

**FACTORS INFLUENCING OUTSOURCING PRACTICES IN  
NON-GOVERNMENTAL ORGANIZATIONS IN KENYA:  
A CASE OF INTERNATIONAL DRUG REHABILITATION  
CENTRE**

BY

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## DECLARATION

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

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This project report has been submitted for examination with my approval as the university supervisor.

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## **DEDICATION**

This project report is dedicated to my loving wife, Pauline Ongadi and sons Shalam and Baraka and daughter Neema for their love, patience and support they have accorded me.

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My utmost thanks go to the Almighty God for this far He has brought me. I owe my life and success to Him. My very special thanks go to my supervisor, Dr Angeline Mulwa, for her support and insightful guidance through every stage of the project. I am most grateful for her keen interest in the successful completion of this project. My sincere gratitude goes to the management and staff of International Drug Rehabilitation Centre for allowing me to conduct a case study on their company. I particularly appreciate the time and effort of the managers and staff I interviewed for the completion of my study.

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## **ABBREVIATIONS AND ACRONYMS**

<b>3PL</b>	Third-party Service Provider
<b>ADA</b>	Alcoholism and Drug Abuse
<b>AITEC</b>	African I.T. Exhibitions and Conferences
<b>BATNA</b>	Best Alternative to a Negotiated Agreement
<b>BPO</b>	Business Processing Outsourcing
<b>CBO</b>	Community Based Organizations
<b>CEO</b>	Chief Executive Officer
<b>CILT</b>	Chartered Institute of Logistics and Transport
<b>CIPS</b>	Chartered Institute of Purchasing and Supply
<b>CRM</b>	Customer Relationship Management
<b>CS</b>	Customer Service
<b>CSO</b>	Civil Society Organization
<b>FBO</b>	Faith Based Organization
<b>HIV</b>	Human Immunodeficiency Virus
<b>IDREC</b>	International Drug Rehabilitation Centre
<b>IT</b>	Information Technology
<b>MOH</b>	Ministry of Health
<b>MOPH&amp;S</b>	Ministry of Public Health and Sanitation
<b>NGO</b>	Non-Governmental Organization
<b>RH</b>	Reproductive Health
<b>SA</b>	Substance Abuse
<b>SQ</b>	Service Quality
<b>STI</b>	Sexually Transmitted Infection
<b>TQM</b>	Total Quality Management
<b>UN</b>	United Nations

## **ABSTRACT**

This study was on the Factors Influencing Outsourcing Practices in NGOs in Kenya: A Case of International Drug Rehabilitation Centre (IDREC). Of late, NGOs have adopted outsourcing as a strategy to reduce internal financial wastage, cutting costs and being responsive to donor requirements, enabling the NGOs concentrate on the mission for which they were set. Outsourcing entails shifting of traditional corporate activities to parties outside of the firm with the aim of gaining access to world class capabilities. Under the relentless pressure to compete, companies globally are striving to increase the quality of their goods and services and at the same time reduce costs. This study focused on five major objectives. First it tried to identify the factors influencing outsourcing practices in the NGO industry. Secondly, it sought to establish the strategies adopted to cope with the challenges of outsourcing and thirdly, it sought to determine the impact of outsourcing on the level of customer service. This study was being conducted through a survey to establish the responses. Data was collected from primary sources through personal interviews and questionnaires from respondents who are employees at International Drug Rehabilitation Centre. The data obtained was then analysed and interpreted using content analysis technique. The study identified a number challenges that International Drug Rehabilitation Centre has faced as a result of outsourcing its services, including poor communication, loss of control, quality of service, lack of performance measures, and skill level of the 3PL personnel. The research established that International Drug Rehabilitation Centre has come up with a number of strategies to deal with the challenges. This included implementing key performance measures, improving communication channels and modes, regular operational meetings and intensive training of the 3PL employees. The research results also indicated that outsourcing had significantly led to improvement in customer service. The study recommends that International Drug Rehabilitation Centre needs to improve on its relationship management to make the organization enjoy the full benefits of outsourcing. It also recommends benchmarking with the industry, engaging a dedicated manager to manage the third party and closely monitors the Key Performance Indicators (KPIs). This study assessed the influence of resource utilization, quality of service delivery, stakeholder satisfaction, strategies adopted, and corporate efficiency on outsourcing decisions at International Drug Rehabilitation Centre and found out that they have a significant influence on its operations. There is need therefore for regular and honest reviews, challenging the 3PL to be the new leader in innovation and greater capacity building between the two partners to work together towards the same goal.

## CHAPTER ONE

### INTRODUCTION

#### 1.1: Background of the Study

For a long time, outsourcing was an exclusive practice of corporate organizations and indeed it has worked extremely well. In the recent past however, NGOs have started to take a keen interest in outsourcing and those who have embraced it have experienced amazing benefits. The reason companies turn to outsourcing is the need to increase profits. However, for the non-profit sector, it is to increase efficiency and ensure compliance to donor requirements. Outsourcing can be a factor for local NGOs to receive developing partner funding quickly. Likewise, it can assist developing partners to achieve their objectives of increase aid effectiveness at the grassroots level (Czinkota & Roinkanen, 2007).

Outsourcing is defined as the shifting of traditional corporate activities to parties outside of the firm, whose benefit is to gain access to world class capabilities. Bisham Consulting referred to outsourcing as the deliberate movement of a series of connected business processes to a third party who manages them on behalf of the company. In these movements, the commercial risk and assets are usually passed to the outsourcing company. It has the potential of reducing costs and increasing efficiency among organizations (Czinkota & Roinkanen, 2007).

Outsourcing entails a firm identifying its core and non-core activities and engaging a third party to do the non-core activities so that it concentrates on its core activities. Core activities are those which are those key activities that give an organization distinctive competitiveness while the non-core activities are those which the organization lacks full competence to do (Saunders, 1994). By concentrating on its

core activities, a firm increases its probability of developing competitive advantage by using the scarce resources effectively and efficiently. The ability to meet its organizational goals can be influenced significantly by the degree of its effectiveness and efficiency achieved in managing operations in the supply chain (Hitt et al, 2007). The concept of outsourcing has gained prominence of late due to its effectiveness in helping an organization to concentrate with what it does best. In today's business world where competition is becoming stiffer by the day, organizations are increasingly having the pressure of producing technologically affordable but quality products and services. This has increased the demand in the range of services offered by outsourcing companies (Rinsler, 2006).

Some useful outsourcing categories in a typical NGO would include: front office, customer relations, donor relations, communications, training, back office, legal services, human resources, finance and book keeping, operations, IT service, technical/research support and supply chain consultancies. Traditionally, the only area most NGOs have practiced some degree of outsourcing has been in the area of financial & administrative capacity, enabling target NGOs to satisfy donor guidelines and to meet standard records and documentation requirements. Outsourcing firms in the finance industry have discovered similar weaknesses that affect the NGOs' ability to receive developing partners' funds. To assist NGOs, they have identified a solution that will help them achieve their goals while giving the developing partners the level of financial accountability and transparency necessary to provide funding. (LeBlanc, 2000).

Business Processing Outsourcing (BPO) and shared services have the potential of reducing costs and increasing efficiency among organizations, including NGOs. On offer by BPOs include call centre services such as help desk support, customer

service, market surveys, sales/telemarketing, appointment bookings, debt collection, and email and chat facilities. Other services are accounting, animation and engineering. The major benefit of outsourcing and shared services is that organizations can concentrate on their core business, leading to efficiency in their specialized service delivery. In addition, costs can be significantly reduced (Moroney, 2006).

There's a perfect storm of elements coming together right now that make Nairobi a compelling prospect for outsourcing needs. Not only do the new fiber optic cables bring the region's underlying technology infrastructure to new heights, but NGOs and businesses find Nairobi's highly educated, largely English-speaking workforce very attractive. NGOs which make up a significant portion of Kenya's economic sector are looking to outsource various business processing needs within the region. With the new fiber optic cables recently laid in East Africa, there's a sense of acknowledgement that Kenya has never before been better positioned to take off as a major outsourcing hub for East Africa, if not for the entire continent (Brindley, 2006).

## **1.2: Statement of the Problem**

An informal study conducted by Perkins, (2003) showed that by the end of the first year of outsourcing, more than 50% of the companies that have outsourced major IT functions are dissatisfied with their outsources. By the end of the second year, 70% are unhappy. The problems reported were overdependence on suppliers, cost increment, lack of supplier flexibility, lack of management skills to control suppliers and unrealistic expectations of service providers due to over-promising at the negotiation stage.

Against this background, Monczka (2000) suggests that historically, outsourcing decisions have to be limited to a particular outsource than of the holistic approach. A

thorough background check must be done on the third-party firm to ensure that it is very conversant with the service to be outsourced to improve its success rate. The outsourcing contract must be very well articulated to include all the activities in the outsourcing process (Lysons & Farrington, 2006).

It is very important for the NGO management to thoroughly investigate the service provider, learn about the qualifications of their staff, commitment to training, compensation packages, and employee retention. All of these factors can be very important, as quality services are dependent upon the skills of the people performing the services. It should take time and visit the company to learn more about their operations. However, the NGO management must be careful because of risks and threats associated with outsourcing must be managed, to achieve any benefits. For instance, if an NGO outsourced its Information System requirements without diligent consideration, this can cause serious security risks both from a communication and from a privacy perspective (Lysons & Farrington, 2006).

By outsourcing its non-core activities and concentrating on its core activities, a firm increases its competitive advantage by using the scarce resources effectively and efficiently. It can also help internal employees to get access to world-class capabilities trickled down by the experts dealing in the said outsourced service. The ability of an NGO to meet its organizational goals can be influenced significantly by the degree of its effectiveness and efficiency achieved in managing operations in the supply chain (Hitt et al, 2007).

Beulen et al (1994) suggests five main drivers for outsourcing: Quality; the actual capacity to comply with demand is insufficient. The quality motive can be subdivided into three aspects: increased quality demands, shortage of quality personnel, and outsourcing as a transition period. Cost; outsourcing eliminates costs, compatible with

a cost leadership strategy. A company can increase its competitive edge by reducing and controlling costs. Finance; companies have limited investment budgets, which must be used in investing in core business activities. Core business; a core business is a primary activity that enables an organization to exist. All the subsequent activities that are not core to the organization should then be outsourced; and Cooperation; cooperation between organizations is prone to conflicts. To avoid this, those non-core activities in those organizations should be outsourced.

### **1.3: Purpose of the Study**

The purpose of this study was to bring to the fore the factors influencing outsourcing practices in NGOs in Kenya in a bid to improve and increase the uptake of outsourcing so that NGOs concentrate on their core activities, while at the same time, saving resources that can be effectively and efficiently utilized for the purpose for which they were established. For instance, humanitarian NGOs can spend their time serving refugees and people in conflicts but leave their logistics issues to competitive firms like DHL Logistics to professionally handle commodity clearance at the Port of Mombasa.

### **1.4: Objectives of the Study**

The research project was guided by the following objectives:

1. To assess the influence of resource utilization on outsourcing decisions at International Drug Rehabilitation Centre.
2. To assess the influence of quality of service delivery on outsourcing decisions at International Drug Rehabilitation Centre.
3. To assess the influence of stakeholder satisfaction on outsourcing decisions at International Drug Rehabilitation Centre.



4. To assess the influence of the strategies adopted by International Drug Rehabilitation Centre on outsourcing decisions.
5. To assess the influence of corporate efficiency on outsourcing decisions at International Drug Rehabilitation Centre.

### **1.5: Research Questions**

This study seeks to add to the existing body of knowledge on outsourcing. Successful conclusion of the study has sought to answer the following research questions:

1. What is the influence of resource utilization on outsourcing decisions at International Drug Rehabilitation Centre?
2. What is the influence of quality of service delivery on outsourcing decisions at International Drug Rehabilitation Centre?
3. What is the influence of stakeholder satisfaction on outsourcing decisions at International Drug Rehabilitation Centre?
4. What is the influence of the strategies adopted by International Drug Rehabilitation Centre on outsourcing decisions?
5. What is the influence of corporate efficiency on outsourcing decisions at International Drug Rehabilitation Centre?

### **1.6: Significance of the Study**

The proposed topic of study will be of interest to the management of International Drug Rehabilitation Centre and will provide its management and staff with documented information on outsourcing of its services and its influence on the overall strategies adopted. This will give them insight on its performance and on how it can provide better social services to society while satisfying its key stakeholders,

including relevant government bodies, employees, peer organizations, current and potential donors.

Other Non-Governmental Organizations and firms will also benefit from the study. The output of the study will also act as a source of information, and they will be able to learn from International Drug Rehabilitation Centre, and adopt best practices.

The study will also benefit outsourcing service providers especially those serving the NGO sector by enabling them to understand a typical customer's experiences, preferences, expectations and challenges, especially those unique to the NGO sector.

In the academic circles, this study will add value to the body of knowledge on outsourcing especially in the area of outsourcing services specific to the NGO sector in Kenya.

### **1.7: Delimitation of the Study**

This study was based on factors influencing outsourcing practices in Non-Governmental Organizations. International Drug Rehabilitation Centre, Kenya forms the geographical scope of the study, where the target population was its staff members in Nairobi, Mombasa and Kakamega. The respondents were placed into three major groups: current station, senior management and the subordinate staff.

### **1.8: Limitations of the Study**

The findings may be generalized to other NGOs with caution since different NGOs may have different strategies adopted. There also was not enough time to conduct the study and reach all the respondents. Some respondents may not have the time to respond effectively to the questions asked because of personal and official responsibilities. However, the researcher has designed a structured questionnaire to enable respondents to save the time used to respond to the questions.

### **1.9: Basic Assumptions of the Study**

The study was based on the assumption that the proposed respondents were cooperative in giving the correct information required for the study. It was also assumed that outsourcing has immense benefits on how corporates, NGOs included, are run, how strategies are formulated and implemented and as a way of satisfactorily serving their stakeholders, including donors, employees, target communities and the surrounding communities. It was also assumed that the sample population identified would provide a good representation.

### **1.10: Definitions of Significant Term**

**NGO:** a not-for-profit organization concerned with the addressing of poverty and social injustice, and working primarily in the developing world, (Lewis, 2006). This study did seek to understand the influence of outsourcing in a typical NGO.

**Core activities:** the key activities that give an organization distinctive competitiveness for which the organization was set (Saunders, 1994). This study understood these activities as those for which the NGO was established to perform and undertake.

**Non-core activities:** those activities in which the organization lacks full competence to do (Saunders, 1994). This study understood that these activities were not very important for the running of a particular NGO.

**Outsourcing:** the deliberate movement of a series of connected business processes to a third party who manages them on behalf of the company (Saunders, 1994). This study did seek to understand how it affects an NGO's internal operations.

**Core business:** a core business is a primary activity that enables an organization to exist (Beulen et al, 1994). The study understood this to be the nerve of the NGO's operations.

### **1.11: Organization of the Study**

This study was organized into five chapters. The first chapter consists of the background of the study, statement of the problem, purpose of the study, objectives, research questions, research hypotheses, significance of the study, limitations and

delimitations of the study, basic assumptions of the study, organization of the study, and operational definitions of significant terms.

Chapter two reviews literature in line with the five objectives of the study, theoretical framework, conceptual framework and summary of the study.

Chapter three consists of the methodology, the research design, target population, sample size and sampling procedures, data collection instruments, data collection procedures, validity of research instruments, reliability of research instruments, data analysis techniques, ethical considerations, and operational definitions of variables.

Chapter four presents the results of the data collected, with further discussion on the study findings. It further analyzes both qualitative and quantitative data that corresponds with the questions found on the questionnaires. Figures and tables derived from the findings of the study are also presented.

Chapter five looks at the summary of the study and draws conclusions based on the findings, further making recommendations based on the conclusions in the study. It makes suggestions for further research.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1: Introduction**

The purpose of this chapter was to provide a detailed theoretical and empirical review. It focused on the factors influencing outsourcing practices in Non-Governmental Organizations in Kenya. It looks at the various variables in the outsourcing process in NGOs. The next section focuses on the general overview of the issues in outsourcing, the concept of outsourcing, outsourcing and resource utilization, outsourcing and stakeholder satisfaction, outsourcing and service delivery, outsourcing and strategy implementation, and outsourcing and corporate.

#### **2.2: General Overview of the Issues in Outsourcing**

The concept of outsourcing has gained prominence of late due to its effectiveness in helping an organization to concentrate with what it does best. In today's business world where competition is becoming stiffer by the day, organizations are increasingly having the pressure of producing technologically affordable but quality products and services. This has increased the demand in the range of services offered by outsourcing service providers (Rinsler, 2006).

Outsourcing entails a firm identifying its core and non-core activities and engaging a third party to do the non-core activities so that it concentrates on its core activities. Core activities are those which are those key activities that give an organization distinctive competitiveness while the non-core activities are those which the organization lacks full competence to do (Saunders, 1994). By concentrating on its core activities, a firm increases its probability of developing competitive advantage by using the scarce resources effectively and efficiently. The ability to meet its organizational goals can be influenced significantly by the degree of effectiveness and efficiency achieved in managing operations in the supply chain (Hitt et al, 2007). It

has the potential of reducing costs and increasing efficiency among organizations since the commercial risk and assets are usually passed to the outsourcing company (Czinkota & Roinkanen, 2007).

Outsourcing is not an excuse to wash management's hands of a poorly managed, costly, or misunderstood function. Understand the costs of a function and manage it effectively before evaluating its potential for outsourcing. Otherwise, it will be done for the wrong reason. Organizations should consider (or reconsider) the overall merits of selective outsourcing every three to four years. Revisiting outsourcing may be particularly relevant under changing market conditions or when internal, industry, or technology changes have occurred. There are a number of factors to consider before settling for an outsourcing firm: service quality, cost, experience and specialty, what competitors have done in the industry, among other factors (Johnson et al, 2008).

Most outsourcing relates to services whose range is limitless, ranging from IT requirements (computer hardware and software requirements, network management, system development, help desk support and website development and maintenance), staff recruitment and training, data and physical security services, cleaning services, consultancy services, project review and evaluation, construction of physical infrastructure and buildings, public relations services, asset buying especially project vehicles and maintenance, fleet contracting and management, sale and disposal of project assets, project research, baseline and impact assessment studies, legal services, fundraising, taxi services, travel administration, medical, welfare, pest control, catering, waste disposal, internal audit, payroll service, quality assurance, estate management, records management, translation services, customs brokerage, and expertise (Lysons & Farrington, 2006).

The most efficient way to manage this process is to write a requirements document that details all the needs and restrictions on the project. Provide this document to all potential suppliers and ask for written responses. Be sure that the pricing is detailed, with a list of resources and estimated overall cost. Check references from other clients within the sector. Look for information on the conflict resolution process, problem escalation, and service-level agreement. Think about using different performance management tools, such as benchmarks and other metrics to evaluate contract compliance and performance. These items must be built into the contract, and usually tied to payment (Lysons & Farrington 2006).

Investigate the service provider to learn about the qualifications of their staff, commitment to training, compensation packages, and employee retention. All of these factors can be very important, as quality services are dependent upon the skills of the people performing the services. Take time and visit the company to learn more about their operations. However, the NGO management must be careful because of risks and threats associated with outsourcing which must therefore be managed, to achieve maximum benefits. (Lysons & Farrington, 2006).

Reilly & Tamkin (1996) suggest that the main reason to objection to outsourcing is the fear of the NGO to lose competitive advantage, loss of skills and expertise, insufficient internal investment, and the passing of knowledge and expertise to the supplier. Lacity & Hirscheim (1995) point out that outsourcing cannot work well where there's lack of a specific or unique knowledge the business requires, where all services are customized and where the employee culture is too fragmented or hostile to change.

According to Lysons & Farrington (2006), the problems reported in relation to outsourced suppliers include high staff turnover, poor project management skills, lack



of commitment, shallow expertise, insufficient documentation, lack of control, poor staff training, complacency over time, divergent interests of the organization, customers and supplier, and cultural mismatches between the organization and suppliers.

Carrington (1994) lists some of the problems as extra staff training, dependence on few suppliers, poor communication with suppliers, non-committal to long-term commitment, reduced staff flexibility, difficulties in coordinating different suppliers, increase in redundancy payments and poor quality service delivery. Other challenges include industrial espionage where very important information and data are leaked to competitors, data security such as crucial data theft, illegal data alterations and illegal copying of data and information; threat to data confidentiality, misunderstandings as a result of differences in opinion, differences in corporate strategies, differences in organizational cultures, hidden costs such as legal, and lack of performance measures.

### **2.3: The Concept of Outsourcing**

Outsourcing is defined as the shifting of traditional corporate activities to parties outside of the firm, whose benefit is to gain access to world class capabilities. Bisham Consulting referred to outsourcing as the deliberate movement of a series of connected business processes to a third party who manages them on behalf of the company. In these movements, the commercial risk and assets are usually passed to the outsourcing company. It has the potential of reducing costs and increasing efficiency among organizations (Czinkota & Roinkanen, 2007).

This concept is about dovetailing another company's expertise so as to focus on one's company to improve competitiveness and customer service. The said service provider should have greater capability in terms of skills and market knowledge constituting a combination of experience, expertise and knowledge. The NGO must also be confident that the 3PL's experience is used to its advantage (Rinsler 2006).

NGOs have also gained immensely from outsourcing service providers in term of skills development, better service quality to society, stakeholder satisfaction, and reduced operational costs. It has also helped in increasing the NGOs flexibility by increasing the speed of critical processes for example, in reducing the lead time to ensure that relief food reaches the needy in time (Lysons & Farrington, 2006).

Outsourcing in the context of NGOs is a relatively new concept that is spreading at an amazing rate. David Lewis (2006), defined a NGO as a not for profit organizations concerned with addressing poverty and social injustice, and working primarily in the developing world. They do this through the provision of services to people themselves or indirectly through campaigning and policy advocacy to bring about wider structural change that improves the position of the poor and the deprived.

#### **2.4: Resource Utilization and Outsourcing**

The main identified benefit of outsourcing in a typical organization is to free the management's time to concentrate on core activities. Others include reducing costs, increased staff flexibility, improved consistency of service, increase in service quality, reduction in risks, reduced capital requirements, customer satisfaction, access to world class capabilities, operational control, continuity and risk management, development of internal staff and the importation of technological advancement to the organization (Lysons & Farrington, 2006).

In the context of NGOs, some of the benefits include allowing the non-profit organization to focus on achieving its mission, reducing cost of accounting and administrative services through the supplier's economies of scale, allowing the non-profit organization to expand or shrink as necessary, providing access to state-of-the-art software and technology, providing access to a wide range of expertise, specialized accounting and administrative services, ensuring more accurate and timely financial

reporting, and providing one-stop shopping from simple balance sheet, management report or computer consulting services, thereby freeing the NGO's resources to only the most important functions, activities and programs (LeBlanc, 2006).

Its aim is to reduce operational costs so as to serve a firm's stakeholders satisfactorily, efficiently and effectively. When comparing two quotations, price enables the appraisal of the relative value offered by each supplier. Economic theory shows that demand and supply are balanced by the influence of price (the equilibrium price), indicating the point at which they are equal (Lyson & Farrington, 2006).

## **2.5: Stakeholder Satisfaction and Outsourcing**

Kotler, (2008) defines customer satisfaction as a person's feelings of pleasure or disappointment resulting from a product's (or service's) perceived performance, relative to their expectations. That is, the gap between customer expectation and product or service performance. When a great customer service is encountered, it is often so unexpected that we find ourselves wondering whether there was a mistake in the first place. This curiosity makes us search for reasons to go back and get the experience again than just making the next sale (Etzel et al, 2007). It is important for organizations to build customer relationships by personalizing their interactions.

After a service has been outsourced, the management should continuously benchmark the progress of the organization with others in the sector. Benchmarking is the process of comparing the progress of an activity or process with those of peers in an industry (Johnson et al, 2008). It is also the process of continuously measuring and comparing one's business performance against comparable processes in leading organizations to obtain information that will help the organization to identify and implement improvements (Benson, 1998), and forces participants in an organization to critically evaluate their processes and question them (Rushton et al, 2006).

Planning the negotiation process is absolutely essential if the objectives are to be met successfully. Failure to plan properly leads to poorly formulated objectives and inappropriate negotiating styles and tactics. Negotiations always take place in a context. If negotiations with suppliers are frequent and on-going, a pool of skilled negotiators is developed (Wells, 2006).

Mahotra (2004) suggests useful ways that make negotiations trustworthy, leading to successful outcomes for all the parties involved: careful planning, building trust, open mindedness and being sensitive to the needs of the other party. If an opening offer is viewed by the other party as extreme, it can destroy the trust (Franco, 2006). There has to be a proper understanding between the organization and its service providers so as to avoid misunderstandings, mistrust and unnecessary tensions and jealousies (Johnson et al, 2008).

To avoid misunderstandings, suspicions and unnecessary costs, the contract must be carefully documented and managed. The organization should seek proper legal advice in drafting the contract. Contracts should never be drafted under duress or undue influence (Elliot, 2006). Suppliers whose service comes to an end should be managed and given incentives to see on their full term without service disruptions to supply to expected levels (Franco, 2006). The service provider has to demonstrate their readiness before the contract starts. There is therefore the need to regularly review the contract conducted by the contracts management team (Franco, 2006).

The contractor should be adequately managed. The signing of the contract should not be seen as the end process. It is important to continue to monitor, appraise, evaluate and control the contractor to ensure quality service delivery is achieved to complement the organization's overall objectives (Rushton et al, 2006). Usually, a manager from the organization is nominated to be responsible for contract management, to ensure that cost and service targets are met, and to develop and

identify opportunities and initiatives for continuous service improvement. The nominated manager brings both focus and accountability to the outsourcing process, as well as acting as the interface with the contractor for regular reviews and communication. The safest way to achieve organizational objectives is to follow a clearly defined process of contractor selection process. This is the only way to ascertain that all important aspects in the outsourcing contract are covered. The outsourcing process should be considered as a partnership. If it is considered just as a strict contract-driven initiative, it may lead to problems such as lack of encouragement for the contractor to be innovative or to improve, lack of recognition for the need to manage the contractor, poor process management structures where managers are demotivated and loss of in-house expertise (Rushton et al, 2006).

In general, an NGO should hold regular meetings and consultations with its service providers to iron out differences earlier on before the problems become bigger, analyze risks early and mitigate against them, offer regular training programs to its employees, ensure constant contact and feedback from the customers using such tools as customer questionnaires, ensure quick response to customer complaints, ensure constant process improvement and documentation, reduce costs, and ensure support from top management to enable a smooth running of the outsourcing process and high quality output from the 3PL so as to experience stakeholder satisfaction (Rushton et al, 2006).

## **2.6: Quality of Service Delivery and Outsourcing**

Quality service delivery is considered law for an organization to succeed and achieve its objectives (Lieberman & Nissen, 2006). In today's business world where competition is becoming stiffer by the day, organizations are increasingly having the pressure of producing technologically affordable but quality products and services.

This has increased the demand in the range of services offered by outsourcing companies (Rinsler, 2006).

In many of these developing countries, NGOs have emerged as alternate providers of public services, particularly within poor and rural communities. These NGOs serve as proxies for understanding the potential role for NGOs to supply much more credible and reliable services in most of these countries. In their quest to achieve these objectives, outsourcing has played an integral role to bridge the gap in service provision while also injecting efficiency in service delivery (LaFollett, 2006). The NGOs perform a variety of service and humanitarian functions, bring citizen concerns to governments, advocate and monitor policies and encourage political participation through provision of information.

Some are organized around specific issues, such as human rights, environment or health. They provide analysis and expertise, serve as early warning mechanisms and help monitor and implement international agreements. NGOs generally address critical issues such as human rights, environmental protection, and poverty reduction, among others and often receive funding in whole or in part from governments. They are key partners to governments in service provision and the advantages they bring to service delivery are significant, particularly in developing countries like Kenya where the government has a serious lack of capacity to supply comparable services (La Follett, 2006).

There needs to be a service implementation where a sub-set of the total service is provided in phases. In this case, it is important to pilot test or simulate the quality and responsiveness of the service before formally accepting it and allowing it to go on so as to give the employees enough time to adjust and get acquainted to the new system (Franco, 2006). It is therefore vital that these corporate bodies to have free enough

time for them to concentrate on their core issues for which they were established as this improves the quality of the service provision to improve the quality of life (Czinkota & Roinkanen, 2007).

### **2.7: Strategy Formulation and Implementation and Outsourcing**

Business strategy is the key driver in the outsourcing decision. The concept of outsourcing has gained prominence of late due to its effectiveness in helping an organization to concentrate with what it does best. Customers must be the main factor in the firm's strategic and operational planning (Barney, 2007). Robert, (2003) defines strategic planning as the process of developing a mission and long-term objectives, and determining in advance how to accomplish them, and operational planning as the process of setting short-term objectives, and determining in advance how to accomplish them. He notes that the differences between the two are in time frames and the management levels involved.

Culture can also be a very strong driver of strategy. Organizations can be so easily entangled in their culture that the management finds it hard to align to their strategies outside that of the culture (Johnson, et al, 2008). Hofstede, (2001) in his book *Culture's Consequences, 2<sup>nd</sup> edition* suggests that attitudes to work, authority, equality and other important attributes have been shaped by powerful cultural forces such as history, religion and even climate over centuries. Organizations need to understand and cope with such differences that manifest themselves in terms of different standards, values and expectations in order to satisfy customer expectations.

Non-Governmental organizations provide a myriad of services in their areas of specialization. But there are factors that impede and affect the effectiveness of these strategies such as geographical remoteness, large coverage areas, civil instability, and over-centralization of government, a lack of infrastructure such as transportation systems, and a lack of government resources, among others (LaFollett,

2006). Outsourcing can therefore potentially reduce an organization's costs and increase quality of service delivery hence contributing to a firm's competitive advantage and its ability to create value for its stakeholders (Jones, 2001). It can also be used as a strategy to equip internal staff with expertise, trickled down by the service providers' employees (Hitt et al, 2007).

## **2.8: Corporate Efficiency and Outsourcing**

Initially, NGOs were thought to be wasteful fund-embezzling organizations just waiting for donor funds to spend. With the introduction of business ethics, governance and accountability and pressure from donors, NGOs have started to minimize wastages and become accountable to their stakeholders (Jones, 2001).

The commercial risks are passed to the outsourcing company, leaving the NGO with the time to concentrate on its mission for which it was set. This has the potential of reducing costs and increasing efficiency among organizations (Czinkota & Roinkanen, 2007). By concentrating on its core activities, a firm increases its probability of developing competitive advantage by using the scarce resources available effectively and efficiently. The ability to meet its organizational goals can be influenced significantly by the degree of effectiveness and efficiency achieved in managing operations in the supply chain (Hitt et al, 2007). Outsourcing enables an organization to move from its current status to an expected, forecasted future which results in increased efficiency and effectiveness (Jones, 2001).

## **2.9: Theoretical Framework**

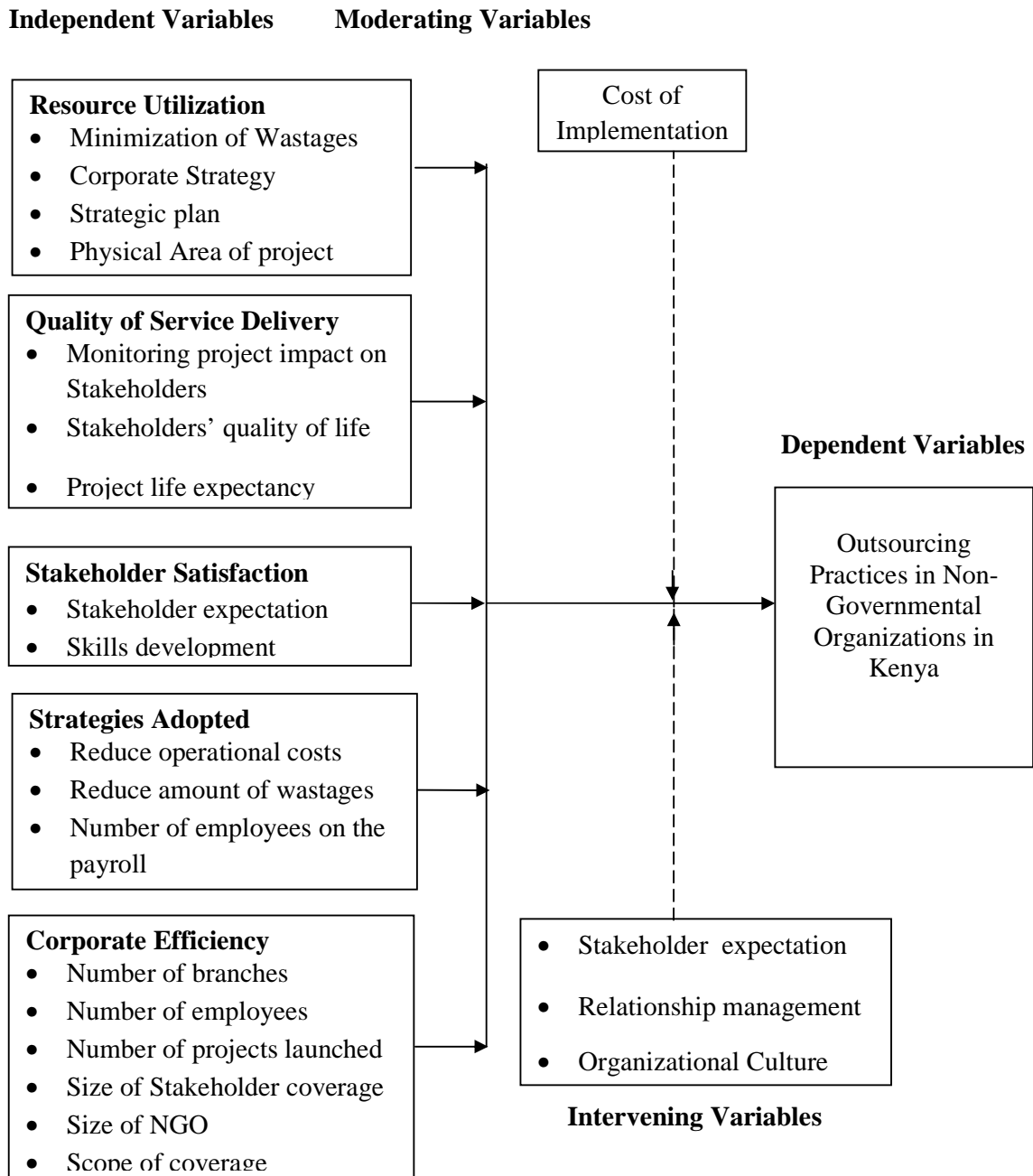
This study is based on the theory developed by Moroney, (2006). It suggests that NGOs, which make up a significant portion of the Kenyan economic sector, are looking to outsource various business processing needs within the region. He states that with the new fibre optic cables recently laid in East Africa, there's a sense that



Kenya has never before been better positioned to take off as a major outsourcing hub for East Africa, if not for the entire continent.

A specific concern is raised in the context of development theory is that some NGOs' interventions undermine their socio-economic programs (Drysek, 2007). In relation to the study, it is advised strongly that for NGOs to run effectively and efficiently, there is the need for them to uptake the outsourcing function so as to concentrate on the missions for which they were set in the first place. Outsourcing is therefore better seen as one of the options that NGOs can use to minimize on unnecessary wastages. The purpose of this study is to encourage NGOs to take up outsourcing in all the non-critical activities so that they reduce costs.

## 2.10: Conceptual Framework



**Fig. 1: Conceptual Framework**

The conceptual framework above gives the diagrammatic presentation of the interrelation between the variables of the study. The arrows flow from independent variables towards the dependent variable. It also shows how strategies adopted, service quality, stakeholder satisfaction, resource utilization and corporate efficiency can influence the practice outsourcing in the NGO sector.

In many developing countries, governments have been proven over time to be incapable of providing essential public services to the citizenry due to several factors such as physical infrastructure, political instability, geographical remoteness, political favoritism, and lack of resources, among other very complex reasons. This has placed NGOs in a very complex position as the alternative public service providers. It is therefore of utmost importance that the NGOs use the available scarce resources very prudently so as to reach as many suffering people as possible. One of the ways to achieve this is through the elimination of costs associated with non-core activities (LaFollett, 2006).

### **2.11: Summary of the Literature**

Outsourcing has immense benefits to an NGO mainly in bringing orderliness, efficiency and effectiveness of its programs and operations. These benefits are guaranteed if the outsourcing process is well planned and implemented with consultative and dependable partners (Walsh, 2000). NGOs are now great beneficiaries of outsourcing, and understanding the *whats, whens, wheres* and *hows* of outsourcing will continue to reinforce the practice, ensuring that maximum benefits are derived.

Though beneficial, outsourcing can, in the converse, pose serious challenges to an organization if not done right. It can cause confusion due to the inability of the stakeholders to cope with the new way of doing things, or as a result of the old way overlaying the new one. In the interim, it brings confusion, resentment and resistance

and affects how the organization achieves its goals, how resources are used, how the people get adapted to the change, and the success of the process (Walsh, 2000). It is important to ensure core competencies are not outsourced and that the selected supplier provides better value for money than in-house provision (Jones, 2001).

Outsourcing must be done carefully, systematically, and with explicit goals. Companies that rush into outsourcing without fully understanding what they hope to gain may find themselves mired in a contractual battle with a chosen vendor or the recipient of services experienced more worsen than before. Sensible reasons to consider outsourcing include both strategic and tactical concerns on both a department and organizational level (Johnson et al, 2008).

It is therefore important to adopt a clearly defined outsourcing process that is well planned, has clear objectives with adequate resources so as to carry on successfully (Humbert & Passarelli, 1997).

### **2.12: Gaps to Be Filled By the Study**

Outsourcing offers a new paradigm shift in the way NGOs are increasingly being run. It offers a very important strategy in the management of risks and costs. Since it is a new function especially in the NGO sector, hardly is it understood. There is the misconception that once a service has been outsourced to a service provider, the NGO management washes off its hands of the issue thinking that they will never be involved in it again. So it is done haphazardly, rendering its success rate useless (Johnson et al, 2008).

NGOs have only narrowed their outsourcing to traditional functions such as information systems management (website development and management), security issues (such as guarding and alarm response), and finance (proposal writing, fundraising and the adherence to donor requirements). The purpose of this study is to

educate NGO management on the need to understand outsourcing, widen its influence on other functions such as human asset management, the ways in which it can be delicately handled to effect the achievement of the NGO smooth running.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1: Introduction**

The purpose of this chapter was to present the research methodology and design. In doing so, it focused on the analysis of research design, target population, sampling procedures and sample size, research instruments, validity of research instruments, reliability of research instruments, data collection procedures, data analysis techniques, ethical considerations, and the operationalization of variables.

#### **3.2: Research Design**

This research project was conducted using a descriptive design. Walliman (2008) describes a survey as an investigation of a phenomenon in a generalized manner. In this study, data is collected by interviewing and/or sending questionnaires to the sampled population with the aim of studying their characteristics, attitudes, habits and opinions (Orodho, 2003). This study had the intent of seeking the opinion of the respondents in order to identify the factors influencing outsourcing practices in NGOs in Kenya. Qualitative data was analyzed using descriptive statistics by organizing it into frequency tables, use percentages to present the findings in Tables.

#### **3.3: Target Population**

A target population must have similar characteristics. That is, it must be homogeneous. The sample size is a fraction of the target population derived in such a manner that it is representative of the whole population. The determination of the sample enables the researcher to save on time and costs, and allow him concentrate on key issues (Mugenda & Mugenda, 1999), making the population of interest for this study both staff at senior and lower levels at International Drug Rehabilitation Centre in several of its branches in Mombasa, Nairobi and Kakamega.

Our target population in this study is ninety employees, as shown in Table 3.1.

**Table 3.1: Total and Target Population**

BRANCH	NO. OF STAFF
Kakamega	20
Nairobi	40
Mombasa	30
<b>TOTAL</b>	<b>90</b>

Specifically, this research focused on the factors influencing outsourcing on the overall operations and performance of NGOs in Kenya with a particular emphasis to International Drug Rehabilitation Centre.

### **3.4: Sample Size and Sampling Procedures**

Sampling is the process of selecting a given number of subjects from a defined population to be as representative as that of the larger population from which it is found (Orodho & Kombo, 2002). The larger the sample in any given study, the smaller the sampling error (Orodho, 2005). The research did seek to find the factors influencing outsourcing practices in NGOs with special emphasis to International Drug Rehabilitation Centre.

The study was conducted in its three branches in Nairobi, Mombasa and Kakamega. The researcher used stratified sampling, classified in the following strata: stations and the level of management to get the number of employees in both the senior and junior levels of management and then use random sampling to get the actual number of staff to sample at each level.

Mugend & Mugenda (1999) suggest that for a study to gain a higher confidence rate, of say 95%, the researcher needs to get a larger sample size (sixty-three [63] employees in this study) out of the target population (of ninety [90] employees in this study). In compliance with their advice, the researcher had the following sample:

**Table 3.2: Composition of the Study Participants**

<b>BRANCH</b>	<b>NUMBER OF</b>		<b>TOTAL</b>	<b>RATE</b>	<b>SAMPLE</b>		<b>TOTAL</b>	
	<b>STAFF</b>				<b>(%)</b>			<b>SAMPLE</b>
	<b>SENIORS</b>	<b>JUNIORS</b>			<b>SENIORS</b>	<b>JUNIORS</b>		
Kakamega	2	18	20	70	2	12	14	
Nairobi	4	36	40	70	3	25	28	
Mombasa	3	27	30	70	2	19	21	
<b>TOTAL</b>	<b>9</b>	<b>81</b>	<b>90</b>		<b>7</b>	<b>56</b>	<b>63</b>	

**3.5: Data Collection Instruments**

The researcher relied on both primary and secondary data. Interviews and questionnaires formed most of the data gathering for a quick response. The researcher printed all the questionnaires and distributed them to the respondents, gave them time to complete and then went back to collect them later.

The questionnaires were designed by the researcher according to research questions which were both closed-ended and open-ended. The closed-ended questions facilitated a consistency of data across respondents because they had multiple choices within which to choose from.

The interview guide was designed in accordance to the research questions. The questions were open-ended because the researcher was the one who interviewed the respondents. This gave the researcher the freedom to vary the tone and wording depending on the situation and the particular interviewee. The interview helped the researcher to collect qualitative data.



An observation guide was designed by the researcher as to help the researcher on what to observe in the field. The list of the observable characters and objects were prepared in accordance with data requirements in the research objectives.

### **3.6: Validity and Reliability of Research Instruments**

Research instruments must be credible enough to give clear results as intended by the researcher (Mugenda & Mugenda, 1999). The instruments in this study were tested and re-tested to conform to this. Validity is the process of obtaining results from the analysis of the available data to represent an actual phenomenon under study. It is also a prior qualitative procedural test of the research instruments to ascertain how accurate, correct, true, meaningful and right to express the intended data collected in the study. Reliability is the process of a test bringing the same results every time the test is done (Oppenheim, 1998).

#### **3.6.1: Validity of Research Instruments**

This study determined the accuracy, clarity and suitability of the research instruments used and helped identify inadequate and ambiguous items so as to modify or disregard completely and add new items. To establish the validity of the questionnaires and the interview guide, they were pretested as a means of a pilot study to ensure that there were no double meanings or ambiguities in the questions asked. The feedback was used by the researcher to correct any perceived anomalies. Great emphasis was taken to ensure that the items on the questionnaires and interview guides were easy to understand and had no ambiguity (Oppenheim, 1998).

#### **3.6.2: Reliability of Research Instruments**

The purpose of this study was to find out whether the instruments measured accurately what they were intended for. It was the intention of the researcher to check whether the respondents would find the instruments clear, precise and concise enough from. To establish reliability on the instruments used in the study, the researcher used

the tested and retested technique in a pilot study. Mugenda & Mugenda (1999) suggest that the test re-test procedure helps to ascertain that the data collection instruments are free from pitfalls and mistakes that would have surfaced in the main data collection process in the pre-testing of the instruments.

### **3.7: Data Collection Procedures**

The researcher was granted permission by the management of International Drug Rehabilitation Centre to carry out this study. The researcher also called the respondents, and personally visited the respondents and explained the purpose of the questionnaire, and assured them of confidentiality. With the help of a trained research assistant, they distributed the questionnaires to the respondents.

### **3.8: Data Analysis Techniques**

Data from the interviews and questionnaires formed the basis for qualitative analysis. It was collected and analyzed using the conceptual content analysis technique. This type of analysis was deemed appropriate as it did not limit the respondents on the answers. Gichira (2007) and Lutta (2003) hail qualitative analysis as a useful tool in achieving fresh, unbiased insight. After the researcher got the response of the interviewees and respondents filled and returned the closed-ended questionnaires, the researcher's attention shifted to data analysis in the following steps: the researcher collected the questionnaires that were sent and compiled the data, edited the data, checked for typographical errors and mistakes to eliminate poor data input. Its purpose was to set high quality standards of data so as to allow easy, prompt and accurate analysis with the most minimum errors. The researcher was able to detect and rectify the errors. The researcher then coded the data by grouping the responses into various appropriate categories, narrowing the responses into groups. Finally, the researcher tabulated the data collected into percentage form, in form of tables and

simple calculations. The researcher was able to come up with quantitative analysis with discrete figures, numerical and measurements. To be able to ease the work, the researcher used computer software SPSS with Microsoft Excel to analyze the data.

### **3.9: Ethical Considerations**

The researcher sought for permission from the University of Nairobi to conduct the study. The researcher also sought informed verbal consent from the respondents after explaining of the purpose of the study. The researcher ensured that the information obtained from the respondents remained confidential and anonymous. Participation in the study was optional. The researcher was granted permission by the management of International Drug Rehabilitation Centre to carry out this study. The researcher also called the respondents, and personally visited the respondents to request for their permission and time to carry out this study.

### **3.10: Operational Definitions of Variables**

To achieve the objectives of the study, the researcher investigated the factors that influenced the dependent variable. The objectives of the study included the influence of resource utilization, quality of service delivery, stakeholder satisfaction, strategies adopted and corporate efficiency on outsourcing decisions at International Drug Rehabilitation Centre.

**Table 3.3: Operationalization of the Study Variables**

Objectives	Variables		Indicators	Measure	Analysis Tools	Tool Types
	Independent	Dependent		Scale		
To assess the influence of resource utilization on outsourcing decisions at IDREC.	Cut on unnecessary costs.  Proper budgeting.  Monitoring of project activities.	Impact of projects in the society.	No wastage of resources.  Savings on financial resources.	Interval Nominal Ordinal	Measure of central analysis Correlation	Graphs Frequencies Tabulations
To assess the influence of quality of service delivery on outsourcing decisions at IDREC.	Responsiveness to customer needs.  Support of customer care initiatives.	Quality of service delivered.	Number of new customers.  Number of new products and services.	Interval Nominal Ordinal	Measure of central analysis Correlation	Graphs Frequencies Tabulations
To assess the influence of stakeholder satisfaction on outsourcing decisions at IDREC.	Increased funding.	Level of stakeholder involvement.	Level of stakeholder confidence on projects.  Level of donor contentment.	Interval Nominal Ordinal	Measure of central analysis Correlation	Graphs Frequencies Tabulations
To assess the	Use of project	Project success	The success rate	Interval	Measure of central	Graphs

influence of the strategies adopted by International Drug Rehabilitation Centre on outsourcing decisions.	resources.  Project impact on society.  Achievement of goals.	or failure.	of projects.  The utilization of resources.  Donor satisfaction.	Nominal  Ordinal	analysis  Correlation	Frequencies  Tabulations
To assess the influence of corporate efficiency on outsourcing decisions at IDREC.	Utilization of resources.	Project effectiveness.	Meeting of corporate goals and objectives.  Cost reduction.  Timely donor reporting.	Interval  Nominal  Ordinal	Measure of central analysis  Correlation	Graphs  Frequencies  Tabulations

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION AND INTERPRETATION

#### 4.1: Introduction

This chapter presents the results of the data collected, and further discusses its findings. It tackles both qualitative and quantitative analyses, corresponding with sections in the questionnaires. The Tables and figures found in this chapter are derived from the findings of the study. Several descriptive analyses were made to achieve the objectives of the study seeking the factors influencing outsourcing practices in Non-Governmental Organizations in Kenya, with emphasis on International Drug Rehabilitation Centre. Research instruments used in the study were re-tested to improve on their validity and reliability based on the objectives of the study. Questionnaires were edited as soon as they were received. Their filling was voluntary, and participants assured of anonymity and confidentiality.

#### 4.2: Response Rate

Quantitative analysis dealt with sorting, frequencies and consistency checks on the data obtained. It further improved the quality of the data collected. Fifty-six (56) out of the sixty-three (63) questionnaires sent out were answered and sent back to the researcher. The results are presented as shown in Table 4.1.

**Table 4.1: Response Rate**

<b>ACTION/NON-ACTION</b>	<b>FREQUENCY</b>	<b>PERCENTAGE (%)</b>
Response	56	89
Non response	7	11
<b>TOTAL</b>	<b>63</b>	<b>100</b>

The study targeted 63 respondents. 56 questionnaires were answered, comprising of a 89% response while the remaining 7 respondents did not return their questionnaires. Mundy (2002) suggests that a 60% response rate is acceptable, though a response rate of between 70% and 80% is most desirable. The research response rate is shown in the Table 4.1.

#### **4.3: Demographic Characteristics of Respondents**

The researcher used several criteria to sample the respondents: their current station of work (branch), level of management, age, experience, gender, level of education and departments. The respondents were requested to indicate their ages in their questionnaires. The data is presented in Table 4.2.

**Table 4.2: Distribution of the Respondents by Age**

<b>AGE</b>	<b>FREQUENCY</b>	<b>PERCENTAGE (%)</b>
18 – 25	08	14
26 – 35	23	41
36 – 45	21	38
Above 45	04	7
<b>TOTAL</b>	<b>56</b>	<b>100</b>

The findings in Table 4.2 indicate that the majority of the respondents were aged between 26 and 35 years of age at 41%. 38% were aged between 36 and 45 years of age, 14% between 18 and 25, and 7% aged above 45 years of age. This indicates that all the respondents were aged above 18 years of age, old enough to understand the questions asked.

**Table 4.3: Distribution of Respondents by Gender**

<b>GENDER</b>	<b>FREQUENCY</b>	<b>PERCENTAGE (%)</b>
Male	23	41
Female	33	59
<b>TOTAL</b>	<b>56</b>	<b>100</b>

The respondents were requested to indicate their gender. The data in Table 4.3 indicates that female respondents were the majority in the study, at 59%. Male respondents were 23, and stood at 41%.



**Table 4.4: Distribution of Respondents by Level of Education**

<b>EDUCATION LEVEL</b>	<b>FREQUENCY</b>	<b>PERCENTAGE (%)</b>
Primary	1	2
Secondary	10	18
College	34	61
University	6	10
Postgraduate	5	9
<b>TOTAL</b>	<b>56</b>	<b>100</b>

The respondents were requested to indicate their levels of education. The data in Table 4.4 indicates that respondents with college level of education were the majority at 61%. Secondary-level respondents followed at 18%, university-level respondents at 10%, postgraduate respondents at 9% and primary-level respondents at 2%. This implies that majority of the respondents were educated enough to understand the questions asked.

**Table 4.5: Distribution of Respondents by Departments**

DEPARTMENT	FREQUENCY			TOTAL	%
	KAKAMEGA	NAIROBI	MOMBASA		
Administration	2	4	3	9	16.1
Program Management	3	6	6	15	26.8
Operations	5	10	5	20	35.7
Accounts & Finance	1	3	2	6	10.7
Grants & Fundraising	1	2	3	6	10.7
<b>TOTAL</b>	<b>12</b>	<b>25</b>	<b>19</b>	<b>56</b>	<b>100</b>

The data in Table 4.5 indicates respondents by departments. Five departments: Administration, Program Management, Operations, Accounts & Finance, and Grants & Fundraising were drawn into the study. It indicates that the majority of the respondents were from the Operations Department with 20 respondents at 35.7%, followed by the Program Management Department with 15 respondents at 26.8%, Administration Department with 9 respondents at 16.1%, and lastly, the Accounts & Finance and Grants & Fundraising Departments both with 6 respondents each at 10.7% each. It indicates the interest of respondents in both Operations and Program Management.

**Table 4.6: Distribution of Respondents by Experience**

<b>EXPERIENCE LEVEL</b>	<b>FREQUENCY</b>	<b>PERCENTAGE (%)</b>
Below 1 year	4	7
1- 2 years	10	18
3- 4 years	18	32
4 -5 years	16	29
Over 6 years	8	14
<b>TOTAL</b>	<b>56</b>	<b>100</b>

The respondents were requested to indicate the number of years they had worked at International Drug Rehabilitation Centre. The data in Table 4.6 indicates that respondents with three to four years' experience were the majority with 18 respondents at 32%. Those with 4 to 5 years' experience followed with 16 at 29%, then those with 1-2 years' experience with 10 respondents at 18%, those with more than six years' experience with 8 respondents at 14% and those with less than one year's experience with 4 respondents at 7%. This implies that majority of the respondents had worked at International Drug Rehabilitation Centre long enough to understand its processes.

**Table 4.7: Respondents' Perceived Reasons for Outsourcing**

<b>PERCEIVED REASON</b>	<b>FREQUENCY</b>	<b>PERCENTAGE (%)</b>
To cut operational costs	9	16
To focus on core activities	12	21
To improve service delivery	10	18
To develop internal staff	9	16
To embrace technology	6	11
To get rid of employees	3	5
To comply with donor requirements	7	13
<b>TOTAL</b>	<b>56</b>	<b>100</b>

The data in Table 4.7 indicates that majority of the respondents in this study with 12 respondents were of the opinion that outsourcing has benefited International Drug Rehabilitation Centre by enabling it to focus on its core activities at 21%. Service improvement took second position with 10 respondents at 18%, followed at 16% with nine respondents each who think that the reasons for outsourcing at International Drug Rehabilitation Centre are to cut operational costs and develop internal staff. The compliance with donor requirements took position five with seven respondents at 13%, embracing of technology with six respondents at 11% and lastly, getting rid of employees with three respondents at 5%. This indicates that majority of the respondents are of the opinion that outsourcing will continue having a positive influence on International Drug Rehabilitation Centre's internal operations.

**Table 4.8: Distribution of Respondents by Perceived Challenges of Outsourcing**

<b>PERCEIVED CHALLENGE OR FEAR</b>	<b>FREQUENCY</b>	<b>PERCENTAGE (%)</b>
Hidden running costs	8	14
Misunderstandings with service providers	7	13
Service deterioration to target groups	9	16
Loss of management control	11	20
Leaking of information to outsiders by 3PL	6	11
Confidentiality	10	17
Lack of performance measures	5	9
<b>TOTAL</b>	<b>56</b>	<b>100</b>

Data in Table 4.8 indicates that 20% of the respondents were of the opinion that the biggest challenge for International Drug Rehabilitation Centre is that of the management losing its control of the outsourced function. The second highest fear (at 17%) was that of invading people's privacy and losing confidentiality, followed in that order by the fear of service deterioration at 16%, hidden costs (at 14%), misunderstandings with service providers at 13%, leaking of crucial information to outsiders at 11%, and lastly, lack of performance measures at 9%. This has the indication that the NGO management should devise ways to tackle those challenges or fears.

#### **4.4: Resource Utilization**

The way resources are used in any organization dictates its survival. Resources, therefore, should be used prudently to ensure that unnecessary costs are done away with to minimize wastages. In the NGO context, NGOs should align their expenditure to the expectation of donors and the communities they serve. In Kenya, for instance,

the Government audits the way funds are used with the intent of minimizing corruption.

**Table 4.9: Respondents Perception on Cost Implication of Outsourcing**

<b>PERCEPTION ON COST OF OUTSOURCING</b>	<b>FREQUENCY</b>	<b>PERCENTAGE (%)</b>
Very costly	12	21
Costly	24	43
Moderately costly	10	18
Ineligible	9	16
Have no idea	1	2
<b>TOTAL</b>	<b>56</b>	<b>100</b>

The data in Table 4.9 shows that a majority of the respondents, at 64%, were of the opinion that the outsourcing process has cost the NGO management a considerable amount of financial resources. This is an indication that before an NGO strategizes on how to handle the outsourcing function, they should be prepared to have enough finances to effect it.

#### **4.5: Quality of Service Delivery**

The way a service is provided says much about how it will be received by its recipient. The quality of a service will determine whether its recipient will come back or not. Quality service delivery is considered law for an organization to succeed and achieve its objectives (Lieberman & Nissen, 2006). When a great customer service is encountered, it is often so unexpected that we find ourselves wondering whether there was a mistake in the first place. This curiosity makes us search for reasons to go back and get the experience again than just making the next sale. It is important for

organizations to build customer relationships by personalizing their interactions (Etzel et al, 2007).

**Table 4.10: Respondents' Perception on Service Delivery Before & After Outsourcing**

LEVEL OF PERCEPTION	OUTSOURCING PERIOD			
	BEFORE		AFTER	
	OUTSOURCING	%	OUTSOURCING	%
VERY LOW	20	36	3	5
LOW	10	18	10	18
AVERAGE	14	25	5	9
HIGH	7	12	22	39
VERY HIGH	5	9	16	29
<b>TOTAL</b>	<b>56</b>	<b>100</b>	<b>56</b>	<b>100</b>

Thirty respondents in Table 4.10 at (54%) were of the opinion that the service quality before outsourcing was poor. 14 of them at 25% were of the opinion that service provision was of average quality. After outsourcing, 38 of the respondents, standing at 68% were of the opinion that quality of service provision had drastically increased. This means that the respondents are responding positively to the outsourcing function.

**Table 4.11: Respondents' Perception on Responsiveness of Outsourcing**

SERVICE RESPONSIVENESS	FREQUENCY	PERCENTAGE (%)
Customer complaints are immediately diagnosed	20	35
Customer complaints are diagnosed after some time	30	54
Customer complaints are not diagnosed at all	6	11
<b>TOTAL</b>	<b>56</b>	<b>100</b>

Twenty respondents (at 35%) in Table 4.11 are of the opinion that customers' complaints are tackled on time. However, 54% of them are of the opinion that their complaints are not attended to immediately. This is an indication that service delivery has to be continuously improved. Maybe the NGO management should think of introducing Total Quality Management (TQM) mechanisms in service delivery.

**Table 4.12: Respondents' Perception on Service Delivery**

<b>PERCEPTION ON QUALITY OF SERVICE DELIVERY</b>	<b>FREQUENCY</b>	<b>PERCENTAGE (%)</b>
Service delivery has improved	25	45
Service delivery has remained the same	21	38
Service delivery has deteriorated	10	17
<b>TOTAL</b>	<b>56</b>	<b>100</b>

A majority of the respondents in Table 4.12 (at 45%) are of the opinion that service delivery had really improved after the outsourcing function was introduced at International Drug Rehabilitation Centre. This is an indication of the positive influence of the outsourcing function at International Drug Rehabilitation Centre.

**Table 4.13: Respondents' Perception on Reliability of Outsourcing**

<b>SERVICE RELIABILITY</b>	<b>FREQUENCY</b>	<b>PERCENTAGE (%)</b>
Stakeholder support has been reliable	40	71
Stakeholder support has not been reliable	16	29
<b>TOTAL</b>	<b>56</b>	<b>100</b>



The data in Table 4.13 implies that 71% of the respondents were of the opinion that the respondents are satisfied with the way the 3PL's employees' reliability. This further showed that the employees of the service provider had gained the confidence of the respondents after they improved the quality of the services delivered.

#### **4.6: Stakeholder Satisfaction and Expectation**

Stakeholders expect that they are served well, while at the same time, the NGO is run effectively and efficiently. They expect to have a satisfaction level that is beyond average. The study found out the following:

**Table 4.14: Respondents' Level of Optimism**

<b>LEVEL OF OPTIMISM</b>	<b>FREQUENCY</b>	<b>PERCENTAGE (%)</b>
Yes	45	80
No	11	20
<b>TOTAL</b>	<b>56</b>	<b>100</b>

Forty-five of the respondents in Table 4.14 (at 80%) were more optimistic of the outsourcing function. This was an indication that the outsourcing function has been successful. For the respondents to reach this level of optimism, it is also an indication that the NGO stakeholders have been involved since project resistance has been low, at 20%. However, there is need to ensure that everybody is on board in the outsourcing function.

**Table 4.15: Respondents' Rating of Several Parameters in Outsourcing**

	SERVICE	DONOR	CONTRACT	HANDLING	EMPLOYEE	DATA
PERCEPTION	DELIVERY	SATISFACTION	PERFORMANCE	OF 3PL	CONFIDENCE	SECURITY
<b>Excellent</b>	12	10	8	5	3	1
<b>Very Good</b>	15	15	12	14	12	5
<b>Good</b>	10	18	20	25	30	30
<b>No Idea</b>	8	6	10	8	6	10
<b>Bad</b>	7	4	2	3	3	5
<b>Worse</b>	4	3	4	1	2	5
<b>TOTAL</b>	<b>56</b>	<b>56</b>	<b>56</b>	<b>56</b>	<b>56</b>	<b>56</b>

The data in Table 4.15 indicates that a majority of the respondents are of the opinion that the NGO management is doing well in all the parameters mentioned. It is an indication of their confidence in the NGO management's handling of the various parameters. However, the NGO management should do more to gain more of the respondents' confidence in its data security and confidentiality.

**Table 4.16: Respondents' Perception on Competency of Outsourcing**

COMPETENCY LEVEL OF 3PL	FREQUENCY	PERCENTAGE (%)
Very Knowledgeable	10	18
Moderately Knowledgeable	36	64
Not Knowledgeable	10	18
<b>TOTAL</b>	<b>56</b>	<b>100</b>

Data in the Table 4.16 indicates that 82% of the respondents are of the opinion that the competency level of the service providers' staff is above average. 18% of them were of the opposite opinion. This shows that the majority of the respondents have confidence in the 3PL's employees' handling of the outsourced services. However,

they should improve the way they handle the services to get the approval of the remainder of the respondents.

#### **4.7: Strategy Formulation and Implementation**

For any organization to survive in these hard times, the management should strategize on its future growth and ensure that the measures put in place mold it into becoming the best it can be. In today’s business world where competition is becoming stiffer by the day, organizations are increasingly having the pressure of producing technologically affordable but quality products and services. This has increased the demand in the range of services offered by outsourcing companies. Outsourcing can help an organization to concentrate with what it does best (Rinsler, 2006). Data in the study related to this had the following findings:

**Table 4.17: Respondents’ Perception on Transfer of Knowledge to Internal Employees**

<b>SUCCESS OF KNOWLEDGE</b>			
	<b>TRANSFER</b>	<b>FREQUENCY</b>	<b>PERCENTAGE (%)</b>
Yes		35	63
No		21	37
<b>TOTAL</b>		<b>56</b>	<b>100</b>

The data in Table 4.17 indicates that 63% of the respondents were in support of the fact that outsourcing would help develop a knowledge bank for International Drug Rehabilitation Centre by helping the knowledge trickle down to internal employees. This means that that trickling down of knowledge has been a success.

**Table 4.18: Respondents' Perceived Strategies of Outsourcing**

<b>STRATEGIES ADOPTED</b>	<b>REQUENCY</b>	<b>PERCENTAGE (%)</b>
Management has retained some control	16	36
Performance measures have been launched	20	25
Constant reviews have been put in place	12	21
Renegotiating the contract	8	18
<b>TOTAL</b>	<b>56</b>	<b>100</b>

In the data in Table 4.18, 36% of the respondents are of the opinion that the management has retained some control over the outsourced function, 25% opine that the management has put in place performance measures to put the outsourced function in check, 21% are of the opinion that the management should renegotiate, while 18% are of the opinion that the management reviews the performance of the outsourced function regularly. This indicates majority of the respondents were contended with the strategies International Drug Rehabilitation Centre has put in place.

#### **4.8: Corporate Effectiveness and Efficiency**

NGOs' performance depends on how they are run. When non-core activities are outsourced, the management gets the time to concentrate on the set objectives for which they were set (Beulen et al, 1994). The scope of each program or project will impact on the society depending on how efficient and effective they are since the ability of an NGO to meet its organizational goals can be influenced significantly by the degree of its effectiveness and efficiency achieved in managing operations in the supply chain (Hitt et al, 2007).

**Table 4.19: Respondents' Perception on Outsourcing Success**

<b>PARAMETER</b>	<b>FREQUENCY</b>	<b>PERCENTAGE (%)</b>
Yes	48	86
Have no idea	3	5
No	5	9
<b>TOTAL</b>	<b>56</b>	<b>100</b>

Forty-eight of the respondents in Table 4.19 (at 86%) were of the opinion that outsourcing at International Drug Rehabilitation Centre has been an overwhelming success. 5% had no idea of the influence of outsourcing at International Drug Rehabilitation Centre, and 9% thought it was not that successful. This indicated that majority of the respondents (at 86%) overwhelmingly supported the outsourcing function at International Drug Rehabilitation Centre.

**Table 4.20: Respondents' Perceived Benefits of Outsourcing**

<b>PERCEIVED BENEFIT</b>	<b>FREQUENCY</b>	<b>PERCENTAGE (%)</b>
To cut operational costs	10	17
To focus on core activities	11	20
To improve service delivery	9	16
To develop internal staff	7	13
To embrace technology	6	11
To get rid of employees	5	9
To comply with donor requirements	8	14
<b>TOTAL</b>	<b>56</b>	<b>100</b>

Respondents were asked to indicate, in their own opinion, the perceived benefits that outsourcing has brought at International Drug Rehabilitation Centre. In Table 4.20, those with the opinion that International Drug Rehabilitation Centre benefited immensely by focusing on its core activities stood at 11 respondents at 20%, followed by those that thought it enabled International Drug Rehabilitation Centre cut costs with 10 respondents at 17%, improved service delivery with Nine respondents at 16%, compliance to donor requirements with 8 respondents at 14%, development of internal staff with 7 respondents at 13%, and getting rid of employees with 5 respondents at 9%. This is an indication that outsourcing has really benefited International Drug Rehabilitation Centre in its day-to-day operations.

**Table 4.21: Respondents Perceived Achievement of Outsourcing Objectives**

<b>PERCEPTION ON ACHIEVEMENT OF OUTSOURCING OBJECTIVES</b>	<b>FREQUENCY</b>	<b>PERCENTAGE (%)</b>
Strongly Agree	12	22
Agree	26	46
No Idea	8	14
Disagree	9	16
Strongly Disagree	1	2
<b>TOTAL</b>	<b>56</b>	<b>100</b>

Thirty-six of the respondents in Table 4.21 (at 68%) were of the opinion that outsourcing has enabled International Drug Rehabilitation Centre has achieved so much ever since outsourcing was done. 14% of the respondents had no evidence of any tangible difference, 16% of the respondents were not of the opinion that things became bad since outsourcing, and were of the strong opinion that outsourcing has made things worse. This is an indication that majority of the respondents were in

support of outsourcing, and were of the opinion that it had brought many achievements.

**CHAPTER FIVE**  
**SUMMARY OF FINDINGS, DISCUSSION, CONCLUSIONS AND**  
**RECOMMENDATIONS**

**5.1: Introduction**

This chapter presents a summary of the findings in the study. It draws recommendations based on the conclusions made in the study. It finally makes suggestions for further studies with specific areas in the study. The purpose of the study was to determine the factors that influence outsourcing in Non-Governmental Organizations in Kenya, the case of International Drug Rehabilitation Centre. Data from the study was compiled and analyzed, whose summary are represented in the previous chapter.

**5.2: Summary of the Findings of the Study**

The study did seek to find the factors influencing outsourcing in Non-Governmental Organizations in Kenya, the case of International Drug Rehabilitation Centre.

Chapter one of the study discusses the background of the study, the problem statement, research objectives, research hypotheses, research questions, significance of the study, assumptions and the scope of the study.

Chapter two reviews several studies that were previously carried out on the topic. It looks at the general overview of issues in outsourcing, the concept of outsourcing, outsourcing and resource utilization, outsourcing and stakeholder satisfaction, outsourcing and quality of service delivery, outsourcing and strategy formulation and implementation, conceptual framework, theoretical framework, summary of the study and gaps to be filled in the study.

Chapter three consists of the study methodology details, such as research design, details of the target population, sample size and sampling procedures, data collection instruments, validity of research instruments, reliability of research instruments, data



collection procedures, data analysis techniques, ethical considerations, and operational definition of procedures.

Chapter four presents the results of the data collected, with further discussion on the study findings. It further analyzes both qualitative and quantitative data that corresponds with the questions found on the questionnaires. Figures and tables derived from the findings of the study are also presented.

Chapter five looks at the summary of the study and draws conclusions based on the findings, further making recommendations based on the conclusions in the study. The study makes suggestions for further research.

The summaries to the study questions are made as follows:

### **5.2.1: Resource Utilization**

Question one of this study had sought to determine the influence of resource utilization on outsourcing decisions at International Drug Rehabilitation Centre. From the findings, it is very clear that the resolve of International Drug Rehabilitation Centre to save on its financial resources by cutting on its unnecessary costs has informed the management to consider the outsourcing function.

When a service has been outsourced, it will reduce the pressure on the NGO operations by transferring the risks involved to the third-party service provider (3PL). It also means that the internal employees who were involved previously in the particular service are transferred to the 3PL. What this means is that the financial resources that went into payrolls and allowances is also saved. Another advantage of the outsourcing function to International Drug Rehabilitation Centre is that it reduced significantly the cost of running its projects, as well as the project process costs. There was therefore a significant relationship on how resource were utilized and outsourcing decisions were done at International Drug Rehabilitation Centre.

### **5.2.2: Quality of Service Delivery**

Question two of this study had sought to determine the influence of resource utilization on outsourcing decisions at International Drug Rehabilitation Centre. The findings of the study indicated that a quality service delivery was paramount on how stakeholders were contended.

When a service is delivered in an atmosphere that is receptive, it attracts many more customers, and becomes a boost to the NGO's corporate standing. When the same is outsourced, the 3PL employees make people's confidence in the same to increase since to them, it is a specialty. They are specialist in the same by virtue of having done the same thing several times. There was therefore a significant relationship on the quality of service delivery and outsourcing decisions were done at International Drug Rehabilitation Centre.

### **5.2.3: Stakeholder Satisfaction & Expectation**

Question three of this study had sought to determine the influence of stakeholder satisfaction on outsourcing decisions at International Drug Rehabilitation Centre. Majority of the respondents at 45% stated that stakeholder satisfaction improved when a service is outsourced. 38% of the respondents were of the opinion that stakeholder satisfaction remained the same, while 17% were of the opinion that it had deteriorated. This indicates clearly that stakeholders expect that the NGO improves the way its services are offered to ensure that their satisfaction and expectation are met, if not surpassed. There was a significant relationship on stakeholder satisfaction and outsourcing decisions at International Drug Rehabilitation Centre.

### **5.2.4: Strategy Formulation and Implementation**

Question four of this study had sought to determine the influence of stakeholder satisfaction on outsourcing decisions at International Drug Rehabilitation Centre. With outsourcing, the International Drug Rehabilitation Centre, the NGO

management was left with more time to concentrate on its strategy formulation, design and implementation. This means that the management would really concentrate on ways to grow the NGO to greater height and focus on its core competencies. This has given the NGO management to formulate and implement quality projects that have had positive influence on the way stakeholders' live. There was therefore a significant relationship on how strategies are adopted and outsourcing decisions were done at International Drug Rehabilitation Centre.

#### **5.2.5: Corporate Efficiency and Effectiveness**

Question five of this study had sought to determine the influence of stakeholder satisfaction on outsourcing decisions at International Drug Rehabilitation Centre. Outsourcing has helped the NGO to save on unnecessary costs. This had the effect of the NGO be efficient on the way its projects were implemented. The necessary services were delivered to the stakeholders in a very economic manner and at minimum cost. The impact of those projects on the community was evident to have changed drastically on the ways in which they used to live previously. The outsourcing function enabled International Drug Rehabilitation Centre top management to concentrate on its core activities. This gave them the time to adapt to the ever-changing corporate environment quickly than their counterparts. The time also enabled the NGO to formulate strategic plans that were effective in the way it was run. There was a significant relationship between corporate efficiency and outsourcing decisions were done at International Drug Rehabilitation Centre.

#### **5.3: Discussion of the Findings of the Study**

This study derived the following findings:

The outsourcing function has to be understood very well for it to have a positive influence on the way an NGO runs its operations. There are a number of factors to consider before settling for an outsourcing firm: service quality, cost, experience and

specialty, what competitors have done in the industry, among other factors. Planning the negotiation process is absolutely essential if the objectives are to be met successfully. Failure to plan properly leads to poorly formulated objectives and inappropriate negotiating styles and tactics. Negotiations always take place in a context. If negotiations with suppliers are frequent and on-going, a pool of skilled negotiators is developed (Wells, 2006). The NGO should send strong negotiators at the negotiation stage of the outsourcing process to avoid being disadvantaged.

It is important for the NGO to request for tenders from qualified service providers so as to save on the outsourcing process as well as get a quality service from a competent service provider. Investigate the service provider to learn about the qualifications of their staff, commitment to training, compensation packages, and employee retention. All of these factors can be very important, as quality services are dependent upon the skills of the people performing the services. Take time and visit the company to learn more about their operations. However, the NGO management must be careful because of risks and threats associated with outsourcing which must therefore be managed, to achieve maximum benefits. (Lysons & Farrington, 2006). It is also important for the NGO concerned to probe the performance of the particular 3PL before it agrees to outsource its function to the 3PL. This can be done through the other 3PL's current and past customers, a visit or visits to the said 3PL, the expertise of its staff, its competitors, industry practice and available websites. The NGO management should not leave the outsourcing function entirely to the 3PL. There is a need for the NGO to keep monitoring how the outsourced function is run since it directly affects the NGO operations.

Reilly & Tamkin (1996) suggest that the main reason to objection to outsourcing is the fear of the NGO to lose competitive advantage, loss of skills and expertise, insufficient internal investment, and the passing of knowledge and expertise to the

supplier. According to Lysons & Farrington (2006), the problems reported in relation to outsourced suppliers include high staff turnover, poor project management skills, lack of commitment, shallow expertise, insufficient documentation, lack of control, poor staff training, complacency over time, divergent interests of the organization, customers and supplier, and cultural mismatches between the organization and suppliers. To avoid resistance, the outsourcing function should be done with the involvement of all the stakeholders to minimize resistance, and be introduced in phases in order not to disrupt significantly the way things are done traditionally in the NGO. (Johnson et al, 2008). Otherwise, stakeholders may find it hard to cope with the outsourcing process.

For outsourcing to produce the desired results, it's essential for the NGO management to align its organizational culture to be receptive to change. Lacity & Hirscheim (1995) point out that outsourcing cannot work well where there's lack of a specific or unique knowledge the business requires, where all services are customized and where the employee culture is too fragmented or hostile to change. Culture is a very strong driver of strategy. Organizations can be so easily entangled in their culture that the management finds it hard to align to their strategies outside that of the culture (Johnson, et al, 2008). , it is important to pilot test or simulate the quality and responsiveness of the service before formally accepting it and allowing it to go on so as to give the employees enough time to adjust and get acquainted to the new system (Franco, 2006).

The NGO should invite legal opinion of the outsourcing contract before putting pen to it so as to avoid legal disputes arising later in the course of effecting the outsourcing function. The outsourcing contract must be very well articulated to include all the activities in the outsourcing process to evaluate contract compliance and performance. (Lysons & Farrington, 2006). To avoid misunderstandings, suspicions and

unnecessary costs, the contract must be carefully documented and managed. The organization should seek proper legal advice in drafting the contract. Contracts should never be drafted under duress or undue influence (Elliot, 2006).

The NGO management has formed a partnership with the service provider to be kept abreast with the goings-on in the execution of the said outsourcing function. This has enabled the outsourcing process to sail on smoothly. Johnson et al, (2008) has enabled the NGO and its service providers to avoid unnecessary misunderstandings, mistrust and unnecessary tensions and jealousies.

Outsourcing has also helped International Drug Rehabilitation Centre to be increasingly flexible by increasing the speed of critical processes for example, in reducing the lead time to ensure that relief food reaches the needy in time (Lysons & Farrington, 2006).

International Drug Rehabilitation Centre has adequately managed its contractors. The signing of the contract should not be seen as the end process. It is important to continue to monitor, appraise, evaluate and control the contractor to ensure quality service delivery is achieved to complement the organization's overall objectives. Usually, a manager from the organization is nominated to be responsible for contract management, to ensure that cost and service targets are met, and to develop and identify opportunities and initiatives for continuous service improvement. The nominated manager brings both focus and accountability to the outsourcing process, as well as acting as the interface with the contractor for regular reviews and communication. The safest way to achieve organizational objectives is to follow a clearly defined process of contractor selection process. This is the only way to ascertain that all important aspects in the outsourcing contract are covered. The outsourcing process should be considered as a partnership (Rushton et al, 2006)

Outsourcing has helped International Drug Rehabilitation Centre to have free enough time to concentrate on its core issues for which it was established as this has improved the quality of the service provision to improve the quality of life as suggested by Czinkota & Roinkanen, (2007).

#### **5.4: Recommendations of the Study**

Based on the findings in this study, the following recommendations were made:

##### **5.4.1: Resource Utilization**

The outsourcing function should lead the NGO concerned to save on unnecessary costs. Resources should be utilized prudently to avoid wastages of resources and costs. These resources include the human capital, financial, data and information, and project assets. The costs saved should enable the NGO should to employ professionals in their own fields, supervised to ensure they work within the agreed specifications and trained on the importance of prudent utilization of resources. Financial resources should be strictly invested on project issues that would bring back.

##### **5.4.2: Quality of Service Delivery**

The outsourcing function should enable the NGO to concentrate on its core activities. By this, the NGO will have the time to improve the quality of products and services so as to satisfy the community in which it exists and serves. Since outsourcing, International Drug Rehabilitation Centre has improved on the way it serves the community with its projects. Outsourcing should lead to the improved quality of service deliver. Otherwise, its effect will be null.

##### **5.4.3: Stakeholder Satisfaction**

Since outsourcing brings about the reduction of costs and wastages, donor requirements are met, and even surpassed. Outsourcing gives the NGO management the time to concentrate on formulating quality projects which ensure that they positively influence the lives of the communities they are intended to serve. The

outsourcing function enables the NGO to serve its employees better since it informs the NGO to have a smaller number of employees to serve better. Outsourcing should lead NGOs to align their missions to donor requirements, employees and the communities they serve.

#### **5.4.4: Strategy Formulation and Implementation**

Outsourcing gives the NGO management the time to concentrate on strategy formulation and implementation. This means that with enough time, the quality of growth and forecasting improves, making their project penetration to the community a success. This strategy also leads to the reduced cost of running projects, leading to contented stakeholders.

Top NGO managements should consider the outsourcing function so as to free their time to concentrate on ways in which to improve the quality of their strategies to serve their communities.

#### **5.4.5: Corporate Efficiency and Effectiveness**

Outsourcing at International Drug Rehabilitation Centre has led to project effectiveness and efficiency. The quality of the projects has improved with the time the management has had to concentrate on ways to improve the living standards of the people they serve. The management has reduced costs in their internal project processes. Outsourcing has enabled the NGO management to be innovative in the way it formulates and implements its projects. It enabled the NGO to serve its stakeholders in an efficient and effective manner.

The outsourcing function, in its entirety, should help an NGO to serve the community better. It should also assist the NGO to free itself of the time to deal with the core functions for which they were created. It is recommended that for NGOs to serve humanity in a way to have maximum impact in the society they serve, they should



strongly consider outsourcing their non-core activities to concentrate on improving the quality of their services.

#### **5.5: Suggestions for Further Studies**

This study focused on the factors influencing outsourcing practices in Non-Governmental Organizations in Kenya, with specific emphasis to International Drug Rehabilitation Centre. NGOs are created for the delivery of a specific service. For instance, there are those in the field of public health such as International Drug Rehabilitation Centre, trade sector, economic empowerment of communities, livelihoods, and so forth. There is the need, therefore, for further research to be conducted at other NGOs in Kenya or even other parts of Africa and the world to see how the outsourcing function can influence their specific operations. Further, there is also the need to study how NGOs in a specific sector handle the outsourcing function. This will widen the scope of the information collected to add to the body of knowledge on NGOs.

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## APPENDICES

### Appendix 1: Introductory Letter for Data Access

Leonard Busenah,  
P.O. Box 40000 – 80100,  
**MOMBASA.**

22<sup>nd</sup> April, 2013.

Dear Sir/Madam

#### **RE: REQUEST FOR RESEARCH DATA COLLECTION**

I am a student pursuing a Master's Degree in Project Planning and Management at the University of Nairobi. I am currently carrying out a research project in partial fulfillment of the requirements of the degree. The topic of the research is factors influencing outsourcing in the NGO sector, a case of International Drug Rehabilitation Centre.

I humbly request for an appointment to carry out a personal interview as per the interview guide that accompanies this letter. The information obtained is for academic purposes only and will be strictly confidential.

A copy of the final project will be available for you on request.

Thank you for your support.

Yours faithfully,

Busenah Leonard Ongadi,

**Reg. no.: L50/69025/2011.**

## Appendix 2: Questionnaire Guide for Respondents

This is the questionnaire designed for this study about the factors influencing outsourcing practices in NGOs in Kenya with emphasis to International Drug Rehabilitation Centre. Please go through it carefully and answer the questions to the best of your understanding. Thank you.

1.) Please indicate your age of respondents:

A. 18 – 25

B. 26 – 35

C. 36 – 45

D. Above 45

2.) Please indicate your gender:

A. Male

B. Female

3.) Please indicate your level of education:

A. Primary

B. Secondary

C. College

D. University

E. Postgraduate

4.) Please indicate your position in company:

A. Management

B. Junior Staff

5.) Please indicate you the department where you work:

A. Administration

B. Program Management

C. Operations

D. Accounts

E. Grants & Fundraising

6.) Please indicate the branch where you work:

A. Mombasa

B. Nairobi

C. Kakamega

7.) Please indicate how long you have been employed at International Drug Rehabilitation Centre.

A. Below 1 year

B. 1 - 2 years

C. 3- 4 years

D. 4 -5 years

E. Over 6 years

8.) According to your observation, what was the reason for outsourcing? (Please tick the most appropriate).

- A. To cut operational costs
- B. To focus on core activities and development work
- C. To improve service delivery to target groups
- D. To develop internal staff
- E. To comply with donor requirements
- F. To embrace technology
- G. To get rid of employees

9.) To the best of your knowledge, what can best explain the benefits of outsourcing in a typical Non-Governmental Organization?(Please tick the most appropriate).

- A. To cut operational costs
- B. To focus on core activities and development work
- C. To improve service delivery to target groups
- D. To develop internal staff
- E. To comply with donor requirements
- F. To embrace technology
- G. To get rid of employees

10.) In your own opinion, has outsourcing of services succeeded at International Drug Rehabilitation Centre?

- A. Yes
- B. Have NO idea

C. No

11.) What best explains the prominent challenges facing outsourcing at International Drug Rehabilitation Centre? (Please tick the most appropriate).

A. Hidden running costs

B. Misunderstandings with service providers

C. Service deterioration to target groups

D. Loss of management control

E. Industrial espionage, that is, leaking of information to outsiders by 3PL

F. Confidentiality

G. Lack of performance measures

12.) Please indicate the strategies adopted to counter the challenges.

A. Management has retained some control

B. Performance measures have been launched

C. Constant reviews have been put in place

D. Renegotiating the contract

13.) How has service delivery to target groups and stakeholders been influenced by outsourcing of services to 3PLs?

A. Service delivery has improved

B. Service delivery has remained the same

C. Service delivery has deteriorated

14.) Has International Drug Rehabilitation Centre has achieved its outsourcing objectives? (Please tick the most appropriate)

STRONGLY AGREE	AGREE	NO IDEA	DISAGREE	STRONGLY DISAGREE

15.) How do you rate the following? (Please tick the most appropriate)

PARAMETER	EXCELLENT	VERY GOOD	GOOD	NO IDEA	BAD	WORSE
Service Delivery						
Donor Satisfaction						
Contract Performance						
Handling of the 3PL						
Employee Confidence						
Data Security						

16.) What is the cost implication of outsourcing on International Drug Rehabilitation Centre?

- A. Ineligible
- B. Moderately costly
- C. Costly
- D. Very costly
- E. Have no idea

17.) How can you rate the level of service delivery before and after the outsourcing?

**Before outsourcing:**

- A. Low
- B. Very low
- C. Average
- D. High
- E. Very high

**After outsourcing:**

- A. Low
- B. Very low
- C. Average
- D. High
- E. Very high

18.) How has outsourcing contributed to the service reliability?

- A. Stakeholder support has been reliable
- B. Stakeholder support has not been reliable

19.) How has outsourcing contributed to service responsiveness?

- A. Customer complaints are immediately diagnosed
- B. Customer complaints are diagnosed after some time
- C. Customer complaints are not diagnosed at all

20.) How knowledgeable have the 3PL employees been?

- A. Knowledgeable



B. Moderately Knowledgeable

C. Not Knowledgeable

21.) Are employees optimistic of outsourcing?

A. Yes

B. No

22.) Has the process of transferring knowledge from the 3PL employees to internal employees been successful?

A. Yes

B. No

Thank you for your time, patience and support.

### *Appendix 3: Interview Guide for Interviewees*

The following questions were drawn by the interviewer to ask the respondents. These questions will assist the researcher to know how the respondents view outsourcing at International Drug Rehabilitation Centre.

1. What are the various measures put in place in case of a disaster or disagreement?
2. What are the organizational changes pertaining to the outsourcing?
3. What is the level of outsourcing awareness in the organization?
4. What can the organization do to guide against threats?
5. How are customer complaints handled?
6. How fast is the response?
7. Do you have any other important information you would want me to know?
8. What are the employees' fears in relation to outsourcing?
9. How best can the fear be handled?
10. What are, in your opinion, the advantages of outsourcing?
11. How best can outsourcing be handled?
12. How supportive is the management?
13. What, in your opinion, are the best strategies to be used?
14. How best can they be used?
15. Any additional suggestion(s)?