

THE EFFECTS OF OUTSOURCING ON THE COST AND PERFORMANCE OF NON-CORE ORGANIZATIONAL FUNCTIONS: A CASE STUDY OF CLEANING SERVICES AT THE UNIVERSITY OF NAIROBI.

**MUTERO MERCY NYOKABI
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DECLARATION

This research project is my original work and has not been presented for the award of a degree in any other university or institution.

Signature_____ Date_____

Name: MUTERO MERCY NYOKABI

Registration No: C50/74656/2014

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

Signature _____ Date_____

DR. PATRICK ASINGO

Department of Political Science and Public Administration

DEDICATION

This project paper is dedicated to my parents, Mr. Ephraim Mutero and Mrs. Juliana Wacuka.

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I would like to sincerely acknowledge the contributions of the following persons who enabled me undertake and successfully complete this study. First and foremost I thank my supervisor, Dr. Patrick Asingo, not only for his guidance but also his patience and dedication throughout the entire process: His knowledge on the subject matter enabled me to shape this project to what it is. My heartfelt gratitude likewise goes to all the lecturers in the department of Political Science and Public Administration at the University of Nairobi for their contribution in whichever way to this study. I am also very grateful to my boss at my place of work for allowing me time to complete this study. Likewise, I recognize the support given to me by my husband, Mr. Moses Davies Khangatsi, throughout this study. I thank my friends and my family whom I may not mention in person for their material and moral support. Finally, am deeply indebted to all the respondents for their time and cooperation during the data collection stage of this study; may God bless you all. However, the support and assistance given to me notwithstanding, I personally take responsibility for any errors that may appear in this project paper.

ABSTRACT

This study sought to find out the effects of outsourcing on the performance of non-core organizational functions. An empirical study was conducted at the University of Nairobi with an aim of establishing whether outsourcing has significant impact on the performance of the outsourced services. It was based on the Transaction Cost Economics theory and adopted a longitudinal research design. The study used primary data which was collected using the survey method. A Structured questionnaire was administered to 30 respondents selected purposively. In addition, the study also used secondary sources of data including summarized official reports from the University of Nairobi. Data analysis was done using a combination of Microsoft Excel program and the R program for statistical computing or Simply R. The study found a strong positive correlation between outsourcing and the performance of the outsourced services namely. That is, outsourcing has improved the performance of cleaning at the University of Nairobi in terms of cost and quality. That is, the adoption of outsourcing has significantly improved the levels of cleanliness of the offices, lecture halls as well as the lawns and walkways at the university's main campus. Further, the study established that cleaning cost has reduced after outsourcing. These findings therefore strongly support the study hypothesis.

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ABBREVIATIONS AND ACRONYMS

BPO	Business Process Outsourcing
CSRP	Civil Service Reform Program
GOK	Government of Kenya
IT	Information technology
ICT	Information Communication Technology
JKUAT	Jomo Kenyatta University of Agriculture and Technology
KBV	Knowledge based View
KNH	Kenyatta National Hospital
MMD	Movement for Multiparty Democracy
MMUST	Masinde Muliro University of Science and Technology
OECD	The Organization for Economic Cooperation and Development
PSR	Public Sector Reforms
PWC	Price- House Water Coopers
PSRD	Public Service Reforms and Development
RBV	Resource Based View
RCT	Rational Choice Theory
SPSS	Statistical Package for Social Science
TCE	Transaction Cost Economics
UON	University of Nairobi
US	United states of America

DEFINITION OF TERMS

Cleaning Services –This study uses the dictionary meaning which refers to the act of making the University free of dirt, by washing, wiping, sweeping and mowing

Core functions –This study utilizes the oxford dictionary definition which refers to the activities that comprises of an organization’s primary role. They include goods or services intended for the market (Overby, 2007).

Service cost- This study adopts the definition by the business dictionary which refers to the expense associated with having another person perform a valuable task which specialized expertise may be required.

Efficiency -In service delivery refers to ability to accomplish a job or deliver a service with a minimum expenditure of resources (money, time, labor) (Jefferies, 1996). As used in this study, it refers to the ability of the third party to offer quality cleaning services at a lower cost to the University.

Non-core functions- As used in this study refer to important but support functions that do not comprise an organization’s core business (Handfield, 2006). In case of the university they include cleaning, security and garbage collection.

Out sourcing -This study adopts the literal meaning which refers to contracting out of business functions to an external suppliers (third party), (Overby, 2007).

Quality of service as used in this study refers to the standard of a service as experienced by the users. It is a comparison of expectations with performance (Jefferies, 1996)

Third party -As used in this study, third party refers to the company that has been contracted to offer cleaning services to the university of Nairobi main campus.

CHAPTER ONE

INTRODUCTION

1.1 Study Background

Outsourcing refers to a type of privatization which involves transferring some of the organization's functions which were traditionally performed internally to a third party. It is an arrangement in which a company contracts another to offer services that may also be provided internally. As a business strategy, outsourcing has been practiced globally for long. Its roots lie in the industrial revolution. Many companies which had taken advantage of economies of scale, and were already diversifying, found themselves in need of multiple management layers. This led to bloated management structures which diluted their ability to be flexible and creative. Due to this, companies in a bid to be competitive on the global stage had to develop a new strategy that focused more on the core-business, while outsourcing non-core functions. This marked the first stage in the evolution of outsourcing as a business strategy (Ansoff, 1965; Overby, 2007).

In the 1990s, outsourcing continued to gain popularity. This was because many companies focused on cost saving, and therefore broadened the range of services that they could outsource to include cleaning, accounting, human resource, data processing and security. Similarly there was an increase in the number of emerging service providers including overseas contractors who operated at the global level. For instance, the US service industry outsourced call center and technical support services which benefitted many young Philippines with good command of American English. Many firms in the developed countries also outsourced mathematics and analytical skills from Russia so as to remain economically competitive (Handfield *et al*, 1998).

Public corporations, just like large private firms, also began to feel the pressure for cost-saving and efficiency in service delivery, hence started to consider the outsourcing model. Government agencies began to outsource routine-based processes that tie them down, to other outsourced companies who could carry out them efficiently and at a low cost. For example, some African countries outsourced IT services. To illustrate this, banks in Africa have outsourced labor intensive IT, software and printing services that give them an edge in the industry mainly from India. Furthermore, the South African cabinet established an interdepartmental taskforce in 1997 to explore whether public-private partnership can improve efficiency in government service delivery. The taskforce recommended that outsourcing was the most viable option as long as there was a clear framework to guide the process (Handfield *et al*, 1998).

In Kenya, public sector is key in delivering improved services to both the government and citizens with the aim of reducing poverty and improving governance, among other goals. To achieve this, the government had first to transform the heavily bureaucratic and process oriented public service. Consequently, outsourcing of the supplementary services was seen as a viable remedy aimed at, among other things, improving quality of services in the public sector. Indeed, Kenya's vision 2030 identifies Business Process Outsourcing (BPO) as a key strategy for achieving efficiency and transforming the country to a middle-income economy (Kempe, 2012).

In recent years, Kenyan public universities, after rapid expansion, found themselves in financial crisis that constrained their already diminishing resources. This threatened to undermine the performance of their core function of providing quality education unless something was done urgently. As a solution, the management of these institutions of higher learning decided to

outsource some services previously provided by the university staff. This was considered as a strategic option in an effort to cut costs and improve efficiency in service delivery. It is evident therefore, that outsourcing of non-core functions like cleaning, catering and security services has been the trend in many organizations. In this regard, the University of Nairobi outsourced some of its non-core functions such as cleaning, garbage collection and security. It is in line with this background that this research set out to investigate the effects of outsourcing on the quality of these non-core organizational functions in the public sector, taking the case of cleaning services at the University of Nairobi's Main campus.

1.2 Statement of Problem and Research Questions

Outsourcing has become a major service delivery mechanism by organizations for various reasons and they do it expecting some positive results. For instance, according to Kakabadse (2000), organizations expect to bring down the operating cost if they employ outsourcing as a strategy in service delivery. Indeed, this is often listed as one of the main reasons for companies to outsource. Outsourcing allows an organization to acquire better service at a lower cost from specialized suppliers. The private sector is considered to be efficient and hence, able to offer better services at reduced cost. Similarly, outsourcing improves quality as it allows access to experienced individuals, with higher skills, as well as the latest technology. One of the reasons for this is that processes that are not core for many organizations, are core for outsourcing companies, and therefore, it is in their interest to deliver the highest quality of service in those areas if they hope to continue being on top of the game.

Further, outsourcing enables organizations to focus on their core competences. This is because, by outsourcing the non-core functions such as security, catering and cleaning, organizations hope to release some valuable time and resources to managing core functions including expansion of the business. The University of Nairobi management has outsourced security, garbage collection and cleaning services among others expecting the same benefits that come with outsourcing. Specifically, the objectives of outsourcing by the university as outlined in the contract document was to be able to control or cut cost and access high quality services at lower prices from the vendors who offer specialized services. In addition, the university aimed at achieving administrative efficiency by outsourcing these non-core but important services which mainly affect the administration of the university. Further, the university hoped to be able to release some resources and redirect them to the core business of teaching, research and consultation among other duties once it outsourced some of these support services.

However, although the university outsourced with the above mentioned objectives, no systematic study that has been conducted to establish if indeed after outsourcing the same has been achieved. This study therefore, aimed at evaluating the impact that outsourcing had on the quality and cost of the outsourced service namely cleaning services at the University of Nairobi. Since the university has outsourced several services as mentioned above, this study was only focus on the cleaning services. By outsourcing the cleaning service, the University aimed at making the environment and the offices cleaner as well as having well maintained lawns and walkways. In addition, the university aimed at bringing the cost associated with cleaning services down. Therefore, this study embarked on investigating the impact of outsourcing on the performance of this important but non-core function at the University of Nairobi by asking the

following study question: *What is the effects of outsourcing on the quality and cost of cleaning services at the University of Nairobi?*

The specific questions arising from this broad question that this research tackled were:-

- (i) What are the effects of outsourcing on the level of cleanliness in the offices?
- (ii) What are the effects of outsourcing on the degree of cleanliness in the lecture halls?
- (iii) What are the effects of outsourcing on levels of cleanliness of the lawns and walkways?
- (iv) What is the effect of outsourcing on the cost of cleaning at the University of Nairobi

1.3 Research Objectives

1.3.1 General Research Objective

To evaluate effects of outsourcing on the quality and cost of cleaning services at the University of Nairobi?

1.3.2 Specific Study Objectives:

- (i) To evaluate effects of outsourcing on the level of cleanliness of the University offices
- (ii) To assess the effects of outsourcing on the level of cleanliness of University lecture halls
- (iii) To assess the effects of outsourcing on levels of cleanliness of the lawns and walkways.
- (iv) To evaluate the effects of outsourcing on the cost associated with cleaning at the university.

1.4 Justification of the Study

As mentioned, earlier outsourcing as a service delivery strategy, if properly structured and monitored, can be used to reduce cost and improve the quality of service for both the private and

public organizations. However, at times outsourcing may produce negative results despite huge amount of resources being invested. Despite many benefits that organizations could realize as a result of outsourcing as well as possible challenges there doesn't seem to exist any empirical study that has been carried out to establish the effects of outsourcing on the performance of specific non-core functions specifically in Kenyan universities.

Sometimes the goals of outsourcing could fail to be met due to a number of reasons including; lack of complete information on all the costs involved, tendency to overstate benefits, inappropriate methodology and the suppliers only performing better in the beginning of a contract (Schwyn, 1999). Therefore, establishing the impact that outsourcing has had on the performance of cleaning services at the university of Nairobi would be key. This information would not only add to the body of knowledge available on outsourcing but specifically the policy makers and the academicians would benefit also. The university management and the third party service provider would find this information useful too

The policy makers, specifically in the university, stand to benefit from the study. The university management made policy amendments that negatively impacted on its employees in order to implement outsourcing successfully. For instance the university retrenched some of its employees who were performing cleaning. Similarly, by outsourcing cleaning services, the University of Nairobi expected to cut down the cost associated with cleaning and improve levels of cleanliness at the university. That is, efficiency and quality were among the key objectives why the University of Nairobi decided to acquire the services of a third party to offer cleaning services. Therefore, after nearly ten years of outsourcing, the management would be interested to know

the status of cleanliness in this facility as well as to establish if the cost associated with cleaning (wages, benefits and supervision) has gone down after outsourcing. This information would assist them in making important policy decisions in future. To illustrate this, the management would need this information when considering whether to outsource other services as well.

The scholars and researchers would find the study useful as the study intends to generate new knowledge on outsourcing particularly in the universities and similar institution. Researchers could use the findings of this research as an empirical evidence to support theories and frameworks regarding outsourcing. In addition, this study may be used as basis of future studies by scholars who would want to bring other but related variables that are not included in the study. At the same time, the third party service provider may also find the results useful in assessing their competitive advantage and a chance to explore new business opportunities. Public opinion regarding their performance in providing this service could also determine their future stay in business. The finding of this study may force the supervisors and the decision makers of this company to review their course of action regarding the quality of their service.

Finally, Cleaning is an essential function of any organization in fact every organization regardless of its size or specialization has to ensure that their workplace is tidy and fit to be seen. The reason for this is not just to maintain a positive reflection, but also to keep employees free from illness caused by dirt hence increasing their productivity. However, because of myriad of the hurdles those organizations face a day after day for instance reaching sales quota to encouraging uninspired staff – cleanliness in the workplace frequently lags behind the priorities of the management. Therefore, a study focusing specifically on the outsourcing of this particular

service would benefit the university greatly; by just improving the cleanliness at the university employees' productivity could actually be enhanced. Some coughs and infections could directly be linked to dirty living/working environment.

1.5 The Scope and Limitations of the Study

There are many universities in Kenya but for the purposes of this study, The University of Nairobi was purposively selected. Several reasons informed the researcher's decision on the selection of the study site. That is, its size and the fact that this university is the oldest among all the universities in the county. Again, it has the most number of students as well as the lecturers and the employees. Finally, this institution also has the highest number of courses offered. It is also the oldest university in Kenya having been founded in 1956. At first it was formed as an education institution (Royal Technical College) and later became an independent and a fully-fledged university in 1970. This was after the split of the former University of East Africa into three separate universities: Namely the University of Dar es Salaam located in Tanzania, Makerere University which is situated in Uganda and the University of Nairobi in Kenya.

University of Nairobi also has many branches situated in various parts of the country including in Central and Nyanza. However, for the purposes of this study the focus was only at the Main Campus. Several factors informed the decision to narrow down to the main campus: The Main Campus hosts a number of colleges including the: College of Architecture and Engineering as well as the College of Humanities and Social Sciences Similarly, it hosts the Jomo Kenyatta Memorial Library (JKML) and the administration block. Subsequently, it appeared big enough to

produce a realistic number of respondents to provide the information being sort by this study (see the map of the University of Nairobi attached as appendix iii).

In addition, Main Campus was chosen as the study site as it is where outsourcing as a strategy was introduced first before it could be replicated in the rest of the campuses of the University of University. The study covers the period between 1996 -2016. This is because cleaning service at Main Campus was outsourced in 2006 before which the same was performed by the university employees. Therefore, this period allowed the study to gather information on how the level of cleanliness was when it was being carried out by the university employees and now that other people from outside perform the same. The researcher encountered a number of limitations while undertaking this particular study. The first limitation that the study encountered was lack of knowledge on the subject matter on the part of the respondents especially who have not been in the university for long to have the information the study looked for. To address this limitation, the researcher used purposive sampling targeting only the people who have been in the university for long enough. This sampling method was employed in order to identify a number of appropriate respondents drawn amongst the managements specifically the users of the outsourced services, the lecturers, the departmental heads and also the support staff. In addition, the response rate was below 100% because of some of the respondents whose questionnaires were dropped to be picked later were out of offices or just unreachable at the time of picking the questionnaires. This problem was addressed by the researcher having extra questionnaires which were issued to additional respondents to make up for ones that were not returned.

Secondly, the researcher encountered the problems of confidentiality whereby the university management was reluctant to give information relating to the cost aspects of outsourcing and for fear of disclosure. It was argued that the required documents are classified University documents and hence difficult to access, despite an introduction letter and repeated assurance to them that the information sought was purely for research purposes and would be treated confidentially. Thus, the study had to do with the scanty information given, which is attached as appendix iv.

1.6 Literature Review

1.6.1 Overview

This section aims at analyzing a few among the relevant and published writings in the topic of privatization and outsourcing in particular in order to identify gaps in this research. The section also discusses how this study intends to fill in the gaps noted in the reviewed literature. This section is organized as follows: literature that focuses on outsourcing from a global perspective, literature available from the African context and finally, outsourcing as experienced in Kenya.

1.6.2 Global Perspective on Outsourcing

Vishny *et al* (1997) discussing privatization in the United States public sector, examined the factors that determine the mode of service delivery that is, whether to privatize or to provide the services through in house mechanisms. The study focused on the 1987 and 1992 census of governments, which surveyed all 3,042 counties in the United States. The information was on the following twelve, hospitals, landfills (dumps), libraries, services: airports, centers, and fire protection water supply, electric utility, gas supply nursing homes, public transit, sewage system, stadiums/convention. The study discussed three factors which impact on the service delivery

mode in the public sector. The list comprised of efficiency or what the study called social goals, secondly the study identified ideology and finally there was the political patronage. The study brought out important theoretical and empirical bases on the factors that influence outsourcing.

The study however, did not include cleaning services among the services studied. Cleaning is an important part of any organization certainly each business, regardless of its scale and specialization, has to always endeavor to see to it that their working environment is remains tidy and presentable. This does not only improves the image but also makes the work place presentable. In addition, a clean environment also keeps employees healthy and industrious. However, due to the myriad of challenges that businesses face day after day for instance closing of sales deals to motivating uninspired staff sometimes cleanliness in the workplace frequently falls behind the priorities of the management. This study therefore, intends to focus on the effect of outsourcing of this non-core but very important function in public institutions. In addition, the difference in geographical and the study periods would also persuade this particular study in case of different results. Finally, this study focused mainly on the factors that affect privatization decision namely: Efficiency (social goals), Political patronage and Ideology. The this study went a step further and assessed the effect of contracting out in public service delivery.

Hilman and Warokka (2011) investigated the various strategies in that firms used in sourcing as they responded to stiff competition that these firms faced. The study focused on sourcing firms that were in Malaysia. The aim was to establish the most preferred sourcing strategy between outsourcing and self-produce. This research employed the survey method in data collection where mails were sent out to 1300 individuals who held senior position. From the responses it

was noted that among the two service delivery options (in-house provision and outsourcing), the latter was considered to be the better option. Indeed 51.27% of the firms interviewed preferred outsourcing while the remaining choose self-produce or in-house strategy. This research thus underscored the significance of service supply mechanism and how it impacted on Malaysian firms that dealt with good manufacturing. The study provided insights on the available options for firms. This is especially important for firms facing globalization challenges and looking for alternative options to give them competitive edge in the market. The study however did not discuss any specific functions more applicable to in-house or the outsourcing model and neither did it offer an evaluation of any impact thereof. This study thus, embarked on finding out the performance of a specific function after outsourcing, namely; is cleaning.

Cox *et al* (2012) carried out research in the UK in a bid to determine how successful outsourcing has been in the public sector. The study focused on outsourcing of the information technology (IT) in the local government specifically focusing on the risks involved. Data collection method was interviews. The study concluded that public sector had a culture of evading risks such as hidden costs. Therefore, public policy makers ended up being too careful or adopting a culture of playing it safe at the expense of efficiency predominantly focusing on the contract as opposed to long-term relationships and therefore less successful in outsourcing. The study recommended for long term partnership as an alternative strategy as opposed to basing everything on cost.

Just like in the case of IT services studied by Cox *et al* (2012), certain situations in cleaning require flexibility and immediate action. For instance, spilt food and drinks need immediate attention within minutes of a phone call. Efficiency though is one of the expected outcomes in

offering these two services (IT and the cleaning), different strategies was however be employed for this end. This difference in achieving efficiency is what makes this study worthwhile. For IT services, contracts tend to be long term due to cost and security risks involved. To illustrate this, Cox *et al* (2012) noted that organizations seek one strategic partner and outsource a variety of services to the same provider. On the other hand, in case of the cleaning services, mostly the vendor bears the logistic costs and often operational costs such as wages. Since private sector is believed to be more efficient, services of similar or better quality could be provided at a lower cost. Whereas IT services demand for long term partnerships, it is relatively easier to replace a cleaning services contractor on the other hand. Therefore, this study was different in terms of the subject matter namely, risk analysis verses results analysis.

Hazelwood *et al* (2005) focused on how the US health care systems could be able to deal with the financial challenges that they faced. Among other challenges the managements had to balance between bringing down the operating cost and also maintain high level of care for the patients. In addressing these challenges, outsourcing was considered as a remedy. This is because after outsourcing, the hospital hoped to be able to reduce the recurring expenses such as those associated with staffing and training almost immediately. In addition, outsourcing would certainly improve the service in terms of its quality. This was also likely to raise the levels of clients' contentment. Nevertheless, the study cautioned that outsourcing can sometimes fail to reduce costs. Sometimes the hidden costs such as costs associated with the management of the contracts as well as monitoring the same may increase the cost. At times the productivity by the outsourced staff could be very low and this gets worse if the turnover is also high. Finally, at other times outsourcing could just be completely non-successful. The study used case study as

the study design employing both qualitative and quantitative methods of data collection. The trend was that outsourcing in the health sector was adopted much later compared to other sectors.

Although, Hazelwood *et al* (2005) may not have provided a ultimate response regarding whether firms should or should not contract out, it without a doubt gave management at the hospital a guide to jam stat the process regarding outsourcing as an operational strategy. In addition, the study provided fresh ideas that could assist in improving services in complex settings such as the healthcare sector. The above study was carried out in a health care setup as opposed to this study which was carried out within a learning institution. In addition, this study was longitudinal one as opposed to the case study used in the above study. Finally, in the above study clinical (core) services including radiology and laboratory were outsourced. On the contrary, the focus of this study was cleaning service which is a non-core function.

1.6.3 African Experience with Outsourcing

Minnaar and Mistry (2004) discussing the various factors and the circumstances that led to outsourcing in the South African Police Service (SAPS) noted the following. To begin with, restructuring in the organizations as well as insufficient resources had negatively affected the standard of service that the police were providing to the public. In addition, the fact that there was a significance reduction in the number of personnel had also impacted the operation of the security sector in a negative way. Subsequently, crime such as vehicle hijacking, rape and murder had gone up. In this situation the South Africans felt helpless and their hope in the capacity of the agencies fighting crime and those administering justice was dwindling so fast. They did not believe that the government apparatus were in opposition to punish the lawbreaker

or even reduce the crime levels. At the same time, the public was feeling the presence of the private security officers who were able to respond faster than SAP to emergencies. This situation made the SAP to consider outsourcing some of the non-core functions as long as their officers' job security was guaranteed. Outsourced functions include guarding of government buildings, building maintenance, vehicle fleet management, IT services, catering and cleaning services.

Consequently, outsourcing was considered as a strong tool of releasing civilian staff from their work stations where they performed organizational and secretarial duties to the streets which they were used to. This means that contracting out was expected to free SAPS to focus on core business of preventing, combating and probing crime as well as upholding and maintaining law and order. However, there was need for systematic study to establish the impact that outsourcing of various services has had on SAP or similar public organization. Consequently, this research set out to explore the impact which outsourcing has on a particular service with an example of cleaning services with an aim of establishing the performance of the same on the organization.

Akewushola (2013) focused on establishing the relationship between outsourcing strategy and organizational performance and focused on the Nigerian's manufacturing industry. The research focused on two major food companies namely; Cadbury and Nestle. The major data collection method was questionnaires. The study revealed that reduced cost, as well as increased turn over and profitability were some of the benefits that a firm was likely to reap almost immediately by outsourcing. This is because, outsourcing improved expertise, as well as improved the quality of service in the firm. Similarly, the administrative burden reduced and thus the firms had more time to focus on core business. Finally, outsourcing enabled the firm to stream line the process of

production hence more productivity. They recommended that firms should continuously monitor the activities of the contractor so as to reinforce the best standard. The study may have provided general insights on the relationship between that outsourcing strategy as an independent variable and organizational performance. However, the study did not specifying the various functions that these firms outsourced as this would have provided important insights to guide other managers in their future decision, hence the focus of this study with specific focus to Kenya.

Dzogbewu (2010) focused on the various services that Guinness Ghana Breweries Limited (GGBL) outsourced and the impact that outsourcing has had. Some of the outsourced services included, customer service, transport and sorghum farming. Specific benefits were enjoyed by the GGBL as a result of outsourcing according to the study. These included efficiency, reduced costs, better services, first class quality, timely delivery and increased revenue. The study however, did not draw a clear relationship between the outsourced service and the enhanced organizational performance. For instance how did out sourcing of customer service impact on the organizational performance. Again cleaning service was not among the list of services outsourced by GGBL. This study therefore, was to evaluate the performance of a specific outsourced service that is cleaning service and how this impacts on the organization as a whole.

Mugerwa (2002) focused on the factors that affect implementation of privatization strategy in Africa. The study noted that privatization as a strategy was initially carried out to respond to the pressure that was building up from the donors of maintain minimal government participation in service public delivery. However, the process would later on acquire its own characteristics in different countries as the years progressed. For example in Zambia, privatization was part of the MMD manifesto. Politicians, interest groups and bureaucrats after seemingly actual payback to

themselves and their followers embraced privatization. For instance, they could influence the sale of public corporations for their own benefit and those of their supporters.

However, the official justification for privatization was to increase economic efficiency and productivity thus raising the general welfare. In addition, the study discussed different types of privatization. Although liquidations featured in a number of countries, it was only significant in Kenya. Similarly, Tanzania had undertaken more joint ventures than any other country in the sample. Finally, Zambia was the only country recording cases of management buyout. Whereas this was a valuable comparative study, it appears that adding specific cases of success or failure in these countries would have enriched the study more. For instance, in Kenya, the study only mentions privatization strategy without giving specific cases. This study in contrast, focuses on Kenyan public sector, specifically, cleaning service. Moreover, this study uses transactional cost model since it seems that cost of offering a service is a key determinant of outsourcing decision.

1.6.4 Outsourcing in Kenya

Mwichigi and Waiganjo (2015) embarked on a study investigating the impact that outsourcing had on the operation optimization of an organization focusing on the Kenya Power and Lighting Company. The study aimed at assessing the impact which outsourcing had on different services although the main focus of the study was technical and administrative services. The main objective was to evaluate and how outsourcing each one of them impacted on the overall operational performance of the organization. From the research findings, it was evident that profitability had improved after outsourcing. In addition, the study further concluded that operational costs as well as the efficiency had greatly reduced after the company outsourced.. In

conclusion therefore, the study established that strong positive correlation between these services and the organizational operational performance. Cleaning was one of the services analyzed under administration function and the result showed that after outsourcing there was a reduction in administration cost as the organization was able to access modern technology. Again, as a result of outsourcing the cleaning services, the company concentrated its efforts on the main business. Following this as majority of the respondents agreed cleaning is mainly a support function in an organization but can impacted greatly on the overall performance of the. Just like the case of the university outsourcing of some of the support services such as cleaning by the Kenya power would enable company to concentrate on its core business. This study therefore, focused on the same service but in a learning institution in case of different results.

Kamuri (2010) carried out a study to determine the services that could be outsourced at KNH and the challenges of introducing or implementing outsourcing as a strategy in the hospital. The services that could be outsourced at KHN included security, cleaning and catering. Improved service delivery and improved performance were some of the main benefits expected benefits if outsourcing was implemented. The main challenge to the implementation of outsourcing as noted was resistance to change by the management and lack of resources. The study by Kamuri at KNH was an invaluable one for many reasons. KNH being the largest national referral hospital in the country would be able to concentrate on the specialized treatment and improve the service if outsourcing was adopted. By discussing the anticipated challenges the study would provide insight information for prior planning in the whole process. However, the study failed to discuss the specific benefits that would accrue from outsourcing specific services such as the cleaning and catering. This information would guide the management on the specific courses of action

regarding outsourcing in future. Therefore, focusing on the cleaning services at the University of Nairobi was important in an attempt to give a more in depth analysis and understanding of the impact of outsourcing as a remedy to the problems of inefficiencies in public service delivery.

Waweru (2014) investigating the different strategies used in outsourcing in the city County of Nairobi, found that there was a strong correlation between the outsourcing strategy and service delivery. The quality of service was noted to improve after outsourcing. Improved efficiency was critical in enhancing the city council to deliver on its responsibility of urban management and service delivery to the citizens. Accessibility of good services led to customer satisfaction thus increasing loyalty which meant increased revenue in turn. Nairobi City County was however noted to face numerous challenges such as rapid growth, limited resources and underdeveloped infrastructure, which not only continue to strain its resources but also curtails its performance. Therefore, outsourcing was considered as a cure. Unlike many works reviewed earlier, this particular study highlighted the importance of having a clear outsourcing policy and the management also being trained on the same if the public sector was to benefit from outsourcing as a strategy. The study further recommended that there was a need to increase the capacity among the council staff if the council was to carry on with the outsourcing implementation. However, the research methodology seems to be narrow since it targeted only the sector heads at the Nairobi City County relying only on questionnaires as a tool for collecting data. However, a study of such significance requires primary and secondary data. Therefore, this study uses secondary sources of data too. In addition, this study did not only focus on the management but the whole community of the University of Nairobi including the support staff.

Sang (2010) embarked on unmasking the experiences of Kenyan public universities and the opportunities that come with outsourcing. The study was conducted in five public universities with an aim of establishing the challenges of outsourcing and any framework governing the outsourcing practices. Security, garbage collection and cleaning services were noted to be the most outsourced services in the public universities. There were several positives realized as a result of outsourcing. Among them were financial savings and improved cleanliness and efficiency in garbage collection. The study concluded that, despite the fact that there were some general policy guidelines that directed the outsourcing process at the universities, there was no known regulatory frame work governing the implementation of the same and therefore a need for one. The study appears to be too wide focusing on very wide geographical area as well as a huge target population. The case studies investigated outsourcing procedures in six different public universities which included: MMUST, JKUAT and Moi University. The variations in the geographical location and management could bring about different results. Again, the data collection method (questionnaire) meant too much paperwork to analyze and conclude more so given the limited time and resources. The study does not give the specific positives and challenges associated with outsourcing of specific services including cleaning services. This would have generated a richer knowledge hence the reason for study.

1.7 Theoretical Framework

1.7.1 Overview

This study was guided by the Transaction Cost Economics (TCE) in evaluating the effects which outsourcings has on the performance of non-core functions in an organization Besides TCE, there were other theories that could have been used in this study but which possess certain

limitations hence inadequate for the study. For instance, Resource-Based View (RBV), assumes that firms differ although these differences could sometimes be become stable. In addition, the theory states that if firms' wealth could be combined with other skills in the organization and be redistributed properly, the firm could gain competitive advantage over others in the market. When applied to outsourcing the theory holds an assumption that an organization which does not have these valuable and unique possessions must overcome this challenge by seeking another organization from outside to provide the required services (Barney and Hesterly 1996). Subsequently, this theory may be useful in explaining only the initial stage of outsourcing which is preparation which defines the decision making framework while doing vendor selection with an aim of identifying an appropriate vendor. However, the study could not use this theory due its weakness whereby firms which possess the capacity today could be overtaken by others which might build up that capability later (Collins, 1994).

Another theory that could have been used in this study is the Knowledge-Based View (KBV). According to The KBV knowledge is a strategic resource which cannot be depreciated the same way other economic factors of production deprecate as it is able to create high benefits to those who possess it. In the current economic environment those organizations which possess these two resources namely; knowledge and information was definitely have competitive advantage over their counterparts. Therefore, KBV of an organization implies that knowledge reserves and the learning potential of a firm becomes a valuable factor in the performance of organizations which are mainly knowledge-based organizations (Wang et al., 2009; Patton, 2007). This view may be useful in proving in-depth understanding of how individuals in organization often cooperate to create goods and services. The Knowledge based analysis has also been useful in

demonstrating that knowledge sharing in an organization especially in relationship management stage has impacted on the success of an organization in apposite way. However, outsourcing is not always determined by knowledge factors. Other considerations such as those functions that make an organization unique may not be outsourced regardless of whether another firm possesses the knowledge to perform them better. Also in the public sector other factors such as resources constraints and politics play an important role (Mugerwa, 2002).

Finally, the Rational Choice Theory (RCT) which was advanced by the early neoclassical economists could have been used also. According to this view it is believed that a person will undertake a particular action and avoid another because he believes that choosing that particular action has more benefits and the cost for the same is lesser. According to this theory, people have to predict the results of other courses of action and estimate which actions bear maximum returns. Rational persons choose the alternative that is likely to result to the greatest satisfaction. This view presupposes that all actions by human beings are fundamentally rational. This theory differs from other theories as it assumes that no other actions could possibly exist apart from those which are solely rational and well calculated. It posits that every human behavior or action can be seen as sensible and calculated although sometimes human action may be seen as being irrational. Certainly all multifaceted societal phenomena could be explained in terms of individual actions that come prior to those particular phenomena (Carling 1992 *et al*).

However, this theory cannot be used to explain those actions that are collective if the reason why individuals act every time is as a result of well calculated and consciously decided actions due to the perceived personal, it would be difficult to explain why individuals would choose something

that benefits others more than themselves. When applied to outsourcing it could imply that policy makers only outsource when they are likely to benefit individually. There is enough evidence on action and decision that have benefited the public. Actually the main driver of outsourcing in the public service delivery is efficiency and services that offer social good are rarely outsourced.

1.7.2 Transaction Cost Economics Theory (TCE)

Transaction cost economics (TCE) stands as one of the widely used theory in outsourcing studies. This theory was first identified as useful when Carnegie school used it to analyze administrative behavior as was being manifested by the institutional economics of commons (Winch, 1989). TCE is alleged to offer the most excellent decision making tools in supporting organizations in choosing to outsource and get ready to prepare for the imminent outsourcing provision. This theory presupposes that, organizations which specialize are able to produce goods and services more efficiently as compared to their counterparts who produce anything and everything. This is because specialization often leads to economies of scale which in turn improves efficiency (Teng, 1995). The critical argument of TCE is that in order to for a firms to be able to continue economizing on their costs both the transaction and production costs that went into making the particular good or services must be taken into consideration, both production costs and transaction costs must be taken into account. According to TCE A transaction cost comprises of any costs that a firm might have incurred while conducting an economic transaction of any kind, that is to say the expense that the dealer incurred as they involved themselves in the market.

Among the major assumptions of the TCE is Bounded rationality which states that players are not always entirely rational but sometimes they could be limited on their capacity to be rational.

The second assumption is that players begin from this limited rationality but are able to make decisions that are more likely to make the most of every situation. Herbert Simon (1955) Nobel-laureate for that reason. Therefore, assumed that players would always tend to behave manner that is self “satisficing” individuals usually form expectations regarding what utility they hope to achieve and once they have been able to achieve that satisfaction there are not likely to be motivated to change their behavior. Opportunistic behavior is another assumption which states that players who have an opportunity of making their situation better even if it is at the expense of other was certainly do it. For this reasons Herbert Simon recommends that there must be institutions put in place to safeguard this opportunistic behavior by actors. He further argues that if selfish behavior is not curbed then those transactions that only enhance the welfare of the society was not be executed instead people was always be motivated by individualistic actions.

Finally, TCE assumes that certain assets can only be for carrying out specific objectives hence each asset must possess a quality of specificity. This assumption when applied to the production of goods means that when producing a particular item the producer installs specific characteristics and in return the buyer must be willing to pay. If put in to its specific use an item usually has a potential of yielding much more than if it was not properly used. This opportunistic behavior when combined with the principle of specific assets use for items determines which goods need to be produced and in addition the unique features that the item must possess. On the same note if the item is properly created then the buyer is more likely to be motivated to pay for the item. Once the buyer has got this specific item, they are aware that using it for its respective goal will yield much more return than if he doesn't put it in to its usage. This is because the second-best way to use this specific product is worth a lot less than the first-best. According to

Pine and Gilmore (2009), if a company is to expand, it must only focus on the activities which it can perform at a lower price; otherwise the company must outsource in order to remain viable.

1.7.3 Application of the Theory to the Study

For the purposes of this study the TCE appeared to be more applicable. According to TCE if it reaches a point in the life of an organization when some good/service can no longer be produced at a cheaper cost than if the same were supplied by a third party then, all these services /goods outsourced. Every time when an organization realizes that goods of same quality could be provided cheaply by outsourcing then it is advised that the organization must outsource. Those who support outsourcing put forward the argument that private sector is able to offers better services at a lower cost and also at high efficiency as opposed to the public sector (Jefferies, 1996). Outsourcing allows for the resources saved to be redirected elsewhere for the better performance of an organization. Regarding the university, outsourcing of cleaning function would allow savings which the university management could use on perfecting its core business which is conducting research and also teaching (Ender and Mooney, 1994).

According to Kirp (2004), if institution of higher learning wants to succeed in its core focus namely, teaching conducting research and offering consultation services, it must consider outsourcing of its ancillary services such as cleaning, and security. To this end, colleges and universities have embarked on outsourcing many of the services which they consider support roles with an objective of cutting down on the cost as well as improve the quality of services and at the same time increase on the operation efficiency (Jefferies, 1996). The theory is about an organization giving away non-core roles to another organization in an effort to focus on its

primary business. The university has outsourced cleaning services to Creative Consolidated Systems with an aim of making the university cleaner while remaining focused on its core business of providing quality education and more so cut down on the cost associated with cleaning services.

1.8 Hypothesis

1.8.1 General Hypothesis

Outsourcing has enhanced the performance of cleaning services at the University of Nairobi

1.8.2 Specific Hypotheses

- (i) Outsourcing has enhanced cleanliness of the University offices
- (ii) Outsourcing has enhanced cleanliness of the University lecture halls
- (iii) Outsourcing has enhanced cleanliness of the university lawns and walkways
- (iv) Outsourcing has reduced the cost of cleaning at the university of Nairobi

1.9 Methodology

1.9.1 Research Design

This study adopted a longitudinal research design; this research design entails making repeated correlation observation of a similar variable but these observations are spread over a long period. (Campbell et al, 2002): Social science usually adopts this research design to investigate similar trends that occurred regarding a phenomenon over a specified spread of time. The reason why this study qualifies to be longitudinal in nature is because it focused on the levels of cleanliness only at the main campus but covering the period 1996 – 2016, hence longitudinal in nature. The study was basically a before versus after comparison with an intention of establishing the level of cleanliness in the facility before and after outsourcing.

1.9.2 Data Collection and Sampling Procedures

This study relied on both first hand/primary and secondary sources of data. Primary data was obtained using the survey method. The questionnaire was pre tested to 30 respondents selected purposively. The respondents were selected purposively since not everybody who is at the main campus had the information being sought by the study. The study only sought to interview people who have been in the University long enough (since 1996). This was to make it possible to have information needed to compare the levels of cleanliness before and after the outsourcing of cleaning services at the university. This was aimed at assisting the researcher to only target the population which could possess the information the study was looking for, that is, the level of cleanliness before and after outsourcing. A sample size of 30 respondents was interviewed. Secondary sources of data included a summary of the University of Nairobi report on outsourced cleaning and ground maintenance attached as appendix iv. These documents provided facts to the study as they enabled the study to put figures to the findings of the study especially while comparing the cost associated with cleaning for the period before and after outsourcing.

1.9.3 Data Analysis and Presentation

After the data was collected it was analyzed using a combination of Microsoft Excel program and the R program used in statistical computing or simply what is known as R. Relationship between the various demographic characteristics of the respondents such as gender, age and education level and their evaluation of cleanliness levels at the university. To examine this relationship, a bivariate correlation matrix was drawn and the correlations calculated using R. In addition, the study used Pearson's product moment correlation coefficient (r) to determine the magnitude and direction of the relationship between two different variables.

In order to measure the performance of this important but non- core function (cleaning), a series of

questions as shown in the appendix were used to create cleanliness perception indices. More specifically, a cleanliness perception index was constructed for each respondent to show how they evaluated the degree of cleanliness in the past (before outsourcing) and the current levels of cleanliness (after outsourcing), for the offices, lecture hall as well as the lawns and walk ways. The relevant responses were then aggregated to create cleanliness perception indices (ranging from 0-100 percent) showing how the respondents rate the level of cleanliness as shown in table 1 below:-

Table 1.1

	Levels of Cleanliness		
	Before Outsourcing	After Outsourcing	Difference
Offices	X1	X2	X2 - X1
Lecture Halls	Y1	Y2	Y2 - Y1
Lawns & walk ways	Z1	Z2	Z2 - Z1

General comparison was then made between the perceptions of cleanliness before and after outsourcing. For instance, there were seven questions regarding the current levels of office cleanliness. Since each question's scores range from 1- 4, the maximum possible score =7x4=28. Suppose one responds to the seven questions on the current cleanliness levels as shown below:-

Table 1.2

Case (C)	C1	C2	C3	C4	C5	C6	C7
Response(R)	4	2	4	3	2	1	4

The cleanliness score was calculated as follows:- $4+2+4+3+2+1+4=20/28 \times 100=71.4$ percent..

CHAPTER TWO

OUTSOURCING IN KENYA: A HISTORICAL AND CONTEXUAL BACKGROUND

2.1. Introduction

This section provides a historical and contextual perspective of outsourcing in Kenyan public sector. The chapter was start with an overview on the historical evolution of privatization including its rationale and the different types of privatization, followed by outsourcing in Kenya. Finally the chapter discusses the experience of outsourcing at the University of Nairobi paying special attention to outsourcing of the cleaning services.

2.2 The Emergence and Growth of the Concept and Practice of Outsourcing

Outsourcing in Kenyan public sector emerged within the broader aspect of privatization. According to Chowdhury (2006), privatization involves moving ownership of a business or business entities, enterprises, agencies, public service, or public possessions from government to private sector. Also, it may be referred to as the transfer of certain roles such as revenue collection and law enforcement to private firms. Privatization dates back to Ancient Greece when most of government services were transferred to the private sector where individuals and private companies provided majority of the services such as collection of tax, supplies to the army, religious functions and construction work (Parker and Saaled, 2003). Privatization became popular in politics in late 1970s and early 1980s during the emergence of conservative governments of France, Great Britain and the United States of America. Friedman's arguments provided new perspectives of privatization which distinguished between responsibilities of

government and provision of goods and services to the public. In this regard, government placed services to the private entities but still remained the custodian of the program.

Following this various governments embraced privatization embarking on large scale privatization. For instance, in the 1950s, the government of Winston Churchill gave out the British steel industry but still remained the owner of the project. However, in 1980s, the impact of privatization reached its climax when Margaret was in leadership Thatcher. The privatization of the steel industry in 1988, led to more than 20,000 jobs being lost and this created one of the largest British industrial conflict of modern times. The result was a sudden change and transformation of a once booming region into one of the most impoverished, indicating an unintended but huge impact of privatization (Guislain, 1997). The drive for privatization was greater in the United Kingdom and the United States under the leadership of Thatcher and Ronald Regan, respectively. Also, the then West Germany's government sold majority stake in Volkswagen. In the 1980s and 90's Privatization continued to flourish in Latin America and other parts of the world as a result of open policies of the western world. In Europe, public entities such as administration of water services, transportation and government telecommunication systems were given out for management by the private sector more quickly than in the rest of the world. As at the early 1990s, majority of countries in Africa were already privatizing their operations (Parker and Saal, 2003).

Privatization in Africa is part of the structural changes in most countries. Among other reasons, a number of developing and transition countries have seen privatization as an avenue for stabilizing the macroeconomic processes, stimulation of economic growth and reduction of

external borrowing. Better services, reduced cost, improved quality and customer care is what private sector is expected to bring to public sector in terms of service delivery hence privatization. In Africa, Kenya was among the first African countries to adopt the public restructuring policies (Parker and Saal, 2003).

Between 1960s and 1980s, the key method for economic development in majority of African governments was state-owned enterprise. Among the reasons for state-owned enterprise was to offer subsidized services for the poor and promote economic growth. This was followed by the creation of development finance institutions. These offered financial supports for development of projects which would not be obtained from conventional private sector sources. At first, the idea of PES seemed to be effective in serving the public. This is because improved economic status of the country is not entirely measured on the efficient use of scarce resources, but also on how best these resources are used to meet the need of the majority in the society. Hence, social needs were considered better placed in the hands of the public service as opposed to private sector; the latter was deemed more focused on profit and shareholders. This and other reasons justified the continued existence of public enterprises (Brutton and Hill, 1996).

However, the outcome of these processes was not promising according to the 1986 World Bank report regarding African ventures. The report showed a discouraging image characterized within competence, lack of profits, high budgets and low quality products and services (World Bank, 1986). In order to turn this situation around, several countries in Africa had to start carrying out the World Bank and IMF structural adjustment program involving privatizing state agencies. Among other positives Privatization would also increase government revenue and raise capital

for infrastructure development. Efficiency in service delivery was also considered to be another argument for privatization as the private sector is considered to be efficient and driven by cost reduction and profit maximization (Guislain, 1997).

Different types of privatization include: deregulation which entails the state removing certain policies in favor of monopoly in order to encourage participation of the private sector and healthy competition. Also, we have franchise which involves government providing monopoly to a private firm to offer services in certain geographical locations. Public Private Partnerships is yet another form of privatization where government enters into partnership with a private entity in provision of services but the private entity bears greater risk and compensation is associated with production. Finally, there is contracting out/outsourcing which involves the state partnering with private sector in provision of public services (Starr 1988).

2.3 Outsourcing: The Kenyan Experience

Kenya after independence, just like many other emerging independent states, in order to meet the aspiration needs of its citizens the state became a development agent in addition to its traditional role of maintaining law and order. As a result, the civil service was given the role of coordinating national development and promotion of economic growth in the new state. Thus a larger and a more pervasive public service was necessary to carry out service provision at grass root levels and perform a supervisory role on the commercial and industrial management. The result was that the capacity of civil service grew dramatically. To illustrate, the number of civil servants grew from 158,883 in 1980 to 271,979 in 1990 (ROK, 1995).

Similarly, more and more public enterprises were created. The state deliberately chose the State-Owned Enterprises (SOEs). SOEs were started in 1901 to offer goods and services unavailable in the marketplace as well as at household level. This allowed the government to control the economy hence promote economic development, fairness and reduce inequality. As a result, there was a rise in these entities in all major sectors of the economy. For example, there were about 240 public entities in all sectors where the state possessed 51 and controlled shares 36 while it owned shares in 153 others by 1995 (Brutton and Hill, 1996).

Although the initial objectives of establishing public enterprises were noble, their subsequent low contribution towards the initial dream had made it evident that the participation of government in public service provision was not viable. In the 1970s, it was apparent that the state had extended its operations through the public enterprises far beyond what was projected. The huge liability which the PES had accumulated was increasing their vulnerability and this exposed them even more. The fact that the public enterprise were operating at huge losses meant that there was deficiency in output that was coming from the PE to the economy. This made it even harder for them to invest, hence weakening their already fragile capital base. The management capacity was divided further when the regulatory interventions and resultant administrative were brought on board to and introduced to shield and protect the deteriorating PEs. In addition, important resources were essentially diverted from key areas where they were needed including investing in the infrastructure focusing on social services development as well as economic management. The inefficiencies of the public enterprises were revealed by Ndegwa Commission report of July 1982. In addition the findings the Comptroller and Auditor General corroborated the extent of the incompetence these enterprises. The operations of the PE had distorted resource

allocation and the incentive structures and these adversely affected the monetary and fiscal policies. The fact that they had grown in numbers and the growth was so rapid caused extreme burden to the state as far as loan, grants, subsidies and guarantees were concerned (ROK, 1984).

The minimal results by the PEPS was underscored by their little input to the GDP. They contributed dismally to the country's economic development but their share of external debts was rising rapidly. Among the major setbacks for most of the public enterprises in Kenya and indeed Africa were: Lack of incentives for their managements, extensive control exercised by governments, lack of competition as a result of protection or barriers among other challenges by 1980's. This situation dictated an urgent need to do something by the government to salvage the country's economic and social situation. Faced with these challenges and increased demand for services in a time of economic uncertainty, the government had to look for ways to increase efficiency. Similarly, for the civil service to continue playing its mandate of coordinating national development and prompting economic growth it had to be transformed to be more efficient. The Government began to re-evaluate its role, and examine which activities to engage in and at the same time maintaining low operational cost (ROK, 1984; World Bank, 1996).

Privatization was seen as the cure for these challenges that curtailed optimal performance in the public corporations. In fact those for privatization argue that privatization among other benefits would result to efficiency and improved services in the public sector. This has led to the government implement privatization despite the process being sometimes painful to the general public due to the projected benefits. For instance in addition to job losses a lot of resources has been invested in the privatization process. At first privatization in Kenya and indeed Africa was

carried out as part of the structural adjustment programs. For the government to continue enjoying donor funding, certain structural adjustments had to be effected specifically in the public sector; there were reforms targeting the PES and the civil service. The apparent key aims of restructuring the PEPS were as follows. To begin with, the reforms aimed at reducing the financial load from the government. Secondly, there would be efficiency in the operations of the public enterprises and also autonomy on the part of management. Similarly, these reforms would bring about fiscal discipline, thus enhancing accountability among PEPS managers. Finally these reforms were considered as incentives to increasing productivity (World bank, 1994).

Outsourcing has been as a viable and strategic decision which would incorporate the specialized knowledge of suppliers in addition to saving labor costs and still deliver even better quality service (Domberger and Hall, 1996). Outsourcing would enable the government to focus on the core competence and capabilities. The public sector would be able to free some resources and also become more responsiveness to public needs in terms of quality and speed of service (PSRD, 2005). The government of Kenya has continued to embrace outsourcing. In fact the country's strategic plan of 2030 singles out Business Process Outsourcing (BPO) as one of the six pillars to drive the country to a medium developed economy. The first BPO in Kenya that met international quality standards was set up in 2004; three years later there were 18 call centers. The arrival of the first undersea fiber optic cable (SEACOM) connecting Kenya to South Africa in 2009, the completion of the East African Marine Systems (TEAMS) fibre optic in 2009 and the East African Sub-marine Cable system (EASSY) reduced bandwidth costs by making internet use more efficient and cheaper (Manono,2012).

Outsourcing in the Kenyan public sector is guided by the Public Procurement and Disposal Act (2005) and subsequent regulations of 2006 and 2009. The act establishes procedures for procurement and the disposal of public entities as well as contract management to increase efficiency and competitiveness among other goals. In addition, the process of outsourcing in public entities of Kenya county governments is being guided by the public procurement act 2005. Again, it is also anchored in the new constitution 2010 under article 227 with Public Procurement Complaints, Review and Appeals Board (PPCRAB) and public procurement oversight authority (PPOA) as monitoring and oversight bodies (Brutton and Hill 1996).

In addition, Specific policy framework continues to apply to specific cases of privatization. For instance, there was the Sessional Paper Number of 1986 by the Government which underscored the need for economic development and growth in the country. The report noted that if the airline was privatized, certainly its performance was bound to increase. This report therefore resulted in the first attempt to privatize. Following, this a governmental board was formed in 1991 with Philip Ndegwa being appointed as the chairman. The main deliverable of the board was to privatize the airline. Public Enterprise Reform paper of 1992 which gave the Kenya Airways priority among national companies in Kenya to be privatized was written and in 1995, International Finance Corporation (IFC) effectively recommended to the Government of Kenya that Kenya Airways was better in the hands of the private investors.

The privatization of Kenya Airways was the first-ever privatization of an African airline. Currently the Kenya Airways is a perfect case of public-private partnership where the largest Government of Kenya is the largest shareholder and it's followed by KLM. The Kenya Airways

after privatization had been termed as successful case having been able to increase its flights by 61% hence turning Nairobi to a regional focal point (IFC, 2008). However, new challenges have faced the biggest airline in Kenya affecting its performance greatly. In response to the increased demand, as well as meet its business goals, Kenya Power has undertaken structural reforms in its operations. Outsourcing of some of the company's activities is now being used as a strategy to meet the growing demand and connectivity targets. The company has resorted to outsourcing activities like design and maintenance of power lines to contractors. Among the reasons for outsourcing at the Kenya Power was to reduce the operational costs (KPLC, 2012). Outsourcing has helped the company to accelerate customer connections that had slowed down due to lack of adequate personnel and capacity to do the work done by the contractors (Makowenga, 2013).

Sometimes privatization could be very expensive both socially and economically; a lot of resources have been invested in to the process in an effort to make it work. For instance, the government of Kenya privatizing telecom Kenya hoped to save billions of taxpayers' money used to run Telecom. However, Telecom Kenya's financial performance continued to decline forcing the government to rescue it often by injecting more finances. For instance, France Telecom in March 2008 just a year after assuming a major portion as the operator of the airline requested a temporary shareholder loan of Sh6.4 billion from the government. In fact, this privatization process has been billed as one of most expensive privatization in Kenya. When Telecom Kenya was privatized the France telecommunication giant which acquired it brought in heavy technology and modern innovation and as result over 500 jobs were lost actually giant airline had had an approximately 18,000 staff at the beginning of 2005 and its operations was approximated to have cost more than Sh120 billion in the past six years (IFC,2008).

2.4 Outsourcing at the University of Nairobi

2.4.1 A Historical Background of the University of Nairobi

The inception of the University of Nairobi can be traced back to 1956, with the establishment of the Royal Technical College of East Africa. The Royal Technical College admitted its first lot of A-level graduates for technical courses in April the same year. The Royal Technical College was transformed into the second University College of East Africa on 25th June, 1961 under the name Royal College Nairobi. The latter, was admitted into a special relationship with the University of London and it immediately began preparing students in the Faculties of Arts, Science and Engineering for the award of degrees of the University of London. For all that time, students in other faculties such as the Faculty of Special Professional Studies which was later renamed Faculty of Commerce and Faculty of Architecture, continued offering diplomas for qualifications of professional bodies/institutions. On 20th May 1964, the Royal College Nairobi was renamed University College Nairobi, a constituent college of the inter-territorial, Federal University of East Africa, and henceforth enrolled students to study for degrees of the University of East Africa and not University of London as was the case previously. After the collapse of the East Africa Community, the University of East Africa was dissolved in 1970, leading to the setting up of national universities in each of the East African countries Namely: Makerere University in Uganda, the University of Dar es Salaam in Tanzania, and the University of Nairobi.. In Kenya, the University of Nairobi was established by the University of Nairobi Act, (1970). This was repealed and replaced by the University of Nairobi Act (1985) which established the current structure (Colleges) of the University (UON Handbook, 2006).

The University of Nairobi has several campuses are located in other major across the country and it is the largest university in Kenya in terms of the number of students, the lecturers, the employees and the number of courses offered in this institution. The Main Campus hosts a number of colleges including the College of Humanities and Social Sciences and the College of Architecture and Engineering. Similarly, it hosts the Jomo Kenyatta Memorial Library (JKML) as well as the administration block. Subsequently, it appeared big enough to produce a realistic number of respondents to provide the information being sort by this study (see the map of the University of Nairobi attached as appendix iii) (UON Handbook, 2006).

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2.4.2 Outsourcing at the University of Nairobi

Universities in Kenya, both and private public, after embarking decentralization of campuses on a hasty growth of their programs found the students numbers rising rapidly. This put more stress on their already diminishing resources. The government tried to finance the public universities. However, as the government continued to experience financial constraints, it made it hard to

support the public universities as it was the case with the public corporations. Following this the universities have started to consider outsourcing as a viable option in efficient use of resources and to improve the quality (Sang, 2010).

The University of Nairobi has not been immune to the expansion and financial constraint that have been sweeping the entire public university fraternity. University of Nairobi is the largest public university in Kenya having been established 1970 as the Royal Technical College of East Africa in April 1952. Like many public universities in Kenya several reasons have resulted in to financial challenges at the university to begin with, the university expanded rapidly increasing both the student enrollments and also decentralizing their campuses further strained the diminishing financial resources. The university was largely funded by the exchequer and when the government resources were overstretched the university was to suffer financially (Ogechi, 2009).

The government of Kenya has put huge importance on the education sector as it contributes immensely to the promotion of political and socio-economic progress in the country and emphasis therefore underlined the rapid expansion. The swift increase in number of students and the mushrooming of many campuses meant more challenges to the universities not only in terms of budget but also it became hard for the university to improve the quality of service and ensure that the standard of the same remained continuously high. The university has tried to address the resource challenges through various means including introduction of module 11 classes. Nonetheless, fiscal challenges have not been extinguished and budget deficits still remain huge despite the fact that the university has to offer quality education that the country and other stake holders rely on for growth. Following this, the University of Nairobi in an attempts to be

prudent in expenditure, has outsourced some of the functions that were previously performed by the university employees. This has been in an effort to cut costs, improve service quality and release some resources to its core role of teaching and research (Cheboi, 2010).

The University of Nairobi has outsourced cleaning, security and garbage collection services. Among these services, the security services were the first to be outsourced having been outsourced for the last 14 years. Like the other universities in Kenya (MMUST and Maseno) the university outsourced these services with an aim of reducing the operations cost, to improve security, be able to focus on the business and enhance efficiency. Before the 2006, cleaning at the university was performed by the university employees attached under the caretaker section. In 2007 after the restructuring of the university, the university human and other resources were overstretched. Therefore, for the university to continue being efficient it started outsourcing cleaning services for some university sections but eventually cleaning services were completely outsourced. In particular, the major reasons that informed the university management's decision to outsource the cleaning services as outlined on the procedure manual was; to ensure clean environment and well maintained grounds as outlined in the cleaning procedure manual. The first cleaning company was known as Cleaning Africa which provided the cleaning services to the university from the year 2007-2011. Once this contract expired, the university management engaged the services of another company called Creative Company which is provides the cleaning services to date (Cleaning Procedure Manual 2014).

Open tendering is the mechanism which the university utilizes in identifying appropriate firms for providing the ancillary services such as cleaning. In addition, the university management conducts

continuous assessments as a mode of monitoring the contractors in addition to explicit command. Regular meetings between the senior university staff and the contractor are also held regularly to discuss pertinent issues on cleanliness and evaluating the performance of the contractor. Continuous feedback is also given to the contractor with an aim of improving cleanliness. Specifically to be able to achieve and maintain high levels of cleanliness the following are the best practices and procedure that the university management enforces. To begin with, the workers sign in the register in the Caretaker's site office for outsourced services. Also workers are allocated duties by Caretaker or Supervisor, for outsourced services. Further, cleaning and maintenance instructions are issued by the Caretaker/Supervisor in accordance with the university cleaning and grounds maintenance procedure document. Finally, the Caretaker/Supervisor evaluates quality and quantity of work done at every stage of work daily (UON Handbook,2006; Cleaning Procedure Manual 2014).

2.4.3 Challenges that the University of Nairobi has faced with outsourcing.

The process of outsourcing has not been without challenges. For instance, some services are considered to be very sensitive and therefore the university might find it difficult to outsource as the university worries that outsourcing catering to private companies may swell the food cost as the private suppliers are mainly motivated by making huge margins. The university aims at making the student life affordable by offering food subsidies among other support hence increasing food prices would be a contraction. Sometimes the university staff may have negative perception regarding outsourcing as they believe that this would threaten their job opportunities. In the past, the university has been forced to redistribute or lay off some of its employees who have been rendered redundant as it outsources. Lastly, insufficient human resources to examine and appraise contractors' performance may curtail the results (Sang, 2010).

CHAPTER THREE

RESEARCH FINDINGS AND DISCUSSIONS

3.1 Overview/Introduction

This section presents the findings of the study and interpretations regarding effects of outsourcing on the level of cleanliness at the University of Nairobi. The data is analyzed by creating indices for each respondent on the level of cleanliness in the three areas being studied: Offices, Lecture halls as well as the Lawns and Walkways. The data is presented using graphs, pie charts and tables to give a quick pictorial representation of the findings. The first section describes the response rate of the study. The second section presents the demographic information on the respondents including gender, age as well as the education level, and years of employment at the university. Section three in this chapter analyses and compares the data on the first hypothesis on outsourcing and office cleanliness. The fourth section analyses the data on the second hypothesis on outsourcing and lecture halls' cleanliness. The fifth section analyses data on the third hypothesis on the effects of outsourcing on the cleanliness of the lawns and Walkways. The sixth section of this section provides data on the fourth hypothesis on the effects of outsourcing on cleaning cost at the university of Nairobi. The final section of this chapter provides a conclusion, which ties together all the study findings relating to the general levels of cleanliness at the university and compares the past and the present levels of cleanliness and the findings on the impact of outsourcing on the cleaning cost at the university.

3.2 Response Rate

The study had targeted 30 respondents from across the departments and the colleges located at the University of Nairobi's main campus. The respondents were specifically the employees who have been in the university for long enough to have the information being sought by the study. Roughly the employees must have joined the university before 2006. This is because, before this period, cleaning was being performed by the university employees after which it was outsourced. Therefore, these respondents were able to compare the levels of cleanliness before and after outsourcing. However, not all the targeted respondents ended up giving their responses. Out of the 30 targeted respondents, 27 responded. However, on further analysis it was noted that one of the questionnaires, although it had complete scores on the past and the present levels of cleanliness, was lacking the respondent's demographic information hence discarded. Following this, the study therefore used 26 out of 30 questionnaires to analyze the data on the past and the present levels of cleanliness at the university and this represented 86.7% response rate. This could show that the respondents were excited about the study and the survey was well executed. Again, the high rate of response could be explained by the reason that the researcher had first clarified some questions as raised by the respondents on the questionnaire before leaving it with the respondents to fill in. At the same time, most of the questions were precise and easy to understand hence high response rate. The three questionnaires that are missing are those of respondents who were out of office and could not be traced at the time of collecting the questionnaires. However, even without the four responses, the findings could still be considered representative and hence the policy makers can use these findings to make important decisions on outsourcing.

3.3 Demographic Information on Respondents

This section describes the demographic information on the respondents sampled which comprised of age, gender, education level and the number of years served as an employee of the university. The first demographic variable that the study focused on was the age of the respondents. This is shown in Figure 3.1 below:-

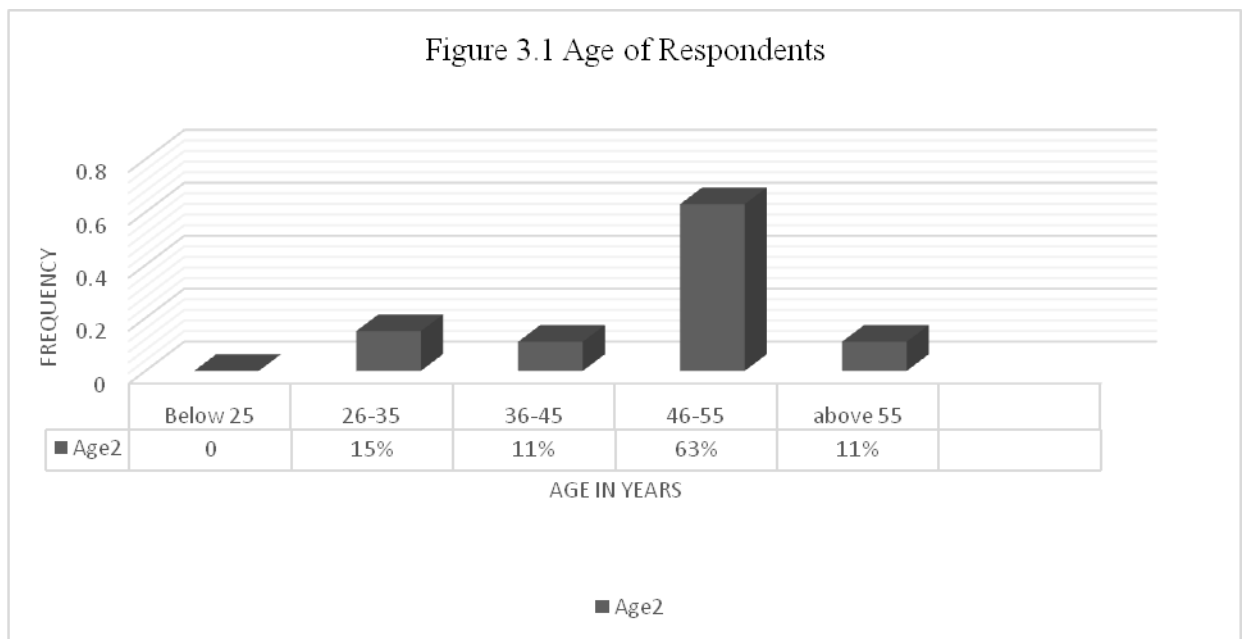


Figure 3.1 above illustrates that majority of the respondents (63%) belong to age group between 46-55. This shows that most of the employees with the information the study sought were past the youthful stage (18-35). In addition, 15% of the respondents were between the ages of 26-35 while those between the ages of 36-45 were 11%. Those respondents above the age of 55 also constituted 11%. None of the respondents was below the age of 25. However, although majority of the respondents were between 46-55 years, it also seems that the university offers

employments opportunity to both young and old. For instance, the 4 respondents who were between 26-35 years must have been very young when they joined the university considering that the study targeted employees who had been in the university before 2006. Also, some employees were above 55 years and had worked for lesser years than employees with 36-45 years and therefore, seems to have joined the university as employees when they were older.

Another demographic factor of interest to this study was the gender of the respondents. This is captured in Figure 3.2 below:-

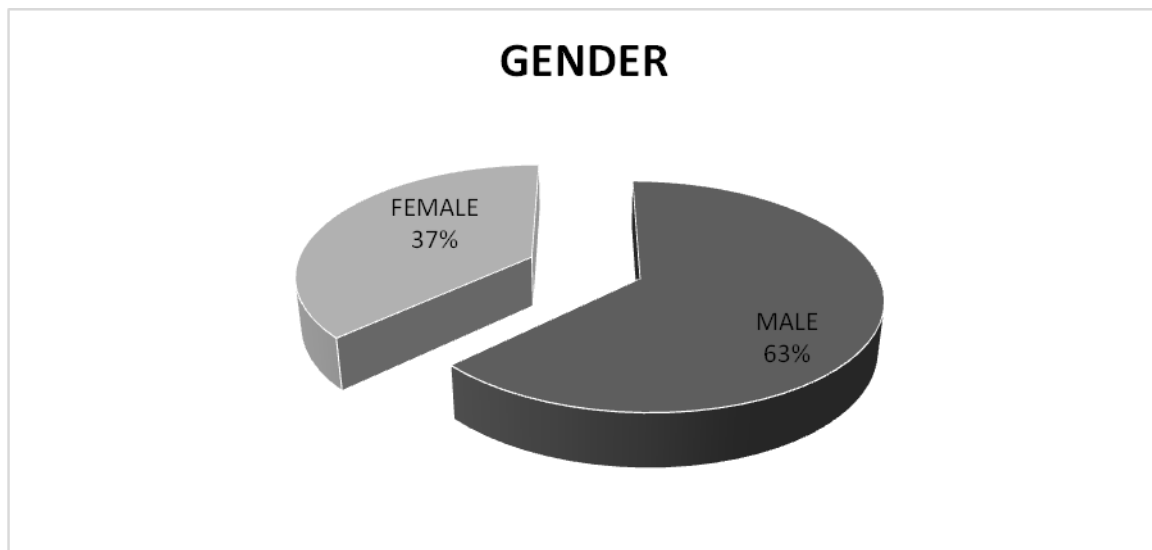


Figure 3.2 demonstrates that majority of the respondents were males accounting for 63% while the females respondents accounted for 37%. The current staff gender balance at the university is at 62% male and 38% female. The study sample mirrors this gender balance as illustrated by fig 3.2. Although the university is an equal opportunity institution offering employment opportunities to all irrespective of gender, there is still gap in terms of the numbers of male and female employees However, noting that the university management is determined to close the

gap in the next five years through an effective implementation of gender policy would be significance (UON Gender policy, 2015).

The other demographic variable that was of interest to the study was the level of education of the respondents which is shown in Figure 3.3:-

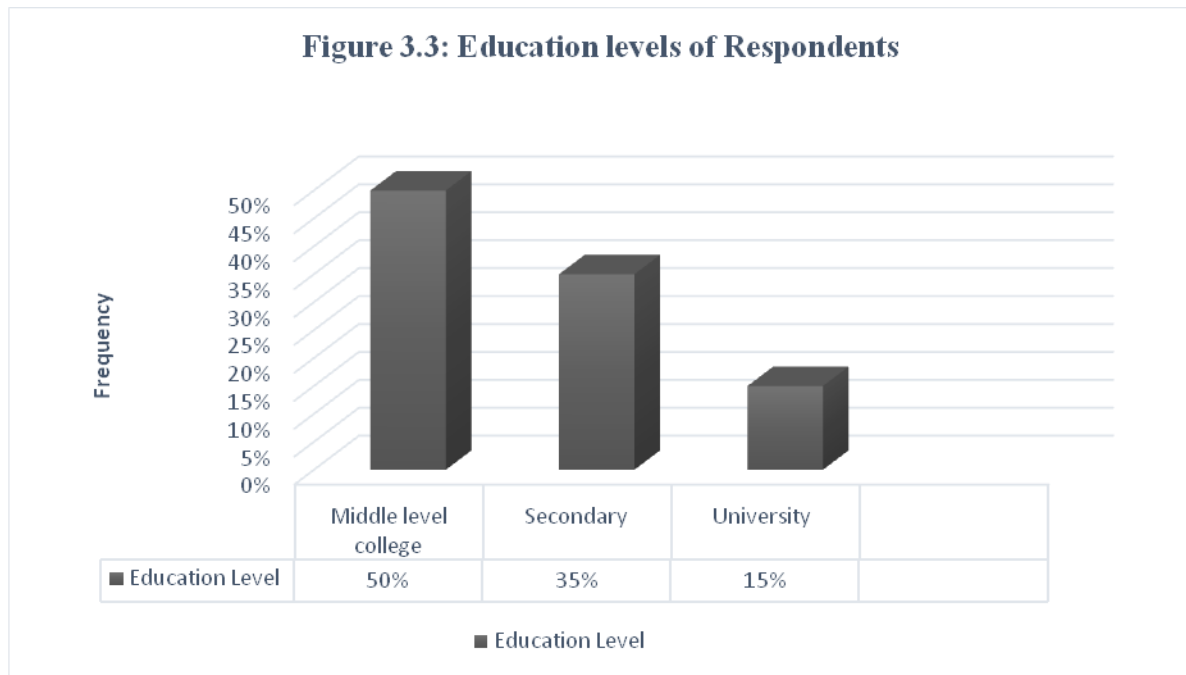
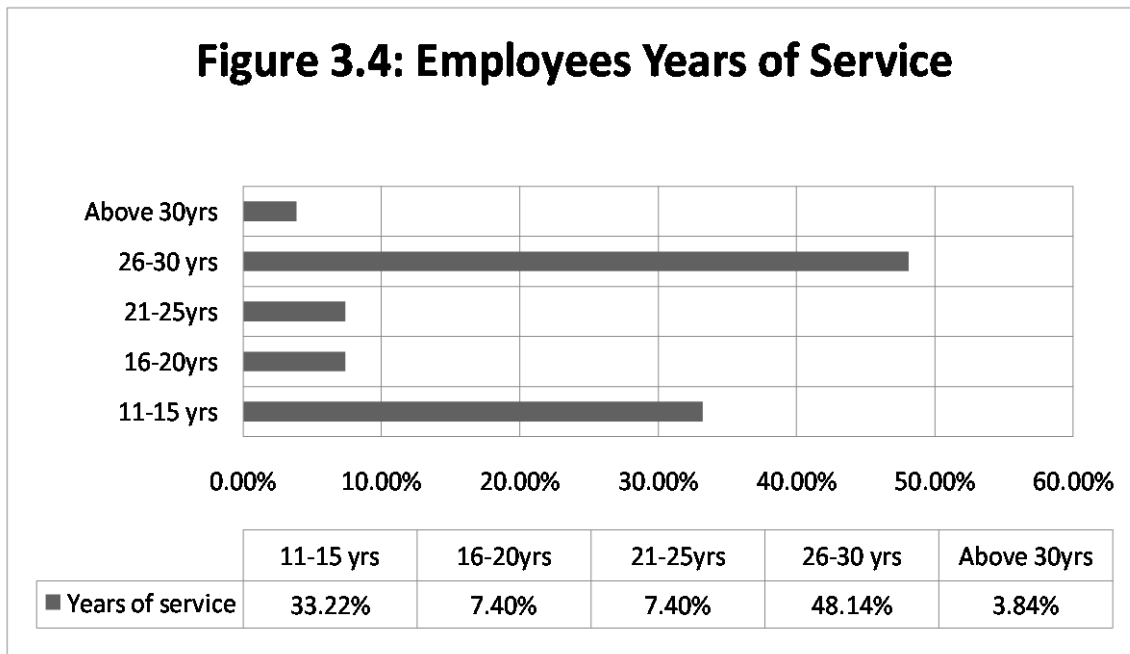


Figure 3.3 above reveals that majority of the respondents (50%) had college education, followed by university education at 35% while 15 % had secondary education. None of the respondents had primary education. It was expected that at least some employees would have lower than secondary education. However from fig 3.3 above, it seems that the staff of the university might have taken the advantage of staff development programs for example study leave to enable them pursue further education. In particular they might have joined colleges that are relevant to their areas of job specifications as majority of the respondents were noted to have

college education. Again, the employees might have been encouraged to enhance their education capacity and skills in order to take advantage of the vacant positions that may be advertised internally by the university hence this motivated towards college education.

Finally, the number of years of service for the selected employees was also determined and the findings of the study are as presented in figure 3.4 below:-



The figure labeled 3.4 reveals that the majority of the respondents have been university employees for 26-30 years (48.14 %), followed by those who have served for 11-15 years (33.22. %). 7.40. % have served for 16-20 years while another 7.40 % have served for 21-25 years. Lastly only one respondent had served for more than 30 years. The sample of employees of the university therefore seems to be a good mix of fresh and experienced employees. Again, it is clear from figure 3.4 that the employees do not leave the university so often since the majority of the respondents seemed to have worked for 26-30 years: It seems that they mostly leave when they retire.

3.4 Outsourcing and Office Cleanliness

3.4.1 Demographic influences on Perceptions about Office Cleanliness

This section examines how demographic qualities of the respondents which include age and gender, as well as the respondent's level of education might have influenced their evaluation of the past and the current levels of office cleanliness. That is, the correlation between individual demographic characteristics and their evaluation of office cleanliness. To examine this relationship, a bivariate correlation matrix for office cleanliness was drawn and the correlations calculated using the R program for Statistical Computing or simply R. The intensity and the direction of the relationship between two variables was calculated using the Pearson's product moment correlation coefficient (r). The value of r is always between -1 and +1. Figure 3.5 shows how the variables correlated with each other.

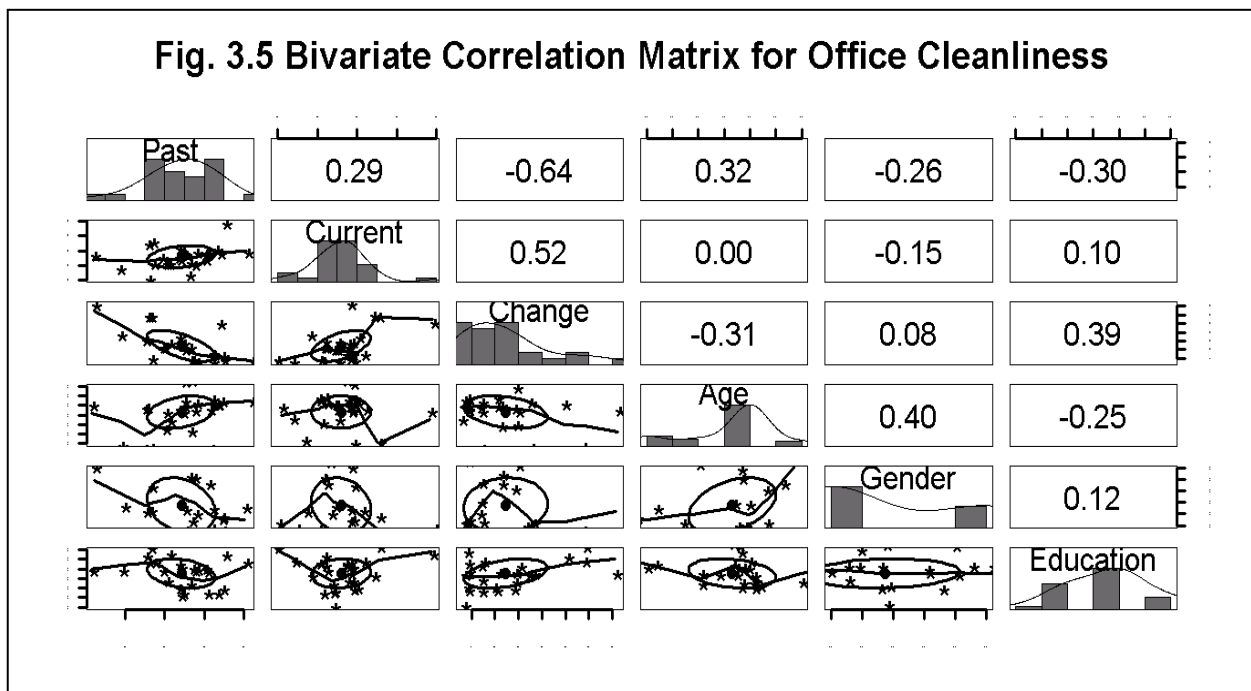


Figure 3.5 above shows that gender influenced how respondents rated the levels of office cleanliness at the university. From figure 3.5 above, it is clear that there is a relationship between gender and the evaluation of the past levels of office cleanliness. It shows that -0.26 is the r score for the relationship between gender and evaluations of the past levels of office cleanliness. This score is important to the study for two reasons. First; it demonstrates that there is a fairly negative relationship established between gender and the past scores for office cleanliness. Again, this is a fairly strong relationship considering the sample size of the study. The r scores of -0.26 and -0.15 shows that women were more likely to give lower scores for the past and the present levels of office cleanliness compared to men. Most female respondents seem to have been strict while rating office cleanliness and this could be explained by a number of reasons. First, women often deal with cleanliness matters even at home, and hence tend to pay more attention to details when it comes to cleaning as compared to men. For instance, they would evaluate the, thoroughness, and the timeliness of this cleaning hence the reason for the lower scores. Again, women are pickier and this led them to rate the office cleanliness based on the attitude and courtesy of the cleaners. However, although gender influenced how respondents rated the past levels of office cleanliness, the relationship between gender and the change was insignificant as reflected by an r score of 0.08.

Similarly, the figure signifies the existence of a relationship between the respondent's age and their assessment cleanliness levels in the offices. This relationship is demonstrated by an r score of +0.32. This score means that there exist a rather intensive positive relationship between the age of the respondent and their evaluation of the past levels of office cleanliness. That is, the older one is the more likely he was to grade the past levels of cleanliness higher. That is, older people tended to grade the past cleanliness a bit higher than their younger counterparts. This score is consistent with

the score for the relationship between age and change which is -0.31.

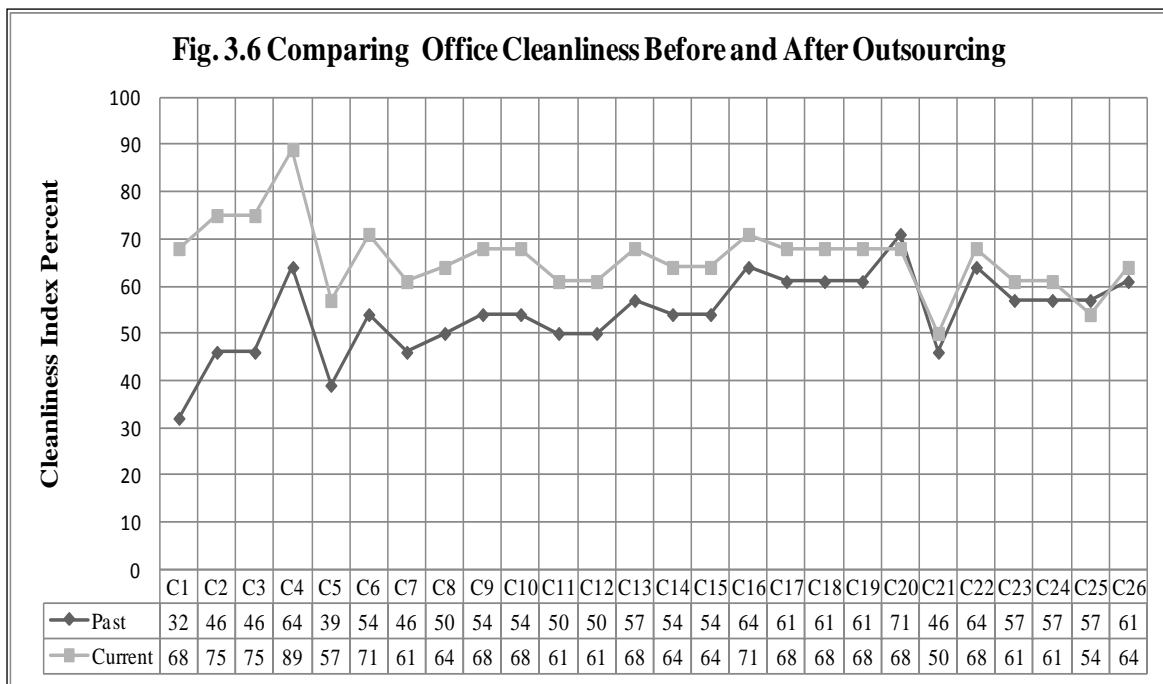
These two r scores namely +0.32 and -0.31 means that the younger one was the more likely they were to give a higher score for the current levels of office cleanliness. Furthermore, the younger a respondent was the more likely they were to notice change in the levels of office cleanliness. Normally, younger people are more sensitive about cleanliness and the physical appearance of the space that they live and work in as compared to older people hence this difference in scores between the younger and older respondents. But despite the fact that the respondent's age seemed to have fairly strong impact on how they evaluated change and the past levels of cleanliness, it was noted that, respondent age did not have a bearing at all on the current levels of cleanliness. Indeed the r score for this relation between age and current levels of cleanliness was 0.00.

Lastly, a relationship was found to exist between level of education of the respondent and their appraisal of the past level of office cleanliness. This relationship is shown by an r score of -0.30. This score means that there is a somewhat strong negative connection linking the level of education of the respondent and their judgment of the past level of office cleanliness. Namely, the advanced the level of education of the respondent, the more likely they were to give a lower score for the past levels of office cleanliness. On the same note, a fairly strong affirmative linkage between the respondent's level of education and change was detected.. This relationship is shown by an r score of +0.39 and it means that the higher the level of education, the greater the change that one was likely to notice. Usually educated people may be more concerned about grimy living environment and at the same time are quick to notice any improvements on the same due to their high judgment skills compared to the uneducated hence these scores. Finally, whereas education

seems to have had some impact on respondent's evaluation of change and the past, it was however noted that education seems to have had minimal effect on how the respondents evaluated the current level of cleanliness for the offices. This is demonstrated by an *r* score of + 0.10 for the relationship between education and the current levels of cleanliness which is very low.

3.4.2 Office Cleanliness Before and After Outsourcing

The first step in the analysis was to establish the past and the current levels of office cleanliness as evaluated by the interviewees. A group of respondents totaling 26 graded the past and the current levels of office cleanliness at the university. A series of seven questions as shown in appendix II were asked to the respondents regarding cleanliness levels in the offices before and after outsourcing. Each of the respondents gave two sets of scores for the period before and after outsourcing. The results were then plotted separately but on the same set of X and Y axis and the results are shown on figure 3.6 below.

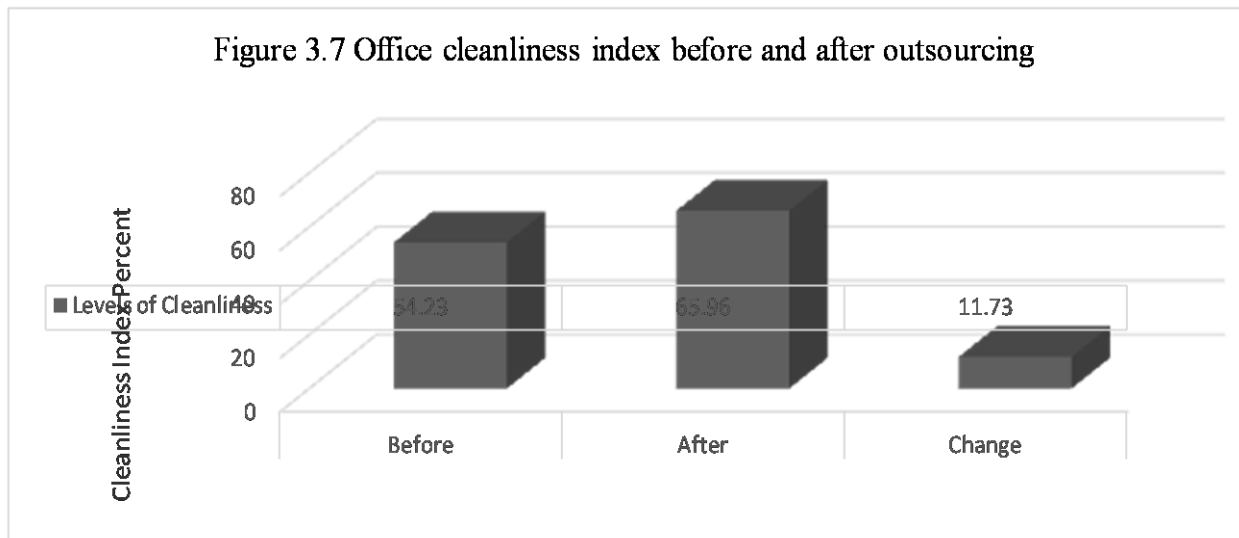


From figure 3.6 above, it is clear that quite a high percentage of the respondents felt that outsourcing has improved the levels of cleanliness in the university offices. Indeed, only two of the 26 respondents (cases 20 and 25) felt that after outsourcing, the level of office cleanliness has declined. However, even for them, the difference was negligible. Actually it is even hard to establish the difference from the graph. The scores for office cleanliness after outsourcing are consistently higher than those for office cleanliness before outsourcing. This high level of agreement suggests that the respondent used fairly objective criteria for evaluating office cleanliness. If biases and prejudices informed their evaluation, it would be difficult for them to arrive at fairly uniform evaluations.

However, despite this unanimity there is a difference on the extent of this improvement. Whereas majority of the respondents felt that cleanliness has improved after outsourcing, the difference in some cases is very small. In fact, some respondents felt that the level of office cleanliness had improved by as little as 3%. This shows that some employees although they feel that outsourcing has brought some positive change, the improvement is not significant and actually is not something to really celebrate. On the other hand, there were some who felt that after outsourcing, office cleanliness has greatly improved with some respondents evaluating the improvement to be as high as 50%. However, although figure 3.6 shows that in deed levels of office cleanliness have improved after outsourcing, it is not clear the extent of this positive change from the figure itself.

3.4.3 Difference in levels of Office Cleanliness

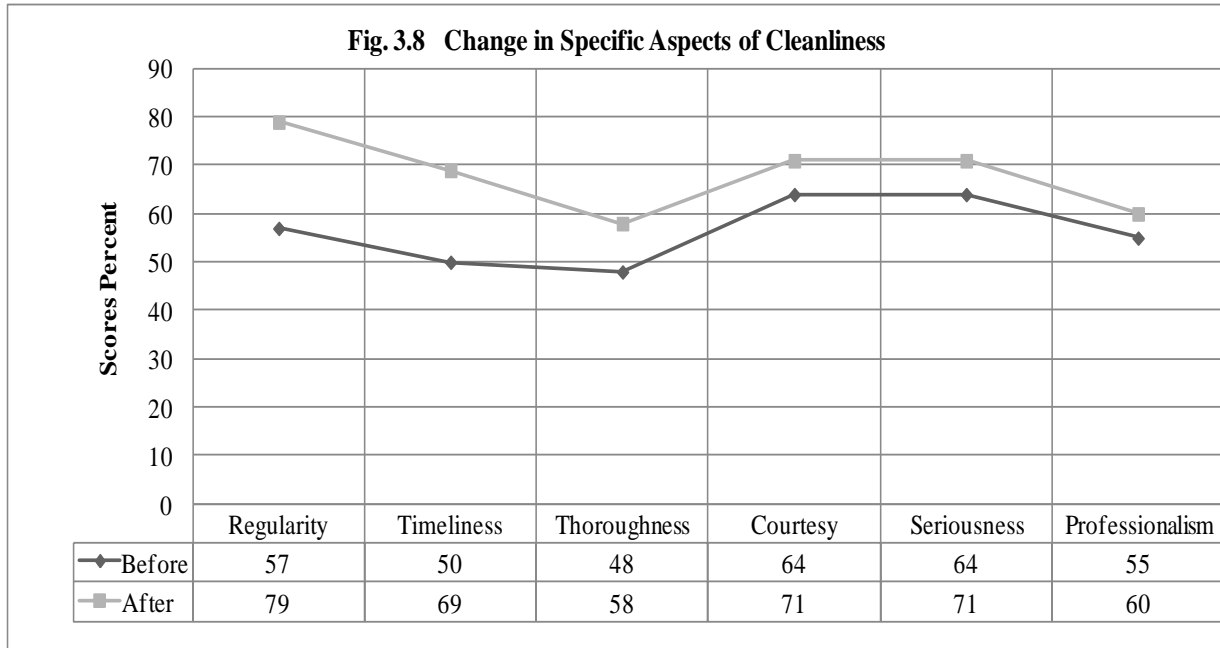
To explore further the difference in scores on office cleanliness before and after outsourcing, I obtained the mean score for the cleanliness before and cleanliness after outsourcing difference. The results were plotted on the bar graph in figure 3.7.



From figure 3.7 above, it is even easier to see that indeed, cleanliness of the office has improved after outsourcing. The average score for office cleanliness after outsourcing is 65.96% compared to the scores for office cleanliness before which is 54.23%, hence on average office cleanliness has improved by 11.73% after outsourcing. It is also clear that for sure, outsourcing has improved the levels of office cleanliness by a reasonable degree and not just by a small margin. However, it is also important to analyze if the respondents felt that all the areas of office cleanliness have improved or some of them may still require more attention

3.4.4 Change in Specific Aspects of Office Cleanliness

In an attempt to identify the specific aspects of office cleanliness which need special attention, different aspects of office cleanliness were reevaluated. Specific analysis on how each of these aspects of office cleanliness has changed was done by comparing their past and present score and the results are shown in figure 3.8



According to the data presented by the figure 3.8 above, there was a unanimous agreement that all aspects of office cleanliness had improved. However, whereas some aspects of office cleanliness improved by huge margins other aspects of office cleanliness improved by just a small margin hence, still need special attention to improve cleanliness. For instance, most of the respondents felt that after outsourcing, the offices are cleaned more regularly as demonstrated by the huge gap between regularity before and after which is 22% (79%-57%). Similarly, comparing the two periods of office cleanliness, more respondents felt that timeliness of offices cleaning has improved after outsourcing. On the same note, thoroughness in cleaning has improved though slightly. On the other hand, some areas of office cleanliness such as the seriousness of the cleaners as well as their professionalism still need more attention as they had improved just minimally.

3.5 Outsourcing and Lecture Halls Cleanliness

3.5.1 Demographic influences on Perceptions about Lecture Halls Cleanliness

In order to determine whether the key demographic variables (gender, age and education), influenced the respondents' evaluation of the levels of cleanliness of the lecture halls, a bivariate correlation matrix was constructed as shown in Figure 3.9 below. The correlations were calculated using the R program for Statistical Computing. The values shown in the table are bivariate Pearson's product moment correlation coefficients (r), showing the direction and the magnitude of the connection amid a pair of variables.

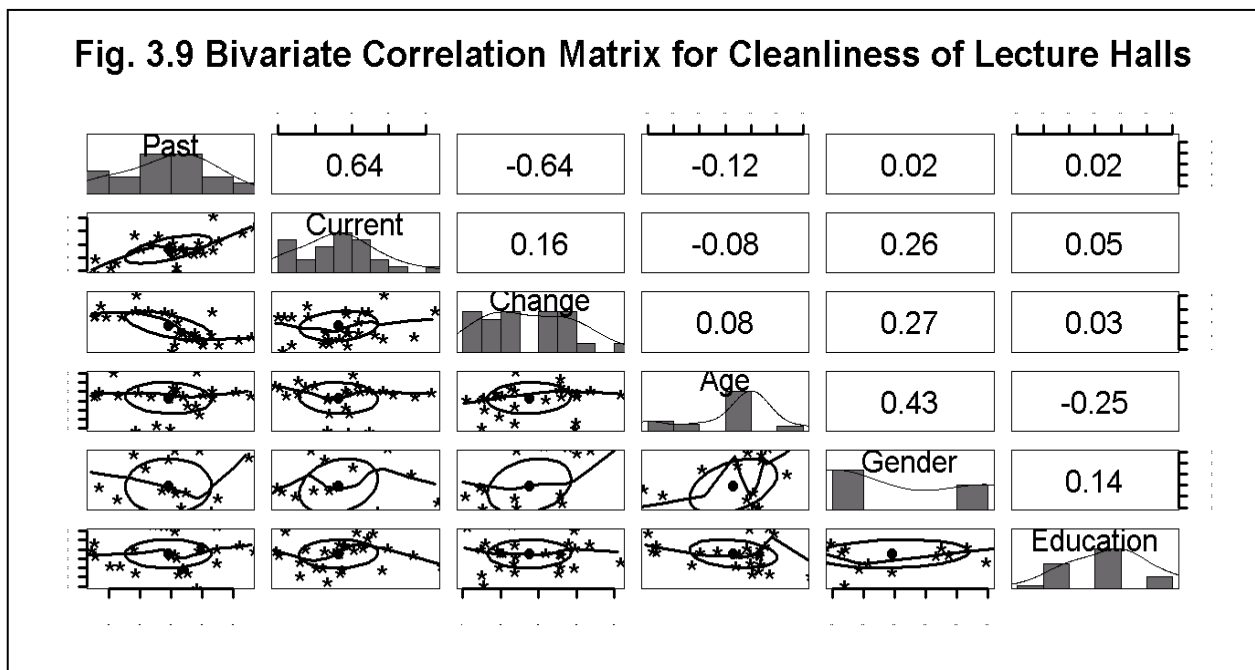


Figure 3.9 above shows that gender had a significant influence on how respondents rated the current levels of cleanliness of the lecture halls at the university. The relationship between gender and the score for the current levels of lecture halls cleanliness is 0.26. In relation to this study, this score signifies a positive association found between gender and the scores for the current cleanliness

levels of the lecture halls. The data used in this case was coded so that male =1 and female =2. Therefore, an r correlation of 0.26 implies that women were more likely to give a higher score for the current lecture halls cleanliness as compared to men. On the same note, there is a relationship between gender and change in cleanliness levels and the r score for this relationship is 0.27. This score means that there is a relatively intense positive association between gender and change. In other words, women were more likely to give higher scores for change in the cleanliness levels of the lecture halls as compared to men. Most women felt that comparing the period before and after outsourcing, the lecture halls are now cleaner hence the positive change. Whereas gender seemed to influence the decision on the current levels of cleanliness of the lecture halls as well the amount of change that one was able to notice, the age of the respondents and their level of education had insignificant influence on how one rated levels of cleanliness of the lecture halls at the university.

3.5.2 Lecture Halls Cleanliness Before and After Outsourcing

In this section the objective was to analyze how the respondents rated the past and the current levels of lecture halls cleanliness. 26 respondents graded the current and the past levels of lecture halls cleanliness at the university by answering a series of 6 questions as shown in appendix II. The aim was to establish how each one of them rated levels of lecture halls cleanliness before and after outsourcing. Therefore, each of the respondents gave 2 sets of scores for the before and after. The results were then plotted separately but on the same set of X and Y axis and the results are shown on figure 3.10

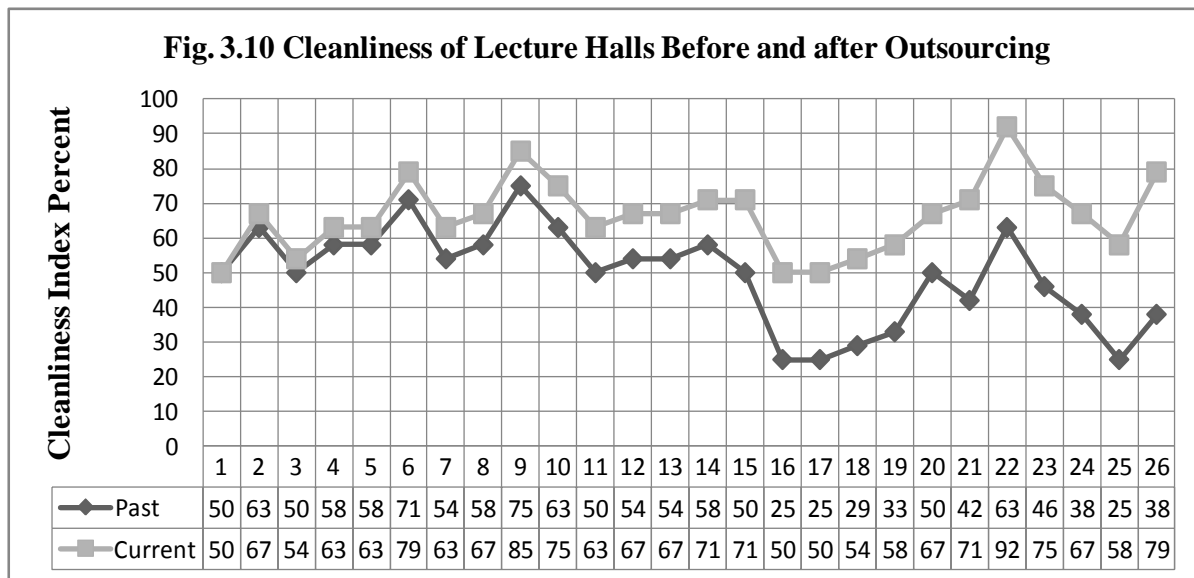


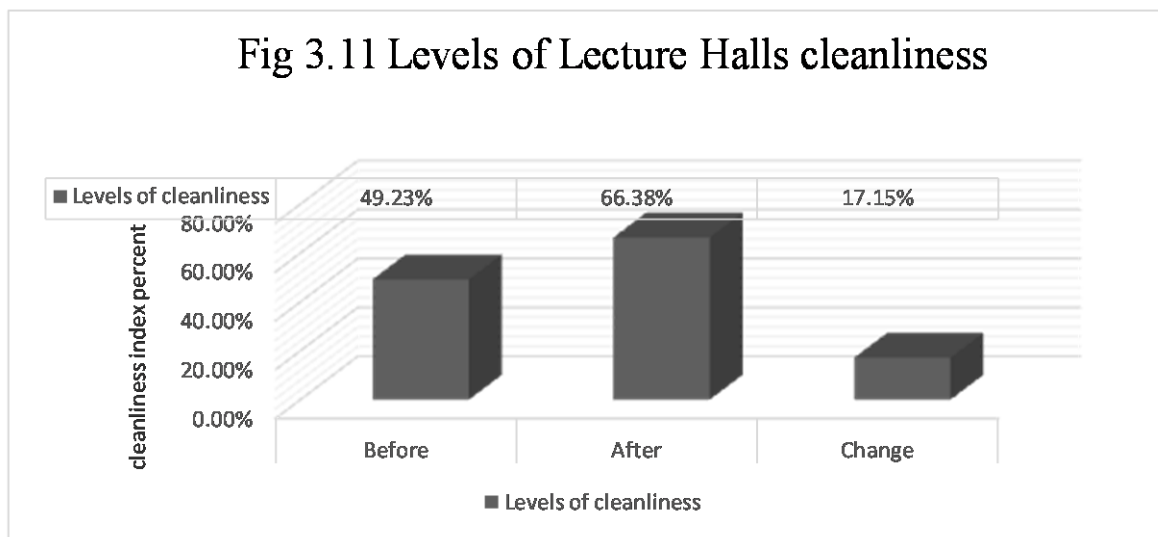
Figure 3.10 shows that there was a concord by the respondents that outsourcing has improved the levels of cleanliness in the university lecture halls. In fact, there was none of the respondents who felt that after outsourcing the levels of lecture halls cleanliness had deteriorated. Most of the respondents felt that lecture halls were now cleaner and this kind of unanimity is usually rare. The scores for lecture halls cleanliness after outsourcing are consistently higher than the scores for before outsourcing those for before. This high level of agreement suggests that the respondents were fairly objective in evaluating the cleanliness in the lecture halls hence the uniformity.

However, this unanimity notwithstanding, there is a difference on the degree of this improvement. Whereas most of the respondents felt that the lecture halls are now cleaner after the outsourcing of the cleaning services, the difference in some cases is very minimal. In fact, one respondent (case1) actually felt that there was no change at all. On the other hand, some respondents felt that outsourcing had brought magnificent change to the cleanliness of the lecture halls. In deed one of the respondents felt that the change was as high as 41% (79%-38%). It is however, difficult to establish the extent of this positive change from figure 3.10. Therefore, it is important to do further

analysis in order to precisely pinpoint the extent of this change.

3.5.3 Difference in levels of Lecture Halls Cleanliness

In order to be able to estimate the amount of change that had occurred in the levels of cleanliness for the Lecture halls' after outsourcing, the mean score for the cleanliness before and after outsourcing as well as their difference was obtained and the results plotted on figure 3.11.



It is even more even evident from figure 3.11 that cleanliness of the lecture halls has improved after outsourcing. Actually the figure gives a quick numerical representation of this positive change. The average score for the cleanliness of the lecture halls of after outsourcing is 66.38% compared to the scores before outsourcing which is 49.23%. Therefore, on average lecture halls' cleanliness has improved by 17.15% after outsourcing. However, while it's clear that after outsourcing the levels of lecture halls cleanliness have improved, it is also important to analyze if the respondents felt that the difference aspects of lecture halls cleanliness had all improved or whether some of them may still need more attention to enhance their cleanliness too.

3.5.4 Change in Specific Aspects of Lecture halls Cleanliness

Having established that outsourcing has generally improved levels of cleanliness, it is important to establish how outsourcing has affected different aspects of lecture halls cleanliness Figure 3.12 shows the specific analysis of the change on each of these aspects.

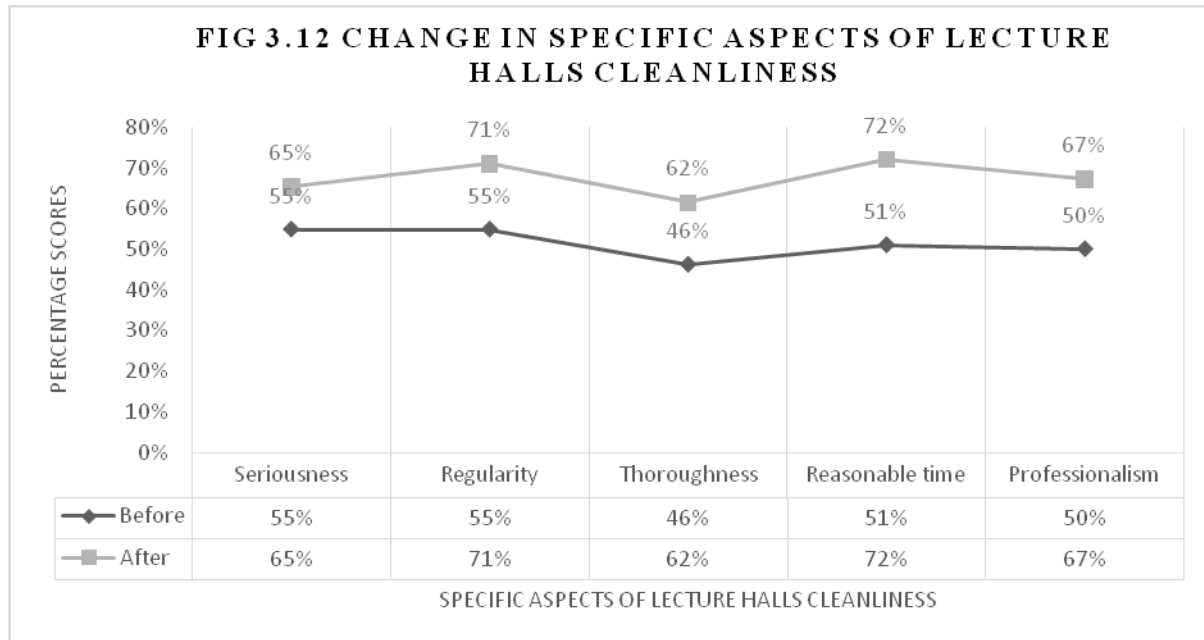


Figure 3.12 above shows unanimous agreement that all aspects of lecture halls cleanliness has improved after outsourcing. Nonetheless, some aspects of lecture halls cleanliness have improved by huge margins, while others have improved by very small margins and therefore require more attention. For instance, most of the respondents felt that after outsourcing the timeliness of lecture halls cleaning has improved compared to the period before outsourcing This is demonstrated by the huge gap between timeliness before and after outsourcing which is, 21% (72% -51%). Similarly, comparing the two periods of lecture halls cleanliness a significant number of respondents felt that professionalism has also improved by a huge margin; the improvement on professionalism was

found to be 17% (67%-.50%) as shown on the figure above. On the other hand some aspects of lecture halls cleanliness have not improved much. For instance, the seriousness of the cleaners had just improved by a small degree hence needed more attention.

3.6 Outsourcing and Lawns and Walkways Cleanliness

3.6.1 Demographic Influences on Perceptions about Lawns and Walkways

As was the case in previous sub-sections, Figure 3.9 below shows how the key demographic variables (gender, age and education) correlated with the past and current cleanliness levels as well as the change in the cleanliness levels of the university lawns and walkways.

Fig. 3.13 Bivariate Correlation Matrix for Cleanliness of Lawns & Walkways

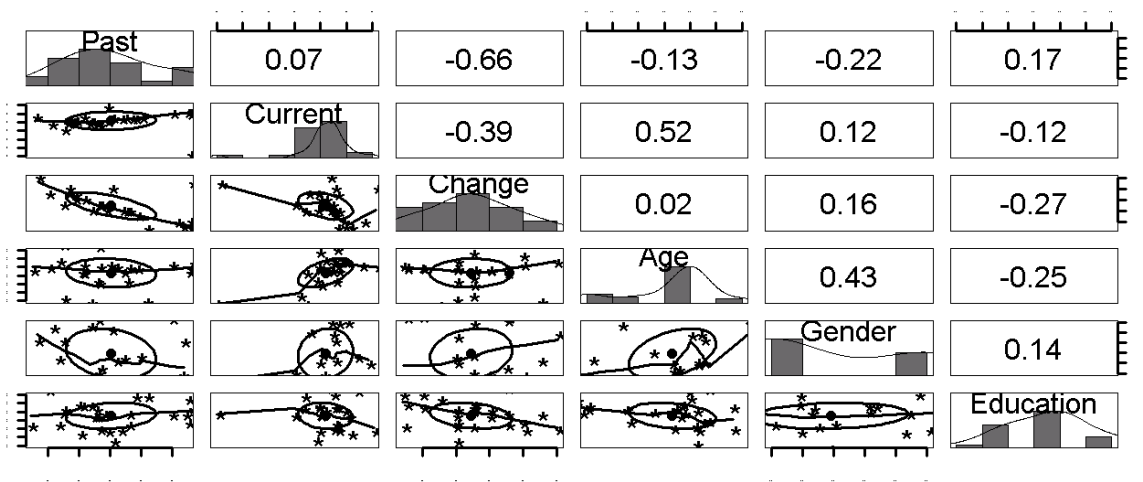


Figure 3.13 above shows that there was a relationship between the respondent's level of education and their evaluations of change in the cleanliness of on the lawns and walkways. This relationship is shown by an r score of -0.27, which demonstrates a somewhat moderate negative link between the level of education of the respondent and their judgment about change. That is, the higher the level of

education of the respondent, the higher the likelihood of them to giving a lower score for the change that has occurred regarding the cleanliness of the lawns and walkways.

Likewise, the figure indicates that there existed a link between the respondent's age and how they assessed the current levels of cleanliness of the lawns and the walkways. This relationship is represented by an r score of +0.52. This score shows that there is a strong positive connection between age and evaluation of current levels of cleanliness of the lawns and walkways. That is, the older the respondent, the more likely they were to give higher scores for the current levels of lawns and walkways. This could mean that the older people might have seen untidier lawns and walkways in the past and hence the belief that they are much better now.

Finally, gender influenced how respondents rated the past cleanliness levels of lawns and walkways ($r = -0.22$). It is clear that there is a moderate relationship between gender and the evaluation of the past cleanliness levels of the lawns and walkways. This means that women were more likely to give a lower score for the past cleanliness levels of lawns and walkways as compared to men. It also means that more women felt that in the past the cleanliness of the lawns and walkways was worse. Usually women are fussier about flowers, and the general appearance of the environment and they must have felt that in the past lawns and walkways were much unattended hence the scores.

3.6.2 Cleanliness of the Lawns and Walkways Before and After Outsourcing

Once again, figure 3.14 show the past and current levels of cleanliness of the lawns and walkways as evaluated by the 26 respondents.

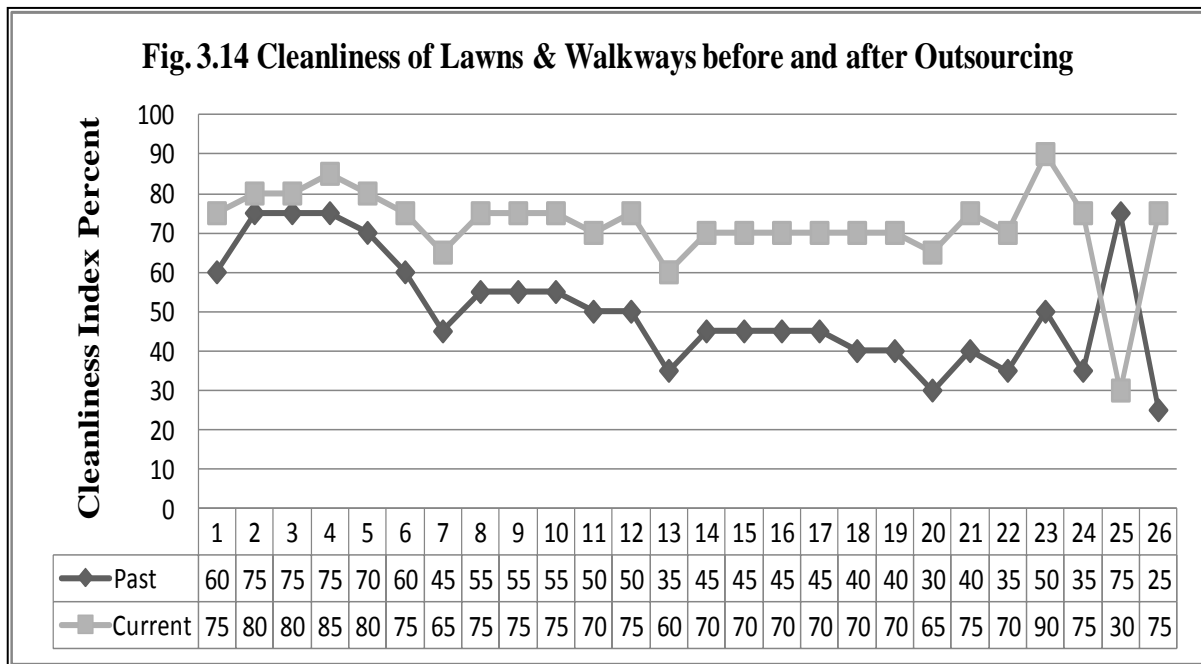
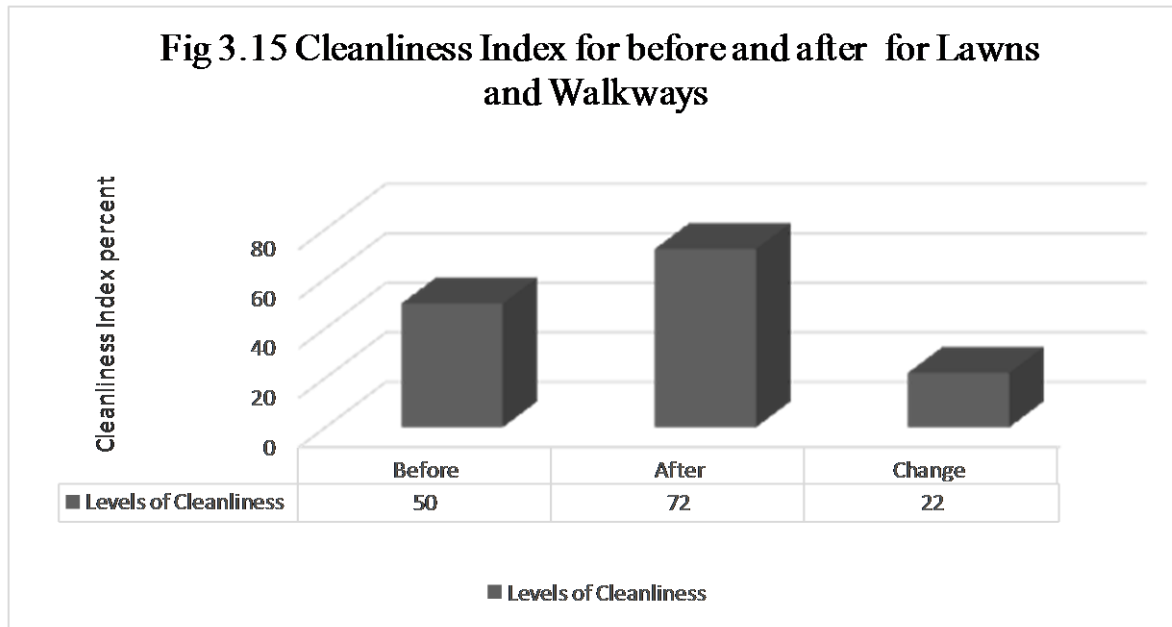


Figure 3.14 shows a near unanimous feeling by the respondents that outsourcing has made the lawns and walkways cleaner. This near uniformity could probably mean that the respondents were objective in their evaluation of cleanliness. The majority of the respondents felt that the lawns and walkways were now cleaner compared to when cleaning was performed by university employees. However, there is substantial difference on the level of this change. Some reported quite a huge change on cleanliness levels after outsourcing. Only one respondent (Case25) actually felt that the levels of cleanliness for the lawns and walkways had gotten worse after outsourcing.

3.6.3 Difference in Levels of Cleanliness of the Lawns and Walkways

The difference in the cleanliness levels for the lawns and walkways is further explored by obtaining the mean score for the cleanliness before and after outsourcing, as well as the difference between the two. These are plotted in figure 3.15 below which provides graphic representation of the results.



From figure 3.15 above it is notable that cleanliness of the lawns and walkways has improved after outsourcing. The average cleanliness levels of the lawns and walkways after outsourcing is 72%, while the cleanliness scores before outsourcing was 50 %. Therefore, on average, the cleanliness of the lawns and walkways has improved by 22% after outsourcing. It is also important to find out if the respondents felt that all the aspects of cleanliness of the lawns and walkways have equally improved or whether some of them require further improvement.

3.6.4 Change in Specific Aspects of Lawns and Walkways Cleanliness

Figure 3.16 provides comparative data on the levels of cleanliness of the various aspects of the lawns and walkways both before and after outsourcing,

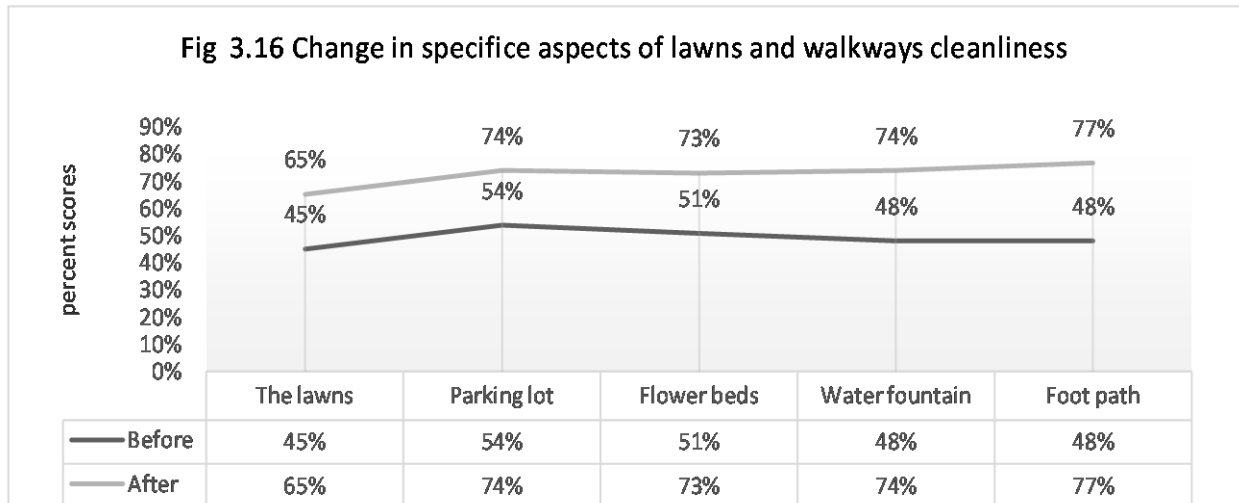
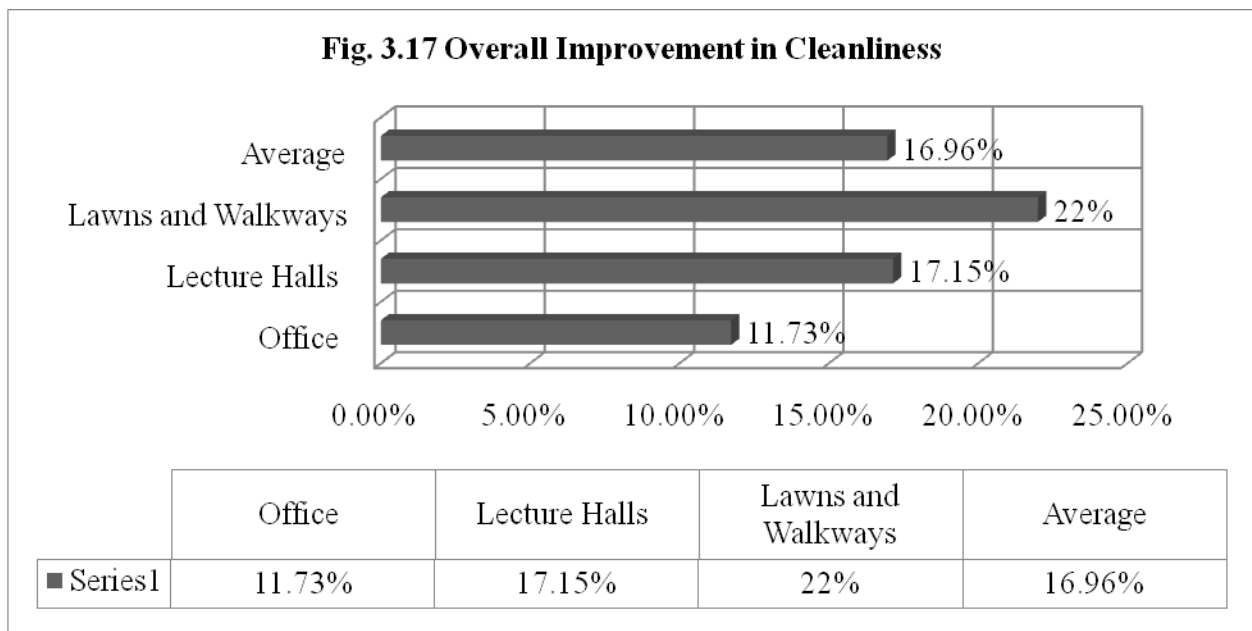


Figure 3.16 shows that, the cleanliness of all aspects of lawns and walkways have improved after outsourcing. However, whereas some aspects had improved by huge extents the same figure shows that there were some aspects of lawns and walkways cleanliness which had improved by relatively small margins. Therefore, these aspects needed to be focused on in order to improve cleanliness. For instance, most of the respondents felt that after outsourcing, the foot paths and the water fountain are now cleaner; this is demonstrated by the relatively huge gap between the scores of these aspects before and after outsourcing. That is, 29% for the foot paths and 26% for the water fountain respectively. On the other hand, some aspects of cleanliness have not improved much. For example, the respondents felt the parking lot and the lawns were the least improved in terms of cleanliness (at 20% each), and hence needed to be looked into for further improvement.

3.7 General comparison of the Cleanliness before and after Outsourcing.

This section compares the past and the current levels of cleanliness at the university giving the overall picture regarding the cleanliness before and after outsourcing. In order to achieve this, I compared the levels of cleanliness at the university before and after outsourcing in the specific areas of study. This comparison is done by calculating the average the change in levels of cleanliness for the offices, the Lecture Halls and Lawns and the Walkways as shown in Figure 3.17 below.



From Figure 3.17 above, it is clear that the levels of cleanliness in all the areas of study had generally improved after outsourcing as shown by the average positive change. Specifically, the levels office cleanliness had improved by 11.73%, while cleanliness levels for the lecture halls had improved by 17.15% and finally the cleanliness of the lawns and the walkways had improved by 22%. Comparing all the three areas of study the levels of cleanliness had improved most for the lawns and walkways while office cleanliness improved the least. Various reasons might have contributed to this discrepancy. To begin with, whereas the lawn and walk ways can be cleaned any

time, for the offices it is different as sometimes the occupant of the office may not be in hence the office is not cleaned on time. Again, for the offices, personal items and privacy of the occupant must be put into consideration whenever the cleaner plans to clean the office and special arrangements must be made. Finally, people often use the walkways while at the university hence easier to notice the improvement that might have occurred on the levels of cleanliness. On the other hand, most respondents may not have visited different offices hence unable to evaluate the change properly.

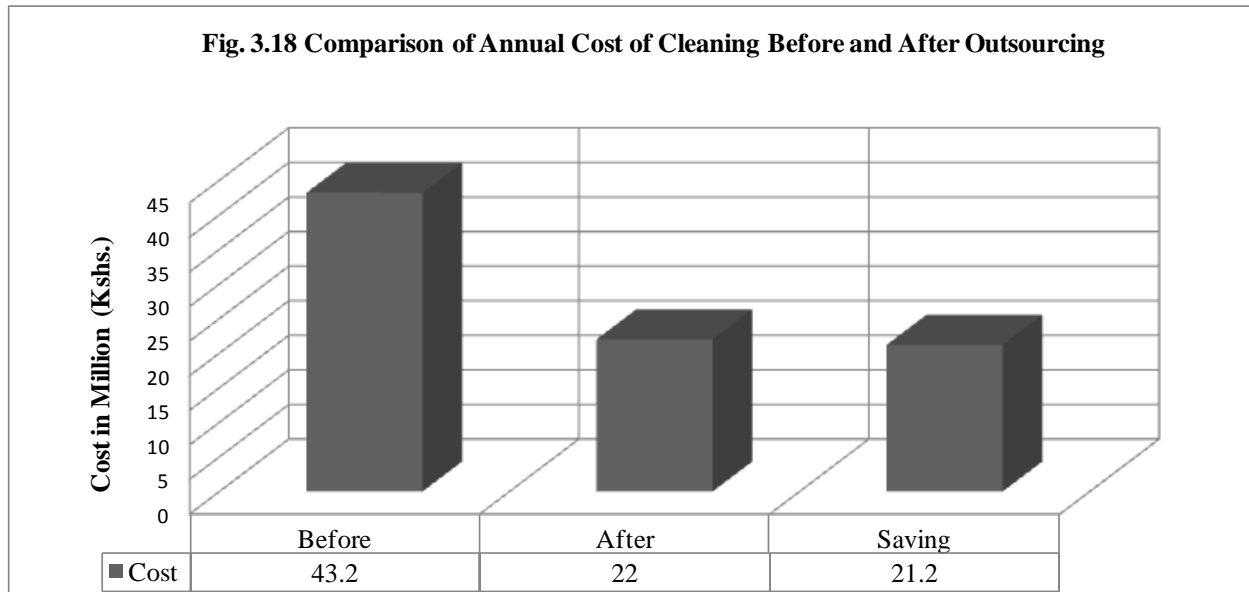
Nevertheless, cleanliness at the university has improved by 16.96% on average. This is a relatively higher score for change considering that the university has expanded comparing the period before and after outsourcing. The number of students has increased and also the facilities to be cleaned. This means that the workload in terms of cleaning has increased, yet the levels of cleanliness have improved after outsourcing. Again, outsourcing of cleaning services started recently, and though the results shows that there is still a big room for improvements, the same shows that there have been strides towards progress. Finally, more change might to be realized as the university community and the vender continue to learn how to work together for better results. In conclusion, the results show a positive correlation between outsourcing and performance of cleaning services at the university.

3.8 Outsourcing and the Cost of Cleaning at the University of Nairobi

Unlike the analysis of data on cleanliness which relied on primary data, the analysis of costs relied solely on secondary data, particularly a summary of the University of Nairobi Report on the Outsourced cleaning and ground maintenance attached as appendix iv. This summarized document was provided by the estates department of the university located in the main campus. As already discussed under study limitations, the university management was reluctant to give information relating to the cost aspects of outsourcing. It was argued that the required documents

especially the performance contracts and annual reports are classified University documents and hence difficult to access despite an introduction letter and repeated assuring them that the information sought was purely for the research purposes and would be treated confidentially.

Figure 3.18 shows comparative data on the cost of cleaning both before and after outsourcing:



It is evident from figure 3.18 that the introduction of outsourcing at the university has led to some cost savings for the university. The figure shows that the average annual cost associated with cleaning at the university before outsourcing was ksh 43.2 million, while the average cleaning cost after outsourcing is ksh 22 million. Therefore, outsourcing has enabled the university to save almost half of the amount that it was using on cleaning before outsourcing. Actually, the figure 3.18 shows that the university saves up to ksh 21.2 million by outsourcing the cleaning services. This is vital because the university is able to redirect these savings to its core business of teaching and research.

CHAPTER FOUR

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

4.1 Summary of the Study

This research intended to evaluate the effects of outsourcing on the quality of non-core organizational functions. To understand this effect, I selected biggest university in the country namely the University of Nairobi. However, the University of Nairobi has several campuses and hence this study targeted the main campus. Similarly, the university has outsourced several non-core functions including cleaning, security and garbage collection. Thus, in order to evaluate the effects of outsourcing on the outsourced services the study picked the cleaning services.

The major finding has to do with the practice of outsourcing at the University of Nairobi. The major reason that informed the university management's decision to outsource cleaning services as outlined in the summary of the University of Nairobi Report on the Outsourced cleaning and ground maintenance attached as appendix iv were as the following. To begin, the university aimed at improving the quality of cleanliness in the University and its environs. That is ensure clean environment and well maintained grounds. This would be achieved by engaging specialized cleaning services in addition to having internal monitoring committee tasked with monitoring the quality of the work done by the outsourced company at the university. The second objective was to reduce on the cost which is associated with cleaning.

Although outsourcing of cleaning service is a relatively new practice at the University of Nairobi, the study discovered that the university has outsourced the security services since the year 2002. Furthermore, the study found that engaging the services of third party to provide

cleaning services has improved the level of cleanliness of the offices, lecture halls as well as the lawns and walkways by 16.96% on average. However, a lot still needs to be done to improve cleanliness even further especially in such areas like the parking lots and the lawns. Further, the study established that by outsourcing the university has been able to save almost half the amount it was spending on cleaning before outsourcing.

4.3 Study Conclusions

In conclusion, although the study focused on the cleaning services only, the study was about outsourcing in general and the main objective was to assess how outsourcing impacts on the performance of the outsourced services. In the case of university the study could have chosen to use any other service among the services outsourced by the university, namely; security and garbage collection to evaluate the same effects. Hence, the results could be generalized.

The results show that there is a positive correlation between outsourcing and the performance of cleaning services at the university. In line with the university's objectives for the outsourcing of the cleaning services, the study findings found that indeed outsourcing has enhanced the cleanliness levels at the university as demonstrated by the change index in the specific areas of the study. It was noted that the levels of cleanliness in all the areas of study had generally improved after outsourcing. Specifically, the levels of office cleanliness had improved by 11.73%, while cleanliness levels for the lecture halls had improved by 17.15% and finally the cleanliness of the lawns and the walkways had improved by 22%. On average, after comparing the overall levels of cleanliness at the university before and after outsourcing, it was discovered that cleanliness level had improved by 15.96%. The results of the study are congruent with the study hypothesis: Outsourcing has enhanced the performance of cleaning services at the University of Nairobi.

Further, it has been noted that outsourcing has reduced the cost associated with cleaning at the university, and indeed, after outsourcing, the university has been able to save over Ksh 21 million, which it was spending on cleaning before outsourcing when the same was being performed by the university employees. Therefore, the study findings reinforces the forth study hypothesis namely, Outsourcing has reduced the cost of cleaning at the university of Nairobi

The findings also reinforce the Transaction Cost Economics Theory used in this study. It posits that organizations must incorporate the services of a third party to provide for products and service (of equal quality) which the organization has failed to produce internally at lesser cost.. Having discovered that fact, the University of Nairobi outsourced cleaning services with the aim of improving quality and cutting cost. Consequently as the cleanliness levels improved after outsourcing as compared to when cleaning was being performed by the university employees.

4.4 Study Recommendations

The following are a few recommendations suggested after analyzing the results of the study in order to make outsourcing be successful and give better results in future:

- (i) The university could enhance the supervision especially in the cleaning of the washrooms (though not among the areas targeted by the study as this was part of the feedback gotten from majority of the respondents.
- (ii) The university should consider outsourcing of other ancillary services where applicable so as to be to concentrate on their core function which is teaching, offering consultancy services as well as and conducting research as outsourcing has proved a useful strategy in cost reduction

- (iii) There should be proper arrangements between the cleaners and the office occupants so as to enable the cleaning of the offices to be performed thoroughly and on time as lack of the same was cited as one of the biggest reason why office cleaning was delayed.
- (iv) There is a need to be receptive to new development in compliance with shifting trends and technology especially in the procurement and evaluation of the performance of the outsourced services.

4.5 Suggestions for Further Research

From the study findings, other studies can be done in future as suggested below:

- (i) This study was carried out in only one university; Nairobi university. Further studies should be carried out in other universities in Kenya to find out if similar findings would be obtained
- (ii) This study focused on only the cleaning services and it would be important for other studies to evaluate the performance of other services that the university has outsourced especially the security to establish the trends .Even in cleaning other studies could target other areas including washrooms which this study did not focus on.
- (iii) This was a longitudinal study to examine the impact of outsourcing on the quality of the outsourced non-core organizational functions, other studies could employ cross sectional design comparing outsourcing experiences for different universities/organizations in case of different results.

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APPENDIX I: LETTER OF INTRODUCTION

Mercy Mutero
P.O Box 42300-00100
Nairobi, Kenya

20th Sept, 2016

Dear Participant,

REF: **REQUEST FOR RESEARCH ASSISTANCE**

I am a post graduate student at the University of Nairobi, pursuing Masters of Arts degree in Political Science and Public Administration. I am undertaking a research project in partial fulfillment of the masters of Arts degree *on the cleaning services at the University of Nairobi's main campus over the years.*

To this end, I am kindly inviting you to participate in this research study by answering the questions in the attached questionnaire as briefly and accurately as possible. In order to ensure that all the information remain confidential; please do not include your name anywhere on the attached questionnaire. I would like to assure you that that the data collected was strictly be used for the purposes of this study and your confidentiality shall be guaranteed.

Your assistance was be appreciated.

Yours faithfully,

Mercy Mutero,

APPENDIX II: QUESTIONNAIRE ON THE LEVELS OF CLEANLINESS

PART A: DEMOGRAPHIC INFORMATION

No	Respondents Characteristics	Characteristics Details	
1	Age (years)	Below 25	
		26 -35	
		36-45	
		46-55	
		Above 55	
2.	Gender	Male	
		Female	
3	Education level	Primary	
		Secondary	
		Mid-level College	
		University	
		Other	
4	When did you join the university as an employee		

SECTION B: PERCEPTIONS ON THE PAST LEVEL OF CLEANLINESS

Please select the response that most closely represents your view regarding the following statements. Kindly tick (✓) in the box that matches your response to the questions where applicable. Your participation is highly appreciated.

		Strongly Disagree 1	Disagree 2	Agree 3	Strongly Agree 4
The Offices	(i) The offices were cleaned regularly				
	(ii) The cleaners were always courteous				
	(iii) The cleaners always took their work seriously				
	(iv) The cleaning was always done professionally				
	(v) All areas of the office were thoroughly cleaned				
	(vi) Time taken to clean the office was always reasonable				
	(vii) The offices were always very clean				
The University lawns and walk ways	(i) The flower beds were regularly mowed				
	(ii) The parking lot was regularly cleaned				
	(iii) The water fountain was regularly cleaned				
	(iv) The foot paths were regularly cleaned				
	(v) The lawns were always very clean				
The lecture halls	(i) The lecture hall cleaners always took their work seriously				
	(ii) The lecture halls were regularly cleaned				
	(iii) All areas of the lecture hall were thoroughly cleaned				
	(iv) Time taken to clean the lecture halls was always reasonable				
	(v) The cleaning was always done professionally				
	(vi) The lecture halls were always very clean				

SECTION C: PERCEPTIONS ON THE PRESENT LEVEL OF CLEANLINESS

Please select the response that most closely represents your view regarding the following statements. Kindly tick (✓) in the box that matches your response to the questions where applicable. Your participation is highly appreciated.

The Offices		Strongly Disagree 1	Disagree 2	Agree 3	Strongly Agree 4
	(i) The offices are cleaned regularly				
	(ii) The cleaners are always courteous				
	(iii) The cleaners always took their work seriously				
	(iv) The cleaning is always done professionally				
	(v) All areas of the office are thoroughly cleaned				
	(vi) Time taken to clean the office is always reasonable				
	(vii) offices are always very clean				
The University lawns and walk ways	(i) The flower beds are regularly mowed				
	(ii) The parking lot is regularly cleaned				
	(iii) The water fountain is regularly cleaned				
	(iv) The foot paths are regularly cleaned				
	(v) The lawns are always very clean				
The lecture halls	(i) The lecture hall cleaners always took their work seriously				
	(ii) The lecture halls are regularly cleaned				
	(iii) All areas of the lecture hall are thoroughly cleaned				
	(iv) Time taken to clean the lecture halls is always reasonable				
	(v) The cleaning is always done professionally				
	(vi) The lecture halls are always very clean				

Any general comment on cleanliness at the University of Nairobi

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Thank you for your time and effort.