# OUTSOURCING STRATEGY AND PERFORMANCE OF CEMENT MANUFACTURING FIRMS IN KENYA

**BY**

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## DECLARATION

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

Signed: ………………….. Date: ..................................

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

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## DEDICATION

To God almighty for everything, to my father and late mother without whose support I would not have enrolled for my Masters degree. I would also like to dedicate it to my dear husband and lovely daughter Anna who stood by me, made me smile , for the understanding and support as I worked through this project.

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## ABSTRACT

The cement manufacturing industry is a very vital sector in the development of the country. It therefore becomes important to develop strategies that will counter these challenges. It is against this backdrop that the study sought to find out outsourcing strategies in these cement manufacturing firms. Outsourcing is defined as the process by which a corporation, a governmental agency or another business entity subcontracts to a third party. Outsourcing strategy has become a common practice among both private and public organizations and is a major element in business strategy. Perhaps most organizations now outsource some of the functions they used to perform themselves. The cement manufacturing industry is not an exception to this regard and it is key component of the construction sector in Kenya and the region in general.The overall objective of the study was to determine the outsourcing strategy and performance of outsourced activities in the cement manufacturing firms in Kenya. This study was guided by various theoretical and literature reviews. This was a cross-sectional census survey research. The study had a total population of 6 cement manufacturing firms in Kenya.The study used primary data which was collected using questionnaires. Descriptive and Correlation analysis was used to analyze the quantitative data obtained. The study found out that the need to focus on core competencies and enhance efficiency were the factors influencing outsourcing strategy adoption. The performance indicators in outsourcing were improved technical capacity and enhanced performance contract. Further the study found out that the need to enhance operational efficiency, the need to focus and improve on core competencies and the need to attain a competitive advantage were the drivers for outsourcing strategy adoption while the need to outsource so as to copy competitors and establish strategic partnership were the factors that least influenced the adoption. In light of the findings, the study recommends that since most of the cement manufacturing firms have been successful in the adoption of outsourcing strategy, there is need to focus the change management especially to sensitize staff on outsourcing, also cost benefit analysis should be done so as to assess the impact of outsourcing to the firms. Corporate/commercial secrets should be safeguarded during the outsourcing process so as not to lose important information to outsiders. Therefore the study concludes that since for this case the attainment of greatest potential of outsourcing is two way then the cement manufacturing firms should embark on outsourcing strategy that is well advised in terms of business requirement so as not to hurt their competitive niche.

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Outsourcing strategy has been involved in companies' activities earlier than the 1990's and has been a global trend for years, Kenani, (2013) and the definition varies with the different market envirenments. Olsen (2006) defines outsourcing as a form of relocation of jobs, organizational activities and processes to external providers regardless of the provider's physical and geographical location in the globe. Outsourcing is a resource allocation decision that can be used for the realization of strategic priorities. Hill and Jones, (2001) noted that the concept of outsourcing is still growing and hence this provides for opportunity for the organizations and institutions to concentrate on core functions. This justifies why outsourcing strategy is becoming a vital and necessary concept and practice in the modern business world. Due to the capital intensive investments done by organizations to support production, operation is a burden to most companies if the return of investment is not profitable. Cost remains a great challenge to the manufacturing concerns whose objectives are to; provide the best goods and service at a lower cost to the customers, enhance efficiency and productivity, secure and increase their market share, add value to the shareholders and at the same breath keep abreast with the ever changing technology and attaining a competitive advantage

According to Ahuja, (2006) organizational performance in all respects whether financial or operational is measured against the performance standards set by the organization. This performance collectively can be measured using scale productivity, efficiency, effectiveness, quality and profitability measures. Profitability can be defined as the firms ability to earn profits consistently over any given financial period, (Wood and Stangster 2006). Productivity measures how a firm is able to convert the input resources into goods and services, (Stoner, 2007).

The cement manufacturing firms in Kenya have been facing challenges which include high cost of electricity due to he high tarrifs charged and high cost of fuel, high cost of coal which has to be imported and subjected to taxes , insufficient power supply caused by numerous black outs and power surges which inturn affect the processing systems. Other challenges include; low capacities for clicker and the production of cement, less support from the Kenyan government on policy issues and introduction of concrete roads in the country which will further increase the demand of cement. The state of some of the Kenyan roads have also led to increased costs of transpotation of both raw materials as well finished goods, Chesaro ( 2013).

This study is anchored on three relevant theories; the resource based-view (RBV), the transaction cost theory and the dynamic capabilities view (DCV). The Resource Based View ; explains why an enterprise in business should outsource. This theory affirms that firms choose to outsource some of their functions so that they can focus on acquisition, development and perfection of effective capabilities that would enable the firm attain a sustainable competitive advantage as well as meet other strategic objectives like gaining strategic market access, build customer partner relationships and entering new markets, Barney (1991). Transaction based theory, explains how firms in the same industry perform differently. This theory focuses on the transactionary costs of business operations and the associated production costs which inturn determines whether to outsource or market the functions in-house. This directly reflects that, if the transaction costs of contracting out to an external party are higher than the business production cost then firms should not outsource but instead use internal resources, (Rindfleisch and Heide,1997). This is as a result of measurement, business protection and adaptation problems which could be as a consequence of environmental uncertainities, behavioural uncertainities and specificity of assets. The DCV is crucial to this study. very important theory in this study. This theory emphasizes on the development, installment and securing of technical skills, rare combinations, functional skills and managerial capabilities, Teece, Pisano and Shuene, (1997).

### 1.1.1 The Concept of Outsourcing Strategy

Strategic outsourcing is described as the acquisition of products and services from external providers with expertise in the respective areas (Parsa, Self, Njite and King, 2005). Outsourcing strategic decisions are those that change the business operations strategy of any organization in all aspects of the business environment. The key purpose is to establish a cost effective business practise and therefore firms need to review and define their scope of the operations that need to be outsourced and what has to be done in-house This has been necessitated by the desire for firms to attain competitive advantage and focus on the core functions and competencies, Cook and Gildner (2008). Franceshini, Galletto, Pignatelli and Varetto (2003) explain outsourcing strategy as a management approach in which an organization moves some non-core functions to the best would be external provider in that particular specialization. Firms partner up with specialized and efficient service providers with whom they sub-contract non-core functions, and specifically to firms whose capabilities complement or supplement their functions, Dressler, (2003).

Quelin and Duhamel (2003) assert that outsourcing strategy involves the sourcing of business products which were previously produced internally, from external potential suppliers. Outsourcing strategy covers a cross-section of areas ranging from manufacturing to services and involves the transfer of an entire business function in certain circumsatnces, few activities within the function and the rest remain internal produced. Outsourcing strategy can also involve the transfer of human resource capital and physical assets to the external supplier who specializes in them. Outsourcing is a major or a great strategic decision affecting the entire firm which could be financial or purchasing in nature and hence require constant monitoring, evaluation and management through the entire process, Serem (2003).

There are several issues which have to be considered when the decision to outsource has been made and these include but not limites to supplier selection for supplies, contract negotiation for contract award and the transitioning of assets to the supplier (Duhamel, 2003).The relationshion created between the organization and the contracted suppliers should be well managed to ensure the process meets its intended objectives.Outsourcing is thus an implementation-component of the operational strategy and a management tool which can be called upon by management to change the strategic priorities. Outsourcing, as explained earlier, is a deliberate choice and an integral part of the firm. All the activities from sourcing for raw materials, manufacturing ,shipping and eventually selling of the finished products will be done by the firm . The outsourcing strategy according to (Gottschalk and Saethe, 2005) is used as a precursor for performance in many companies.

### 1.1.2 Firm Performance

Performance management can focus on several areas in a firm; individual employees performance, performance of the departments and performance of the processes. Earlier research done by Landy, (2005) showed job satisfaction leads to high performance and thus low staff turnover. Further still, Kinicki and Kreitner (2007) document it is easier for organization to motivate and set targets to an already happy and satisfied team of employees , this is turn leads to makes it higher performance that employee performance.Outsourcing strategy is one of the most important and popular strategy being used by firms to ansure they attain and retain their market competitiveness. Outsourcing strategy allows the firms to concentrate and perfect on their core competencies while allowing their outsourcing partners to handle their activities, processes and functions that they are best at.

Organizational performance comprise the forecasted output or intended goals and objectives measured against the actual output. Shareholders' return on investments, market performance and financial performance are three key areas focused on when it comes to organizational performance, Richard, Yip and Johnson (2009). Organizational performance is huge a concern to business and specialists in strategic planning and execution, business operations, and financial practioners, legal and business development. In recent years, balanced scorecard methodology was an important tool that many organizations attempted to use in the management of organizational performance. This methodology used dimensions like employee stewardship, customer service, financial performance and social responsibility to track and measure performance.

Firms have increased their role in outsourcing operations inpursuit to achieving a competitive edge in this new in the dynamic business place, this is done either wholly or partly while others have not. Every firm engages in outsourcing in one or more functions in performing their buiness. The choice of what functions to outsource or executed internally is determined by the quest to invest, develope skills, invest in resources as well as stay abreast with the ever evolving technological advancements, (Gottschalk 200l).

Outsourcing strategy has several key areas cutting across literally all functions in the organization. According to Coopers (1999), postponement refers to the shifting of one or more functions to a later point in the business process and defined customer relation management as all the practises that are put in place to manage customer complains , improve customer relations as well as establish long-term relationships or partnership with the customers. Information shared is the extend to which vital and exclusive information is shared between trading partners ensure that the progress of all the products passing through the supply chain are checked and monitored. Mass customization is the business aspect of producing customized products and in significant volumes comparable to mass produced products, while the long term relationship between the organization and its suppliers which leverages the strategic and operational capabilities of individual participating organizations to help them achieve significant ongoing benefits defines supplier partnership and finally, product modularity as "the practice of using standardized product modules so they can be easily reassembled / rearranged into different functional forms, or shared across different product lines" practices, Kotler, (1989)

Organizational performance is confined in the premise that achievement of the shared purpose can be ensured or facilitated by the interaction of assets and the different resources in the firm (Barney, 2001). An organization will only commit resources where they can enjoy the value for their money as the importance of organization performance is in value addition. A firm will consistently grow and continue to exist if the contributed assets create value; the contributed assets are equal or greater than the value expected and susbsequently this will encourage those contributing the asset to continue making it available to the firms, (Gunasekaran et al. 2003). Resource providers define value creation as the essential overall performance criteria for any organization. Performance measurement was traditionally concentrated on financial measures (Bourne, Kennerley and Franco, 2005). Organizational performance is a measure of change of organizational performance of cement manufacturing firms or their outcome resulting from the use of strategic outsourcing processes. Organizational performance provides the basis for a cement manufacturing firm to assess how well it is progressing towards its predetermined objectives.

Draft, (2008) asserts that company managers have the sole responsibility of ensuring that organizations achieve high performance levels. Managers ensure high levels of performance by setting standards and goals against which performance of all the individuals can be measured. Through the process of employee performance management or contracting firms, managers should ensure that goods and services being produced are of the best.

### 1.1.3 Outsourcing Strategy and Firm Performance

The concept of firm performance needs to be distinguished from the broader construct of organizational effectiveness. The broadest domain of organizational effectiveness includes the medium circle representing business performance, which includes the inner circle representing financial performance. Organizational effectiveness covers other aspects related to the functioning of the organization as absence of internal strain and faults, engagement in legitimate activities, resource acquisition and accomplishment of stated goals. According to Cooper (1999) outsourcing strategy can be used as for business advantage or used to maintain the competitive position of the organization Most organizations adopt this strategy for the first time as means of reducing costs and to up their performance in specific areas outsourced. However, outsourcing strategy at this level is more likely to maintain the competitive position of the organization. Saunders, Gebel and Hu,(1997) found that the motives for outsourcing shifted from cost reduction to strategic and technological benefits.

Outsourcing strategy  has allowed organizations to achieve a number of benefits ranging from the adoption of new technologies to being able to respond constantly to the customer needs due to variations in product demand.  According to Draft, (2008) outsourcing strategy has changed from sourcing for efficiencies and improvements in a single process or activity, to processed reconfiguration in order to create value through out the firms. Hill and Jones, (2001), noted that Outsourcing strategy is still developing , it provides firms with an opportunity to grow , expand and develope the key functions and processes that are core and consequently improve efficiency, effectiveness and profitability.

### 1.1.4 Cement Manufacturing Firms in Kenya

There are six (6) cement manufacturing firms in Kenya namely; Bamburi Cement, Athi River Mining Cement, East African Portland Cement, Mombasa Cement, National Cement and Savannah Cement Limited. Bamburi Cement Company is part of Lafarge group and this enables it to access both  high technological, managerial and technical support in cement manufacturing

In pursuit of effieciency and effectiveness, the cement manufuctring firms outsourcing various non-core activities which include, transport services, staff recruitment services, provision of stationaries, security services among others (Kenani, 2013  and Chesaro 2013). This has made the cement firms to concentrate on the core business of cement production to meet the ever rising demand in the construction industry locally and regionally.

The cement manufacturing firms in Kenya have been facing challenges which include high cost of electricity due to he high tarrifs charged and high cost of fuel, high cost of coal which has to be imported and subjected to taxes , insufficient power supply caused by numerous black outs and power surges  which inturn affect the processing systems. Other challenges include; low capacities for clicker and the production of cement, less support from the Kenyan government on policy issues and introduction of concrete roads in the country which will further increase the demand of cement. The state of some of the Kenyan roads have also led to increased costs of transpotation of both raw materials as well finished goods, Chesaro ( 2013).

The demand for cement in Kenya is estimated to be about 3.5million tons per year, Ndetto, (2015). The cement firms produce about 3.5 million tons, of which Bamburi Cement produces 2.3 million tons. These companies also export their products to other neighboring countries including Somalia, Democratic Republic of Congo, South Sudan, Mozambique, Rwanda and Burundi (Mumero, 2011). The increased purchase of cement is attributable to continued demand for housing and accommodation due to increase in Kenya's population. Increased private building projects and also increased government expenditure on roads and building projects caused the increase in cement consumption during the past 3 years.

## 1.2 Research Problem

Globalization is forcing many multinational companies to adopt outsourcing strategy in order to reduce cost, enhance their competitive advantage, and satisfy shareholders as stated by Mol (2007). In this regard, outsourcing has become a common practice in the business field and managers have begun to understand that in some instances it is better to bring in services from outside to achieve quality services than to do everything on their own. Outsourcing strategy can have a direct impact on jobs and on the work done within an institution. When a function is outsourced the staffs that have traditionally done this work may be affected. Most organizations have adopted strategies to help them maximize profit. According to Kumar and Eickhoff, (2005), cost reduction has become the key policy in many organizations to help improve production and overall performance of the organization. Outsourcing strategy has gained popularity over the world and has been widely embraced in many developed countries.

The operating environment of the cement industry in Kenya has changed considerably such that there is need to understand the outsourcing strategies of activities in the industry. According to Ndetto (2015), firms in the cement manufacturing industry are faced with many challenges in this ever changing market environment and yet they have to remain, relevant, competitive, produce at minimal costs and ensure that the customer receives value for his money without affecting the quality and demands. Cement manufacturing firms strive to gain sustainable competitive advantage through acquisition, development and sustenance of effective capabilities. As a strategy they usually opt to outsource some of their non-core functions in order to meet their strategic objectives such as entering new markets, getting significant market share, developing customer partner relationships and market leadership position. Thus, outsourcing could be the deal breaker in solvinge most of the problems faced by firms in Kenya. There has been intensified competition in the cement industry due to the entrance of new players wo have changed the game, ( Chesaro, 2013 and Kenani, 2013).

Studies conducted locally have mainly focused on determining the level of outsourcing among manufacturing industries. A study by Kenani, (2013) on outsourcing strategies revealed that the need to enhance efficiency and to continually focus on core business competencies were the main factors influencing outsourcing strategy adoption and recommended further studies to determine the extend outsourcing adoption has impacted in staff turnover, to establish the relationship between outsourcing strategy adoption and organization performance and same studies to be done in other countries. Ochweri, (2012) did a case study research on outsourcing strategy and performance of the Kenya Institute of Management and found out that outsourcing as a strategy in the learning institutions can be applied not only to gain the overall performance of the institution but also to increase student enrolment. Internationally, Sobhani and Islam (2008) did a study on determinants of outsourcing decision and their findings revealed that the components identified for the study had significant effect on outsourcing decision but did not agree on operating cost reduction. From the review of past studies, it is clear that there are few studies that have focused on the topical issue in this study especially in the manufacturing industry in Kenya which is a key sector contributing immensely to the economy of the country. Therefore there is need to bridge the study gap that exists. This study addresses the research question, what is the influence between outsourcing strategy and the performance of the firms in the cement industry in Kenya?

## 1.3. Research Objectives

i. To determine the effect of outsourcing strategy on the performance of cement manufacturing firms in Kenya.
ii. To establish factors that influence the implementation of outsourcing strategy in cement manufacturing firms in Kenya.

## 1.4. Value of the study

The results of this study will document various models and approaches in analyzing the outsourcing strategy. Once documented the results will contribute to theory and knowledge and provide an insight into the relationship between outsourcing strategy and how it affects performance. Additionally, this study will provide information on areas of further research in the area of study that will be suggested for further research. This study may be replicated in a different sector or geographical setting.

The study will benefit management of the cement companies as they consult in an endeavor to focus on core business and in evaluating which activities in the value chain to outsourcing and the study will stimulate further interest among future researchers and in this dynamic area of outsourcing.

The study will also assist the government through the relevant ministry in formulating appropriate strategic outsourcing policies that will improve decision-making processes in enhancing competitive advantage. These policies will also be appropriate in enhancing the performance of the organizations and the manufacturing industry at large.This study will contribute to the literature in outsourcing especially about how the cement manufacturing firms can utilize outsourcing to benefit in the focus of core competencies, cost reduction, provision of benefit through economies of scale and scope among others and the overall return on investment.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Introduction

This chapter discusses a review of relevant literature on outsourcing strategies, review of relevant theories and relationship between outsourcing and firm performance.

### 2.2 Theoretical Foundation

According to Leavy (2004), many firms view outsourcing strategies as ways of contracting experts in business companies to perform their routine business functions while they concentrate their corporate resources on performing core activities in their business value chain where there is direct impact to the customer or client. According to Gottschalk & Solli-Saether (2005), non-core business activities should be outsourced with the best-in-the world.

In today's competitive environment, most of the companies are aware that a strategy based solely on efficiencies does not guarantee high financial or behavioural outcomes. The reduction in production costs or efficiently defining contractual terms that will minimize transaction costs are only a part of a complex strategy. Nowadays, the differentiating point becomes the value added by the outsourcee, namely, quality execution of the marketing function. This study will be guided by a review of the three theories considered relevant; resource based view theory, the transaction cost theory and the dynamic capabilities view.

#### 2.2.1 The Resource Based-View

Resource-Based theories have been advanced to provide business solution explanations and clarifications for outsourcing considerations in business companies across the globe (Teng, Cheon and Grover 1995; Lacity 1998).This theory is so selected because outsourcing is defined as a resource method (Davies, 2000). This RBV model considers outsourcing strategy as a decision which can be used to seal loopholes in the firms'or organizational resources and competences. Accoriding to Barney (1991), RBV is a source of a firms competitive edge to lie in the firms the resources and capabilities, this could be inform of physical resource, human resources, organizational resources, financial, legal, informational and relational. Success and the desire to attain a sustained competitive advantage can be ensured if a firm has resources that are valuable, exceptional, unique and not interchangable.

Since the creation of business capabilities which are, valuable, rare, hard to imitate and difficult to substitute is not easy for various reasons, firms opt to use and apply outsourcing strategy. This aspect is due to the fact that some competences can be created based on some historical advantages which may no longer be available, some may require learning processes that are long-term while others maybe entrenched intricacies of social factors like culture , reputation and loyalty, and finally there are capabilities which causally unclear and hence cause difficulties in their creation. Considering these factors, firms find it difficult to create these competencies or capabilities on their own (Barney, 1991).

According to RBV, for a firm to attain sustainable competitive advantage it should posses or atleast have access to the competences for it to attain a sustainable competitive advantage. However, it is impossible for both the firm and even joint ventures or acquisitions to own or access some of these capabilities in cases of a restrictive institutional environment operations (Grewal and Dharwadkar 2002) and also some factors may hinder the acquired firm from performing or functioning to its optimum the way it used to before the acquisition.

### 2.2.2 Transaction Cost Theory

This theory examines the efficacy of choosing from the choices available by comparing outsourcing costs and doing it in-house (Rindfleisch and Heide 1997). The TC theory is used in this study because outsourcing of non-core business activities directly affects operating costs (Rosenau 1990). The choice on whether to use outsourcing strategy or an in-house execution, will be determined by the option that results on the transaction costs being lower than the production cost. Production costs refers to the costs of designing and developing the product specifications and functions involved in the transformation of products to finished ready for market components; these are the costs of performing development activities. For instance, the costs of factors such as labor, capital and materials incurred while marketing for the products can as well classified as products manufacturing costs.

TC defines costs as the costs of managing the development process between the parties like for example the cost entailed in prepairing, monitoring, and implementing contracts between the activity given and the company giving out the activity, (Williamson 1985). The basic premise the theory is that a firm should execute the function in-house if the transaction costs is higher than the production cost advantages .This can be attributed to factors of measurement, adaptation and safeguarding problems; that result due to specificity of assets, unpredictable operating environment and unpredicted business behaviour (Rindfleisch and Heide 1997).

A firm may face difficulties in adapting to contractual agreements ex ante which subsequently will increase the transaction costs due to environmental uncertainities. The behavioral confusion of giving away business operations may affect business transaction costs as measuring performance of the outsourcee after the work is done may prove difficult (Rindfleisch and Heide 1997). For instance, a manufacturer may choose to give to a third party operations of its call center function to another firm in a low wage region or country so as to be able to experience a reduction in call center expenses.

### 2.2.3 The Dynamic Capabilities View (DCV)

The theoretical concept of DCV plays a key role in this study as firms always seek to have the best combinations of their capabilities to attain sustainable competitive advantage. The DCV as advanced by Teece, Pisano, and Shuen’s (1997) details how best combinations of competencies and resources can be developed, enhanced, used and utilized to reap maximum benefits. This theory insists on the need to develop the organizational , technological and functional skills within the managerial competencies and combinations. Dynamic capabilities build, incorporate and reconfigure other resources and competencies or capabilities through change and adaptation (Helfat and Peteraf, 2003). Teece, Pisano and Shuen, (1997) define dynamic capabilities as the firm's ability to use, build and re-mix internal and external competences to address rapidly changing environmental dynamic demands.

The DCV builds upon the theoretical foundation provided by Barney (1986a), Penrose (1959) and (Teece, Pisano, and Shuen, 1997). Eisenhardt and Martin, (2000) further suggests that product development, alliancing and post-merger integration are specific strategic and organizational processes that create value to firms within vibrant markets by deploying resources into new value-creating strategies . Dynamic competencies are the firm's processes that use resources to processes, to be used, reconfigure, gain and release resources, to match and even create market change.

## 2.3 Outsourcing Strategies

### 2.3.1 Cost Driven Outsourcing

Most of the organizations desire to cut cost through the outsoutcing strategy adopted. (Arnold, 2000; Laarhoven, Berglund and Peters, 2000; Vining and Globerman, 1999). In theory, when suppliers' costs are low and firms are still able to deliver services at a low and competitive rate despite the added overhead, profits and transaction costs then outsourcing for cost reasons will be possible and very significant. (Harler, 2000). This can be achieved through specialization and economies of scale(Klainguti, 2000; Kakabadse and Kakabadse,2000a). Outsourcing strategy can also be driven by the need to save on indirect costs. According to (Fontes, 2000; Hubbard, 1993) a more agile, adaptive and efficient organization can be achieved as a result of a small number of employees who in turn demands less support and infrastructural systems. Organizations give away their operations for cost related reasons but this is normally not a guaranteed move for every company. Firms may not realize the cost savings due to some other additional indirect costs that may be incurred (Maltz and Ellram, 1997).

A study by Lafferty's and Roan's (2000) concluded that outsourcing by business companies has led to the decline in education and skill level of employees. Cost savings drive many outsourcing initiatives including ignoring the need for research and development though significant savings can result but it should be noted that savings is not a guarantee.The variables and relationships of outsourcing strategy can be less complex if the effects of outsourcing strategy are fully understood.

### 2.3.2 Strategy-driven Outsourcing

In the past two decades it has been confirmed that the motive for outsourcing seems to be more of strategic issues such as core competencies and flexibility rather than cost reduction (Wright, 2001). Outsourcing strategy, offer improved business performance on numerous dimensions ( Dekkers, 2000; Klopack, 2000). The most common reason for outsourcing is to allow the organization to better focus on its core competencies for growth and performance (Sislian and Satir, 2000). Because of intense competition, organizations are forced to reassess and redirect scarce resources (Jennings, 2002 & Leavy, 1996).

Business organization resources are redirected to the organizations core functions, organizational growth, processed re-engineering and restructuring , changing tehnology and flexibility to manage the ever changing demands, as confirmed by Lankford and Parsa, (1999). Business flexibility appears to be ingredient also regarding the scope of products and or services used in outsourcing. Organizations in business need to react with speed to the ever changing customer needs and demands, this can be accomplished through outsourcing strategy.

### 2.3.3 Politically-Driven Outsourcing

Public organizations and private organizations operate differently and hence are driven by differnet reasons towards outsourcing. According to Avery (2000) in his study, he found out that the performance of a service was not based on market demand or business profitability but other issues. The issues are more social oriented than economic as explained in his findings. Privately owned industries perform various services to realise profits whereas the public organization attempt to operate towards ensuring the public general well-being; a different goal, vision and even mission..

Blueprints of people seeking elective posts, public opinions, and existing and future national or international trends and even accountability is also be considered as reasons of outsourcing in public firms, Avery (2000). Public organizations are sometimes perceived as inefficient and bureaucratic because political candidates may use outsourcing ideas as campaigning tools and particularly at election time, to demonstrate their willingness to make positive changes in the respective areas. Once laws are enacted, the public organization has to comply hence the governing laws and executive orders become the drivers of adopting an outsourcing strategy. Deakin and Walsh (1996) suggest that there is usually an improvement in the public sector in terms of accountability whenever some functions are outsourced.

## 2.4 Effects of Outsourcing Strategy

Outsourcing allows organizations to achieve a number of strategic benefits ranging from the more rapid adoption of new technologies to being more responsive to customer needs by better coping with variations in product demand. A study by Jennings (2002) found that outsourcing strategy has shifted to total reconfiguration of entire organiztions processes in order to create more value in addition to searching for efficiencies and improvements in a single process or activity. Hill and Jones, (2001) noted that the concept of outsourcing is still growing and hence this provides for opportunity for the organizations and institutions to concentrate on core functions. This justifies why outsourcing strategy is becoming a vital and necessary concept and practice in the modern business world.

Cost reduction is considered as the most crucial reason for outsourcing strategy and therefore it is recommended that a firm adopts an outsourcing. Focusing on the core competency can be strengthened by outsourcing activities, while the non-core activities in a firm can be transferred to an external professional expertise . On one hand, the firm can allocate more of the organizational resources from the non-core activities to the core and most imoprtant activities; on the other hand, the firm can gain access to technology and all technological axilliaries and performance that are world leadingand update it in time which also resolve the problem of research and development costs on the supporting facilities (Gilley & Rasheed, 2000).

## 2.5 Empirical Literature Review

Lai and Daniel, (2008) did a study on firms that are outsourcing their logistics activities and their study supported the relationship between the outsoucing concept and supported this move. Gilley and Rasheed (2000) studied the relationship between organizational dependency on outsourcing and the overall firm performance and their study supported the moderating effects of firm strategy. Espino- Rodriguez and Padron-Robaina (2006) in their review on outsourcing strategy concluded that the RBV is a strong determinat move for explaining outsourcing benefits.

Kenani (2013) did a study on outsourcing strategy and found that the performance indicators in outsourcing were improved technical capacity and enhanced organizational performance in terms of operations. The potential risks for outsourcing in the study were found to be increased costs, low staff morale and disclosure of commercial secrets. Chesaro (2013) did a study on internationally outsourced logistical services and found that the benefits of outsourcing include increased knowledge and information exchange as among the benefits while introduction of penalty measures for lack of performance to expectations and a counter check supplier cost viz a viz proposed rate as among the notable challenges.

Gilley, Greer and Rasheed (2004) analysed relationship outsourcing found supportive results for this relationship and concluded that outsourcing has a direct influence on performance. Wang et al. (2008) by taking a resource-based perspective observed a good role of firm’s ICT capability in the value addition of outsourcing. They concluded that firms with superior IT capability enhanced their value more by giving away non core fim practices. A study by Unal (2011) on the role of dynamic capabilities in outsourcing done in the USA showed that the dynamic capabilities construct is the most important factor affecting in the outsourcing performance . However, the positive effect of the outsorcing tasks that are related to resources on potential was not significant.

**2.6 Summary and Knowledge gap**

Outsourcing enables the company to focus on its core competences and activities that lead to a competitive advantage. By outsourcing peripheral activities, the functional scope of a company will be reduced which ultimately results in a focused company that is more flexible and better able to adapt to changes in the environment (Kremicet al, 2006; Quélin and Duhamel, 2003).

It was found that outsourcing allowed organizations to achieve various strategic benefits ranging from the more rapid adoption of new technologies to being more responsive to customer needs by better coping with variations in product demand. It can be summarised that outsourcing has moved from searching for efficiencies and improvements in a single process or activity, to reconfiguring entire processes in order to obtain greater value across the organization. Further the concept of outsourcing develops with the growth of business and their particular needs expand and become more sophisticated. This is good because space exists for wings to flex and soar and creativity has no limit. This is most likely another great reason why the concept and practice of outsourcing is deemed valuable.

The reviewed studies done on outsourcing, the findings are as varied as the contexts of the previous studies and the studies show that a number of environmental issues that may influence firm performance as part of outsourcing strategy. Most of the available literature covers studies done on large organizations in highly organized industries. This study seeks to explore the relationships in less structured cement manufacturing industry in Kenya.

# CHAPTER THREE: RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter explains the whole research process which includes research design, study population, as well as the instruments that was used in data collection and analysis.

## 3.2 Research Design

The study adopted a cross-sectional census survey research design that is descriptive in nature as the targeted firms are few. This research design assisted the researcher in data collection from a cross-section of the cement manufacturing firms and an analysis thereafter. The design was selected because it is deemed appropriate in collecting information from the entire spectrum of the population, Kothari (2004). Specifically this study was a census as all the cement manufacturing firms will be considered. Census surveys have been found to be most accurate in making comparisons and generalizations (Saunders, Lewis and Thornhill, 2007).

## 3.3 Population of the Study

The population of the study comprised all the cement manufacturing firms in Kenya. Population refers to the whole group of study individuals of interest to the researcher, events or objects having common characteristics that can be observed and measured (Yin, 2003). According to Ndeto (2015) there are 6 cement manufacturing firms in Kenya operating both as public and private entities.

## 3.4 Data Collection

Primary data was used for this study because of the nature of responses required by the topic under study. Data was collected using a semi- structured questionnaire drafted in line with the research objectives and which is divided into two parts: Part I was designed to collect general information about the cement manufacturing firms and Part II contained questions relating to identifying the outsourcing strategies and perceived performance of the cement manufacturing firms in Kenya. The questionnaire comprised of closed and open-ended questions in which the respondents gave their ratings on a 5-point Likert Scale. ‘Drop-and-pick later’ method and email solutions was used in administering the questionnaires. A 5-point Likert scale was used in the design of the questionnaire in which the managers were asked how strongly they ‘agree’ or ‘disagree’ with some specific corporate outsourcing strategies.

### 3.5 Data Analysis

The data collected was coded to classify responses into meaningful categories to enable data to be analyzed. Quantitative data was analyzed using Statistical Package for Social Scientists (SPSS). Descriptive statistics such as mean, standard deviation and frequencies was be used to analyze the quantitative data. Tables were be used in presentation of data findings. Correlation analysis was used to compare the relationship among the study findings.

# CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

## 4.1 Introduction

This chapter presents the results of the analysis of the data collected during the study survey. In this chapter, raw data from the questionnaires was analyzed and results interpreted. It presents the empirical findings and results of the application of variables as discussed in chapter three. This chapter details the response rate, presentation of data analysis, interpretation and discussion of findings. Correlation analysis was used to test the relationship among the study variables.

### 4.1.1 Response Rate

A total of 6 completed questionnaires were obtained from the respondent cement manufacturing firms under study, this represents 100% . According to Mugenda & Mugenda (2007), a response rate of 50% is adequate, 60% is good and 70% and above is excellent. Saunders, Lewis and Thornhill (2009) in their studies suggested a 30-40% per cent response rate. Thus a response rate of 100% was appropriate for the study. This section of the study provides analysis of data where descriptive statistics was conducted and the results of the study were presented in form of tables. The response rate is displayed in Table 4.1

**Table 4.1 Response Rate**

| Questionnaire Issue | Questionaire Returned | Response Rate (%) |
|---|---|---|
| 6 | 6 | 100 |

### 4.1.2 Normality Tests

### 4.1.3 Skewness and Kurtosis

Many parametric statistical methods such as analysis of variance (ANOVA) test, discriminant analysis, linear regression, Pearson correlation, F-Test and T-test require that the dependent variable is approximately normally distributed for each independent variable (Razali and Wah, 2011). Normality tests can be measured using the Skewness and Kurtosis Z-values which should be in the span of -1.96 to +1.96 and can also be measured using the Shapiro-Wilk and Kolmogorov-Smirnov test P-value which should be above 0.05.

Table 4.2 shows measure of skewness -1.212 (SE 0.845) and Kurtosis measure of 0.628 (SE 1.741) the values for skewness and Kurtosis are all within the span of -1.96 to 1.96. This shows that the data is a little skewed and kurtotic and it does not differ significantly from normality. Hence we can assume that the data is approximately normally distributed in terms of skewness and kurtosis.

**Table 4.2 Skewness and Kurtosis Measure Results**

| | Statistic | Std Error |
|---|---|---|
| Mean | 3.7222 | |
| 95% Confidence Interval for Lower Bound | 2.4674 | |
| Upper Bound | 4.9770 | |
| 5% Trimmed Mean | 3.7840 | |
| Median | 4.1667 | |
| Variance | 1.430 | |
| Std Deviation | 1.19567 | |
| Minimum | 1.67 | |
| Maximum | 4.67 | |
| Range | 3.00 | |
| Interquartile Range | 2.00 | |
| Skewness | -1.212 | .845 |
| Kurtosis | .628 | 1.741 |

The null hypothesis for this study is that the data is normally distributed. This null hypothesis is rejected if the p-value is below 0.05. From Table 4.3 the Shapiro-Wilk p-value is 0.160 so we accept the null hypothesis as it indicates that the data is approximately normally distributed (Shapiro & Wilk, 1965).

**Table 4.5 Shapiro-Wilk Tests**

| | Kolmogorov-Smirnov[a] | | | Shapiro-Wilk | | |
|---|---|---|---|---|---|---|
| | Statistic | df | Sig. | Statistic | df | Sig. |
| Strategy Execution | .251 | 6 | .200* | .848 | 6 | .160 |

*. This is a lower bound of the true significance.
a. Lilliefors Significance Correction

The Kolmogorov –Smirnov test also shows a p-value of 0.2 which is greater than 0.05. Both test allows for the acceptance of the null hypothesis; that the data is approximately normally distributed.

## 4.2 Demographic Profile of Cement Manufacturing Firms

The study sought to find out the number of employees the firms have, the years the firms have been in operation and the number of years the employees have worked for their respective cement manufacturing firms to determine reliability of the information provided.

### 4.2.1 Number of Employees

The respondents in the respective firms were asked to state the number of employees they have. This was done so as to find out whether these cement manufacturing firms have a good number of employees for the application of outsourcing strategies. This was on open ended question that gave the respondents the opportunity to fill in the figures. The results were categorized in groups as per table 4.2.1

**Table 4.2.1 Number of employees per firm**

| Number of Employees | Frequency | Percent | Cumulative Percent |
|---|---|---|---|
| Below 100 | 0 | 0 | 0 |
| 101-250 | 2 | 33.3 | 33.3 |
| 251-500 | 2 | 33.3 | 66.6 |
| Above 500 | 2 | 33.4 | 100 |
| Total | 6 | 100 | |

**Source: Research data**

From the findings in Table 4.2.1, 100% of the surveyed firms had over 100 employees with 2 frims having over 500 employees.

**4.2.2 Number of years in operation**

From the findings in Table 4.4, 80% of the cement manufacturing firms have been in operation for over 3 years.

**Table 4.4 Number of years in operation**

| Number of years in Operation | Frequency | Percentage% |
|---|---|---|
| Below 1 year | 0 | 0 |
| 1-3 years | 1 | 16.7 |
| 3-6 years | 2 | 33.3 |
| Above 6 years | 3 | 50.0 |
| Total | 6 | 100 |

**Source: Research Data**

All the surveyed cement manufacturing firms adopted outsourcing strategy over 3 years ago.

### 4.2.3 Outsourced Activities in the Cement Manufacturing Firms

The study sought to find out the type of activities outsourced by the cement manufacturing firms. From the findings in table 4.2, 80% of the cement manufacturing firms outsource their transport logistics activities.

**Table 4.5 Types of Outsourced Activities**

| Activity | Frequency | Percent |
|---|---|---|
| Transport Logistics | 4 | 80 |
| Repair and Maintenances | 2 | 40 |
| Human Resources/Recruitment | 2 | 40 |
| ICT | 2 | 40 |
| Finance | 1 | 20 |
| Marketing | 1 | 20 |
| Manufacturing | 0 | 0 |
| Raw materials | 0 | 0 |

**Source: Research Data**

## 4.3 Analysis of factors Influencing adoption of outsourcing strategy at the cement manufacturing firms in Kenya

In total, 20 factors were subjected to ranking and a likert point of scale was used, with the strongest factor scoring five points, whereas the least scored one point. The mean and standard deviation scores were computed as shown in Table 4.6. Among the factors which influenced outsourcing strategy adoption at the cement manufacturing firms, the need to enhance efficiency and the focus on core competencies were found to have the highest mean score of 4.6. The need to attain a competitive advantage in the industry follows with a mean score of 4.4.

The next ranked component was the need to reduce business costs and time saving which had a mean of 4.2. The others were the need to outsource to so as to develop technologically, get rid of problematic functions and for better accountability which all had a mean score of 3.4. The least ranked of the factors for the adoption of outsourcing strategy at the cement manufacturing firms are; gaining recognition around the cement manufacturing industry, legal compliance, establish strategic partnership and the aspect of copying what the competitors are doing having mean score of 2.4, 2.4, 2.4, , and 2.2 respectively.

**Table 4.6 Factors Influencing Outsourcing Strategy**

| **Factors Influencing Outsourcing Strategy** | Mean | Std. Deviation | Coefficient of Variation% |
|---|---|---|---|
| Enhance efficiency | 4.6 | 0.548 | 11.9 |
| Improve and focus on core competencies | 4.6 | 0.548 | 11.9 |
| Competitive advantage | 4.4 | 0.548 | 12.5 |
| Reduce business costs | 4.2 | 0.837 | 19.9 |
| Save on time | 4.2 | 0.837 | 19.9 |
| Develop technological advances | 3.4 | 1.8 | 52.9 |
| Get rid of problematic functions | 3.4 | 1.517 | 44.6 |

| | | | |
|---|---|---|---|
| Better accountability | 3.4 | 0.894 | 26.3 |
| Achieve economies of production | 3.2 | 0.837 | 26.2 |
| Improve customer service delivery process | 3.2 | 1.483 | 46.3 |
| Lack of trained and qualified manpower | 3.2 | 1.483 | 46.3 |
| Develop manufacturing processes | 3.0 | 1.87 | 62.3 |
| Reducing risks | 2.8 | 1.643 | 58.7 |
| Organizational restructuring | 2.8 | 0.837 | 29.9 |
| Organizational policy | 2.6 | 1.14 | 43.8 |
| Irregular demand for personnel | 2.6 | 1.342 | 51.6 |
| Gaining recognition around the industry | 2.4 | 0.894 | 37.3 |
| Legal compliance | 2.4 | 1.517 | 63.2 |
| Establish strategic partnership | 2.4 | 1.517 | 63.2 |
| Copy competitors | 2.2 | 1.095 | 49.8 |

**Source: Research data**

### 4.4 Analysis of factors perceived to influence performance of Outsourced Activities at Cement Industry

Ten factors perceived to influence performance for outsourced services at the cement manufacturing industry were subjected to analysis using descriptive analysis with the use of a 5-point Likert Scale, with the strongest factor scoring five points, whereas the least scored one point. The mean, standard deviation and coefficient of variation scores were computed as shown in Table 4.4

Among the factors which the results of performance for outsourced activities at the cement manufacturing firms, improved technical capacity and enhanced performance contract were found to have the highest mean score of 4.0. Improving service quality and enhanced management advantage in the respective firms followed with mean scores of 3.8. The next ranked component of outsourcing that affects performance is the need to reduce operational costs.

The least ranked of the factors affecting performance in outsourcing strategy at the cement manufacturing firms are; improve customer delivery process, improved cultural compatibility and improved market share with mean scores of 3.2, 3.0, and 3.0 respectively.

**Table 4.7 Performance factors for outsourced activities**

| **Performance factors for outsourced activities** | Mean | Std. Deviation | Coefficient of Variation % |
|---|---|---|---|
| Improving technical capacity | 4.0 | 0.00 | 0.0 |
| Enhanced performance contract | 4.0 | 0.707 | 17.7 |
| Improving service quality | 3.8 | 0.447 | 11.8 |
| Enhanced management advantage | 3.8 | 0.447 | 11.8 |
| Reduced operational costs | 3.6 | 1.14 | 31.7 |
| Cycle time to asset turnover | 3.4 | 0.548 | 16.1 |
| High productivity | 3.4 | 0.894 | 26.3 |
| Improve customer service delivery process | 3.2 | 0.837 | 26.2 |
| Improved cultural compatibility | 3.0 | 0.707 | 23.6 |
| Improved market share | 3.0 | 0.707 | 23.6 |

**Source: Research Data**

### 4.5 Correlation Analysis

Correlation assumes that variables have normal distributions as non-normally distributed variables (highly skewed or kurtotic variables, or variables with substantial outliers) can distort relationships and significance tests. There are several pieces of information that are useful to the researcher in testing this assumption: visual inspection of data plots, skewness, kurtosis, and P-P plots give researchers information about normality, and Kolmogorov-Smirnov tests provide inferential statistics on normality.

Correlation is a statistical measurement of the relationship between two variables which can either be positive or negative (Bryman and Bell, 2011). Possible correlations range from +1 to -1. A zero correlation indicates there is no relationship between the variables of the study. A correlation of -1 indicates a perfect negative correlation meaning that as one variable goes up, the other goes down. A correlation of +1 indicates a perfect positive correlation, meaning both variables move in the same direction together.

Examining the statistical significance of a computed correlation coefficient which is based on randomly selected sample provides information about the likelihood that the coefficient will be found in the population from which the sample was taken (Bryman and Bell, 2011). Correlation analysis was important in this study as it formed the basis for the relationships between variables of the study. Correlation would however not be final as it does not infer causation / influence of which this study had an interest.

The Pearson's' correlation results for performance in this study was ($r = 0.479$, $p = 0.000$) as shown in Table 4.8. These results indicate a moderately significant relationship between outsourcing and performance of cement manufacuting firms in Kenya. This means that outsoucing in cement manufacturing firms in Kenya does affects much on performance and that an increase in outsourcing will lead to increase in performance, this contradicts studies by Drazin and Howard (2009) which indicate that outsourcing-performance alignment is a precursor to attainment of competitive advantage.

**Table 4.8 Relationship between Outsourcing and Performance**

| **Variable** | | **Perfomance** | **Outsourcing** |
|---|---|---|---|
| Performance | Pearson Correlation | 1 | .479 |
| | Sig. (2-tailed) | | .000 |
| | N | 6 | 6 |
| Outsourcing | Pearson Correlation | .479 | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 6 | 6 |

### 4.6 Disucssion of Findings

The findings reveal that 80% of the cement manufacturing firms that is 4 of the surveyed firms have been in operation for over 3 years this agrees with a realated study done by Kenani (2013). This shows that the firms had operated long enough to be resourceful in the topic under study. Further, the cement manufacturing firms have mines concentrated in Athi River and each firm produces and sells its own brand. These firms adopted outsourcing over three years ago and they mainly outsource transport logistic services.

Outsourcing as a strategy in the cement manufacturing firms is adopted to enhance business efficiency, focus and improve on core competencies and the need to attain competitive advantage. A study by Unal (2011) portrays similar challenges and opportunities presented by the aspect of outsourcing organizational services.

The factors perceived to influence performance of outsourced activities in the outsourcing strategy are improved technical capacity, enhanced performance contract, improving service quality and enhanced management advantage. The respondents in the surveyed cement manufacturing firms identified themselves with the risks of increased business operational costs, low staff morale, disclosure of commercial secrets and loss of core knowledge in outsourcing activities. Pearce and Robinson (1997) in their study agree that significant changes within many segments of business have encouraged the use of outsourcing practices. These changes include globalization, change in technology diversification which continue to state that in order for the organizations to achieve their goals and objectives, they have to constantly adjust to their business environment.

An organization outsourcing strategy needs to be consistent with competitive environment and the development of competitive advantage as found out in this study. There exists potential drawbacks when outsourcing is done . Business organizations may give away the their best kept secrets if they are not careful. Trade secrets should be safeguarded at all costs for outsourcing strategy to be worthwhile (Drazin and Howard, 2009).

## CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Introduction

This chapter discusses the study results summary, study conclusions, recommendations, suggestions for further research and limitations of the study.

### 5.2 Summary

A cross-sectional survey research was conducted to address the objective of the study, specifically to find out the factors that influenced its adoption and the associated benefits and challenges. Data was collected using questionnaire, Appendix II.

This study had a 100% response which was good for analysis. From the findings, 80.0% of the respondents firms have been in operation and adopted outsourcing strategy over 3 years ago. This shows that the data obtained from the respondent firms was good and reliable for analysis. It was further established that 80% of the respondent firms mainly outsource transport logistic services.

From the analysis of the 20 factors that influenced outsourcing strategy adoption at the cement manufacturing firms, the need to enhance operational efficiency, the zeal to focus and improve on core competencies and the aspiration to attain a competitive advantage were the drivers for outsourcing strategy adoption while the need to outsource so as to copy competitors and establish strategic partnership were the factors that least influenced the adoption.

Respondents identified themselves with the need to improve technical capacity, enhanced contract performance, improving service quality and enhanced management as the performance factors for outsourced activities. The improved cultural compatibility and improved market share as performance factors in the adoption of outsourcing strategy at the cement manufacturing firms were not of benefit to these firms.

The challenges or potential risks of outsourcing strategy mostly associated with outsourcing strategy adoption at the cement manufacturing firms were staff-cost related.

## 5.3 Conclusion

The cement manufacturing firms being key players in the country's economy adopted outsourcing strategy in order to maximize value for money on their operational processes and increase business performance. The firms have attained this as they have benefited in enhanced efficiency, improved focus on core competencies and enhanced competitive advantage. The greatest challenge for the cement manufacturing firms in their endeavor to attain full potential of outsourcing strategy adoption lies with competitors and suppliers. The suppliers and competitors pose a threat as they may steal business secrets from these firms and use them to their benefit.

Therefore since for this case the attainment of greatest potential of outsourcing is two way then the cement manufacturing firms should embark on outsourcing strategy that is well calculated so as not to hurt their competitive niche.

## 5.4 Recommendations

Though the cement manufacturing firms in Kenya have so far been successful with outsourcing strategy adoption in enhancing organizational performance, there is need to focus on the aspect of creating a competitor in the name of outsourcing, power shift to suppliers and the exposure of business/trade secrets during outsourcing as these seem to be the major challenges prohibiting the organization from fully achieving the full potential of outsourcing strategy adoption. Since cement manufacturing firms are operating in a very competitive business environment, sound business strategies will play a paramount role in the overall performance of the organization.

Outsourcing strategy adoption at the cement manufacturing firms has enabled the organizations to redesign and improve business work processes radically but there is still need for initiatives that emphasize incremental improvement in the whole outsourcing process and output to cope with the ever changing business environment.

### 5.5 Suggestions for further research

Since this study used firms that have been successful with outsourcing strategy adoption, it would be of great value to study firm(s) that have not posted better performance with outsourcing adoption and much more a firm that has failed. When this is done, the conclusions would help in highlighting methods that don't work for new strategy adoption.

The researcher proposes that a study be conducted to determine the extent to which outsourcing strategy adoption can impact on staff retention. A study can also be done to establish the relationship between outsourcing strategy utilization and organizational human resource productivity.

Finally, this study is limited to the extent that its focus is on a specific country and industry/sector, Kenya and the cement manufacturing firms respectively. It is recommended that a similar study be undertaken within a neighboring countries in the EAC region and findings compared to the Kenyan context. This will provide a basis upon which the industry in Kenya can be rated for its outsourcing strategy adoption against the other countries in the region.

### 5.6 Limitations of the study

There were few limitations encountered during the study. The use of semi-structured questionnaires as the sole data collection instruments should be noted. The use of additional data collection tools such as focus group discussions in order to enhance the content to beef up future studies should be considered.

In addition, access to internal organization documents like board minutes, policies and procedures which could provide more insight into the strategic thinking of the management would greatly have contributed towards a more pragmatic review and analysis. Also most of the senior managers were not available for interview.

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# APPENDICES

## Appendix I: Questionnaire

The information provided here will be used solely for academic purposes and will be treated with maximum confidentiality.

**Instructions**

Please answer these questions to the best of your knowledge. Write your response in the space provided. Please put a tick (√) where appropriate

**PART A: Demographic Information**

1. How many employees does your firm have?

2. How long has your firm been in operation?

a) Less than one year [ ]

b) 1 to 3 years [ ]

c) 4 to 7 years [ ]

d) 8 to 11 years[ ]

e) More than 11 years [ ]

3. How long have you worked for your firm?

a) Less than one year [ ]

b) 1 to 3 years [ ]

c) 4 to 7 years [ ]

d) 8 to 11 years [ ]

e) More than 11 years[ ]

**PART 2: Outsourcing Strategy**

**A. Factors Influencing Outsourcing**

1. a) Which of the following activities has your company outsourced? (Tick where applicable)

Manufacturing [ ]     Repair [ ]     Maintenance [ ]

Finance/Accounting [ ]     Marketing [ ]     Human Resources [ ]

Logistics [ ]     Technical Development [ ]     ICT [ ]

Cleaning [ ]     Recruitment process [ ]     Training [ ]

Others ……………………………………………………………………….

b) In future do you believe the number of activities you outsource will

Increase [ ]     Stay constant [ ]     Decrease [ ]

3.a) To what extent did the following factors influence adoption of outsourcing strategy in your organization? Rate these factors on a scale of 1-5 (1-least important, 2-less important, 3-neutral, 4-important, 5-most important). Tick where applicable.

| **Factors that influenced Outsourcing Strategy** | **Least Important** | **Less important** | **Neutral** | **Important** | **Most Important** |
|---|---|---|---|---|---|
| Better accountability/management | | | | | |
| Copy competitors | | | | | |
| Establishing strategic partnership | | | | | |
| Gaining recognition around the industry | | | | | |
| Irregular demand for personnel (like work done only during projects) | | | | | |
| It's an organizational policy requirement to outsource certain business operations | | | | | |
| Lack of trained and qualified manpower | | | | | |
| Legal compliance | | | | | |
| Organizational restructuring | | | | | |
| Sharing and reducing risks | | | | | |
| To achieve economies of production | | | | | |
| To attain a competitive advantage | | | | | |
| To develop manufacturing processes | | | | | |
| To develop the technological advances | | | | | |
| To enhance efficiency in the business operations | | | | | |
| To focus on and improve core competence areas | | | | | |
| To get rid of problematic business | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| functions | | | | | |
| To improve customer service delivery processes | | | | | |
| To reduce business operation costs | | | | | |
| To save on management time | | | | | |
| | | | | | |
| Any other? Please add | | | | | |

b) Outsourcing strategies (Please select the drivers of outsourcing strategy in your organization)

Cost-driven [ ]

Strategy-driven [ ]

Political -driven [ ]

### B. Outsourcing and Performance

4. a) How have the following outsourcing strategy performance factors affected the results of the outsourced activities? Rate these factors on a scale of 1-5 (1-Very poor, 2-poor, 3-neutral, 4-Good, 5-Very good)

| **Performance factors for outsourced activities** | **Very poor** | **Poor** | **Neut ral** | **Good** | **Very good** |
|---|---|---|---|---|---|
| Enhanced management advantage | | | | | |
| Enhanced performance of contract | | | | | |
| Improved cultural compatibility | | | | | |
| Improving service quality | | | | | |
| Improving technical capacity | | | | | |
| Reducing operational costs | | | | | |
| | | | | | |
| Any other? | | | | | |

b) Which criteria does your organization use in selecting outsourcing candidate?

Rate the following factors on a scale of 1-5 (5-very important, 4-important 3. Neutral, 2. Not very important, 1. Not at all important)

| **Selection criteria for outsourcing candidates** | **1** | **2** | **3** | **4** | **5** |
|---|---|---|---|---|---|
| Lower costs | | | | | |
| Good reputation | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Previously cooperated | | | | | |
| High quality of services | | | | | |
| Advanced technology and management experience | | | | | |
| Similar culture | | | | | |
| Location advantages (local outsourcer) | | | | | |
| High mutual trust | | | | | |
| | | | | | |
| Any other? Please add | | | | | |

## Appendix II: Cement Manufacturing Firms in Kenya

1. Bamburi Cement Ltd
2. Athi River Mining Cement Ltd
3. East African Portland Cement Ltd
4. Mombasa Cement Ltd
5. National Cement Company Limited
6. Savannah Cement Ltd