

**OUTSOURCING OF NON-CORE SUPPLY CHAIN
FUNCTIONS BY MINISTRY OF ROADS' AUTHORITIES
IN KENYA.**

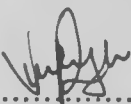
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D61/76127/2009**

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

OCTOBER 2012

DECLARATION

I declare that this management research project is my original work and has not been presented for a degree any university.

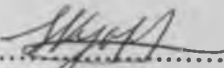
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DEDICATION

This Research project is dedicated to the following: my beloved wife, Bornace Chepngeno, and my children for the humble time and support they gave me that enabled me to carry out this study with much ease.

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I am mostly indebted to the following for having offered me invaluable and remarkable support in carrying out the research project:

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ABSTRACT

The aim of this study was to benefits of outsourcing non-core supply chain functions by ministry of road's authorities in Kenya. The study had two objectives to achieve: To identify benefits of outsourcing non-core supply chain activities in the MOR's Road construction Authorities, Kenya and to determine the extent of outsourcing non-core supply chain activities in the MOR's Road construction Authorities. The researcher adopted a descriptive survey of the Ministry of Roads Authorities. Data was collected from 19 Engineers of relevant departments. The data was analyzed using frequencies and tables as well as descriptive statistics and presented in tables. The study concluded that Outsourcing is prevalent among the MOR Authorities. Among the activities outsourced include: construction; material testing; security services; design services, web design among others.

CHAPTER ONE: INTRODUCTION

1.1. Background of the study

The drive for greater efficiencies and cost reductions has forced many organizations to increasingly specialize in a limited number of key areas. Outsourcing became fashionable in the late 1980s. It came of age in the 1990s and certainly became part of corporate life by the turn of the century. Private sector organizations have been outsourcing and consequently successful outsourcing has become a key to competitiveness (Jenster, Pedersen and Hussey, 2005).

Kamau, (2003) documented that British American Tobacco Company improved the delivery of its products by outsourcing Non-core logistical services like transportation. Despite success stories in the private sector, little is known on the extent in which services are outsourced in the public sector organizations; hence this study seeks to determine the scope and benefits of outsourcing in the public sector. According to the Public Procurement Oversight Authority's guidelines for potential bidders, 2009, each procuring entity decides on what to outsource. Services like cleaning, security, computer maintenance, repairs and maintenance are often outsourced (PPOA, 2009)

According to the Institute of consulting Engineers NZ, organizations also outsource consultancy services which include but not limited to Project planning and feasibility studies; project assessment studies including financial analysis; environmental studies and impact assessments; sustainability studies; geological and soil studies; Architectural/Engineering Design; Preparation of Tender Documents; evaluation of bids;

construction supervision; Quality management; Construction management; Cost management; Contract management; Valuation services; Operation and maintenance; and Research and development (IPE NZ, 2004)

Competitive advantage may be gained when products or services are produced more effectively and efficiently by outside suppliers. The advantages in outsourcing can be operational, strategic, or both. Operational advantages usually provide for short-term trouble avoidance, while strategic advantages offer long-term contributions in maximizing opportunities (Lankford and Parsa, 1999)

1.1.1 Outsourcing

According to Quinn (1992) and Sharpe (1997), outsourcing is a form of predetermined external provision with another enterprise for the delivery of goods and/or services that could previously have been offered in-house. Scholars and practitioners have supported outsourcing as an efficient way to address organizational competitiveness.

Outsourcing involves re-drawing the boundaries between the organization and its supply base. For many years, strategic management literature and practice have demonstrated the need for organizations to operate outside their boundaries and to establish strategic relationships with external stakeholders such as suppliers and distributors. Attention has given rise to the growth of strategic alliances and joint ventures. The trend has been the downsizing of organizations and outsourcing of a range of functions which were previously considered to be an integral part of in-house operations. Not only are

organizations operating outside their boundaries, but also individuals who are not in conventional employer-employee relationships are increasingly conducting organization's functions (Jenster, Pedersen and Hussey, 2005).

The main message of the proponents of strategic outsourcing is that it pays off to concentrate on the activities that you are good at. The result of this specialization along the value chain will be a product that will be more competitive in terms of price, quality, and innovation. Outsourcing of jobs and functions has therefore become a global business necessity in the majority of companies (Pearse and Robinson, 2007).

1.1.2 Benefits of outsourcing

The drive for greater efficiencies and cost reductions has forced many organizations to increasingly specialize in a limited number of key areas. According to Linder, (2004) most companies view outsourcing as a strategy for cutting costs, accessing new skills and capabilities, and achieving greater financial flexibility. A key issue that has emerged for many organizations is the growing importance of outsourcing. The underlying foundation of these trends is that, competition results in improved outcomes such as greater efficiency, higher quality of service, a clearer focus on customers and better value for money. This has led organizations to outsource activities traditionally carried in-house (Brown, Ryan, and Parker, 2000).

1.1.3 Mandate of Road Authorities in Kenya

In 2007, sector policy and institutional reforms through the enactment of the Kenya Roads Act, have taken place aiming at increasing road sector efficiency through a more effective separation of functions between policy, regulation and service provision; three new roads authorities assuming the role of the main service providers in the road sector were established: Kenya Highway, Urban and Rural Roads Authorities, while policy and regulatory oversight functions are now entrusted to the Ministry of Roads (MOR) and Kenya Roads Board (EU, 2008). The Kenya Roads Act, 2007 defines the core mandate of each of the three Authorities (GOK, 2007)

1.2. Statement of the Research Problem

The Vision 2030 aspires for a country firmly interconnected through a network of roads, railways, ports, airports, and water and sanitation facilities. To ensure that the main projects under economic pillar are implemented, investment in the nation's infrastructure will be given the highest priority (Government of Kenya, 2007). The road transport infrastructure expanded substantially over the years to meet the new demands and economic growth. However this network deteriorated to about 37% of the main paved road network being in poor condition. This was attributed to essentially lack of an adequate maintenance policy and absence of harmonized institutional framework (World Bank, 2002).

The stakeholder's workshop in May 2002 derived a number of strategies for the road sector which included the strengthening of Kenya Roads Board (KRB) by establishing

autonomous road agencies as implementing bodies. It is important to note that infrastructure is part of the Economic pillars of the Vision 2030 strategy (World Bank, 2002). Outsourcing could be one an avenue of accelerating the achievement of Vision 2030 flagship projects most of which are public sector (World Bank, 2002).

The level of outsourcing in an organization affects management activities in one way or another and extensive outsourcing can lead to loss of internal controls in the organization. Outsourcing presents special risks and relying on third parties to perform some functions decreases management's control over the operations and therefore requires management intensified oversight efforts. Compliance risk exists when products, services or system associated with third-party relationship are not in compliance with applicable laws, rules or regulations, or are not consistent with ethical standards and policies and procedures (Smedinghoff et al, 2002).

Not much research has focused on outsourcing in the public sector to determine the level and benefits of outsourcing non-core supply chain activities, hence the researcher sought to determine the benefits and extent of outsourcing by Ministry of Road's Authorities in Kenya.

Kamau, (2003) researched on Competitive Advantage through outsourcing of non-core Logistic activities within the supply chain of British America Tobacco. Ng'inja, (2007) carried out a study on outsourcing of IT services by micro financial institution in Kenya. Amongst their findings was that outsourcing improves service delivery and is practiced in

order to ensure quality of service delivery. However they did not cover the extent of outsourcing and recommended that research may be carried out to determine the benefits and extent of outsourcing in other sectors.

1.3. Research questions

1. What are benefits of outsourcing non-core supply chain activities in the MOR's Road construction Authorities?
2. What is the extent of outsourcing non-core supply chain activities in the MOR's Road construction Authorities?

1.4. Research Objectives

The objectives of this study were:

1. To identify benefits of outsourcing non-core supply chain activities in the MOR's Road construction Authorities, Kenya.
2. To determine the extent of outsourcing non-core supply chain activities in the MOR's Road construction Authorities

1.5. Value of the study

To Government Agencies; this study will be of particular importance to them as it will serve as an eye opener to knowing the proposition of outsourced services, and will assist

in formulation of suitable management strategies on how to manage the existing and future relationship.

To the researchers; this study will serve as a basis for further research on outsourcing of other non-core functions or activities of organizations.

To the academicians; this study will add to the already existing knowledge base on the concept of outsourcing.

CHAPTER TWO: LITERATURE REVIEW

2.1 The concept of Outsourcing

Outsourcing is the process of shifting tasks and services previously performed in-house to outside vendors. The volume, extent and character of outsourcing have been changing rapidly (Jenster, Pedersen, Plackett and Hussey, 2005). Early outsourced functions were simple activities, such as security and janitorial services, but outsourcing has progressed to include many “higher order” functions including finance functions and even product development and design (EIU/AA, 1995). Any function could, hypothetically, be outsourced. One could envision “virtual enterprises” existing as a network of partners and allies, each a specialist in their respective areas, reliant on each other for the provision of all essential functions (EIU/AA, 1995).

The outsourcing decision making process is strategic and according to Chartered Institute of Purchasing and Supply, organizations have been reluctant to outsource activities that they regard as core , that is activities that are embodied in their key competencies and has competitive advantage. Any other activity is regarded as possible candidate for outsourcing. The decision to outsource an activity can only be taken after a strategic assessment of what activities are core and non-core. Once the candidate for outsourcing has been identified, the organization must consider various criteria by which the decision can be evaluated both in terms of value for money and operational factors (CIPS, 2011)

2.2 Drivers of outsourcing

Until 1990 the major drivers for outsourcing were primarily cost-effectiveness, access to specialize or occasionally needed computing power or development skills, avoiding of building in-house skills which was an issue for small and very low technology organizations. Access to special function capabilities outstanding during this period was important but, in retrospect, largely peripheral to the main IT activities that took place in midsize and large organizations (Applegate, Farlan, and Kinney, 1996)

In a move towards having perfect organizational structures, lots of changes are carried out as management efforts to reduce costs and improve operating efficiency. This organizational structuring is known by many names for example, re-organization, rightsizing, re-engineering, delaying and it is accomplished using different techniques like process analysis, total quality management (TQM) among others (Pearce & Robinson, 1988).

A company keeps control over any process that is necessary and core, and has the potential to outsource a process that is necessary but not core, and should not be doing a process that is not necessary and core. To perform necessary but not core Processes, a Company looks for external vendors that provide the same services at a lower cost and better service at the same cost. Outsourcing is therefore a technique that assists both in reducing costs and focusing on core business. The major goal is to have management focus all their intellectual resources, expertise and time on the distinctive competencies that give the firm an edge in the market. Focusing on core activities ensures the collective

learning, especially on how to co-ordinate diverse production skills and integrates multiple streams of technologies (Prahalad and Hamel, 1990).

2.3 Risks and Benefits of Outsourcing

Organizations are motivated to outsource because outsourcing is useful in creating benefits (Benamati and Rajkumar, 2002). The benefits of outsourcing can be related to both increased financial benefits and improved non-financial benefits (Gilley and Rasheed, 2000). In decision-making, CEOs also consider some financial benefits that are not related to cost and performance (Hall and Liedtka, 2005). Increased financial benefits of outsourcing can include reduction of operational costs, improvement of measurability of costs, and transformation of fixed costs into variable costs, whereas increased non-financial benefits include focus on core competencies, improvement of quality, acquisition of external competencies, and control over internal departments (Quelin and Duhamel, 2003).

Effective IT outsourcing may create a variety of other benefits for an organization, such as reducing technological risks, improving productivity, gaining access to leading-edge technologies, easing the management tasks, and implementing changes more rapidly . An organization's decision of adopting outsourcing may be motivated by some or all of these benefits (Clark et al., 1995).

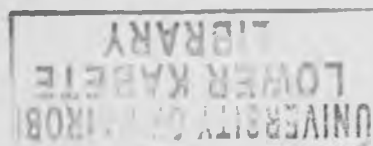
According to PricewaterhouseCoopers (1999), the top five benefits of outsourcing in order of importance are; achieving cost reductions, focusing on company's core business,

improving service quality, maintaining competitive edge and increasing shareholder value. Other benefits include; obtaining outside expertise, meeting changing customer demands, access to advanced technology, making continuous improvements and achieving world-class standards.

Outsourcing decisions, particularly offshore initiatives, by executives from western countries in pursuit of various advantages and managerial objectives can be difficult because they are often based on a variety of risky determinants (Greacen and Chou, 2005). For example, the selection of a destination site or provider for IT outsourcing outside the US, such as India, Philippines, China, Ireland, etc. can be rather complicated. To begin, it must be realized that the decision to outsource is not merely a business solution within an organization. Outsourcing has significant impacts on the shift of services, production, capital, and technology all over the world. Through the shift, significant changes have been and will be made on different aspects, such as patterns of economic growth, volume of international trade, and even composition of workforce and trend of education. In the US alone, some 300,000 to 995,000 lost jobs in 2004 were attributed to offshore outsourcing. Among the 140 million jobs in the US, the projected job loss over the ten years is estimated to be six millions (Center for American Progress, 2004).

2.4 Selection of Service providers

The client should select appropriately skilled and experienced suppliers to undertake the tasks. This can be done through some procedure which can be direct or competitive. In



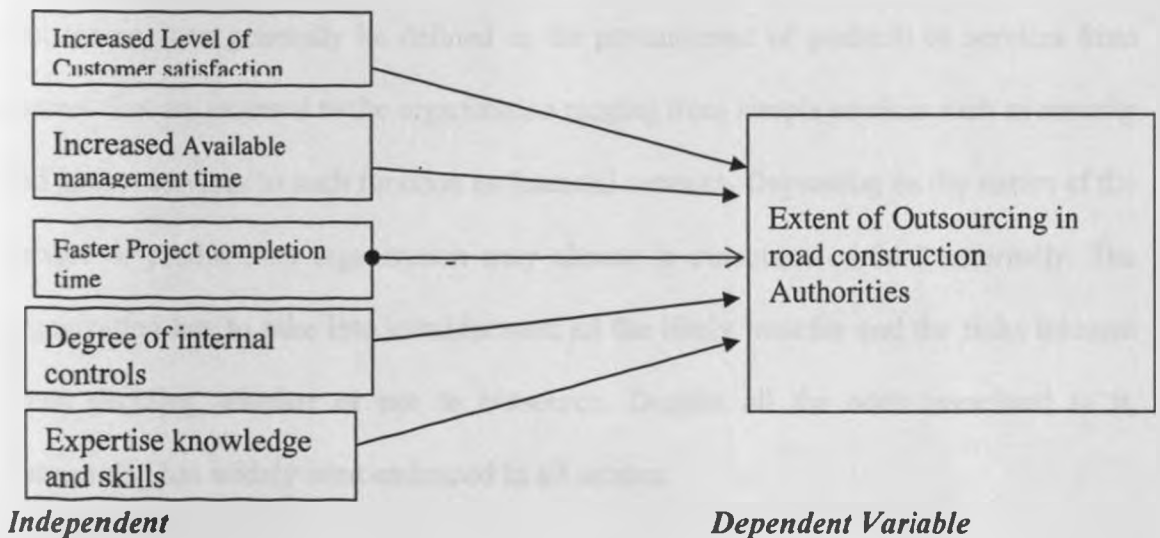
the Public sector, selection of service providers is done in accordance to the Public Procurement and Disposal Act, 2005 (PPDA, 2005).

The most used method in selection of service providers is Quality Based Selection (QBS). Whichever method is used, it should be done after the services required have been described in a detailed brief normally referred to as Terms of Reference (TOR). FIDIC advocates the use of QBS as the only means of ensuring high quality service is procured without compromising the cost (FIDIC Guide, 2003).

Selection criteria of contractors include :financial stability; commercial capabilities (Finizio et al., 2001); reputation and past experience of the firm; strategic positioning; suggested cost (Michell and Fitzgerald, 1997); quality of provided services; contractor's attitudes toward outsourcing (Elmuti and Kathawala, 2000); contractor's size; and similar commercial contracts of contractor.

2.5 Conceptual Framework

Fig 1



There is also a relationship between level of outsourcing and management time. The more services are outsourced, the more extra time the management has on their disposal. It can therefore be argued that outsourcing results in extra management time which can be used in attending core business of the organization. The level of outsourcing is dependent on the level of satisfaction an organization wants to achieve. This explains why the levels of outsourcing vary from organization to organization.

Through outsourcing, the organization gets access to more expertise knowledge in addition to its own internal capacity. This leads to not only improved service delivery, but also flexibility in operations and timely completion of projects. Through the emphasis of “essential” or “core” functions, an organization is able to streamline its operations by maintaining only those resources considered essential to its mission. Effective outsourcing also allows firms to pursue new strategic directions and improve overall service delivery.

2.6 Summary of Literature Review

Outsourcing can generally be defined as the procurement of products or services from sources that are external to the organization ranging from simple services such as security and janitor services to such function as financial services. Depending on the nature of the service or product, an organization may choose to outsource or do it internally. The organization has to take into consideration all the likely benefits and the risks inherent when deciding whether or not to outsource. Despite all the odds associated to it, outsourcing has widely been embraced in all sectors.

As acceptance and adoption of outsourcing grows, many businesses are seeking experienced strategic outsourcing partners to help them compete more effectively. Outsourcing operational overhead increases efficiency, reduces costs, and avoids infrastructure obsolescence. In addition, businesses that outsource are able to free up resources and focus on their core objectives. Offloading the cost and management of systems and staff means resources are available for more strategic, profitable activities (Unisys Services, 2003).

Hence, the study was based on the concept that outsourcing implies strategic partnerships and structural change. In an outsourced service, a specialized service provider becomes part of your business, performing day to day activities and participating in management decisions within the scope of their merits. If properly implemented, it generates benefits to an organization and this study aims at determining these benefits.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This describes the target population, sample size, research design, data collection instrument, analysis and presentation.

3.2 Research Design

This was a descriptive survey study in which the researcher seeks to determine the extent of outsourcing and identify the benefits of outsourcing non-core functions in the Road Authorities. According to Mugenda and Mugenda, (2003), descriptive research determines and reports things as they are.

3.3 Population of Study

The population of interest comprised all the road construction Authorities in the Ministry of roads; namely Kenya Highway, Urban and Rural Roads Authorities.

3.4 Sampling

Stratified cluster sampling technique was used. There are four major departments in each Road Authority namely; Maintenance, Design and Construction, Special Projects and Planning and Environment. Samples were drawn from these departments. Outsourcing being a strategic issue, senior management staff involved in decision making were targeted. The sample distribution was as follows:

Department	Number of Managers	Sample
Design and construction	5	3
Maintenance	5	3
Planning and Environment	2	1
Special projects	3	2
TOTAL	15	9

A total of 9 respondents were given questionnaires in each Authority, bringing the number to 27 respondents.

3.4 Data Collection Techniques

The study involved collecting data by use of both, open and closed-ended questionnaire. Information picked from the questionnaires and personal observation formed a major base of primary data. Answers were brief and factual. The respondents answered structured questions covering the respondent's personal information and context of the study. A letter of introduction was given to each respondent prior to the research. Those selected were encouraged to fill in the questionnaire and delivery them through the customer care desks for collection by the researcher. Secondary data was obtained from contract awards in procurement departments.

3.5 Data Analysis and Presentation

The data analysis was done using descriptive statistics. The purpose of descriptive statistics was to enable the researcher to meaningfully describe a distribution of scores or measurements using a few indices or statistics. Further, the data was analyzed using appropriate software. The data was then be presented in frequency distribution tables, and percentages.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the data analysis, findings, and discussions of the study. The data was collected from ministry of roads authorities, Kenya analyzed and presented using frequencies, percentages, and mean scores in the form of tables. There are three MOR Authorities: Kenya Rural Roads Authority; Kenya Urban Roads Authority and Kenya National Highway Authority.

4.2 Response Rate

Twenty seven (27) questionnaires were distributed to respondents. However, only 19 questionnaires were successfully filled and collected by the researcher. This gave a response rate of approximately 70% which was considered adequate for this study since the study findings can be generalized for the entire population.

4.3 Outsourcing of Project Management Activities

The researcher sought to establish from the respondents whether the Ministry of Road's Authorities in Kenya outsourced project management activities. The findings of the study presented in table 4.1 indicate that majority (100%) of the study participants agreed that the Ministry of Road's Authorities in Kenya outsourced some project management activities. This is an indication that the study participants have knowledge on the nature of activities outsourced by the Authorities.

Table 4.1: Outsourcing of project management activities

Response	Frequency	Percent
Outsourcing of project management activities	19	100.0

The study also sought to establish from the respondents the level of outsourcing among the Ministry of Road's Authorities in Kenya. The study findings tabulated below indicate that majority of the respondents representing 68.4% of the study participants indicated that the level of outsourcing among Ministry of Road's Authorities in Kenya was 60-80%. This is an indication that the Authorities outsource a number of activities. This means that the Ministry of Road's Authorities in Kenya outsource 60-80% of activities that are not core but necessary and they focus all their intellectual resources, expertise, and time on the 20% of activities that gives them distinctive competencies. This is in line with the observation made by Prahalad and Hamel (1990) that outsourcing assists in focusing on core business.

Table 4.2: Level of outsourcing

Level of outsourcing	Frequency	Percent
40-60%	6	31.6
60-80%	13	68.4
Total	19	100.0

4.4 Outsourced Activities

The types of activities outsourced by a firm on a larger extent depend on the core business of that firm. The respondents were required to indicate the extent to which they agreed concerning outsourcing of various activists among Ministry of Road's Authorities

in Kenya using a five likert scale (1= Strongly agree; 2= Agree; 3= Not sure; 4= Disagree and 5= Strongly agree). The findings of the study are presented in table 4.3 below.

Table 4.3 Outsourced Activities

Outsourced Activities	N	Mean	Std. Deviation
Construction	19	1.32	.478
Designs (Roads & Structures)	19	2.63	.955
Construction supervision	19	2.26	1.284
Human resource management	19	4.05	.848
Material testing	19	1.32	.478
IT services	19	3.68	.478
Website design and maintenance	19	1.63	.496
Weighbridge management	19	2.95	1.433
Security services	19	1.32	.478
Cleaning services	19	2.26	1.284
Legal services	19	2.95	.848
Survey works	19	2.37	.496

As shown in table 4.3 above all the twelve activities had a mean score response of between 1 and 3 except Human resource management and IT service which had mean response scores of 4.05 and 3.68 respectively. This means that majority of the respondents agreed that Ministry of Road's Authorities in Kenya outsourced most of the

activities. However, as indicated in the column mean in the table 4.2, it is clear that Construction (1.32); Material testing (1.32); Website design and maintenance (1.63) and Security services (1.32) are the activities outsourced most by the Ministry of Road's Authorities in Kenya. On the other hand the respondents disagreed that the Authorities outsourced Human resource management services.

This is a clear indication that the outsourced activities enables the Ministry of Roads' Authorities to access special function capabilities resulting to extra time management time which can be used in attending core business of the organization as indicated by the respondents' disagreement that the Authorities do not outsource Human resource management services which is critical in running their operations. This is in line with the assertion made by Applegate, Farlan, and Kinney (1996) that critical activities of a firm should not be outsourced.

4.5 Reasons for outsourcing

Organizations outsource different services based on various reasons. The respondents were required to state the extent they agreed various reasons for outsourcing among the Ministry of Road's Authorities in Kenya. The study findings are as presented below.

The study sought to establish from the respondents the extent they agreed that the Ministry of Road's Authorities in Kenya outsourced services due to lack of internal capacity. The study findings in table 4.4 indicate that majority (36.8%) of the respondents strongly agreed that Ministry of Road's Authorities outsourced services due to lack of

internal capacity. Thus, in order to secure their assets, the Authorities have to outsource security services from expertise which is a non-core activity to them. This can enable them to concentrate on their core activities thus saving on time as well as costs.

Table 4.4: Lack of internal capacity

Response	Frequency	Percent
Strongly agree	7	36.8
Disagree	6	31.6
Strongly disagree	6	31.6
Total	19	100.0

The study also sought to establish from the respondents whether the Ministry of Road's Authorities in Kenya outsourced services in order to concentrate on core business. As shown in the table 4.5 below, majority of the respondents representing 36.8% of the total study participants agreed that Ministry of Road's Authorities in Kenya outsourced services in order to concentrate on core business. The findings are in line with Unisys Services (2003) report which points out that, businesses that outsource are able to free up resources and focus on their core objectives.

Table 4.5: Concentration on core business

Response	Frequency	Percent
Strongly agree	7	36.8
Disagree	6	31.6
Strongly disagree	6	31.6
Total	19	100.0

The researcher wanted to determine from the respondents whether the Ministry of Road's Authorities in Kenya outsourced services for cost reduction/saving purposes. As shown in table 4.6, majority (36.8%) of the study participant strongly agreed that Ministry of Road's Authorities outsourced services in order to reduce or save costs. This is in line with the observation made by Prahalad and Hamel (1990) that outsourcing assists an organization to reduce its costs.

Table 4.6: Cost reduction/Savings

Responses	Frequency	Percent
Strongly agree	7	36.8
Agree	6	31.6
Strongly disagree	6	31.6
Total	19	100.0

As shown in table 4.7 below, majority (100%) of the respondents agreed that Ministry of Road's Authorities in Kenya outsourced services in order to tap on talents and experience available in the market. Taping talents and experience enables the Ministry of Road's Authorities to access specialized or occasionally needed expertise thus avoiding building in-house skills which is costly as indicated by Applegate, Farlan, and Kinney (1996).

Table 4.7: Tap talents and experience

Response	Frequency	Percent
Agree	19	100.0

The researcher also wanted to determine whether the Ministry of Road's Authorities in Kenya outsourced services in order to get expertise services from the external market. Table 4.8 below indicates that 100% of the study participants agreed that the Ministry of Road's Authorities in Kenya outsourced services in order to get expertise services from the external market. The findings are also in line with the observation made by Applegate, Farlan, and Kinney (1996) that outsourcing enables organizations to get specialized expertise from the market which is less costly compared to in-house skills building.

Table 4.8: Get expertise services from external market

Response	Frequency	Percent
Agree	19	100.0

The study sought to determine the extent the respondents agreed that the Ministry of Road's Authorities in Kenya outsourced services in order to increase their profits. The study findings presented in table 4.9 indicate that majority of the respondents disagreed that the Ministry of Road's Authorities in Kenya outsourced services in order to increase their profits. This may be attributed to the fact that the ultimate goal of the Ministry of Road's Authorities in Kenya is to provide service to the public and not earn profits. Thus they outsource those activities that enable them to improve the efficiency of their operations in trying to satisfy the public and not to increase profit margins.

Table 4.9: Increase profit margin

Response	Frequency	Percent
Agree	6	31.6
Disagree	7	36.8
Strongly disagree	6	31.6
Total	19	100.0

As shown by the study findings presented in table 4.10 below, majority of the study respondents representing 63.2% of the total study participants agreed that the Ministry of Road's Authorities in Kenya outsourced services due to long learning curve reasons. This means that the Authorities outsource services in order to gain understanding in the areas they lack expatriates. This is in agreement with PricewaterhouseCoopers (1999) report which points out that outsourcing enables organizations to make continuous improvements and achieve world-class standards.

Table 4.10: Long learning curve

Response	Frequency	Percent
Strongly agree	7	36.8
Agree	12	63.2
Total	19	100.0

The researcher also wanted to determine from the respondents the extent they agreed that Ministry of Road's Authorities in Kenya outsourced services due to time constraints. Table 4.11 shows that Majority (36.8%) strongly agreed that Ministry of Road's Authorities in Kenya outsourced services due to time constraints. This implies that the

Authorities outsource services in order to complete projects in time. As observed in the literature, through outsourcing, organizations get access to more expertise knowledge in addition to its own internal capacity. This leads to not only improved service delivery, but also flexibility in operations and timely completion of projects.

Table 4.11: Time constraints

Response	Frequency	Percent
Strongly agree	7	36.8
Agree	6	31.6
Not sure	6	31.6
Total	19	100.0

4.6 Methods of Outsourcing

Organizations utilize different techniques in outsourcing services. Based on a likert scale of 1-5 where 1= Strongly agree; 2= agree; 3= Not sure; 4= Disagree and 5= Strongly agree, respondents were required to indicate the extent they agreed with the usage of various outsourcing methods among the Ministry of Road's Authorities in Kenya. The results are presented in table 4.12 below.

Table 4.12 Methods of outsourcing among the Ministry of Road's Authorities in Kenya

Methods of outsourcing	N	Mean	Std. Deviation
Expression of interest	19	1.63	.496
Open tender method	19	1.63	.496
Request for proposals	19	2.37	.496
Direct procurement	19	3.74	1.284

As shown in table 4.11 above, both Expression of interest and Open tender method had a mean score response of 1.63 with a significant standard deviation while request for proposal and direct procurement had mean response scores of 2.37 and 3.74 respectively. This implies that majority of the respondents agreed that the Ministry of Road's Authorities in Kenya utilize Expression of interest, Open tender method and Request for proposals as methods for outsourcing services. On the other hand, the respondents were undecided on the direct procurement method thus the method is uncommon among the Ministry of Road's Authorities. This means that the Ministry of Road's Authorities in Kenya utilize competitive procedures in accordance to the Public Procurement and Disposal Act 2005 (PPDA, 2005) in order to appropriately select skilled and experienced suppliers to undertake the outsourcing tasks.

4.7 Forms of Outsourcing

The respondents were also required to indicate the extent in which various forms of outsourcing were practiced among the Ministry of Road's Authorities in Kenya. The study results are presented in table 4.13 below.

Table 4.13 Forms of outsourcing

Outsourcing forms	N	Mean	Std. Deviation
Public private partnership	19	1.63	.496
Joint ventures	19	1.63	.496
Business process outsourcing	19	2.32	.478
Application service provider	19	2.00	.816
Service level agreements	19	2.32	.478

As shown in the table 4.13 above both Public private partnership and Joint ventures had a mean response score of 1.63 with a significant standard deviation. This implies that the duo is most practiced form of outsourcing among the Ministry of Road's Authorities in Kenya. However, it is also clear from the study findings as indicated by the standard deviation that the level of variability among the five forms of outsourcing except 'application service provider' is very small. This means that the Ministry of Road's Authorities in Kenya utilizes the above-mentioned forms of outsourcing in accordance to the Public Procurement and Disposal Act 2005 (PPDA, 2005) in order to maximize value of public funds

4.8 Effects of Outsourcing Services

Outsourcing services affect the organizational operations in a number of ways. The respondents were required to indicate the extent to which they agreed with various effects of outsourcing among the Ministry of Road's Authorities in Kenya using a five likert scale (1= Strongly agree; 2= Agree; 3= Not sure; 4= Disagree and 5= Strongly agree) and the results are as in table 4.14 below.

Table 4.14: Effects of outsourcing services among Ministry of Road's Authorities in Kenya

Effects of outsourcing	N	Mean	Ranking
Quality commitment	19	1.95	1
Commercial capability	19	2.00	2
Availability of technical staff	19	2.00	2
Extra management time in the organization	19	2.26	3
Improved delivery of services in the organization	19	2.26	3
Access expertise engineering work	19	2.26	3
Flexibility in operations	19	2.32	4
Flexibility in supplier selection	19	2.32	4
Loss of management control in project implementation	19	2.74	5
Focusing on core activities of the organization	19	2.89	6
Lack of adequate internal expertise	19	2.89	6
Loss of jobs in the authority	19	3.68	7
Loss of internal coherence in the organization	19	4.05	8

As shown in table 4.12 above, commitment to quality with a mean response score of 1.95 was ranked first by majority of the respondents. This is an indication that outsourcing enables Ministry of Road's Authorities in Kenya to adhere to quality commitments on various projects thus enabling high service delivery to the public among the Authorities. It is also clear that commercial capability and availability of technical staff were ranked

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second with a mean response score of 2.0. This also indicates that outsourcing enables the Ministry of Road's Authorities to acquire experienced staff who can enable them deliver high standards of products. The study findings in the table equally show that both extra management times in the organization; improved delivery of services and access to expertise engineering work had mean response scores of 2.26 and was ranked third. These are the major effects of outsourcing services among the Ministry of Road's Authorities in Kenya as indicated by majority of the study participants.

The findings are in agreement with Unisys Services (2003) report which states that as acceptance and adoption of outsourcing grows, many businesses are seeking experienced strategic outsourcing partners to help them compete more effectively since through outsourcing, operational overhead increases efficiency, reduces costs, and avoids infrastructure obsolescence. In addition, businesses that outsource are able to free up resources and focus on their core objectives. The findings also concur with the PricewaterhouseCoopers (1999) report which indicates that outsourcing enables a firm to achieve cost reductions, focus on the company's core business, improve service quality, maintain competitive edge as well as increase shareholder value.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This study sought to achieve two objectives: To identify benefits of outsourcing non-core supply chain activities in the MOR's Road construction Authorities, Kenya and to determine the extent of outsourcing non-core supply chain activities in the MOR's Road construction Authorities. This chapter presents the summary of findings on the two objectives, the conclusions, as well as recommendations that were made by the researcher.

5.2 Summary of Findings

This section presents the summary of findings as interpreted in chapter four of this study. The summary is in two sections: Section one has a summary of findings on the benefits of outsourcing non-core supply chain activities while the second section has a summary of findings on the extent of outsourcing non-core supply chain activities at MOR's authorities.

The study established that there are a number of activities that are outsourced by the Ministry of Roads. These activities include construction where the respondents agreed that the authorities under the ministry of roads outsource construction functions. The other activity that was found to be outsourced by the ministry is material testing. The respondents agreed that the three Ministry of roads authorities outsource the services of material testing from competent organizations. Website design is also outsourced as a

noncore function of the ministry of roads authorities. The study found out that the authorities under the ministry do outsource web design services. It was also apparent from the study that security services are also outsourced by the authorities. They do not have own security arrangements but outsource the services from competitive firms that offer security services. However, the study revealed that there are other functions that the authorities do not outsource. These include the management of their human resources. The human resource function was considered as a core function hence cannot be outsourced. The Information Technology services are also not outsourced. The authorities rely on their own IT services.

The study also established that there are many reasons as to why the MOR authorities consider outsourcing some of the supply chain activities. The first reason is to enable them to concentrate on the core activities that are central to their formation. Outsourcing gives the authorities more time to concentrate on the main activities that they are supposed to do. The other reason is that outsourcing assists the authorities to cut down on several costs. This is important for the authorities since they have to operate within a limited budget and funding. The study found out that the authorities do not have enough expertise in all areas. This lack of experts to handle various activities which forces them to outsource the activities involved. The study revealed that outsourcing was also one way of making use of external expertise and experience that is with people who are outside the authorities. The other important reason why outsourcing was done is lack of time to handle the various activities that are outsourced. It was however clear that

outsourcing was not aimed at maximizing the profits of the authorities since their objective is to provide services not to make profits.

On the methods or approaches used by the authorities when outsourcing, the study established that open tendering was not among the preferred approaches. The findings revealed that the procurement process had to be followed to the latter. The authorities had to request for proposals, open tendering was encouraged as well as expression of interest from potential suppliers of the outsourced services.

The researcher established that there are various forms of outsourcing that are prevalent in the MOR authorities. These include joint ventures, public private partnerships, Business process outsourcing, application service provider, and service level agreements. The study also confirmed that outsourcing enables Ministry of Road's Authorities in Kenya to adhere to quality commitments on various projects thus enabling high service delivery to the public among the Authorities. It is also clear that commercial capability and availability of technical staff were ranked second. This is also indicates that outsourcing enables the Ministry of Road's Authorities to acquire experienced staff who can enable them deliver high standards of products.

5.3 Conclusion

Outsourcing is prevalent among the MOR Authorities. Among the activities outsourced include: construction; material testing; security services; design services, web design among others. The Authorities did not however outsource their human resource

management and IT functions. The reasons for outsourcing of these functions include lack of time, the need to concentrate on core activities, to cut down on costs in order to operate within the limited budget, to tap on external expertise and experience.

The forms of outsourcing prevalent are public private partnerships, Joint ventures and Business Process outsourcing. There are three main approaches used in outsourcing by the MOR Authorities. They include: expression of interest, call for proposals and open tendering.

5.4 Recommendations

It is clear that the study has identified the proportions of various services outsourced. The government agencies should therefore use these findings to formulate suitable management strategies on how to manage these existing and future relationships with the suppliers of these services.

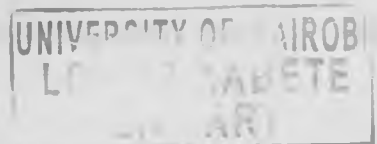
Researchers can use the findings of this study as a basis of monitoring the long run effect of this outsourcing process in order to establish whether the cost savings achieved can last for the long run. It is possible that some achievements can only have an effect in the short run but fail to make any significant changes in the long run.

The study has identified the various activities being outsourced by the three Authorities at the ministry of Roads. Academicians should use this knowledge to gain more understanding on outsourcing in public sector.

5.5 Suggestions for Further Research

This study can be replicated after five or more years to establish whether the situation has changed as far as outsourcing of noncore supply chain functions is concerned.

A comparative study can also be carried out to establish the similarities and differences in outsourcing of noncore functions in the public and private sectors.



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APPENDICES

APPENDIX I: QUESTIONNAIRE

APPENDIX I: RESEARCH QUESTIONNAIRE

I: GENERAL INFORMATION

Gender Female Male

Profession.....

Organisation.....

Position Held.....

How long have you worked with your current employer? -----Years

II: SPECIFIC INFORMATION

1. Has your firm been outsourcing some project management activities?

Yes No

2. To what extent do you agree or disagree on the extent in which the following activities are outsourced in your organization? (1- strongly agree, 2-agree , 3-Not sure, 4- disagree, 5- strongly disagree)

	1	2	3	4	5
Construction					
Designs(Roads & Structures)					
Construction Supervision					
Human Resource Recruitment					
Material Testing					
IT Services					
Website Design & Maintenance					
Weighbridge Management					
Security Services					
Cleaning Services					
Legal Services					
Survey Works					

3. To what extent do you agree to the following as reasons for outsourcing? (1- strongly agree, 2-agree , 3-Not sure, 4- disagree, 5- strongly disagree)

	1	2	3	4	5
Lack of internal capacity					
To concentrate on core business					
Cost reduction/savings					
To tap on talents and experience available in the market					
To get expertise services from external market					
Increase profit margin					
Long learning curve					
Time constraints					

4. To what extent do you agree on the usage of the following methods to outsource for services in your organisation? ((1- strongly agree, 2-agree , 3-Not sure, 4- disagree, 5- strongly disagree)

	1	2	3	4	5
Expression of interest					
Open tender method					
Request for proposals					
Direct procurement					
Request for quotations					
Others-specify					

5. In which form is outsourcing is practiced in your organisation?

Description	Most practised	Least practised
Public private partnership		
Joint ventures		
Business process outsourcing		
Application service provider		
Service level agreements		
Others-specify		

6. What is the estimate level of outsourcing in your organisation?

Range in %	Tick where applicable
Below 20%	
20-40 %	
40-60 %	
60-80 %	
80-100	

7. What extent do you agree to the following statements? ((1- Strongly Agree, 2-Agree , 3-Not Sure, 4- Disagree, 5- Strongly Disagree)

	1	2	3	4	5
Outsourcing of some project management services has led to organisation focusing on core activities of the organisation.					
Outsourcing has led to extra management time in the organisation					
Outsourcing of services has led to improved delivery of services in the organisation.					
Outsourcing of services have led to flexibility in operational					
Outsourcing of services has enabled the Authority access expertise engineering work					
Outsourcing of services has led to loss of management control in project implementation					
Outsourcing of management services have led to loss of jobs in the Authority					
Outsourcing of management services is due to lack of adequate internal expertise					
Outsourcings of services in have led to loss of internal coherence in the organisation					
Price is a major criterion in the selection of suppliers					
Commitment to quality is an important criterion in the selection of suppliers					
Flexibility is major criteria in the selection of suppliers					
Commercial capability is a major criterion in the selection of suppliers.					
Availability of the required technical staff is important in the selection of suppliers.					

Any other issue on outsourcing?
