

**INFORMATION TECHNOLOGY OUTSOURCING AND  
EMPLOYEE PERCEPTIONS AT KESWICK BOOKS AND  
GIFTS LIMITED IN KENYA**

**BY**

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**A Research Project Submitted In Partial Fulfillment of the  
Requirements for Award of Master of Business Administration Degree  
from School of Business, University of Nairobi**

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## DECLARATION

This is to declare that this research proposal is my original work that has not been presented to any other University or Institution of Higher Learning for Examination.

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## DECLARATION BY THE SUPERVISOR

This proposal has been presented for examination with my approval as the appointed supervisor

Signature: .....

Date: .....

**SUPERVISOR: Dr. Kate Litondo**

## **DEDICATION**

I dedicate this research study to my beloved family and friends, to whom I owe a lot of gratitude for their support and encouragement.

## **ACKNOWLEDGEMENT**

The completion of this study could not have been possible without the continued support of my supervisor, Dr Kate Litondo. And to all those who I may not be able to enumerate here, but contributed immensely to this research study, please know you are highly appreciated. Above all, I give all glory and honour to the Almighty God who continued to renew my strength and hope during those stressful moments.

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## **LIST OF ABBREVIATIONS/ACRONYMS**

**SPSS** Statistical Package for Social Sciences

**IT** Information technology

**POS** Point of Sale

**HR** Human Resource

**ITO** Information Technology Outsourcing

**IS** Information Systems

**MIS** Management Information Systems

**RBV** Resource-Based View

**MSP** Managed Services Provider

**CEOs** Chief Executive Officers

**MAP** Management Action Plan

## **ABSTRACT**

The main aim of this study was to examine employees' perceptions on IT outsourcing at Keswick books and gifts limited. The specific objectives of the research were to determine the level of IT outsourcing, benefits of IT outsourcing and challenges to IT outsourcing in the organization. This study adopted cross sectional survey research design. The study targeted employees of Keswick books and gifts limited. A consensus sampling technique was employed to sample respondents from the targeted population. The study used questionnaire to collect primary data. Collected data was analyzed by use of descriptive and inferential data analysis methods, this was done with aid of Statistical Package for Social Sciences (SPSS). The data was interpreted, inferences were made, and presented inform of charts, graphs and percentages. The study found out that various IT services are outsourced at Keswick books and gifts limited. The IT outsourcing practices at this firm was found to have some benefits as well as challenges. It was also revealed that employees in this organization had negative attitudes towards IT outsourcing. The inferential analysis results revealed that accounting and backup systems are the key IT services which were found to have significant relationship on employee perception. The study recommends that organizations should embrace change in conformity with changing technology and trends. The act of maintaining a proper relationship between the workers, client and vendor, should be practiced by organizations to ensure mutual trust and better communication. The study further recommends for more studies to be carried out to build on and further develop knowledge in this area.

## CHAPTER ONE: INTRODUCTION

### 1.1 Background

Outsourcing is the process of contracting with another company or person to do a particular function (Tapan, 2007). Outsourcing has become the principal mode which firms use to change their production structure across developed countries (Malone *et. al.*, 2011). Outsourcing constitutes the next industrial revolution and is likely to entail occupational restructuring within firms (Blinder, 2006). Geishecker (2008), states that outsourcing can be expected to have negative effects on perceived employee well-being, especially among employees who perform tasks. However, evidence of the effects of outsourcing on well-being among employees who are capable of keeping their jobs is sparse, despite the importance of ongoing changes. Research has focused on making the right outsourcing decisions (Sanders et al. 2007) in order for the relationship between the organization and the vendor to continue. Simmonds and Gibson (2008) provided a four-step outsourcing framework to ensure success by making the right decision in terms of what to outsource (prioritize), engaging the right providers (select) and putting measures in place to build (trust) and maintain a strong, trusting, effective relationship (monitor). The importance of trust has specifically gained much attention for maintaining and managing relationship between the employees and the parent organization (Gainey and Klass 2005; Leimbach 2005) in order for the relationship to continue.

Crouch & Doyle (2014) in the ERISA Advisory Council 2014 report, identified outsourcing as an important topic to study. They aimed at understanding the current practices and developing trends, as well as identifying steps the firms take in the plans of sponsors, participants, and service providers. An additional and often overlooked area of

debate in the literature relates to employees perceptions towards outsourced services (Galanaki and Papalexandris 2007). Employers appear to have diverse and perhaps conflicting opinions regarding the benefits of in-house and outsourced information technology. There is evidence that employers increasingly perceive that the use of outside service providers is more efficient and less expensive than maintaining a full-service in-house training and development facility and programme (Mani and Anitesh, 2015). Furthermore, some employers believe that outsourced service providers have knowledge and competencies that may not exist among their employees (Galanaki and Papalexandris 2007). However, the perception of employees towards outsourced IT has received little research.

Involving employee perception in outsourcing may be viewed as a change in strategy and process for learning and development activities that may lead to considerable shifts in work processes, control and organizational design (Lever 2002), which in turn can potentially impact employee attitudes. Stroh and Treehuboff (2013) suggested that outsourcing, regardless if considered successful or failed, can have a considerable influence on employee morale. Some have argued that outsourcing does not nurture employee engagement with reduced feelings of belongingness towards the organization often the result (Punia and Sharma 2008). Therefore, if organizations want to utilize IT outsourcing effectively, a greater understanding is needed on the potential influence it may have on employee attitudes. Previous research has highlighted that individual work-related outcomes are impacted by employee perceptions of HR practices, and these may differ significantly from managerial perceptions (Guest 1999; Huselid 1995).

According to Bartlett & Kang (2013), the reality for most organizations is that the rate of technology change has been extremely fast thus organizations are committing a large amount of in-house resources and capabilities to cope with these changes. Such challenges make it difficult for some companies to invest in IT, resulting in a need to re-think their business models. One such approach which has proved popular over the last few years is to outsource IT and other non core functions which will ensure firms concentrate on core business competencies and at the same time avail of the latest technologies and practices in their IT domain (Mani and Anitesh, 2015). They identified four risks of IT outsourcing namely: some IT functions are not easily outsourced, control may be lost, employee morale may be affected, and you may get "locked in."

### **1.1.1 Information Technology Outsourcing**

Information technology outsourcing involves taking internal IT business functions out of the equation and paying an outside company to manage them. IT outsourcing is done to improve productivity, save money, improve data and system security, and prevent data loss. Outsourcing processes may range from infrastructure to software development, maintenance, and support. Today IT outsourcing services are used by businesses of all types and sizes, including local and large businesses alike (Hewson, 2012). Information technology (IT) outsourcing refers to outsourcing all or parts of IT functions to an external party. Information technology outsourcing is a subset of business process outsourcing (BPO) (Wadhwa, 2009). He further states that all the IT jobs are supervised and managed by the outsourcers and this outsourced IT functions include Web hosting, backup systems, retailing (POS), accounting and HR services.

Due to the services offered by professional IT outsourcing companies, many local businesses benefit from increased productivity and competitiveness through efficient integration of innovative systems that have been tailor made to meet the needs of today's businesses. Reliability and security have become much more important in today's world where private information is becoming more and more public. However, staying up to date with the ever evolving world of computers and network systems is a task best left to the professionals (Hewson, 2012). Wadhwa (2009) observation show that IT outsourcing have a positive impact on local business as it helps in accessing to the latest and greatest technology, cost savings, high quality of staff, flexibility, and job security and burnout reduction for regular employees. Hewson (2012) further argues that businesses do not have to create space for an on-site IT management department, which involves hiring and retaining staff to run and monitor operations 24/7. Furthermore, it can be a costly and time consuming process to acquire the equipment, hardware, and software needed to run efficient IT operations on-site. Quality IT outsourcing companies are made up of technical professionals who develop, integrate, and manage IT solutions for their clients. Thus, it is important for IT groups in organizations to understand how to deal with such difficulties for improved outsourcing performance.

Böckerman *et al* (2011) are of the view that outsourcing of IT has not benefited the employees who have worked for many years since all expertise and to some extent the skills and knowledge applied has been primarily that of outsourcers. This have rendered the employees who work on both at the front office Point of Sale (POS) and also at the back office just as mere clerks and copy typists who cannot depend on their skills and knowledge learned to create any IT change or use their creativity. Consequently,



outsourcing increases the pace of job destruction and worker outflow, at least for those types of tasks that can be easily and profitably outsourced (Eriksson, 2010).

### **1.1.2 Employee Perception on Outsourcing**

Research on employee perception has attracted significant attention in the past years. International interest in organizational commitment has increased as a result of globalization, greater cultural diversity in the workplace, and as more is understood of the relationship with various measures of performance (Kamarul and Raida 2003; Meyer et al. 2012; Riketta 2002). A paradox unfolding within today's global workforce has been noted in that organizations increasingly rely on committed employees while they simultaneously introduce many changes that have the potential to reduce commitment levels (Meyer and Parfyonova 2010). Examples of organizational change strategies are often related to reduced commitment, including downsizing, restructuring, mergers and acquisitions and outsourcing (Dierendonck and Jacobs 2012; Sverke, Hellgren, and Näswall 2002).

Moreover, employees who receive proper training on outsourcing are relevant and useful to their jobs and perceive their work environment to be more supportive (Narayan and Steele-Johnson 2007). Study done in international context has also supported a good relationship between employees' attitudes and organizational commitment. Joo and Shim (2010) reported in their study on Korean employees that organizational learning culture has a significant influence on employees' attitudes and their turnover intentions. Given a growing concern on the desire for higher levels of employee commitment, a greater understanding is also needed on employees' perceptions and knowledge on outsourcing and the potential relationship to organizational commitment that may exist between the

frequency of participation in outsourced services, quality of outsourced services, usefulness and relevance of outsourced services, customization of outsourced services and supervisory support towards outsourced services.

To determine how employees can benefit as organizations outsource, the 2014 ERISA Advisory Council examined the outsourcing of employee benefit plan services with a particular focus on functions that historically have been handled by employers in-house (Crouch & Doyle, 2014). The Council identified areas in which the outsourcing could provide education, outreach, regulatory guidance, and sub-regulatory guidance pertaining to employer's outsourcing of employee benefit plan services. Another study of Copyright 2003 FMR Corp. showed that companies outsourcing their IT services benefit functions report a consistently strong level of satisfaction for both employer and employees. Cost containment, efficiency and reallocation of resources are cited as the biggest pressure or challenge for companies and major reasons for outsourcing initially, but over time, companies shift their focus to other value-adding benefits offered by outsourcers and thus letting the employees and the company as a whole to focus on core competencies. As the outsourcing goes on, the benefits get realized by both employer and the employees. To enhance the employee benefits as firms continue to outsource, collaborations should be developed between the vendors (outsourcers) and the outsourcing company to see that the employees are compensated appropriately in terms of service delivery, skills and expertise.

### **1.1.3 Keswick Books and Gifts Limited**

Keswick books and gifts limited is a regional Christian based organization which was established in the year 2001. It is devoted to spreading the word of God through bibles,

Christian literature and gift items. Its main mission is to motivate, nurture, teach and proclaim the gospel of Jesus Christ as well as strengthen the church of Christ globally. Currently, Keswick books and gifts limited has five branches in Kenya, four of its branches are located in Nairobi while the other one is situated in Mombasa. For the last ten years the company has been involved in outsourcing of IT services. This organization looks for a good cultural fit with a vendor which may go a long way to help ease transition, especially with anxious employees (Stroh and Treehuboff, 2013). Single source of outsourcing can be a gain to employees since they will get issues addressed at once and also get consistent information, which will help to streamline processes and keep them consistent (Whitten, Chakrabarty, and Wakefield 2010).

Keswick books and gifts limited outsource its activities to different vendors, notably, web hosting outsourced to Liquid Telecommunications, Backup Systems to Computer Doctors Ltd, POS retailing outsourced to Synapses Ltd and Regulatory Compliance services to Electronic Express Ltd. As cited by Copyright 2003 FMR Corp. in their study, there is a great deal of effectiveness that can be gained by having a single source, for instance, a one-stop shopping for the employee population. This prevents a situation where one pocket of employees get one bit of information and the other being told some different information (Leeman and Reynolds, 2012).

Partnering with outsourcing vendors that share same cultural values as the outsourcing company is of great benefit since it will be possible to provide employees with comprehensive services and a full range of HR/benefits programs such as the Defined Contribution Plans, Health Welfare Plans and other work related satisfaction and motivation of employee benefit plans. A study by ADP National Account Services

showed that year-round web-based benefits give employees the tools for managing their health and welfare benefits, thus significantly reducing administrative burdens for internal health training and work-offs. This is a big drawback to motivation at Keswick books and gifts limited since there is partial access to web-based internet for the employees (Shih & Chiang 2011).

## **1.2 Statement of the Problem**

In the academic literature, IT outsourcing has received little research attention with most previous studies primarily concentrated on broadly examining the organizational benefits and risks of outsourcing in general. The few studies on IT outsourcing have tended to focus on the relationship between firms and vendors (Gainey and Klass, 2005). Since employees are always at the receiving end of outsourced services, it is noteworthy that the employee perception on the impact of IT outsourcing on employment relations has usually been overlooked in existing studies (Kessler, Coyle-Shapiro, and Purcell, 2013). While there is much rhetoric on the possible impact of IT outsourcing on employees' attitudes (Shih and Chiang 2011), there is a lack of research that explores possible relationships between outsourced information technology and employees' attitudes. Some who advocate for IT outsourcing highlight reduced costs, improved effectiveness and efficiency in IT delivery and corresponding benefits to employee satisfaction and loyalty (Galanaki, Bourantas, and Papalexandris 2008).

A study carried out by Wadhwa (2009) revealed that outsourcing is a dirty word as it means firing full-time workers and shipping their jobs to a less developed country where wages are lower and labor laws are more lax. He found out that in U.S. unemployment closing in was 10%, and estimate of real unemployment (including part-time workers)

climbing was over 15%. He therefore argued that the idea of cutting American jobs and shipping them abroad is morally offensive to many. Belcourt (2006) and Cooke et al (2005) found out that IT outsourcing undermines core values and control of human resource development, resulting in reduced employee morale. This overall shortage of research and conflicting conclusion on the nature of the relationship of IT outsourcing and employees' attitudes is problematic as organizations are confronted by divergent opinions and unsubstantiated claims on how employees perceive outsourcing activities (Paul and Anantharaman 2014). This revelation is concerning since the IT services sector is noted for high rates of turnover (Gupta 2001; Kuruvilla and Ranganathan 2010; Kuo et al. 2010).

Mungai and Moturi (2015) carried out a study on the effect of IT outsourcing on the performance of banks in Kenya. The study revealed that connectivity and help desk support were the most outsourced IT functions in the commercial banks. The study also revealed the two main drivers for Information Technology Outsourcing (ITO) as being strategic focus and cost reduction. They suggested that studies should be done on IT outsourcing impact on the performance measurements using other performance indicators. Barako and Gatere (2008) researched on outsourcing practices of the Kenyan banking sector. They found out that, banks associate outsourcing activities with high reputational, operational, strategic and contractual risks. Outsourcing benefits highlighted were: freeing of resources, cost reduction, access to specialized vendors, focus on core competence, flexibility and improved services. They also said that phenomenon of IT outsourcing in Kenya was in its infancy, where they quoted business process outsourcing in the banking sector can be said to have taken root. Sang (2010) carried out a study on

outsourcing in Kenyan universities, where he examined the challenges and opportunities but he did not include employee perception on outsourcing. The study revealed that through outsourcing, the universities are able to cut costs, improve efficiency and meet their rising demands for greater accountability.

Most of the current literature reviewed on the topic of outsourcing deals with business considerations. Such issues include: outsourcing rationale, negotiating contracts, cutting costs, choice of the right service provider, improving efficiency, among others. Limited articles focus on employee attitude towards outsourcing. The high cost and complications of running own Information Systems (IS) business is that of hiring and retaining qualified employees in IT professional. Bigger part of IS budget normally goes to the salaries of IT professionals. Whenever cost reductions are planned some of these might lower the salaries of employees thus, an effect of their perception towards external services. This direct linkage between employee's attitudes on IT outsourcing is a major and sensitive topic within the IT community, and therefore, require more investigation. The purpose of this study was to contribute to the available literature by providing exploratory findings in this field. This paper therefore investigated IT outsourcing and the perception of employee at Keswick books and gifts limited firms that operate in Nairobi.

### **1.3 Objectives of the Study**

The general objective of this study was to investigate information technology outsourcing and employee perceptions at Keswick books and gifts limited. The specific objectives were to:

- a) Establish the level of IT outsourcing at the organization
- b) Determine the benefits of outsourcing IT services at the organization
- c) Establish challenges encountered in IT outsourcing
- d) Determine the relationship between IT outsourcing and employee perception at the organization

#### **1.4 Value of the study**

The study can enable the Keswick books and gifts limited to understand the impact they have created to their employees in the process of dealing with the issues of IT outsourcing. The study is capable of assisting them realize their strengths and weaknesses and hence be able to come up with the best strategies that will place them in a better position especially in the role played by employee in IT outsourcing. The study contributed in making the employees of Keswick books and gifts limited understand better their relationship with the firm and on how to improve this relationship. The knowledge gained from this exploratory study can also be useful for firms considering IT outsourcing and more specifically for those organizations already engaged in IT outsourcing to better understand how employees perceive this practice.

Growth of information technology can be expected to have a significant impact on a larger section of the current population than any other sector. Therefore, policies affecting the IT outsourcing have important implications to the economy as a whole. The study will help the government and policy makers to come up with workable strategies to promote infrastructure that is required for IT outsourcing. This way the government may enhance its effort in supporting the information technology. The study will also help the government, especially the development planners, in the policy formulation.

Academically, the study is of significance help especially because it has built on or added value to already existing body of knowledge especially related to issues of IT outsourcing and employee Perception. The study contributed to empirical researches that have built on the existing body of knowledge on IT outsourcing and employee perception which can particularly be useful to scholars as they pass on knowledge. This study has as well formed some basis of another research work on how workable are the suggested recommendations.



## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter focused on review of literature to establish what other authors have written on the subject in discussion and it also gives a theoretical foundation of IT outsourcing from different points of view by scholars and researchers. It also presented the concept of Management Information Systems (MIS), benefits, and challenges of IT outsourcing, as well as empirical and conceptual framework of the study.

### **2.2 Theoretical Framework**

Theories related to IT outsourcing comprise of different activities and each phenomenon can be described by several frameworks that are embedded in various theoretical approaches. Much of the studies on IT outsourcing have been affected by three approaches: Resource-Based View, Core Competency Approach, and Transaction Cost Theory.

#### **2.2.1 The Resource-based Theory**

The resource-based view (RBV) emphasizes the firm's resources as the fundamental determinants of competitive advantage and performance. It adopts two assumptions in analyzing sources of competitive advantage (Barney, 1991 and Peteraf & Barney, 2003). First, this model assumes that firms within an industry (or within a strategic group) may be heterogeneous with respect to the bundle of resources that they control. Second, it assumes that resource heterogeneity may persist over time because the resources used to implement firms' strategies are not perfectly mobile across firms (for instance, some of the resources cannot be traded in factor markets and are difficult to accumulate and

imitate). Resource heterogeneity (or uniqueness) is considered a necessary condition for a resource bundle to contribute to a competitive advantage (Karel, *et al*, 2002).

This theory of outsourcing builds from a proposition that an organization that lacks valuable, rare, inimitable and organized resources and capabilities, shall seek for an external provider in order to overcome that weakness. The core premise of the resource-based view is that resources and capabilities can vary significantly across firms, and that these differences can be stable (Barney and Hesterly, 1996). Organizations will plug gaps in resources and capabilities in the most cost-effective manner to maintain a distinctive product and its competitive advantage. The argument therefore can be that if all branches of Keswick books and gifts limited have the same stock of resources, no strategy is available to one branch that would not also be available to all other firms in the market.

### **2.2.2 Core Competency Theory**

The essence of the core competency theory is that it should be kept in-house, but that other activities that the organization deals with, which are not counted to be core or critical to its function, should be considered for outsourcing. According to Arnold, (2000) “a core competence can be thought of as a cluster of attributes that an organization possesses which in turn allows it to achieve competitive advantage”. If the organization is to focus on its core competencies as the basis of its sustainable competitive advantage, then activities which do not constitute a core competence for the firm can be given to outside firms who can provide these at lower cost (Campbell & Sommers-Luch, 1997).

According to Alai *et al* (2006) Core Competency is a deep proficiency that enables a company to deliver unique value to customers. It embodies an organization’s collective

learning, particularly of how to coordinate diverse production skills and integrate multiple technologies. Such a Core Competency creates sustainable competitive advantage for a company and helps it branch into a wide variety of related markets. Core Competencies also contribute substantially to the benefits a company's products offer customers (Critelli, 2005). Therefore, it is hard for competitors to copy or procure. Understanding Core Competencies will allow Keswick books and gifts limited firms to invest in the strengths that differentiate them and set strategies that unify their entire organization.

### **2.2.3 Transaction Cost Theory**

According to Ronald Coase, people begin to organize their production in firms when the transaction cost of coordinating production through the market exchange, given imperfect information, is greater than within the firm (Coase, 1937). He set out his transaction cost theory of the firm in 1937, making it one of the first (neo-classical) attempts to define the firm theoretically in relation to the market. One aspect of its 'neoclassicism' lies in presenting an explanation of the firm consistent with constant returns to scale, rather than relying on increasing returns to scale (Archibald, 2008). Another is in defining a firm in a manner which is both realistic and compatible with the idea of substitution at the margin, so instruments of conventional economic analysis apply. He states that a firm's interactions with the market may not be under its control (for instance because of sales taxes), but its internal allocation of resources are within a firm, market transactions are eliminated and in place of the complicated market structure with exchange transactions is substituted the entrepreneur who directs production.

Transaction cost theory has been developed to facilitate an analysis of the comparative costs of planning, adapting, and monitoring task completion under alternative governance structures. The unit of analysis in transaction cost theory is a transaction, which by the words of Williamson (1996) “occurs when a good or service is transferred across a technologically separate interface” Aubert *et al* (2004). Decision-makers at Keswick books and gifts limited must weigh up the production and transaction costs associated with executing a transaction within their firms – insourcing, versus the production and transaction costs associated with executing the transaction in the market – outsourcing. Keswick books and gifts limited can choose whether to buy from the market or to develop in-house, the decision can be based on the relative cost, which is combined from the costs of production and costs of the transaction.

### **2.3 Management Information Systems**

According to Rezaeian (2005) MIS are information systems, typically computer-based, that are used within an organization. WorldNet describes an information system as "a system consisting of the network of all communication channels used within an organization". A management information system may also be defined as "a system that collects and processes data (information) and provides it to managers at all levels who use it for decision making, planning, program implementation, and control." An information system is comprised of all the components that collect, manipulate, and disseminate data or information. It usually includes hardware, software, people, communications systems such as telephone lines, and the data itself. Awad (1988) and McLeod (1998) stated that the activities involved include inputting data, processing of data into information, storage of data and information, and the production of outputs such

as management reports. In business, information systems support business processes and operations, decision-making, and competitive strategies.

## **2.4 The Concept of IT Outsourcing**

The reason why companies outsource work is because there are others who can do it cheaper, faster, and better. Meyer and Allen (1997) gave the definition of outsourcing as “the allocation of risk and responsibility for performing a function or service to another entity”. In brief, outsourcing can be defined as the process of delegation of operations or jobs to the third party, who can do it better, cheaper and faster. Depending on level of control over performance of outsourced function, outsourcing can be separated into internal and external types. Internal outsourcing is “reallocation of functions in business system for saving control over its performance” and external outsourcing is “delegation of performance of separate or mutually related functions to external outsourcer” (Palvia & Parzinger, 1995). For example, divisions of joint activities of external outsourcing include centers concept, cooperation, joint servicing, and participation in capital, whereas divisions of joint activities of internal outsourcing include long-term partnership, short-term partnership, and single partnerships (Loh & Venkatraman, 1992). Depending on effective use of resources and reallocation of risk and responsibility outsourcing is divided into partial and full outsourcing types. According to Anikin & Rudaya (2009), partial or selective outsourcing is “the delegation of certain functions or business processes to outsourcer, while set of mutually related functions are performed by company itself” and full outsourcing refers to “the delegation of separate function to outsourcing company with entrusting it with full responsibility for function’s performance”.

### **2.4.1 Benefits of IT Outsourcing**

According to Wadhwa (2009) outsourcing IT department to an experienced and credentialed Managed Services Provider (MSP) can therefore come with several benefits including:

*Controlling and Reduction of Costs* - When you outsource your organization's IT functions to an MSP, you are able to control costs by paying a set monthly fee, so you know what your expenditures are and they do not fluctuate month to month. You are also able to take advantage of their economies of scale, lower cost structures, and learned efficiencies and expertise. When you have your own IT department to fund and run, it can be extremely expensive. Qualified IT professionals must maintain their level of expertise as well as be adequately compensated. Additionally, MSPs offer cloud-hosted services where you can rent hardware such as servers, and even have them located offsite and monitored on a continual basis, which substantially lowers your total IT investment (Bragg, 2006). All hardware has an "end-of-life" expiration for when its performance deteriorates, then fails and needs to be replaced. Cloud-hosted services allow you to control and predict these costs.

*Focus on Your Business* - Your organization may be a law, engineering, accounting, or construction firm, and these are your core competencies, not information technology. Every company has limits to its resources, and an MSP will let you redirect them from non-core activities toward activities that provide a greater return. By allowing a qualified MSP to take care of your IT, this frees up your resources to concentrate on the areas that make you successful and grow (Liao and Reategui, 2002).

*Access to the Most Current Technology* - Qualified MSPs bring world-class knowledge and experience to your organization on a continual basis. With an MSP, you will receive access to new technologies and know-how that you may not have considered previously, as well as techniques and tools that you currently do not possess. These tools include tried-and-true procedures and processes; documentation; and more structured methodologies. Additionally, a qualified MSP company tests the engineers they hire, and maintains their training and examinations on a continual basis to keep them up-to-date with the latest technologies. Also, MSPs bring a wide variety of IT professionals with different skills sets to take care of a number of situations. If you have your own IT staff, their skill set would be limited to their expertise (Lacity and Willcocks, 2001).

*24/7/365 Monitoring of Your IT Environment* - Even if you do have knowledgeable and qualified IT professionals on staff, with a limited number of staff, it would not be reasonable to have them monitor your IT environment every hour of the day, and every day of the year. Qualified MSPs have the tools and staff to do this, and can foresee serious issues with your IT environment and can fix them before downtime occurs. And they would be able to advise you on necessary future upgrades to avoid any future downtime. Are your servers more than three years old? Are you using an operating system that is no longer supported? MSPs can also take care of day-to-day tasks such as software updates and patches, anti-virus updates, data backups, and inventory auditing and control (Anikin and Rudaya, 2009).

*Minimize Risk* - MSPs will keep your day-to-day IT environment up-to-date easily and effortlessly by automating the process using specialized tools. MSPs are responsible for verifying that backups are working, pushing out patches, and auditing inventory to

minimize the risk of catastrophic occurrences. They also take on the responsibility of being alerted of unpredictable circumstances such as backup and hardware failures, database corruptions, software crashes, and virus and spyware intrusions, acting quickly to prevent downtime. A limited in-house IT staff may not be able to respond and take care of the problem as quickly, leading to extended downtime, putting productivity at risk. And with the MSP's expertise, you reduce the risk of making a wrong decision because of any lack of technical experience (Power *et al*, 2006).

*Strategic Consulting and Future IT Roadmap Planning* - With years of experience working with different client companies and industries, as well as keeping current with the latest technology, qualified MSPs will advise companies on their future IT requirements. This is done by evaluating the company's growth and accompanying IT needs, whether the company plans to move or expand, or enter into new markets. Technology is constantly changing, and it is difficult to ascertain what a company will need in the future and how those needs will translate into dollars. By partnering with an MSP, uncertainties become more predictable (Wadhwa, 2009).

*Increased Productivity* - Because of all of the above benefits, your organization will be able to lower its costs and focus on its core competencies. A qualified MSP can predict, prevent and quickly respond to serious issues that lead to catastrophic failures and extended downtime. Moreover, you will be using the most current technology that enhances your success and makes you more competitive. With first-class technology, you can streamline processes and make them more efficient and productive, and your company will also be able to take advantage of opportunities more quickly (Cao and Chen, 2012).



## **2.4.2 Challenges of IT Outsourcing**

IT outsourcing is also associated with several challenges as stated below:

*Loss of control over the outsourced operations* - This challenge stems from the reason that managing external resources requires special skills which is a combination of the skills of people and process management, contract management, and power negotiation (Bahli and Rivard, 2007).

*Threat to security and confidentiality* - Almost every outsourcing contract has terms of security and confidentiality spelled out, but the execution and audit are always difficult. In financial services, requirements keep information known to investment bankers away from traders, brokers, and other individuals who might attempt to use such insider information improperly (Sverke, *et al*, 2002).

*Quality problems* - one of the reasons to outsource is the expectation of receiving better service from the outsourcer than from internal staff. Outsourcer has to be chosen in that particular way to ensure that there is no bad influence on the quality of goods and services produced. Otherwise company may lose its position on the market (Anderson, 2008).

*Hidden costs* - Company will sign a contract with the outsourcing company that will cover the details of the service that they will be providing. Anything not covered in the contract will be the basis for the company to pay additional charges (Anderson, 2001). For example, an analyst may intentionally exclude costs to favor one decision, such as selecting one provider versus another, choosing in-sourcing over outsourcing, or staying in a particular business or not (Gul and Zaib, 2010).

*Reallocation of existing teams* - The outsourcing is often related to the firing in employees' minds. It is also a problem for the organization's top management team to decide how to reallocate the existing employees. Often after outsourcing a part of the original team moves from outsourcing party to the outsourced one (Aubert, *et al* 2005), which in turn causes major changes. According to Bragg, sponsoring such a major change and seeing it fail can lead to termination of one or more of a company's management staff (Chou *et al*, (2006).

## **2.5 Empirical Studies on IT Outsourcing and Employee Perception**

Gul and Zaib (2010) examined outsourcing problems from both an organizational and personnel Perception. They stated personnel problems associated with outsourcing often are reflected in employee perceptions and actions. They contended it was important for managers to understand these perceptions so they could deal effectively with problems arising as outsourcing evaluation or transition progressed. Cooper (1999) reported on two quality of working life surveys conducted with 5000 junior managers through Chief Executive Officers (CEOs). These studies revealed where major corporate restructuring involved downsizing or outsourcing, there were adverse effects on employee loyalty, morale, motivation and perceived job security. There was a marked difference in perceived impact based on ones level in the managerial hierarchy. All levels perceived their sense of job security decreased.

Solinger *et al* (2008) interviewed Information Systems (IS) personnel involved in outsourcing and uncovered several serious concerns. The most significant were the outsourcing process had negative effects on employee morale and presented uncertainty for employee's futures. These were fueled by rumors of lay-offs, benefits loss or

reduction, transfers, and migrations to new or different technologies. When management did not address these rumors, low productivity and personnel exodus resulted. Lacity *et al* (2009) categorized the wealth of IT outsourcing research as: descriptive case studies; surveys of current practices; surveys of practitioners' perceptions of risks/benefits; studies of outsourcing determinates and best practices that identify or distinguish successes verses failures. This review offers a brief representation of literature addressing HR issues relevant to this study. First is a general discussion of these issues. A discussion of the two studies specifically dealing with employee Perception s of outsourcing follows.

Shih and Chiang (2011) performed an exploratory empirical study seeking to establish a positive relationship between global outsourcing programs and organizational effectiveness. Major factors associated with global outsourcing successes or failures were fear of change, access to adequate training and skills, choice of sourcing partners, and comprehensive plans detailing expectations. Fear of job loss, which negatively affected employee morale and job performance, was perceived the most serious problem in global outsourcing. Sanders *et al* (2007) studied practices and perceptions of IT outsourcing in the United Kingdom. They reported one population sector, non- and upper-level managers, often had significant misgivings about outsourcing, but for different reasons.

Newman *et al* (2011) studied perceptions of IS professionals, how outsourcing affected them, and career and communications issues. They asserted successful outsourcing dealt effectively with the following critical human factors: attracting/retaining talented IS professionals, employee resistance to outsourcing, job security, morale, productivity, training, and opportunities and career paths. This required management to understand

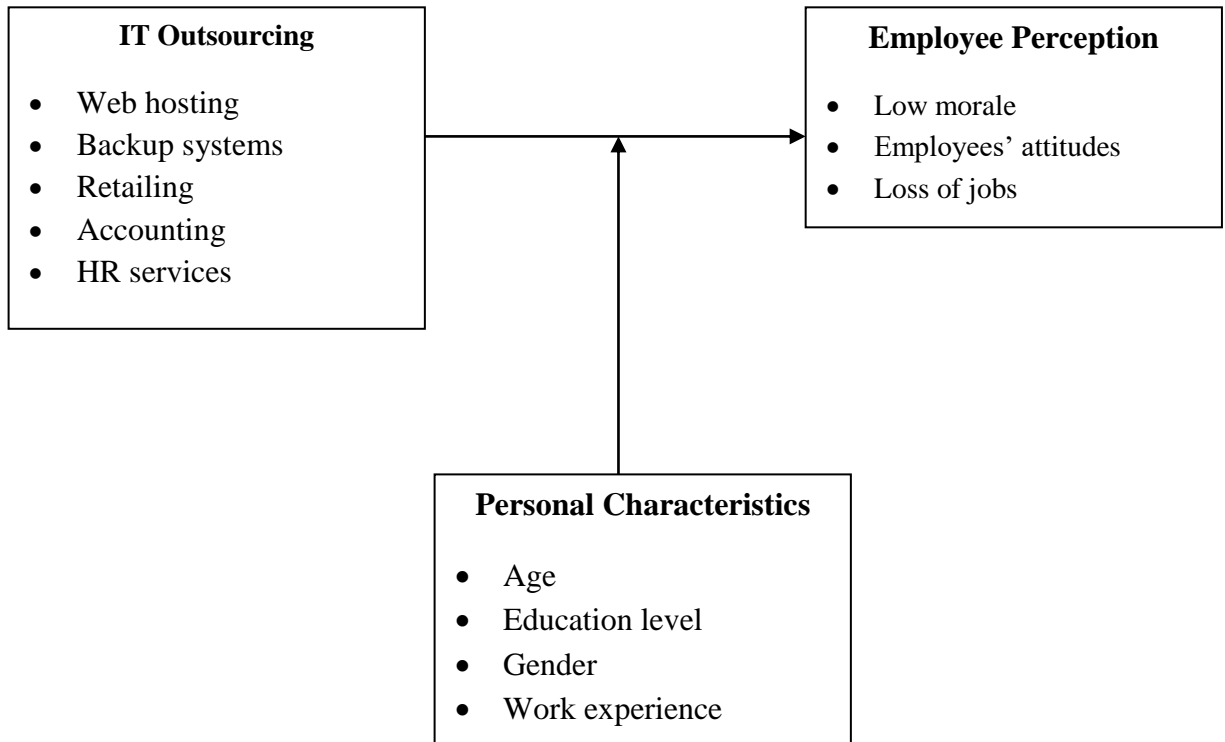
what perceptions exist within employee ranks, and was best accomplished with communication and employee participation in the process. They noted IT employees did not perceive their welfare was a key to IT management as it made outsourcing decisions. Management routinely did not seek input from employees to assess the impact the impending deal had on employees. They proposed a Management Action Plan (MAP) for addressing productivity and low morale issues, and a Management Outsourcing.

Meyer (2012) performed a case study of non-IS professionals involved in an outsourcing deal in London. They noted the lack of research of employees' perceptions of outsourcing, and sought to identify potential impacts these perceptions had on outsourcing success. They measured work attitudes focusing on organizational commitment, job satisfaction, and HR practices including rewards, career development, training, communication and involvement. Their evaluation attempted to link consequences of outsourcing to change in employees' assessment of HR practices, to whether initial employee expectations were met, and to the extent there was change to important attitudinal outcomes following outsourcing.

## **2.6 Conceptual Framework**

The conceptual framework shows the independent variables to be the IT outsourcing practices proxied by web hosting, backup systems, retailing, accounting and HR services which can affect the dependent variable, that is, the employee perception on outsourcing of IT services. Personal characteristics are used as moderating variables. The effect of IT outsourcing on employee perception at Keswick books and gifts limited can be understood through the conceptual framework shown figure 2.1.

**Figure 2.1: Conceptual Framework**



Source: Author 2015

## **CHAPTER THREE: METHODOLOGY**

### **3.1 Introduction**

This chapter discusses the research design which was used in this study, the target population, the sampling technique, data collection and data analysis methods employed to analyze the collected data.

### **3.2 Research Design**

In any study, the research design constitutes the blue print for the collection, measurement and analysis of data (Kothari, 2004). This study adopted cross sectional survey research design. Descriptive survey was appropriate because it involved collecting primary data on attitudes, ideas, behavior and intentions of a target population. This method enabled the researcher gain a deeper understanding of the reasons and perceptions of employees on IT outsourcing. Sproull (1995) recommended survey design for collecting primary data on social issues such as attitudes, behaviours and intentions. Since the research was dealing with employees of different branches of Keswick books and gifts limited, it was difficult to have control and treatment of groups; therefore experimental method was not appropriate for this study. That is, it was used to find out the current state of information technology outsourcing and employee perceptions at Keswick books and gifts limited in Kenya.

### **3.3 Target Population**

A target population was the entire group a researcher is interested in; the group about which the researcher wishes to draw conclusions (Easton and McColl, 1997). The study

targeted employees of Keswick books and gifts limited which was chosen because of its diverse IT outsourcing activities. The employees of the four branches of Keswick books and gifts limited operating within Nairobi (see appendix II) were interviewed and this helped the researcher to understand their perception on IT outsourcing.

### **3.4 Sampling**

Orodho and Kombo (2002) define sampling as the process of selecting a number of individuals or objects from a population such that the selected group contains elements representative of the characteristics found in the entire group. A consensus sampling technique was used to sample respondents from the targeted population. Consensus methodologies emerged as powerful tools to establish expert agreement on issues of practice (Jones & Hunter, 1995). Consensus methods respect expert opinion as a product of diverse experience (Murphy, *et al.* 1998). They provided a formal structure for reflection on that experience and consider areas of agreement and disagreement. In particular, consensus method was used to control the subjects that can often bias the process of expert discussion (Bowling, 2002). Such subjects may include the potential for undue influence on those drafting conclusions, and the premature loss of ‘minority’ opinions within discussions.

According Murphy, *et al.* (1998) this method provide a means for participants to freely and independently propose what they see as key issues, or practices, in the field in question. By documenting all proposals no insights are lost through the potential timidity or uncertainty of some participants (this can be very useful with groups varying in either cultural background or professional status). Second, consensus methods provide an

opportunity to discuss debate and defend proposals. This broadened understanding of issues, and highlights areas of both agreement and disagreement. Third, these methods encouraged some form of negotiation using such processes as prioritizing and consolidation to establish areas of the greatest consensus. The four (4) branches of Keswick books and gifts limited located within Nairobi County were identified for the purpose of this study to enable the investigation of the subject under study. These companies were chosen because of their proximity and accessible. The researcher aimed to get responses from ten (10) respondents drawn from each of the four (4) companies found in Nairobi thus totaling to 40 respondents.

### **3.5 Data Collection**

According to Creswell (2002), data collection is the means by which information is obtained from the selected subject of an investigation. The study collected primary data during the research. This was done by use of a questionnaire as a data collection tool. The questionnaire contained both structured and unstructured questions. The open-ended questions was used to limit the respondents to given variables in which the study was interested while unstructured questions was used in order to give the respondents room to express their views in a more realistic manner (Kothari, 2004).

### **3.6 Data Analysis**

The study used quantitative data. The questionnaires were coded and edited for completeness and consistency. Quantitative data was analyzed by employing descriptive statistics and inferential data analysis methods; this was done with aid of Statistical Package for Social Sciences (SPSS). Descriptive analysis technique is used to give



simple summaries about the sample data and presents quantitative descriptions in a manageable form (Gupta, 2001). Descriptive statistics might include mean, standard deviation, frequencies and percentages. According to Kothari (2004), together with simple graphics analysis descriptive statistics form the basis of virtually of every quantitative analysis of data. The research findings were subjected to statistical analysis to assess the level of employees' perception of IT outsourcing at Keswick books and gifts limited. The data was interpreted and inferences made and presented descriptively using charts, graphs and percentages. The dependent variable was further regressed against independent variables. The regression equation is expressed as follows:

$$Y_s = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where:

$Y_s$  = Employee perception

$\beta_0$  = Constant (coefficient of intercept)

$X_1$  = IT outsourcing variables

$X_2$  = Personal characteristics

$\beta_1$  and  $\beta_2$  = Regression coefficients

$\varepsilon$  = Error term.

## CHAPTER FOUR: DATA ANALYSIS RESULTS AND FINDINGS

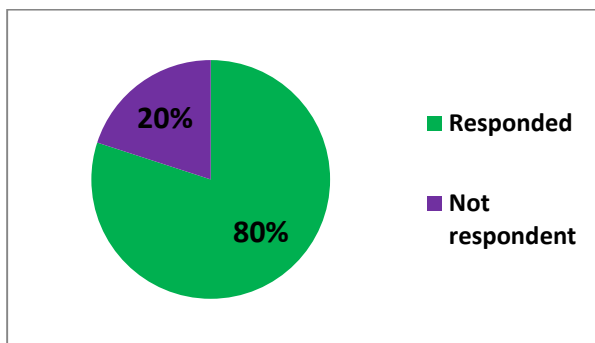
### 4.1 Introduction

This chapter covered data analysis and findings of the research. The main aim of the study was to investigate the level of employees' perception on IT outsourcing at Keswick books and gifts limited. The data is summarized and presented in form of proportions, means, frequencies tables, percentages, and graphs.

### 4.2 Response rate

According to Mugenda & Mugenda (2003), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and above is excellent. Based on this assertion, the response rate of this study was considered excellent, as the study gave out 40 questionnaires to the respondents, out of which 32 of them were filled in and returned resulting to a response rate of 80%. The other 8 non-respondent questionnaires were not included in the analysis of this study. The response rate results are shown in figure 4.1 and therefore an indication that this response rate was considered to be acceptable and good for analysis as it was satisfactory to make conclusions for the study as it was representative.

**Figure 4.1 Response rate**



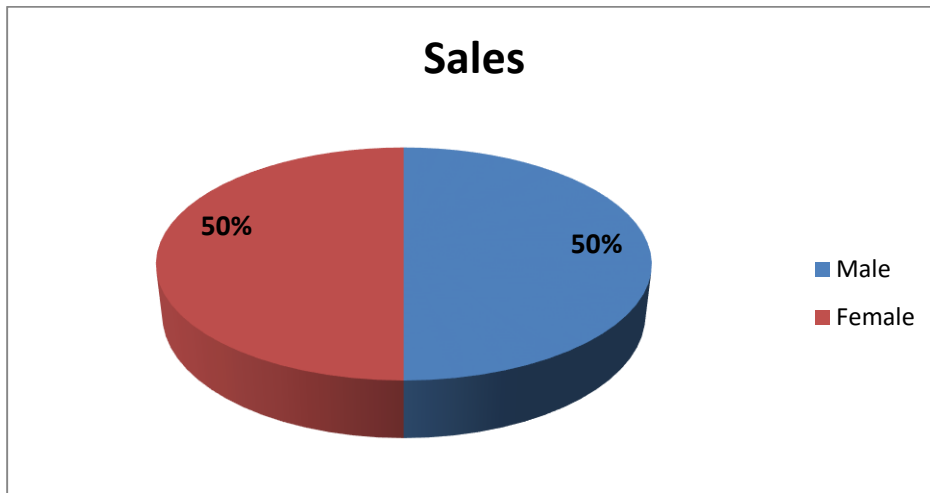
Source: Author, 2015

### 4.3 General Information

#### 4.3.1 Gender of the Respondents

The gender of the respondents who participated in this research from Keswick books and gifts limited was determined. Figure 4.2 displays the results where the male and female respondents tied at 50%. This is an indication that Keswick books and gifts limited ensure equity and balance in their employment as there was a fair distribution of gender.

**Figure 4.2 Gender**



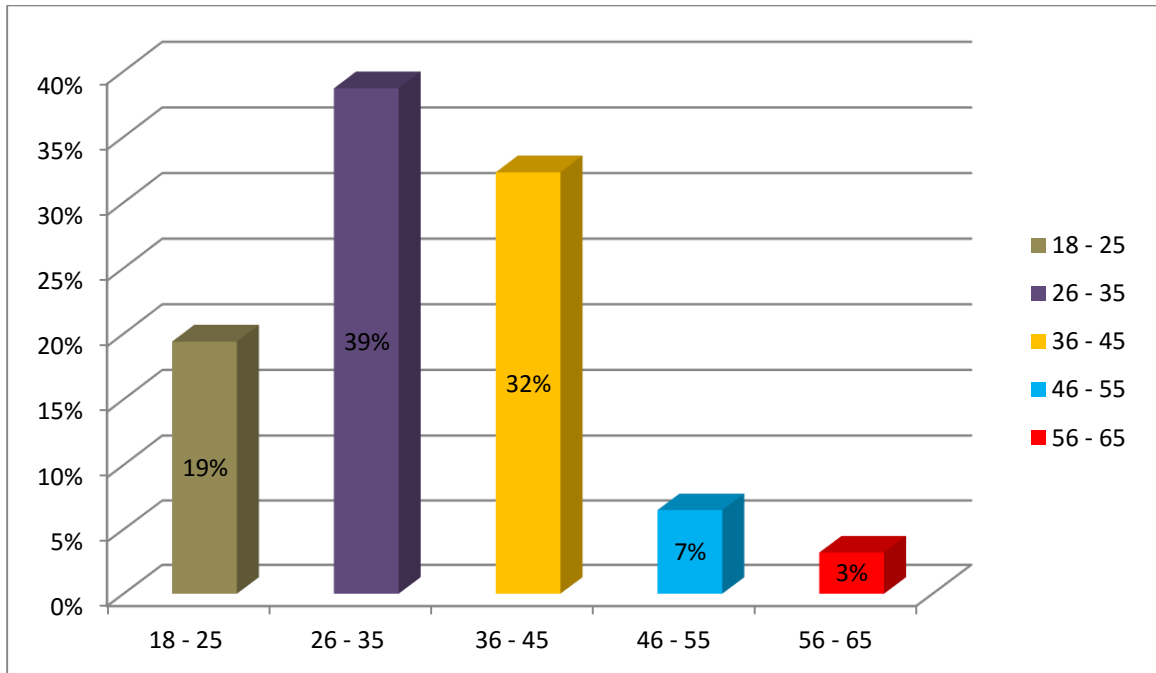
Source: Author 2015

#### 4.3.2 Age of Respondents

The age of respondents was categorized into different sensible sets ranging from 18 to 65 years. From the result shown in figure 4.3, it can be assumed that majority of the respondents were in the age set of 26 – 35 which accounted for 39%, those in the age group of 36 – 45 followed with 32%, the respondents of age range of 18 – 25 had 19%, while those in the age sets of 46 – 55 and 56 – 65 were represented by 7% and 3%

respectively. These findings indicate the respondents who participated in this study were mature enough to give required information needed for this research.

**Figure 4.3 Age of Respondents**



Source: Author 2015

### **4.3.3 Education Level**

The study sought to establish the level of education of respondents who participated in this research and the results are as shown in table 4.1. Majority of the respondents (51.6%) had reached tertiary/college level, 25.8% had attained university degrees, while 22.6% of the respondents had secondary education. Only one respondent did not give feedback on this issue. Thus a sign that most of the employees at Keswick books and gifts limited had required education levels which can enable them do their work and therefore with this levels of education, the respondents were able to understand the concept under investigation.

**Table 4.1 Education Level of the Respondents**

Education Level	Distribution	
	Frequency	Percentage
Secondary	7	22.6
Tertiary/College	16	51.6
University	8	25.8
<b>TOTAL</b>	<b>31</b>	<b>100</b>

Source: Author 2015

#### **4.3.4 Job ranking**

The study had an interest in finding out the different job ranks of the respondents at Keswick books and gifts limited and the results are as illustrated in table 4.2. 50% of the respondents were in middle management level, 46.9% were in rank of lower management while 3.1% were operating as top managers. The results were found to be useful for this study since the lower and middle management employees are the parties who can be affected by outsourcing and therefore were able to give their reactions on perception of IT outsourcing in this organization.

**Table 4.2 Job Level of the Respondents**

Job Level	Distribution	
	Frequency	Percentage
Lower management	15	46.9
Middle management	16	50.0
Top management	1	3.1
<b>TOTAL</b>	<b>32</b>	<b>100</b>

Source: Author 2015

#### 4.3.5 Years of service in the position

The study further sought to establish the number of years that the respondents had in their respective positions and the outcomes are as displayed in table 4.3. 51.6% of the respondents had served in the current position for Less than 5 years, 38.7% said that they had served in their respective positions for a period of between 6 – 10 years, while 9.7% had served for ten years and above. These results indicate that most of the respondents had served extensively in their positions and for that reason they understood the operations of the organization. This can as well indicate that the respondents have sufficient experience in their respective positions and this gave them the required information which was considered important for this study.

**Table 4.3 Years served in the position**

Years of service	Distribution	
	Frequency	Percentage
Less than 5 years	16	51.6
6 – 10 years	12	38.7
More than ten years	4	9.7
<b>TOTAL</b>	<b>32</b>	<b>100</b>

Source: Author 2015

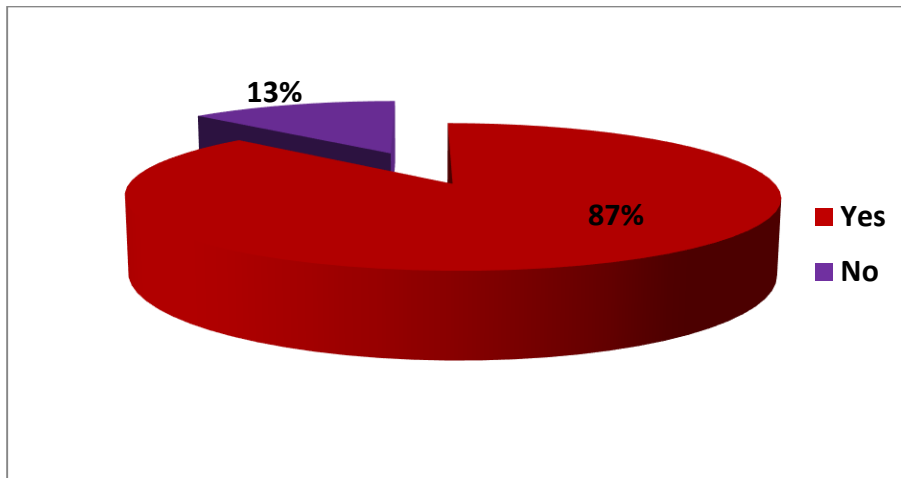
#### 4.4 The Extent of IT Outsourcing

##### 4.4.1 Practicing of IT Outsourcing at Keswick books and Gifts Limited

The study sought to find out whether IT outsourcing was being practiced at Keswick books and gifts limited and the upshots are as exposed in figure 4.4. Majority (87%) of the respondents agreed that IT outsourcing was being practiced at this organization while

the remaining 13% felt otherwise. These findings signified that this organization practice IT outsourcing in most of its activities and therefore, an indication that this study made a proper choice to research on this organization.

**Figure 4.4 Whether Keswick books and Gifts Limited Practice IT Outsourcing**



Source: Author 2015

#### **4.4.2 The Extent of IT Outsourcing Services at Keswick Books and Gifts Limited**

The findings on the question of the extent of IT outsourcing practices at Keswick books and gifts limited are summarized in table 4.4. The results are based on responses on the IT outsourcing services which were tested using likert scale rating of 1 – 5 where 1 represented no extent, 2 represented small extent, 3 represented medium extent, 4 represented high extent, and 5 represented very high extent. From the results revealed that to a high extent (Mean = 4) Keswick books and gifts limited utilized IT outsourcing services like auditing; contract programming; and web site management. Local area networks; job evaluation; maintenance and repair; tax compliance; end user support; application and development; recruitment and staffing; records and archive management;

and e-marketing were being used to a medium extent (Mean = 3). While pay roll; purchasing and supply; data entry and processing; billing; distribution; material handling; ware housing management; and book keeping services were utilized to small extent.

**Table 4.4 The Extent of IT Outsourcing Services**

	<b>Distribution</b>		
	<b>Mean</b>	<b>Std Dev</b>	<b>Rank as per Mean</b>
Auditing	4.0645	1.15284	1
Contract programming	4.0625	1.41279	2
Web site management	4.0313	1.06208	3
Local area networks	3.7857	1.39728	4
Job evaluation	3.7813	1.51837	5
Maintenance and repair	3.7500	1.24434	6
Tax compliance	3.7500	1.43684	7
End user support	3.6875	1.44663	8
Application and development	3.5313	1.54470	9
Recruitment and staffing	3.3750	1.68005	10
Records and archive management	3.1290	1.43159	11
E-marketing	3.0323	1.37801	12
Pay roll	2.3125	1.02980	13
Purchasing and supply	2.0312	1.55510	14
Data entry and processing	1.8437	1.19432	15
Billing	1.7500	1.29515	16
Distribution	1.5937	1.26642	17
Material handling	1.4375	1.04534	18
Ware housing management	1.4063	0.87471	19
Book keeping	1.4063	1.07341	20

Source: Author 2015

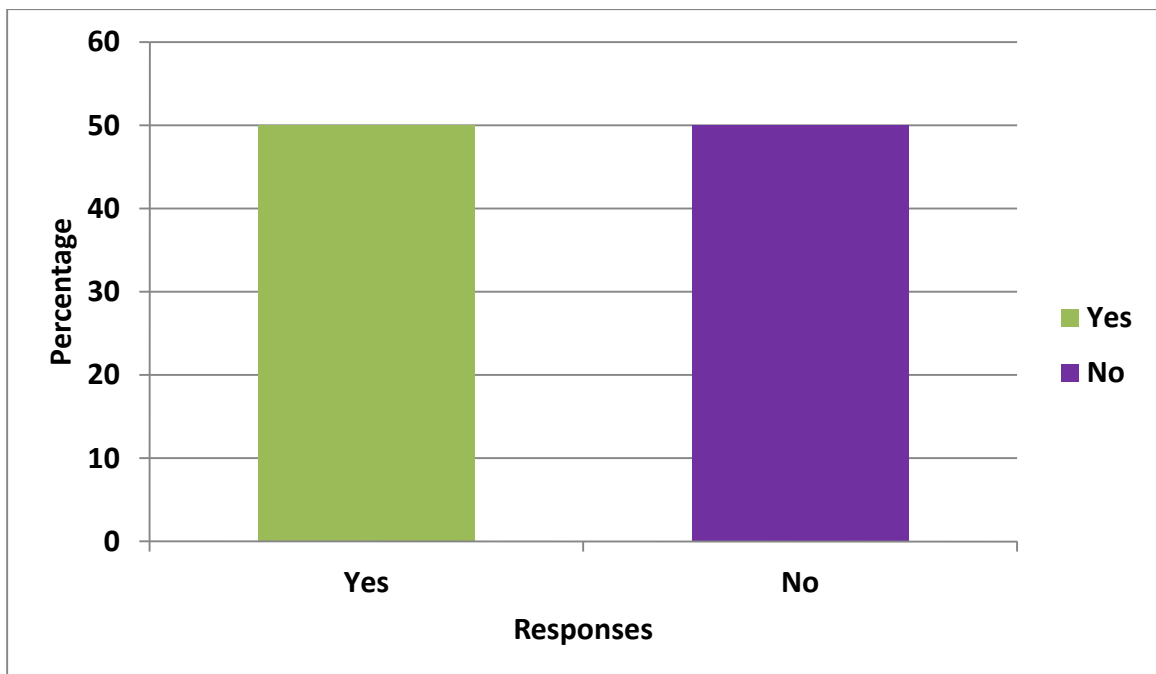


## 4.5 Benefits of IT Outsourcing

### 4.5.1 Respondents Benefiting from IT Outsourcing

The respondents were asked to indicate if they had benefited from the IT outsourcing initiatives and the results are as shown in figure 4.5. The findings of this question show that the respondents were equally divided on whether they were benefiting or not as 50% acknowledged to have benefited while the other 50% felt that they had not benefited from IT outsourcing services. This revelation indicates that the employees at Keswick books and gifts limited have not fully realized the benefits of IT outsourcing in the organization. Thus, it calls for more inclusion of the employees in the activities of IT outsourcing in the organization.

**Figure 4.5 Whether Employees Benefited from IT Outsourcing**



Author 2015

#### 4.5.2 Benefits of IT Outsourcing

There are many benefits to IT outsourcing to organizations and employees of which Keswick books and gifts limited is not an exception. The respondents were therefore asked to indicate the extent to which some of these benefits of IT outsourcing used in this study are important. This was done on a five likert-scale where 1 = strongly disagree, 2 = disagree, 3 = not Sure, 4 = agree, 5 = strongly agree.

**Table 4.5 Benefits of IT Outsourcing**

Benefits	Distribution		
	Mean	Std Dev	Rank as per Mean
IT outsourcing has minimized risks incurred in operation	3.3750	1.15703	1
IT outsourcing has increased efficiency and productivity in our firm	3.3750	1.09985	2
IT outsourcing improved the way our firm is controlled	3.2581	1.12451	3
Through outsourcing our firm has gotten access to the most current technology	3.1875	1.09065	4
IT outsourcing has increased access to skilled resources	3.1875	1.30600	5
IT outsourcing has helped our firm to plan for future IT Roadmap	3.0313	1.03127	6
IT outsourcing has enabled our management to be focus on the core business	2.9688	0.93272	7
IT outsourcing service providers monitor our firm 24/7/365	2.9688	1.53422	8
IT outsourcing has reduce cost of operation of our firm	2.8750	1.28891	9

Author 2015

When the respondents were asked a Yes or No question on whether they had benefited from IT outsourcing services offered at their organization, 50% of the respondents said they had benefited while the other 50% said they had not. However, when asked about specific benefits identified by this study, nearly all of them seem to have benefited. This is as indicated in the table 4.5 which shows that employees strongly agreed (Mean = 3) that they had gained much from IT outsourcing through the following benefits: IT outsourcing minimizing risks incurred in operation; IT outsourcing increased efficiency and productivity at the Keswick books and gifts limited; IT outsourcing had improved the way the organization was controlled; outsourcing had enabled this organization to access to the most current technology; IT outsourcing had increased access to skilled resources; and IT outsourcing helping this firm to plan for future information technology roadmap. However, the benefits such as IT outsourcing enabling management to be focus on the core business; IT outsourcing service providers monitoring firm 24/7/365; and IT outsourcing reducing cost of operation of this organization, were found to have less consideration by the respondents (Mean = 2). This indicates that IT outsourcing if managed well at the Keswick books and gifts limited can turn out to be a vital project which can be of great benefit to the employees.

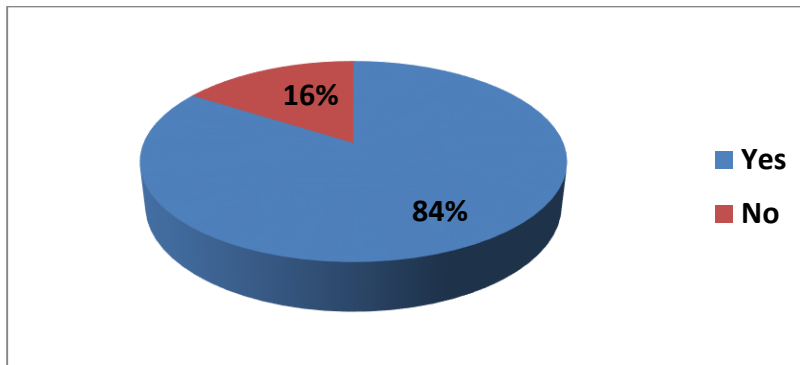
## **4.6 IT Outsourcing Challenges**

### **4.6.1 Whether there are challenges to IT outsourcing**

The study sought to determine the respondents' opinions on whether there were faced with challenges that hinder IT outsourcing. Majority (84%) of the respondents admitted that there were challenges which can deter IT outsourcing in organizations while 16% felt otherwise. This is an indication that there are challenges which might prevent IT

outsourcing from being successful implemented in the organization. Therefore, it is advisable for Keswick books and gifts limited to find a way of countering these hindrances in order to embrace and implement IT outsourcing fully.

**Figure 4.6 Employees opinion on whether there are challenges to IT outsourcing**



Author 2015

#### **4.6.2 Challenges to IT outsourcing**

IT outsourcing can be faced by many challenges. The respondents were asked to indicate the specific challenges used in this study of which in their opinions thought they were hampering IT outsourcing at Keswick books and gifts limited. This was done on a five likert-scale where 1 = strongly disagree, 2 = disagree, 3 = not Sure, 4 = agree, 5 = strongly agree. The results are as tabulated in table 4.6. The findings reveal that the four major challenges (Mean = 4) which affect IT outsourcing at Keswick books and gifts limited were IT outsourcing pose threat to security and confidentiality of the organization; IT outsourcing directly lead to unemployment; the IT outsourcing projects lead to disconnection with staff; and IT outsourcing was believed to have some hidden costs. On other hand, IT outsourcing having problem of flexibility and visibility in the outsourcer relationships; outsourcing providers building in a lack of transparency of costs

and margins; IT outsourcing leading to loss of control over the outsourced operations; and IT outsourcing having quality problems were found to challenge IT outsourcing to less extent.

**Table 4.6 Challenges facing IT outsourcing**

Challenges	Distribution		
	Mean	Std Dev	Rank as per Mean
IT outsourcing is a threat to security and confidentiality	4.4375	0.91361	1
IT outsourcing can directly lead to unemployment	4.1935	1.07763	2
Outsourcing leads to disconnection with staff	4.1250	1.07012	3
IT outsourcing might have some hidden costs	4.0323	0.60464	4
Outsourcing has problem of flexibility and visibility in their outsourcer relationships	3.8437	0.95409	5
Outsourcing providers build in a lack of transparency of costs and margins	3.7812	0.87009	6
IT outsourcing can lead to loss of control over the outsourced operations	3.7500	0.98374	7
IT outsourcing has quality problems	3.7333	0.73968	8

Author 2015

#### **4.7 Employee Perception on IT Outsourcing**

##### **4.7.1 Employees participation in IT outsourcing activities**

The study required the respondents to state whether their organization did not allow its employees to participate in IT outsourcing activities. The outcome of the findings shown in table 4.7 indicate that majority 71.9% of the respondents acknowledged that their organization was not allowing them to participate in IT outsourcing process whereas

28.1% said that they were participating in IT outsourcing process. This is a sign that the management of Keswick books and gifts limited do not involve their employees in the process of IT outsourcing in this organization. This revelation is alarming as employees may developed negative attitude towards outsourcing because they might feel left out in the entire process.

**Table 4.7 Employees participation in IT outsourcing activities**

<b>Response</b>	<b>Distribution</b>	
	<b>Frequency</b>	<b>Percentage</b>
<b>Yes</b>	23	71.9
<b>No</b>	9	28.1
<b>TOTAL</b>	<b>32</b>	<b>100</b>

Author 2015

#### **4.7.2 Outsourcing reducing the employees' morale**

The study further inquired to establish if outsourcing had reduced the morale of employees and the results are as shown in table 4.8.

**Table 4.8 Whether outsourcing reduced employees' morale**

<b>Response</b>	<b>Distribution</b>	
	<b>Frequency</b>	<b>Percentage</b>
<b>Yes</b>	20	62.5
<b>No</b>	12	37.5
<b>TOTAL</b>	<b>32</b>	<b>100</b>

Author 2015

The results given in this table show that 62.5% of the respondents admitted that they had low morale towards IT outsourcing while 37.5% seemed to have high morale towards IT outsourcing.

#### **4.7.3 Outsourcing and loss of jobs**

The respondents were asked to give their thought on whether IT outsourcing can lead to job loss. Majority of the respondents were of the idea that outsourcing leads to loss of jobs and they were represented by 67%. While 33% of the respondents tend to disagree with the view that outsourcing leads to loss of jobs as shown in figure 4.9. This therefore, indicates that most of the employees have negative attitude towards outsourcing and in their views they see it as a threat to their jobs.

**Table 4.9 Whether outsourcing leads to loss of jobs**

<b>Response</b>	<b>Distribution</b>	
	<b>Frequency</b>	<b>Percentage</b>
<b>Yes</b>	21	67
<b>No</b>	11	33
<b>TOTAL</b>	<b>32</b>	<b>100</b>

Author 2015

#### **4.7.4 Organization training employees on outsourcing services**

On the statement of whether organization provides outsourcing services trains employees on these services, the outcomes are displayed in figure 4.10. From the responses, it can be deduced that most of the respondents (70%) opposed this idea while 30% felt that organization that provides outsourcing services trains employees on these services. Thus,

the findings signify that most of the respondents had unresponsive perception on their organization training them on IT outsourcing. This could lead to lack of outsourcing skills among the employees and hence they might feel reluctant in embracing IT outsourcing process.

**Table 4.10 Whether organization trains employees on outsourcing services**

<b>Response</b>	<b>Distribution</b>	
	<b>Frequency</b>	<b>Percentage</b>
<b>Yes</b>	10	30
<b>No</b>	22	70
<b>TOTAL</b>	<b>32</b>	<b>100</b>

Author 2015

#### **4.7.5 IT outsourcing policies**

The respondents were further asked to state if their organization has good outsourcing policies that favour them.

**Table 4.11 Whether the organization has good outsourcing policies that favour employees**

<b>Response</b>	<b>Distribution</b>	
	<b>Frequency</b>	<b>Percentage</b>
<b>Yes</b>	3	9.4
<b>No</b>	29	90.6
<b>TOTAL</b>	<b>32</b>	<b>100</b>

Author 2015



From the results shown in table 4.11, an overwhelming 90.6% of the respondents felt that their organization did not have good outsourcing policies that could favour employees, but only 9.4% believed that the policies set on outsourcing favoured them. This specifies that the outsourcing policies found at Keswick books and gifts limited were not favourable to the workforce. This therefore calls for employees' inclusion in the formation of outsourcing policies.

#### **4.7.6 Employees satisfaction with the process of IT outsourcing**

On the question of whether employees are satisfied with the process of IT outsourcing, the respondents gave their views as shown in table 4.12. High majority of the respondents (90.6%) were not satisfied with the process of IT outsourcing, while a few 9.4% were satisfied with IT outsourcing process. This indicates that employees working at Keswick books and gifts limited were not contented with all process of IT outsourcing, and consequently, the results may indicate that IT outsourcing only benefited the organization management but not employees.

**Table 4.12 Whether employees are satisfied with the process of IT outsourcing**

<b>Response</b>	<b>Distribution</b>	
	<b>Frequency</b>	<b>Percentage</b>
<b>Yes</b>	3	9.4
<b>No</b>	29	90.6
<b>TOTAL</b>	<b>32</b>	<b>100</b>

Author 2015

#### 4.7.7 IT outsourcing and employees' skills

On whether IT outsourcing had contributed to improvement of employees' skills, 77.4% of the respondents denounced this statement and 22.6% agreed that in one way or another IT outsourcing had contributed to improvement of their skills as illustrated in table 4.13. An indication that IT outsourcing activities at Keswick books and gifts limited does not empower employees and has not benefited employees in terms of improving their skills.

**Table 4.13 Whether IT outsourcing had contributed to improvement of employees' skills**

<b>Response</b>	<b>Distribution</b>	
	<b>Frequency</b>	<b>Percentage</b>
<b>Yes</b>	7	22.6
<b>No</b>	24	77.4
<b>TOTAL</b>	<b>32</b>	<b>100</b>

Author 2015

#### 4.7.8 Employees involvement in decision making

The study sought to establish the responses of the question which stated that when a project is not going as expected, employees are involved in decision of its termination. From the results shown in table 4.14, majority (87.1%) of the respondents denied being involved in decision of termination in case of IT outsourcing project failure while 12.9% said they participated in decision making of project termination.

**Table 4.14 Employees involvement in decision making**

<b>Response</b>	<b>Distribution</b>	
	<b>Frequency</b>	<b>Percentage</b>
<b>Yes</b>	4	12.9
<b>No</b>	27	87.1
<b>TOTAL</b>	<b>31</b>	<b>100</b>

Author 2015

#### **4.8 The Relationship Between IT Outsourcing and Employee Perception**

The research analyzed whether the independent and moderating variables namely: gender, age of respondent, level of education, years of service in position, IT outsourcing services, have any relationship to employees' perception on IT outsourcing. The following regression model was followed:

$$Y_s = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where:  $Y_s$  is the dependent variable (employee perception);  $\beta_0$  is the constant;  $X_1$  represents IT outsourcing services;  $X_2$  is personal characteristics (gender, age, level of education and years of service in position);  $\beta_1$  and  $\beta_2$  are the regression coefficients; and  $\varepsilon$  represents the error margin.

##### **4.8.1 Regression Model Summary**

The results in table 4.15 shows the  $R$  Squared value which is the amount of variation explained by the independent variables. The model summary of a linear regression given shows the relationship between dependent variable and independent variables. The model gave an  $R$  value of 0.630 and  $R^2$  value of 0.397, which indicates that 39.7% is the margin

in the variation of independent and moderating variables explaining dependent variable. The model would be improved by other factors which are not used in the study and can determine employee perception towards outsourcing. The error margin given by this model is 0.45605.

**Table 4.15 Model Summary**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.630 <sup>a</sup>	.397	.062	.45605

a. Predictors: (Constant), Web hosting, Backup systems, Retailing, Accounting, HR Services, Gender, Age, Level of Education, Years served in position

#### **4.8.2 Analysis of Variance (ANOVA)**

The ANOVA for the study model was also provided as shown in table 4.16. The ANOVA model gave the regression sum squares of 2.463 and residual sum square of 3.744. The regression mean square is 0.246 while the residuals had a mean of 0.208. The outcomes of the ANOVA provided an *F*-significance value of 1.184 with a *p* – value of 0.362. This indicates that the model is significant in predicting employee perception on IT outsourcing at Keswick books and gifts limited. Thus, this means that gender, age, level of education, duration of years served in position, and IT outsourcing services, are influential in determining employee perception on IT outsourcing.

**Table 4.16 Analysis of Variance (ANOVA)**

	<b>Model</b>	<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	2.463	10	.246	1.184	.362 <sup>a</sup>
	Residual	3.744	18	.208		
	<b>Total</b>	<b>6.207</b>	<b>28</b>			

a. Predictors: (Constant), Web hosting, Backup systems, Retailing, Accounting, HR Services, Gender, Age, Level of Education, Years served in position

b. Dependent Variable: Employees' perception on outsourcing

#### **4.8.3 Regression Coefficients**

The coefficients results displayed in table 4.17 shows that, accounting as an outsourced IT service has a significant relationship on employee perception as it had a positive coefficient of 0.597 ( $t = 2.541$ ). This is an implication that the service provider offer accounting services to enable Keswick books and gifts limited be able to produce a company's monthly financial statements in time regardless of how complex they might be, and payroll services offered digitally and most of them are less costly when compared to and manual system which seem to be slow. This therefore, can necessitate organization to request reports that are formatted in a fashion that the decision makers have never had access to in the past. Likewise, backup systems services practiced at this organization gave a significant relationship on employee perception on IT outsourcing with a positive coefficient of 0.525 ( $t = 2.216$ ). The organization outsources backup system to safeguard its most important information. This is due to all kinds of problems that might occur when a firm backs up their data and stores it in the same location as the chances to lose it are high. Some of those issues are like theft of their computer

equipment, or even a fire at their facility. Most backup service providers use highly sophisticated information systems that automatically backs up each day's data on another computer located somewhere else in the world, other than in their office. This means that clients will always have access to their most important information regardless of what takes place at their facility.

**Table 4.17 Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.754	.838		.899	.380
Gender	-.119	.186	-.128	-.642	.529
Age	-.092	.121	-.192	-.762	.456
Level of Education	.079	.174	.113	.456	.654
Job level	.208	.226	.253	.923	.368
Duration in position	-.042	.150	-.061	-.278	.784
Web hosting	-.050	.142	-.099	-.356	.726
Backup systems	.199	.090	.525	2.216	.040
Retailing	-.124	.068	-.419	-1.830	.084
Accounting	.229	.090	.597	2.541	.020
HR Services	-.070	.068	-.245	-1.025	.319

a. Dependent Variable: Employees' perception on outsourcing

However, outsourcing retailing services tend to reduce employees perception at the organization as it gave a negative coefficient of -0.419 (1.830). This can imply that employees of organization find this service more complex and expensive as the entire process of buying and selling digitally might require modern instruments like visa cards, Casio registries, among others. Apart from that, the issue of machine breakdown and use of passwords may derail the whole process. On similar note, Human resource services provided negative coefficients of -0.245 (t = 1.025). This may indicate that employees of this organization tend to resist the process of outsourcing HR services to external bodies. Most probably, these external bodies might not understand the way employees interact with management and vice-versa.

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

### **5.1 Introduction**

This chapter summarized the findings and made conclusion on this study on the IT outsourcing and employee perception at Keswick books and gifts limited. The chapter also included the study recommendations for improvement and for further study.

### **5.2 Summary of Findings**

The summary of the findings was done based on the study objectives which were to: i) establish the level of IT outsourcing at the organization; ii) determine the benefits of outsourcing IT services at the organization; iii) establish challenges encountered in IT outsourcing; and iv) determine the relationship between IT outsourcing and employee perception at Keswick books and gifts limited. The findings indicate that IT outsourcing was being practiced at this organization. Some of the IT services being outsourced at Keswick books and gifts limited were: auditing; contract programming; web site management; local area networks; job evaluation; maintenance and repair; tax compliance; end user support; application and development; recruitment and staffing; records and archive management; as well as e-marketing. On contrary, pay roll; purchasing and supply; data entry and processing; billing; distribution; material handling; ware housing management; and book keeping services were being utilized to very low extent.

The respondents were divided on their decision on whether they were benefiting or not as half of the respondents indicated that they had benefited from the IT outsourcing



activities carried out at Keswick books and gifts limited while the other half felt that they had not benefited from IT outsourcing services offered at this organization. Some of the benefits cited were: IT outsourcing minimizing risks incurred in operation; IT outsourcing increased efficiency and productivity at the Keswick books and gifts limited; IT outsourcing had improved the way the organization was controlled; outsourcing had enabled this organization to access to the most current technology; IT outsourcing had increased access to skilled resources; and IT outsourcing helping the firm to plan for future information technology roadmap. The study identified four major challenges which were found to affect IT outsourcing to great extent. These were: IT outsourcing poses threat to security and confidentiality of the organization; IT outsourcing directly led to unemployment; the outsourcing projects can lead to disconnection with staff; and IT outsourcing was believed to have some hidden costs. To end with, the regression model disclosed that accounting and backup systems have significant relationship on employee perception towards IT outsourcing. Whereas outsourcing retailing and HR services did not seem to have much effect on employee perception towards IT outsourcing.

### **5.3 Conclusion**

The study concludes that Keswick books and gifts limited outsourced various IT services. IT outsourcing services provided to this institution are cost efficient, and provide the most consistency, timeliness and overall quality. Keswick books and gifts limited had some underlying general policies guiding the outsourcing IT services. IT outsourcing appears to be a viable option that organizations should embrace. IT outsourcing requires skills, therefore, the inclusion of training of employees on these proficiencies can lead them accepting and benefiting from the whole concept. All aspects of outsourcing

benefits, challenges, and best practices can be increasingly valuable in helping the organization identify its strength, weaknesses and opportunity. Ideally, as outsourcing continues to grow, the risks and issues associated will become more commonly acknowledged. Finally, it can be concluded that indeed IT outsourcing services has both positive and negative effect on employees' perception towards the whole process.

#### **5.4 Recommendations**

Study recommends that organization's stakeholders should develop better ways of managing the outsourcing arrangements which should include employees' participation. The selection process of outsourcing service providers needs to be critically re-examined to ensure that it leads to the selection of competent and effective service providers based on quality, compliance and performance. There is need for organizations to embrace modern change in technology and trends, maintaining a proper relationship between the workers, client and vendor to ensure that there is mutual trust and better communication.

#### **5.5 Suggestion for Further studies**

The study investigated the level, benefits and challenges of IT outsourcing. It is hoped that additional studies in this area will be carried to build on and further develop knowledge in this area so that central rhetoric notion on IT outsourcing and employee perception can be further achieved through research. The study focused only on Keswick books and gifts limited nevertheless, it will be necessary to carry out research on other public and private institutions which have embraced IT outsourcing to determine the views of their employees.

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## APPENDICES

### Appendix I: Questionnaire

#### Introduction

This questionnaire is designed to gather general and specific information for a study on the “**Information Technology Outsourcing and Employee Perceptions at Keswick Books and Gifts Limited in Kenya**”. Your information will be used for academic purpose and will be treated with utmost confidentiality.

#### INSTRUCTIONS

Please tick your answer within the box  and fill the questionnaire with applicable answers. Kindly respond to all questions as asked.

#### SECTION A. GENERAL INFORMATION

##### 1. Gender

Male [     ]     Female     [     ]

##### 2. How old are you?

Below 18 Years     [     ]                      46-55 years     [     ]

18 – 25 years     [     ]                      56-65 year     [     ]

26 – 35 years     [     ]                      66 years above[     ]

36-45 years     [     ]

**3. What is your highest level of Education?**

Primary Level [     ]     Tertiary / College Level [     ]  
 Secondary Level [     ]     University Level [     ]

**4. What is your job level?**

Lower management [     ]  
 Middle management [     ]  
 Top management [     ]

**5. How long have you served in this position?**

Below 5 years [     ]     6 – 10 years [     ]     Above 10 years [     ]  
 ]

**SECTION B: THE EXTENT OF IT OUTSOURCING**

6. Does your firm practice IT outsourcing?     Yes [     ]     No [     ]
7. On a scale of 1 – 5, please indicate the extent to which Keswick Books and Gifts Limited has used the following IT outsourcing practices. [1 = No extent, 2 = Small extent, 3 = Medium extent, 4 = High extent, 5 = Very high extent]

IT Outsourcing Services	Scale				
	1	2	3	4	5
<b>Web hosting</b>					
a. Web site management					
b. End user support					
c. Contract programming					
d. Local area networks					
e. E-marketing					

<b>Backup systems</b>					
f. Maintenance and repair					
g. Records and archive management					
h. Application and development					
<b>Retailing</b>					
i. Purchasing and supply					
j. Distribution					
k. Material handling					
l. Ware housing management					
<b>Accounting</b>					
m. Data entry and processing					
n. Book keeping					
o. Billing					
p. Auditing					
q. Tax compliance					
<b>HR services</b>					
r. Recruitment and staffing					
s. Job evaluation					
t. Pay roll					

**SECTION C: BENEFITS OF OUTSOURCING**

8. In your own opinion, have you benefited from IT outsourcing in your firm?

Yes [ ] No [ ]

9. Indicate the extent to which you agree with the following statements on the benefits of IT outsourcing. [1 = Strongly disagree, 2 = Disagree, 3 = Not Sure, 4 = agree, 5 = Strongly agree]

<b>Benefits</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
a. IT outsourcing improved the way our firm is controlled					
b. IT outsourcing has reduce cost of operation of our firm					
c. IT outsourcing has enabled our management to be focus on the core business					
d. Through outsourcing our firm has gotten access to the most current technology					
e. IT outsourcing service providers monitor our firm 24/7/365					
f. IT outsourcing has minimized risks incurred in operation					
g. IT outsourcing has helped our firm to plan for future IT Roadmap					
h. IT outsourcing has increased efficiency and productivity in our firm					
i. IT outsourcing has increased access to skilled resources					

**SECTION D: CHALLENGES TO THE OUTSOURCING**

10. In your own opinion, are there challenges faced by your firm in its effort to embrace IT outsourcing?

Yes [    ]                      No [    ]

11. Below are statements regarding the challenges of IT outsourcing. Please indicate the level of which you agree or disagree with each of the following challenges of IT outsourcing.                      [1 = Strongly disagree, 2 = Disagree, 3 = Not Sure, 4 = agree, 5 = Strongly agree]

<b>Challenges</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
a. IT outsourcing can lead to loss of control over the outsourced operations					
b. IT outsourcing is a threat to security and confidentiality					
c. IT outsourcing has quality problems					
d. IT outsourcing might have some hidden costs					
e. IT outsourcing can directly lead to unemployment					
f. Outsourcing providers build in a lack of transparency of costs and margins					
g. Outsourcing has problem of flexibility and visibility in their outsourcer relationships					
h. Outsourcing leads to disconnection with staff					

## SECTION E: EMPLOYEE PERCEPTION

13 Indicate whether **Yes** or **No** the following perceptions about IT outsourcing are true

<b>Perception</b>	<b>Yes</b>	<b>No</b>
a. Our organization does not allow its employees to participate in IT outsourcing activities		
b. Outsourcing has reduced the morale of employees		
c. Outsourcing has led to loss of jobs		
d. Organization that provides outsourcing services trains employee on these services.		
e. Our organization has good outsourcing policies that favour its employees		
f. Employees are satisfied with the process of IT outsourcing		
g. IT outsourcing has contributed to improvement of employees' skills		
h. When a project is not going as expected, employees are involved in decision of its termination		

**END**

## **Appendix II: Keswick Books and Gifts Limited Branches**

### **Keswick Books & Gifts Ltd**

Social Security Hse, Nkrumah Rd

Tel: +254-412226520

Mombasa

### **Keswick Books & Gifts Ltd - Wholesale Branch**

Free Pentecostal Fellowship in Kenya, Kindaruma Rd

Mobile: +254(0)731621938

Nairobi

### **Keswick Books & Gifts Ltd - Prestige Branch**

Prestige Plaza, 1st Flr, Ngong Rd

Tel: +254-203875930

Nairobi

### **Keswick Books & Gifts Ltd - Sarit Centre Branch**

Sarit Centre, L Gr Flr, Lower Kabete Rd

Mobile: +254(0)786425452

Nairobi

### **Keswick Books & Gifts Ltd**

Bruce Hse, Gr Flr, Kaunda St

Tel: +254-202226047

Nairobi