" A SURVEY OF THE EXTENT OF OUTSOURCING OF HUMAN RESOURCE MANAGEMENT FUNCTIONS BY THE PUBLIC SERVICE IN KENYA. "

BY :

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A MANAGEMENT RESEACH PROJECT REPORT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA) OF THE UNIVERSITY OF NAIROBI

NOVEMBER, 2005

Declaration

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

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

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Dedication

This work is dedicated to my dear wife, Jennifer and children Jeruto, Jelang'a, Elly and Ann in recognition for their thirst for knowledge.

Acknowledgement

Since it is not possible to acknowledge everybody's contribution towards the success of this work, I wish to register my sincere appreciation and gratitude to the following few, whose support and assistance made it possible for me to undertake and complete this project.

I sincerely thank God the Creator of heaven and earth for his providence and leadership.

The Government of Kenya whose authority to pursue this course was necessary.

I wish to express my gratitude and appreciation to my supervisor, Prof. Peter O. K'Obonyo, a Professor of Human Resource Management who is also the Deputy Principal of College of Humanities and Social Sciences, CHSS, at the University of Nairobi for his professional guidance, advice and encouragement in developing and completing this project.

My gratitude and appreciation goes to Mr. Humphrey Simbovo for his contribution in typing, data analysis, proof reading and binding of this document.

Lastly, sincere thanks and gratitude goes to my family and friends, whose support and prayers enabled me to successfully complete this course.

Thank you and God bless you.

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Abbreviations

AIDS	-	Acquired Immune Deficiency Syndrome
AOI	-	American Outsourcing Institute
APS	-	Australia Public Service
BNA	-	Bureau of National Affairs
CSRP	-	Civil Service Reform Program
DPM	-	Directorate of Personnel Management
GDP	-	Gross Domestic Product
GTI	-	Government Training Institute
HIV	-	Human Immunodeficiency Virus
HR	-	Human Resource(s)
HRM	-	Human Resource Management
KIPPRA	-	Kenya Institute of Public Policy and Research Analysis
KWS	-	Kenya Wildlife Services
PSCK	-	Public Service Commission of Kenya
PE	-	Personal Emoluments
PWC	-	Price Waterhouse Coopers
TNA	-	Training Needs Assessment
UKCS	-	Union of Kenya Civil Servants

Abstract

Since the attainment of political independence in 1963, the Public Service in Kenya has continued to play a pivotal role in the delivery of services to the public. Human Resource Management has been at the centre of activities geared towards better performance and efficient delivery of services to the public. In pursuit of this, the Kenya Public Service has undergone sustained reforms in the management of human resources. The need for these reforms was necessitated by complaints over corruption, bureaucracy (red-tape), slow service delivery, inefficiency and high costs arising from the bloated public service.

As part of these reforms, the Kenya Government has considered outsourcing some Human Resource Management functions in order to address the above complaints. It is for this reason that this research was conducted with the main objective of determining the extent to which the outsourcing of Human Resource Management functions has been undertaken by the Kenya Public Service. Studies done earlier on the subject have focused mainly on the private sector and ignored the public service in Kenya.

This was a census survey targeted at the 29 Kenya Government ministries headquartered at Nairobi. Survey data was collected with the aid of a questionnaire which had both open and closed-ended questions. The questionnaire was dropped and picked later from the respondents who were officers in charge of Human Resource Management in their respective ministries. To assist in the presentation of the large amount of data SPSS, a statistical software package, was used to calculate the percentages, frequencies and proportions.

The findings of the study were that on average, 54.5% of the ministries outsource some of their HRM functions while the remaining 45.5% of the ministries do not. Government policy and the need for confidentiality were the main factors when deciding on whether to outsource some HRM functions.

The limitation of this study was that the survey covered Kenya Government Ministries only leaving out the state corporations. The results may have been more conclusive had all Government organizations been studied. It is recommended that research be undertaken to determine the extent of outsourcing of HRM functions in Kenya's state corporations/ parastatals.

SECTION ONE

INTRODUCTION

1.1 General Background

"How well any country survives in this global economy depends squarely on the performance of its organizations-both private and public. Ultimately every society wealth and wellbeing comes from its organizations, which provide the job, products and services needed to sustain a modern industrial or post industrial nation. By selling more goods and services on international markets, nations are able to earn more wealth for the societies and in time improve the standard of living for their citizens. Virtually every major advance of this century comes from an organization, either private public or via cooperation of the two."
(Werther & Davis, 1993) Pg.6

Human Resource Management (HRM) is a key subject in the sense that it involves the management of people. Tyson and York, (2005) have viewed Human Resource Management (HRM) as a term which stresses the development of people as assets rather than their control as costs and places people management at the strategic heart of business learning.

The preoccupation of most organizations whether private or public has been more profit, greater cost reduction and more efficiency.

Human Resource Management (HRM) is living in a world faced with unprecedented dynamic environment brought about by technological advancements, social alterations, economic influences and political pressures

DeCenzo and Robbins, (1988) suggest that HRM has become more powerful. This can be largely attributed to such factors as increasing labour costs concerns for improving worker

productivity, search for compensation plans that motivate, and the need for interpreting and implementing government's laws and regulations. They further argue that because of HRM's growing importance, senior executives in organizations (including CEOs) will increasingly be rising out of the HR department to head their organizations

Outsourcing or contracting out has been identified by some authors including Dessler, (2004) as one of the options available to organizations that are striving to reduce costs and increase efficiency.

HRM can be an enormously paper-intensive process. For example, just recruiting and hiring an employee might require a Notice of Available Position, Advertising, Call for employment application, Invitation for interview, Signing of employment agreement, hiring form, Employee background vetting and so on. All these paperwork involves personnel, money time and inconvenience of some sort.

1.2 The Concept of Outsourcing

Gone are the days when organizations created products at home and shipped them abroad "as is". Managers are increasingly becoming aware of the need to think globally and act locally. That imperative requires them to move people, ideas, products, and information around the world to meet local needs. Ulrich, (1998) advises that managers must be more literate in the ways of internal customers, commerce and competition than before. Globalization requires that organizations increase their ability to learn and collaborate and to manage diversity, complexity, and ambiguity in the business environment. Many organizations are evaluating their human resource and labor costs in the context of available technologies based on the

theory that products and services can be delivered more effectively through an optimal combination of people, software, and equipment (Kim, 2000).

The term "outsourcing/ contracting out" is used to describe a phenomenon which is sweeping the labour industry. It is possibly part of the wider movement of society towards shaping a more productive and less wasteful world. DPM, (2001) defines outsourcing or contracting out as the hiring of professional services of a private firm or a non-governmental agency to perform a public function or in-house service which a ministry considers it can no longer perform competitively or could be done more cost effectively by the private sector. The executive director and founder of AOI is quoted by Jo-Ann, (1998) as describing outsourcing as a management strategy by which an organization utilizes specialized, efficient service providers to perform major non-core functions. She argues that technological advances, the need to globalize, and the acceptance and availability of outsourcing options are driving organizations to contract out their human resource functions that were traditionally performed in-house.

Cascio, (1998) asserts that the task of managing people in today's world of work is particularly challenging in light of the changes brought about by various factors such as globalization, technology change, knowledge capital, market change, need for cost control and the desire for consultative approach to management. The human resource professional must not only diagnose what the organization needs, but also create a delivery mechanism to fulfill those needs. It is important to note that public organizations unlike private business organizations (whose sole aim is to gain competitive advantage and more profits) provide services for the public good with the main objective of better service and cost effective delivery to the general public. Increasingly, interest has shifted to the possible

complementary roles of the private sector, non-governmental organizations and communities in improving the delivery of public services (DPM Strategic Plan, 2003-2008).

The manner in which organizations conduct their human resource functions helps create and sustain competitive advantage. The uncertainty in global markets requires more flexibility in Human Resource Management (HRM) through such means as outsourcing and downsizing (Kim, 2000). Dessler, (1997) has identified the main functions of Human Resource Management (HRM) as: Recruitment and Selection; Training and Development; Compensation; Labor Relations; Employee Security and Safety; and the Development and Management of Performance Appraisal/ Measurement Systems.

Richman, (2004) reaffirms that the outsourcing of Human Resource Management functions is what organizational leaders look to for help when they perceive that human resource activities fall short of their competencies. Although it is a relatively new concept, outsourcing is increasingly taking root as a strategic option to service delivery. It is viewed as a means to enhanced efficiency and effectiveness in performance (PWC, 2000). Several circumstances taking place in the public sector have led to greater emphasis on outsourcing. Jo- Ann, (1998) argues that, first; there are shrinking budgets, reduction in staff due to retrenchments and the heightened and prolonged fight against corruption. Every human resource function in the public service is a strong candidate for outsourcing as long as it is not considered a core function. It has been recognized that outsourcing presents management with sensitive human resource challenges as never before because it can affect any employee and any manager outside the so called 'core competencies' (Rothery and Robertson, 1996).

1.3 The Kenya Public Service

The Directorate of Personnel Management (DPM, 2002) in its strategic plan, (2003-2008) traces the root of the Kenyan Public Service to the colonial era. Upon independence the Kenya government realized the importance of a vibrant public service managed by indigenous Kenyans. PSCK, (2001) describes the public service as comprising of the Civil Service, Teaching and Public University services, Local Government services, the Disciplined Service (excluding the military) and all those employed in state corporations and other public institutions whose salaries are funded through the government's budget. The Kenya Government has of late shown interest in the need to reduce public sector spending. The public sector wage bill accounted for 9.2% of the G.D.P in the 2002/2003 financial year (GOK, 2002).

Before the implementation of the retirement plan of 2001 the DPM, (2001) reports that the numbers employed throughout the service amounted to some 700,000 staff. Its pay via personal emoluments (P.E) consumed 10% of GDP and over 33% of total government expenditure. This ratio is extremely high compared to similar ratios internationally. This ratio means that more public resources are being diverted from production to consumption.

DPM, (2004) acknowledge that the Kenya government has taken deliberate legal and policy steps aimed at increasing efficiency, improving service delivery and cost reduction. Some of these moves popularly known as 'civil service reforms' include restructuring, retrenchments, early retirement incentives, outsourcing of some Human Resource Management functions and the formulation of government procurement and privatization regulations.

Human Resource Management (HRM) in the Kenyan public service is unique in many ways when compared to the private sector. More importantly, decision making regarding Human Resource Management (HRM) functions is centralized with one body- Directorate of Personnel Management (DPM) - running the show of policy formulation and implementation. The central government through the treasury finances its activities. Other key players in the management of the Kenya Public Service are: the Public Service Commission of Kenya (PSCK), Government Ministries/departments, and the four Government Training Institutes (GTIs) namely: Baringo, Embu, Matuga, and Mombasa. In its strategic plan, (2003-2008), the DPM, (2002) emphasizes that the responsibility for effective Human Resource Management (HRM) rests primarily with the heads of divisions. It further recognizes the potential the private sector has in the implementation of civil service reforms. It recommends thus, "as part of the implementation process, non-core human resource functions be identified for privatization or contracting out to private organizations" pp 13.

Although the centralization of Human Resource Management (HRM) functions in the Kenya public service was well intended, it has faced some problems that have prevented the government from meeting its objectives. Some of these problems include: dwindling financial resource to support DPM's reform programs, liberalized provision of services where the private sector now provide services which hitherto had been the domain of the public sector, shortage of office accommodation in 'Harambee House' leading to frequent relocation of key offices of the directorate and lastly, the effects of HIV/AIDS pandemic on staff productivity. Additionally, the Kenya public service faces other challenges such as: the fast pace of change in information technology, unionization of most Public Service employees exemplified by the UKCS, persistent corruption, drug/alcohol abuse the need for stress management and drug/alcohol abuse.

The problems and challenges described above have made it necessary for studies such as this one to be undertaken to explore the extent of and the potential for contracting out some Human Resource Management (HRM) functions in the Kenya public service as an interventionary measure.

1.4 Statement of the problem

After Independence, the Kenya government's staffing policy in the civil service revolved around the requirements of the Sessional Paper No. 10 of 1965 on African Socialism and its Application to Planning in Kenya. The policy focus was on Kenyanisation of the public service under which the government guaranteed employment to Kenyans graduating from tertiary educational institutions. This policy changed in 1992 when the government abolished guaranteed employment as indicated in Sessional Paper No. 1 of 1992 on Development and Employment in Kenya. The change in policy was triggered by the rapid growth of the civil service and resultant high wage bill.

DPM, (2001) recommends that all proposals for contracting-out or outsourcing will be appraised for their viability. It must be demonstrated that contracting out will result in cost-saving and/or a notably better quality of service. It recommends that exit plans for employees who are affected by outsourcing should be prepared detailing the modality of contracting out. It acknowledges thus, "experience in many parts of the world shows that greater cost – effectiveness and significant savings can result from transferring operational responsibilities of human resource functions from government to the private sector" (pp15).

The Ministerial Rationalization exercise of 1999/2000 recommended for the divestiture of non-core human resource functions through comprehensive guidelines on contracting out,

commercialization and abolition of the identified non-core functions in all ministries/departments. It further recognized that the continued non-divestiture of the non-core functions in the civil service constraints performance improvement and effective use of available resources in the public service. Despite this, it is not clear to what extent these government ministries have implemented the above recommendation. The proposed study is aimed at filling this gap.

Public institutions such as universities and parastatals are currently contracting out the recruitment of their top executives. An outstanding example is the UoN which recruited their current (2005) vice chancellor through a competitive process managed by a private recruitment firm (Aduda, D. 2004 October, 14).

There are currently several complaints regarding delay in public employees' salaries, over-recruitment as witnessed in the recent fiasco in the recruitment of Kenya Wildlife Service Trainee Rangers (Siringi, S. 2004 October 12), slow service delivery and rampant corruption in the Public Service. Although the Public procurement and Privatization Bill (2005) has set out stringent procedures to overcome these loopholes, it has not yet been passed in parliament and consequently not operational.

The donor community has continuously pushed the government to offload part of its workforce through retrenchment and instead outsource some of the services currently being provided in-house. The government response to these concerns and recommendations has not been ascertained hence the motivation for the proposed study. The other impetus for the study is the fact that the government's budget has been overstretched with a very big percentage

going only to serving to sustain the payroll. Thus outsourcing of some of the Human Resource Management functions would appear to be a rational choice.

This study is motivated also by the fact that studies done earlier on the subject have not looked at the Kenya Public Service. Almost all of the studies focused on the private sector in Kenya. Additionally, the time that has elapsed since the Kenya Government recognized the advantages of outsourcing HR functions in 1999 is quite long and it will be interesting to discover how much it has implemented its recommendations for the option of outsourcing. Given the many advantages thought to be reaped as a result of outsourcing this study seeks to know how much the Kenya Public Service has gone towards outsourcing of HR functions to take advantage of these benefits.

1.5 Objectives of the Study

1. To determine the extent to which the outsourcing of Human Resource Management functions is being undertaken by the Kenya Public Service.
2. To establish the factors influencing the practice of Human Resource Management functions outsourcing in the Kenya Public Service.

1.6 Importance of the Study

The proposed study will be important to: -

Legislators – especially on issues related to public procurement laws and regulations.

Policy implementers – the accounting officers, authorized officers and heads of public corporations and institutions.

Human resource managers in the public sector whose responsibility is to evaluate both services for outsourcing and the potential service providers.

Human Resource Management (HRM) practitioners in the private sector. It will enable them evaluate and possibly develop a market for their services in the public sector

SECTION TWO

LITERATURE REVIEW

2.1 The Concept of Outsourcing

Different authors and institutions have developed different definitions of outsourcing. Kaathawala and Elmuti, (2000) have defined outsourcing as a management strategy by which an organization delegates at a fee major non core functions to specialized and efficient service providers. They define outsourcing as contracting out of non-strategic operations to a third party. Pearce and Robinson, (1997) have suggested outsourcing to mean the use of a source other than internal capacity to accomplish some tasks or processes.

Breibart, (in Human Resource planner Newsletter, 1996), explains that outsourcing entails the transfer of the management or administration of a process or function from in-house staff to an outside service provider. On their part, Rothery and Roberts, (1996) indicate that outsourcing entails finding new suppliers and new ways to secure the delivery of materials, goods, components and services. It means that you use the knowledge, experience and creativity of new suppliers that you did not use previously. Outsourcing is the increasingly common answer to the 'make it or buy it' question being asked by manufacturing industries and the 'do it ourselves or buy it in' question being asked by service industries.

A recent Mori survey of 50 top executives in the US exhibited 'extensive ignorance' of outsourcing, despite the fact that more than 20% of them were already actively considering the options (Rothery and Robertson, 1996).

The Australia Public Service (APS), (1997) has defined outsourcing or competitive tendering and contracting out as an arrangement whereby an agency performs an activity, function or service, which was previously undertaken in-house. Under such an arrangement, the agency retains overall responsibility and accountability for the function or service.

DPM, (2001) defines outsourcing or contracting out as the hiring of professional services of a private firm or a non-governmental agency to perform a public function or in-house service which a ministry considers it can no longer perform competitively or could be done more cost effectively by the private sector.

2.2 Evolution of Outsourcing

Wells, (1998) reports that 'outsourcing' was first undertaken in 1989, when Eastman Kodak Co. handed over its information technology department to three providers. The message to the market then was; "why manage information technology in-house when it can be done better, cheaper outside?" In 1992, the Kenya government prepared ground for outsourcing of human resource practices by initiating liberalization and privatization (Aseto and Akelo, 1996). But even before then, tendering for supplies had been continuing since independence although to relatively minimal extent.

According to Willey, (1993), ever since the emergence of outsourcing practices in the late 1980's, outsourcing has been presented as a technique for reducing costs and freeing out management time. Organizations including governments divide activities into core and non-core activities. Core activities, which enhance core competencies, cannot be outsourced while non-core activities that usually require generalized skills that are easily available are considered for outsourcing. According to KIPPRA, (2004), the outsourcing of human

resource practices/activities by the public sector increased with the retrenchment of low cadre employees – who are usually cleaners and messengers – thus paving way for the outsourcing of their services.

Studies done by Kirui, (2001) indicate that cost reduction was the main benefit of outsourcing. The savings were achieved through integration, networking and synchronization of transport activities. Other benefits he identified were freeing up of employee time to be used for other activities and improved management of working capital.

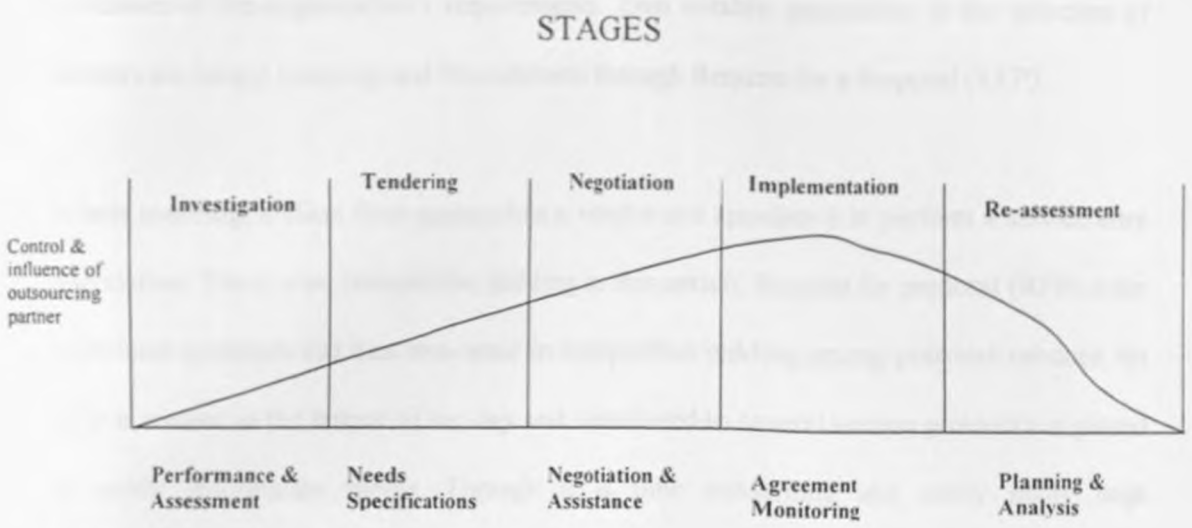
2.3 The Outsourcing Process

The American Outsourcing Institute, AOI, (1998) suggests that the implementation of outsourcing decisions be procedurally conducted and documented through the following phases; Planning, Analysis, Implementation, Operations, and Termination

The process of outsourcing of human resource practices is basically a cycle of events. Three major phases involved in the outsourcing process have been identified: internal analysis and evaluation; needs assessment and vendor selections; and implementation and management (AOI, 1998).

Bendor-Samuel, (1999), outlays a five step model to ensure a fair outsourcing deal throughout the life cycle as shown in the figure below.

Figure 1: The Outsourcing life cycle



Source: Bendor-Samuel

Investigation stage: this is the stage where existing processes and systems are reviewed and compared to the best of breed. It is at this stage that the opportunities for improvement are identified.

Whether outsourcing has potential advantages or not is the key question asked at this stage. This stage provides a baseline of current cost and service levels. This information can be used to compare apples-to-apples against performance improvements delivered by the outsourcer and against industry trends throughout the relationship.

Tendering stage: This is the stage where knowledge gained from benchmarking is incorporated to set optimum performance targets for the organization. This helps identify the serious contenders for the business and spells out that world-class performance is expected and will be measured.

Negotiation stage: Before negotiation, it is critical to set the right expectations for cost, performance, and service levels. The negotiation position is reinforced by the external validation of the organization's requirements. Two notable approaches in the selection of vendors are Single Sourcing and Procurement through Request for a Proposal (RFP).

In sole sourcing, a client firm approaches a vendor and appoints it to perform a service after negotiation. There is no competitive bidding in this option. Request for proposal (RFP) is the traditional approach that has been used in competitive bidding among potential vendors. An RFP is created in the format of the day and distributed to several service providers or placed in public information media. Though it is time consuming and costly many large organizations choose this approach for transparency purposes. Perhaps, benchmarking may be considered to facilitate "fast tracking" or sole source consideration. Fast tracking simply means the client has decided to outsource, usually with very little investigation and no tendering, and wants to move through the negotiation process quickly. In a sole source situation, ensuring a competitive supply can be difficult. Here, the vendor holds the balance of power in the negotiation. Benchmarking can level the playing field, serving as a surrogate for the competitive process to ensure you receive a fair deal.

Implementation stage: This is the stage for contract refinement. At this stage service level agreements are put in place detailing process maps, responsibilities, and implementation of key performance indicators. Refined structures and reporting lines are implemented.

Relationship management: Benchmarking is most commonly employed in relationship management. In this type of management outsourcing deals are negotiated. Several

organizations have had to negotiate contracts within two years of being signed. Usually dissatisfaction over pricing and service levels are the main drivers for negotiations. Benchmarking plays a key role in re-negotiations, since clients need access to industry performance parameters in order to make a case with the outsourcing vendor.

For clear delegation of control in Human Resource Management (HRM), the American Outsourcing Institute, (1998) emphasizes that there must be effective planning and control. Even though Human Resource Management (HRM) has successfully developed over the years, control must be synchronized with operative planning of the collection and analysis of data on personnel and with the organization structure.

Before outsourcing of human resource functions takes place it is prudent to give careful thought to what to outsource and what to retain.
Building on various attributes even as Barney, (1997) and Peters, (1998) point out, we see the following criteria as significant to the outsourcing debate. It is more likely that an activity will be undertaken in-house if it meets the criteria below:

Deliverability – There is a group of expert people in the organization who demonstrate a capacity to use diverse technologies and approaches.

Immitability – Whatever is being undertaken cannot be copied or provided easily by outsiders. For example an activity that you have a core competence over the competition, for instance, the Kenya Broadcasting Corporation outsourcing the training of broadcasters from other broadcasting stations in Kenya is almost nil.

Durability – The value added is not dependent on a current range of products and services. There is confidence that those responsible for the activity will be able to respond to future contingencies.

Non-substitutability – the activity cannot be replaced by an alternative competence.

Superiority – It is clearly better than other competencies provided elsewhere.

Source of envy – Others such as competitors, would dearly like to be able to provide the service but do not have the requisite skills. Its possession thus constitutes a considerable barrier to entry for competitors.

Translate into tangible client benefits – clients see the exercise of outsourcing as being valuable. Until it manifests itself as something tangible for the client it remains impotent. This ability to effect the transference process is described by Peters, (1997) as a core capability.

2.4 Some Commonly Outsourced Human Resource Functions

In one survey, about 71% of respondents said they were outsourcing one or more HR activities such as temporary staffing, recruiting, benefits administration, payroll and training. Cost reduction was the most common cited explanation (AOI, 1998).

Armstrong, (2003) believes that HRM is well positioned to outsource some of its activities to management consultancies and other agencies or firms who act as service providers in such fields as recruitment, executive search, training, occupational health and welfare.

Whichever human resources functions an organization decides to outsource, Barney, (1997) identifies the principles that should be considered and positively adhered to and these include: Ensuring that all employees affected by an outsourcing decision are treated fairly; provision of a degree of certainty about the staffing approach to be adopted (allows employees and tenderers to choose option); seeking to maximize a harmonious industrial environment; planning to ensure a coordinated approach to the aspects of HR functions outsourcing and ensuring sufficient resources (financial and human) allocation in areas affected by outsourcing. Outsourcing may be worthwhile if it is certain that it can deliver a better service at a lower cost. The decision to outsource should be based on vigorous analysis and bench making to establish how other organizations manage their HR activities. It is a mistake to assume that organizations contemplating outsourcing will inevitably outsource all of their HR functions. The tendency is to focus on those which do not manifestly add to the core competencies of the organization and which are relatively accessible externally.

As earlier discussed, the areas identified for outsourcing in any organization will largely depend on the savings, efficiency and the competitive advantage an organization would like to attain. Generally, the main areas for outsourcing as identified by Sparrow are: Training and Development, Recruitment and Selection, Health and safety monitoring and advice, Employee welfare and counseling activities, Childcare facilities, Payroll Management, Specialist legal advisory services, Expatriate Management, Performance Management, Occupational health and fitness services, Security and Surveillance, and Cleaning and Sanitary services. In practice, the determination of what is to be outsourced lies with the objective of the outsourcing client.

Others acknowledge that many Human Resources activities have not been exempt from outsourcing, including training and development programs and major aspects of recruitment (Laabs, 2000), Business week (1996).

2.5 Deciding What to Outsource

Richman and Trondsen, (2004), in their study have recommended that outsourcing human resource functions should be considered when an organization perceives that the training activities fall short of their core competencies. Outsourcing should be considered when the organization is seeking to improve the quality of its services and to reduce costs. Kenya's Directorate of Personnel Management (DPM, 2001), specifies that to be contracted out, it must be demonstrated that the end result of the process must be cost saving and/or a notably better quality of service.

To achieve time, process, and cost advantages, organizations are increasingly seeking outside firms to perform activities previously conducted in-house. Such outsourcing makes sense for firms that lack the necessary economies of scale, skill or technology to perform certain functions quickly and efficiently. Additionally, many firms seek third party providers not because they are incapable but because they can focus on their own competencies.

Outsourcing is based on the notion that strategy should be built around core managerial and technical competencies that add the most value in the value chain but functions or activities that add a little value or cannot be done cost effectively should be done outside the firm-outsourced. When done well, the firm gains a supplier that provides superior quality service at a lower cost than it could provide itself (Pearce and Robinson, 1997).

McCutcheon, (1995) warned that if not well implemented, outsourcing could lead to an abdication situation of the desired delegation of non-core activities to the supplier-partner. He contends, "the greatest danger in outsourcing is the attitude of 'getting rid of what an organization does not like' by sub-contracting them out as opposed to the organization outsourcing its non-core activities so as to enable it focus on its core activities"(pp85). The result of the abdication process described is a lack of process ownership, lack of accountability, and blame culture and eventually lose-lose situation for both parties.

2.6 Benefits of Outsourcing Human Resource Management Functions

Jo-Ann, (1998) has reported that outsourcing allows an organization to focus on core competencies. Further, the outsourcing Institute of the United States, (2000) lists ten benefits of outsourcing to include: Accelerating reengineering benefits which aim for dramatic improvements in cost, quality, service and speed; Giving access to world class capabilities; Cash infusion – outsourcing often involves the transfer of assets from the customer to the provider; Freeing resources for other purposes; Eliminating difficult-to-manage functions; Shifting organization focus to the client; Freeing up capital funds – outsourcing can reduce the need to invest capital funds in non-core functions; Reducing operating costs; Reducing risk – vendors make investments on behalf of many clients; shared investment spreads risk; and Providing access to resources not available internally.

PWC, (2000) conducted a survey in the United Stated of America's fastest growing companies, 'Trend Setters'. Respondents were Chief Executive officers of 440 service and product companies with Revenue sales of One Million, One Hundred and Fifty US Dollars. The findings were that businesses that outsource were growing faster, were larger and made more profits than those that did not.

The key strategic reasons for outsourcing identified by various researchers (Pearce and Robinson, 1997), are firstly, the need to improve business focus following realization that several "how" issues are siphoning off huge amounts of management resources and attention. Secondly, it is used as a vehicle to access world class capabilities. The very nature of specialization by outsourcing providers means they have extensive worldwide, world class resources to meet the needs of their customers. Thirdly, outsourcing is used to achieve accelerated re-engineering benefits. As such, through outsourcing, an outside organization that has re-engineered and achieved world class processes takes over the processes thus enhancing attainment of benefits. Fourthly, there are tremendous risks associated with investment an organization makes. When organizations outsource they become more flexible, more dynamic, and better able to adapt to changing opportunities. This is because their partners do some capital investments on their behalf. Finally, outsourcing enables freeing of resources for other purposes. Through outsourcing, the organization re-directs its resources from non-core activities toward activities that have a greater return in serving the clients.

2.7 Challenges and Risks of Outsourcing

Serem, (2000) in her study reports that the low quality of work done by a vendor is the leading limitation of outsourcing. She identifies others as: Lack of understanding of organization culture on the part of contractor, unmet time frames, inflated costs and difficulty in identifying a competent contractor.

Kirui, (2001) in his study found out that the challenges encountered in the outsourcing process include: lack of benchmarks in the Kenyan environment because it is apparently a new phenomenon, the existence of a few vendors to pick from and resistance to change by

personnel. He reported that whenever outsourcing is implemented, there are human resources issues such as redundancies that arise-although most of the employees who became redundant were absorbed by the new suppliers. Quin and Hilmar, (1994) have identified some risks that outsourcing can pose for the organization and these include: the loss of critical skills or developing the wrong skills, the loss of cross-functional skills/synergy and the loss of control over suppliers. There is also the risk of the organization incurring higher inflated costs when it contracts out.

As a result of economic down turn, globalization and the fast drive towards information technology, mostly third world countries are carrying out public sector reforms to reduce costs and increase efficiency and productivity. The Korean civil service for instance implemented civil service reforms in 1990 as a result of economic instability it suffered then, Kim, (2000). This is bound to cause employees to lose their jobs because of resultant retrenchment/rightsizing.

Johnson and Scholes, (1998) report that a recent research demonstrated that well- run organizations-those that usually perform well in the market-are likely to see effective outsourcing as part of good management practice. But it also makes very plain that the magic of outsourcing is not working for most organizations. Only 5% of the 300 organizations investigated had found outsourcing high on benefits and low on drawbacks, for the rest, the outcome of outsourcing was either mediocre or a total flop. It would appear that the manner in which outsourcing is implemented is key to its success but on the other hand outsourcing has its dangers. Kipsang, (2003) in her study of outsourcing IT services by Commercial Banks in Kenya revealed that 76.2% of respondents identified loss of control as a major risk of outsourcing.

Bendor-Samuel, (1999) puts forward common mistakes suppliers make as: Firstly, ignoring the client's unique needs- outsourcing providers who have repeatedly demonstrated their integrity and ability to get the job done are too confident about their skills and knowledge. Because of that, they have a tendency not to listen closely when their prospects tell them what they want. Instead they tell their clients how to do things. This will most likely lead to higher prices or inflexible contract structure. There is also the challenge of Human Resource managers to be in a rush to outsource the activities they were employed to perform in the first place to save their time, a move that is likely to beat the very essence of outsourcing, which is to increase efficiency and reduce costs.

Secondly is ignoring the importance of leverage. One of the biggest business benefits of outsourcing is the ability to use leverage. This is where a supplier creates value for the buyer. Suppliers must structure their transactions to accentuate the value they create through leverage. Suppliers must clearly explain the importance of leverage to their prospects. These advantages include the access to scarce resources, the ability to substitute expensive resources for cheaper ones, process expertise, and access to capital.

Thirdly is avoiding accountability. Having a supplier responsible for a process is core to the definition of outsourcing. Suppliers stress accountability during their initial negotiation. But in reality the sales contracts and governance documents say, "Trust me". Suppliers try to shirk responsibility because responsibility means risk. They will do whatever they can to remove that risk. The way to maximize an outsourcing relationship is to have the vendor align his interests with the buyer. That way, when the supplier makes a move to maximize his profit, the move should help the buyer too.

On their part, buyers too make various mistakes. First is relying too much on executive contract. Once they have decided to outsource. buyers are usually in a hurry to get the deals done. To put the transaction on the fast track. the two groups of executives get together, shake hands and let the next level work out the nitty gritty details of the relationship. Buyers are divesting a process they currently own which includes the transfer of both assets and people. For this reason, buyers must involve various elements of the organization. Top-level executives are rarely enough to complete the process.

Second mistake made by buyers is to let the supplier lead the process. This is the most common outsourcing mistake and the most deadly. It results in higher cost and lower quality of services. The best way for a buyer to fix this problem is to know exactly what it wants before it begins the outsourcing negotiation process. The buyer's team must know what it will benefit from.

The third mistake made by buyers is signing a contract with too long a term. For instance, what will the Internet look like five years from now? No one has any idea. But a number are tempted to sign up for Internet training. This is lunacy. It is impossible to create boundaries or service level agreements for an unknown process. Suppliers prefer long-term contracts because the commitment allows them to invest their own capital in the process. It also allows them to take advantage of new and better technology and also respond to changing client needs. It is more advisable for clients to develop long-term relationships but sign short-term contracts!

2.8 Other Recent Studies on the Subject

A survey conducted by the American based outsourcing Institute on companies that outsource in that country revealed and ranked factors to consider when selecting vendors.

Table 1: Factors considered in the selection of vendors

Rank	Factor
1	Commitment to quality
2	Price
3	Reputation
4	Contract terms
5	Scope of resources
6	Value addition capability
7	Existing contract relationship

Source: The American Outsourcing Institute (1998)

Kirui, (2001) reveals in his study that outsourcing of non-core logistics activities at BAT Kenya was triggered by the need to eliminate duplication of roles, effort and the dysfunction existing within the organization. This study also revealed that besides enabling BAT Kenya to focus on its core business, outsourcing was considered the right strategy to drive the company forward and to achieve better customer service delivery.

Kinyua, (2000) asserts that outsourcing engagements like other contractual engagements are characterized with risks and rewards. To be successful, a company should have a portfolio of competencies rather that a portfolio of business. Companies need to conduct careful analysis before engaging in outsourcing to ensure that it is not transferring benefits that could have been realized had it in-sourced the activity. Performance level of external vendors should be agreed upon, explicitly disclosed and continuously monitored.

A study conducted by PriceWaterHouseCoopers, (2000) established that outsourcing has moved markedly from attending to a single function more efficiently, to reconfiguring a whole process in order to attain greater shareholder value across the enterprise. In effect, emphasis is on attaining greater value across the enterprise shifting from outsourcing parts, facilities and components, towards outsourcing the intellectual based systems.

2.9 Future of Outsourcing of Human Resource Management Functions in the Public Service

There is no doubt that the world of lean resources is dictating lean management. Managers are avoiding waste, inefficiency and display of opulence. As Rothery and Robertson, (1996) argue, public sector outsourcing is growing while at the same time service providers are expanding their range of offerings. Hammer, (1992) in Rothery and Robertson, (1996) looks at outsourcing as a re-engineering tool. Re- engineering gives companies the opportunity to consider outsourcing as one of the tools that they can use in the new process.

BNA bulletin, (1997) reports that in one survey, about 71% of respondents said they were outsourcing one or more human resource activities such as temporary staffing, recruiting, benefits administration, payroll and training. Cost reduction was the most cited explanation.

More and more organizations are increasingly outsourcing their human resource functions. Indeed, the human resource outsourcing industry was expected to grow from $13.9 billion in 1999 to $37.7 billion in 2003 (AOI, 1999). PWC, (2000), in supporting this view, confirms that eight out of ten America's fastest growing companies outsource at least one non-core function, delegating its day-to-day management to outside providers. Although this practice is thought to be increasing (Wendell, 2003) assures that it is bound to create lay offs and its associated problems including union-management fictions.

Serem, (2002) in her study warns,"Outsourcing is increasingly becoming a threat to the survival of the Human Resources function in its present form." Pg3

Outsourcing reflects the need, recognized by increasing numbers of organizations to focus on their core areas of business and to outsource processes that add little or no value in terms of achieving their business goals. In my considered opinion the future of outsourcing of human resource functions in the public sector is bright.

SECTION THREE

RESEARCH METHODOLOGY

3.1 Research Design

This was a survey research meant to determine the extent of outsourcing of HR functions being undertaken by the public service in Kenya. Gay, (1983) describes survey as an attempt to collect data from members of a population in order to determine the current status of that population with respect to one or more variables. The survey method was used. It was a census study, as it involved all the government ministries in Kenya. The study was carried out at the city of Nairobi where each ministry has its headquarters.

3.2 Population

Population of the study consisted of all government ministries in Kenya. The Presidential Circular No. 1/ 2005 indicates there are 29 government ministries in Kenya. (Appendix1). Parastatals and institutions deemed to be autonomous were assumed to be under respective ministries and therefore were not studied independently.

3.3 Data Collection

The main tool for primary data collection was the questionnaire, which had both open and closed-ended questions. Respondents to the questionnaire were officers in charge of human resource management in the respective ministries. The questionnaire was structured in three parts as follows: Part A: General information; Part B focused on objective (1) which was the determination of the extent of HRM functions outsourcing in the Kenya Public Service, and C focused on objective (2) which was establishing the factors that influence the practice of HRM outsourcing in the Kenya Public service. Drop-and-Pick-later method was used to administer the questionnaire because it was cheaper and convenient.

3.4 Data Analysis

Data was analyzed using descriptive statistics, which comprised Frequencies, Percentages or Proportions, and Tables. These were used to establish the number and proportions of ministries, which outsource particular human resource activities. Frequency tables were also used to reveal the extent of and factors considered when outsourcing as well as the most outsourced human resource functions in the public service. Similar studies by (Kinyua, 2001), (Serem, 2002), (Kipsang, 2003) and (Kirui, 2003) applied similar techniques.

3.5 Data Presentation

Data was presented using tables, percentages and proportions.

SECTION FOUR

FINDINGS AND DISCUSSION

4.1 Introduction

This section deals with data analysis and responses of eleven (11) senior officers responsible for Human Resource Management in the Kenya government ministries. It was established from government records that there are twenty nine (29) Government ministries (appendix 1). Although the ministries are 29, the study established that some of the ministries shared the services of one Human Resource department. For instance, in the Office of the President, where there are three (3) ministries, namely Public Service, Special Projects and that of Provincial Administration and National Security, there was only one such department. Another example where the Human Resource department was shared was in the ministry of Home Affairs, Ministry of Culture, Sports and Social Services and the Ministry of National Heritage. Because of this sharing the respondents reduced from 29 to 20 and out of the 20 respondents the questionnaire was administered to, 11 representing 55% of them, successfully completed and returned the questionnaire. The analysis and interpretation of the data is presented below.

4.1.1 Background Information

All the respondents were Human Resource officers in charge of the human resource departments in their respective ministries. Among the respondents contacted, 9, representing 81.8% of the total respondents reported that HR departments their operated separately from another ministry's for over 10 years. One respondent in each case representing 9.1% of the total respondents reported that their Human Resource departments existed separately for 1-3 years and 7-9 years respectively.

On the number of employees in each ministry, 8 ministries representing 72.7% of them had less than 5.000 employees. One ministry, representing 9.1% had between 5,001 and 10,000 employees while 2 ministries representing 18.2% had between 10,001 and 50,000 employees. None had more than 50,001 employees.

All (100%) of the ministries reported having fully fledged Human Resource Departments although they were recently so named after previously being known as Personnel Departments. Each of the Human Resource departments in the ministries was headed by an Assistant Director of Human Resource Management and under him/her was: Deputy Assistant Director of Human Resource Management, Principal Human Resource Management Officers, Senior Human Resource Management Officers and Human Resource Management Officers.

4.2 Period During Which Outsourcing of HRM Functions has been Undertaken

The study established that 45.5% of the ministries surveyed had engaged in the practice of outsourcing of Human Resource Management functions for more than 20 years while 18.2% had engaged in it for more than 3 years. The remaining 27.3% had not outsourced at all. This is a surprise because it is known that ministries outsourced many human resource services/ functions albeit internally within the government. This relatively high percentage may be due to the possibility that the ministries engaged in Human Resource Management function without knowing or took for granted the fact that they outsourced these functions from other government agencies/ departments or may be the respondents understood outsourcing of human resource functions to mean the sourcing out of the civil service.

4.3 Extent of Outsourcing of HRM Functions by the Kenya Government Ministries

Asked whether their ministries outsourced some human resource management activities, an average of 6 ministries representing 54.5% of the respondents said yes, whereas the remaining 5 representing 45.5% said no. The results are presented in Table 2 below.

4.3.1 Extent of Outsourcing of Recruitment and Selection Function

The study revealed that 18.2% of the ministries did not engage in outsourcing of this function while a similar percentage reported that they engaged in the practice to a large extent. Majority of the respondents representing 54.5% reported that they engaged in the practice to a moderate extent as shown in table 2 below. It is important to note that under delegated powers the Permanent Secretaries and Authorized officers can recruit/hire employees from job group A to L in consultation with the PSCK, while the PSCK recruits from job Group M and above (GOK, 2003)

4.3.2 Extent of Outsourcing of Training and Development

As shown in Table 2, 54.5% of the ministries outsourced to a moderate extent their Training and Development functions, 18.2% did not outsource while 9.1% did so to a large extent.

4.3.3 Extent of Outsourcing of Security Services

The research findings presented in Table 2 show that 27.3% of the ministries did not outsource this function while a similar percentage reportedly engaged in the activity to a moderate and to a large extent respectively. This implies that 72.8% of the respondents engaged in outsourcing of security services to some extent.

4.3.4 Extent of Outsourcing of Employee Welfare and Counselling Activities

The survey revealed as shown in Table 2 that 27.3% of the respondents' ministries did not outsource their employee welfare and counseling activities. 36.4% did so to a lesser extent

whereas 27.3% did so to a moderate extent. 9.1% outsourced to a large extent whereas none did so to a very large extent.

4.3.5 Extent of Outsourcing of Employee Specialist Legal Advisory Services

The survey established that 18.2% of the respondents' ministries did not outsource specialist legal advisory services whereas a similar percentage practiced the activity to a large and every large extent respectively it to a less extent. 9.1% practiced it to a moderate extent while 27.3% each practiced. Overall 54.6% of the respondents said that their ministries actively engage in the outsourcing of the service while the remaining 45.5% did not. These results are presented in Table 2.

4.3.6 Extent of Outsourcing of Payroll Management

As shown in Table 2, 27.3% of the respondents reported that their ministries do not engage in outsourcing the activity while a similar percentage did so to a lesser extent. 9.1% outsourced it to a moderate extent while 27.3% each outsourced the activity to a large and very large extent, respectively.

4.3.7 Extent of Outsourcing of Performance Appraisal and Management

As Table 2 shows, a large proportion (63.6%) of the respondents reported that their ministries do not outsource the activity. On the other hand, 9.1% each reported that the activity takes place in their ministries to a lesser and large extent, respectively. 18.2% said that their ministries outsourced the function to a moderate extent. None outsourced to a very large or large extent.

4.3.8 Extent of Outsourcing of Human Resource Planning

The study revealed that 36.4% of the ministries never outsourced Human Resource Planning while a similar percentage reported undertaking it to a moderate extent. 27.3% of the ministries do it to a large extent. None did it to a very large extent. On average six ministries

representing 54.5% of them engaged in outsourcing of HRM functions while 5 (45.5%) did not. Results are in Table 2 below.

Table 2: Extent of Outsourcing of Human Resource Management Functions

Function	Extent of Outsourcing			
	Large Extent		Not at all	
	Frequency	(%)	Frequency	(%)
Training and Development	9	81.8	2	18.2
Security Services	7	63.6	4	36.4
Employee Welfare & Counseling	4	36.4	7	63.6
Specialist Legal and Advisory Services	7	63.6	4	36.4
Payroll Management	5	45.5	6	54.5
Performance Appraisal and Management	3	27.3	8	72.7
Human Resource Planning	7	63.6	4	36.4
Average Score	6	54.5	5	45.5

4.4 Source of Services Outsourced

The study revealed that 81.8% of the ministries outsourced their Human Resource Management services/ activities from other government ministries/ institutions whereas 18.2% did so from the private sector.

4.5 Approach Used in Deciding What to Outsource

The survey established that 72.7% of the ministries outsourced their Human Resource Management activities through single sourcing whereas the other 27.3% reported to be doing so through competitive bidding.

4.6 Factors Considered When Deciding on Outsourcing

The survey noted that the two prime factors that are considered when deciding on outsourcing in the Kenya Public Service are government policy and the need for confidentiality. 100% of the respondents in each case agreed so. 81.8% of the respondents agreed that the cost of service was an important factor, while 18.2% disagreed that it was. This factor has been ranked at position two. The Performance of Previous Suppliers and Supplier Reputation both tie at 72.7%. It is apparent from the data on table 3 that the issue of Lack of Qualified Internal Competencies was the least important factor in determining whether to outsource in the Kenya public service. Only 63.6% of the respondents agreed that it is important while a relatively high 36.4% disagreed. Results are presented in Table 3 below.

Table 3: Factors Considered When Deciding to Outsource

Ranking	Factor	Agreed		Disagreed		
		Frequency	(%)	Frequency	(%)	Total
1	Government Policy	11	100	0	0	100%
1	Confidentiality	11	100	0	0	100%
2	Cost of Service	9	81.8	2	18.2	100%
3	Performance of previous Suppliers	8	72.7	3	27.3	100%
3	Supplier Reputation	8	72.7	3	27.3	100%
4	Lack of internal Competencies	7	63.6	4	36.4	100%
Average Score		9	81.8	2	18.2	100%

4.7 Possible Reasons for Outsourcing of Human Resource Management Functions by the Kenya Public Service

The results presented in Table 4 show that 90.9% of the respondents felt that the Kenya Public Service outsource their Human resource functions mainly to reduce costs and also to improve the skills and knowledge of their employees. These two reasons shared the top position of importance. The other two possible reasons, to Increase efficiency and to Reduce

Corruption, tied in the second position where 82.8% of the respondents agreed that they are the main reasons for outsourcing human Resource Management functions. On average 9 respondents (81.8%) consider the given possible reasons as strong whereas 2 (18.2%) consider them weak.

Table 4: Reasons for Outsourcing

Ranking	Possible Reason for Outsourcing	Strength			
		strong		Weak	
		Frequency	Score (%)	Frequency	Score
1	Cost Reduction	10	90.9	1	9.1
1	Improved skills and knowledge of employees	10	90.9	1	9.1
2	Reduce Corruption	8	72.7	3	27.3
2	Increased Efficiency	8	72.7	3	27.3
Average Score		9	81.8	2	18.1

4.8 Possible Risks of Outsourcing

On this issue, the findings as shown in Table 5 indicate that 72.7% of the respondents agreed that outsourcing of Human Resource Management functions led to loss of jobs for employees. This risk ranked number one. Two possible risks of outsourcing Human Resource Management functions, namely Inflation of Costs by vendors and Loss of Internal Coherence/ Uniformity were both ranked second. Loss of Control and Delays by vendors with a score of 54.5% and 45.5% are ranked in position three and four, respectively. The data on possible risks of outsourcing HR functions implies that depending on the attitude of the implementing officers, such risks will determine whether outsourcing will be undertaken.

Table 5: Risks of Outsourcing

Ranking	Possible Risk	Agreed		Disagreed	
		Frequency	(%)	Frequency	(%)
1	Loss of Jobs	8	72.7	3	27.3
2	Inflated Costs	7	63.6	4	36.4
2	Loss of Internal Coherence	sss7	63.6	4	36.4
3	Loss of Control	6	54.5	5	45.5
4	Delays	5	45.5	6	54.5
	Average score	7	60	4	40

4.9 Future of Outsourcing of Human Resource Management Functions in the Kenya Public Service

On this matter, the answers expected from the respondents were based on a structured question and therefore the answer given per respondent could be more than one. There were twelve varied answers which loosely fell into four categories as follows:

1. Government Policy
2. Bright
3. No change
4. Incremental outsourcing

16.7% or 2 respondents indicated that government policy would determine the trend and scope of outsourcing of Human Resource Management functions in the Kenya Public Service. Three responses, representing 25% indicated that outsourcing of human resource Management function in the public service has a bright future with the input of the private sector expected to increase. The responses gave as an example the precedence set by the parastatal/ Public Corporations in the outsourcing of most of the critical Human Resource Management functions such as Recruitment and Selection and Training and Development. Five respondents representing 41.7% indicated that the status quo would remain, that is, the public service will continue to outsource Human Resource Management functions but only within the existing government institutions such as the DPM and the PSCK.

Two respondents (16.7%) indicated that there would be gradual, incremental outsourcing from the private sector of Human Resource Management functions by the Kenya Public Service beginning with Performance Appraisal and Management. This, they argued, will happen in order to increase objectivity and conversely reduce biasness in the assessment of performance of juniors by supervisors. Outsourcing of this function from the private sector may even accelerate with the introduction of performance contracts in the Kenya Public Service.

SECTION FIVE

SUMMARY AND CONCLUSION

The survey sought to establish the extent of outsourcing of Human Resource Management functions by the Kenyan Public Service. Objectives of the study were: to determine the extent to which the outsourcing of Human Resource management functions is being undertaken by the Kenya Public Service and to establish the factors that influence the practice of Human Resource Management functions outsourcing in the Kenyan Public Service.

5.1 Extent of Outsourcing HRM Functions in the Kenyan Public Service

The findings of the study indicated that the Kenyan Public Service indeed outsources Human Resource Management functions. The study revealed that most of the Ministries outsourced these functions to a large extent albeit from other government institutions, more so the DPM and the PSCK. Two functions mostly outsourced by the ministries were found to be Recruitment/Selection and Training/Development. These findings compare well with literature reviewed earlier in this study, which revealed that among the most outsourced Human Resource Management functions are the two mentioned above. 81.8% of the ministries outsourced their HRM functions from other government ministries/institutions while the rest acquired the services from the private sector. Although Performance Appraisal was reportedly the least outsourced Human Resource Management function in the Kenyan Civil Service (with a meagre 27.3% of the ministries outsourcing it to a large extent while the balance 73.7% did not do it at all), most of the respondents felt that it should be outsourced to increase objectivity.

5.2 Factors That Influence Outsourcing of Human Resource Management Functions in the Kenya Public Service

The study revealed that Government Policy and the need for Confidentiality were the leading factors considered in outsourcing of Human Resource Management functions in the Kenyan Public Service. 100% or 11 of the respondents considered them important. The other factor considered in order of importance was that of Cost of Service with a score of 81.8%. Two other factors- Performance of Previous Suppliers and Supplier Reputation both tied in terms of importance with a score of 72.7%. Lack of Qualified Internal Competencies with a comparatively low score of 63.3% appeared to be the least considered factor.

The main reasons for outsourcing of Human Resource Management functions in the public service were found to be Cost Reduction and the Improvement of Skills and Knowledge of Employees. Outsourcing of these functions was found to be laden with risks of which the main one was of loss of jobs by employees who hither to provided the services in-house. The least considered risk of Human Resource Management functions emerged to be that of Delays/unmet time frames. This was justified by the fact that when contracting out, government ministries usually provide specifications/conditions of acceptance to the service provider before entering into contract relations with them.

5.3 Limitation of the Study

The study's main limitation was the scope of the study. The parastatal sector was not covered by this study. All respondents were officers in charge of Human Resource Management in the line of ministries of the Government of Kenya. There are possibly a lot of outsourcing of Human Resource Management functions in the parastatals/ Public Corporations which has not been studied.

Inadequate time resulted in some questionnaires not being completed by the respondents. Also, some of the respondents were suspicious and consequently reluctant to answer the questionnaire.

5.4 Recommendations for Policy and Practice

From the research findings it can be recommended that the Kenya Public Service should strongly consider outsourcing Performance Appraisal and its Management from the private sector in order to increase objectivity of the system and participation in the exercise by employees. The more comprehensive 360^0 appraisal method should be incorporated when outsourcing performance appraisal to maintain the above ideals of objectivity and participation.

It is also recommended that the Kenyan Public Service outsources the designing and building Human resource Database for Human Resource Management Information System (HRMIS) so that it is available to every HRM officer in the public service. It should contain issues such as record of Employee Age, Sex, Health, Terms of Service, Employment History, and Training Needs and so on. Every HRM officer will therefore have direct access to this information at the click of a button. The PSCK should consider establishing a web-based personnel database in order to promote information systematization of HRM work throughout the entire Kenyan Government Ministries.

5.5 Recommendations for Further Research

There is evidence as revealed by the study that the Public Service in Kenya outsources some of its Human Resource Management functions to some extent albeit from other government institutions such as the DPM and PSCK. There is need for more research to be undertaken on outsourcing of Human Resource Management functions in the Kenya Public Service with a focus on the parastatals/ state corporations to get in detail their experiences after outsourcing those functions.

There is also need to carry out a study on how the Kenya Public Service can use outsourcing of Human Resource Management functions as a strategy to increase efficiency, reduce costs and also build linkages and long lasting collaboration with the private sector in the Human Resource Management profession.

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Appendix 1: Letter of Introduction

Dear Respondent,

RE: MBA Research Project

I am a post graduate student at the University of Nairobi doing a research as part of the requirements for the degree of Master of Business Administration (MBA).

The research project aims at finding out the extent of outsourcing of HRM functions by the Public Service in Kenya. It further seeks to establish the factors considered by the Public Service when outsourcing.

The information collected will be used only for academic purposes and will be treated confidentially. Your name or that of your ministry will not be mentioned in the report. Where possible a copy of the research project will be availed to you on request.

Your assistance and cooperation will be highly appreciated.

Komen Haron, C.
MBA Student

Prof. P.O K'Obonyo
Supervisor

Appendix 2: Kenya Government Ministries as at September2005

1. MINISTRY OF PROVINCIAL ADMIN'.& NATIONAL SECURITY
2. MINISTRY OF ROADS AND PUBLIC WORKS
3. MINISTRY OF FINANCE
4. MINISTRY OF EDUCATION SCIENCE AND TECHNOLOGY
5. MINISTRY OF JUSTICE AND CONSTITUTIONAL AFFAIRS
6. MINISTRY OF HOME AFFAIRS
7. MINISTRY OF INFORMATION AND COMMUNICATIONS
8. MINISTRY OF LOCAL GOVERNMENT
9. MINISTRY OF HEALTH
10. MINISTRY OF TRANSPORT
11. MINISTRY OF LIVESTOCK AND FISHERIES DEVELOPMENT
12. MINISTRY OF WATER AND IRRIGATION
13. MINISTRY OF TRADE AND INDUSTRY
14. MINISTRY OF ENVIRONMENT AND NATURAL RESOURCES
15. MINISTRY OF FOREIGN AFFAIRS
16. MINISTRY OF LANDS AND HOUSING
17. MINISTRY OF CO-OPERATIVE DEVELOPMENT AND MARKETING
18. MINISTRY OF PLANNING AND NATIONAL DEVELOPMENT
19. MINISTRY OF IMMIGRATION AND REGISTRATION OF PERSONS
20. MINISTRY OF PUBLIC SERVICE
21. MINISTRY OF EAST AFRICAN AND REGIONAL COOPERATION
22. MINISTRY OF GENDER,SPORTS, CULTURE AND SOCIAL SERVICES
23. MINISTRY OF SPECIAL PROGRAMS
24. MINISTRY OF REGIONAL DEVELOPMENT AUTHORITIES
25. MINISTRY OF AGRICULTURE
26. MINISTRY OF NATIONAL HERITAGE
27. MINISTRY OF ENERGY
28. MINISTRY OF LABOUR AND HUMAN RESOURCE DEVELOPMENT
29. MINISTRY OF TOURISM AND WILDLIFE

Source: GOK 2005 Presidential Circular No. 1/ 2005 pg. V

Appendix 3: Questionnaire

Part A: General information (Tick where applicable)

1. How long has your Human Resource department been operating separate from any other ministry's?

   1-3 years ( )

   4-6 years ( )

   7-9 years ( )

   Over 10 years ( )

2. What is the approximate number of employees in your ministry?

   Less than 5,000 ( )

   Between 5,001-10,000 ( )

   Between 10,001- 50,000 ( )

   Over 50,001 ( )

3. Does your ministry have a fully-fledged Human Resource Department?

   Yes ( )

   No ( )

4. (a). If your answer in 3 above is yes, what is your staff establishment? (that is, positions in the department)----------

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(b). If your answer is no, how do you run your Human Resource Management (HRM) activities?

Part B: Extent of HRM Outsourcing

5 (a) Does your ministry contract out some HRM functions to outsiders? (Consider other ministries as outsiders for purpose of this study.) ***(Tick [√] where applicable.***

Yes [ ] No [ ]

(b) If your answer above is YES, approximately, how long has your ministry been involved in outsourcing of Human Resources Management functions? ***Please Tick as appropriate.***

i) More than twenty years ( )

ii) More than ten years ( )

iii) More than five years ( )

iv) More than three years ( )

v) Other (Specify) _____

_____

6. To what extent does your ministry outsource any of the following Human Resource Management functions? ***(Please tick on the following scale from 1 to five where appropriate)***

Key:

1- Not at all. **2**- Less extent **3**- Moderately extent **4**- large extent **5**- Very large extent

	1	**2**	**3**	**4**	**5**
Recruitment and Selection	( )	( )	( )	( )	( )
Training and Development	( )	( )	( )	( )	( )
Security Services	( )	( )	( )	( )	( )
Employee Welfare and Counseling Activities	( )	( )	( )	( )	( )
Specialist legal Advisory Services	( )	( )	( )	( )	( )
Payroll Management	( )	( )	( )	( )	( )
Performance Appraisal and Management	( )	( )	( )	( )	( )
Human Resource Planning	( )	( )	( )	( )	( )

7. For the Human Resource functions that your ministry outsources, ***(Tick (√) the most probable supplier of these functions /services.)***

1. Other government ministries/institutions ( )
2. The private sector ( )
3. Any supplier ( )

PART C: Factors influencing HRM Outsourcing

8. When your ministry outsources, whichever Human Resources functions it decides which of the following approaches do you mainly apply **(Please tick one)**

i) Competitive bidding ( )

ii) Single Sourcing ( )

iii) Any approach ( )

9. There are many factors that are considered when making decisions on whether to outsource or not. ***Please Tick (√) a number that best describes the level of importance of the following factors. (1 for very strong and 5 for very weak.)***

	1	2	3	4	5
Government Policy	( )	( )	( )	( )	( )
Reputation	( )	( )	( )	( )	( )
Performance of Previous Supplier	( )	( )	( )	( )	( )
Cost of Service	( )	( )	( )	( )	( )
Lack of Qualified Internal Competences	( )	( )	( )	( )	( )
Confidentiality	( )	( )	( )	( )	( )
Others (Please list and tick accordingly)					
_____	( )	( )	( )	( )	( )

Key:

1. Very strong **2**. Strong **3**. Moderately strong **4**. Weak **5** Very weak

10. Using the five point scale below, rate by ticking (√) the main reasons for outsourcing some of the Human Resource functions in your ministry ***(Please use the following five point scale where:*** **1.** Very strong **2.** Strong **3.** Moderately strong **4.** Weak **5.** Very weak

	1	2	3	4	5
Reduce costs	( )	( )	( )	( )	( )
Increase efficiency	( )	( )	( )	( )	( )
Reduce corruption	( )	( )	( )	( )	( )
Improve skills and knowledge of employees	( )	( )	( )	( )	( )

11. Risk is one of the factors that influence HR outsourcing. To what extent do you agree or disagree with the following statements about the risks of outsourcing. ***Please tick (√) in the relevant box using the five point scale below.***

Outsourcing leads to	**Strongly Agree**	**Agree**	**Moderately Agree**	**Disagree**	**Strongly Disagree**
Loss of control					
Loss of jobs by employees					
Inflated costing by vendors					
Loss of internal coherence					
Unmet time frames/delays					

12. Based on your experience what is the future of outsourcing of Human Resource Management (HRM) functions/activities in your ministry?

THANK YOU FOR YOUR CO-OPERATION