

**THE IMPACT OF OUTSOURCING STRATEGY ON SERVICE DELIVERY IN  
NAIROBI CITY COUNTY.**

**BY**

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## **DEDICATION**

This research project is dedicated to my beloved Mother and Father without whom; my dreams of going to School would not have been possible; God Bless You. It is also dedicated to my wife and children for their encouragement, patience, and understanding, in the course of my studies when they most needed my attention and whose prayers, love and tolerance have strengthened me all the time.

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## ABSTRACT

The purpose of this study is to establish the impact of outsourcing strategy on service delivery at Nairobi City County. The study employed descriptive research design for it portrays an accurate profile of situations. The study targeted all sectors of Nairobi City County and a census sampling method was conducted. The study used a semi structured questionnaire to collect primary data. Data analysis was done to establish whether or not outsourcing strategy affect service delivery. The responses were coded to facilitate statistical analysis by use of descriptive statistics which consisted of mean scores and standard deviations. Tables were used to present the data. The results indicate that correlation between performance and service delivery shows that there was a strong positive correlation, while a correlation between productivity and service delivery shows that there was a strong negative correlation. Similarly a correlation between customer satisfaction and service delivery show that there was a weak positive correlation and is significant at  $\alpha = 5\%$  and implies that the increase or decrease in independent variables would not significantly affect the beta of the firm. The increase in performance has a positive impact on the beta. The adjusted  $R^2$  is 41% and the value of F statistics observed is 3.789 which are higher than critical value of F- distribution of 1.92 but the model is significant. The study concluded that productivity Nairobi City County is based on its effectiveness and efficiency. This presents the ability of a service organization to fulfill its customers demand by doing the right things and ability to produce a specified output using as few input resources as possible by doing things right. It was concluded that customer satisfaction is typically the largest asset and the predominate source of revenue. As such, it is one of the greatest sources of risk to an organization's safety and soundness. The study concluded that customer satisfaction shows how firms are committed to provide quality services to their customers that eventually increase customer loyalty. The researcher recommends that Nairobi City County should have a clear performance policy as possible. The managers should be educated on the importance of these policies since they significantly affect the service delivery of the Nairobi City County. The researcher further recommends that the Government should review most of the rules, regulations and by-laws some of which are outdated and affects the outsourcing and hence the service delivery of Nairobi City County.

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# CHAPTER ONE

## 1.1 Background of the Study

Blaxill, Mark and Eckardt, Ralph (2009) stated that outsourcing originally started thousands of years ago. When societies began to form, individuals began to develop specialized skills. Certain tasks were given to these individuals, and thus outsourcing was born. Today, outsourcing is an important part of the business world because it helps businesses and individuals worldwide come together to serve customers more efficiently. Although outsourcing began thousands of years ago, it rose in popularity during the Industrial Revolution of the 18th and 19th centuries. During this time, business owners began realizing the power of doing more in the time that they have. They tried to outsource certain parts of their production to other outside firms.

Organizations focused on having a large business that could directly control all other aspects of their business. Companies looked to expand their businesses as much as possible. As a result, corporations became bloated as they expanded overseas. In the 1970s and 1980s corporations decided that they needed to either cut down or refocus their energies on the parts of their businesses that they were good at. They found that they could not stay flexible if they were trying to manage everything under the sun. As a result, outsourcing grew in popularity (Ansoff, Igor, 1965).

Outsourcing wasn't considered to be an official business strategy until 1989. By then, technology had made it possible for workers to complete work even outside of an outsourcing location. As companies sought to save money and scale down their operations, outsourcing made perfect sense (Burnes, 2004). With the advent of the Web, outsourcing became even easier and more necessary. Companies needed to make huge changes to respond to technological demands of their company. They had to outsource these functions to companies who knew something about the technology.

According to Quinn, (2000), outsourcing is the contracting out of an internal business process to a third-party organization. Outsourcing sometimes involves transferring employees and assets from one firm to another, but not always. Outsourcing is a practice that should not be considered without considering the impact on the organization. Outsourcing has gone through many

iterations and reinventions. Some outsourcing deals have been partially or fully reversed, citing an inability to execute strategy, lost transparency & control, onerous contractual models, a lack of competition, recurring costs, hidden costs, and so on. Many companies are now moving to more tailored models where along with outsource vendor diversification, key parts of what was previously outsourced has been in sourced. In sourcing has been identified as a means to ensure control, compliance and to gain competitive differentiation through vertical integration or the development of shared services. In sourcing at some level also tends to be leveraged to enable organizations to undergo significant transformational change (Chandler and Alfred, 2002)

Companies today both large and small do not have the capacity or expertise to manufacture every component of an end product they are getting ready for sale. This is a good thing as this need creates the need for additional jobs provided the market is good for the product being manufactured and assembled. The key to outsourcing is choosing the resource that can provide the quality product or service in completing an end product (Corner, Kinicki and Keats, 2004). Companies may seek internal savings to focus money and resources towards core business. A company may outsource its landscaping functions irrelevant to the core business. Companies and public entities may outsource certain specialized functions, such as payroll, training, recruitment auditing, and garbage collection among others in order to increase the level of consumer satisfaction.

### **1.1.1 The Concept of service delivery**

Service Delivery is a set of components that provide service delivery architecture (such as service creation, session control and protocols) for a type of service. Service delivery often requires integration of telecommunication and information technology capabilities and the provision of services that are unmatched in the industry (Burnes 2004). Service delivery available today in city county of Nairobi tends to be optimized for the delivery of a service in modern technological innovations and expertise. Service delivery programs are applicable to both the consumer and business applications. The business objective of implementing the service delivery programs is to enable rapid development and deployment of new converged services, from basic services to complex services.

Good governance is not the creation of a democratic process only, but must entail also how fast, well and reactive the service is to demands from the society regarding the basic needs in form of basic social services. Currently substandard and slowness in service delivery continue to lead to loss of confidence in some organizations. Experience elsewhere, shows that there is a relationship between work methods and performance in service delivery. It is imperative that for the service to deliver the desired outputs, it needs to strive to look or encourage better ways of performing the delivery process. Service organization may not necessarily directly deliver the service but much as a matter of policy and good governance should develop or approve benchmark processes that are effective and efficient in delivery of services (Cornner, 2004).

The City County of Nairobi is charged with the responsibility of urban management and service delivery to the citizens with the objective of securing sustainable development and ensuring all have access to good conditions of life. The services offered include housing, healthcare facilities, primary education, emergency response, waste collection, water and sanitation among other services. Current competitive environment induced by globalization and advances in information technology have forced companies to focus on service delivery, and in particular customer satisfaction and customer loyalty in order to efficiently maximize revenues. In the age of customer delivering quality service, it is considered an essential strategy for success and survival in today's competitive environment (Scott Armstrong and Kesten C. Greene, 2007). The focus of any business system is to provide all customers with the level of service delivery they require and as no budget is unlimited.

### **1.1.2 Nairobi City County**

The Nairobi City County is charged with the responsibility of urban management and service delivery to the citizens with the objective of securing sustainable development and ensuring all have access to good conditions of life. Evolution and substance of the strategies to undertake this responsibility are based on the foundation of County's vision "to be recognized as one of the most attractive cities of the world" (Ryan, James E., and Thomas Saunders. 2004)

The Nairobi City County's management structure has been transformed over time in terms of increased technical competence and institutional set up to sufficiently undertake service delivery and effective urban management. The notable successes and visible results enjoyed by the

residents are attributed to this institutional transformation and increased internal cooperation. The challenges of a rapidly growing city with a population of over 3.5 million people are profoundly enormous and complex (Datta and Abhijit, 2006). It requires a well inspired and intellectually endowed team to handle them. The county is making efforts to improve on its human resource capacity within the existing financial limitations and policy regime concerning employment and staff training. However it has been possible to make some achievements in service delivery and management of the urban environment through staff motivation. As an organization that is not well endowed we ascribed to the principle belief that “there is no problem without a solution” for inspiration. This, in addition to our commitment to best practices, stakeholders’ involvement and productive organizational culture inspire our confidence to handle the challenges.

The Nairobi City County faces numerous challenges like rapid urban growth and development, limited financial capacity and infrastructure development that lag behind urban growth, flood management, rehabilitation of health centres, schools, street lighting, garbage trucks, fire fighting equipments, road safety and environmental management, amongst others. Nonetheless, the county has embraced public private partnership approach to overcome some of these challenges. Already enhanced private sector participation is visible in our beautification and street lighting initiatives that will assist the County in enhancing safety and security (Ryan, James E., and Thomas Saunders. 2004). Local Authority Service Delivery Action Plan (L.A.S.D.A.P.) is one of the instruments applied by the council to enhance citizen participation in projects’ planning and implementation to address their needs.

For Nairobi City County to attain its stated goals, it is imperative that participatory approaches to delivery of services and management of the urban environment are strengthened. Residents/stakeholders also need to honor their obligations promptly, by ensuring proper usage of facilities provided and embracing the principle of shared responsibility (Datta and Abhijit, 2006). With this kind of collaboration we are sure of turning Nairobi to a regional hub for commerce, transport, regional cooperation and economic development in line with vision 2030.

## 1.2 Research Problem

The Nairobi City County is charged with the responsibility of urban management and service delivery to the citizens with the objective of securing sustainable development and ensuring all have access to good conditions of life. The Nairobi City County faces numerous challenges like rapid urban growth and development, limited financial capacity and infrastructure development that lag behind urban growth, flood management, rehabilitation of health centres, schools, street lighting, garbage trucks, fire fighting equipments, road safety and environmental management, amongst other. With such challenges, corporate strategy of the county may be put into question, especially with low and middle income earners in developing countries where the average citizen live on less than a dollar a day. Equally, the rate of applying corporate strategies are generally lower than those in developed countries, therefore, better corporate strategies should be a priority for county.

With Nairobi City County increasingly becoming an important aspect in economic development, the instability and inadequacy of services provided by them may compromise the quality of life and life span of average income groups in Kenya. This in the long run will affect the Nairobi City County service delivery and the overall economic growth. This growth can only be realized when there is sufficient number of well trained service delivery officers, technical staff, professional and management manpower. Therefore the study will explore ways of addressing outsourcing strategy to members so as to maintain sustainability of Nairobi City County with or without government support.

Despite Nairobi City County effort to strengthen outsourcing strategy mechanisms, the services currently available to assist the customers are not adequate. Unless the level of the Nairobi City County capacity and cooperation in the development of county plan(s) and appropriate implementation action(s) improves, they will soon be unable to sustain their operations causing them to go against the principle of providing quality services.

Kinyua (2000) carried out a survey on outsourcing practices offered by selected dairy firms quoted in Nairobi security exchange and found that training and recruitment practices are offered by dairy firms. Serem (2003) did a case study of outsourcing strategy by new Kenya cooperative creameries in Nairobi and concluded that IT services are highly outsourced. Malachy (2010) did

a survey of outsourced services by selected banking organizations quoted in Nairobi security exchange and concluded that ATMs payroll and cleaning services are highly outsourced. It is evident that these studies did not focus on the impact of outsourcing strategy on service delivery in Nairobi City County thus creating a knowledge gap. Therefore the research question for this study is: What is the impact of outsourcing strategy on service delivery in Nairobi City County?

### **1.3 Research Objectives**

- i. The general objective is to determine the impact of outsourcing strategy on service delivery in Nairobi City County
- ii. To determine the effect of productivity on service delivery in Nairobi City County.
- iii. To establish the effect of customer satisfaction on service delivery in Nairobi City County.

### **1.4 Value of the Study**

The study benefits the management teams entrusted by the organization to take care of their interests. They understood and improved policy setting and implementation for overall sustainability of the Nairobi City County. The management benefits from this study by obtaining valuable information that various individuals had contributed. This information enabled them to tell whether there is relationship between outsourcing strategy and service delivery.

Other Counties found this study very useful whereby the identified impacts of outsourcing strategy on service delivery was applied in other counties.

This study was useful to other researchers especially in continuation of various studies that are related to this project. The study was useful to those researchers with inexperienced skills of developing research studies. They made this study a source for their reference.

The government found the information useful by identifying the weaknesses of outsourcing strategy in Nairobi City County and came up with possible solutions which solved outsourcing strategy practices. The study provided knowledge networks which provided clients with the highest quality standards for the government as it provide the scientific integrity required in today's research environment.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents the review of literature on outsourcing strategy in Nairobi City County, it comprise of Theoretical, Conceptual Framework, and research gaps to be addressed.

#### **2.2 Theoretical basis of Study**

Companies may outsource certain specialized functions, such as payroll, training, recruitment auditing, and garbage collection among others in order to increase the level of consumer satisfaction. Despite the fact that it imposes a significant service delivery on society, little information is available on the impact of outsourcing on service delivery. Few studies have investigated the role outsourcing play in service delivery. This information is important to quantify the need for service delivery, design innovative services and screening programs that are targeted towards being competitive within the County (Kim, et.al.2004).

##### **2.2.1 Resource based theory**

The resource based view (RBV) as a basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable interchangeable and intangible tangible resources at the firm's disposal (De Wit and Meyer (2008) To transform a short run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile. Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort. If these conditions hold, the bundle of resources can sustain the firm's above average returns.

The resource based view has been a common interest for management researchers and numerous writings could be found for same. A resource-based view of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier (Drucker, Peter, 1968). RBV explains that a firm's sustainable competitive advantage is reached by virtue of unique resources being rare, valuable, inimitable, non tradable and non substitutable, as well as firm specific (Elcock, Howard (2006). These authors wrote about the fact that a firm may reach a

sustainable competitive advantage through unique resources which it holds, and these resources cannot be easily bought, transferred, or copied, and simultaneously, they add value to a firm while being rare. It also highlights the fact that not all resources of a firm may contribute to a firm's sustainable competitive advantage.

Fundamental similarity in these writings is that unique value creating resources will generate a sustainable competitive advantage to the extent that no competitor has the ability to use the same type of resources, either through acquisition or imitation. Major concern in RBV is focused on the ability of the firm to maintain a combination of resources that cannot be possessed or built up in a similar manner by competitors. Further such writings provide us with the base to understand that the sustainability strength of competitive advantage depends on the ability of competitors to use identical or similar resources that make the same implications on a firm's performance. This ability of a firm to avoid imitation of their resources should be analyzed in depth to understand the sustainability strength of a competitive advantage (Kim and Renée Mauborgne (2004).

Resources are the inputs or the factors available to a company which helps to perform its operations or carry out its activities (Elcock, Howard (2006) Also, these authors state that resources, if considered as isolated factors do not result in productivity; hence, coordination of resources is important. The ways a firm can create a barrier to imitation are known as isolating mechanisms, and are reflected in the aspects of corporate culture, managerial capabilities, information asymmetries and property rights. Further, they mention that except for legislative restrictions created through property rights, the other three aspects are direct or indirect results of managerial practices.

### **2.2.2 Transaction cost theory**

Transaction cost theory explains why companies exist, and why companies expand or source out activities to the external environment. The transaction cost theory supposes that companies try to minimize the costs of exchanging resources with the environment, and that companies try to minimize the bureaucratic costs of exchanges within the company. Companies are therefore weighing the costs of exchanging resources with the environment, against the bureaucratic costs of performing activities in house (Lindblom, Charles 2009).

The theory sees institutions and market as different possible forms of organizing and coordinating economic transactions. When external transaction costs are higher than the company's internal bureaucratic costs, the company will grow, because the company is able to perform its activities more cheaply, than if the activities were performed in the market (Moore, Mark, 2005). However, if the bureaucratic costs for coordinating the activity are higher than the external transaction costs, the company will be downsized.

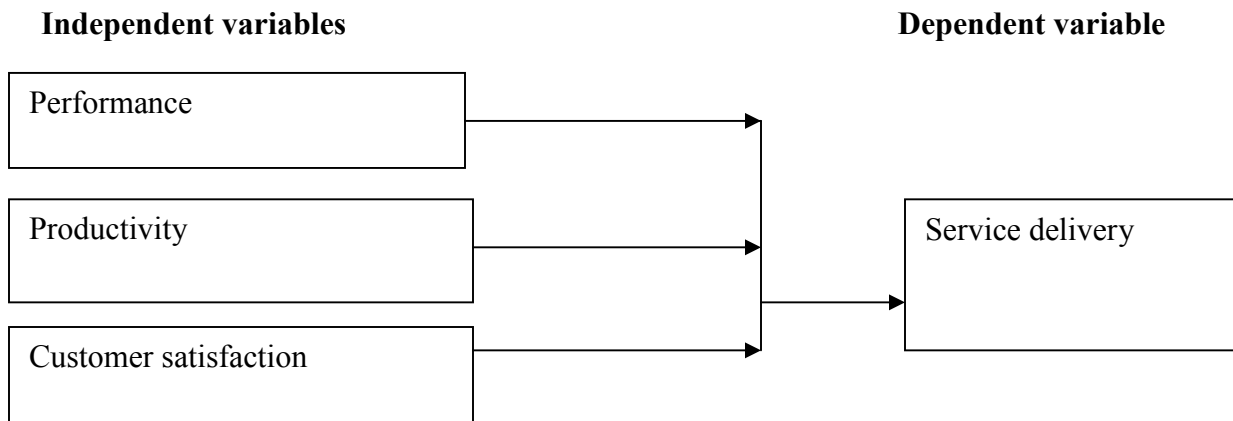
According to Pine and Gilmore (2009), every company will expand as long as the company's activities can be performed cheaper within the company, than by e.g. outsourcing the activities to external providers in the market. According to Lindblom (2009), a transaction cost occurs "when a good or a service is transferred across a technologically separable interface". Therefore, transaction costs arise every time a product or service is being transferred from one stage to another, where new sets of technological capabilities are needed to make the product or service.

According to Porter, M. E. (1990), the transaction costs related to the exchange of resources with the external environment could be reflected by environmental uncertainty, opportunism, risks, bounded rationality and core company assets. The factors will potentially increase the external transaction costs, where it may become rather expensive for a company to control these factors. Therefore, it may very well be more economic to maintain the activity in house, so that the company will not use resources on e.g. contracts with suppliers, meetings, supervision

### **2.3 Conceptual Framework**

Conceptual framework highlighted the relationship between dependent and independent variables. Independent variables are those variables which are systematically varied by the researcher. Depended variables are on the other hand are those variables whose values are presumed to depend on the effects of the independent variables. The relationships can be shown graphically or diagrammatically below.

**Figure 2.1 Conceptual framework**



**Source: Author (2014)**

### **2.3.1 Performance**

Performance is the set of activities that occur before an audience. Likening the process of service delivery to a theatrical performance seems a reasonable proposition given the role that the setting, actors and audience play in both (Quinn, 2000). The service performance, like its theatrical counterpart, relies upon the of many elements like those operating in the back region who support the front stage "show"; the management of the front region's setting; the actors' commitment to the importance of sustaining a believable performance; and the coordination of the overall effort among the various cast members. One function that often takes place back stage is the management of the physical setting. The control of the front region's atmospherics, the coordination of the physical evidence with the actors' service and the overall service design are part of the back region activity. A physical setting breakdown may profoundly damage the audience's perception of the service performance.

The component of performance is the actors' overall commitment to the show, as evidenced by their adherence to various defense practices (Porter, 1990). Involved here are service workers' subscriptions to dramaturgical loyalty (acceptance of a moral like responsibility to sustain a believable performance), discipline (commitment to learning one's part and avoiding gestures or mistakes that might compromise the performance) and circumspection (determination in advance of how best to stage the show). These considerations collectively comprise the foundation of service workers' ability to project a performance which the audience finds satisfying. Whether

contact personnel in hospitals, professional offices, airlines, hotels, or other such services, their performance is enhanced through internalization and adherence to these dramaturgical principles.

The success of a service performance, like that of a theatrical production, requires that all involved cooperate as team members to stage the performance (Scott Armstrong and Kesten Greene, 2007). A single actor in the front region or support personnel in the back can undermine the overall effort simply by failing to sustain vigilance during the show. The audience's perception of service quality is a fragile phenomenon that is easily affected. Consequently, service workers must share a common respect for the importance of the performance.

### **2.3.2 Productivity**

For instance Scott et.al. (2007) suggested that service productivity is becoming increasingly important, since organizations face a growing competitive environment. With this article we propose an ontology linking several service characteristics with strategies to increase productivity. These strategies were identified in the course of an extensive review of academic literature. The ontology can be applied as a practical guide for decision makers.

Measuring productivity is less common for services than for manufacturing. The challenges in measuring service productivity emerge from their inherent characteristics. Productivity is usually analyzed based on two dimensions, effectiveness and efficiency. While the former represents the ability of a service organization to fulfill its customers' demands, i.e. doing the right things, the latter one represents an organization's ability to produce a specified output using as few input resources as possible, doing things right (Ansoff, Igor, 1965). However, one of the main challenges in measuring service productivity is to define inputs and outputs the right way.

In services, quality is always defined as customer perceived quality. Contrary to production, increasing service productivity may lead to a decreased perceived quality. This fact was elaborated in. They have identified four tradeoffs between productivity and quality. Structuring services may result in a reduced attractiveness for customers. Standardization reduces customizability resulting in reduced perceived quality. Furthermore, according to Blaxill, Mark and Eckardt, Ralph (2009), increasing customer participation can discourage customers who are

not willing to put effort into service provision. Finally, replacing employees by machines alienates customers from the service.

As identified in Burnes (2004), there are several contributions to productivity of a service process. Customer-induced contributions are based on the assumption that customers are integrated into the service provision process and their activities influence the progress and outcome of the service delivery. On the other hand, provider induced contribution manifests in resources available for a service. Furthermore, productivity is influenced by interaction based contributions between customers and providers and by demand-induced contributions (minor demand leads to slightly less utilized resources resulting in lowered productivity). Especially the relations between perceived quality and productivity have to be taken into account when implementing strategic decisions.

### **2.3.3 Customer satisfaction**

Customer satisfaction is considered very important now a day, it shows how firms are committed to provide quality product or services to their customers that eventually increase customer loyalty. Satisfying the customer is one of the basic objectives of the organization, as it is often said that customer is boss and boss is always right, so it means customer is right when he demands for after sale services. After sales service is an emerging concept in the business community. Organizations have to provide better after sale services to retain and satisfy its customer. Making and retaining valuable relationship with customer while using every aspect of taking, retaining and enhancing customer is known as customer relationship management (Chandler and Alfred, 2002).

Through customer relationship management, organizations can achieve their objective of retaining and satisfying customers. Customer satisfaction results in increased demand of product or service and the organization or brand reputation increases. When organization sell product effectively it has to make effective planning for services after sale, such planning is a part of customer relationship management. After sale, service has been important for organization to compete in the market by using such extended services (Corner, Kinicki and Keats, 2004).

Employees that work at consumer service positions in the organization have to interact with the customers; they have to deliver high satisfaction to them. However, the capabilities of these front line workers to satisfy customers mainly depend on the environment the organization provides to these employees. Strategic human resource practices that create productivity at work environment are directly related with organizational outcomes i.e. efficiency, quality service and satisfaction of customer. Through many ways customer can be contacted, these may be from physical direct interaction to contact indirectly by letter post, internet and telephone but the main theme is customer interaction (De Wit and Meyer, 2008).

It is very important to note that after sale is a key to support marketing performance and to increase customer loyalty, productivity in long run (Drucker, Peter, 1968). The demand of quality is well effective point in the services sector for human. High technical service quality delivery requirement is not only one that demanded, but there is also a quest for extra quality customer service. When organization offer customers applicable warranty terms then it positively affects the sale and profit because customer become satisfied by warranty assurance. Warranty assurance is highly valuable for customer satisfaction as well as for organizations profitability (Elcock, Howard, 2006). In sale services, after sale delivery and Installation is very important for customer satisfaction. Different customers have different needs some want that the product to be delivered to their destination at right time and right price, others give value to customers needs and wants, on the other hand poor distribution results negative impression (Kotler, 1990).

Organizations need to improve relations with customers for effectiveness and to improve their sales turnover, installation of a product without any error results in improved satisfaction of customer this can reduce the chance of damage, error and assures to customer that the product is valuable, errorless and reliable. Installation process must be handled by an experienced professional it also provides delightful post sale service to consumer from organization (Kim and Renée Mauborgne, 2004).

Properly managed feedback is important for organization as they came to know that what customer needs from us. What type of changes organization should brought into the product or service line, so that they give more value to customers. Therefore, services given to consumer after sale are more valuable to satisfy customer needs, after sale service is very important for organization to retain customers for a long time and generate high profitable relationship with

organization. Many authors agree that organization can achieve more than their turnover due to after sale service that they provide to customer during a life cycle of a product. Hence, productivity and sales turnover increases and profit generation may be more than product sale (Lindblom, Charles, 2009).



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the methodology of the study and it comprised of Research Design, Population, Data collection and Data analysis. The chapter addressed the actual methodologies used in the research process from its time of inception to the end. The role of both primary and secondary data in the process of addressing the various research questions was addressed and the manner in which data was collected and later analyzed to reach a reliable conclusion was discussed.

#### **3.2 Research Design**

Research design is a plan outlining how information is to be gathered includes identifying the data gathering method(s), the instruments to be used/created, how the instruments will be administered, and how the information will be organized and analyzed (Kisilu et al. 2005).

The study employed descriptive research design for it portrays an accurate profile of situations (Saunders et al. 2009). This study was designed to describe the characteristics of interest to the researcher. The design was used to obtain information concerning the current status of the Nairobi City County; the study found what exists with respect to the conditions within the organization. The design helped the researcher obtain information concerning the current status of the strategies being used by the County Government and thus relate it to the objective of the research and therefore make it relevant to the research questions as well as getting the correlation between service delivery and alternative performance productivity and customer satisfaction (Saunders at al. 2009).

### **3.3 Target Population**

Population refers to the entire group of individuals, events or objects having common observable characteristics (Kisilu et al. 2005). The study targeted 12 sector heads of Nairobi City County since they are the decision makers who decide on whether to outsource or not.

### **3.4 Sampling Technique**

Given the relatively small number of study population, a census sampling method was conducted. According to Saunders (2009), census data offer a unique insight into small areas and small demographic groups which sample data would be unable to capture with precision.

### **3.5 Data Collection**

The study used both structured and semi-structured questionnaire to collect primary data. The questionnaire was administered through email, drop and pick or by personal administration depending on which method is convenient to the specific respondents. The semi structured questionnaire was divided into three parts; A and B. Part A will address general information of the respondents in the Nairobi City County; part B addressed the effect of outsourcing on service delivery. Questionnaires were administered to the ministers who head various sectors or departments.

### **3.6 Data Analysis**

The data was examined and checked for completeness and comprehensibility. Descriptive statistics was employed to analyze the data. According to Cooper and Schindler (2001) descriptive statistics reveal characteristics of an array of data and enable the researcher to use few indices or statistics to meaningfully describe the phenomena under investigation. Descriptive statistics such as mean scores, standard deviation, correlation analysis and regression was used to analyze the data. The results were presented in tables.

The functional relationship was shown by using the multiple regression equation which takes the form:

$$Y = \beta_0 + \beta_1 PE + \beta_2 P + \beta_3 C$$

Where:

Y = Service delivery

PE = Performance

P = Productivity

C = Customer satisfaction

Correlation models specifically Pearson correlation was used to measure the degree of association between different variables under consideration and multiple regression analysis was used to estimate the causal relationships between stock beta and other chosen variables. Correlation was used to measure the degree of association between different variables under consideration.

## CHAPTER FOUR

### RESEARCH FINDINGS AND DISCUSSION

#### 4.1 Introduction

This chapter presents the interpretation and analysis of research questions in view of what the respondents felt about them. Section 4.1 presented introduction, 4.2 discussed summary statistic, 4.3 outsourcing strategy, productivity and customer satisfaction and 4.4 discussed summary.

#### 4.2 Summary Statistics

Descriptive analysis presents the minimum values, maximum values, mean and standard deviation of the different variables in the study.

**Table 4.1 Descriptive statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
y	9	7.00	14.00	10.4615	2.10616
PE	9	2.60	3.59	3.1508	.34594
P	9	1.90	26.30	9.3308	6.10306
C	9	2.80	3.50	3.0923	.2362
Valid N (listwise)	9				

**Source: Author (2014)**

To check the relationship of the variables with beta, natural logarithm of data was used as control variable. The mean log of performance was 3.1 while the standard deviation was 0.34. The maximum value of the log of performance for service delivery of Nairobi City County was 3.59 and the minimum value is 2.6. In the same way to check productivity, the mean log was 9.3 and standard deviation is 6.1. The maximum value is 26.3 of the log of productivity and the minimum value is 1.9.

To determine customer satisfaction and its relationship with the beta, the customer satisfaction was used as a control variable. From the results the average customer satisfaction for Nairobi City County was 3.09 with a standard deviation of 0.23. The maximum customer satisfaction used by the Nairobi City County was 3.5 while the minimum level of loan customer satisfaction portfolio is 2.8.

### 4.3 Performance, Productivity and Customer satisfaction

#### 4.3.1 Results of Correlation Analysis

Table 4.2 Results of correlation analysis

		Y	PE	P	C
y	Pearson Correlation	1			
	Sig. (2-tailed)				
PE	Pearson Correlation	.697	1		
	Sig. (2-tailed)	.008			
P	Pearson Correlation	-.055	.288	1	
	Sig. (2-tailed)	.858	.340		
C	Pearson Correlation	.209	.274	.105	1
	Sig. (2-tailed)	.494	.364	.733	

Source: Author (2014)

Correlation begins with some background information on the secondary data and then goes on to discuss the underlying variables in the research. A correlation between performance and service delivery shows that there was a strong positive correlation of 0.697, while a correlation between productivity and service delivery shows that there was a strong negative correlation of -0.055. Similarly a correlation between customer satisfaction and service delivery showed that there was a weak positive correlation of 0.209.

### 4.3.2 Model Fitness Results

**Table 4.3 Model fitness results**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.747	.558	.411	1.61672

**Source: Author (2014)**

Regression analysis between the dependent, independent and control variables using SPSS software for Nairobi City County service delivery was analyzed. The model Table 4.3 reports the strength of the relationship between the model independent variables and model predicted values of the dependent variable. The value (55.8%) indicates a strong relationship  $R^2$ , the coefficient of determination is the squared value of the multiple correlation coefficient. It shows that more than half (55.8%) of the variation in service delivery of the Nairobi City County is explained by the independent variables.

### 4.3.3 Results of Analysis of Variance

**Table 4.4 Results of analysis of variance**

#### ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	29.707	3	9.902	3.789	.052
	Residual	23.524	9	2.614		
	Total	53.231	12			

**Source: Author (2014)**

The results obtained from Table 4.4 indicate that more than half (53.23) of the variation in service delivery is explained by each independent variable. This indicates that there is a moderate relationship between independent variables and service delivery of Nairobi City County. The data findings analyzed also show that all other independent variables at zero, unit increase productivity led to 0.238 increases in beta stock of Nairobi City County. The adjusted  $R^2$  was 41% and F statistics had a value of 3.789. This infers that performance and productivity had a positive relationship with service delivery in Nairobi City County. However, after these

findings were subjected to the F-distribution test, the critical value of 1.92 which is smaller than the observed F statistic value of 3.789. Hence there was a relationship between performance, productivity and customer satisfaction.

### 4.3.4 Regression Analysis Results

**Table 4.5 Regression analysis results**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-4.152	6.721		-.618	.552
PE	4.691	1.458	.770	3.218	.011
P	-.097	.080	-.280	-1.209	.258
C	.238	2.056	.027	.116	.911

**Source: Author (2014)**

Correlation begins with some background information on the respondents and then goes on to discuss the underlying variables in the research. A correlation between performance, productivity and customer satisfaction show that there was a weak positive correlation. There is significant relationship between quality service and proposed strategy ( $t=-.618$ ,  $p=0.552$ ). The study showed a multiple linear regression analysis to determine the relationship between the beta of the firm and the independent variables. The regression equation was  $Y = \beta_0 + \beta_1PE + \beta_2P + \beta_3C$ .

### 4.4 Discussion

The results in Table 4.1 indicate that correlation between outsourcing and service delivery shows that there was a strong positive correlation, while a correlation between productivity and service delivery shows that there was a strong negative correlation. Similarly a correlation between customer satisfaction and service delivery show that there was a weak positive correlation and is significant at  $\alpha = 5\%$  and implies that the increase or decrease in independent variables would not significantly affect the beta of the firm. The increase in performance has a positive impact on the beta. The adjusted  $R^2$  is 41% and the value of F statistics observed is 3.789 which are higher than critical value of F- distribution of 1.92 but the model is significant.

Secondary data obtained shows that there is a significant negative variance between performance and service delivery of Nairobi City County and there is a projected constant increase in customers which means that outsourcing strategy would continue to grow as customers satisfaction grows.

The results also show that Nairobi City County still faces a lot of challenges in the management of outsourcing strategy on service delivery. The finding shows that Nairobi City County still rely heavily on performance for its service delivery and therefore it needs to expand its sources of funds beyond the profit it makes.

#### **4.5 Summary**

The findings showed that there was a weak positive correlation of 0.209 between customer satisfaction and service delivery. Therefore, the historical emphasis on controlling the quality of service and managing the delivery of services to customers is essential. A correlation between performance and service delivery showed that there was a strong positive correlation of 0.697.

A correlation between productivity and service delivery shows that there was a strong negative correlation of -0.055. The need for satisfaction increases when the quality service improves and more satisfaction is achieved at less cost. When engagement level among employees increases, it increases their productivity which in turn, improves the service delivery of the organization. Although the service delivery is not directly related to the employee engagement levels but it is believed to be the main reason behind it.



## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents the summary statistics, conclusions, recommendations of the study and the suggestions for further study.

#### 5.2 Summary

The mean log of outsourcing strategy is 3.1 while the standard deviation is 0.34. The maximum value of the log of outsourcing strategy for service delivery in Nairobi City County is 3.59 and the minimum value is 2.6. In the same way to check productivity, the mean log is 9.3 and standard deviation is 6.1. The maximum value is 26.3 of the log of productivity and the minimum value is 1.9.

To determine customer satisfaction and its relationship with the beta, the customer satisfaction is used as a control variable. From the results the average customer satisfaction for Nairobi City County was 3.09 with a standard deviation of 0.23. The maximum customer satisfaction in Nairobi City County is 3.5 while the minimum level of customer satisfaction is 2.8.

A correlation between outsourcing strategy and service delivery shows that there was a strong positive correlation, while a correlation between productivity and service delivery shows that there was a strong negative correlation. Similarly a correlation between customer satisfaction and service delivery showed that there was a weak positive correlation.

The results of analysis of variance indicate that (53.23) more than half of the variation in performance is explained by each independent variable. This indicates that there is a moderate relationship between independent variables and service delivery in Nairobi City County. The data findings analyzed also showed that all other independent variables at zero, a unit increase in productivity led to 0.238 increases in beta stock of Nairobi City County. The adjusted  $R^2$  was 41% and F statistics had a value of 3.789. This infers that outsourcing strategy and productivity had a positive relationship with service delivery in Nairobi City County. However, after these

findings were subjected to the F-distribution test, the critical value of 1.92 which is smaller than the observed F statistic value of 3.789.

### **5.3 Conclusions**

Because of the increase in demand for services outsourced, there is need for Nairobi City County to actively open up new avenues for funding its activities. There is need to effectively utilize its existing legal framework in the revenue efforts. Similarly the study showed that there was a relationship between the level of outsourcing strategy and service delivery. This implies that the more the services outsourced the better the service delivery of Nairobi City County

The study concluded that productivity Nairobi City County is based on its effectiveness and efficiency. This presents the ability of a service organization to fulfill its customers demand by doing the right things and ability to produce a specified output using as few input resources as possible by doing things right

It was concluded that customer satisfaction is typically the largest asset and the predominate source of revenue. As such, it is one of the greatest sources of risk to an organization's safety and soundness. The study concluded that customer satisfaction shows how firms are committed to provide quality services to their customers that eventually increase customer loyalty. Organizations can also achieve their objective of retaining and satisfying customers. Customer satisfaction results in increased demand of services and the organization brand reputation increases.

### **5.4 Recommendations**

The researcher recommends that Nairobi City County should have a clear outsourcing policy as possible. The managers should be educated on the importance of these policies since they significantly affect the service delivery of the Nairobi City County.

The researcher further recommends that the Government should review most of the rules, regulations and by-laws some of which are outdated and affects the outsourcing and hence the service delivery of Nairobi City County. The researcher recommends that a process of awarding contracts should be minimized by the Nairobi City County.

The researcher noted that customer satisfaction is not only one of the largest assets and a chief source of revenue for Nairobi City County, but is also a great source of risk to Nairobi City County reputation and soundness. Whether due to lax standards, poor management or weaknesses in the economy, customer satisfaction problems have historically been the major cause of Nairobi City County losses and failures.

It was noted that productivity generates income and additional resources are also attracted into the Nairobi City County and can be profitably employed. Maximizing performance requires using the absolute measure of real income and its derivatives as a criterion of productive performance.

### **5.5 Limitations of the Study**

There were a number of limitations that affected the outcome of the study. The design of this study was a case study. Thus, the study suffers from the limitations of all case studies. The researcher also encountered problem of time as the research was undertaken in a short period with limited time for doing a wider study. Lack of sufficient funds limited the study from collecting data for the study.

The respondents approached were reluctant in giving information fearing the confidentiality and sensitivity of the study as a major limitation since many respondents held information due to high level of suspicions and lack of trust where they thought the study aims to use the findings against their job undertakings.

The researcher also encountered problems in eliciting information from the respondents as the information required was subject to areas of emotions, attitudes and perceptions, which could not be accurately quantified and verified objectively.

### **5.6 Suggestions for further Research**

The study suggests that a survey method be used in the future instead of a case study method. This is because the result of a case study is limited and hence a survey would act as a better pointer of services outsourced and service delivery in Nairobi City County.

The study also suggests that more research should be done to find out the effect of service delivery on outsourcing strategy adopted by Nairobi City County.

The study further suggests that future study should be done to determine the effect of customer satisfaction on service delivery in Nairobi City County.

Further studies should be conducted to find out the effect of service delivery on the productivity of Nairobi City County.

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**APPENDIX I: INTRODUCTION LETTER**



## APPENDIX II: WORK PLAN

Activity	Jun. 14	Aug.14	Sept.14	Oct.14
Developing research proposal				
Defense of proposal				
Data collection and analysis				
Submission of project report				

Source: Author (2014)