

**FACTORS INFLUENCING OUTSOURCING DECISIONS IN LARGE
MANUFACTURING ORGANIZATIONS IN KENYA: A CASE OF
BRITISH AMERICAN TOBACCO KENYA LTD**

BY

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DECLARATION

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

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DEDICATION

I dedicate this research project report to my parents Mr. Nicholas Khaduli and Mrs. Leonida Khaduli for their understanding and support during my period of study. You were a constant source of inspiration; you gave me the drive and discipline to tackle any task with enthusiasm and determination. This research project report is also dedicated to my sisters and brothers for their love, care, concern, support, and encouragement.

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ABBREVIATIONS AND ACRONYMS

3PL:	Third Party Logistics
AGOA:	African Growth and Opportunity Act
BAT:	British American Tobacco
BPO:	Business Process Outsourcing
COMESA:	Common Market for Eastern and Southern Africa
EAC:	East African Community
GDP:	Gross Domestic Product
GLT:	Green Leaf Threshing
IT:	Information Technology
KNBS:	Kenya National Bureau of Statistics
RBT:	Resource-Based Theory
SWOT:	Strengths, Weaknesses, Opportunities and Threats
TCE:	Transaction Cost Economics
UK:	United Kingdom
VAT:	Value Added Tax

ABSTRACT

Outsourcing has become an important aspect of the overall strategy of any organization. It can be considered as a panacea for every company which wants to leverage its competitive advantage. Outsourcing has been a relatively new concept especially in the Kenyan manufacturing industry. Consequently this area has not been studied fully, with only little literature on the topic predominantly focusing on the significance of outsourcing decisions and not the factors that influence the uptake of outsourcing strategies. This study sought to fill this gap. The study sought to investigate the factors that influence large manufacturing organizations' outsourcing decisions using a case of BAT Kenya Ltd. The purpose of the study was to analyze the factors that influence outsourcing decisions with specific reference to British American Tobacco Kenya Ltd. The objective of the study was to determine the influence of operating cost on the outsourcing decisions of large manufacturing organizations, to examine the influence of availability of internal resources and the decision to outsource, and to establish the influence of improved service quality on the decision to outsource by large manufacturing organisations in Kenya. It is hoped that the study will contribute to the existing body of knowledge by providing clarity on the factors that influence outsourcing decisions. The study was based on the Transactions Cost Economics and Resource Based theories. The design of the research was descriptive research design. The target population of the study was 129 employees working in various departments in British American Tobacco Kenya Ltd. The sample size for the study was 97 respondents. The sample size was derived from the Krejcie and Morgan Table. The study used proportionate sampling to get the sample sizes for the different departments. Purposive sampling was adopted to select the respondents for the study. The study used questionnaires to collect data. Questionnaires were distributed to both office based and field based staff. The researcher performed pilot testing of the instrument by administering the questionnaires to 10% of the sample size. To establish the validity of the research instrument the researcher used content validity. So as to check reliability of the results, the researcher used Cronbach's alpha methodology, which is based on internal consistency of the research instruments. A score of 0.713 was attained thereby qualifying the research instrument as acceptable and reliable. Qualitative data was analysed using conceptual content analysis. In addition, the researcher conducted a Karl Pearson's Product moment correlation coefficient to ascertain whether a statistical significant relationship exists between the independent variables and the dependent variable. The study established that operating cost had the strongest influence on outsourcing decisions with a correlation coefficient of 0.933. Availability of internal resources and improved service quality also had significant influence on outsourcing decision with correlation coefficients of 0.897 and 0.883 respectively. Meaning this study accepted all the hypotheses as all the three variables had significant positive relationships with the dependent variable, outsourcing decisions.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Outsourcing has been a global trend in business for several years. It has been growing both domestically and internationally during the recent years. The highly competitive environments in which today's businesses operate acts as a strong stimulus for businesses to outsource their services. In addition, economic globalization facilitates the process of searching for opportunities on the open global market to outsource some of a firm's activities instead of performing them on their own. The role of outsourcing practices in the process of economic globalization is clearly outlined by the leading international consulting companies (Jabbour, 2013). According to Chongvilaivan & Hur (2011), Senior Vice President at SunGard Availability Services, businesses in all industry segments found that limited internal resources would make outsourcing an attractive, cost-effective and prudent option that would allow them to focus on their core competencies.

Díaz-Mora (2008) sees outsourcing as a form of privatization that refers to a decision by an organization to contract with an external organization to provide a traditional function or service. The contractor then either takes over the employees of the firm in the outsourced section and pays the group according to its standards, or replaces the firm's employees with its own staff. Chongvilaivan and Hur (2011) observed that the growing use of outsourcing reflects a general acceptance by organizations that it will reduce costs while continuing to provide essential company service. He adds that the need to remain competitive and to improve service delivery in

the face of declining resources has forced institutions to turn to several popular management approaches, including outsourcing.

Outsourcing has existed in the USA for over 30 years particularly the business process outsourcing (BPO). The Bank of America, Best Buy, Delta Airlines, Goodyear, IBM, the Marriott, Motorola, PepsiCo, Procter & Gamble, and Sun Microsystems are all outsourcing HR functions. US federal and state governments also spend billions each year doing so also. HR functions are not just being outsourced, they are being sent offshore Weinstein (2005).

The US companies have off-shored their manufacturing and their R&D facilities in their semi-conductors, computing, chemicals and pharmaceuticals to the UK, Germany, France, Ireland and other developed countries. In Europe, many manufacturing organizations have chosen to outsource their non-core activities previously conducted in-house to a third party supplier. For example in UK, Dysons, whose core business is making of vacuum cleaners has outsourced some of its operations to Asian and North American countries where the labor charges are fairly low when compared to those of United Kingdom, (Heshmati, 2003).

In view of developing countries, outsourcing has taken place more recently in India and China. According to Heshmati, (2003), Malaysia, an emerging South East Asian nation, was the third most desirable location for offshore outsourcing in the world, after India and china. In Malaysia, the demand for outsourcing was not only from global multi-national companies but also from local companies. The demand for outsourcing was driven by the fact that companies could access a more reliable infrastructure that could ensure smooth core business operations at lower costs and with greater flexibility. Outsourcing also encouraged the pooling of resources for a more efficient use of resources to reap the benefits that could be derived from economies of scale.

In Africa, South Africa and Mauritius already have fast-growing BPO sectors. Countries like Kenya, Botswana, Ghana and Egypt have also ventured into outsourcing. These countries seem to be strong outsourcing destinations over the next few years. Mauritius has been doing outsourcing since the early 1990s. Accenture, Infosys, Ceridian, TNT and Orange are examples of companies with a strong presence there. The majority of the companies serve the European countries, mainly the U.K. and France. In Kenya, Kencall which is East Africa's largest international contact centre provides call centre services for various companies worldwide.

1.1.1 Outsourcing in Kenya

Kenya's highest foreign exchange earner in the services industry is Business Process Outsourcing (B.P.O). This is according to a survey commissioned by the International Monetary Fund and carried out in conjunction with Kenya National Bureau of Statistics (K.N.B.S). The phenomenon of outsourcing in Kenya can be described as being in its infancy. Whereas instances of Business Process Outsourcing, for instance in the banking sector can be said to have taken root, manufacturing firms are still experimenting with the idea of outsourcing (Perunović, Christoffersen & Mefford, 2012). Most manufacturing firms have not yet embraced the idea though it is slowly evolving as one of the key strategies in cost optimization and eventual delivery of quality products and services to the customer. Several Kenyan organizations have outsourced non-core operations. East African Breweries Ltd, Unilever Kenya Ltd and Coca Cola have outsourced their Logistics & distribution functions to third party logistics firms (3PL), for example, to DHL, Kuehne and Nagel and Bolllore. This is the case with many more other organizations and it extends beyond logistics & distribution into Information Technology systems, Human resource in Kenyan banking sector amongst others (Jabbour, 2013).

The purpose of this study was to assess the decision factors of the outsourcing phenomena for the Kenyan manufacturing organizations. It is undoubtedly clear that outsourcing is a business growth catalyst and its evolution trend is moving from standard and simple activities such as management of information systems or client profiling (Business Process Outsourcing) to more complex activities such as product profitability analyses and company merger studies (Knowledge Process Outsourcing) e.g. in the NSE, Barclays Africa and South African bank mergers (Chongvilaivan & Hur 2011).

1.1.2 Large Manufacturing Organizations in Kenya

Kenya has a large manufacturing sector serving both the local market and exports to the East African region. The sector, which is dominated by subsidiaries of multi-national corporations, contributed approximately 13% of the Gross Domestic Product (GDP) in 2004. According to Ondiek and Odera, (2012), improved power supply, increased supply of agricultural products for agro processing, favourable tax reforms and tax incentives, more vigorous export promotion and liberal trade incentives to take advantage of the expanded market outlets through AGOA, COMESA and East African Community (EAC) arrangements, have all resulted in a modest expansion in the sector of 1.4 % per cent in 2004 as compared to 1.2% in 2003 (Janssens & Mohaghegh, 2005). This growth continues unabated according to the Kenya Association of Manufacturers.

In the Kenyan manufacturing industry, while formal sector employment (private and public) has been on the decline, informal sector employment has grown rapidly at an average of 39% during 1990-1995 and 13 % during 1996-2000. Growth in total wage employment declined from an average of 3.8 % for period 1964-89 to a mere 1.2 % for the period 1990-2002. With an average employment growth rate of 3.1 percent per annum (from 1964 to 2000), the formal sector has not

grown fast enough to improve the welfare of the majority of Kenyans. The decline in employment was partly attributed to the collapse of private firms and retrenchment due to stiff competition from imports (Ondiek & Odera, 2012).

The rising levels of poverty coupled with the general slowdown of the economy has continued to inhibit growth in the demand of locally manufactured goods, as effective demand continues to shift more in favor of relatively cheaper imported manufactured items. In addition, the high cost of inputs as a result of poor infrastructure has led to high prices of locally manufactured products thereby limiting their competitiveness in the regional markets and hampering the sector's capacity utilization. However, the recent introduction of the EAC Customs Union provides Kenya's manufacturing sector, the most developed within the region, a greater opportunity for growth by taking advantage of the enlarged market size, economies of scale, and increased intraregional trade (Ching, Choi & Huang, 2011).

1.1.3 British American Tobacco Kenya Ltd

British American Tobacco (BAT) Kenya is one of the largest manufacturing firms in East and Central Africa. The company has four hundred and seventy five employees based in different locations in Kenya. British American Tobacco Kenya is the fourth largest taxpayer in Kenya behind Safaricom, East Africa Breweries Ltd and Teachers Service Commission. It contributed Kes 14.5 billion in Excise, VAT and corporate tax in the year ended 31st December 2013 (Annual Report, 2013). The organization's core activity is the production and sale of cigarettes both for the domestic market and for export. The organization grows tobacco through contracted farmers in Nyanza (Oyani), Western (Malakisi), and Eastern (Embu and Meru) areas of Kenya. The harvested tobacco is processed at the Green Leaf Threshing (GLT) plant based in Thika

(Annual, Report 2013). As part of its continued drive to the commercial viability of the group's manufacturing sites, the GLT plant in Thika was selected as the processing centre for all tobacco grown for BAT in East Africa (Annual Report, 2013).

To fully deliver its core business strategy of customer satisfaction and increase in shareholder wealth, BAT Kenya Ltd has outsourced a number of its activities to third party contractors (Kini, 2007). BAT Kenya Ltd was among the first few companies in the country to have successfully outsourced its non-core logistics activities to a professional logistics company (Lahiri & Kedia, 2009). The company embraced outsourcing in 2000 by outsourcing its logistics and warehousing to DHL and later added Kuehne & Nagel and Bollore within the same services as its business expanded. The company has since outsourced other services: factory services to Capacity Outsourcing Limited and MMA Engineering, as well as cleaning and ground maintenance, information technology services, payroll and invoice registry. There are still other services such as financial services and Human Resources that the company can outsource. This research aimed at providing an in depth study of what triggered this outsourcing at BAT Kenya Ltd.

1.2 Statement of the Problem

Outsourcing has become an important aspect of the overall strategy of any organization. It can be considered as a solution for every company which wants to leverage its competitive advantage. Globally many manufacturing organizations have outsourced non-core activities like ground maintenance, transport and logistics, warehousing, factory services, catering, security, IT, freight, cleaning services, and human resource. This allows them to concentrate on the core and value adding activities. After exhausting the traditional modes of cost cutting such as staff rationalization and overheads reduction, outsourcing has become the most favored avenue for

cost cutting with the idea being to outsource non-core business functions leaving the company to concentrate on its core objectives (Minondo & Rubert, 2006). Outsourcing has been a relatively new concept especially in Kenyan manufacturing industry. Consequently, this area has not been studied fully with only little literature on the topic predominantly focusing on the significance of outsourcing decisions and not the factors that influence the uptake of outsourcing strategies. This study sought to fill this gap. The study therefore sought to investigate the factors that influence manufacturing organizations' outsourcing decision in Kenya, using a case of BAT Kenya Ltd

BAT Kenya Ltd has embraced outsourcing in its efforts to implement its strategic plan of being a world class organization, producing and selling quality cigarettes that meet the customers' needs. The organization has outsourced a number of its non core activities. It started with outsourcing logistics and warehousing which saw it reduce its middle management as well as non management staff. This was followed by outsourcing of its cleaning, payroll and factory services. All these have had an impact on the performance of the organization.

1.3 The Purpose of the Study

The purpose of the study was to examine the factors influencing outsourcing decisions in large manufacturing organizations with specific reference to BAT Kenya Ltd.

1.4 Objectives of the Study

This study was guided by the following objectives:

- i. To determine the influence of operating cost on the decisions to outsource by large manufacturing organizations in Kenya.
- ii. To examine the influence of availability of internal resources and the decisions to outsource by large manufacturing organizations in Kenya.

- iii. To establish the influence of improved service quality on the decisions to outsource by large manufacturing organizations in Kenya

1.5 Research Questions

- i. What is the influence of operating cost on outsourcing decisions by large manufacturing organizations in Kenya
- ii. Does availability of internal resources influence outsourcing decisions by large manufacturing organizations in Kenya.
- iii. What is the influence of improved service quality on outsourcing decisions by large manufacturing organizations in Kenya

1.6 Hypothesis of the Study

H₁: Operating cost significantly influences outsourcing decisions by large manufacturing organizations in Kenya

H₂: Availability of internal resources has a significant influence on outsourcing decisions by large manufacturing organizations in Kenya

H₃: Improved service quality significantly influences outsourcing decisions by large manufacturing organizations in Kenya?

1.7 Significance of the Study

It is hoped this study will contribute to the existing body of knowledge to researchers and academicians seeking secondary data on outsourcing. It is also hoped it will help large manufacturing organizations to understand the role played by outsourcing in enhancing competitiveness and how they can adopt outsourcing as a long term competitive strategy.

1.8 Delimitations of the Study

The study was delimited to the geographical boundaries of BAT Kenya Ltd. It was also delimited to the company's management and non management staff. The study only focused on the variables under study, i.e. the influence of operating cost, availability of internal resources and improved service quality on outsourcing decision by BAT Kenya Ltd.

1.9 Limitations of the Study

Limitations of the study included financial and time constraints. The researcher faced the challenge of respondents not having time to fill in the questionnaires due to their busy office schedules as well as some of the employees being based in the field. The researcher overcame this by booking appointments with the respondents in advance before distributing the questionnaires as well as agreeing with them the response time. Some of the questionnaires were also distributed over lunch hours. Financial constraints were faced especially in acquiring resources for data collection as the researcher had to engage the services of two research assistants. The researcher overcame these constraints by sourcing for cheaper but competent research assistants in order to cut down on costs.

1.10 Assumptions of the Study

The researcher assumed that the respondents would be available to fill in the questionnaires. The researcher also assumed the questionnaires would be filled truthfully and returned on time. The researcher also assumed that funds required for the research would be available on time.

1.11 Definition of Significant Terms Used in the Study

Outsourcing Decisions:

The term outsourcing decision has been used in this research to refer to the determination or passing of judgment on whether to contract some business activities or processes necessary for the manufacture of goods to higher capability firms or whether to perform the activities in-house with the aim of improving competitive advantage.

Large Manufacturing Organizations: The term has been used in this research to refer to companies with assets above Kes 100 million that are involved in converting raw materials, components, or parts into finished goods that meet a customer's expectations or specifications. Manufacturing companies commonly employ a man-machine setup with division of labor in a large scale production

Operating cost:

These are the expenses which are related to the operation of a business, or to the operation of a device, component, piece of equipment or facility. They are the cost of resources used by an organization just to maintain its existence.

Internal Resources:

An agency's or organization's resources, including staff skills and experience and any information already available through current program activities.

Improved Service Quality:

Improved quality service is a focused evaluation that reflects the customer's perception of specific dimensions of service: reliability, responsiveness, assurance, empathy, tangibles. It reflects at each service encounter. Improved service quality can be related to service potential (for example, worker's qualifications); service process (for example, the quickness of service) and service result (customer satisfaction).

1.12 Organization of the study

This study is organized as follows: chapter one presents the concept of outsourcing. The chapter begins by describing the role of outsourcing in the global economy, and then the Kenyan context followed by the case of BAT Kenya Ltd. Chapter two presents a review of literature in relation to the themes of the study while chapter three presents the methodology that was used in collecting and analyzing data. Chapter four analyses and presents the data, interprets the findings and discusses the key data findings. Chapter five provides a summary of the findings, conclusion drawn from the findings and recommendations from the findings.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The reviewed literature is organized according to the themes of the study. Important issues and practical problems are brought out and critically examined so as to determine the current facts. This section is vital as it determines the information that link the current study with past studies and what future studies will still need to explore so as to improve knowledge.

2.2 Operating Cost and Outsourcing Decisions

Manufacturing companies have a myriad of reasons for outsourcing production, but the main impetus for deciding in favour of outsourcing usually boils down to one thing: cost reduction, according to Lahiri and Kedia (2009). Operating costs refer to the costs of physical and human resources incurred in order to complete an exchange of goods and services between parties. Factors that contribute to these costs include opportunistic behavior, the search for the "true" price at which purchases ought to take place, and the need to discover the "true" quality of a good/service. In transaction cost economics, a firm's ownership decisions focus on minimizing the sum of its transaction and production costs (Datta, & Roy, 2013). Excessive costs may cause transactions to be transferred to other institutions. These institutions in turn internalize market transactions by governing them through long-term contracts that create mutual dependence, improve reciprocal control, curb opportunism, and allow for better cooperation between the parties involved (Rittenberg, 1999).

In today's world of ever increasing competition, organizations are forced to look for new ways to generate value. The key driver for many outsourcing decisions is the reduction in the cost of

labor, materials, and parts (Janssens & Mohaghegh, 2005). The function is outsourced when the in-house costs are higher than the anticipated costs for outsourcing the function. Therefore, the higher the internal cost to perform the function relative to the anticipated cost of outsourcing, the greater the probability of outsourcing (Bidwell, 2012). According to Janssens and Mohaghegh (2005), the integration of HR administration and payroll has become increasingly necessary in the modern world. This is because as many firms include additional solutions to their mix for efficiently managing their workforce, such as talent management solutions and recruiting, the existence of a common platform will lead to additional cost efficiencies (Chiang et al., 2010).

Smart companies are applying outsourcing as a method of transforming the business to flourish in new competitive environments. Companies are taking advantage of new outsourcing models as well as collaborative partnerships with outsourcers to motivate strategic business change. Briefly, outsourcing is transitioning from a tactical means of controlling costs to a tactical mechanism for executing business strategy (Aubuchon, 2012). Nowadays, outsourcing has become a way of not only adjusting change but a means of managing insecurity. By concentrating on shared risk and flexibility, companies and their outsourcers can swiftly respond to changing market dynamics. It further requires the involvement of stakeholders from the organization to ascertain that outsourcing decisions are brought to line with overall corporate strategy (Rehme, et al., 2013). This will ensure that the outsourcing activity runs smoothly without facing challenges from the stakeholders. This will further reduce costs that are incurred whenever consequential losses occur due to hindrances that may face the outsourcing activity. These include the costs of searching through a list of firms offering the service due to lack of consensus among the stakeholders (Henrickson & Thatte, 2008).

Ketler and Willems (1999) have completed a survey in determining the factors affecting the outsourcing decision with the number of respondents in excess of 900 firms. Three crucial factors identified by them are cost savings associated with outsourcing, access to increased knowledge and expertise associated with specialty contractors and availability and quality of vendors. Kremic et. al. (2006) found that the factors to be taken into consideration when organisations contemplate on outsourcing decisions include the relative costs of performing the function, how core is the function to the organisation, the long-term strategy and the environmental factors. According to the Outsourcing Institute Executive Survey (2006), some of the reasons why companies would outsource are as follow; reduce and control operating cost, improve company focus, gain access to world class capability, free resources for other purposes, resources are not available internally, accelerate re-engineering benefits, non-core function that is too complex to manage, make capital funds available, share risks, and cash infusion.

2.3 Availability of Internal Resources and Outsourcing Decisions

An alternative explanation for outsourcing recognizes that in addition to costs, resource and competence-based considerations are increasingly important in today's business environment. The resource-based theory (RBT) of the firm views the firm as a bundle of resources (Ye, Zhu & Mukhopadhyay, 2014). According to its principles, an organization must secure an efficient bundle and flow of the right type of resources from its environment in order to survive and improve its operational performance (Srivastava, Sharfuddin & Datta, 2012). The resource-based approach concentrates on clarifying the circumstances that must exist in order for resources to give rise to sustained competitive advantage. This approach defines the firm as a bundle of internally linked and idiosyncratic resources and resource-conversion activities (Lashgari et al., 2013). It regards firms as collections of heterogeneous resources and capabilities, and examines

why they exist and what determines their scale and scope (Ching, Choi & Huang, 2011), and has since advanced as an important perspective for understanding how firms compete through their resources and capabilities (Chakrabarty, Whitten & Green, (2007).

According to the resource-based theory, competitive advantage of the firm is gained through the analysis of all the internal resources available to a firm. This theory is essential in analyzing the sources of an organizations competitive advantage. According to Porter's five forces model, each and every organization is affected by: potential entrants, suppliers, buyers, industry competitors and substitutes. This model can be seen to borrow a lot from the fundamental principles of the resource-based theory. This is because for this model to hold, the organizations should have the capacity to control and use significant resources within its reach.

According to Hedman and Kalling (2002), for resources to provide sustainable competitive advantage there are certain conditions inherent to them that need to be fulfilled. Among the attributes that are deemed significant are: rare, costly to imitate, valuable and efficiently organized. Once these attributes are achieved, the organization can therefore obtain sustainable competitive advantage. The resources in question basically are human capital resources, physical resources and organizational capital resources (Axelsson & Wynstra, 2002). Firms tend to consider outsourcing, after attempting to achieve sustainable competitive advantage through its internal resources. Those firms that do not gain competitive advantage are those that do not manage their resources well. Further, according to Hedman and Kalling (2002), firms may fail to benefit from competitive advantage through their internal resources when they fail to manage their resources effectively and efficiently. Internal resources can influence the uptake of outsourcing activities in many organizations subject to the way their internal resources are managed (Currie & Seltsikas, 2000). Those that are efficient in their management of internal

resources do not consider outsourcing. However, those firms experiencing challenges in managing their internal resources often seek outsourced resources according to Axelsson & Wynstra, (2002).

According to Falk and Wolfmayr, (2008), the shortage of skilled personnel makes outsourcing even more compelling. It transfers the need for recruiting, training and maintaining experts to a strategic partner, allowing the organization to focus their staff on more essential functions. Outsourcing also transfers the responsibility of keeping up-to-date on technological change to partners who specialize in particular services (Mata, Fuerst & Barney, 1995). Outsourcing employees that are skilled ensures that the business does not incur the costs of training their own employees to meet the required and up to date skill set. This greatly reduces their labor costs to a large extent. However, it can be a major loss of funds given that a lot of incentives are offered to attract these individuals. This loss may occur when the individuals do not meet the expectations set for them (Falk & Wolfmayr, 2008)

According to Muthoni & Nyakagwa (2014), not all resources are strategically relevant within an organization. They contend that the goal of an organization is to ensure it has access to and control of valuable resources by developing and securing all the relevant resources either internally or externally. If a firm possesses critical resources that have strategic value, it is better to retain the activity in-house. On the other hand, if the strategic value of target activities is low and no internal resources are available to perform such activities, it is beneficial for the company to outsource the resources (Roy & Aubert 2001). Usually, organizations outsource what they do not know how to do and develop in house on what they do better than the suppliers do (Argyres, 1996).

2.4 Improved Service Quality and Outsourcing Decisions

Service quality can be defined as the conformance to customer requirements in the delivery of a service. When an organization is currently recognized for high quality, there may be concern by decision makers that outsourcing might affect the quality of services (Kini, 2007). Organizations need to react rapidly to user requirements, and so outsourcing is seen as a means to accomplish high competitive advantage. The availability of contractors encourages organizations to outsource their non-core activities. As a result, the quality service is improved at a lower cost (Herbsleb et al., 1997). The Internet has significantly created opportunities for outsourcing and offshoring of IT and IT enabled work. The Internet and several modern communication technologies such as videoconferencing, teleconferencing, emailing and instant messaging are facilitating collaborative work amid global virtual teams regardless of the barriers brought forward by geographic distances, and is improving the practicability of outsourcing and offshoring by empowering the involved personnel to efficiently interact, manage and share project related information (Majchrzak et al., 2000).

Precisely connected to outsourcing success, research on service quality has led to mixed results. Grover, Cheon, and Teng (2003) established that service quality negatively and significantly interacted with outsourcing in application development in its relationship with success in outsourcing. Service quality has been established to affect purchase intentions in the banking, fast food, dry cleaning, pest control and industries. In a virtual hotel service research environment, customer's general perceptions of service quality were significantly and positively correlated with behaviors valuable to strategic dimensions of a firm for instance positive recommendation and word of mouth of the service provider (Ethiraj et al., 2005). Services

delivered by outsourcing service providers who are specialist in the dedicated area may be performed better in terms of service quality due to the familiarity and consistency in repeating the same job function for other clients in the past or present. As such, works implemented by service providers are tried and tested models and methods (Usher, 2003). The outsourcing organisation may experience improved quality owing to focus upon their core business. Given that most of the external service providers excel at the services they provide, the outsourced services are guaranteed of better quality than would be provided in-house. Moreover, service providers will always seek to provide the best services since their reputation are at stake (Nicholas and Amrik, 2004).

In performance factors, service quality is the main subject in which it involves quality planning, quality assurance, quality performance, quality service level, quality improvement and benchmarking. Quality in the context of outsourcing is emphasized by Christine et. al. (2005) as a cause for concern by the client. Identified quality factors that affect the decision of services outsourcing are: existence of clear and precise service level agreement, improvement on service quality, delivery of high quality services for competitiveness and also competency and reliability of outsourcing service provider. According to the Outsourcing Institute Executive Survey (2006), the top ten reasons why companies would outsource are as follow; reduce and control operating cost, improve company focus, gain access to world class capability, free resources for other purposes, resources are not available internally, accelerate re-engineering benefits, non-core function that is too complex to manage, make capital funds available, share risks, and cash infusion.

When an organization is recognized for high quality, there may be concern by decision makers that outsourcing might affect the quality of services (Kremic *et al.*, 2006). Organizations need to react rapidly to user requirements, and so outsourcing is seen as a means to accomplish high competitive advantage. The availability of contractors encourages organizations to outsource their non-core activities. As a result, the quality service is improved at a lower cost (Quinn, 2000; Compbell, 1995). Lai *et al.* (2004) studied a Hong Kong logistics service provider and found that a successful implementation of a quality management system is the key to survival and long-term prosperity for a logistics company. According to Ongadi (2013), 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. 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).

2.5 Theoretical Framework

This study was based on the Transaction Cost Economics (TCE) and the Resource Based View (RBV) of outsourcing. The idea that transactions form the basis of an economic thinking was introduced by the institutional economist John R. Commons in 1931. The TCE reasoning became most widely known through Oliver E. Williamson's Transactions Cost Economic in 1998. This theory reveals that the perception of transaction costs is important for understanding of some empirical phenomenon which cannot be explained without considering these costs. One of the questions that organisations grapple with is whether or not to outsource some of their processes to external providers. A number of authors have mentioned the importance of TCE in outsourcing decisions. The statistical research of the markets reveals that some market contracts

do not arrive at the equilibrium of the competitive markets because of transaction costs. The value of goods and services depend not only on production costs. The price which is agreed in the contract often includes the costs that have accumulated because of the making the contract but not because of production of the goods. According to TCE, the basis of an outsourcing decision is the ability of a company to use the economy of scale in practising outsourcing (Snieška & Vasiliauskienė, 2008). Transaction cost economics theory (Williamson, 1998) provides more possibilities to evaluate the role of transaction costs on the performance of economics..

The analysis suggested by this theory makes it possible to define whether some specific activities of a firm are to be carried out in-house or outside by resorting to the market. The transaction is the basic unit of analysis in TCE. Williamson writes that a transaction may thus be said to occur when a good or service is transferred across a technological separable interface. This transaction may create costs that result to the frictions in the economic system. Heshmati (2003), calls these costs transaction costs and divides them into three main categories: information costs, which correspond to seeking information on a potential partner; bargaining costs, related to negotiating and establishing the contracts where all possible situations in future transactions are considered, enforcement costs, i.e. costs to enforce and control performance, resolve conflicts and renegotiate contracts.

The amount of the transaction costs may be used as an indicator for the decision of outsourcing. When the transaction costs are low it is recommended to outsource the activity whereas when they are high, it is preferable to perform the activity in-house. However, in Williamson's perspective the transaction costs must be thought through together with the production costs. TCE is grounded by two key behavioral assumptions, bounded rationality and opportunism.

Heshmati (2003) regards bounded rationality as ‘a flexible form of rationality’ which accounts for the individuals’ incapacity to make entirely rational decisions. Opportunism is concerned with the economic actors’ self-interest-seeking tendency, which makes allowances for guile. Outsourcing occurs when the cost of purchasing a good or service externally is more cost efficient than producing it internally. This is why cost savings was identified as the main reason for outsourcing within the industry. According to Lashgari et al. (2013), TCE is perceived to provide the best decision making tools to help organizations to decide to outsource and to prepare themselves for forthcoming outsourcing arrangements. The governance features of the theory have been applied in studying the Managing relationship phase, whilst the concept of switching costs made the theory applicable in the reconsideration phase (Teirlinck & Spithoven, 2013).

The origins of the resource-based view can be found in works by Coase (1937), Selznick (1957), Penrose (1959), Stigler (1961), Chandler (1962, 1977), and Williamson (1975). The core premise of the resource-based view is that resources and capabilities can vary significantly across firms, and that these differences can be stable (Hijzen, Görg & Hine, 2005). If resources and capabilities of a firm are mixed and deployed in a proper way they can create competitive advantage for the firm. The resource-based view in outsourcing builds from a proposition that an organization that lacks valuable, rare, inimitable and organized resources and capabilities, shall seek for an external provider in order to overcome that weakness (Minondo & Rubert, 2006). Cheon et al. (1995) proposed a resource-based approach of outsourcing, which suggests that outsourcing is primarily pursued in order to fill the gaps in an organization’s capacities. The capacities are determined by the organization’s resource attributes (viz. value, rareness, imitability, and substitutability) and resource allocation. Among the organizational resources,

asset specificity is considered a determinant intra-organizational feature that is negatively associated with the adoption and performance of outsourcing (De Looff, 1995). The most prominent use of the theory is in the preparation phase of the outsourcing process for defining the decision making framework and in the vendor selection phase for selecting an appropriate vendor. The theory has been also used to explain some of the key issues of managing relationships (Islam & Sobhani, 2010).

2.6 Conceptual Framework

The variables in this study are inter-related as shown in the conceptual framework below. A conceptual framework is an explanation of the relationships between the variables identified for the study as shown in figure 2.1. The purpose of the conceptual framework is to clarify concepts and propose relationships among the concepts in the study, provide a context for interpreting the study findings, explain observations and to encourage theory development that is useful in practice.

Independent Variables

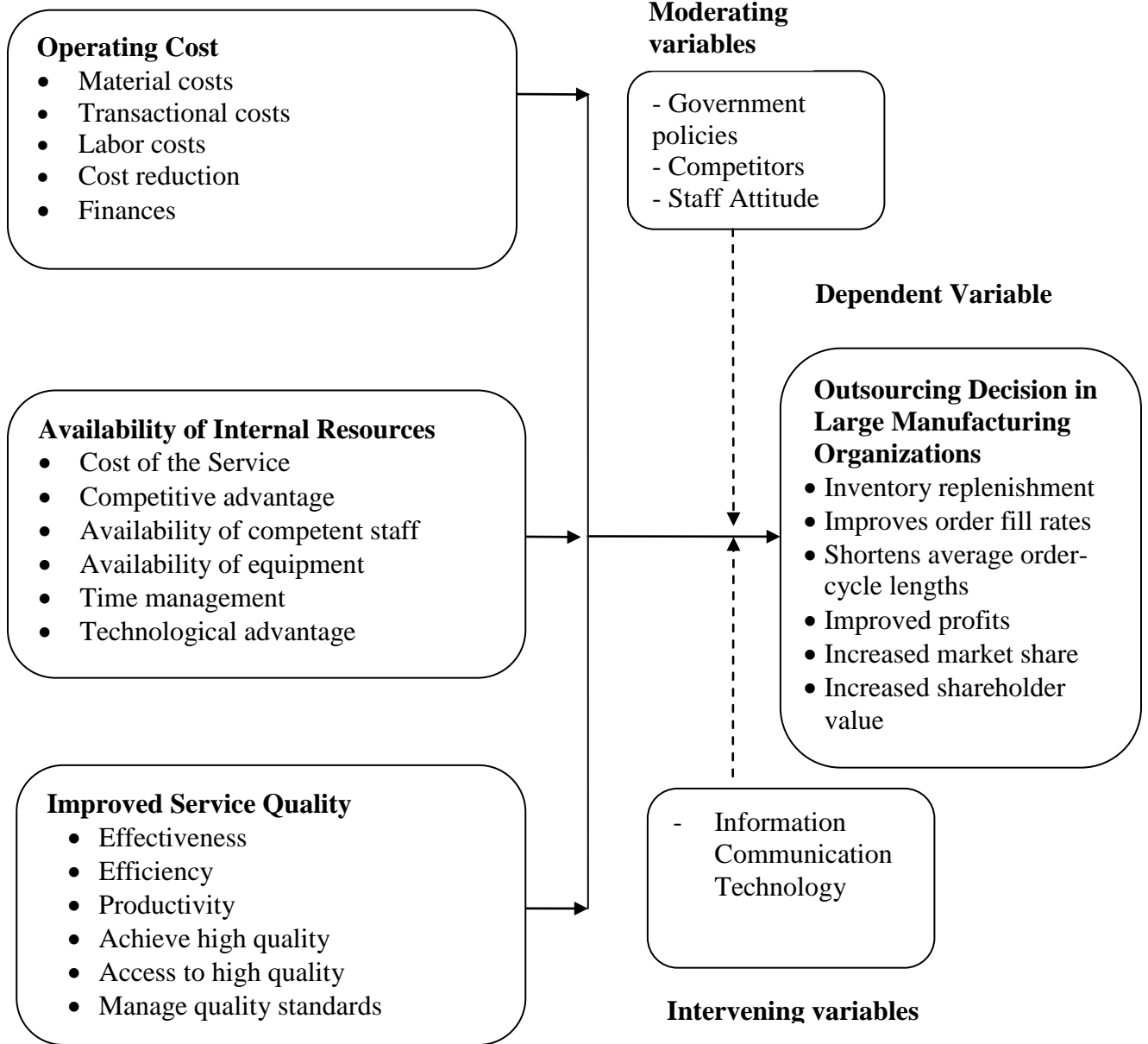


Figure 2. 1: Conceptual Framework

2.7 Knowledge Gap

The summary of knowledge gaps as conceptualized from the reviewed literature is as shown in the table below:

Variable	Author	Key Findings	Knowledge gap
Operating Cost	<p>Lahiri and Kedia (2009) The effects of internal resources and partnership quality on firm performance: An examination of Indian BPO providers. <i>Journal Of International Management</i></p> <p>Datta and Roy (2013) Incentive issues in performance-based outsourcing contracts in the UK defence industry: a simulation study. <i>Production Planning & Control</i></p> <p>Janssens and Mohagheh (2005) Outsourcing Versus in-House Provision of Sleep Diagnostic Services. <i>Journal Of American Academy Of Business</i></p>	Factors that contribute to operating costs include opportunistic behaviour, the search for the true price and the need to discover the true quality of a good or service.	Operating costs determine the competitiveness of an organization. There is need to investigate how operating costs influence a manufacturing organization's outsourcing decisions.
Availability of Internal Resources	<p>Ye, Zhu & Mukhopathyay (2014) Managing Service Quality in Multiple Outsourcing. <i>International Journal Of Electronic Commerce</i></p> <p>Falk, M., & Wolfmayr, Y. (2008). Services and materials outsourcing to low-wage countries and employment: <i>Empirical evidence of information systems functions. Journal of Management Information Systems.</i></p>	Clarifies circumstances that must exist for resources to provide competitive advantage. Recognizes firms as collections of heterogeneous resources and capabilities. Why do the resources exist and what determines their scope.	An organization must have the requisite resources for it to provide goods that meet customers' expectations. There is need to look at the extent to which availability of internal resources influences outsourcing decisions
Improved Service Quality	<p>Kini, R. B. (2007). Vendor availability: a key factor for outsourcing in Chilean ICT sector. <i>Information Management & Computer Security</i></p> <p>Grover, Cheon and Teng (2003) The effect of service quality and partnership on the outsourcing of</p>	Organizations need to react rapidly to user requirements, thus outsourcing is seen as a means of accomplishing high competitive advantage .Availability of contractors encourages	Service quality is crucial for any organization that wants to succeed in the current competitive environment. There is need to investigate the influence of improved quality service on

	<p>information systems functions.” <i>Journal of Management Information Systems</i></p> <p>Herbsleb <i>et al.</i> (1997) Software quality and the capability maturity model. <i>Communications of the ACM</i></p>	<p>organizations to outsource their non-core activities.</p>	<p>decision to outsource</p>
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Table 2.1: Knowledge Gap

2.8 Summary of Chapter Two

The literature under this study covered authors who have focused on outsourcing. The literature brought out the relationship between organisations competitiveness and outsourcing decisions. Most of the literature recognised that in the competitive environment of large manufacturing firms and evolving technology era, to enhance efficiency and productivity, cost remains a challenge to all in the manufacturing industry to compete with rivals in providing the best total lower cost to end customers and to secure more market share in order to add value to the shareholders. Having to invest heavily in capital investment such as machineries, buildings and land to expand space in supporting the production operation is a burden to most companies if the return of investment is not profitable. Thus, most of the companies started to explore opportunities to reduce cost and to improve profit margin in order to maintain competitive edge in the market. One of the identified opportunities was to outsource non-core business functions and to some extent core functions to external service providers at a lower operating cost.

The literature also brought out that, to up-skill internal resource skills in terms of running the operation effectively would require significant investment in human resources. The literature expounded that those firms experiencing challenges in managing their internal resources often seek outsourced resources in order to leverage their competitive advantage. The availability of contractors encourages organizations to outsource their non-core activities thereby improving service quality at lower cost (Herbsleb et al., 1997)

The literature review also brought out the theoretical underpinnings of this study. The study will therefore be based on TCE and resource based theories of outsourcing. These were postulated by

Williamson and Coase respectively. The chapter also brought out a summary of the knowledge gap by focusing on each variable.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was adopted in the study. It describes the research design, target population, sample size and sampling techniques, data collection instrument, data collection procedure and data analysis techniques.

3.2 Research Design

The study utilized a descriptive research design. A descriptive research design seeks to obtain information that describes existing phenomena by asking individuals about their perceptions, attitude, behavior or values (Babbie, 2002). The design was preferred because it allowed prudent comparison of the research findings. The design was also considered appropriate because it also provides an in depth and comprehensive inquiry required to be conducted to have a description of the subject under study, namely the factors influencing outsourcing decisions with specific reference to BAT Kenya Ltd.

3.3 Target Population

The target population of the study was both management and non management staff working in various departments in BAT Kenya Ltd. The target population of the study was 129 staff. Target population refers to all the members of a real or hypothetical set of people, events or subjects to which a researcher wishes to generalize the results of the study (Kothari, 2004)

Table 3.1: Target Population

Department	Target Population
Marketing	20
Finance	30
Operations	50
Informational Technology	10
Corporate and Regulatory Affairs	9
Human Resource	10
Total	129

3.4 Sampling Size and Sampling Procedures

Cooper & Schindler (2003) define sampling as selecting a given number of subjects from a defined population as representative of that population. This defined population is referred to as a sampling frame. Churchill and Brown (2004) noted that the correct sample size in a study is dependent on factors such as the nature of the population to be studied, the purpose of the study, the number of variables in the study, the type of research design, the method of data analysis and the size of the accessible population. Generally, sample sizes larger than 30 and less than 500 are appropriate for most research.

3.4.1 Sample Size

The sample size for the study was derived from the Krejcie and Morgan Table (1970). The table recommends that a target population of 129 should have a sample size of 97 respondents. The sample size of the study was therefore 97 respondents. Proportionate sampling was used to get the sample sizes for the different departments.

Table 3.2: Sample Size

Department	Target Population	Sample size
Marketing	20	15
Finance	30	23
Operations	50	38
Informational Technology	10	7
Corporate and Regulatory Affairs	9	7
Human Resource	10	7
Total	129	97

3.4.2 Sampling Procedure

The study used proportionate sampling to get the sample sizes for the different departments. The researcher used purposive sampling to select the participants for each department. Expert judgment and knowledge of roles in the organization was used to select participants that are a representative of the population.

3.5 Data Collection Instrument

The study used survey questionnaire as the primary tool for data collection. The use of questionnaire in this study had several advantages, which included its ability to reach all respondents. It was also economical to use in terms of money and time. The questionnaire was semi-structured with closed-ended and likert questions. Closed and likert questions determine answers and typically collect quantitative data. The background information questions were used provide qualitative data. For the closed-ended questions, a Five-point Likert Scale was used which included: Strongly agree =5, Agree= 4, Neutral =3, Disagree =2 and Strongly disagree=1. The strongly agreed responses were scored at 5 for direct positive responses while those of strongly disagree were scored at 1 for direct negative responses. Closed ended questions were included because they are easier to administer and to analyze.

The questionnaire contained 5 sections. Section A captured information on the demographic characteristics and profiles of the respondents such as gender and number of years in employment. Section B contained questions relating operating costs. Section C contained questions relating to availability of internal resources and Section D dealt with questions on improved service quality. Section E dealt with questions relating to the dependent variable, outsourcing decisions

3.5.1 Pilot Testing of the Instruments

The questionnaire was randomly administered to 10% of the respondents from the sample population. This helped in refining the questions through rephrasing and removal of ambiguous questions. It also helped to remove typographical errors. The pilot testing process was used to determine if questions asked were relevant and appropriate. The questionnaires were then ready for distribution once all the issues had been addressed. Pilot testing process helps to check on the clarity and suitability of the wording in the questionnaire.

3.5.2 Validity of Research Instruments

The study utilised content validity to establish validity of the research instrument. The researcher selected items randomly from the chosen sample. According to Denscombe (2003), validity relates to the extent to which the research data and the methods for obtaining the data are accurate, honest and on target. According to Cooper and Schindler (2006), the researcher may choose to do it alone or may use a panel of experts to judge how well the instrument meets standards. To ensure the content validity of the research instrument, the questions were structured as per the objectives of the study. In addition, the opinion of experts in the field of study especially the supervisors were sought and corrections made accordingly.

3.5.3 Reliability of Research Instruments

Reliability is the consistency of measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects (Mugenda & Mugenda, 1999). To check reliability of the research instrument, the research utilised Cronbach's Alpha methodology. Cronbach's Alpha measures the average of measurable items and its correlation. A construct composite reliability co-efficient that is more than 0.70 shows that the instrument is reliable. On the other hand, a construct composite reliability co-efficient that is less than 0.7 is considered too low and thus the research tool should be amended.

In this study, four constructs were studied. In order to ascertain the extent to which the data collection instrument was reliable in measuring the study constructs (or factors), reliability tests were carried out on measures of operating cost, availability of internal resources, improved

service quality and outsourcing decisions. SPSS software was used to verify the reliability of collected data.

Table 3.3: Cronbach’s Alpha Values

Variable	Cronbach's Alpha	No. of Items
Operating cost	0.888	5
Availability of internal resources	0.841	4
Improved service quality	0.713	6
Outsourcing decision	0.862	3
Average	0.826	5

The table shows that operating cost had the highest reliability ($\alpha= 0.888$), followed by availability of internal resources ($\alpha= 0.841$), and improved service quality ($\alpha= 0.713$). The dependent variable outsourcing decision, had a reliability alpha of $\alpha= 0.862$. This illustrates that the scales measuring the objectives met the reliability criteria as the alpha value for each scale exceeded the prescribed threshold, ($\alpha>0.7$) with the average reliability for all the constructs being ($\alpha= 0.826$). This shows that the research instrument (questionnaire) was sufficiently reliable and needed no amendment.

3.6 Data Collection Procedures

The researcher applied for a research permit from the National Council of Science and Technology after successfully defending the research project proposal. The researcher also wrote a letter of transmittal of data collection instruments to individual respondents. The researcher booked appointments with the respondents and agreed on the timings for filling the

questionnaires. The questionnaires were administered with the help of two research assistants. Follow-ups were made on a daily basis to monitor the progress of the respondents in filling up the questionnaires. The data collection exercise took approximately two weeks.

3.7 Data Analysis Techniques

The Statistical Package for Social Sciences (SPSS) version 20 was used in the analysis. After data collection, data clean up, data reduction, data differentiation and data explanation were undertaken. Data clean up involved editing, coding and tabulation in order to detect any discrepancies, repetitions or errors that would have made the analysis difficult. The cleaned data was analysed using both quantitative and qualitative methods. Quantitative data was analyzed using descriptive statistics including frequency distribution, percentages, mean and standard deviations to summarize the responses of the respondents from the questionnaire. The quantitative data was coded this enabled the responses to be grouped into various categories. . Frequency tables were used to present the data collected for ease of understanding and analysis. Karl Pearson's Product Moment correlation was conducted to determine the relationship between the independent variables: operating cost, availability of internal resources and improved quality service against the dependent variable of outsourcing decisions.

Content analysis was used to analyze the qualitative data and the findings have been presented in prose form. Qualitative data are based on meaning expressed through words. It involves the collection of non-standardized data that require classification and are analysed through use of conceptualization. The data was analysed in the most logical and meaningful way and relevant comments made appropriately.

3.8 Ethical Considerations

The researcher obtained a data collection permit from the National Council of Science and Technology. The respondents were requested not to write their names on the questionnaires and the names of the specific individuals involved in the study were also held in confidence. In addition, where a response could be attributed to specific individuals, the said information was maintained in strict confidence. According to Kerridge, Lowe and McPhee (2005), ethics involves making a judgment about right and wrong behavior. Ethics as noted by Minja (2009) is referred to, as norms governing human conduct which have a significant impact on human welfare.

3.9 Operational Definition of Variables

Variable	Indicators	Measurement scale	Data Collection Instrument	Tools of analysis	Data analysis
Operating cost and Outsourcing decisions	<ul style="list-style-type: none"> • Material costs • Transactional costs • Labor costs • Cost reduction • Finances 	Ordinal	Questionnaire	Correlation	Descriptive Analysis Mean, Percentage, Standard deviation
Availability of internal resources and outsourcing decisions	<ul style="list-style-type: none"> • Cost of the Service • Competitive advantage • Availability of competent staff • Availability of equipments • Time management • Technological advantage 	Ordinal	Questionnaire	Correlation	Descriptive Mean, Percentage, Standard deviation
Improved service quality and outsourcing decisions	<ul style="list-style-type: none"> • Effectiveness • Efficiency • Productivity • Achieve high quality • Access to high quality • Manage quality standards 	Ordinal	Questionnaire	Correlation	Descriptive Mean, Percentage, Standard deviation
Outsourcing Decisions	<ul style="list-style-type: none"> • Inventory replenishment • Improves order fill rates • Shortened average order-cycle lengths • Improved profits • Increased market share • Increased shareholder value 	Ordinal	Questionnaire		Descriptive Mean, Percentage, Standard deviation

Table 3. 4: Operational Definition of Variables

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

The chapter provides the major findings and results of the study as directed by the objectives of the study which are to determine the influence of operating costs on outsourcing decisions by large manufacturing organizations in Kenya, to examine the influence of availability of internal resources and the decisions to outsource by large manufacturing organizations in Kenya and to establish the influence of improved service quality on the decisions to outsource by large manufacturing organizations.

4.2 Questionnaire Response Rate

The response rate of a survey is a measure of how many people approached, (i.e. 'sampled') actually completed the survey (expressed as a percentage from 0% to 100%). It is usually assumed that the higher the response rate, the more likely the results are representative of the population. Table 4.1 shows the response rate from the sample size.

Table 4.1: Questionnaire Response Rate

Department	Sample Size	Respondents	% of Respondents
Marketing	15	10	66.7
Finance	23	20	87.0
Operations	38	28	73.7
Information Technology	7	5	71.4
Corporate & regulatory affairs	7	6	85.7
Human resource	7	6	85.7
Total	97	75	77.3

The questionnaires were distributed to 97 respondents, out of which 75 filled in and returned the questionnaires, making a total response rate of 77.3% as shown on table 4.1. The response rate

was generally good and conforms to Mugenda and Mugenda (1999) stipulation, that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and above is excellent. The response rate of the study was a good representative of the target population capable of producing useful results.

4.3 Demographic Characteristics of the Respondents

As part of their demographic information, the study sought to establish the background information of respondents. This included gender, length of service in the organization, their level in the organization and the department where they were working.

4.3.1 Distribution of Respondents by Gender

The study sought to find out the gender of the respondents. The gender of the respondents was important in order to find out if all genders were well represented.

Table 4.2: Distribution of Respondents by Gender

Gender	Frequency	Per cent
Male	57	76
Female	18	24
Total	75	100

As shown in table 4.2, majority of the respondents, (76%) were male, while females contributed to 24% of the respondents. This shows that most of the staff in BAT Kenya Ltd are male. This also shows that BAT Kenya Ltd is yet to achieve the one third rule for gender representation as stipulated in the constitution.

4.3.2 Distribution of Respondents by Length of Service in the Organization

The study also sought to establish the number of years the respondents have been working in BAT Kenya Ltd. The results are shown in table 4.3 below.

Table 4.3: Distribution of Respondents by Length of Service in the Organization

Length of Service	Frequency	Percent
0-4 years	15	20.0
5-9 years	20	26.7
10-14 years	18	24.0
Over 15 years	22	29.3
Total	75	100

As shown in table 4.3 above, 29.3% of the respondents reported that they have been working in BAT Kenya Ltd for over 15 years, 24% reported that they have been working in BAT Kenya Ltd for between 10 and 14 years, 26.7% reported that they have been working in BAT Kenya Ltd for between 5 and 9 years and 20% reported that they have been in BAT Kenya Ltd for less than 4 years. These findings indicate that 53.3% of the staff has been in BAT Kenya Ltd for more than 10 years. This implies that most of the staff had information regarding outsourcing decisions in BAT Kenya Ltd.

4.3.3 Distribution of Respondents by Organizational Level

The study also sought to establish organization level of the respondents' in BAT Kenya Ltd. The results are shown in table 4.4 below.

Table 4.4: Distribution of Respondents by Organizational Level

Organizational Level	Frequency	Percent
Non-Management	22	29.3
Junior-Management	24	20.0
Middle-Management	15	32.0
Senior-Management	14	18.7
Total	75	100

From the findings, 29.3% of the respondents are in non- management level, 20% in the junior management level, 32.0% in middle management level and 18.7% in senior management level. These findings show that most of the respondents were working in the junior management level. The findings also shows that 50.7% of the respondents are in middle and senior management positions and thus were well versed with the outsourcing decisions of BAT Kenya Ltd as most of the strategic decisions are made by senior management with operational and tactical input from middle management.

4.3.4 Distribution of Respondents by Department

The respondents were further asked to indicate the department in which they were working. The findings are shown in table 4.5 below.

Table 4.5: Distribution of Respondents by Department

Department	Frequency	Percent
Marketing	10	13.3
Finance	20	26.7
Operations	28	37.3
Information Technology	5	6.7
Corporate & Regulatory affairs	6	8.0
Human resource	6	8.0
Total	75	100

From the findings, 13.3% of the respondents work in marketing department, 26.7% in finance department, 37.3% in the operations department, 6.7% in information technology, and 8% percent in both corporate & regulatory affairs human resource departments. The findings thus indicate that operations is the highest staffed department

4.4 Operating Cost and Outsourcing Decisions

In an effort to determine the influence of operating cost on the decision to outsource by large manufacturing organizations in Kenya, the respondents were asked to indicate their level of agreement with cost factors as an influence on outsourcing decisions in BAT Kenya Ltd.

Table 4.6 Operating Cost and Outsourcing Decisions

Indicators	Mean	Std. Deviation
Finances influence outsourcing decision at company level	4.200	0.615
Material costs highly influence outsourcing decisions	3.853	0.982
Labour costs have a high influence on outsourcing decision	4.413	0.736
Overheads i.e. indirect expenses strongly influence on outsourcing decisions	4.560	0.739
Major reason for outsourcing is cost reduction	4.226	.909

On a scale of 1 – 5, with 1 representing low influence and 5 representing strong influence the respondents indicated that overheads with a mean of 4.560 and a standard deviation of 0.739, and labour costs with a mean of 4.413 and a standard deviation of 0.736 have a high influence on outsourcing decisions. Further, the respondents indicated that cost reduction with a mean of 4.226 and a standard deviation of 0.909 is one of the major reasons for decision in large manufacturing organisations. It was also agreed among the respondents that finances influence outsourcing decision at company level as shown by a mean of 4.200 and a standard deviation of

0.615. The respondents indicated that the aspect of costs that had the lowest influence on outsourcing decisions is material costs, with a mean of 3.853 and a standard deviation of 0.982. These findings indicate that operating costs have a strong influence on outsourcing decisions in large manufacturing organizations in Kenya.

4.5 Availability of Internal Resources and Outsourcing Decisions

The study also sought to examine the influence of availability of internal resources on the decision to outsource by large manufacturing organizations in Kenya. The respondents were asked to indicate their level of agreement with availability of internal resources as an influence on outsourcing decisions in BAT Kenya Ltd.

Table 4.7: Availability of Internal Resources and Outsourcing Decisions

Indicators	Mean	Std. Deviation
Service cost influences outsourcing decisions	4.440	.702
Leveraging competitive advantage has great impact on outsourcing decisions	4.440	.499
Availability of competent staff has strong influence on outsourcing decisions	3.853	.849
Availability of equipment has strong influence on outsourcing decisions	3.853	.849
Saving on time management has a strong influence on outsourcing decisions	3.813	.833
Developing technological advantage has a strong influence on outsourcing decisions	3.853	.849

On the extent of the influence of the above aspects of internal resources, again on a scale of 1 to 5, with 1 representing no influence and 5 representing strong influence, respondents indicated

that availability of internal resources has a strong influence on outsourcing decisions of large manufacturing organizations in Kenya. The respondents indicated that service cost and leveraging of competitive advantage aspects of internal resources have a strong influence on outsourcing decisions of large manufacturing organisations as they tied with a mean of 4.440. Availability of competent staff and availability of equipment also tie with a mean of 3.853 and a standard deviation of 0.849. In addition, the respondents agreed with a mean of 3.813 and a standard deviation of 0.833 that saving on time management has a strong influence on outsourcing. Further, the respondents agreed with a mean of 3.853 and a standard deviation of 0.849 that developing technological advantage has a strong influence on outsourcing.

4.6 Improved Service Quality and Outsourcing Decisions

Further, the study sought to establish the influence of improved service quality on the decision to outsource by large manufacturing organizations in Kenya. The respondents were asked to indicate their level of agreement with improved service quality as an influence on outsourcing decisions in BAT Kenya Ltd.

Table 4.8: Improved Service Quality and Outsourcing Decisions

Indicators	Mean	Std. Deviation
Effectiveness	4.053	.883
Efficiency	4.053	.883
Productivity	3.946	.957
To achieve high quality	4.053	.883
To gain access to high quality	4.026	.869
To manage our quality standards	3.906	.975

From the findings, as shown in table 4.8 above, the respondents indicated with a mean of 4.053 and a standard deviation of 0.883 that effectiveness improvement influences the decision to outsource in BAT Kenya Ltd. The respondents also indicated with a mean of 4.053 and a standard deviation of 0.883 that efficiency improvement influences the decision to outsource in BAT Kenya Ltd. The respondents also indicated with a mean of 3.946 and a standard deviation of 0.957 that productivity improvement influences the decision to outsource in BAT Kenya Ltd. The respondents agreed with a mean of 4.053 and a standard deviation of 0.883 that to achieve high quality influences the decision to outsource in BAT Kenya Ltd. In addition, the respondents indicated with a mean of 4.026 and a standard deviation 0.869 that gaining access to high quality influences the decision to outsource in BAT Kenya Ltd. Lastly, the respondents indicated with a mean of 3.906 and a standard deviation of 0.975 that managing quality standards influences the decision to outsource in BAT Kenya Ltd.

4.7 Outsourcing Decisions

The respondents were asked to rate various measures of performance in relation to outsourcing decisions by BAT Kenya Ltd since implementation. The results are shown in table 4.9 below.

Table 4.9: Outsourcing Decision

Indicators	Mean	Std. Deviation
Inventory replenishment	4.026	.636
Order fill rates	3.866	.342
Average order-cycle lengths	3.866	.342
Improved profits	3.800	.402
Increased market share	3.826	.381
Increased shareholder value	3.813	.392

According to the findings, the respondents indicated that inventory replenishment at BAT Kenya Ltd since implementation of outsourcing had improved as shown by a mean of 4.026 and a standard deviation of 0.636. In addition, the respondents indicated with a mean of 3.866 and a standard deviation of 0.342 that order fill rates at BAT Kenya Ltd since implementation of outsourcing had improved. Lastly, the respondents indicated that average order-cycle lengths at BAT Kenya Ltd since implementation of outsourcing had improved. This is shown by a mean of 3.866 and a standard deviation of 0.342. Additionally, the respondents indicated with a mean of 3.826 and a standard deviation of 0.381 that market share at BAT Kenya Ltd since implementation of outsourcing. Lastly, the respondents agreed with a mean of 3.813 and a standard deviation of 0.392 that shareholder's value had increased at BAT Kenya Ltd since implementation of outsourcing.

4.8 Correlation Analysis

Correlation is a number between +1 and -1 that determines the degree of association between two variables. In addition, a positive correlation coefficient implies that there is a positive association while a negative correlation coefficient implies that there is an inverse or negative relationship.

Table 4.10: Correlation Analysis

		Outsourcing Decisions	Operating Cost	Availability of Internal Resources	Improved Service Quality
Outsourcing Decisions	Pearson Correlation	1	.933**	.897**	.883**
	Sig. (2-tailed)		.000	.000	.000
	N	75	75	75	75
Operating Cost	Pearson Correlation	.933**	1	.965**	.950**
	Sig. (2-tailed)	.000		.000	.000
	N	75	75	75	75
Availability of Internal Resources	Pearson Correlation	.897**	.965**	1	.931**
	Sig. (2-tailed)	.000	.000		.000
	N	75	75	75	75
Improved Service Quality	Pearson Correlation	.883**	.950**	.931**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	75	75	75	75
**. Correlation is significant at the 0.01 level (2-tailed).					

According to the findings, there is a strong positive association between operating cost and outsourcing decision with a correlation coefficient of 0.933. Further, the findings show that there

is a positive significant association between availability of resources and outsourcing decision as shown by a correlation coefficient of 0.897. Lastly, the findings show that there is a significant positive association between improved service quality and outsourcing decision as shown by a correlation coefficient of 0.883.

From these findings we can therefore infer that operating cost has the highest influence on outsourcing decisions in large manufacturing organizations in Kenya, followed by improved service quality and availability of internal resources. However, all the three variables have a strong positive and significant relationship with outsourcing decisions in BAT Kenya Ltd.

4.9 Discussion of Findings

This section looks at findings of the three variables, that is: the influence of operating costs on the decision to outsource by large manufacturing organizations in Kenya, the influence of availability of internal resources and the decision to outsource by large manufacturing organizations in Kenya and the influence of improved service quality on the decision to outsource by large manufacturing organizations in Kenya. This section further looks at how these findings are linked to previous literature.

The findings show that the three variables have a significant influence on outsourcing decisions of large manufacturing organizations. This is in line with the findings in the literature review which indicates that the main impetus for deciding in favour of outsourcing usually boils down to one thing: cost reduction, according to Lahiri and Kedia (2009).

4.9.1 Operating Cost and Outsourcing Decision

The study established that operating cost influences outsourcing decision to a great/strong extent. From the literature review, the operating cost concept is conceptualized by Datta & Roy (2013),

as the sum of an organization's transaction and production costs. Excessive costs may cause transactions to be transferred to other institutions. Non-core competences are outsourced to suppliers that can do it better or can manufacture it at a lower price. Flexibility is also seen as an important motive due to changes in the economy.

Findings indicate that operating costs have strongly influenced outsourcing decision in large manufacturing organisations in Kenya. This is consistent with what Lahiri and Kedia (2009), say, that operating costs refer to the costs of physical and human resources incurred in order to complete an exchange of goods and services between parties. This study established that overheads costs like indirect expenses strongly influence outsourcing decisions. These findings agree with Minondo and Rubert (2006) findings that after exhausting the traditional modes of cost cutting such as staff rationalization, outsourcing has become the most favored avenue for cost cutting through reduction of overhead costs with the idea being to outsource non-core business functions leaving the company to concentrate on its core objectives.

The study also found that labour costs have a high influence on outsourcing decision. These findings concur with Janssens and Mohaghegh (2005) argument that the key driver for many outsourcing decisions is the reduction in the cost of labor, materials, and parts. Further, the study established that one of the major reasons for outsourcing is cost reduction. These findings are in line with Islam and Sobhani (2010) who argue that outsourcing decision helps in cost savings. This is achieved by reduction of labor costs, material costs and overhead costs. However, a function can only be outsourced when the in-house costs are higher than the anticipated costs for outsourcing the function.

The study revealed that finances influence outsourcing decision at company level. Availability of finances to a firm may influence its decision to outsource or not to outsource. A firm may use its finances to obtain the raw materials needed instead of outsourcing but if it does not have enough financial resources it can outsource these services to suppliers. Third Party Suppliers may supply the same raw materials at reduced cost due to better discounts offered to bulk. This is consistent to Bidwell (2012) assertion that the higher the internal cost to perform the function relative to the anticipated costs for outsourcing the greater the possibility for outsourcing.

4.9.2 Availability of Internal Resources and Outsourcing Decisions

The second objective of the study was to examine the influence of availability of internal resources and the decision to outsource by large manufacturing organizations in Kenya. According to Ye, Zhu and Mukhopadhyay (2014), an alternative explanation for outsourcing recognizes that in addition to costs, resource and competence-based considerations are increasingly important in today's business environment.

The study established that leveraging competitive advantage has great impact on outsourcing decisions. This is in line with Axelsson and Wynstra (2002) argument that firms tend to consider outsourcing after attempting to achieve sustainable competitive advantage through its internal resources. The findings also agree with Currie and Seltsikas (2000) argument that internal resources can influence the uptake of outsourcing activities in many organizations subject to the way their internal resources are managed. However, firms may fail to benefit from competitive advantage through their internal resources when they fail to manage their resources effectively and efficiently. Companies want to concentrate on what they do best by keeping the activities in-house of which they can add value.

The study also established that service cost influences outsourcing decisions. The findings are in line with Falk and Wolfmayr (2008), argument that outsourcing employees that are skilled ensures that the business does not incur the costs of training their own employees to meet the required and up to date skill set, which greatly reduces their labor and service costs to a large extent. According to Axelsson and Wynstra (2002), firms tend to consider outsourcing, after attempting to achieve sustainable competitive advantage through its internal resources.

Further, the study found that availability of competent staff and equipment have strong influence on outsourcing decisions. These findings agree with Falk and Wolfmayr, (2008) argument that the shortage of skilled personnel makes outsourcing even more compelling. It transfers the need for recruiting, training and maintaining experts to a strategic partner, allowing the organization to focus their staff on more essential functions. Building a new plant costs time and money, so outsourcing is an attractive option to quickly expand capacity. In this way companies can reduce capital invested, which is also seen as an important motive. Although this also relates to companies being reluctant to replace machines and equipment that become obsolete. The investments needed to manufacture products in-house are vast and within 2-3 years you lag behind, because you have to keep investing to remain state-of-the-art. The findings also concur with Mata, Fuerst & Barney (1995) that outsourcing transfers the responsibility of keeping up to date on technological change to partners who specialize in particular services.

4.9.3 Improved Service Quality and Outsourcing Decisions

The third objective of this study was to establish the influence of improved service quality on the decision to outsource by large manufacturing organizations in Kenya. According to Kini (2007), most of the companies have started to explore opportunities to reduce cost and to improve profit margin in order to maintain competitive edge in the market. One of the identified opportunities

was to outsource non-core business functions and to some extent core functions to external service providers at a lower operating cost. The availability of contractors/suppliers encourages organizations to outsource their non-core activities. As a result, the quality service is improved at a lower cost

Outsourcing some or all of noncore business processes can enable an organization to focus on core competencies, rather than services that fall outside of expertise. This study revealed that effectiveness improvement influences the decision to outsource in BAT Kenya Ltd. According to Ching, Choi and Huang (2011), outsourcing not only enhance function effectiveness and flexibility by accessing a support network with highly qualified and specialized workforce, but also help organizations control their costs and business risk by transforming high fixed costs to predictable expenditures.

The study also found that productivity improvement influences the decision to outsource in BAT Kenya Ltd. These findings agree with Chongvilaivan and Hur (2011) argument that among the benefits of outsourcing strategies include cost cut, increased capacity, improve quality, increase profitability and productivity, and improved organizational competitiveness.

When an organization is recognized for high quality, there may be concern by decision makers that outsourcing might affect the quality of services (Kremic *et al.*, 2006). Organizations need to react rapidly to user requirements, and so outsourcing is seen as a means to accomplish high competitive advantage. The availability of contractors encourages organizations to outsource their non-core activities. As a result, the quality service is improved at a lower cost (Quinn, 2000; Compbell, 1995). Lai *et al.* (2004) studied a Hong Kong logistics service provider and

found that a successful implementation of a quality management system is the key to survival and long-term prosperity for a logistics company.

Because of diverse nature of business processes an organization has to manage today, it is nearly impossible for an organization to manage all of its processes by solely depending on its own expertise. Even if it is feasible, the organization may lose its focus and efficiency. The study found that efficiency improvement influences the decision to outsource in BAT Kenya Ltd. According to Steensma, and Corley (2000), the goals of outsourcing are strategic and include improved efficiencies, lower costs, improved flexibility, higher quality, and a greater ability to achieve a competitive advantage.

4.9.4 Outsourcing Decision

The study found that inventory replenishment at BAT Kenya Ltd had improved since implementation of outsourcing. These findings agree with Datta and Roy (2013) argument that outsourcing leads to an improvement in inventory replenishment in manufacturing companies. In addition, the study found that order fill rates and order-cycle lengths at BAT Kenya Ltd had improved since implementation of outsourcing. These findings agree with Steensma and Corley (2000) that outsourcing yield important benefits such as reduced logistics costs and fixed logistics assets, improved order fill rates, and shortened average order-cycle lengths and cash-to-cash cycles.

The study established that BAT Kenya's profits, market share and shareholder value had improved since implementation of outsourcing. Studies done by Aubuchon (2012) revealed similar findings that smart companies apply outsourcing as a method of transforming the business to flourish in new competitive environments. He futhers says that outsourcing has

become a way of not only adjusting to change, but a means of managing insecurity and responding swiftly to changing market dynamics.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused on addressing the objectives of the study.

5.2 Summary of Findings

The study sought to examine the factors influencing outsourcing decisions in large manufacturing organizations in Kenya. From the findings it can generally be said that the three objectives strongly influence outsourcing decisions of large manufacturing organizations in Kenya and thus the main reason for outsourcing is cost reduction if an organization is to remain competitive.

The overall findings generally indicate that operating costs highly determine whether an organization will outsource or perform the functions in-house. This is confirmed with the Karl Pearson's Product Moment correlation of 0.933 which indicates a strong positive association between operating costs and outsourcing decisions. The higher the in- house costs the stronger the decision to outsource will be. Cost savings is the most important motive that influenced the outsourcing decision of large manufacturing organizations in Kenya. Primarily, these costs savings are realized due to reductions in employment costs because of lower wages and decreasing expenses regarding recruitment and hiring and firing and due to diminishing costs of raw material and other materials. The study established that labour costs, overheads and finances, (with means of 4.413, 4.560 and 4.226 respectively), greatly influence outsourcing decisions.

These are the components that an organization would endeavor to control in order to reduce its operating costs viz a viz its profits.

The study also established that availability of internal resources with a correlation coefficient of 0.897 greatly influence outsourcing decisions in large manufacturing organizations in Kenya. The study established that an organization would opt to outsource some of its functions in areas where internal resources are inadequate or incompetent. Where the organization has resources that cannot be replicated by other firms, then the services/functions would be performed in-house to leverage its competitive advantage.

The study found out that improved service quality with a correlation coefficient of 0.883 also has a significant influence on whether an organization would outsource or not. Organizations need to react rapidly to customer requirements, and so outsourcing is seen as a means to accomplish high quality through outsourcing to firms that are specialized in providing certain functions.

5.3 Conclusions

From the findings, the study concludes that the need to reduce operating costs within a manufacturing entity is of high importance in influencing the adoption of outsourcing. The study found that overheads and labour cost are the significant components of operating costs which any manufacturing entity would want to minimize to remain competitive.

The study also concludes that resource adequacy /inadequacy within a manufacturing entity is of significant importance when making the decision whether to outsource or not. Where an organization lacks competent or adequate staff as well as advance equipment and technological capacity, then outsourcing would be the best option. The study also established that the need to improve on quality of services offered significantly influences the adoption of outsourcing.

5.4 Recommendations

From the study findings which show that operating costs has the highest influence on outsourcing decisions with a correlation coefficient of 0.933 followed by availability of internal resources and improved service quality with correlation coefficients of 0.897 and 0.833 respectively, the study recommends that the following should be considered for further cost reduction as well as for higher quality improvement:

1. Large manufacturing organizations need to evaluate their business processes and identify both the right ones to outsource, and the delivery model that will best support these processes. Processes or functions that require high confidentiality could for instance be outsourced to a joint venture as opposed to an external supplier.
2. The manufacturing organizations should put in place expected quality standards of outsourced activities and also setup performance matrix to be used to gauge the quality of service provided. This will ensure high level of quality of the services/goods delivered leading to a trickle effect on sales volumes, competitive advantage, increased profits and thus higher profits.
3. The organizations should also maintain regular communication between themselves and the entities providing the outsourced functions. Monthly or quarterly meetings would be crucial for addressing immediate concerns.
4. In deciding to outsource some of their functions, large manufacturing organizations should consider whether the operational costs are excessively high and in need of reduction. If costs are within an acceptable range and no significant savings are likely to be realized, then outsourcing should not be undertaken.

5. Outsourcing should be geared towards innovation which enables an organization to gain technological advancement as a result of new innovation, the organization should evaluate whether services to be outsourced will lead to innovation hence improve the quality of services and reduce cost.
6. Outsourcing should also be geared towards transferring risks to competent service providers. Large manufacturing firms should therefore outsource activities whose risks are transferrable.

5.5 Suggested Areas for Further Research

There are various factors influencing outsourcing decisions in large manufacturing organisations.

1. The study only looked at factors that influence outsourcing decisions in large manufacturing organizations in Kenya. Other studies should be done on what factors influence outsourcing decisions in other sectors such as Small Mediums sized Enterprises (SMEs) and the banking industry.
2. Due to time constraint, not all theories are included in this research. This leaves room for future research. Other studies should be done based on theories not covered by this study, for example, how Life-cycle approach, Institutional theory and Portfolio approach influence the decisions to outsource by large manufacturing organizations.
3. The sample size of this research is relatively small. The size is sufficiently large for accomplishing the goal of explanation and understanding. The data obtained was valuable for provided insight into the factors that influence outsourcing decisions in large manufacturing organizations. To increase validity and reliability, a study should be tested among a larger group of companies.

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APPENDICES

Appendix I: Letter of Transmittal of Data Collection Instrument

Catherine Achieng'i Khaduli

P O Box 3232 - 00200

NAIROBI

Dear Sir/Madam

RE: REQUEST FOR PARTICIPATION IN A RESEARCH STUDY

I am a final year Master of Arts student at the University of Nairobi, specializing in Project Planning and Management. I am currently undertaking a research on FACTORS THAT INFLUENCE OUTSOURCING DECISIONS IN LARGE MANUFACTURING ORGANIZATIONS IN KENYA: A CASE OF BRITISH AMERICAN TOBACCO KENYA LTD.

I will be grateful if you could spare sometime from your busy schedule and fill in the questionnaire. All the information provided will be purely used for academic purposes and your identity will be treated with utmost confidentiality.

Thank you for your cooperation.

Yours faithfully,

Catherine Achieng'i Khaduli

Tel No. 0728601160

Appendix II: Questionnaire

This brief introductory section asks you questions that will help us understand the range of people participating in this questionnaire. Please remember that this information is not for the purpose of trying to identify any individual and remains anonymous. Kindly Tick appropriately in the closed questions [] and write your views in the open ended questions.

Section A: Background Information

1. Indicate your gender

Male [] Female []

2. How long have you worked for British American Tobacco Kenya Ltd

[] 0 - 4 years [] 5 - 9 years
[] 10 - 14 years [] Over 15 years

3. Please indicate your position level in the organization

[] Non –Management [] Junior Management
[] Middle Management [] Senior Management

4. Kindly tick the department you work in

[] Marketing [] Finance
[] Operations [] Informational Technology
[] Corporate and Regulatory Affairs [] Human Resource

Section B: Operating Cost and Outsourcing Decisions

Using the below likert scale, state the extent to which you agree with the cost factors as an influence on outsourcing decisions in BAT Kenya Ltd (1=**Strongly disagree**, 2=**Disagree**, 3=**Neutral**, 4=**Agree**, 5=**Strongly agree**) Please mark with a CROSS (X) in the applicable box

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Finances influence outsourcing decision at company level					
Material costs highly influence outsourcing decisions					
Labour costs have a high influence on outsourcing decision					
Overheads i.e. indirect expenses strongly influence on outsourcing decisions					
Major reason for outsourcing is cost reduction					

Section C: Availability of Internal Resources and Outsourcing Decisions

Using the preceding likert scale, state the extent to which you agree with availability of internal resources as an influence on outsourcing decisions in BAT Kenya Ltd. Please mark with a CROSS (X) in the applicable box

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Service cost influences outsourcing decisions					
Leveraging competitive advantage has great impact on outsourcing decisions					
Availability of competent staff has strong influence on outsourcing decisions					
Availability of equipment has strong influence on outsourcing decisions					
Saving on time management has a strong influence on outsourcing					
Developing technological advantage has a strong influence on outsourcing					

Section D: Improved Quality Service and Outsourcing Decisions

Using the preceding likert scale, state the extent to which you agree with improved service quality as an influence on outsourcing decisions in BAT Kenya. Please mark with a CROSS (X) in the applicable box

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
Effectiveness					
Efficiency					
Productivity					
Achieve high quality					
Access to high quality					
Manage quality standards					

Section E: Outsourcing Decisions

Please rate the following areas in terms of outsourcing decisions by BAT Kenya Ltd since implementation. Please mark with a CROSS (X) in the applicable box.

	Greatly improved	Improved	Average	Slight improvement	No improvement at all
Inventory replenishment					
Order fill rates					
Average order-cycle lengths					
Improved profits					
Increased market share					
Increased shareholder value					

Appendix III: Krejcie and Morgan Table

Required sample size, given a finite population

N-----n	N-----n	N-----n	N-----n	N-----n
10-----10	100-----80	280-----162	800-----260	2800-----338
15-----14	110-----86	290-----165	850-----265	3000-----341
20-----19	120-----92	300-----169	900-----269	3500-----346
25-----24	130-----97	320-----175	950-----274	4000-----351
30-----28	140-----103	340-----181	1000-----278	4500-----354
35-----32	150-----108	360-----186	1100-----285	5000-----357
40-----36	160-----113	380-----191	1200-----291	6000-----361
45-----40	170-----118	400-----196	1300-----297	7000-----364
50-----44	180-----123	420-----201	1400-----302	8000-----367
55-----48	190-----127	440-----205	1500-----306	9000-----368
60-----52	200-----132	460-----210	1600-----310	10000-----370
65-----56	210-----136	480-----214	1700-----313	15000-----375
70-----59	220-----140	500-----217	1800-----317	20000-----377
75-----63	230-----144	550-----226	1900-----320	30000-----379
80-----66	240-----148	600-----234	2000-----322	40000-----380
85-----70	250-----152	650-----242	2200-----327	50000-----381
90-----73	260-----155	700-----248	2400-----331	75000-----382
95-----76	270-----159	750-----254	2600-----335	100000-----384

Source: Krejcie and Morgan (1970:608) in Hill (1998).

Where N= Population size, and n= sample size required.