

**THE RELATIONSHIP BETWEEN OUTSOURCING AND  
ORGANISATIONAL PERFORMANCE IN THE BOOK  
PUBLISHING INDUSTRY**

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## DECLARATION

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

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I dedicate this work to my late dad, David, who ensured I knew the importance of education. To my sisters, Christine, Bella and brother Peter, who have been my pillar during this journey; and to my mother Millicent who encouraged me not to give up even when it seemed very challenging.

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## **ABSTRACT**

The highly competitive environment along with customers' demands for tailored products and services has forced companies to continuously evaluate, improve and reengineer their operations. The objective of the study was to determine the relationship between outsourcing and organisational performance among book publishing industry-firms in Kenya. The research design adopted was descriptive. The population of the study was made up of 30 firms operating in the publishing industry in Kenya. The study used primary data collected through self-administered structured questionnaires. The data was analysed and presented using mean. The study's finding was that the firms outsource printing services, support services, distribution, production and pre-press, advertising services and technology services. Outsourcing of functions influences the performance of the publishing firms because it enhances productivity, flexibility, better quality of products, operating cost reduction, technology advancement and customer satisfaction. However, outsourcing has challenges which the research highlighted such as piracy, cost of delayed delivery or non-delivery, vendor failure to deliver, leakage of confidential information, plagiarism, loss due to disasters and recovery costs, disclosure of commercial secrets, interest conflicts with outsourcing partners and poor quality of goods and services. The study though successful, had some limitations in response rate due to suspicion by some publishing heads that the information collected can be used against them, especial by competitors. The study found out that outsourcing of processes by the book publishing firms in Kenya has influenced its performance and it is recommended that the firms should continue outsourcing other services which they do not have competitive advantage over its competitors so that they can continue improving their performance.

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

In today's world of ever increasing competition, organisations are looking for new ways to gain competitive edge and generate value. Lysons and Farrington (2006) recognise competitive edge as a special requirement that enables an organisation to deal with market dynamics and environmental forces better than its competitors. Organisations seek to achieve competitive advantage through outsourcing.

In 2002, National Alliance Rainbow Coalition (NARC) government implemented the Free Primary Education (FPE) policy, which was a campaign pledge to the voters (Kenya, 2008). The FPE initiative focuses on education for all and in particular, Universal Primary Education. This has seen an annual exponential increase in primary schools enrolment. Most of the children fully depend on the monies released by the government for tuition and other payments. The tuition bit includes textbook and writing materials.

In the same year, the Ministry of Education through the Kenya Institute of Education (KIE), tasked the Publishers to submit new materials for vetting, evaluation and approval to be used in school throughout the country (Kenya, 2008) whilst it released a new curriculum. It is important to note that KIE, currently known as Kenya Institute of Curriculum Development (KICD), is the national centre for the development of curriculum and curriculum support material. The materials that were approved by the Ministry of Education, a maximum of six titles for every level were to be included in the 'Orange Book' and schools were to use government funds to buy books drawn from the book. The publishers had to market their books to schools to ensure they chose their title.

Time given to the publishers to prepare the materials was short. The publishers were given six months to produce the materials. In an ideal situation, a book takes a minimum of one year from the time the idea is conceptualised to the time it reaches the book shop shelves. This time was reduced by half by the MoE.

This new development created new challenges for the supply chain operations. To sustain business under such pressures, most publishing firms opted to develop long-term strategic partnerships with a few competent suppliers in product development, inventory control and non-core process outsourcing.

In this study we shall focus on the publishing departments of different publishing firms. We shall assess the benefits and risks of outsourcing different publishing activities and the effects of outsourcing on organisational performance.

### **1.1.1 Outsourcing**

Greaver (1999) defines outsourcing as the act of transferring some of the organisation's activities and decision rights to outside providers as set out in the contract. Lysons and Farrington (2006) observed it as a management strategy by which non-core functions are shifted to specialists, efficient, external providers. Oshri, Kotlarsky and Willcocks (2011) define outsourcing as contracting with a third service provider for the management and completion of a certain amount of work for a specific length of time, cost and length of service.

Peters and Waterman (1982) state that excellent companies remain close to the knitting by focusing on core businesses while outsourcing what is regarded non-core. Whilst the concept of outsourcing is new, it has been and is still an important precursor to some of the new structures that have been developed. The root of competitive advantage lies in the core competencies, which allow businesses to adapt to the marketplace opportunities. Outsourcing is used not just for support services but also for activities "closer to core". Studies reveal that publishers have outsourced component manufacturing that was previously conducted in-house.

Many companies opt to outsource hoping that they will benefit from it. Outsourcing may lead to improved performance which includes higher quality products, shorter cycle time, increased productivity, higher profits etc. It may also include more focus on what you do best, improved risk management and reduced investment on assets and many others

Greaver (1999). A study by Price Water House Coopers (1999), found that most organisation primarily outsource to save on overheads but via short term outsourcing. Outsourcing enables customers to benefit from supplier cost advantages such as economies of scale, experience and location (McIvor, 2005).

Outsourcing is a common practice across publishing functions ranges, from digital composition to editorial activities. It provides cost benefits and flexibility, along with access to diverse range of technology and associated skills. Currently, outsourcing in book publishing industry extends not just to arrangements with traditional trading partners, but also to networks involving new partners. It is generally understood that key strategic factors should not be outsourced however, in the book publishing industry, editorial services and other key publishing functions are not immune to it.

### **1.1.2 Publishing**

Human's fundamental desire is normally to communicate with one another. According to (Guthrie, 2011), the intention of the first human messages, transmitted by the first public speech, the first musical performance, even the first marks scratched onto to a cave wall or a rock surface are all to a history that leads through time up to the door of contemporary publishing. Publishing, therefore, has been a hallmark for human civilisation and development. The growth of publishing as an industry has been primarily fuelled by the need of identifying, storing, retrieving and dissemination of knowledge.

Singh (2009) defines publishing as the process of production and dissemination of literature or information, that is, the activity of making information available to public view. Publishing is a process by which human communication is made public. Publishing can take different forms which include books, films, television programme, music recording, photos, magazines or newspaper.

The publishing world is highly dynamic. Information and technology constantly change hence the need for updating. The growing omnipresence of the internet has made information to be just a mouse click away. These have impacted the workings in the

publishing world. It therefore, means that the publishing industry has to be highly innovative.

### **1.1.3 The Book Publishing Industry in Kenya**

The book publishing industry in Kenya consists of publishing firms that mainly publish educational materials for learners. Currently book publishers in Kenya are under the umbrella body, Kenya Publishers Association (KPA) which promote and protect interests of the book publishing industry and its members by dealing collectively with problems that are manageable.

According to Chakava (1996), at independence there were only three publishing firms in Kenya. This included the East Africa Literature Bureau which had been started by East Africa British commission. This firm was headed by Sir Charles Richards who invited Longman and Oxford University press into the market to support the vibrant local publishing firm. They were private publishing firms. At this point, many schools were starting in Kenya. Richards believed in commercial publishing and he would have crowned his exemplary service to publishing in Kenya by spearheading, at independence, the establishment of a locally owned commercial firm. In 1964, the Kenya Institute of Education was established and they developed the syllabi for primary school education. In 1965, the government formed Jomo Kenyatta Foundation, a government parastatal, as a trust that would publish materials and use whatever profits it made in the award of scholarships to needy children.

According to Muita (1998) this led to disagreements between private publishers and the parastatal. Inevitably, the ministry of education could not be left out of the dispute, but instead of coming in as a referee it came in as a player, worsening an already volatile situation. For reasons that could not exclude financial gains, the ministry discredited the material from private publishers as expensive and irrelevant to the school situation in Kenya.

In early 1980s, the ministry introduced the cost sharing policy in school resources acquisition, meaning, the parents and the government would contribute to buying of school resources. This was short-lived because the government abandoned its responsibility and left it to parents.

Through continuous dialogue and more discussion with the ministry of education and international bodies who were donors, the private firms were invited to be partners in eradicating illiteracy in Kenya and in 1995/1996 the Royal Netherlands Government agreed to finance a pilot project to test textbook supply, on condition that books from the private publishers were included in the list of books to be bought. This became a breakthrough for the private companies to officially participate in the tendering for learning materials for teaching and learning institutions in Kenya.

This was followed by a launch of National Policy on textbooks publications which has been beneficial not only to the Kenyan Publishers, but to the ministry of education and the end user.

#### **1.1.4 Organisational Performance**

According to Richard, Devinney, Yip and Johnson (2009), organisational performance comprises the actual output or results of an organisation as measured against its intended outputs (or goals and objectives). Mahapatra (2010), however defines organisational performance as the ability of an organisation to fulfil its mission through sound management, strong governance and a persistent rededication to achieving results. Effective nonprofits are mission-driven, adaptable, customer-focused, entrepreneurial, outcomes oriented and sustainable.

An organisations performance can be measured through organisational financial results however, there are other measures that can be used. These measures include customer satisfaction/dissatisfaction, customer retention/behaviour, product and service quality, waste, flexibility, organisational capabilities and yield/ productivity. These measures however have to be in tandem with the organisation's mission and goals.

## 1.2 Research Problem

Today's publishing market requires rapid growth, and most publishers require a service provider with new media capabilities, and numerous modes in delivery of content. This has prompted most publishing firms to outsource some of their publishing activities to remain competitive.

A number of studies have been done on outsourcing. A study by International Business Machine (IBM) (2010) posits that outsourcing is a strategic business decision that is likely to boost a company's performance. The study also sheds new light to the value of well structured and well executed outsourcing agreement and its impact on an organisation. It also emphasises the potential that large-scale outsourcing strategies boost business performance and bottom-line objectives of companies. Dekkers (2011) states that in practice it is often assumed that additional value can be achieved through outsourcing, even though this has not been measured in any way. According to Bertolini and Bevilacqua (2011), most outsourcing decisions are made on the basis of predicted cost savings. Saunders, Gebelt, and Hu (1997) specify various aspects that cause difficulties. They point out that the achieved cost savings can vary over years, and that different periods of time are difficult to compare due to rapid changes of the environment.

In Kenya, studies on outsourcing include; Kirui (2001) in his study of competitive advantage through outsourcing of non-core logistics activities within the supply chain of British American Tobacco (BAT) Kenya concluded that outsourcing of non-core logistics activities is triggered by the need to eliminate duplication of roles, efforts, and the dysfunction existing within the organisation, Kinyua (2000) concluded that companies need to conduct careful analysis before engaging in outsourcing to minimise risks. In addition, Bosire, Nyaoga and Ombati, (2013) who did a research on impact of outsourcing to lead time and customer service in the supermarket industry concluded that the supermarket outsource most of their activities. They also found that there is a positive correlation between outsourcing and lead time but established in their study that supermarkets commit mistakes while outsourcing. Furthermore it revealed a number of

challenges facing the supermarkets when they try to meet the varied needs of customers. Chanzu (2002) on the other hand, concluded that outsourcing is most prevalent in departments like human resource, finance and information technology.

It is however evident from the above studies that none looked at outsourcing in the book publishing industry in Kenya. Consequently, there is need to assess the benefits, challenges and the relationship between outsourcing and organisational performance in the book publishing industry in Kenya.

### **1.2.1 Research Questions**

The study seeks to answer the following questions:

1. Which activities are outsourced by the book publishing industry in Kenya?
2. What benefits do book publishers in Kenya encounter while outsourcing these activities?
3. What challenges do book publishers in Kenya encounter while outsourcing these activities?
4. What are the effects of outsourcing these activities in Kenya?

### **1.3 Research Objectives**

The study seeks to achieve the following objectives:

1. To establish the activities that are outsourced in the book publishing industry in Kenya.
2. To find out the benefits of outsourcing in the book publishing industry in Kenya.
3. To find out the challenges of outsourcing in the book publishing industry in Kenya.
4. To establish the relationship between outsourcing and organisational performance in the book publishing industry in Kenya.



## **1.4 Value of the Study**

The study sought to provide a comprehensive idea regarding the business outsourcing activities to gain more advantage. The underpinning principle in the study was to discover the main aim and objectives of outsourcing in book publishing industry in Kenya. The research study was expected to create a great impact to publishers in Kenya that are planning to use outsourcing as a business option or strategy to support their ongoing business cycle. The study recognised its worth as one of the references of the business leaders or in education to determine the effective routes towards success.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter discussed some of the research work that had been done in relation to the study of effects of outsourcing on performance in various countries as well as the benefits and challenges experienced by companies when they outsource different functions or activities. The discussions in this chapter were categorised into the concept of outsourcing, decision to outsource, review of outsourcing to performance, benefits of outsourcing and challenges of outsourcing.

### **2.2 Concept of Outsourcing**

Outsourcing involves performing a function or process such as manufacturing operation and other value-additions activities with reliance on external sources, a third-party or supplier, so as to attain business level benefits (Lei & Hitt, 1995). Strategic outsourcing includes “make-or-buy” (Dobler & Burt, 1996) decision which produces the company's product internally or subcontract to other service providers. Some researchers focus on international sourcing of components, sub-systems and completed products (Feenstra & Hanson, 1996). Willcocks (2011) observed over 1,600 outsourcing arrangements from 1989 to 2010 and he found out that outsourcing is still on the learning curve. The shift of power-based orientation to governance structure to build up trust (Tian, Lai & Daniel, 2007) and tight collaboration can enhance outsourcing management.

According to Weele (2010) outsourcing describes a company that divests itself of the resources to fulfil a particular activity to another company, to focus more on its own competence. The major characteristics of outsourcing are; the activities initially performed in-house are transferred to an external party, the assets, knowledge and in some cases, people; there will be an external relationship between the parties involved over a long period of time, that in transferring the activity to the external party the buyer is exposed to a cost and a risk profile, both of which are new to the companies involved.

Outsourcing involves redrawing the boundaries between the organisation and its supply base. Although the term outsourcing has been in use for the last few years, organisations have always made decisions in determining their boundary in any agreement. The increasing prevalence of outsourcing has led to the concept receiving significant amount of attention from academia and practitioners (McIvor, 2005). However, according to (Tho, 2005) in outsourcing, processes are shifted away and now become the responsibility of the supplying organisation. In this situation, the boundaries are no longer clear. The outsourced functions that constitute processes, people and/or technology belong to the supplier but works for and in the interest of the buying organisation.

### 2.3 Decision to Outsource

Deciding about outsourcing is a delicate matter. It is not a purchasing affair. The question on when companies should outsource or keep activities in-house is pertinent. According to Savelkoul (2008), the decision to outsource depends on two variables, namely the strategic importance of a specific competence to the company and the level of competitiveness relative to suppliers. Based upon these variables, companies can choose amongst four options. This is shown in figure 1.1.

Figure 2.1: The outsourcing matrix

|   |             |  |  |
|---|-------------|--|--|
| <i>Level of competitiveness relative to suppliers</i> | <b>High</b> | <p><b>Maintain/invest (opportunistically)</b></p> <p>Competencies are not strategic but provide important advantages; keep in house as long as these advantages are (integrally) real.</p> | <p><b>In-house /invest</b></p> <p>Competencies are strategic and world-class; focus on investments in technology and people; maximise scale and stay on leading edge. This includes publishing activities such as editorial, design and layout</p>     |
|   | <b>Low</b>  | <p><b>Outsource</b></p> <p>Competencies have no competitive advantage. In book publishing this includes activities such as printing of the final product</p>                               | <p><b>Collaborate/maintain control</b></p> <p>Competencies are strategic but insufficient to compete effectively; explore alternatives such as partnership, alliance, joint-venture, licensing, etc. This includes activities such as e-publishing</p> |
|   |             | <b>Low (non-core)</b>  | <b>High (core)</b>   |
|   |             | <i>Strategic importance of competence</i>  |  |

Source : Savelkoul (2008)

According to Kremic (2006) there are three major categories of motivations for outsourcing, that is, cost, strategy and politics. The first two commonly drive outsourcing by private industry. Political agendas often drive outsourcing by public organisations (Kakabadse and Kakabadse, 2000). Outsourcing should however not be looked at as a cure for costs and performance issues (Sundararajan, 2011). For outsourcing to be a success, the organisation has to define its purpose and goal, the scope, key consideration and the implementation of the same.

The path that a company follows for outsourcing is one that has a minimal strategic value and may not cause a problem even if the supply fails to deliver or does a poor job. However if this proves successful then they are likely to advance to functions or activities with more strategic value.

According to Davies (1997), the enormous economic problems bedevilling Africa as continent have resulted in an overall decline in living standards and a widening gap between small elite and the masses. Structural adjustment programmes adopted by African governments in line with International Monetary Fund (IMF)/World Bank conditions for credit have led to the devaluation of currencies, reduction of expenditure on social services including education, and high interest rates. Among consequences have been high prices for the requirements of the publishing and printing industries, unaffordable credit, plummeting production and high book prices and drastic cuts in purchases by libraries and other institutions. Publishers, therefore, look for different ways to cut costs and make their activities more efficient and effective to ensure they make their products affordable. Outsourcing has been seen as one way to achieve this.

### **2.3.1 The Staff Knowledge**

According to Makotsi and Nyakiri (1997), book publishing industry in Kenya suffers from lack of trained personnel in vital areas such as editing, design, proofreading, sales and marketing and distribution. Although several institutions such as the University of Nairobi and Kenya polytechnics offered training in some of the fields, the courses were

general and did not emphasise on real issues that involve publishing. In 1988, the Faculty of Information Sciences was started with Moi University offering courses in publishing among other courses. Some of the graduates now work in the publishing industry. However, because Kenya's publishing industry is education oriented the understanding of the syllabus and interpretation, proper knowledge or grasp of certain subject areas have become a necessity. This has prompted firms to look for graduates from other fields mainly education to fill this gap hence the essence of outsourcing.

### **2.3.2 Technical Knowledge**

Publishing firms outsource the functions that are not core competences to enhance firm performance (Rodríguez & Padrón-Robaina, 2004). For instance the functions which include printing, photography, drum scanning etc, need those with technical knowledge to perform as required. Attributes of technical competence to a publisher include appropriate qualifications and experience, essential specialised skills, industry specialisation and technological expertise (Carey, Subramaniam, & Ching, 2006). The largest parts of publishing firms have no professional, management and other formal qualifications to perform these functions necessitating outsourcing.

## **2.4 Review of Outsourcing on Performance**

A survey of US CEOs shows that 42 per cent of communication firms, 40 per cent of computer manufactures, and 37 per cent of semiconductor companies rely on global outsourcing (Malhorta, 1997). The reason for high number of communications that is outsourced is partly due to the lack of communication professionals. Most companies cannot afford to hire a communication professional full time prompting outsourcing. Payroll, inventory, communication systems and database functions some of the many areas that can be outsourced.

Sink and Langley (1997) reported that among contemporary business trends today was a movement by many firms to revise their priorities and focus their resources on a limited number of selected activities and processes. The result was a growing inclination by firms to outsource selected processes including logistics activities. They group the firm

performance metrics into six categories: cost efficiency, productivity, profitability, growth, cash management and market ratios. The purpose of these metrics is to provide a comprehensive view of the financial characteristics of the firm at the time of outsourcing.

#### **2.4.1 Cost Efficiency**

A study by (Jiang, Frazier & Prater 2006) observes that outsourcing arrangements that transfer outsourcing firms' assets to a vendor can convert fixed costs and operating expenses to variable usage charges. On the application side, outsourcing can reduce the commitment to fixed-cost, full-time human resource expenses and other overhead costs through contracts that provide development skills on an as-needed basis. Consequently, outsourcing improves firms' cost efficiency. Further, (Jiang et al., 2006) observe the outsourcing event does significantly impact outsourcing firms' cost efficiency metrics.

Some researchers contend that an important source of cost reductions is the outsourcing firm's access to economies of scale and the unique expertise that a large outsourcing vendor can deliver (Roodhooft & Warlop, 1999).

Cost efficiency metrics describe the ratio of outputs to inputs. Output is measured through the total revenue or sales of the firm. Inputs are measured through total costs and overhead costs incurred to generate outputs. The two measures of cost efficiency used in this study are overhead expense, i.e. selling, general and administrative expenses (SG & A) and operating expense, i.e. cost of goods sold (CoGS) + SG & A, both expressed as a percentage of sales to enable us to compare firms of different sizes.

#### **2.4.2 Productivity**

Jiang et al. (2006) found insufficient evidence to conclude that outsourcing firms obtain significant productivity growth over the four-quarter period. Several studies seek to explain the relationship between productivity growth and outsourcing. Abraham and Taylor (1996) find that firms “contract out” services with the objectives of smoothing production cycles and benefiting from specialisation. Ten Raa and Wolff (2001) found a positive association between the rate of outsourcing and productivity growth.

Efficient firms allocate resources to activities for which they enjoy comparative advantage. Other activities are increasingly outsourced. Contracting out production of goods and services to a firm with competitive advantages in terms of reliability, quality and cost is emphasised by Perry (1997). The outsourcing contract-granting firms assess the productivity of in-house service functions and only undertake outsource actions if outside producers can provide better comparable services. The cost reductions due to differences in labour costs lead to outsourcing and positive changes in labour input, and output produced is altered by profits and productivity growth. Outsourcing not only results in a shift of labour but also worsen the productivity differential between outsourcing contract granting firms and outsourcing contract receiving firms (Siegel & Griliches, 1992). Contracting out allows the firm to rely on management teams in other organisations to oversee tasks in which it is at a relative disadvantage, and to increase managerial attention and resource allocation to those tasks that it does best.

Productivity metrics represent ratios of outputs and inputs. Output is measured through the total revenue or sales of the firm, inputs through the number of employees, total assets or inventory required to generate the output.

### **2.4.3 Profitability**

Traditionally, when business is booming, the temptation is to hire more staff, expand facilities, and bring more of the business “in-house,” where firms hope to better control costs. However, today's knowledge-based and service-based economies offer innumerable opportunities for well-run companies to increase profits through outsourcing (Quinn, 1999). When used properly, outsourcing can boost profitability.

One of the essential responsibilities of management team is to meet the company's strategic mission. In order to achieve the goal, it is common to have performance indicators to help monitor the progress and evaluate its performance. The most commonly used performance indicators in logistics are total estimated customer lead time and total estimated supply chain cost. The mathematical models for quantitative risk assessment should also adhere to these performance indicators.

## **2.5 Benefit of Outsourcing**

Research shows that there are different reasons for firms to engage in outsourcing. Due to the development of outsourcing as a business strategy, these reasons may range from tactical to more strategic. Weele (2010) classifies the benefits of outsourcing into three major components. This includes costs, competency focus and revenue. Where costs are concerned, he states that the reason for outsourcing includes reduction of operating costs, reduction of capital investment, turning of fixed cost into variable costs, meeting of downsizing requirements, reduction of development costs and obtaining of intelligence of competitiveness.

Cost savings has been cited as a prime benefit for outsourcing as firms aim always to achieve cost advantage. This view has been supported by extensive body of literature both conceptually (Kakabadse & Kakabadse, 2002; Domberger, 1998) and empirically by (Kakabadse & Kakabadse 2002; Bailey, Massonand & Raeside, 2002). However, outsourcing primarily for cost savings is a concern to many scholars. Lonsdale and Cox (1998) and Melvor (2000) view cost saving purpose of outsourcing as a short-term perspective taking place in an ad-hoc manner.

For the purpose of competency focus, Weele (2010) states that most businesses will focus on core business, gain access to latest technology not in the company, gain access to needed skills, provide alternative to building capability, create additional capacity, provide backup capabilities and align with policy, philosophy and culture. This argument has also been strongly emphasised by (Quinn & Hilmer, 1994) and Quinn (1999) as the most strategically important benefit the company can gain from outsourcing.

For the purpose of revenue, Weele (2010) states that outsourcing would increase flexibility and responsiveness, increase speed to market, improve quality, reduce customer response time, grow revenue and gain access to markets.

Outsourcing also includes other benefits that are less frequently mentioned. For example, it tends to increase competition among outside suppliers. Competition may lead to higher quality goods and services which are reassured in the future (Kotabe & Murray, 1990).



Other benefits as stated by other scholars include getting rid of problem functions as expressed by McIvor (2000), increased speed (Drew, 1995), access to skills and talent (Blumberg, 1998; Campbell, 1995) etc.

Others suggest that outsourcing improves flexibility to meet changing business conditions, demand for products, services and technologies (Greaver, 1999), by creating smaller and more flexible workforces (Patterson & Pinch, 1995). Greaver (1999) also highlighted the potential benefits of improving credibility and image by associating with superior providers.

## **2.6 Challenges of Outsourcing**

According to Dhar and Balakrishnan, (2006), management believes that if a business function is not its core competency, and better value is found externally, it is an ideal candidate for outsourcing. However, outsourcing comes with its own challenges which may include selecting the right vendor and deciding what to outsource and what to keep in-house. Setting up a governance model, ongoing management of the vendor relationship, and continuous commitment to the spirit of partnership are some key challenges that firms could also experience.

Lack of methodology is believed to cause some outsourcing failures. According to (Lonsdale, 1999), failure in outsourcing is not due to inherent problems but lack of guiding methodologies to managers. The inevitable results are frustration, irritation and a lack of understanding and insight into why the outcomes of outsourcing aren't meeting up with its delivery realities.

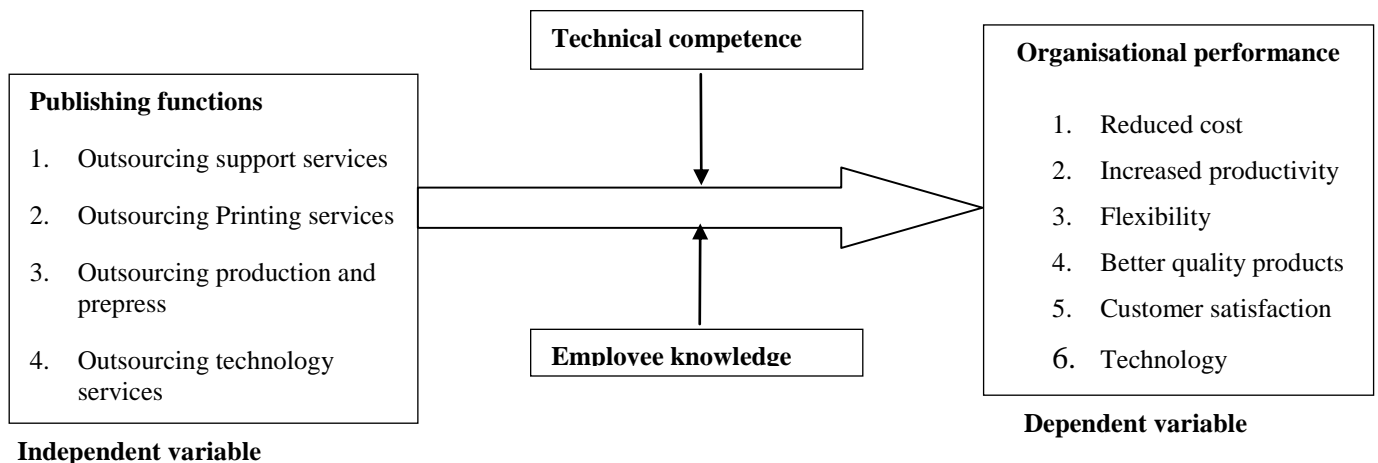
According to Bragg (2006) some of the challenges of outsourcing include future change in supply circumstances, for example, may have financial difficulties or change their strategy, there may be political fallout between the two organisations, loss of confidential information and job loss by company seeking to outsource some of its functions or activities.

Earl (1996), states that outsourcing could also lead to loss of critical skills and potential for innovation in the future. If an organisation has outsourced some critical activities, its ability to innovate may diminish. Innovation requires slack resources, organic and fluid organisation processes and experimental competencies that outsiders do not guarantee.

In the book publishing industry there has been major challenges including leakage of confidential information, plagiarism especially where an editor plagiarises competitors' works, pirating of books and other materials, submission of sub-standard work etc.

## 2.7 Conceptual Framework

Figure 2.2: Conceptual framework



Organisations outsource to achieve different objectives such as reduced costs, increased productivity, flexibility, better quality product etc. To achieve these objectives, outsourcing firms outsource some functions which they perceive as non-core. However for the organisation to achieve the desired goals, the service provider has to furnish the publisher with skills necessary to achieve the objectives in terms of technical competence, continuous improvement, knowledge etc and at the same time, the

publishers has to be clear on what he/she would like to achieve, have clear objectives and goals, demonstrate due diligence by comparing different services to ensure he/she gets the best. This can only be possible through constant communication between the two parties to ensure they both understand the cultures of each organisation.

## **2.8 Conclusion**

From the literature review, it is apparent a lot of studies on outsourcing have been done in different industries. The studies show that companies outsource to tap into the benefits that come with it which include cost reduction, concentration on core business, tap into more advanced technology and skills, increase capacity, flexibility etc, however, it is hard to say whether these companies have benefited or not. There are also notable challenges associated with outsourcing. This study focuses on the book publishing industry to assess the benefits and challenges of outsourcing and the effect of the same.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter discussed how the researcher was to conduct the research work. It described the entire process used to obtain information as well as data collection methods and data analysis. This includes the research design, target population, data collection tools to be used and data collection technique, and data analysis method and presentation.

### **3.2 Research Design**

The design used a descriptive research. According to Donald and Pamela (1998), descriptive research is concerned with finding out the what, where and how of a phenomenon. According to Collis and Hussey (1997), a descriptive research identifies and obtains information on the characteristics of a particular problem or issue. This design was chosen because it enables generalisation of the findings to a larger population. The design is considered appropriate as it deals with many members in a population where it is not possible to study all of them and hence calling for sampling to come up with generalisations and inferences about the whole population.

### **3.3 Target Population**

The target population of this study encompassed publishing firms as listed in the website of Kenya Publishers Association as members. However it is important to note that there are other practising publishers that are not members of Kenya Publishers association. The sample was drawn from the list of members (Appendix II).

### **3.4 Data Collection**

Respondents in this study were selected from senior officers in the publishing departments of the book publishing firms in Kenya. The study relied on primary data that was collected through administering of semi-structured questionnaire. Semi-structured in the sense that both open-ended questions intend to elicit qualitative responses about

respondents views whilst closed ended questions intend to elicit quantitative data for statistical analysis. The questionnaire had three sections, section one deals with general information of the participant and the organisation. Section two sought information on the effects of outsourcing in the book publishing industry and Section three, sought information on the challenges of outsourcing in the book publishing industry.

The focus was on the following activities: Outsourcing of support which included project management, author liaison and management; Outsourcing of production and pre-press which includes Editing, typing, proofreading, illustration; Outsourcing of technology services such as indexing, e-learning tools, drum scanning and converting and formatting; Outsourcing of printing service and Outsourcing of distribution.

### **3.5 Data Analysis**

Data collected was analysed using Statistical Package for Social Scientists (SPSS). To establish the extent to which various services are outsourced, descriptive statistics was used. Pearson rank correlation analysis was used to assess the relationship between outsourcing and organisational performance in the publishing industry in Kenya. ANOVA test was used to ascertain the extent of difference in the outsourcing of services within the industry.

## CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

### 4.1 Introduction

The research objective was to establish the relationship between outsourcing and organisational performance in the book publishing industry in Kenya. This chapter presents the analysis and findings with regard to the objective and discussion of the same. The findings are presented in percentages and frequency distributions, mean and standard deviations. A total of 30 questionnaires were issued out. The completed questionnaires were edited for completeness and consistency. Of the 30 questionnaires issued out, only 19 were returned. This represented a response rate of 63%.

### 4.2 Respondent Background

The individual bio data considered in this study were position held by the respondents in the publishing company and the length of continuous service with the book publishing company.

#### 4.2.1 Respondents Cadre

The respondents were asked to indicate the position they hold in the company. The results are presented in table 4.1.

Table 4.1: *Respondents cadre*

| <b>Respondents cadre</b> | <b>Frequency</b> | <b>Percent</b> | <b>Cumulative Percent</b> |
|--------------------------|------------------|----------------|---------------------------|
| Executive                | 4                | 21.7           | 21.7                      |
| Middle                   | 13               | 69.6           | 91.3                      |
| Lower                    | 2                | 8.7            | 100.0                     |
| Total                    | 19               | 100.0          |                           |

The results indicate that more than half 69.6% of the respondents were in the middle level management, 21.7% of the respondents indicated that they were in the executive level while 8.7% of the respondents said that they were in the lower level. The results indicate

that the respondents were from different cadres and thus they will give a clear picture of the effect of outsourcing to their firm performance.

#### 4.2.2 Length of Continuous Service with the Company

The respondents were asked to indicate the duration they have continuously worked in the company.

Table 4.2: *Length of continuous service with the company*

| <b>Years</b> | <b>Frequency</b> | <b>Percent</b> | <b>Cumulative Percent</b> |
|--------------|------------------|----------------|---------------------------|
| Less than 2  | 4                | 17.4           | 17.4                      |
| 2 – 5        | 7                | 34.8           | 52.2                      |
| Over 5       | 9                | 47.8           | 100.0                     |
| Total        | 19               | 100.0          |                           |

The findings indicate that nearly half 47.8% of the respondents have worked with the publishing company for over 5 years, 34.8% of the respondents indicated that they have worked for 2 to 5 years while 17.4% of the respondents indicated that they have worked for less than 2 years. The results indicate that the respondents have worked in their respective publishing companies and thus they understand the effect that outsourcing has on the organisational performance.

#### 4.2.3 Employee Knowledge on Publishing Function

The respondents were asked to indicate the knowledge do you have on the following Publishing functions 1(Not at all) to 5 (Very great extent). The results are presented in Table 4.3.

Table 4.3: *Employee knowledge on Publishing function*

| <b>Extent of outsourcing publishing activities</b> | <b>Mean</b> | <b>Std. Deviation</b> |
|--|-------------|-----------------------|
| Support services                                   | 3.83        | 1.47                  |
| Printing services                                  | 3.33        | 1.22                  |
| Production and pre-press                           | 3.83        | 1.30                  |
| Advertising services                               | 3.16        | 0.87                  |
| Technology services                                | 2.92        | 0.41                  |
| Distribution                                       | 3.33        | 1.39                  |

The results indicate that the employee have great knowledge ( $M = 3.83$ ,  $SD = 1.47$ ) in support services and production and pre-press ( $M = 3.83$ ,  $SD = 1.30$ ). They have moderate knowledge ( $M = 3.33$ ,  $SD = 1.22$ ) on printing, advertisement ( $M = 3.16$ ,  $SD = 0.87$ ) and distribution ( $M = 3.33$ ,  $SD = 1.39$ ). They however have little knowledge ( $M = 2.92$ ,  $SD = 0.47$ ) on technology.

The results indicate the employees in the publishing industry have knowledge in the publishing activities. This shows that they are able to define what they expect from the service provider when they outsource the services.

### **4.3 Publishing Functions Outsourced in the Company**

All the publishing companies indicated that they outsource some publishing activities and this would ensure that they increase their capacity, tap into technical skills, free the firm's time and resources for core competencies. Outsourcing assists management focus all their intellectual resources, expertise and time on the distinctive competencies that give the firm an edge in the market. The findings are in tandem with Bustinza, Molina, and Gutierrez- Gutierrez (2010), who noted that outsourcing allows firms to focus on their own core competences by relocating limited resources to strengthen their core product or service and to strategically use outside vendors to perform service activities that traditionally have been internal functions. Focusing on the core activities ensures collective learning especially on how to co-ordinate diverse production skills and integrates multiple streams of knowledge and technologies.

#### **4.3.1 Extent of Outsourcing Publishing Activities**

The respondents were asked to indicate the extent to which they outsource the publishing activities in a scale, ranging from 1(Not at all) to 5 (Very great extent). The results are presented in Table 4.4.



Table 4.4: *Extent of outsourcing publishing activities*

| <b>Extent of outsourcing publishing activities</b> | <b>Mean</b> | <b>Std. Deviation</b> |
|--|-------------|-----------------------|
| Support services                                   | 3.83        | 1.67                  |
| Printing services                                  | 4.43        | .89                   |
| Production and pre-press                           | 3.58        | 1.16                  |
| Advertising services                               | 3.37        | 1.50                  |
| Technology services                                | 2.55        | 1.27                  |
| Distribution                                       | 3.65        | 1.47                  |

The results indicate that the printing services is outsourced to a very great extent ( $M = 4.43$ ,  $SD = 0.89$ ) by the publishing firms followed by support services which is outsourced to a great extent ( $M = 3.83$ ,  $SD = 1.67$ ) and distribution ( $M = 3.65$ ,  $SD = 1.47$ ) which is also outsourced to a great extent. On the other hand, outsourcing of technology services is done at moderate extent ( $M = 2.55$ ,  $SD = 1.27$ ).

What this results show is that the publishing firms prefer outsourcing services that they do not have the technical expertise, which are also not their core business and to avoid or reduce capital investment on non-core activities. For example, printing is not a core activity though its a means of disseminating the published materials hence very important. Most publishing firms have also no competence or internal capacity to handle it, therefore, it is outsourced to the specialists. Printers also provide this service to several publishing firms, hence they enjoy economies of scale. For design and production services may expose the organisation's secrets and products, hence most organisations decide to keep them in-house. The low variation in standard deviation especially in the response on the outsourcing of the printing services indicates that the respondents were unanimous on the extent to which the publishing companies outsourcing activities.

### 4.3.2 Degree the Publishing Firms Perceive External Service as Technical Competent source of Publishing Functions

The respondents were asked to indicate the degree to which the firms perceive external service providers as a technically competent source of publishing functions in a scale, ranging from 1 (lowest score) to 5 (highest score). The results are shown in the table 4.5;

Table 4.5: *Degree the publishing firms perceive external service*

| <b>Extent the publishing companies perceives external service</b> | <b>Mean</b> | <b>Std. Deviation</b> |
|---|-------------|-----------------------|
| The companies has specialized industry knowledge                  | 4.04        | .93                   |
| The companies have required experience and qualifications         | 4.22        | 1.24                  |
| They have some depth of understanding to your organization        | 3.67        | .90                   |
| The companies have up to date technology                          | 3.52        | 1.13                  |

The results indicate that the publishing firms perceive the external service providers as having the required experience and qualifications with a very high score ( $M=4.22$ ,  $SD = 1.24$ ) and specialized knowledge scored highly ( $M = 4.04$ ,  $SD = 0.93$ ). The service providers scored moderately ( $M = 3.52$ ,  $SD = 1.13$ ) and ( $M = 3.67$ ,  $SD = 0.90$ ) where up to date technology and some depth of understanding to your organization are concerned.

The argument that the companies have up to date technology came the least and with a slightly higher standard deviation, it shows that there was some variations in the answers provided by the respondents. The findings show that the service providers need not understand the operations of the firm since the services are uniform within a particular industry. Otherwise what comes out clearly from the results is that the publishing firms consider the specialization of a firm and the level of experience they have on a particular industry has a factor to when choosing a firm.

## 4.4 Benefits of Outsourcing

Outsourcing can be seen as a business strategy in which the organization is striving to improve business performance and primarily cut back costs as well as focus on its core functions and activities. By outsourcing to specialist organizational performances services not generated by core competences, companies can see an improvement in their

organizational performance. The outsourcing of non-strategic services allows the organization to center on what it really can do well, that is, on the services whose resources have a high strategic value.

#### 4.4.1 Support Service

The respondents were requested to indicate the benefits of outsourcing on support services in a scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The results are presented in table 4.6 below:

Table 4.6: *Benefits of outsourcing on support services*

| <b>Support services</b>   | <b>Mean</b> | <b>Std. Deviation</b> |
|---|-------------|-----------------------|
| The outsourcing practice has led to a decrease in operating costs   | 3.82        | 1.31                  |
| It has made the organization achieve timely delivery of services to clients   | 3.65        | 1.17                  |
| The practice has enabled the organization concentrate in its core business and therefore achieve improved customer satisfaction | 3.73        | 1.41                  |

The results indicate that the publishing firms agree that outsourcing of support services in the decrease the operating costs ( $M = 3.82$ ,  $SD = 1.31$ ). The firms also agree that outsourcing this service ( $M = 3.73$ ,  $SD = 1.41$ ) has enabled the organization concentrate in its core business and therefore achieve improved customer satisfaction and timely delivery of services to clients ( $M = 3.65$ ,  $SD 1.17$ ).

These results show that outsourcing of support services has enabled the organization to reduce the production costs of the products hence provide the products at a more affordable price to the customers. The results indicate that outsourcing results in cost efficiency and this is consistent with Alexander and Young (2007) who noted that organizations outsource to achieve better cost control while others try to shift fixed costs into variable costs. This enables them to offer the services at a lower cost and by the fact that the services are competitively sourced, the publishing firms will ordinarily go for a low bidder subject to consideration of other variables. Firms evaluate outsourcing to

determine if current operation costs can be reduced and if saved resources can be reinvested in more competitive processes.

#### 4.4.2 Printing Services

The respondents were asked to indicate the benefits of outsourcing on printing services on a scale, ranging from 1 (strongly disagree) to 5 (strongly agree) and the results are presented in table 4.7:

Table 4.7: *Benefits of outsourcing on printing services*

| <b>Benefits of design services</b>   | <b>Mean</b> | <b>Std. Deviation</b> |
|--|-------------|-----------------------|
| Outsourcing ensures reduction of capital investment                        | 3.56        | 1.07                  |
| Outsourcing can reduce the commitment to full-time human resource expenses | 3.82        | 1.20                  |
| Outsourcing has brought about specialized industry knowledge               | 3.85        | 1.05                  |
| It ensures high quality of products  | 3.71        | .94                   |
| Outsourcing has helped the organization to increase its profits            | 4.22        | 1.02                  |

The findings indicate that publishing firms strongly agree ( $M = 4.22$ ,  $SD = 1.02$ ) help organisation to increase its profits. The firm agree ( $M = 3.82$ ,  $SD = 1.20$ ) that outsourcing reduce the commitment to full-time human resource expenses and also agree that outsourcing ( $M = 3.85$ ,  $SD = 1.05$ ) has brought about specialised industry knowledge Outsourcing of printing services was also found to ensure high quality of products ( $M = 3.71$ ,  $SD = 1.08$ ). They agree ( $M = 3.56$ ,  $SD 1.07$ ) that outsourcing of printing help reduction of capital investment .

Since the bulk of the printing will have been outsourced many of the respondents pointed that the printing firms can afford to employ only the casuals whose costs will depend on the availability of the work. There are no wastages and the quality specification is normally agreed upon at the outset in the contract and therefore the exercise ensures high quality of products is received. The results are consistent with Chi (1994) who noted that outsourcing certain products/services can generate additional resources when they are carried out by specialist suppliers that have an advantage in supplying those products/services. Other activities not enjoying such advantages are increasingly

outsourced to external suppliers to a firm with competitive advantages in terms of reliability, quality and cost. Outsourcing not only results in a shift of labour but also exacerbates the productivity differential between outsourcing contract-granting firms and outsourcing contract-receiving firms.

#### 4.4.3 Production and Pre-press

The respondents were asked to indicate the benefits of outsourcing the firm's production and pre-press in a scale, ranging from 1 (strongly disagree) to 5 (strongly agree) and the results are shown in the table 4.8:

Table 4.8: *Benefits of outsourcing on production and prepress*

| <b>Benefits of production and prepress</b>                                | <b>Mean</b> | <b>Std. Deviation</b> |
|---|-------------|-----------------------|
| Outsourcing has helped in the reduction of development costs in Pre-press | 3.97        | 0.83                  |
| Outsourcing has helped the organization reduce the staff cost             | 3.66        | 1.05                  |
| Outsourcing has improved the quality of the products                      | 3.78        | 1.12                  |
| Output per employee has improved through outsourcing                      | 3.69        | 1.19                  |

The results indicates that publishing firms agree that outsourcing production and pre-press ( $M = 3.97, SD = 0.83$ ) which is to reduce development and pre-ress costs. The firms also agree that outsourcing of production and prepress ( $M = 3.78, SD = 1.12$ ) has helped improve quality of products. The firm's output per employee is also a good reason for outsourcing ( $M = 3.69, SD = 1.19$ ) and to reduce the staff cost ( $M = 3.66, SD = 1.05$ ).

This is consistent in line with Makotsi and Nyakiri, (1997) who argued that the book publishing industry lack the necessary personnel to handle educational books hence have to rely on the education sector mainly teachers who are subject specialist to assist in book development. Through outsourcing the editors are able to do more projects as they have people assisting them to handle what they cannot handle. This is also consistent with Quinn (1999) who noted that outsourcing boosts organization profitability, capabilities, facilities, services and payroll. The moderate standard deviation indicates that the

respondents had almost the same views on the effect of outsourcing to production and prepress function of the publishing firms.

#### 4.4.4 Technology

The respondents were asked to indicate the benefits the publishing firms' technology level and the results are shown in the table 4.9:

Table 4.9: *Benefits of outsourcing on technology*

| <b>Benefits of outsourcing on technology</b>  | <b>Mean</b> | <b>Std. Deviation</b> |
|---|-------------|-----------------------|
| It has facilitated the usage of advanced technology that has come with reduction of cost  | 3.96        | .66                   |
| Outsourcing ensures tap on specialists knowledge needed for the project                   | 3.78        | .84                   |
| The adoption of the cutting edge technology has improved the employees technical know how | 3.88        | 1.14                  |

The results indicate that the the publishing firms agree that outsourcing of technology facilitated the usage of advanced technology that has come with reduction of cost ( $M = 3.96$ ,  $SD = 0.66$ ). They also agree that it has improved the employees technical knowhow ( $M = 3.88$ ,  $SD = 1.14$ ) and brought about specialized industry knowledge ( $M = 3.78$ ,  $SD = 0.84$ ).

This findings shows that with outsourcing, publishing firms access modern technology in the industry which consequently lead to the cost of the final product be low. It might expensive for a single firm to acquire every now and then a modern echnology that has been introduced in the market. However, other firms can specialize in a given type of technology and if a particular publishing firm requires the technology, it can much cheaply access the same. The results are consistent with Chi (1994) who noted that outsourcing certain products/services can generate additional resources when they are carried out by specialist suppliers that have an advantage in supplying those products/services. Consequently, the advantages of outsourcing to the operations strategy are going to exert a positive influence on the organizational financial and non-financial

performance because it gives access to complementary resources of a higher quality and at a lower cost than if the company carried them out itself.

#### 4.4.5 Benefits of Outsourcing Distribution Services

The respondents were requested to indicate the benefits of outsourcing on distribution of publishing firms' goods in a scale, ranging from 1 (strongly disagree) to 5 (strongly agree) and the results are presented in table 4.10:

Table 4.10: *Benefits of outsourcing on distribution*

| <b>Benefits of outsourcing on distribution</b>                        | <b>Mean</b> | <b>Std. Deviation</b> |
|---|-------------|-----------------------|
| Outsourcing has helped the organization to get into other markets     | 3.98        | 1.14                  |
| Outsourcing enabled faster response to customer demands               | 3.63        | 1.80                  |
| Outsourcing has helped the organization to more competitive           | 3.91        | .79                   |
| Outsourcing has helped the organization to have a bigger market share | 3.88        | .95                   |

The results indicate that firms agree ( $M = 3.98$ ,  $SD = 1.14$ ) that outsourcing of distribution helps them get into other markets, be more competitive ( $M = 3.91$ ,  $SD = 0.79$ ) and have a bigger market share ( $M = 3.88$ ,  $SD = 0.95$ ). the also agree that outsourcing enables the firm to respond faster to customer demand ( $M = 3.63$ ,  $SD = 1.80$ ).

The findings show that outsourcing promotes accessibility of new markets especially within the region which includes Rwanda, Uganda, Zanzibar etc since a firm might not have adequate resources to spread its operations in the a wider area but with outsourcing it is possible that a firm can access these markets with instruction to the service provider. This is consistent with (McCracken, 2002) who states that some companies view outsourcing as a fast track system for penetrating new regions rather than a trend for the future. This is supported by Bragg (2006), who noted that the distributor also has a network of customers that he or she can sell the products to which eliminates the company's need to establish customer's contacts in the distributors territory. With a lower distribution cost and increase in the coverage area, the publishing firms level of competitive will consequently be increased.

#### 4.4.6 Effects of Outsourcing on Performance Measures

The respondents were asked to indicate the effects of outsourcing on various performance measures of publishing firms in a scale, ranging from 1 (strongly disagree) to 5 (strongly agree) and the results are represented in table 4.11.

Table 4.11: *Effects of Outsourcing on Performance Measures*

| <b>Effects of Outsourcing on Performance Measures</b> | <b>Mean</b> | <b>Std. Deviation</b> |
|---|-------------|-----------------------|
| Reduction in the operating cost of the firm           | 4.02        | .77                   |
| Increased productivity                                | 4.12        | .77                   |
| Flexibility   | 4.12        | .91                   |
| Better quality of products                            | 4.04        | .66                   |
| Customer satisfaction                                 | 3.93        | .92                   |
| Technology advancement                                | 4.01        | .77                   |
| <b>Overall Mean</b>                                   | <b>4.04</b> | <b>0.80</b>           |

The findings indicate that publishing firms agree ( $M = 4.04$ ,  $SD = 0.80$ ) outsourcing OF some publishing activities had a significant positive influence on firm performance. They agree that there has been increased productivity ( $M=4.12$ ,  $SD = 0.91$ ), increased operational flexibility ( $M= 4.12$ ,  $SD = 0.91$ ), improved quality of products ( $M= 4.04$ ,  $SD = 0.66$ ), reduction in the operating cost of the firm ( $M = 4.02$ ,  $SD = 0.7$ ), technology advancement ( $M = 4.01$ ,  $SD = 0.77$ ) and customer satisfaction ( $M = 3.93$ ,  $SD = 92$ ).

The results are consistent with Jumah & Wood (2000) studied outsourcing linkage to performance of the firm and found significant positive linkage between them. They argued that outsourcing cannot only provide a benefit in short term, but it can be beneficial in long term also. These results indicate that outsourcing by the publishing firms has enabled them to produce a wide range and volume of products due to the improved flexibility of the firm associated with outsourcing of different services. The customer level of satisfaction will consequently be improve due to the improved quality of the product and resultant lower price that will be charged on the products. The findings also show that there was a lower standard deviation on the responses and this shows that the answers provided were mostly uniform meaning among the publishing firms



outsourcing improves some of the dimensions of organizational performance. The outsourcing of non-core activities allows the organization to increase managerial attention and resource allocation to those tasks that it does best and to rely on management teams in other firms to oversee tasks at which the outsourcing firm is at a relative disadvantage. This focus can improve results by allowing the firm to be more effective, more innovative and more skilled in those activities. Also, outsourcing can be used to increase the quality of work life. When the organization focuses on its core competences, especially for the remaining employees, some positive improvements may emerge. Generally therefore, outsourcing is found to affect the firms profitability and adaptability to the changing business environment.

#### 4.5 Challenges of Outsourcing

Outsourcing involves recognition of certain significant challenges to the organization if carried out inadequately and without enough resources. Hence, if not properly aligned to the firms needs and goals, a firm might face several challenges. The study also sought to establish from the respondents in a scale, ranging from 1 (strongly disagree) to 5 (strongly agree) the challenges that they face during outsourcing . The results are provided in the table 4.12:

Table 4.12: *Challenges of outsourcing*

| <b>Challenges of outsourcing</b>             | <b>Mean</b> | <b>Std. Deviation</b> |
|--|-------------|-----------------------|
| Leakage of confidential information          | 3.70        | 1.43                  |
| Loss of critical skills                      | 2.47        | .34                   |
| Vendor failure to deliver                    | 3.78        | .95                   |
| Plagiarism                                   | 3.68        | 1.08                  |
| Pirates                                      | 3.96        | 1.19                  |
| Cost of delayed delivery or non-delivery     | 3.88        | .99                   |
| Disclosure of commercial secrets             | 3.57        | 1.07                  |
| Cost escalation                              | 2.85        | 1.30                  |
| Interest conflicts with outsourcing partners | 3.52        | 1.13                  |
| Loss due to disasters and recovery costs     | 3.66        | .96                   |

The publishing firms agree that the major challenge ( $M = 3.96$ ,  $SD = 1.19$ ) is piracy, they also agree that delayed delivery ( $M = 3.88$ ,  $SD = 0.99$ ) especially with the printing during high season. This is also observed when publishing firms outsource this service abroad and there is great delay at the port due to delayed clearance, vendor failure to deliver ( $M = 3.78$ ,  $SD = 0.75$ ) and leakage of confidential information ( $M = 3.70$ ,  $SD = 1.43$ ). The other challenge faced by the publishing firms include plagiarism ( $M = 3.68$ ,  $SD = 1.08$ ), loss due to disasters and recovery costs ( $M = 3.66$ ,  $SD = 0.96$ ), disclosure of commercial secrets ( $M = 3.57$ ,  $SD = 1.07$ ), conflicts of interest with outsourcing partners ( $M = 3.52$ ,  $SD = 1.13$ ). The firms moderately agree ( $M = 2.47$ ,  $SD = 0.34$ ) and ( $M = 2.85$ ,  $SD = 1.30$ ) that outsourcing has led to loss of critical skills and increased costs respectively.

These challenges were found to adversely affect the level of operations of the publishing firms. As a result of outsourcing, the outsourced firm might produce and sell some of the products without being sanctioned by the publishing firm. Delayed delivery results when some of the products are not delivered back to the publishing firm on time or when there is a breakdown in the distribution system resulting in loss of a market. Perry (2006) noted that questionable efficiency when services are outsourced, either because of the risk of suppliers reducing quality to compensate for low margins arising from the lack of barriers to entry, or because of excessive interest in economies of scale, leads to the organization's distrust of suppliers.

#### **4.6 Relationship between Outsourcing and Performance through Correlation Analysis**

Table 4.13 below shows the Pearson and Spearman's correlation coefficient generated from the data. Consistent with Shin and Soenen (1998), the Spearman's rank correlation coefficients are on the upper right triangle while the Pearson product moment correlation coefficients are on the lower left triangle. Pearson's Correlation analysis is used for data to see the relationship between variables under consideration such as those between organization performance and the various services outsourced. If the various services

outsourced increases performance, then one should expect a positive relationship between the services outsourced and the performance of the publishing firms.

From the table 4.13 below, there is a positive relationship between organization performance on the one hand and all other independent variables.

Table 4.13: *Pearson and Spearman's Correlation Coefficient*

|            |                        | ORG<br>PER | SUPP | PRIN | PROP | TECH | DIST |
|------------|------------------------|------------|------|------|------|------|------|
| ORG<br>PER | Pearson<br>Correlation | 1          | .039 | .121 | .026 | .022 | .103 |
|            | Sig. (2-tailed)        |            | .723 | .268 | .816 | .845 | .000 |
| SUPP       | Pearson<br>Correlation | .039       | 1    | .098 | .118 | .072 | .264 |
|            | Sig. (2-tailed)        | .723       |      | .374 | .282 | .515 | .015 |
| PRIN       | Pearson<br>Correlation | .121       | .098 | 1    | .241 | .115 | .045 |
|            | Sig. (2-tailed)        | .268       | .374 |      | .026 | .296 | .686 |
| PROP       | Pearson<br>Correlation | .026       | .118 | .241 | 1    | .347 | .050 |
|            | Sig. (2-tailed)        | .816       | .282 | .026 |      | .001 | .651 |
| TECH       | Pearson<br>Correlation | .022       | .072 | .115 | .347 | 1    | .159 |
|            | Sig. (2-tailed)        | .845       | .515 | .296 | .001 |      | .147 |
| DIST       | Pearson<br>Correlation | .103       | .264 | .045 | .050 | .159 | 1    |
|            | Sig. (2-tailed)        | .000       | .015 | .686 | .651 | .147 |      |

Where, ORG PER: Organisational performance, SUPP: Support, PRIN: Printing, PROP: Production and prepress, TECH: Technology, DIST: Distribution

Table 4.13 shows that there is a positive relationship between out and outsourcing of services and organization performance. A strong positive correlation ( $r = 0.121$ ) exist between organizational performance and the outsourcing of the printing services. This shows that when the firm increases the outsourcing of the printing services, then its performance as measured is also increased.

### **Discussion**

The correlation shows that there is a relationship between outsourcing of difference services in the publishing department and organizational performance. The significance is great in printing and distribution, this is because in these two the publishing firms have no or little knowledge and also need specialists to undertake the service. This is supported by Chi (1994) who noted that outsourcing certain products/services can generate additional resources when they are carried out by specialist suppliers that have an advantage in supplying those products/services.

#### **4.6.1 Test whether there is significance difference in the outsourcing of services in the publishing firm**

To ascertain the extent of difference in the outsourcing of services and its influence on performance an ANOVA Test was applied. ANOVA is carried out for each outsourced service and the publishing firm performance at  $p_{0.1}$ .

Table 4.14: ANOVA

|      |                | Sum of Squares | Df | Mean Square | F     | Sig. |
|------|----------------|----------------|----|-------------|-------|------|
| SUPP | Between Groups | 73.145         | 19 | .914        | 1.371 | .425 |
|      | Within Groups  | 2.667          | 5  | .667        |       |      |
|      | Total          | 75.812         | 24 |             |       |      |
| PRIN | Between Groups | 632.527        | 19 | 7.907       | .485  | .906 |
|      | Within Groups  | 65.167         | 5  | 16.292      |       |      |
|      | Total          | 697.694        | 24 |             |       |      |
| PROP | Between Groups | 294.724        | 19 | 3.684       | 1.016 | .579 |
|      | Within Groups  | 14.500         | 5  | 3.625       |       |      |
|      | Total          | 309.224        | 24 |             |       |      |
| TECH | Between Groups | 106.746        | 19 | 1.334       | 1.033 | .570 |
|      | Within Groups  | 5.167          | 5  | 1.292       |       |      |
|      | Total          | 111.912        | 24 |             |       |      |
| DIST | Between Groups | 126.341        | 19 | 1.334       | 1.256 | .487 |
|      | Within Groups  | 9.308          | 5  | 1.292       |       |      |
|      | Total          | 135.649        | 24 |             |       |      |

ORG PER: Organisational performance, SUPP: Support, PRIN: Printing, PROP: Production and prepress, TECH: Technology, DIST: Distribution

The finding from Table 4.14 is that the calculated *F*-value is less than the table value (*F* value =2.61 at 10% significance level). This means that there no significance difference in the outsourcing of services between the publishing firms under consideration.

## Discussion

As stated by Makotsi and Nyakiri (1997), publishing industry is relatively young in Kenya and there are not enough professionals to work within the industry especially because of lack of training institutions. This means that the publishers have to outsource from other sectors to bridge the gap. This includes education and printing sectors to

ensure that the materials being published are of high quality and the right content. The publishing industry in Kenya agree that there is positive relationship between outsourcing and the industry, however it is important to note that one or two firms have resorted to vertical integration to ensure competitive advantage. This maybe because of the major challenges of outsourcing which is piracy and vendor failure to deliver.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter summarises the findings, makes conclusion and recommendations based on the four specific objectives of the study i.e to establish the activities that are outsourced, to find out the benefits and challenges of outsourcing and to establish the relationship between outsourcing and organisational performance in the book publishing industry in Kenya.

### **5.2 Summary of Findings**

The study established that the respondents were from all cadres in the publishing firms and thus they will give a clear picture of the effect of outsourcing to their firm performance. The study shows that majority of the respondents have worked in the organization for a longer period of time and therefore they understand the effect that outsourcing has on the company performance. The publishing companies outsource some of its non-core areas of operations as a way to achieve strategic goals, improve customer satisfaction and provide other efficiency and effectiveness improvements. The activities outsourced were indicated to be printing services, support services, distribution, production and pre-press, advertising services, design services and technology services. Companies are increasingly seeking outside firms to perform activities previously conducted in house in order to achieve time, process and cost advantages. Such outsourcing makes sense for the printing firms as the external service providers are perceived to have the required experience and qualifications, specialized industry knowledge, have some depth of understanding of the organization and that they have up to date technology.

The use of outsourcing for strategic reasons enables companies to strengthen their resources in order to reinforce their competitive advantage. Ensuring that an organization can compete effectively in the marketplace is one of the principal tasks of management and thus by adopting outsourcing strategy, the firms would benefit from decrease in operating costs, concentration of core business and therefore achieve improved customer satisfaction, timely delivery of services to clients, faster response to customer demands, reduced commitment to full-time human resource expenses, improved quality of products, reduction of capital investment, improve the employees technical knowhow, brought about specialized industry knowledge, ensures tap on specialists knowledge needed for the project and that output per employee has improved through outsourcing. Although outsourcing would lead to several benefits to the publishing firms, the study established that it would result in piracy, cost of delayed delivery or non-delivery, vendor failure to deliver, leakage of confidential information, plagiarism, loss due to disasters and recovery costs, disclosure of commercial secrets, interest conflicts with outsourcing partners and poor quality of goods and services.

### **5.3 Conclusion**

The study found out that the publishing firms outsources various services and these allows them to focus on its own core competences by relocating limited resources to strengthen their core product or service and to strategically use outside vendors to perform service activities that traditionally have been internal functions. The study found out that outsourcing of services by the publishing firms resulted in freed internal capacity, reduced commitment to full-time human resource expenses, focus of core activities, reduced commitment to fixed-costs, it ensures tap on specialists knowledge needed for the project, reduction of capital investment, flexibility in terms of accommodation of changes, high quality of products, reduction of development costs in pre-press and that it ensures speedy delivery of service.

In deciding whether to continue the cooperation with an external service provider, the motivation to outsource must be adequately satisfied by the contract service provider. The main driving forces are cost savings and customer satisfaction, which could also



explain why service quality, the price offered by the external providers, and past experience are the main criteria used by the company for the selection of the most suitable service provider. The survival of the publishing firms in the competitive industry will in the long run be determined by the quality of services provided which can be achieved by outsourcing of non-core services and concentration of core services by the firms. The study found out that the effect of outsourcing of services by the publishing firms on performance was increased productivity, flexibility, better quality of products, reduction in the operating cost of the firm, technology advancement and customer satisfaction. In a nutshell, for the publishing firms to successfully outsource its functions, it requires careful, comprehensive evaluation and planning by management. The answer to whether or not to outsource is what best serves the institution and not only what is most cost efficient, but also what will provide the most consistency, timeliness and overall quality in meeting the college's or university's goals.

#### **5.4 Recommendations**

The study established that the publishing firms outsource several functions and it is therefore recommended that the firms must make sure that it recruits the services of third party firms that are trustworthy and credible. It is therefore of greater importance that measures are put in place to check that information is protected. A thorough and an extensive assessment of the firm must also be carried out to see if the firm carries out its functions outside. The commitment of the company would come into play here. It has been observed that outsourcing may not always be the strategic option for a firm in every situation, so, usually the best option would be to carry out the function in-house if they are well equipped to.

The study established that the publishing firms encounters several challenges as they outsource functions, it is recommended that in order to avoid losing very vital data due to the incompetence of the external party, the firm must also make back up of all the information that it gives out. This would help the firm to evade losing very pertinent customer information. The study established that the benefits of the company outsourcing were reduced costs, increased productivity, increased profitability and efficiency. It is

recommended that the management of the company should ensure that the company achieves maximum benefits as a result of outsourcing while at the same time taking into consideration the risks which are involved. The study also found out that outsourcing of processes by the publishing firms has influenced its performance and it is recommended that the firms should continue outsourcing other services which they do not have competitive advantage over its competitors so that they can continue improving its performance.

### **5.5 Limitations**

First, since I am part of the industry, it was difficult to convince my colleagues from other firms that the study was purely for educational purposes, hence some refused to answer the questionnaire or held back some information for fear that it might be used against them by their competitors. This made it difficult for me to get all the information I needed for the study. It is almost important to note that it was difficult to locate some of the publishing firms listed as members of the Kenya Publishers Association because some either did not list their physical addresses or their telephone contacts listed were not accessible. This study analyzed the challenges or disadvantages of outsourcing for all the services as a whole without recognizing that each publishing probably has a different perceptions of challenges for the different services, since what may be a disadvantage to one service may not be to another.

### **5.6 Suggestions for Further Research**

The study was undertaken on the relationship between outsourcing and performance in the book publishing industry focussing mainly on the publishing department even though the industry may not have a choice but to outsource especially because they need specialists from different sectors to accomplish their goal. It is therefore recommended that a study to be done to assess the impact of outsourcing in the book publishing industry. The research concentrated on the publishing department hence an additional research is needed to assess which other functions are outsourced in the book publishing industry in Kenya and their impact.

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## APPENDIX I: QUESTIONNAIRE

The purpose of this survey is to determine effect of outsourcing in the book publishing industry. Your feedback of this survey is extremely important to us and will be very much appreciated.

**Support Services:** includes project management, author liaison and management.

**Printing service**

**Production and pre-press:** includes Editing, typing, proofreading, illustration

**Technology services:** includes indexing, e-learning tools, drum scanning and converting and formatting

**Distribution**

### SECTION A: Respondent Background

1. Name of Respondent (optional):-----

2. Position -----

3. What level are you within the organisation? Executive  Middle  Lower

4. a) How many years have you worked in this Organisation?-----

b) How much knowledge do you have on the following Publishing functions? (Use a scale of 1 – 5 where 1= no knowledge and 5 = extensive knowledge)

|                                   | 5 | 4 | 3 | 2 | 1 |
|-----------------------------------|---|---|---|---|---|
| Support services                  |   |   |   |   |   |
| Printing services                 |   |   |   |   |   |
| Production and Pre-press services |   |   |   |   |   |
| Advertising production            |   |   |   |   |   |
| Technology services               |   |   |   |   |   |
| Distribution                      |   |   |   |   |   |



**SECTION B: Benefits of Outsourcing**

5. a) Does your company outsource any of its publishing activities?

Yes             No

b) If Yes to what extent does your company outsource the following publishing functions? (**Where** : Very great: 5, Great: 4, Moderate: 3, Little: 2, do not: 1)

|                                   | 5 | 4 | 3 | 2 | 1 |
|-----------------------------------|---|---|---|---|---|
| Support services                  |   |   |   |   |   |
| Printing services                 |   |   |   |   |   |
| Production and Pre-press services |   |   |   |   |   |
| Advertising production            |   |   |   |   |   |
| Technology services               |   |   |   |   |   |
| Distribution                      |   |   |   |   |   |

Others (Please Specify) \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

6. Indicate the degree to which your firm perceives its external service providers as technical competent source of publishing functions in each item listed in 5(b) above. (**Where** 1= lowest score and 5= highest score)

|   | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| Specialised industry knowledge                        |   |   |   |   |   |
| Have required experience and qualifications           |   |   |   |   |   |
| Have some depth of understanding to your organisation |   |   |   |   |   |
| Have upto date technology                             |   |   |   |   |   |

7. How would you rate the following benefits of outsourcing of various services to your publishing firm? (**Where:** 5) Strongly agree; 4) Agree; 3) Moderate extent; 2) Disagree; 1) strongly disagree)

|          | <b>Support services</b>   | <b>5</b> | <b>4</b> | <b>3</b> | <b>2</b> | <b>1</b> |
|----------|---|----------|----------|----------|----------|----------|
| <b>1</b> | The outsourcing practice has led to a decrease in operating costs   |          |          |          |          |          |
| <b>2</b> | It has made the organisation achieve timely delivery of services to clients   |          |          |          |          |          |
| <b>3</b> | The practice has enabled the organisation concentrate in its core business and therefore achieve improved customer satisfaction |          |          |          |          |          |
|          | <b>Printing Services</b>  |          |          |          |          |          |
| <b>1</b> | Outsourcing has brought about Specialised industry knowledge  |          |          |          |          |          |
| <b>2</b> | Outsourcing ensures reduction of capital investment   |          |          |          |          |          |
| <b>3</b> | Outsourcing can reduce the commitment to full-time human resource expenses  |          |          |          |          |          |
| <b>4</b> | It ensures high quality of products   |          |          |          |          |          |
| <b>5</b> | Outsourcing has helped the organization to increase its profits   |          |          |          |          |          |
|          | <b>Production and Prepress</b>  |          |          |          |          |          |
| <b>1</b> | Outsourcing has helped in the reduction of development costs in Pre-press   |          |          |          |          |          |
| <b>2</b> | Output per employee has improved through outsourcing  |          |          |          |          |          |
| <b>3</b> | Outsourcing has helped the organisation reduce the staff cost   |          |          |          |          |          |
| <b>4</b> | Outsourcing has improved the quality of the products  |          |          |          |          |          |
|          | <b>Technology</b>   |          |          |          |          |          |
| <b>1</b> | It has facilitated the usage of advanced technology that has come with reduction of cost  |          |          |          |          |          |
| <b>2</b> | Outsourcing ensures tap on specialists knowledge needed for the project   |          |          |          |          |          |
| <b>3</b> | The adoption of the cutting edge technology has improved the employees technical know how                                       |          |          |          |          |          |
|          | <b>Distribution</b>   |          |          |          |          |          |
| <b>1</b> | Outsourcing has helped the organisation to get into other markets   |          |          |          |          |          |
| <b>2</b> | Outsourcing has helped the organisation to more competitive   |          |          |          |          |          |
| <b>3</b> | Outsourcing has helped the organisation to have a bigger market share   |          |          |          |          |          |
| <b>4</b> | It has enabled faster response to customer demands  |          |          |          |          |          |

**SECTION C: Effects of outsourcing on performance measures**

8. The following are some of the performance measures in a publishing firm performance that will be affected by the decision to outsource some of the services. To what extent are the following performance measures been affected by outsourcing in your firm?

**Where:** very great: 5, great: 4, moderate: 3, little:2, not at all : 1

|   | 5 | 4 | 3 | 2 | 1 |
|---|---|---|---|---|---|
| Reduction in the operating cost of the firm |   |   |   |   |   |
| Increased productivity                      |   |   |   |   |   |
| Flexibility                                 |   |   |   |   |   |
| Better quality of products                  |   |   |   |   |   |
| Customer Satisfaction                       |   |   |   |   |   |
| Technology advancement                      |   |   |   |   |   |

**SECTION D: Challenges of Outsourcing**

9. a) How would you rate challenges of outsourcing on the publishing functions mentioned in above on the following statements? **Where:** 5) Strongly agree; 4) Agree; 3) Moderate extent; 2) Disagree; 1) strongly disagree

|  | 5 | 4 | 3 | 2 | 1 |
|--|---|---|---|---|---|
| Leakage of confidential information          |   |   |   |   |   |
| Loss of critical skills                      |   |   |   |   |   |
| Vendor failure to deliver                    |   |   |   |   |   |
| Plagiarism                                   |   |   |   |   |   |
| Pirates                                      |   |   |   |   |   |
| Poor quality of goods and services           |   |   |   |   |   |
| Cost of delayed delivery or non-delivery     |   |   |   |   |   |
| Disclosure of commercial secrets             |   |   |   |   |   |
| Cost escalation                              |   |   |   |   |   |
| Interest conflicts with outsourcing partners |   |   |   |   |   |
| Loss due to disasters and recovery costs     |   |   |   |   |   |

b) List other challenges faced in outsourcing activities in your organisation? \_\_\_\_\_

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**THANK YOU FOR YOUR TIME**

**APPENDIX II: KPA MEMBERS LIST**

|     |                                     |
|-----|-------------------------------------|
| 1.  | Almasi Holistic Healthcare          |
| 2.  | Bi Books Limited                    |
| 3.  | Bizmatrix                           |
| 4.  | Bookpoint                           |
| 5.  | Catholic University                 |
| 6.  | Dhillon Publishers                  |
| 7.  | East African Educational Publishers |
| 8.  | Elite Prepress LTD                  |
| 9.  | Evangel Publishing House            |
| 10. | Focus Publishers ltd                |
| 11. | Geoperi Publication                 |
| 12. | Karma Publishing company            |
| 13. | Kenya Literature Bureau             |
| 14. | Kenya National Library              |
| 15. | Kwani TRUST                         |
| 16. | LawAfrica publishing ltd            |
| 17. | Longhorn Publishers                 |
| 18. | Longman publishers                  |
| 19. | Mariba Publications                 |
| 20. | Moran publishers                    |
| 21. | Moi University                      |
| 22. | Mountain top publishers             |
| 23. | Nathan Books Ltd                    |
| 24. | Njigua books                        |
| 25. | Oxford univesity press              |
| 26. | Phoenix Publishers                  |
| 27. | Queenex publishes                   |
| 28. | Simpemar publisheRS                 |
| 29. | Single education and publishers     |
| 30. | Story Moja Publishers               |
| 31. | Suba books and periodicals          |
| 32. | Target publications                 |

