The Impact of Strategic Outsourcing on Organizational Performance: A Case Study of Bidco Africa Limited

BY

CHARITY NDINDA MUSAU

UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

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THE IMPACT OF STRATEGIC OUTSOURCING ON ORGANIZATIONAL PERFORMANCE: A CASE STUDY OF BIDCO AFRICA LIMITED
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CHARITY NDINDA MUSAU

A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

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STUDENT'S DECLARATION
I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University - Africa for academic credit.
Signed: __________________________  Date: _____________________
Charity Musau (ID 640886)

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

Signed: __________________________  Date: _____________________
Dr. Maina Muchara

Signed: __________________________  Date: _____________________
Dean, Chandaria School of Business
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ABSTRACT

This research was a study on the effect of outsourcing strategy on organizational performance. The research was based on Bidco Africa Limited, a market leader in the fast moving consumer goods (FMCG) manufacturing industry in Kenya. The purpose of the study was to establish what influences the decision to outsource and how that decision affects the overall performance of the company. The study was conducted in the period between September 2015 and April 2016.

The research questions were: What is the effect of cost-driven outsourcing on organizational performance?; What is the effect of innovation-driven outsourcing on organizational performance?; and What is the effect of focus-driven outsourcing on organizational performance?

The study employed a descriptive research design. Out of the study population of 1,000 employees of the company, a sample size of 90 was taken, whose elements was selected using a simple random sampling technique. Questionnaires were used as the primary data collection instrument. The response rate was 91 percent, with 82 questionnaires properly filled out of the issued 90 questionnaires. Data was analyzed using descriptive statistics, correlation and regression analysis then presented in tables. The findings of the study were: cost driven outsourcing, innovation driven outsourcing, and focus driven outsourcing had a significant influence on organizational performance at Bidco Africa Ltd.

The study found that cost driven outsourcing led to improved organizational performance by reducing costs and risks while increasing operational efficiency, both in the short term and long term. Further, the study found that innovation driven outsourcing improved organizational performance by enabling it to create, develop and deliver value to the market faster than its competitors. The success of innovation driven outsourcing however was found to be largely dependent on cost control and core competencies focus, hence must be evaluated carefully. Finally, the study found that focus driven outsourcing assists a company to free up its resources so as to concentrate on its core business, which leads to improved organizational performance.
The study concludes that strategic outsourcing results in improved organizational performance by reducing both costs and risks, increasing flexibility for innovation as well as freeing up key resources for core competency building. This leads to improved sales, better profits, more satisfied customers and better market share.

This study recommends that firms should adopt strategic and well thought out outsourcing partnerships in order to continuously reduce operating costs for growth, both in the short term and long term. Additionally, innovation should not be outsourced until a company has carefully evaluated its value chain and successfully determined its non-core activities which it can subsequently outsource. Outsourcing strategy should be so structured that it enables the organization to concentrate its efforts on building its core competencies to a best-in-world level, so as to generate competitive advantage.

The researcher recommends further studies in the following area within the manufacturing industry in Kenya: An evaluation of the effect of strategic outsourcing on the performance of public manufacturing firms in Kenya.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

Outsourcing has been utilized for quite a long time, but much of the outsourcing until the late 1990s was focused on informational technology outsourcing. The objective then was often largely restricted to achieving operational efficiencies. In the past, the world has witnessed a remarkably rapid growth in Business Process Outsourcing (BPO) to areas such as manufacturing, product development and innovation. With Business Process Outsourcing, the target is basically longer-term and it focuses on the achievement of the overall business benefits, whether enhancing an organization’s competitive position in the marketplace or improving shareholder returns (Maku & Iravo, 2013).

As Cox (2014) states, as from the early days when it was viewed as little more than a ho-hum tactic which aimed at reducing costs, outsourcing has now matured into a strategic management tool. Global outsourcing market's growth in the past years has been phenomenal, and all indications are that the pace will continue in the coming years. In the face of increasingly intensified competition in the emerging global economy, manufacturing firms are progressively turning to outsourcing of some of their functions (Cox, 2014).

With an increasingly turbulent business environment, organizations are continuously looking for better ways of gaining competitive advantage. One of the strategies that firms can employ to acquire sustainable competitive advantage is contract manufacturing (commonly known as outsourcing). Outsourcing is considered to be basically that part of an organization's process, which is sourced from outside suppliers with no regard for the type of relation with these suppliers (Kiongera, Wanyonyi, Musiega & Masinde, 2014).

Many managers consider outsourcing as the only way to keep a business competitive in this century. The highly turbulent business environment coupled with almost insatiable customer demands for tailored services and products has forced companies to over time evaluate, improve and re-engineer their operations. As Insinga and Werle (2000) noted, these reengineered processes have a significant contribution to the efforts by organizations to wholly satisfy customer needs and wants.
Cox (2014) asserts that every firm engages in outsourcing to some extent. Some firms may outsource manufacturing, customer care and logistics, while others choose to outsource after sales technical support, market research, product design and development. Cox further states that while many manufacturing companies may not outsource the above value chain activities, it is more common for most firms to outsource support activities such as accounting, auditing, staffing, or administration. The decision regarding what functions to outsource and which ones to keep in-house depends on many factors from company to company such as the need to develop invest in resources, skills, and to stay abreast of to the evolving technology in any areas kept in-house (Welch & Nayak, 1992).

Many organizations in the manufacturing industry are now increasingly pursuing continuous improvement, leaned up production, reengineered business processes, and integrated supply chains. This is seen in the increasing number of firms utilizing strategic tools such as Japanese Gemba Kaizen, Total Quality Management, and Business Process Reengineering (Manning, 2013). As Maku and Iravo (2013) noted, over the past two decades there has been a growing recognition of the vital contribution of outsourcing strategy on the performance of organizations.

Bidco Africa Ltd (or simply Bidco) was established in 1985 as a soap manufacturer though its heritage goes back to the 1970s when the founding chairman Mr. B. D. Shah set up a textile manufacturing plant in Nyeri town. In 1991, it set up its edible oils manufacturing plant in Thika, and subsequently acquired Elianto from Unga Ltd in 1998. The growth curve of the company has been steady since then, with huge factories in Kenya, Tanzania, Rwanda and Uganda. Today Bidco dominates the edible oils market in the East African region with leading brands such as Kimbo, Elianto, Golden Fry and Cowboy.

According to information gathered from the human resource office, the company has an average employee count of about 1,000 excluding casual laborers. With 45 brands and a presence in 17 countries, Bidco is one of the fastest and largest growing manufacturer and marketer of consumer products. According to the company’s website (www.bidcoafrica.com), the company markets and distributes a substantial amount of its product categories in the Central and East African regions such as: Cooking Fats, Edible Oils, Margarine, Baking Products, Hygiene Products, Detergents, Laundry Bars and
Animal Feeds. In 2015, on its 30th anniversary, the company rebranded from Bidco Oil Refineries Ltd to Bidco Africa Ltd in a bid to reaffirm its vision to grab and grow number one market share in Africa.

1.2 Statement of the Problem

Outsourcing has been one of the major strategies that companies utilize in order to remain competitive in the current dynamic environment. Several organizations and institutions have adopted outsourcing of some of the value chain activities to third parties. This is due to the benefits resulting from such as lower cost, better customer satisfaction and more importantly freeing the management to concentrate on the more strategic issues by ceding the non-core functions to specialized firms (Akeshuwola & Elegbebde, 2012).

While many firms have adopted the outsourcing strategy in their operations to improve their competitiveness, others have not, leading many to ask what driving factors influence the decision to use outsourcing and how such outsourcing improves organizational performance. Past studies examining the impact of outsourcing have identified several main benefits of outsourcing. these includes cost reduced internal capital investment (Cheng et al, 2014) and better readiness to respond to turbulence in the business environment and improved service delivery (Lawson, Tyler & Potter, 2014).

Other benefits of outsourcing include an increased focus on core competencies (Un & Asakawa, 2014), better and improving quality of goods and services (Lawson et al, 2014), and reduced risk of technology change (Dahlander & Gann, 2010). Maku and Iravo (2013) studied outsourcing at Delmonte Kenya Limited, a company in the agricultural industry. They found that outsourcing for cost saving positively impacted the company’s performance through reduction of labor and operational costs, hence improved profitability. Thus, it can be inferred that cost-driven outsourcing improves organizational performance of agricultural processing firms.

Whether the same can be said about a firm in the manufacturing industry is a matter of discovery. Musangi (2013) studied Business Process Outsourcing (BPO) in Kenyan state corporations and found that one motivating factor for these corporations’ decision to adopt outsourcing strategy was to reduce operational costs. The study found that those who adopted this strategy to control costs reported better performance. The study
therefore found that cost-driven outsourcing had a fairly positive impact on overall organizational performance. The study was based on state corporations, and it would be of interest to evaluate whether the same can be said about a private family owned corporation.

Un and Asakawa (2014) studied the impact of outsourcing for product and process innovation on the performance of American firms. Their study found that a carefully planned outsourcing for innovation has a positive impact on the overall performance of a firm in the US. Their study was done in a rather mature economy in terms of technological innovation and there is need to evaluate whether this conclusion can be applied to a firm operating in a developing economy.

Kiongera et al (2014) studied the effect of logistic outsourcing on the performance of sugar manufacturing firms in Western Kenya. Their study found out that those sugar manufacturers that handed over their logistics functions to third party logistics (3PL) service providers in order to concentrate on their core competencies experienced improved organizational performance. The researchers therefore concluded that focus-driven outsourcing has a positive effect on organizational performance of sugar manufacturers. Could this be the case in a manufacturer of fast moving consumer goods?

The researcher has not found any literature that could indicate some empirical study having been carried out on the operations of Bidco Africa Limited. Therefore there was a need for an empirical study to evaluate the effects of strategic outsourcing on the overall performance of the company.

1.3 Purpose of the Study

The purpose of this study was to establish the effect of strategic outsourcing on the organizational performance of Bidco Africa Ltd.

1.4 Research Questions

1.4.1 What is the effect of cost-driven outsourcing on organizational performance of Bidco Africa Limited?

1.4.2 What is the effect of innovation-driven outsourcing on organizational performance of Bidco Africa Limited?
1.4.3 What is the effect of focus-driven outsourcing on organizational performance of Bidco Africa Limited?

1.5 Significance of the Study

The study will be beneficial to various stakeholders:

1.5.1 The Management of the Company

It will enable the management of the company to understand how the outsourcing strategy has affected the performance of the company, and further shed more light on how they can optimize on it to gain and retain competitive advantage in today’s turbulent business environment.

1.5.2 The Academicians

The study will contribute to the existing literature in the field of strategic management for the manufacturing industry in Kenya. It should also act as a stimulus for further research to refine and extend the present study especially in Kenya.

1.5.3 The Manufacturing Industry

This study will enable other firms in the local manufacturing industry to consider the potential benefits that can be reaped from including outsourcing in their corporate strategy.

1.6 Scope of the Study

The study focused on the impact of strategic outsourcing on organizational performance with particular focus on Bidco Africa Ltd. Thus, the study sought to establish the interplay between the drive for outsourcing and the impact of such outsourcing on the business performance. The motivation for choosing to study this subject in Bidco was the fact that it is a locally owned manufacturing organization that has been utilizing outsourcing strategy for quite a long time, enough time to be able to arrive at meaningful conclusions and recommendations. This study was carried out in Bidco Africa Limited whose head office is in Thika. The target respondents were the employees of the company. The time frame covered was October to December 2015.
1.7 Definition of Terms

1.7.1 Outsourcing

Roy and Sivakumar (2012) define outsourcing as the transfer of the production of goods and services that could have been done internally to an external provider who is considered to be an expert in that capacity. According to Aksoy and Öztürk, (2012), outsourcing is a management strategy by which an organization delegates major, non-core functions to specialized and efficient service providers.

1.7.2 Strategic Outsourcing

Strategic outsourcing refers to outsourcing that it is aligned with the company's long-term strategy. The benefits that organizations expect from strategic outsourcing include achieving a gain in competitive advantage, freeing up resources for core activities, market repositioning and market share (Holcomb & Hitt, 2007).

1.7.3 Core Competency

This refers to a specific factor and distinctive capabilities that a business sees as being central to the way it, or its employees, works. It fulfills three key criteria: it is not easy for competitors to imitate; it can be re-used widely for many products and markets and it must contribute to the end consumer's experienced benefits (Prahalad & Hamel, 2010). Core competencies are therefore those things that firms do (capabilities) or possess (resources) that make them different from their competitors – they are sources of competitive advantage.

1.8 Chapter Summary

In summary, the chapter introduces the study, “the impact of strategic outsourcing on organizational performance”. This chapter highlights the background of the problem, purpose of the study as well as research questions to guide the study.

The research questions were: What is the effect of cost-driven outsourcing on organizational performance of Bidco Africa Limited?; What is the effect of innovation-driven outsourcing on organizational performance of Bidco Africa Limited?; and What is the effect of focus-driven outsourcing on organizational performance of Bidco Africa Limited?
This chapter also summarizes and states the problem as evident from the review of existing literature. The concept of strategic outsourcing is discussed in subsequent sections, and the research gives a summary of the usefulness of this study to various stakeholders. The researcher finally outlines the scope of the study, and gives quick definitions of key words as used in this study.

The next chapter (chapter two) explores the existing literature on the subject of outsourcing by studying other literature closely related to this study. It discusses in detail the concepts of strategic outsourcing and organizational performance. It further analyzes existing literature on the relationship between cost driven outsourcing, innovation driven outsourcing and focus outsourcing and organizational performance.

Chapter three outlines the research methodology used in the study. It describes the research design and the sampling design used to arrive at the representative sample size from the target population. It further outlines the data collection methods and research procedures and data analysis methods utilized in the study.

Chapter four presents and interprets the results and findings of the study after careful analysis of the collected data. The presentation of the findings is systematically ordered based on the research questions in section 1.4 and makes use of tables and figures.

Finally, chapter five then discusses the findings outlined in chapter four, relating them to the literature done in chapter two. It further draws conclusions from the discussions and offers recommendations there from.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents reviewed literature on the concept of outsourcing as a strategic tool. It focuses on the main drivers which influence managers to outsource some of a company’s functions – and how this translates to performance of the organization as measured by profitability, sales growth; market share and customer satisfaction.

2.1.1 The Concept of Strategic Outsourcing

The concept of outsourcing has been analyzed by different scholars and different theories. The Transaction Cost Theory is generally accepted as a useful framework for analyzing logistics outsourcing (Aubert, Rivard & Patry, 1996). Outsourcing can be defined as the use by one company of another business to do particular tasks because it can do them more cheaply or effectively. Outsourcing was traditionally used mainly for downsizing and cost reduction at large corporations (Abraham & Taylor, 2006). In smaller companies, outsourcing was viewed primarily as a means to optimize capacity under conditions of limited resources. However, today’s scholars advocate that outsourcing should be used as a strategic tool to deliver a forceful impact on corporate growth and financial stability (Holcomb & Hitt, 2007). This is the concept of strategic outsourcing – outsourcing for the longer term and the bigger picture.

According to Quinn (1999), strategic outsourcing is the process of engaging the services of a provider to manage essential tasks that would otherwise be managed by in-house personnel. This, when properly done, allows a business to plan the optimal utilization of its resources and capabilities to achieve the best advantage. It also improves the achievability of an organization’s strategic goals. This kind of outsourcing strategy can be utilized by any organization regardless of its size and has the effect of not only reducing the cost of operation but also providing an opportunity for optimal allocation of resources to the very necessary functions (Welch & Nayak, 1992).

The basic idea behind strategic outsourcing is to create gains by allowing outside providers and specialists to take over the operation and management of a given function. Such gains may come in different forms such as improving the bottom line of a company.
by reducing various operating expenses and increasing the flexibility for innovation without having to invest too much in training and capital infrastructure (Mella & Pellicelli, 2012). Other benefits may come in form of convenience, where the strategy allows the business owners and managers to concentrate on their core business (Insinga & Werle, 2000). As a simple rule, so long as the benefits are considered sufficient by the client, then the process of strategic outsourcing can be considered a success. In the context of this study, strategic outsourcing will be considered in terms of the driving force behind the strategy. This study will focus on cost-driven outsourcing, innovation-driven outsourcing and focus-driven outsourcing.

For organizations seeking to simply lower their cost of doing business, the efficiency The most traditionally acknowledged driving force for outsourcing is cost reduction (Blumberg, 1998). Some organizations may outsource only for cost reduction and efficiency especially those that are involved in offshore outsourcing to destinations of lower cost (Aksoy & Öztürk, offered by the service provider and the level of risk borne by the provider are the most important factors in the equation.

Another major driver of strategic outsourcing is innovativeness. As the business environment changes rapidly and customers increasingly modify their demands, organizations have to find a way to stay afloat in the market by providing innovative products to the market in proper time and ahead of competition (Calantone & Stanko, 2007). Such organizations may therefore utilize strategic outsourcing with a goal of developing new products faster as they seek increased flexibility for innovation (Gesing, Antons, Piening, Rese & Salge, 2014).

The other major driver for outsourcing is the need to focus on core competencies. According to Buchanan (2014), the ability to free up organizational resources and capabilities so as to focus on the organization’s core business is one of the greatest determinants of whether outsourcing can be considered as strategic or not. Firms therefore utilize strategic outsourcing in a bid to reduce the administrative burden of managing support activities so as to focus their efforts on top business priorities (Cheng et al, 2014).
2.1.2 The Concept of Organizational Performance

The concept of organizational performance emanates from the concepts of efficiency and effectiveness. A business organization must produce the right products and services and it must produce them using the fewest possible inputs if it is to have a strong organizational performance (Cheng, 2011). Organizational performance can be measured by analyzing a company's performance as compared to its corporate goals and objectives based on three primary outcomes - financial performance, market performance and shareholder value performance.

Businesses simply endeavor to perform well in a number of areas of organization. Most importantly, they strive to do well financially in terms of achieving superior profitability and realizing good returns on investment. In order to acquire as much market share as possible, it is imperative that companies produce a product that is in demand and offer it at a price that allows them to compete in the market. Finally, they need to perform well in terms of creating value for their shareholders by ensuring a sustainable level of growth and shareholder return (Buchanan, 2014). Research work on organizational performance should include multiple performance measures. Such measures could be traditional accounting measures such as sales growth, market share, and profitability. In addition, factors such as customer satisfaction and non-financial goals of the owners are also very important in evaluating performance, especially among privately held firms (Cheng, 2011).

This approach is consistent with the proposal of Kaplan and Norton (1996) in the Balanced Score Card that the performance of a firm should be measured in four perspectives – financial, customer, learning and growth and internal business processes. The balanced score card directs that managers should use both financial and non-financial measures to evaluate the organization of the firm. In the context of this study, organizational performance will be measured by four components – profitability, sales growth; market share and customer satisfaction.
2.2 Cost-Driven Outsourcing and Organizational Performance

The past few decades have witnessed a boom of outsourcing in which firms transfer their non-core business activities to third-party service providers. Functions that have seen substantial outsourcing include information technology management, support services, manufacturing, logistics, and customer support. The biggest motivation for such outsourcing has been to maintain a competitive edge by reducing costs and focusing on core competencies (Zhao, Xue & Zhang, 2014).

Today, outsourcing has become a strategic lever in the global economy and it is widely expected that this trend will continue in the near future. Kenyon and Meixell (2011) found out that outsourcing works better for international markets where labor and cost of doing business is lower. However, as Insinga and Werle (2000) point out, outsourcing at the operational level can easily lead to the development of dependencies that create unforeseen strategic vulnerabilities.

The fact that outsourcing can be strategic is in no doubt. However, the most important thing is a foremost recognition of the strategic value that outsourcing can generate to any organization if handled correctly. As Insinga and Werle (2000) note, the real risk is in losing the strategic intent of outsourcing in the day-to-day hustle and bustle of the organization’s operations. “At this level,” they point out, “the dominant success metric of outsourcing becomes lower cost, period.” (p. 58). They further argue that in order to avoid losing sight of the strategic intent, firms must institutionalize a robust decision making process to govern the outsourcing relationship in such a way that hard-wires the operations to the strategic.

Mella and Pellicelli (2012) emphasized on the strategic concept of outsourcing and the growing demand for offshore outsourcing and contract manufacturing in lower cost countries such as India and China, fueled by these countries’ comparative advantage. Their work clearly advocates for a strategic approach to outsourcing in foreign countries at a lower cost.

2.2.1 Reducing Costs and Risks Simultaneously

Strategic outsourcing when approached in a proper manner can lead to a vital combination of reducing both costs and risks. This is because the outside suppliers
undertake investments and development risks that the outsourcer avoids. Therefore by sharing these risks among multiple clients, the supplier lowers costs for all its clients due to the pooling effect and economies of scale. Additionally, risk management in itself is now becoming one of the critical new tools and benefits of outsourcing (Lawson, Tyler & Potter, 2014).

In some cases, a company may find that the extent of relationship required to absorb a strategic suppliers’ strong technical capabilities may lead to increased coordination costs or may increase the possibility of unintended technology leakage (Contractor, Woodley & Piepenbrink, 2011). Such companies may therefore avoid these costs by outsourcing technical capabilities from strong strategic partners. For instance, strategic suppliers with strong technical capabilities will often be developing new sticky knowledge that firms will find difficult to access and costly to transfer across inter-organizational boundaries, even when they seek to develop relationship-specific absorptive capabilities (Lawson et al., 2014).

Furthermore, when a strategic partner’s intrinsic organizational capabilities are considered their core competencies, it will become increasingly difficult and costly for the client firms to absorb the strategic supplier’s technical knowledge because of the supplier’s fear of opportunism and loss of bargaining power. Strong suppliers understand their strengths and they protect these diligently. This creates a win-win situation for both the supplier and the outsourcing firm (Un & Asakawa, 2014).

Therefore the choice of the service provider plays a critical role in achieving reduced costs and risks. This is in agreement with the findings of Kiongera et al, 2014 in their case study of Delmonte Kenya Ltd where they found that outsourcing security and transport function to G4S and Metro not only enhanced the positive image to the firm but also provided efficiency and reduced coordination cost.

**2.2.2 Outsourcing for Cost-Effective Intellectual Value**

Today’s business executives now understand that outsourcing for the short term objective of cutting cost does not yield nearly as much as outsourcing for the longer term objectives such as building a knowledge based system or strategic benefits. These advantages of a longer term focus include greater intellectual depth and access, opportunity scanning,
innovation, reliability, quality, value-added solutions, or worldwide outreach (Chen & Guo, 2014). Companies seek outside specialists in litigation, tax, advertising, medical, logistics, etc primarily for such benefits rather than for lower costs (Contractor et al., 2011). They seek the intellectual value that these specialists can offer seeing that they are good at what they do.

For instance, oil distribution firms such as Shell may seek the different views of outside experts’ and more specialized knowledge for the scenario building that is central to the firms’ renowned strategic planning activities. Oil exploration and mining companies hire professional real estate firms to develop and manage their surface land resources. Some pharmaceutical companies invest a substantial amount of their pre-competitive research funds externally to produce a huge percentage of their better leads (Cheng, 2011).

Ford Motors has used ABB to develop new plants at 70 percent of its usual in-house cost. With shorter cycle times and its database of some 20 million installed units, ServiceMaster can maintain certain equipment specialties with such lower cost and higher quality than its clients that it often is willing to co-invest with them to lower their investment costs as well. Companies’ finance groups routinely outsource their international exchange, tax, pension, and custodial activities to accounting or financial houses better able to keep track of the enormous complexities involved (Calantone & Stanko, 2007).

In their landmark study conducted in 2010, Price Waterhouse Coopers found that outsourcing had moved substantially from performing a single function more efficiently to reconfiguring whole processes in new ways to generate greater shareholder value across the enterprise. Thus today’s executives are increasingly acknowledging the critical place of strategic outsourcing in business process reengineering (Zhao et al., 2014).

Consequently, the decision on whether and how to outsource is steadily moving up the organization to the CFO, COO, and CEO levels. As outsourcers’ capabilities improve, the strategic questions that their managers are asking are: Why don’t we outsource? Where should we focus our existing resources to create better value? How can we best leverage our providers’ capabilities? How can we manage our outsourcing relationships for greatest shareholder value? (Price Waterhouse Coopers, 2010).
2.2.3 Outsourcing for Better Efficiency

In their study of the manufacturing sector in Nigeria, Akewushola and Elegbede (2012) found that outsourcing has operational advantages such as increased efficiency as a result of activities being carried out by specialized firms, and reduction in permanent staff, which then became variable costs related to the level of activity. They also noted the demerits of outsourcing being the loss of control of activity done through outsourcing, the transfer of sensitive information, the possibility of exorbitant price increase by the suppliers at a future date, along with fluctuations in quality.

Some firms have employed outsourcing as a short-term solution to avoiding the rigidities caused by labor laws. Although outsourcing labor management to able providers may result in a consistent pool of more professional and motivated workers, these firms limit themselves by viewing outsourcing merely as a simple tactic of freeing themselves of permanent staff and the legislative pressures associated with them (Mulama, 2012).

The volume of literary work in this area has demonstrated that in most cases the strategic suppliers will beat the in-house team on cost. This is because the supplier will mostly offer substantially improved terms and conditions if the buyer is willing to enter into long-term rather than short-term relationships, especially if these are single sourced (Contractor et al, 2011). Nordin (2008) asserts that outsourcing of some value chain activities can generate operational efficiency by reducing capital investment and commitment as well as ensuring maximum utilization of the existing resources in a way that generates maximum value from the least possible inputs. Therefore, if done well, the strategic outsourcing relationship can result in increased operational efficiency.

2.3 Innovation-Driven Outsourcing and Organizational Performance

According to Buchanan (2014), innovation is defined as something that changes a market. Companies are said to be innovative when they develop something better for their customers. This can be done by improving or developing not only the products but also their materials and means of production. More recently, businesses are choosing to innovate intensively around the processes. Proponents of this strategy argue that, competitors will find it harder to copy your product if they must also copy the processes and systems that are used to make that product.
2.3.1 Faster New Product Development

Firms competing in today’s global market face the challenge of developing new products and services not only more quickly (time to market), but also more economically (cost to market) than in the past. These challenges notwithstanding, today’s firms must strive for greater novelty (new to market) and customer appeal (fit to market) simultaneously, which may be an uphill task for many (Allred & Swan, 2014).

In order for today’s firm to survive in this difficult time, scholars and practitioners have been advocating for a more open approach to new product development (Salge, Bohné, Farchi, & Piening, 2012). According to Lichtenthaler (2011), open Innovation requires firms to systematically perform “knowledge exploration, retention, and exploitation both inside and outside an organization’s boundaries throughout the innovation process” (p. 77).

The open innovation paradigm directs companies to reach out beyond their organizational boundaries and join forces with their customers, suppliers, competitors, universities, and other research organizations (Love, Roper & Vahter, 2013). Such strategic partnering with a diverse set of external actors increases the likelihood of gaining access to valuable new knowledge and complementary assets, thereby boosting their innovative performance (Dahlander & Gann, 2010).

Rothaermel, Hitt and Jobe (2006) found that the capability to generate product innovation requires both internal and external R&D investments, leading firms to engage in a variety of strategic alliances. This strategy of synergizing both internal and external technological knowledge allows a company to build a larger and broader portfolio of related products in order to gain and maintain a competitive advantage or to achieve at least competitive parity. Most large pharmaceutical, biotechnology, chemical, health care, and consumer product companies use similar techniques to encourage smaller potential suppliers to offer them early stage concepts they can carry through the expensive final development, clearance, mass production, and wide-scale distribution stages (Kabiraj & Sinha, 2011).

Larger system producers such as Boeing in aerospace, Ford in transportation and AT&T in telecommunications have continuously acknowledged that their central R&D groups can barely match the innovative capabilities of a well - managed outsourcing system,
except in their core competencies. Ford has evolved from 70 percent insourced to 70 percent outsourced, BMW to 80 percent outsourced, Dell and Gateway to essentially 100 percent outsourced, and Boeing to almost complete electronic design and outsourcing of all but a few critical systems (Kabiraj & Sinha, 2011). These big global organizations seek to tap into the flexibility, expertise and innovation of the best worldwide knowledge sources provided by the external partners (Grimpe & Kaiser, 2010). These arguments suggest that under conditions of uncertainty prevalent in high technology industries, firms tend to source some of the knowledge necessary for new product development through strategic alliances such as contract manufacturing and strategic outsourcing.

**2.3.2 The Ability to Assemble Expertise for Innovation**

Another reason for integrated outsourcing is that most large companies find it almost impossible to quickly assemble highly diverse expertise for special inter-unit projects, especially when these resources are several layers down in different divisions or geographies (Rothaermel et al, 2006). This is often because of the structural complexities of such large firms as well as management power games.

In such cases most of the business unit heads are reluctant to give up their key staff to such projects at the expense of other pressing needs to run its day to day business. Also, the reward systems do not include these cross functional projects hence the managers may only grudgingly release the less qualified and less skilled people to these projects, leading to poor results. On the other hand, utilizing outside professional firms may lead to better results in these projects since these firms are generally organized for this specific purpose worldwide (Gesing, Antons, Piening, Rese & Salge, 2014).

Strategic partners in outsourcing may also add enormous value to their physical products by providing rapid response integrated services for clients (Love et al, 2013). For instance, due to its extensive customer and supplier knowledge base, Dell can quickly specify and deliver up-to-date computer systems — using the most currently available subsystems — tailored to a customer’s specific needs, existing equipment, and software (Lichtenthaler, 2011). As Quinn (2000) illustrates, outside providers have the ability to amass necessary expertise swiftly. Their systems enable them to offer their clients valuable resources and information on a real time basis. Many companies now outsource largely to take advantage of the greater innovation skills that external providers are able to offer.
Through strategic outsourcing and computer aided design, modeling and prototyping techniques, companies can reduce their innovation cycle times and costs by a large percentage (Gesing et al, 2014).

Whenever a multinational decides to enter a new market, it often ships in expensive teams of expatriates to set up the basic administrative, control, reporting, and distribution systems. However, professional firms now essentially create and deliver the necessary package that may include providing or training local personnel from centers of excellence with world class systems matched to the client’s needs. Such outsourcing substantially reduces the time delays, costs, and risks of introduction while at the same time increasing the strategic flexibility and internal innovation capabilities of the client (Großler et al, 2013).

Outsourcing for innovation has been largely employed even in traditional industries such as the textile industry. As buyers, clothing designers, fabric manufacturers, and cutters work together electronically to supply exactly the product that the customer wants in eleven days instead of ten months, they simultaneously increase customer value, reduce costs and increase innovation (Roy & Sivakumar, 2012). Almost all industries, be it computers, pagers, automobiles, bathroom fixtures and financial products are now being structured this same way (Love et al, 2013).

2.3.3 Increased Flexibility for Innovation

The ability of providers to assemble diverse expertise quickly will more likely have an effect on another critical strategic factor — the timing and amplitude of innovation (Grimpe & Kaiser, 2010). Strategic outsourcing if properly employed may also decrease investments and risks by equal amounts, and enhance the value of the innovations in a great way (Calantone & Stanko, 2007). The key to successful leveraging and alliance synergy is to have one’s own technical people electronically linked as directly as possible to the worldwide knowledge sources, publications, databases, and research centers where such work is performed. Fortunately, researchers tend to exchange knowledge freely at this level (Quinn, 1999). But equally important, a supplier can instantly provide a critical infrastructure for introduction or diffusion of innovations to new markets.
At the process or product development level, many companies now open up their own process and product models sufficiently to allow selected potential suppliers to innovate freely for their needs. This is how financial services groups, and many publishing, entertainment, internet, and computer companies encourage thousands of external sources to use their own money to create innovative new software, products, or services to sell through the larger company’s networks (Lichtenthaler, 2011). For most specialized small companies, the issue is usually not whether, but how to develop these innovation sources. Managers need to not only change their attitude towards innovation but also create a strategic barrier by developing their personal best-in-world core competencies (Love et al, 2013). Additionally, the twenty first century manager must learn to establish a flexibly compatible and integrated electronic capability that enables him to interact with customers, monitor internal operating systems as well as manage upstream supply chain (Grimpe & Kaiser, 2010).

Additionally, it is imperative for managers in today global marketplace to capture and use state-of-the-art knowledge and technology in a systematic way so as to generate figure-of-merit targets defining critical goals for the service provider. Outsourced innovation requires much focused management style in order to stimulate high level performance through implementing a recognition reward system that encourages the supplier to innovate on the client’s behalf (Salge et al, 2012). According to Un and Asakawa (2014), most service providers argue that there are three major practices of outsourcers that are most stifling to innovation. These are: their insistence on specified practices, their reluctance to change from hourly rates to value pricing or shared innovation incentives and their tendency to manage the “how,” not the “what” of outsourcing.

The good news is that, as more and more firms embrace innovation outsourcing, the experience of the specialist firms grows and new methods of sharing benefits, creating technology refreshment and protecting proprietary interests are also increasingly discovered (Zhao et al, 2014). Therefore the richest source of innovation is usually the integration of a supplier’s technological and systems breadth with the constantly changing customer needs and market insights that the client provides. The biggest mistake possible in such a relationship is failing to encourage and reward continuous improvement (Cox, 2014).
If not well managed, a loss of this relationship can make the client to lose the very thing it was seeking from outsourcing in the first place, that is, greater knowledge depth, and highest quality at lowest cost, optimal flexibility, and elimination of capital investment. On the other hand, if done properly, a whole new realm of innovation opportunities emerge (Un & Asakawa, 2014). Most internet companies develop their products with software hooks that make them easily compatible with other internet products and thus encourage other users, suppliers, or producers to innovate freely for their own purposes. This flexibility has created a host of new uses and variations that the original developer could never have anticipated for their products (Salge et al, 2012).

To match this trend, Manning (2013) states, major consultants and Big Four accounting firms have innovated their industries, creating more business process oriented service centers to deal with the new interfaces, structures, and complexities that such industry level outsourcing presents. Agndal and Nordin (2009) state that nowadays companies in general are increasingly less reluctant to outsource. However, many managers are grappling with questions of specification such as the kind of development work to be delivered. Even when tacit knowledge is involved, it is extremely necessary that the outsourcing entity puts controls in place to ensure that knowledge is not dissipated or shared by its partners (Roy & Sivakumar, 2012).

2.3.4 Challenges Associated with Innovation-Driven Outsourcing

Lichtenthaler (2011) found out that it is increasingly becoming a critical part of strategic management to outsource innovation and new product development. However, there is still a grey area, with a lot of heated debate on whether outsourcing innovation may expose the firm to business risk. Such risk includes spillage of business secrets and formulas, as well as the potential of the supplier becoming a competitor. Cox (2014) outlines some common outsourcing mistakes, one of which is the failure to understand pre- and post-contractual power and leverage, and its relationship to moral hazard and lock-in. Other mistakes are a lack of a robust exit strategy, lack of constant monitoring and idiosyncratic approaches by managers.

The history of outsourcing in the information technology industry is a good example of how companies can make deadly mistakes when outsourcing. In the 1980s, IBM decided to outsource two strategically critical assets in the PC supply chain - the PC operating...
system to Microsoft and microprocessor to Intel. The control of these two supply chain resources allowed Microsoft and Intel to make double-digit returns. On the other hand, IBM was unable to make any significant returns from the design and manufacture of PCs leading to the sale of the business unit to a Chinese company (Cox, 2014). What is perhaps most intriguing about this case is that at the time of the decision, IBM was a world-leader in software development and was developing its own operating system, OS2. At that time, IBM owned about 40 percent of Intel’s stock, which it then sold, allowing Intel to be the single source provider of the microprocessors for its PCs (Lichtenthaler (2011).

As Cox (2014) puts it, two better examples of a failure to understand the need to insource because of the strategic importance of particular supply chain resources could not be found. IBM also committed the same mistake with two other in-house supply chain resources. When some of its German staff originally developed the idea for enterprise resource planning (ERP) systems, IBM’s top management viewed this as non-strategic, thus neglecting it. This eventually led to the creation of SAP ERP by its former staff. Today SAP is the most widely sold ERP in the world. When the company sold off all its internal router business to Cisco Systems, it made Cisco a strong player, retaining only the after-sales service support for Cisco equipment (White & Bruton, 2011).

Inasmuch as outsourcing for innovation is an increasing trend and a welcome one, when a company goes wrong in understanding which assets are critical and of strategic importance it is likely to suffer serious financial consequences. In 1992 and 1993, prior to the Enron and WorldCom fiascos, IBM recorded two of the highest annual corporate losses in the USA (White & Bruton, 2011).

The story above regarding the woes of IBM’s outsourcing trap illustrates just how risky outsourcing for innovation can be if not properly planned for. This is a classic example of a terrible combination of reckless innovation drive and poor understanding of a company’s core business. When the management of a company fails to evaluate the value chain activities and determine which ones are critical to the success of the company, outsourcing can be a deadly choice. Therefore Cox (2014) advocates for a careful approach to outsourcing of innovation
2.4 Focus-Driven Outsourcing and Organizational Performance

In the recent past, outsourcing strategy has been at the center of organizational development and change. In most cases, the process of organizational and structural change is preceded by radical changes which lay the ground work for business process re-engineering. The current trends are moving towards the concept of virtual corporations founded on the relationships, co-operation and strategic business partnerships among several firms. The building of such relationships often begins with the identification and exploitation of the concept of core competences, in a manner that provides for new advantages to be obtained from specialization (Agndal & Nordin, 2009).

Additionally, the process must ensure that the customer receives value addition which is superior to the levels previously offered (Styles & Goddard, 2014). The unforeseen realities and complexities of competing in a global supply chain environment has made many organizations to focus on strategic renewal and creative solutions. These solutions are designed to manage and mitigate the risks associated with operating in today’s dynamic marketplace including outsourcing of services (Buchanan, 2014).

In the past large organizations, both public and private, were able to achieve significant cost and differentiation advantages (Porter, 1980) through complex organizational structures, systems, and processes. However, a lot has changed and today, we see an increasing inclusion of outsourcing in the strategy of many organizations. A company will normally keep internal control over the processes that it deems both necessary and core, then outsources the processes that is deemed necessary but not core (Shekar, 2008).

2.4.1 Focus on Core Competencies

Core competencies are not products or those things we do relatively well; they are those activities, usually intellectually based service activities or systems, which the company performs better than its competitors. They are skills and systems that a company does at best in world levels and through which a company creates uniquely high value for customers (Prahalad & Hamel, 2010). Once a company develops some real best-in-world competency, it will never outsource it. Many firms will go to the extent of building a defensive wall around the essential competencies that customers expect them to have. For instance, Honda does not outsource the manufacture of its engines because it has
developed it to a best-in-world level. Apart from the core competencies, most companies can reap great benefits by outsourcing activities where they are less than best-in-world (Rothaermel et al, 2009).

Firms are continuing opting for an outsourcing strategy. This has become fashionable, because of its possible influence on organizational performance and its advantages, as it enables the firm to focus on its core competencies. Outsourcing is a viable business strategy because turning non-core functions over to external suppliers enables companies to leverage their resources, concentrate on issues critical to survival and spread risks. One of the most important reasons why companies outsource their logistics functions is the need to decrease the number of vehicles warehouses and excess inventories and to reduce and labor costs and shrinkage. By outsourcing to specialist organizations service not generated by core competences, companies can see an improvement in their organizational performance (Prahalad & Hamel, 2010).

Continuing the in-house production of an activity that a company does not excel in may lead to the loss of competitive edge. Many firms who engage in some serious investigation of their value chain realize that about 90 percent of their in-house activities are services that are neither being performed at best-in-world levels nor contributing significantly to competitive edge (Prahalad & Hamel, 2010). Such activities are not very risky to carefully outsource. These should be the first targets for analysis (Nordin, 2008). Increasing the outsourcing of non-strategic services can improve both the quality and the service, while outsourcing the services of low strategic value enables the company to reduce costs and improve its competitive position. Strategic outsourcing is used as part of the process of redefining the organization and results in freeing the management staff to refocus on the core business functions (Holcomb & Hitt, 2007).

Considering outsourcing from a strategic viewpoint entails the consideration of a set of key factors such as the use of strategic alliances (Prahalad & Hamel, 2010), the concentration of resources on the core competencies, the analysis of activities that are part of the value chain, and the relations with suppliers and customers within the value chain itself (Buchanan, 2014). This strategic view means evaluating and producing stable competitive advantages that can be sustainable in the long run. The most important reason for evaluating outsourcing from a strictly strategic point of view is the need for the firm to redefine the boundaries of its business portfolio. This leads to a careful concentration of
resources on only the core competencies, therefore allowing more time for management to deal with strategic activities (Blumberg, 1998) but also, and above all, on the core businesses (Kotabe & Murray, 2008).

Concentrating resources on those market or sectorial businesses the firm knows best and can develop more efficiently in-house allows the outsourcer to search for the factors of efficiency in the production activities of the outsourced businesses (Mella & Pellicelli, 2012). Mella and Pellicelli further noted that in order to make rational decisions regarding outsourcing from a strategic point of view, firms must above all identify the sources of their competitive advantages. This helps them to concentrate resources on those core competencies that create value for the customer in a distinct and inimitable manner while outsourcing those processes and activities for which the firm has neither any particular strategic need nor particular competencies.

Many who perform this activity will find out that the non-core processes will often include many processes which in the past were traditionally considered an integral part of any strategy (Lawson et al, 2014). Firms that use Porter’s generic strategies concept to assess the advantages and risks of outsourcing production have found that outsourcing can allow the firm to combine and obtain advantages from all three areas of generic strategies: cost leadership, product differentiation and focus.

When selecting the functions, processes and activities to outsource, the management undertakes a detailed analysis of the firm’s value chain which involves distinguishing the core from non-core competencies and essential from the non-essential activities, defining the value chain of the core competencies; and separating the core activities from the non-core ones (Cheng et al, 2014). As far back as 1990, Chandler (1990) stated that the “cooperation among firms represents one of the most fruitful and viable development paths for modern-day capitalism (p. 175). Chandler further acknowledges that cooperative relations among firms can modify the governing mechanisms of the firm and the markets by redefining their operational boundaries.

According to Mella and Pellicelli (2012), core-competency-with-outsourcing strategies enable companies to focus and flatten their organizational structures by concentrating their limited resources on a few knowledge based core competencies where they can develop best-in-world capabilities. Such strategies also enable companies to leverage
their internal innovation capabilities by synergizing their human resources with technology while getting rid of the rigidities of fixed overheads, bureaucracies, and physical plant. This is because such strategies enable companies to conscientiously tap the more nimble resources of both their customer chain downstream and their technology and supply chain upstream. Additionally, they can also expand their knowledge and investment capabilities through exploiting the facilities and program investments of outside sources (Mella & Pellicelli 2012).

The essence of creating a focus is to develop a few unique activities that customers perceive to be critical to best-in-world levels. Beginning with a careful analysis of a company’s value chain activities, executives can develop a few groups of critical activities that they must perform in best-in-world levels if they are to compete effectively. Such activities are their core competencies (Cheng et al, 2014). Core competencies define the very essence of how the company delivers its value proposition and they are the reason that its customers and employees prefer its products or operations to those of competitors. The most effective core competency strategies focus on a few activities or skill sets that are critical to customers. Thus companies can create and sustain these best-in-world capabilities which provide a flexible platform for future innovations. The general rule of thumb is that at least one of these competencies must have a direct relationship with understanding the customer and satisfying their needs and desires (Styles & Goddard, 2014).

Rothaermel et al. (2006) noted that within the context of the microcomputer industry, integration in some value chain activities seemed quite easy while being an uphill task in other parts. In some cases, managers may identify some value chain activities which the firm should in-source, but full integration may prove difficult. In such cases, they advise for quasi integration in which case these critical value chain activities can be controlled through strategic outsourcing. Rothaermel et al. (2006) further advise managers to strike the right balance between internalizing value chain activities and strategic external sourcing. Though this exercise may seem difficult, sustaining this balance over time can be even more challenging due to the dynamic nature of today’s competitive landscape.

Styles and Goddard (2014) found that carving out a genuinely unique position in an industry and in the consumer’s mind is critical for success. However, it is common to see similar business models being adapted by all the major players in an industry, especially
in perfectly competitive industry structures. This is a deadly mistake that disfavors both the customers and the stakeholders. In today’s information era, it has become very clear that it is no longer safe to be safe.

As markets keep evolving due to constant shifts in customer priorities and turbulence in business environments, companies need to undergo business model innovation to avoid the maturity stage trap in their life cycles. It is during these comfort zones that many firms have lost their leadership positions to more agile and flexible rivals, never to recover (White & Bruton, 2011).

As Prahalad and Hamel (2010) put it, the most important thing for today’s manager is to continuously restate the assumptions underlying the strategies they pursue and keep challenging them. The best thing about strategic management is that usually there is no single right answer, and what works today may not function tomorrow. Therefore, companies must continuously evaluate their core competencies.

2.4.2 Flexibility and Competitive Advantage

Recent empirical work examining the impact of outsourcing and organizational flexibility on performance finds that organizational flexibility or, as Cheng (2011) puts it, organizational modularity, leads to superior industry-level profitability and efficiency in the manufacturing sector. According to Cheng et al (2014), the outsourcing aspect of the organizational flexibility strategy exists at the operational level of a focal firm’s supply network. The contemporary relationship that firms enjoy with their business environment is conditioned by the technological advancements and the rapidly changing economic environment. Therefore successful businesses must deal with these constant alterations in their environments by making some qualitative variations in their style of management, their culture, their strategy and their organizational structure. Therefore, structure follows strategy (Kotter & Heskett, 1992).

Including outsourcing in the corporate strategy facilitates the transition towards flexible organizational models leading to the virtual corporation. Though quite popular today, this transitional process towards a virtual organization does not break free of some uncertainties affecting its conceptualization and empirical analysis. In their study of the manufacturing sector in Nigeria, Akewushola and Elegbede (2012) found that “From a
strategic standpoint, outsourcing allows the firm to concentrate its efforts on consolidating and expanding its core competences” (p. 296).

In a study conducted by Waugh and Luke (2011) on South African manufacturers, the findings with regard to the expected benefits and listed reasons for their outsourcing showed that 77 per cent of the respondents outsourced logistics to a large or moderate extent due to the need to focus on core competencies. Those that outsourced due to geographical coverage followed closely at 76 percent with those who outsourced due to customer service pressure closely at 73 per cent. Other reasons for outsourcing which carried below average weight were cost cutting pressures, lack of internal capacity and labor relations pressures. From this study we can infer that one of the main drivers for outsourcing strategy today is the need to focus on core competencies.

In a highly globalized and competitive market, organizations must strive to be innovative and agile enough to meet the ever evolving customer demands. Therefore, competitive advantage founded on organizational capabilities and strategies may result in better quality, efficiency and flexibility (Maku & Iravo, 2013). Today’s global corporation is under pressure to continuously pursue mass customization and flexibility while reaping from economies of scale. This simultaneous and constant search for a system’s flexibility, responsiveness and reliability on the one hand, and low costs on the other, has led to the reconfiguration of the design and production activities and has therefore birthed the changes in the overall supply chain management discipline (Smith, 2010).

The strategic concept of outsourcing works by analyzing a company’s ability to compete, its competitive advantages, and its competitive position when compared to its competitors. According to Welch and Nayak (1992), the Twentieth century Corporation had been approaching outsourcing in a nearsighted manner with regard to past decisions. Then outsourcing was viewed as a tactical instrument par excellence, an instrument for cost reduction. Welch and Nayak further encourage managers to take a strategic viewpoint so as to achieve better results. Contractor et al. (2010) observe that, “with growing complexity of products and services, even the largest companies no longer have all the diverse components of knowledge within their own organization, or personnel, to be competitive in research, production, and marketing.” (p. 1418). Therefore, the obviously increasing need for companies to let go of non-core activities so as to free organizational resources and capabilities and concentrate on the core activities of the organization.
2.5 Chapter Summary

The chapter analyzed the study objectives using refereed journals and tried to ascertain whether the past research on the objectives was vital for the current study. The literature review conducted in this chapter ascertains the three main drivers of outsourcing being cost, innovation and focus. It also explores the concept of organizational performance as measured by profitability, sales growth, customer satisfaction and market share.

This primary study would evaluate the operations of Bidco Africa Ltd in a bid to explore the driving forces behind the company’s outsourcing strategy and whether the outsourcing practices of the company have had any effect on its overall performance.

In the next chapter the researcher will introduce the research methodology which was utilized in carrying out the research, state the research design, desired population and sampling design, the data collection method used, and as well as the procedure and the data analysis method used in the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter examines the methodology that was used in the actual study. It introduces the process through which collection, analysis and processing of the data collected and used to accomplish the objectives of this research was carried out. It covers research design, target population and sampling techniques. It also lays down the data collection methods, approaches and instruments. The chapter also puts down the validity and reliability tests together with the data analysis tools used.

3.2 Research Design

Research design is the strategy and structure conceived in a bid to acquire solutions to research problems; it is also defined as a blueprint for collection, measurement and data analysis (Blumberg, Cooper, & Schindler, 2008). The research design that was employed in this study is the descriptive research design which according to Saunders, Lewis and Thornhill (2012) is a design meant to demonstrate a preference for commencement with and utility of theory in research. Descriptive design requires researchers to gather, present and interpret information for purposes of clarification.

Descriptive research involves collecting data in order to test hypotheses or answer questions regarding the participants of the study. Descriptive study is undertaken to ascertain, explain and describe characteristics of variables associated with a subject population. It seeks to answer questions such as who, what, when, where and how of any provided topic in its wake (Blumberg et al, 2008). This design was chosen because it was more effective in investigating the impact of strategic outsourcing on organizational performance. The dependent variable was organizational performance as measured by sales growth, profitability and market share while the independent variable was strategic outsourcing (cost-driven, innovation-driven or focus-driven).
3.3 Population and Sampling Design

3.3.1 Population

Population refers to a well-defined set of individuals (or objects) having some common observable characteristics that are being investigated (Mugenda & Mugenda, 2003). Target population refers to all members of a real set of people, events or objects to which the study generalizes hypothetical results of the research. For this study, the target population was all the employees of Bidco Africa Limited. According to the human resources department, the company had an average of 1,000 employees at the time of the study.

3.3.2 Sampling Design

Sample refers to the subset of a population which represents the characteristics of the population. A researcher should be able to make generalizable inferences regarding the population parameters from the sample statistics (Saunders, Lewis & Thornhill, 2012)

3.3.2.1 Sampling Frame

The sampling frame refers to the list from which potential respondents are drawn, also known as the working population. According to Saunders et al (2012), a sampling frame is a comprehensive list of individuals or objects from which the sample is to be drawn, which should generically possess certain characteristics representative of the entire population. In this study, the sampling frame was the list of all employees obtained from the human resource department of the company.

3.3.2.2 Sampling Technique

Sampling technique is a scientific or rather statistical method of selecting the sampling units that would offer the requisite estimates with their related margins of uncertainty; this would emerge from the probe of only part (sample) and not the whole population (Saunders et al, 2012). This study utilized the simple random sampling technique where every element in the sampling frame had an equal chance of being picked.
3.3.2.3 Sample Size

Sample size refers to the actual number of respondents that would be representative of the population under study (Blumberg et al, 2008). The size must be large and should bear some proportional relationship to the size of population from which it is drawn. The criteria used to determine the sample size are the level of precision, the level of confidence, the degree of variability in the attributes under study.

Using the Yamane’s formula (Israel, 2002) formula below, the sample size was arrived at as 90.

\[ n = \frac{N}{1 + Ne^2} \]

Therefore N = 1000, e= 10%

Thus

\[ 90 = \frac{1000}{1 + 1000(0.1)^2} \]

Therefore a total number of 90 employees were given questionnaires.

3.4 Data Collection Methods

Greener (2008) defines primary data sources as those which come into existence in the period under research, for example questionnaires completed for the study. According to Greener (2008), secondary data sources are interpretations of events of that period based on primary sources. This is an empirical study which used purely primary data from the organization under study. Questionnaires were used and were administered either by mail, physically, email or phone. According to Collis and Hussey (2013), a questionnaire is an instrument of collecting data in which a selected group of participants are asked to complete a written set of questions to find out what they do, think or feel.

The questionnaire was deemed the most appropriate research instrument since it enabled the collection of unbiased information from a large and diverse sample. It is also preferred since it allowed the researcher to collect both qualitative and quantitative data at the same time. The respondents were the elements of the sample, being 90 employees drawn from all levels of the company under study. Other advantages of questionnaires are ease of administration, speedy delivery with the use of emails and cost efficiency as input by respondents is automated.
Limitations of questionnaires include: high printing cost (when delivered manually), internet usage limitations, time consuming to analyse the data, and the respondent’s inability to clarify the questions on a real time basis. In order to ensure that all the relevant information for the different elements from the respondents of this research project was gathered, the questionnaire (Appendix I) was structured into five sections as below in relation to the research questions:

Section one aimed at collecting demographics data, section two sought to find out what drove the outsourcing decision while Section three sought to ascertain the performance of the organization. Section four sought for information regarding the effects of strategic outsourcing (cost driven, innovation driven and focus driven) on organizational performance, while the final section sought for further information regarding the extent of outsourcing in the company.

3.5 Research Procedures

The research procedures kicked off by obtaining permission from the project supervisor as well as the company under study. Then the questionnaire was developed. A pilot study was conducted to pre-test the questions and variables on the questionnaire and give the assurance that they were easy to answer, clear and free from any ambiguities. The pilot was administered to a tenth of the sample size and thereafter revised accordingly. After revision, the questionnaire was administered through email, phone and by physical mail. A cover letter was also issued to each respondent explaining the purpose of the study, sampling method, anonymity assurance and commitment to share the final report.

3.6 Data Analysis Methods

The study utilized a quantitative method of data analysis. To enable easy analysis, the questionnaires were first coded as per each variable in each question of the study. Coding involves assigning a numerical value to a non-numerical variable to minimize the margin of error and assure accuracy during the data entry (Collis & Hussey, 2013). After data coding and entry into the analysis software, descriptive statistics were used to analyze the data. According to Denscombe (2012), descriptive statistics is simply a process of transforming a mass of raw data into tables, charts, with frequency distribution and percentages which are a very vital part of making sense of the data. Computer software was the preferred tool for data analysis. Both Pearson correlation and Multiple
Regression analyses were used to test for relationship between the independent variables and the dependent variable.

**Regression Model**

\[ \text{Yop} = \alpha + \beta_1 \text{(C)} + \beta_2 \text{(I)} + \beta_3 \text{(F)} + E \]

Where the variables are defined as:
- Yop - Organizational Performance
- C - Cost driven outsourcing
- I - Innovation driven outsourcing
- F - Focus driven outsourcing
- E - Error term

**3.7 Chapter Summary**

In summary, this chapter summarizes the research design that was used for this study as descriptive design. The population comprises of all the employees of the company under study, Bidco Africa Ltd. The simple random sampling technique was used to generate a sample of 90 respondents. Primary data was collected by use of questionnaires. A pilot study was conducted on the questionnaire to pre-test it for relevance, effectiveness and clarity before the actual data collection. The data was then cleaned and coded before being entered into computer software where analysis was done with the use of descriptive and inferential statistics. The analyzed output was presented in the form of tables and figures.

The next chapter (chapter four) analyzes, presents and interprets the findings of the study in a systematic way as guided by the research questions. The chapter utilizes only data collected in the study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter will present and interpret the findings of this study, with a specific focus on the research questions outlined in 1.4, while using the data collected from the respondents. The collected data will be analyzed and presented in a more interpretable form. This chapter is divided into the following sections: Demographics; the main drivers for strategic outsourcing; the overall performance of the organization and effects of outsourcing on organizational performance. A total of 82 responses were received which represents 91% of the sample size. The research findings have been presented in four headings in line with the research questionnaire. The responses have been aligned to questions per Appendix II with the corresponding question numbers included in the response title.

4.2 Demographic information

The researcher considers the background information of the respondents to be very useful in understanding the logic of the responses issued by the respondents in the questionnaire.

4.2.1 Age of the Respondent

Figure 4.1 below presents the study findings regarding the age brackets of the respondents.

The study revealed that a larger percentage of the respondents were aged between 30 and 40 years (44.3%) and below 30 years (36.7%). A proportion of 16.7% were aged between 40 and 50 years, while the least at (2.5%) were aged above 50 years.
Figure 4.1 Age of Respondent

4.2.2 Job Level of Respondent

Figure 4.2 presents the study finding regarding the position job levels held by different respondents in the company.

The respondents who took part in this study were at different job groups in the organization. Most of the respondents (37.3%) were in middle management, closely followed by those in the general staff level at 26.5%, and those in supervisory level at 21.7%. Senior management level represented 14.5%.

Figure 4.2 Job Level of Respondent
4.2.3 Educational level

Figure 4.3 below presents the study finding regarding the respondents’ educational levels.

According to the findings, most of the respondents had the first degree (45.2%) followed by those who had diplomas (28.6%). Those with post-graduate qualifications amounted to 20.2% and the least category of the respondents had certificate (6%).

![Figure 4.3 Level of Education](image)

### 4.2.3 Years spent in the current organization

Figure 4.4 presents the study finding regarding the number of years worked by different respondents in the company.

From the findings, most of the respondents (38.1%) had stayed in their organization for a period between 5-10 years, followed closely by 32.1% who had stayed in their organization for 0-5 years and 27.4% who had worked in the organization for 10-20 years. The study shows that those who had long experience with their current organizations (20-30 years) were the least at 2.4%.
Figure 4.4 Years spent in the current organization

The level of experience indicated above is significant because Chandler, (2004) argues that the credibility of the information gathered in any study is informed by the many years of the respondent’s service to the company. The experience proves the validity and reliability of the information obtained. Their skills, knowledge and expertise had been tested for a long period hence their perception on the matter under study had been influenced by their experience.

4.3 The Main Drivers for Outsourcing Strategy

The study sought to first ascertain the main forces driving the company to incorporate outsourcing in its corporate strategy. The respondents were asked to, on a scale of 1 to 5, rank the reasons why their company outsources. The responses were analyzed using descriptive statistics and classified into three categories being: Cost, Innovation and Focus. Table 4.1 below summarizes the findings with regards to cost, innovation and focus as driving forces for outsourcing strategy.

From Table 4.1 on average, the respondents strongly agreed that cost reduction was a major driver for outsourcing in the company (mean = 4.663). The respondents also stated that the company uses outsourcing as a strategic tool to reduce business risk and costs simultaneously while increasing operational efficiency. Therefore, the respondents placed cost at the top of the drivers for outsourcing strategy.
The findings further show that on average, the respondents believe innovation was the second driving force for outsourcing strategy in the company (mean = 4.494). The respondent stated that the company outsources so as to shorten the time used to develop new products (NPD cycle) while taking advantage of the specialist’s resources, capacity and expertise.

Finally, the respondents stated that one of the main reasons that the company outsources is focus. That the company chooses to outsource the non-core activities to free up resources so that it may concentrate on its core competencies, therefore improving the company’s competitive edge.

Table 4.1 Driving Forces for Outsourcing Strategy

<table>
<thead>
<tr>
<th>Descriptive Statistic</th>
<th>COST</th>
<th>INNOVATION</th>
<th>FOCUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>4.663</td>
<td>4.494</td>
<td>4.167</td>
</tr>
<tr>
<td>Standard Error</td>
<td>0.2620</td>
<td>0.0861</td>
<td>0.0964</td>
</tr>
<tr>
<td>Median</td>
<td>4.7</td>
<td>5.0</td>
<td>4.7</td>
</tr>
<tr>
<td>Mode</td>
<td>4.7</td>
<td>5.0</td>
<td>4.7</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>0.7093</td>
<td>0.8144</td>
<td>0.8763</td>
</tr>
<tr>
<td>Sample Variance</td>
<td>10.9336</td>
<td>0.6346</td>
<td>0.8155</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>29.7630</td>
<td>5.5074</td>
<td>4.0283</td>
</tr>
<tr>
<td>Skewness</td>
<td>1.6539</td>
<td>-1.7597</td>
<td>-1.4606</td>
</tr>
<tr>
<td>Range</td>
<td>3.7</td>
<td>4.0</td>
<td></td>
</tr>
<tr>
<td>Minimum</td>
<td>1.3</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>Maximum</td>
<td>5.0</td>
<td>5.0</td>
<td></td>
</tr>
<tr>
<td>Sum</td>
<td>385</td>
<td>371</td>
<td>345</td>
</tr>
<tr>
<td>Count</td>
<td>82</td>
<td>82</td>
<td>82</td>
</tr>
<tr>
<td>Confidence Level(95.0%)</td>
<td>0.5214</td>
<td>0.1730</td>
<td>0.1919</td>
</tr>
</tbody>
</table>

4.4 The Overall Performance of the Organization

The study sought to obtain relevant data with regard to the perception that the employees had of the recent performance of the organization. Table 4.2 below shows the findings.

From Table 4.2 below, on average, the respondents believe that their company has been experiencing a high sales growth over the last five years. On their perception on customer satisfaction, a majority also believed that the customer satisfaction index of the company has been increasingly good, better than that of its competitors. On further prodding, the manager said they have been measuring the number of customer complaints from distributors to end-users and that these have been continuously reducing. The respondents were asked if they had a markedly high market share. On average, the respondents
agreed. The respondents also agreed that the company’s profitability was higher than that of their competitors. The respondents stated that they believed that the company had a fairly satisfactory and steady performance over the last five years. Therefore high business performance was indicated.

The respondents were also asked to state the services that the company has outsourced and for how long. The activities listed for this question were powder detergent manufacture, housekeeping, transport and logistics, merchandising, staff canteen and security services. The respondents stated that the company had been outsourcing for a period of over 10 years. The most recent addition to the outsourcing strategy was mentioned as IT services in collaboration with IBM which was entered into in the year 2014.

Table 4.2 Overall Performance of the Organization

<table>
<thead>
<tr>
<th>Descriptive Statistic</th>
<th>Sales Growth</th>
<th>Customer Satisfaction</th>
<th>Market Share</th>
<th>Profitability</th>
<th>ORGANIZATIONAL PERFORMANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>4.193</td>
<td>4.096</td>
<td>4.195</td>
<td>4.120</td>
<td>4.139</td>
</tr>
<tr>
<td>Standard Error</td>
<td>0.0736</td>
<td>0.0797</td>
<td>0.0785</td>
<td>0.0914</td>
<td>0.0828</td>
</tr>
<tr>
<td>Median</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Mode</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>0.6710</td>
<td>0.7261</td>
<td>0.7104</td>
<td>0.8322</td>
<td>0.7534</td>
</tr>
<tr>
<td>Sample Variance</td>
<td>0.4502</td>
<td>0.5272</td>
<td>0.5047</td>
<td>0.6926</td>
<td>0.5713</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>2.4623</td>
<td>0.2850</td>
<td>0.7784</td>
<td>1.1712</td>
<td>1.5342</td>
</tr>
<tr>
<td>Skewness</td>
<td>-0.9905</td>
<td>-0.5411</td>
<td>-0.7249</td>
<td>-0.8817</td>
<td>-0.8701</td>
</tr>
<tr>
<td>Range</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>3.5</td>
</tr>
<tr>
<td>Minimum</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1.5</td>
</tr>
<tr>
<td>Maximum</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Sum</td>
<td>348</td>
<td>340</td>
<td>344</td>
<td>342</td>
<td>343</td>
</tr>
<tr>
<td>Count</td>
<td>82</td>
<td>82</td>
<td>82</td>
<td>82</td>
<td>82</td>
</tr>
<tr>
<td>Confidence Level (95%)</td>
<td>0.1465</td>
<td>0.1585</td>
<td>0.1561</td>
<td>0.1817</td>
<td>0.1647</td>
</tr>
</tbody>
</table>

4.5 The Effects of Outsourcing on Organizational Performance

The study sought to obtain relevant data with regard to the perception that the employees have on how including outsourcing in the corporate strategy affects the performance of the organization. The findings are laid down below per research objective.
4.5.1 The Effect of Cost-Driven Outsourcing on Organizational Performance

The first objective of the study was to establish the effect of cost-driven outsourcing on the performance of the organization. A summary of the descriptive statistics from this section is tabulated on table 4.3 below.

The respondents were asked to state whether they thought that cost-driven outsourcing resulted in better organizational performance, as measured by reduced costs and risk and increased efficiency, both in the short and long term. Table 4.3 below shows that on average, the respondents strongly believed that outsourcing had resulted in reduced overheads and other operational costs in the organization. The respondents also stated that on average, the cost of outsourcing was lower than the cost of investing in more resources to perform the task internally. The respondents added that on outsourcing not only reduced cost, but also led to a simultaneous reduction of business risk.

The respondents were further asked to state whether they believed that outsourcing increased operational efficiency in the organization, to which the average score was 4.3012, indicating a strong positive result. The average score for short term performance was more or less the same as the one for long term performance, indicating that the impact of outsourcing in the short term was almost the same as in the long run.

Table 4.3 Cost Driven Outsourcing

<table>
<thead>
<tr>
<th>Cost – driven Outsourcing</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outsourcing has reduced costs (overheads and fixed costs) in the organization</td>
<td>4.3494</td>
<td>.72303</td>
<td>82</td>
</tr>
<tr>
<td>The cost of outsourcing has been lower than the cost of acquiring more resources to do work internally</td>
<td>4.2892</td>
<td>.77350</td>
<td>82</td>
</tr>
<tr>
<td>Outsourcing has reduced the risk of doing business</td>
<td>4.4217</td>
<td>.81331</td>
<td>82</td>
</tr>
<tr>
<td>Since we started outsourcing, we have seen a great improvement in efficiency</td>
<td>4.3012</td>
<td>.72809</td>
<td>82</td>
</tr>
<tr>
<td>Outsourcing has created better short term performance</td>
<td>4.2410</td>
<td>.67337</td>
<td>82</td>
</tr>
<tr>
<td>Outsourcing has created better intellectual value in the long run</td>
<td>4.1325</td>
<td>.90757</td>
<td>82</td>
</tr>
<tr>
<td>Outsourcing has created better long term performance</td>
<td>4.2771</td>
<td>.84555</td>
<td>82</td>
</tr>
</tbody>
</table>
4.5.2 The Effect of Innovation-Driven Outsourcing on Organizational Performance

The second objective of the study was to establish the effect of innovation-driven outsourcing on the performance of the organization. The respondents were asked to state whether they believed that outsourcing enhanced the innovativeness of the organization. A summary of the descriptive statistics from this section is tabulated on table 4.4 below.

On average, the respondents stated that the company develops new products frequently. However, they also stated that although the organization acknowledges the need to continuously develop new products, it’s constantly faced with financial and capacity inadequacies that may hamper its progress at innovation. To mitigate this, the respondents stated that the organization outsources some innovation to other providers that can do them better and faster, and this has shortened the new product development cycle for the company.

The findings on table 4.4 below indicate that on average; the respondents agreed that outsourcing had enabled the organization to develop new products quickly enough for the market, by creating and delivering value faster than its competitors. Further, the respondents agreed that outsourcing had enabled the organization to quickly assemble the expertise required for innovation by taking advantage of the specialist’s experience and expertise. The findings further show that on average, the respondents agreed that outsourcing had created certain flexibility for innovativeness, which would otherwise be a challenge due to internal incapability.

Table 4.4 Innovation Driven Outsourcing

<table>
<thead>
<tr>
<th>Innovation – driven Outsourcing</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company is keen on new product development</td>
<td>4.6429</td>
<td>.61395</td>
<td>82</td>
</tr>
<tr>
<td>Sometimes Innovation can be difficult due to lack of funds or in-house capacity</td>
<td>4.2619</td>
<td>.83765</td>
<td>82</td>
</tr>
<tr>
<td>We need to deliver newer products and services to maintain our competitiveness</td>
<td>4.4881</td>
<td>.64926</td>
<td>82</td>
</tr>
<tr>
<td>We outsource some innovation to other companies that can do it better and faster</td>
<td>4.2892</td>
<td>.89074</td>
<td>82</td>
</tr>
<tr>
<td>Outsourcing has helped us to create and deliver value faster than our competitors</td>
<td>4.3095</td>
<td>.74407</td>
<td>82</td>
</tr>
<tr>
<td>Outsourcing is one way the company has innovated and remained competitive</td>
<td>4.4337</td>
<td>.78387</td>
<td>82</td>
</tr>
<tr>
<td>Outsourcing has increased our company’s flexibility for innovation</td>
<td>4.5476</td>
<td>.68380</td>
<td>82</td>
</tr>
<tr>
<td>Innovativeness is a major contributor to improved performance</td>
<td>4.4940</td>
<td>.65096</td>
<td>82</td>
</tr>
</tbody>
</table>
4.5.3 The Effect of Focus-Driven Outsourcing on Organizational Performance

The second objective of the study was to establish the effect of focus-driven outsourcing on the performance of the organization. The respondents were asked to state whether by outsourcing non-core value chain activities, the organization has been able to build and expand on its best-in-world competencies.

The findings on table 4.5 below show that on average, the respondents believed that outsourcing helped the organization to free up resources in order to concentrate on its core competencies. With the knowledge that a company needs to concentrate on its core competencies if it were to be competitive, the respondents stated that the organization had outsourced its non-core functions strategically in order to free up important resources to concentrate on building its core competencies. The findings on table 4.5 further show that on average, the respondents believed that outsourcing had made the company’s strategy and structure flexible, which gave the organization a competitive advantage. This in turn, they stated, led to the improved performance in the organization.

Table 4.5 Focus Driven Outsourcing

<table>
<thead>
<tr>
<th>Focus – driven Outsourcing</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>The best way to concentrate on core functions is to outsource the non-core functions</td>
<td>4.5000</td>
<td>.71157</td>
<td>82</td>
</tr>
<tr>
<td>The company needs to concentrate on its core functions to remain competitive</td>
<td>4.3095</td>
<td>.63958</td>
<td>82</td>
</tr>
<tr>
<td>My company uses outsourcing as a strategic tool to free up the company’s resources</td>
<td>4.2619</td>
<td>.85192</td>
<td>82</td>
</tr>
<tr>
<td>so as to focus on its core competencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outsourcing has enabled our company to concentrate its efforts on building and expanding</td>
<td>4.3951</td>
<td>.78548</td>
<td>82</td>
</tr>
<tr>
<td>its best-in-world competencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outsourcing has created flexibility in our organizational structure and strategy that</td>
<td>4.4405</td>
<td>.71728</td>
<td>82</td>
</tr>
<tr>
<td>has given us a competitive edge in the market</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our focus on our core competencies has been a major contributor to improved performance</td>
<td>4.3452</td>
<td>.63043</td>
<td>82</td>
</tr>
<tr>
<td>Our focus on core competencies has created competitive advantage</td>
<td>4.4405</td>
<td>.58806</td>
<td>82</td>
</tr>
</tbody>
</table>

4.6 Correlation and Regression Analysis Summary

The data obtained from summarizing the responses obtained from the research questions was further analyzed by use of both Pearson’s correlation and multiple regression models. The findings are summarized below.
4.6.1 Correlation of Main Variables

The results of the correlation of the main variables – cost driven outsourcing, innovation driven outsourcing, focus driven outsourcing and organizational performance are tabulated below.

Table 4.6 Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Innovation</th>
<th>Focus</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pearson Correlation</strong></td>
<td>1</td>
<td>.626</td>
<td>.577</td>
<td>.501</td>
</tr>
<tr>
<td><strong>Sig. (2-tailed)</strong></td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>82</td>
<td>82</td>
<td>82</td>
<td>82</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.05 level (2-tailed).

Pearson correlation analysis was conducted to examine the relationship between the variables. The measures were constructed using summated scales from both the independent and dependent variables. The correlation coefficients denoting the inter-relationships between the variables are above 0.4 and below 0.8. This shows that the strength of the correlations is medium to strong. Since the highest correlation coefficient is 0.626 which is less than 0.8, there is no multi-collinearity problem in this research (Table 4.6).

The correlations between the three independent variables were all positive, with cost and innovation having the strongest relationship (r = 0.626) closely followed by focus and innovation (r = 0.625). This shows that innovation has a strong dependence on cost reduction and focus, such that the absence of these two would lead to a significant decrease in innovation. The correlation between cost and focus was also strong (r = 0.577), therefore denoting that in as much as focus on core competence would lead to a higher performance, it would have a significant impact on its own, without efforts to reduce and control cost.
All the independent variables (cost, innovation and focus) had a positive correlation with the dependent variable (performance). Focus driven outsourcing had the strongest correlation to organizational performance ($r=0.503$, $p<0.05$) followed closely by cost driven outsourcing ($r=0.501$, $p<0.05$). Innovation driven outsourcing had the lowest correlation to organizational performance with a correlation of ($r=0.441$, $p<0.05$). This indicates that all the variables were statistically significant at the 95% confidence interval level 2-tailed. This shows that all the predictor variables under consideration had a positive relationship with the dependent variable.

4.6.2 Regression of Main Variables against Organizational Performance

Since the measures that are used to assess the primary constructs in the model are quantitative scales, regression analysis was used. Regression analyses are a set of techniques that can enable us to assess the ability of an independent variable(s) to predict the dependent variable(s). As part of the analysis, Regression Analysis was done. The results are as seen on Table 4.7, 4.8 and 4.9 below.

**Table 4.7 Regression Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.689a</td>
<td>.475</td>
<td>0.465</td>
<td>0.47587</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant). Cost driven outsourcing, Innovation driven outsourcing, Focus driven Outsourcing
b. Dependent Variable: Organizational Performance

From table 4.7 above, R value was .689 showing a positive direction of R is the correlation between the observed and predicted values of the dependent variable. The values of R range from -1 to 1 (Saunders et al, 2012). The sign of R indicates the direction of the relationship (positive or negative). The absolute value of R indicates the strength, with larger absolute values indicating stronger relationships. Thus the R value at .689 shows a stronger relationship between observed and predicted values in a positive direction.
The coefficient of determination $R^2$ value was 0.475. This shows that 47.5 per cent of the variance in dependent variable (organizational performance) was explained and predicted by independent variables (cost driven outsourcing, innovation driven outsourcing and focus driven outsourcing)

**Table 4.8 ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>df</th>
<th>Sum of Squares</th>
<th>Mean Square</th>
<th>$F$</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>1</td>
<td>14.009</td>
<td>14.009</td>
<td>23.271</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>81</td>
<td>48.158</td>
<td>0.602</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
<td>62.167</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organizational Performance  
b. Predictors: (Constant), Cost driven outsourcing, Innovation driven outsourcing, Focus driven Outsourcing

The ANOVA illustrates whether the model can predict organizational performance using the independent variables. The F statistic ($F=23.271$) was significant at a 95% confidence level (Sig. $F < 0.05$). This means that the model has predictive power. There exists a statistically significant relationship between cost driven outsourcing, innovation driven outsourcing and focus driven outsourcing and organizational performance.

**Table 4.9 Regression Coefficients Table**

<table>
<thead>
<tr>
<th>Coefficientsa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Organizational Performance

The $t$-value of constant produced ($t = 2.253$) was significant at 95 per cent level (Sig. $F<0.05$), thus confirming the fitness of the model. Therefore, there is statistically significant relationship between Cost driven outsourcing, Innovation driven outsourcing, Focus driven outsourcing and organizational performance.
Cost driven outsourcing was significant in organizational performance with a p value of 0.000 (p< 0.05). This implies that Cost driven outsourcing affects organizational performance. Innovation driven outsourcing was significant in organizational performance with a p value of 0.000 (p< 0.05). This implies that innovation driven outsourcing affects organizational performance. Focus driven outsourcing was significant in organizational performance with a p value of 0.000 (p< 0.05). This implies that focus driven outsourcing affects organizational performance.

**Table 4.10 Hypotheses Testing**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Test</th>
<th>Results</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>H01: There is no significant effect of cost-driven outsourcing on organizational performance of Bidco Africa Limited</td>
<td>Regression .000</td>
<td>Significant</td>
<td>Rejected</td>
</tr>
<tr>
<td>H02: There is no significant effect of innovation-driven outsourcing on organizational performance of Bidco Africa Limited</td>
<td>Regression .000</td>
<td>Significant</td>
<td>Rejected</td>
</tr>
<tr>
<td>H03: There is no significant effect of focus-driven outsourcing on organizational performance of Bidco Africa Limited</td>
<td>Regression .000</td>
<td>Significant</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

**4.7 Chapter Summary**

This chapter provides a presentation of the research findings. The chapter has employed the use of bar graphs and tables to present the results of the findings that were derived from the study. The chapter has also shown that the response rate for the study was 91%, which is sufficient to facilitate the acquisition of data that can be generalized among the population.

In this chapter, the researcher has provided the findings with regards to the information issued by the respondents. The first section provides the results in terms of the respondent’s background, which is followed by the main drivers of outsourcing strategy and the determination of the performance of the organization. Finally, the researcher summarizes the findings regarding the effect of cost driven outsourcing, innovation driven outsourcing and focus driven outsourcing on organizational performance as per the research questions outlined in section 1.4.
The study findings revealed that indeed the major driving forces for outsourcing strategy are cost, innovation and focus in that order of importance. There is a clear indication that the company has a reasonably high overall performance as measured by profitability, customer satisfaction, market share and sales growth over the recent past. In the same manner, it was established that cost-driven outsourcing, innovation driven outsourcing and focus driven outsourcing all have a positive effect on organizational performance. The findings further show that these three factors are interrelated such that none can have a significant impact without the presence of the other.

The next chapter, Chapter Five presents a recap of the study; it provides the summary and discusses the findings. The chapter also provides the conclusions and recommendations.
CHAPTER FIVE
5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This is the final chapter of the study. The chapter provides the summary and discussion of the major findings of the study as shown in chapter four and relates them to the concepts and literature discussed in chapter two. It then highlights the conclusions based on specific research questions and the recommendations made thereof. It finally offers the suggestions for further research.

5.2 Summary

The purpose of this study was to establish the effect of strategic outsourcing on organizational performance: A case of the Bidco Africa Ltd. The study was guided by three research questions, namely; What is the effect of cost-driven outsourcing on organizational performance of Bidco Africa Limited?; What is the effect of innovation-driven outsourcing on organizational performance of Bidco Africa Limited?; and What is the effect of focus-driven outsourcing on organizational performance of Bidco Africa Limited?.

The study adopted a descriptive research design. From the population of 1,000 employees, a sample of 90 respondents was given questionnaires for data collection. The response rate for the study was 91%. Data was analyzed using descriptive statistics, Pearson correlation and regression analyses. The data was organized according to the research objectives and presented using tables and figures.

The study found that cost was the first most important driver for outsourcing in the company. The study also ascertained that cost driven outsourcing had reduced both costs and risks while increasing operational efficiency which led to improved profitability. This translated to improved organizational performance both in the short term and the long term.

The study findings revealed that the second most important driving force for outsourcing strategy was innovation. It was further revealed that innovation driven outsourcing enabled the company to create and deliver value to the market faster and better than its
competitors, hence increasing its competitive advantage through innovation. This was possible because outsourcing shortened the new product development cycles and offered greater flexibility for innovation. More importantly, the study found that the success of innovation driven outsourcing depended strongly on the other two factors - cost driven outsourcing and focus driven outsourcing.

Finally, the study found that the need to focus on core competencies was a major reason why the company chose to outsource some of its activities. The study further found that outsourcing had enabled the company to concentrate its key resources and capacity on building and expanding its core competencies, which improved its competitive advantage, hence leading to better organizational performance. Therefore, according to the study, strategic outsourcing leads to improved organizational performance in terms of increased profitability, market share, customer satisfaction and sales growth.

5.3 Discussions

The research results have been considered and discussed against the questions of the research described above.

5.3.1 The Effect of Cost-Driven Outsourcing on Organizational Performance

The study found that cost was the first most important driver for outsourcing in the company. Although more strategic reasons are now being fronted, the traditional cost-reduction driver is still a basic one in many a manager’s minds. This confirms the prior studies by Insinga and Werle (2000) that had placed cost reduction first on the rank of outsourcing drivers. The study also ascertained that the company had been outsourcing some significant activities for more than ten years, and had subsequently recorded a steady improvement in performance. Shekar (2008) points out that it is essential to recognize the multidimensional nature of the performance construct. According to Rothaermel et al. (2006), such measures could include traditional accounting measures such as sales growth, market share, and profitability. In this study, the researcher sought to establish the perception of the organization’s performance as measured mainly by these three variables. The researcher also incorporated non-financial measures such as customer satisfaction.
The findings of the study further revealed that the cost of outsourcing was lower than the cost of in-house production. That outsourcing resulted in reduced costs and hence improved profitability was no doubt clear. According to Lawson et al. (2014), lowering its cost of operation is an important metric in a company’s profitability equation and hence the basic objective for any strategic is to increase the sales while reducing the cost simultaneously. Some of the costs that are eliminated by outsourcing include administrative costs, fixed machinery costs, employee costs, insurance costs and financing costs. The findings of this study confirm this.

The study further revealed that outsourcing not only reduced the cost but it also reduced the risk of doing business. It was further revealed that outsourcing had generated greater intellectual value for the shareholders in the long run. This finding agrees with the findings of Lawson, et al (2014) that reduced risk is an important benefit of outsourcing. From the findings, it was revealed that outsourcing further improved the operational efficiency of the company. It was worth noting that the efficiency of the firm was a major competitive advantage which was attributed to strategic outsourcing. This finding is in line with the findings of Nordin (2008) that a well-managed strategic outsourcing relationship can lead to efficient and lean organizations. Though operational efficiency maybe a function of many factors, outsourcing was found to have contributed to the increased efficiency.

The findings from the study show that strategic cost-driven outsourcing has a significant positive effect on the firm’s performance, whether it is the short run as in reduced operational costs and increased profitability; or in the long run in terms of improved market share and customer satisfaction. According to Cox, 2014, short-term cost-based performance is almost always certain in outsourcing, but better long-term relationships may result in substantially improved terms and conditions, hence better long-term performance. The findings above present a consistent affirmation that strategic cost-driven outsourcing leads to improved organizational performance.

5.3.2 The Effect of Innovation-Driven Outsourcing on Organizational Performance

The findings of this study placed innovation as the second most important driver for outsourcing in the company. These findings are in line with Gesing et al (2014) that in order to survive and compete in the constantly changing business environment of the
twenty first century, companies must partner with other firms that have the capacity to innovate quickly and continuously. This enables them to develop products in good time for the market, thus shortening the traditionally long new product development cycles.

In the findings of this study, it was revealed that the company is keen on new product development, but sometimes it may be difficult due to lack of funds and insufficient capacity. The study further found that the company had outsourced some innovation to other companies that could do it better and faster. The findings confirmed the work of White and Bruton (2011) that a company may have the desire to innovate but its own intrinsic limitations may make this almost impossible to implement, hence the need for outsourcing.

The study also found out that the specialists are believed to possess the required capacity, flexibility and experience to perform innovation sometimes better and faster than the company itself. This finding agrees with Gesing, et al. (2014) that partnering with strategic professional firms may improve project performance because such firms are generally organized for that purpose. This is as a result of the capabilities these specialist companies have developed over the years in their area of specialization as well as the learning curve associated with innovation.

The study further found the company’s strategy to outsource innovation gave it the ability to create and deliver value faster to the market, hence keeping the company competitive in the market place. This finding is in agreement with Grimpe and Kaiser (2010) that the outsourcing creates intellectual value by making the firm’s capabilities flexible enough to support innovation. It further agrees with Cox’s assertion that technological innovation is the single most important driver of competitive success in today’s business. Many firms today earn over a third of their sales on products developed within last five years. With increased competitive pressure from globalization, product innovations help firms protect margins by offering new, differentiated features while process innovations help make manufacturing more efficient (Cox, 2014).

The study also found that outsourcing innovation leads to better performance of the firm. This finding agrees with the open innovation paradigm advanced by Love, et al (2013), and the assertion that it results in better innovative performance. The recent advances in information technology have enabled faster innovation due to rapid design and shorter
production runs. It further agrees with White and Bruton (2011) that customers are more sophisticated, segmented and demanding, and expect more in terms of customization, newness, quality and price. Since customer now have more choice, it is extremely important to place innovation at the heart off any business that plans to succeed. These findings further confirm Cox’s assertion that if innovation is outsourced to specialists who can do it better and faster, this can translate to improved organizational performance (Cox, 2014).

Notwithstanding that innovation is a critical success factor; this study found that innovation had a strong dependence on cost reduction and focus, such that the absence of these two would lead to a significant decrease in innovation. Therefore innovation driven outsourcing requires the support of cost reduction and focus on core competencies if it were to succeed. This finding agrees with Buchanan (2014) that today’s firms use outsourcing of new innovation to lower costs, to cut peaks in NPD efforts, or to get access to resources which did not previously exist within the firm. NPD is a knowledge-intensive activity that requires a lot of ability to handle insecurities and which is very dependent on the individuals involved in the process and the need to thus outsource it (Cox, 2014). The findings of this study agree with the findings of these prior studies that strategic innovation driven outsourcing leads to improved organizational performance.

The study ascertained some of the challenges associated with outsourcing for innovation as loss of control over quality, risk of proprietary rights violation, higher bargaining power of suppliers and IT security risks. These concerns confirm Cox’s (2014) viewpoint that outsourcing innovation still remains a grey area and that in order to reap the benefits of outsourcing, organizations must plan these carefully. It is prudent therefore to ensure that the benefits outweigh the risks and that these risks are mitigated and managed wisely by use of constant monitoring and control.

5.3.3 The Effect of Focus-Driven Outsourcing on Organizational Performance

This study revealed the need to focus on core competencies as one of the reasons why the company incorporates outsourcing in its strategy. This affirms the findings from recent studies that companies are increasingly outsourcing for focus. This agrees with the assertion of Cox (2014) that it’s increasingly becoming quite difficult for companies to remain competitive doing everything for themselves. The findings of this study indicate
the need to let go of non-core functions so as to concentrate on building and sustaining a company’s core competencies. This agrees with Contractor et al. (2010) that there is need for organizations to let go of non-core activities so as to focus on building their core competencies. The findings confirm the research findings of Mella and Pellicelli (2012) that concentrating on core competencies by outsourcing some activities generates numerous benefits for an organization such as creating synergy, leverage and flexibility.

Some of the other activities that the company has been outsourcing for focus were listed as contract manufacturing for soaps, inbound and outbound logistics, merchandising, housekeeping, staff canteen, and security services. Recently, the company has also partnered with IBM for IT services hosting. The study found that these outsourcing efforts had enabled the company to concentrate its effort on building and expanding its best-in-world competencies.

It was further revealed that outsourcing had generated some flexibility in the organization’s structure and strategy that had in turn made the organization more competitive in the market place. This finding agrees with Cheng et al. (2014) that outsourcing some part of the supply chain makes firms flexible such that they can respond to the constantly changing business environments in which they operate.

The findings of this study show outsourcing can be used as a strategic tool to free up a company’s resources so as to focus on its core competencies. This study confirmed that focusing on core competencies is a major contributor to improved performance and it creates competitive advantage. The findings of this study agree with the prior studies that strategic focus driven outsourcing leads to improved organizational performance.

5.4 Conclusions

5.4.1 The Effect of Cost-Driven Outsourcing on Organizational Performance

Companies may choose to incorporate outsourcing in their corporate strategies with a bid to reduce cost and risk while increasing efficiency. Strategic outsourcing results in improved organizational performance by reducing costs and risks associated with in-house production, increasing operational efficiency, and therefore increasing profitability.
and growth. Well managed outsourcing results in both short term cost reduction and long term efficiency and sustainable performance.

5.4.2 The Effect of Innovation-Driven Outsourcing on Organizational Performance

Companies also outsource for the reason of improving innovativeness in the market place. This is the ability to create, develop and deliver value to the market faster than its competitors. This strategic decision results to greater flexibility and innovativeness thus creating competitive advantage which in turn leads to higher sales growth, increased profitability, increased customer satisfaction, hence increased market share. Outsourcing for innovation creates the flexibility that is necessary for innovative growth which is both quicker and better, therefore improving the overall performance of the company. The success of innovation driven outsourcing largely depends on the success of the other two drivers for outsourcing - cost control and a clear definition of a firm’s core competencies. A careless approach to outsourced innovation can be a huge business mistake; therefore all factors must be carefully evaluated before the decision is taken.

5.4.3 The Effect of Focus-Driven Outsourcing on Organizational Performance

Strategic outsourcing is one way by which firms may build and sustain their core competencies, which is vital for survival. Therefore, a firm needs to create a focus around its core competencies, which entails handing over the activities of low strategic value to specialists who can do them better through strategic outsourcing. Therefore strategic outsourcing frees up company’s resources so as to concentrate on its core business. This creates competitive advantage which in turn leads to improved sales, better profits, more satisfied customers and better market share. Therefore, focus driven outsourcing leads to improved organizational performance.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Recommendations on the Effect of Cost-Driven Outsourcing

This study recommends that firms should adopt strategic and well thought out outsourcing partnerships in order to continuously reduce operating costs for growth. Cost should not be the only driving factor for outsourcing. Managers should consider other
factors too while evaluating the cost and benefit of outsourcing, so as to ensure that the maximum benefit is achieved from the strategy in terms of reduced costs and risks, increased efficiency. It is therefore imperative that strategic outsourcing should not only generate short term results in term of reduced costs but also yield long term benefits such as operational efficiency and long term growth.

5.5.1.2 Recommendations on Effect of Innovation-Driven Outsourcing

This study recommends that companies should carefully consider their outsourcing strategies to ensure that while outsourcing helps in new innovations, the cost is controlled and core activities are never outsourced. Outsourcing for innovation has proved to be very risky because it poses challenges of proprietary rights violation and loss of quality control. Therefore this study recommends that companies should put controls in place to ensure that knowledge is not dissipated or shared by the outsourcing partners. Additionally, innovation should not be outsourced until a company has carefully evaluated its value chain and successfully determined its non-core activities which it can subsequently outsource.

5.5.1.3 Recommendation on the Effect of Focus-Driven Outsourcing

The study recommends that companies should clearly identify their core competencies from the non-core functions. Managers should review the potential benefit to be gained if the non-core functions are outsourced. Outsourcing strategy should be so structured that it enables the organization to concentrate its efforts on building its core competencies to a best-in-world level, so as to generate competitive advantage. Core competencies can never be outsourced.

5.5.2 Recommendation for Further Research

The survey carried was out based on the company’s employees’ perspective of outsourcing practices in the organization. Other stakeholders’ perspectives such as customers were not incorporated in this study. The study was limited to the organization under study; other similar firms in the manufacturing industry were not studied. Similarly, the company under study was a privately controlled entity; there is limited information on whether the findings can be inferred to the publicly listed entities in Kenya.
The researcher therefore acknowledges that indeed there were limitations that stood in the way of the study. The researcher therefore recommends further studies in the following area within the manufacturing industry in Kenya: An evaluation of the effect of strategic outsourcing on the performance of public manufacturing firms in Kenya. This could be done through the analysis of financial data of several firms over a certain period of time with a focus on results generated following the inclusion of outsourcing in their corporate strategies.
REFERENCES


APPENDICES

APPENDIX I – LETTER OF INTRODUCTION

Musau N. Charity

P.O. BOX 78014, NAIROBI.

Tel. +254723668676

October 13, 2015

Dear Sir/ Madam,

RE: LETTER OF INTRODUCTION

I am an MBA student at United States International University. I am currently working on my project thesis entitled, “THE EFFECT OF STRATEGIC OUTSOURCING ON ORGANIZATIONAL PERFORMANCE: A CASE OF BIDCO AFRICA LTD” in partial fulfilment of my degree requirements.

I have chosen your organization as one in which I want to carry out a survey in order to realize the purpose of my study. This because I believe your organization possesses the relevant information that will help me determine the answers to my research questions. The purpose of this letter is therefore to request your assistance and permission to conduct the study in your organization and among staff using a structured questionnaire.

I declare to abide by the university rules and guidelines concerning research undertaking and note that any information I obtain will be treated with confidentiality and at no instance will it be used for any other purpose other than for this project.

Your assistance will be highly appreciated.

Yours Sincerely,

Charity Musau.
APPENDIX II – QUESTIONNAIRE

The Effect of Strategic Outsourcing on the Organizational Performance – A case of Bidco Africa Ltd.

SECTION I: Demographics

Kindly, fill all the questions either by ticking (✓) in the boxes or writing in the spaces provided.

1. Age in years?: Below 30 □  30-40 □  40-50 □  Above 50 □

2. Job Level of the respondent
   □ Senior management level
   □ Middle management level
   □ Supervisory level
   □ Staff

3. Education Level of the respondent
   □ Masters and above
   □ 1st Degree
   □ Diploma
   □ Certificate or other

4. For how long have you been working with the company?
   0- 5yrs □  5-10 yrs □  10-20 yrs □  20-30yrs □  30-50 yrs

SECTION II: The Main Drivers for Outsourcing Strategy
5. Using a scale of 1-5 tick the appropriate answer from the alternatives, **1- Strongly Disagree** 2-Dissagree 3-Uncertain 4-Agree 5- Strongly Agree

<table>
<thead>
<tr>
<th>Why does your company outsource?</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
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<tbody>
<tr>
<td>To Reduce cost</td>
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<td>To reduce risk associated with in-house production</td>
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<td>To increase efficiency</td>
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<td>To reduce time taken to develop new products</td>
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<td>To take advantage of the specialists’ resources, capacity &amp; expertise</td>
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<td>To free up the company’s resources so as to focus on its core competencies</td>
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<td>To improve the company’s competitive position</td>
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<td>To avoid labor issues</td>
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**SECTION III: The Overall Performance of the Organization**
6. Using a scale of 1-5 tick the appropriate answer from the alternatives, 1- **Strongly Disagree** 2- Dissagree 3-Uncertain 4-Agree 5- Strongly Agree

### How has your company been performing?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
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<tbody>
<tr>
<td>The company has experienced a high sales growth over the last five years</td>
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<td>Our customers are increasingly satisfied with our products</td>
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<td>We have a markedly high market share</td>
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<td>Our profitability is higher than our competitors</td>
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<td>The performance of the business is satisfactory.</td>
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<td>Generally, the growth of the firm has been steady and very satisfactory in terms of return on investment and sales</td>
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**SECTION IV: The Effect of Outsourcing on Organizational Performance**
7. Using a scale of 1-5 tick the appropriate answer from the alternatives. **1- Strongly Agree, 2- Disagree, 3- Uncertain, 4- Agree, 5- Strongly Agree**

<table>
<thead>
<tr>
<th>(A) COST – DRIVEN OUTSOURCING</th>
<th>Strongly Agree</th>
<th>Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
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<tbody>
<tr>
<td>Outsourcing has reduced costs such as overheads and other fixed costs in my company</td>
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<td>The cost of outsourcing is lower than the cost of acquiring more resources to do work internally</td>
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<td>Outsourcing has reduced the risk of doing business</td>
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<td>Since we started outsourcing, we have seen a great improvement in efficiency</td>
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<td>Outsourcing has created better short term performance</td>
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<td>Outsourcing has created better intellectual value for our company in the long run</td>
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<td>Outsourcing has created better long term performance</td>
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8. Using a scale of 1-5 tick the appropriate answer from the alternatives, 1- Strongly Disagree 2-Dissagree 3-Uncertain 4-Agree 5- Strongly Agree

<table>
<thead>
<tr>
<th>(B) INNOVATION – DRIVEN OUTSOURCING</th>
<th>Strongly</th>
<th>Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
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<tr>
<td>We develop new products every so often</td>
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<td>We need to deliver newer products and services to maintain our competitiveness</td>
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<td>The company is keen on new product development</td>
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<td>Sometimes Innovation can be difficult due to lack of funds or in-house capacity</td>
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<tr>
<td>We outsource some innovation to other companies that can do it better and faster</td>
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<td>Outsourcing has helped us to create and deliver value faster than our competitors</td>
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<td>Outsourcing is one way the company has innovated and remained competitive</td>
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<td>Outsourcing has increased our company’s flexibility for innovation</td>
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<td>Innovativeness is a major contributor to improved performance</td>
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</table>
9. Using a scale of 1-5 tick the appropriate answer from the alternatives, 1- Strongly Disagree 2-Dissagree 3-Uncertain 4-Agree 5- Strongly Agree

<table>
<thead>
<tr>
<th>(C) FOCUS – DRIVEN OUTSOURCING</th>
<th>Strongly</th>
<th>Disagree</th>
<th>Disagree</th>
<th>Uncertain</th>
<th>Agree</th>
<th>Strongly Agree</th>
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<tbody>
<tr>
<td>The company needs to concentrate on its core functions to remain competitive</td>
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<td>My company uses outsourcing as a strategic tool to free up the company’s resources so as to focus on its core competencies</td>
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<td>The best way to concentrate on core functions is to outsource the non-core functions</td>
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<td>Outsourcing has enabled our company to concentrate its efforts on building and expanding its best-in-world competencies</td>
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<td>Outsourcing has created flexibility in our organizational structure and strategy that has given us a competitive edge in the market</td>
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<td>Our focus on our core competencies has been a major contributor to improved performance</td>
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<td>Our focus on core competencies has created competitive advantage</td>
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</table>
SECTION V: Recommendations and Insights

10. Which services or production activities has the company outsourced currently? Please list below:

<table>
<thead>
<tr>
<th>Services / Activities</th>
<th>For how long? (No. of years)</th>
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11. What challenges do you currently face that can be directly attributed to outsourcing? Please list below:

<p>| |</p>
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12. Do you think the company is optimally utilizing strategic outsourcing?
   Yes [ ] No [ ]

13. Which activities would you like to see your company outsource which are currently performed in-house?

Thank you for your co-operation.