectations, outsourcing before being really ready, increase in costs of administering the outsourcing function, providing unclear specifications and dilution of control e.g. the corporation does not have control over the quality. The risks and challenges facing the company as they outsource need the management of the company to have a guiding methodology.

The benefits accruing to the company as a result of outsourcing training services were found to be reduced costs, productivity, focus on core competence and strategic flexibility. Reduced costs emanates from the charges outsourcing firm's access to economies of scale and the unique



expertise that a large outsourcing vendor can deliver. Since these outsourcing contract receivers are typically servicing many clients, they often achieve lower unit costs than can any single company. Outsourcing of non-core activities allows the organization to increase managerial attention and resource allocation to its core competence and rely on management teams in other firms to oversee tasks at which the outsourcing firm is at a relative disadvantage. This focus can improve results by allowing the firm to be more effective, more innovative and more skilled in those activities.

## **5.2 Conclusion**

Outsourcing is attractive to senior management because it improves some of the dimensions of organizational performance, however it is essential that the right partners are selected based on past supplier performance, competence, cost, flexibility, right time, qualification, professionalism, experience, reputation right quality of service as these will enable the company to get the most from outsourcing of training services and eventually lead to closer ties and relationships. The study established that the performance of the supply chain was affected by various factors which include quality of service, supplier management, supplier relationship, supplier selection, time service delivered and the internal assessment of criticality of business activities. Despite the benefits of outsourcing training services accruing to the company, the study found out that the company faced risks resulting from loss of command, over reliance of external parties, loss of confidentiality, loss of control in decision making, limited flexibility, low quality work and limited time.

Outsourcing of training services by the company would result in numerous benefits which includes reduce costs and improvement of its competitive position, increased productivity through increased managerial attention and resource allocation to those tasks that it does best, focusing on the core competence differentiating market outputs so that they can match the market segment precisely and strategic flexibility through changes in external flexibility, functional flexibility, change in product range, workplace flexibility and internal flexibility.

### **5.3 Recommendation**

The study found out that the company's supply chain performance was affected by factors resulting from non-adherence of outsourcing process and it is recommended that the company should have a formal outsourcing process so that they can make decisions which would result to management of risks and securing added value and continuous improvement.

The study established that the company faced risks such as loss of command of outsourced service, over reliance of external parties, loss of confidentiality, loss of control in decision making, limited flexibility, low quality work and limited time. It is therefore recommended that the company should put all measures in place to ensure that they do not face severe losses as a result of outsourcing the services. It was found out that the company derives benefits which include reduced, increased productivity, core competence focus and strategic flexibility. It is recommended that the company should not be contented with the benefits and outsources more services as outsourcing of some services does not yield the expected benefits.

### **5.4 Recommendations for further research**

The study was on Kenya Power and Lighting Company a Government Parastatal. This research therefore should be replicated in other state parastatals and the results be compared so as to establish whether there is consistency among the state parastatals on the impact of outsourcing of training services on supply chain performance.



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## APPENDIX I: QUESTIONNAIRE

Feedback on the impact of outsourcing of training services of training services in government parastatals.

### Purpose

The researcher will appreciate your feedback on the impact of outsourcing of training services of training services in government parastatals with special reference to KPLC. The information is useful for planning for the future adoption of outsourcing training services strategy at KPLC. Please give your honest opinion as freely as possible.

### SECTION A: GENERAL INFORMATION

- i. Name/Employee No.(Optional)-----
- ii. Profession-----
- iii. Department-----
- iv. Year Employed-----
- v. No. of working years in KPLC -----
- vi. Gender (Male/Female) -----
- vii. Age-----
- viii. Level of Education (choose the highest level attained).Please tick.
  - Postgraduate
  - Degree
  - Diploma
  - Others (please specify) .....

**SECTION B: SUPPLY CHAIN PERFORMANCE FACTORS TO BE CONSIDER IN  
OUTSOURCING OF TRAINING SERVICES AT KPLC**

1. To what extent does KPLC consider each of the following factors as important from service providers in outsourcing of training services?

	Very great extent	Great extent	Moderate extent	Little extent	Not at all
Qualification.					
Professionalism.					
Competence.					
Experience.					
Right Quality service.					
Right Time.					
Cost.					
Past supplier performance.					
Type of Relationship.					
Flexibility.					
Reputation (credibility).					
Any other criteria (specify).					

2. In the space provided below, please indicate 3 common supply chain best practices applied at KP&LC.

.....  
 .....

.....  
 .....  
 3. Please rate the extent to which you agree /disagree with each of the following statements reasons for company outsourcing of training services.

	Strongly agree	agree	neutral	disagree	Strongly disagree
Lack of in-house expertise.					
High administration costs.					
Improved company focus on core competencies.					
High operational costs.					
Lack of time.					
To improve efficiency.					
Pressure from business environment.					
Access skills and resources not available in-house.					

4. Apart from policies what other factors in your opinion may have contributed to the adoption of outsourcing of training services at KPLC. Please indicate them in the space provided below.

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 .....  
 .....

5. (Elmuti, 2003). Outsourcing as one of supply chain trends is said to influence the supply chain through various factors, some of the factors are listed here-below. On a scale of 1 to 5 where 1 is Very High, 2 is High, 3 is Average 4 is Low and 5 is Very Low. To what extent do you think each of the listed factors has contributed to the performance of supply chain in KPLC?

Factors	1	2	3	4	5
Internal assessment of criticality of business activities.					
Supplier selection.					
Supplier management.					
Supplier relationship.					
Quality of service.					
Time service is delivered.					



6. To what extent do you agree with each of the following as risk of outsourcing training services?

	Strongly agree	agree	neutral	disagree	Strongly disagree
Loss of control in decision making.					
Loss of command of outsourced service.					
Limited time.					
Limited flexibility.					
Low quality work.					
Loss of confidentiality.					
Over reliance of external parties.					

7. Certain factors are an obstacle toward ensuring the success of outsourcing in the Corporation. These factors are referred to as the inhibiting factors. In the space provided below please indicate the inhibiting factors which are bound to retard adoption of outsourcing strategy in KPLC

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8. Please indicate to what extent each of the listed factors inhibits supply chain performance during outsourcing of training services in K.P.L.C. Each factor is given a varied degree of measuring the rate of inhibition. Choose the degree which you think has inhibited the supply chain performance during outsourcing of training services.

Where 1 is Very Strongly inhibits, 2.Strongly inhibits, 3.Averagely inhibits. 4. Small inhibits 5.Does not inhibit at all.

Factors	1	2	3	4	5
Outsourcing before you are really ready.					
Increase in costs of administering the outsourcing function.					
Failure to adhere to quality systems.					
Poor planning.					
High rates of redundancies.					
Holding unrealistic expectations.					
Dilution of control e.g. the corporation does not have control over the quality.					
Providing unclear specifications.					
Leaking of information to competitors.					
Security threat e.g. the third parties may pose a threat to the operations of the Corporation.					
Poor structures to manage the outsourcing function well.					

In your own opinion please indicate measures which need to be put in place to mitigate the effects of the inhibiting factors.

.....

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.....

9. What is your level of agreement with the following statements that relate to the various benefits of outsourcing of training services on supply chain performance at KPLC? Use a scale of 1-5 where 1= strongly agree and 5 = strongly disagree.

<b>Costs</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
KPLC evaluate outsourcing to determine whether current-operating supply chain costs can be reduced and if saved resources can be reinvested in more competitive processes.					
An important source of supply chain cost reductions is the KPLC's access to economies of scale and the unique expertise that a large outsourcing vendor can deliver.					
At KPLC contracts are necessarily incomplete, project costs are unknown and outputs are often intangible.					
The amount of the transaction costs may be used as an indicator for the decision of outsourcing at KPLC.					
At KPLC transaction costs are thought through together with the production costs.					
<b>Productivity</b>					
Outsourcing at KPLC provide a shortcut to a more competitive product					
Outsourcing at KPLC typically contributes little to build the people-embodied					

skills that are needed to sustain future product leadership.					
KPLC contract out services with the objectives of smoothing production cycles and benefiting from specialization.					
There is a positive association between the rate of outsourcing and productivity growth at KPLC.					
Contracting out allows KPLC to rely on management teams in other organizations to oversee tasks at which it is at a relative disadvantage.					
Contracting out allows KPLC to increase managerial attention and resource allocation to those tasks that it does best.					
Outsourcing not only results in a shift of labor but also exacerbates the productivity differential between KPLC and outsourcing contract receiving firms.					
<b>Focus on Core Competencies</b>					
Sourcing at KPLC entails the whole sale restructuring of the corporation around core competencies and outside relationship.					
A core competency at KPLC lies in an ability to differentiate outputs so that they match a market segment very precisely.					
At KPLC activities, which are not core competencies, are be considered for outsourcing with best-in-the-world suppliers.					
Some non-core activities are retained in house if they are part of a defensive posture to protect competitive advantage.					
<b>Strategic Flexibility</b>					
KPLC outsource in order to obtain workplace flexibility to face					

environmental uncertainty					
Workplace flexibility practices like multi-functional teams or temporary contracts are also aimed at reducing costs or increasing the flexibility capabilities of KPLC.					
Internal flexibility at KPLC involves efforts to increase the firm's ability to adjust to changing circumstances through modifications of the internal labour market or work organization					
External flexibility at KPLC uses changes in the external labour market and outsourcing					
Functional flexibility at KPLC makes the deployment of individual workers to particular tasks more adaptable by implementing workplace practices such as multi-skilling teams or job rotation					
The potential for improved flexibility apply not only to the volume of output but also the ability of KPLC to change the product range in response to market condition					

10. What are some of the challenges facing your firm in its outsourcing venture?.....  
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11. How has the firm managed to resolve those challenges mentioned above?.....  
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**Appendix II: Table for Determining Minimum Returned Sample Size for a  
Given Population Size for Continuous and Categorical Data**

Population Size	Sample size					
	Continuous data (margin of error=.03)			Categorical data (margin of error=.05)		
	alpha=.10 t=1.65	alpha=.05 t=1.96	alpha=.01 t=2.58	p=.50 t=1.65	p=.50 t=1.96	p=.50 t=2.58
100	46	55	68	74	80	87
200	59	75	102	116	132	154
300	65	85	123	143	169	207
400	69	92	137	162	196	250
500	72	96	147	176	218	286
600	73	100	155	187	235	316
700	75	102	161	196	249	341
800	76	104	166	203	260	363
900	76	105	170	209	270	382
1000	77	106	173	213	278	399
1500	79	110	183	230	306	461
2000	83	112	189	239	323	499
4000	83	119	198	254	351	570
6000	83	119	209	259	362	598
8000	83	119	209	262	367	613
10,000	83	119	209	264	370	623

NOTE: The margins of error used in the table were .03 for continuous data and .05 for categorical data. Researchers may use this table if the margin of error shown is appropriate for their study; however, the appropriate sample size must be calculated if these error rates are not appropriate. Table developed by Bartlett, Kotrlik, & Higgins (1990).