

**EFFECTS OF STRATEGIC OUTSOURCING OF NON-CORE BUSINESS UNITS
ON BUSINESS PERFORMANCE: A CASE OF GLAXOSMITHKLINE
LIMITED IN KENYA**

BY

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UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

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ON BUSINESS PERFORMANCE: A CASE STUDY OF GLAXOSMITHKLINE
KENYA**

BY

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in Partial Fulfilment of the Requirement for Masters' Degree in Business
Administration (MBA)**

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

FALL 2019

STUDENT'S DECLARATION

I, the undersigned declare that this research project is my original work and that it has not been submitted to any other college, or other institution of higher learning other than United States International University for purposes of academic credit.

Signed: _____

Date: _____

Abraham Rono (ID: 617187)

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

Signed: _____

Date: _____

Dr. Caren Ouma (PhD)

Signed: _____

Date: _____

Dean, Chandaria School of Business

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ABSTRACT

The purpose of this study was to determine the effects of strategic outsourcing on non-core business units on business performance at GlaxoSmithKline Kenya. The following research questions were used to conduct this study; what is the effect of outsourcing human resource activities on business performance, what is the effect of outsourcing logistics on business performance and what is the relationship between outsourcing of non-core business units and business performance. This study made use of descriptive survey design on a population of 55 managers at GlaxoSmithKline Kenya. A structured questionnaire was deployed for primary data collection. A census was used in studying the entire population as the sample size for this particular study. Data analysis was made up of both descriptive statistics and correlation and regression analysis. Data was analyzed using Statistical Package for Social Sciences (SPSS) software version 24. Data was presented using tables and figures.

The first research question sought to determine the effect of outsourcing human resource activities on business performance. The findings of this study revealed that there exists a significant relationship between human resource outsourcing and business performance, $r(0.369)$; $p\text{-value} < 0.01$. This relationship is statistically significant.

The second research question sought to determine the effect of logistics outsourcing on business performance at GlaxoSmithKline. The findings indicated a statistical significant relationship between logistics outsourcing and business performance $r(0.484)$; $p\text{-value} < 0.01$. The relationship is statistically significant.

The third research question sought to determine the relationship that exists between outsourcing and business performance. The findings revealed a strong and significant relationship was found to exist between outsourcing of non-core business units and business performance, $r(0.767)$; $p\text{-value} < 0.01$. The relationship is statistically significant.

This study concludes that outsourcing of human resource activities enhances business performance of an organization. This study also concludes that the urgency of accurately responding to the changes in the market on daily basis and the difficulties associated with predicting the direction of such kind of changes requires organizations to continuously focus on their core competencies and capabilities that will help them in addressing the changes taking place in the business environment effectively making outsourcing of human resource activities a paramount.

This study concluded that logistics outsourcing enhances operational efficiency in the organization. Logistics outsourcing is one of the crucial sources of increasing the company's business performance since it makes the company more nimble and permits it to the increased concentration on its core activities while leaving the non-core business units to the outside providers.

This study concluded that there exists a significant relationship between outsourcing of non-core business units and business performance. Outsourcing of non-core business units can lead to improved performance such as shorter cycle time, high quality products, profitability and increased productivity within the firm as it allows the firm to focus on what they do best.

This study recommended that GlaxoSmithKline should outsource entirely all activities concerning human resource to a third part company as opposed to only recruiting and payroll outsourcing. All activities concerning human resource ranging from recruiting, induction, compensation, training and development should all be outsourced. This will help the organization to focus more on its core activities to effectively meet the dynamic demands and competition pressures from other pharmaceutical firms.

This study recommended that GlaxoSmithKline should reduce its overall costs through outsourcing logistics to a third party logistics providers that offer a better service that is in line with the company's logistics needs. The company should also emphasize on improved customer focus by putting necessary measures that will enable them compete effectively in the market.

Since, this study has established a significant relationship between outsourcing of non-core business units and business performance. Therefore, GlaxoSmithKline should put up various measures that will address a declining rate of innovation while at the same time enhancing motivation loss of employees in line with the outsourced services. GlaxoSmithKline should also identify qualified as well as reliable suppliers for them to clearly decide what activities should be outsourced and what should not.

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I thank my colleagues from KPMG who provided insight and expertise that greatly assisted the research, although they may not agree with all of the interpretations/conclusions of this paper. I thank Dr. Caren Ouma (PhD), for assistance with guidance through this project, and for her comments that greatly improved this research project.

DEDICATION

I dedicate this project to my wife; Winnie who has encouraged me all the way and whose encouragement has made sure that I give it all it takes to finish that which I have started. To my children Ryan and Aisha who have been affected in every way possible by this quest. Thank you. My love for you all can never be quantified. God bless you.

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LIST OF ABBREVIATIONS

ANOVA:	Analysis of Variance
GSK:	GlaxoSmithKline
MBA:	Master of Business Administration
SPSS:	Statistical Package for Social Sciences

CHAPTRE ONE

1.0 INTRODUCTION

1.1 Background of the Study

In a global aspect, the ideology of outsourcing has been used for a long period in the business industries. Despite the fact that most of the outsourcing activities were based on information technologies until late 1990, the main objective of this activity was to improve the philosophy of the achieving the operational efficiencies (Karhunen & Kosenen, 2013). According to Pratap (2014), in the past numerous decades, the world has witnessed the remarkable advancement and usage of business process outsourcing in the diverse area such as production sectors, manufacturing sectors, and innovation sectors. In reality, the concept of outsourcing has remained the notion of the long-term investment that is dedicated to achieving the organization's overall benefits and goals. Outsourcing plays a significant role in the improvement of the organization performance by either by enhancing a firm's competitive position in the market or by improving the shareholder's returns.

In the United States, since back then when the notion of outsourcing as still viewed as the ideology of ho-hum tactic that was responsible of reducing costs, the philosophy of outsourcing has gained momentum and it has matured into a critical strategic management tool (Chima & John, 2018). Emphatically, global outsourcing is the market's growth in the past numerous decades has been exceptional and that is a clear indication that the pace will remain in that level or even increase the growing phenomena for the coming years. In the glance of a rapidly growing world in the line of the technological advancement, most of the organizations are turning progressively on outsourcing for their own interest that is associated with the functions of the outsourcing concept (Dietl, Özdemi, & Schweizer, 2017).

The concept of outsourcing services also comes with various limitations. For instance, there are operational risks encountered during the process of application of these strategies to function. Such risk arises where there are slippages on time, quality, and cost. These situations emerge where the contracted service providers fail to clearly understand the client's requirements (Szierbowski-Seibel & Kabst, 2018). Also, strategic risks are encountered and these arise the service contractors involves in deliberate and unlawful behaviours that with time undermines the clients business through involving in practices

like understaffing and theft of clients property. The composite risk arises where a company decides to outsource services from a third party company simply because of the long-term contract because it can longer implement the services process by itself (Chima & John, 2018). This kind of risk puts the company like East African Breweries at a high risk of losing competence which is the core principle when developing new products and services to satisfy customer's needs

In the United Kingdom, due to a rapidly increasing turbulent environment, nearly all of the organizations are looking for the better ways of gaining competitive advantages in their marketplace. Therefore, one of the remarkable strategies that the organization can deploy to attain the competitive advantages is the notion of contract manufacturing.(Yakhlef, 2015). According to Pratap (2014), outsourcing is viewed as essentially that piece of an association's procedure, which is sourced from outside providers with no respect for the kind of association with these providers. Furthermore, chiefs will in general consider redistributing as the fundamental method to keep the business focused for the past various hundreds of years. The amazingly fierce business surroundings got together with practically unquenchable client requests for custom fitted administrations and items has constrained organizations to after some time assess, improve and re-engineer their activities. Moreover, the research that has been conducted in the same line of study has revealed that re-engineered process plays a crucial contribution to the efforts by firms to wholly satisfy their client's needs and wants. Technically, almost all the organizations engage in outsourcing to some extent although some of them might not know that point that they are practicing the activity. The different organization performs that act in different ways some of the organizations perform outsourcing via manufacturing, logistics, and customers care while on the other hand some of the organization ought to perform it through sale technical supports, product designs, market brainstorming, and research.

Yakhlef (2014) suggests that, since most of the manufacturing organization doesn't tend to outsource above the value chain, they tend to major on outsourcing the accounting, shifting, and administration aspects. Therefore, the concept of the decision on what to outsource and what to keep in-house depends on the various factors that vary from company to company. For instance, some of the factors that create a dilemma on the notion of whether to outsource or keep the in-house are; need to invest in resources, new skills, and whether to maintain the abreast of the evolving technologies for the area that are kept in-house(Nyameboame & Haddud, 2017). Santana, Valle and Galan, (2018) asserts that, there

is an embrace of this phenomenon of outsourcing that companies have greatly acknowledged to help them expand their business. It is argued; company staffs have been freed up and high amount of increased flexibility have been recorded down in the way that labour can now be employed (Chima & John, 2018).

The growth of outsourcing has encouraged and led to outsourcing strategies becoming an important component that makes firms meet their succeeding goals. When the management decides to use the outsourcing strategy, they are to understand that it increases the organizational flexibility which also transfers operational skills to other parties. On the other hand, the internal supply chain also utilizes more resources and through the direct involvement in the processes and function. A company may decide to outsource other supply chain management services from other the client company due to lack of expertise and assets for various activities (Njihia, Jane, Aosa, & Awino, 2018). Most clients outsourced have majored individually in none core activities like cleaning and the maintaining of buildings. Therefore, competitive companies like East African Breweries who have demanding customers ranging from the product quality to effective delivery of services to them would prefer to receive services of world-class standards offered by these clients to maximize their profits and offering their staff's room to an emphasis on the core business(Dubey, Mishra, Sharma, & Kumar, 2018).

In the African perspective, incalculable firms in the assembling business are presently all the time increasingly seeking after nonstop improvement, inclined up generation, re-built business procedures, and coordinated supply chains (Szierbowski-Seibel & Kabst, 2018). This is found in the raising number of firms using vital apparatus, for example, Japanese Gemba Kaizen, Total Quality Management, and Business Process Re-designing. Again, other scholars also assert that for the past two decades, there has been a drastic improvement on the recognition of the contribution of outsourcing strategic on the performance of the firms (You, Salmi , & Kauppi, 2018).East Africa can be categorized as one of outsourcing Business Process Outsourcing destinations in Africa.

Kenya has also grown comparative advantage nation due to its low labour rate for quality services. Although, Kenya has numerous growing companies registered in the outsourcing sector (Achonjo, 2014). Outsourcing plays a vital business strategy in the current world we living in. Due to the increase of the cost of production in Kenya and the globalization

effects, many companies and private entities have been looking for ways to reduce the cost of production, on the other hand, increasing their output (Quraesh & Luqmani, 2011).

GlaxoSmithKline Plc (GSK) is a British pharmaceutical firm that has its headquarters located in Brentford London being established in the year 2000 through a merger of Glaxo Wellcome and the SmithKline Beecham (McNeil, 2011) in the year 2015 the company was the world's sixth largest pharmaceutical firm after Pfizer, Novartis, Merck, Hoffmann-La Roche and Sanofi. GSK Kenya is located in Likoni Road industrial area in the Kenyan capital city Nairobi, the premise of the company occupies about 33,000 square meters of land and employs approximately 250 employees in Nairobi. The company manufacture many brands selling across the East African region, among them include Hedex, Gastro-intestinal powder and Panadol.

The operations of GSK Kenya were consolidated in 2002 with the company's three division immediately after the merger with SmithKline Beecham, the three divisions include; global manufacturing and supply, Consumer commercial and Pharma. The key brand of the firm in the Kenyan subsidiary include the OTC medicines Hedex, Panadol-intestinal powder, Panadol range, and other brands include toothpaste Acquafresh, pharmaceuticals solutions and suspensions (Ngugi, 2018).

1.2 Statement of the Problem

Globally, many managers are considering outsourcing as the only way of keeping the company competitive in the 21st century. The exceptionally turbulent business condition related with practically voracious client requests for customized administrations and products has constrained organizations to after some time assess, improve and re-engineer their activities. As much as outsourcing has been in practice for quite a long time, but most of outsourcing until the late 1990's focused more on the information technology outsourcing with a restricted objective being to achieve operational efficiencies (Achonjo, 2014). In the recent past, the world has likewise seen a fast development in the business procedure redistributing to the different hierarchical exercises, for example, dissemination, producing, advancement, finance and claims handling. Strategic outsourcing in organizations aims achieving the overall business benefits whether enhancing a company's competitive position or improving profitability (Maku & Iravo, 2013).

Studies have been conducted on various aspects of outsourcing, for instance Wabwile and Namusonge (2015) conducted a research on the determinants of outsourcing as a competitive strategy in supply chain management in manufacturing companies in Kenya and revealed that cost effective was among the determinants of outsourcing, (Achonjo, 2014) conducted a study on the impact of outsourcing on the performance of parastatals in Kenya and revealed that outsourcing gave could enable flexibility in terms of operations in the Kenyan parastatals and Wahome (2017) focused on the factors affecting business processing outsourcing strategy and found out that the leadership style of the organization had a major influence on business processing strategy the organization intends to pursue. However, outsourcing is also fraught with numerous problems if not properly managed, among these is that outsourcing tend to reduce the company's control over how certain services should be delivered (Maku & Iravo, 2013).

Furthermore, studies that have been done focused mainly in the insurance, the banking industry, retail outlets and the Kenyan parastatals. There is little research that has been documented on the effects of strategic outsourcing of non-core business units on business performance in the pharmaceutical industry. GlaxoSmithKline Kenya adapted outsourcing strategy by outsourcing most of its non-core units to the outside vendors so that the company could focus on their core competencies, but the company has been constantly laying off most of its staff with an attempt of cutting down costs (Ngugi, 2018), does that mean their outsourcing strategy is positively impacting business performance?. Therefore, there is gap to be filled by carrying out an empirical study on the effects of strategic outsourcing of non-core business units on business performance at GlaxoSmithKline.

1.3 Purpose of the Study

The purpose of this study was to determine the effects of strategic outsourcing on non-core business units on business performance at GlaxoSmithKline Kenya.

1.4 Research Questions

1.4.1 What is the effect of outsourcing human resource activities on business performance of GlaxoSmithKline Kenya?

1.4.2 What is the effect of outsourcing logistics on business performance of GlaxoSmithKline?

1.4.3 What is the relationship between outsourcing of non-core business units and business performance of GlaxoSmithKline?

1.5 Significance of the Study

1.5.1 GlaxoSmithKline

GlaxoSmithKline being the case of the study in assessing the effects of strategic outsourcing of non-core business units on business performance, the company is expected to benefit from the findings generated enabling them to understand the significance of outsourcing as a strategic decision on its efficiency, profitability and business performance as a whole.

1.5.2 Pharmaceutical industry

Other companies that are in line with drugs manufacturing is also expected to benefit from the study through a comprehension of the effects of strategic outsourcing of their non-core business units on business performance, hence, making informed decisions based on the factual findings.

1.5.3 Policy makers

The governing body of the pharmaceutical industry is expected to benefit from the study by assessing the impact strategic outsourcing has on business performance and create a legal framework that can guide the companies in the pharmaceutical industry to operate in the best manner that is in line with the laws of the country.

1.5.4 Academicians and scholars

This study is significant to the academicians and scholars since they can use for referencing purposes for their literature review. They are expected to gain knowledge on how strategic outsourcing is impacting business performance of manufacturing companies based on the findings obtained in this study.

1.6 Scope of the Study

This study sought to establish the effects of strategic outsourcing of non-core business units on business performance with a focus on GlaxoSmithKline Kenya. The study targeted the top level management of the company that were 5 senior managers company that were

directly involved in making strategic decisions in the company, 8 general managers, 15 middle level managers and 27 supervisors making it a total of 55 respondents. The study was conducted for a period of six months from the proposal development in January 2019 to June 2019 the final stage. The study was limited to the pharmaceutical industry and the stations targeted were restricted to Nairobi County.

1.7 Definition of Terms

1.7.1 Outsourcing

Outsourcing refers to an agreement by which one company contracts a different company to do its own internal activity such processing of payroll, recruitment activities, claims processing and non-core functions (Nyameboame & Haddud, 2017).

1.7.2 Strategy

Strategy is the direction as well as the scope of a company over the long term aspect that achieves advantage for the organization through the configuration of various resources within a turbulent environment in meeting the needs of a target market and fulfilling the expectations of shareholders (Ulengin, 2015).

1.7.3 Non-core Business Unit

Non-core business units refers to the service aspects of the organization that are not necessarily required by the organization in fulfilling its value proposition to its consumers such as maintenance of systems, installation, operation and can be outsourced to a third party (Jensen, 2011).

1.7.4 Business Performance

Business Performance refers to the output of the company's intended objectives and goals such as the market performance, shareholder value performance, and financial performance (Nyameboame & Haddud, 2017).

1.8 Chapter Summary

This chapter presented the background information of the study on the effects of strategic outsourcing on business performance, statement of the problem has been introduced in line with what the study seeks to address, and the purpose of the study has been stated in this

chapter, followed by the research questions that guided the study. The importance of the study has been highlighted identifying key stakeholders likely to benefit from the study and key terms used in the study have been defined. The next chapter is on literature review on what various authors have written on the research questions guiding the study. The chapter presents the literature on the effect of outsourcing human resource activities on business performance, followed by the effect of outsourcing logistics on business performance and lastly the relationship between outsourcing of non-core business units and business performance. Chapter three presents the research methodology used in carrying out the study. Chapter four presents results and findings obtained from the respondents. Chapter five presents summary, discussion. Conclusions and recommendations of the study.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The chapter presents a literature review by highlighting the works of different authors and scholars on what they have written on the effects of outsourcing non-core business units on business performance. The chapter starts with the literature on the first research question that is the effect of outsourcing human resource activities on business performance, followed by the extent to which logistics outsourcing impacts business performance and lastly the relationship between outsourcing and business performance. A chapter summary will be provided at the end of the chapter to briefly highlight the major elements of the literature review.

2.2 Effect of Outsourcing Human Resource Activities on Business Performance

The strategic value of any business activity determines its ability as a source of competitive edge (Yakhlef, 2015). Sustainable competitive advantage comes as a result of possessing immobile organizational resources that allows a clear service or a product differentiation as compared to those of the competitors, however, not all organizational resources have the ability to be a desired source of competitive advantage for the company (Bolat & Yılmaz, 2014). Elmuti (2013), affirms that for any organizational resource to be a potential for the firm, it should have four attributes these include; should be rare, valuable, non-substitutable and imperfectly imitable. The strategic resource that fulfils these conditions for being the source of competitive advantage are then considered superior assets for the organization as well as distinctive competencies of the company.

The distinctive core competencies are the process which involve a combination of the physical and human resources and becomes responsible for the company's explicit and tacit knowledge at a later stage (Chima & John, 2018). According to Sheehan and Cooper (2011), the debate on outsourcing of human resource activities is polarised since human resource is seen as opportunity for the Human Resource function by some individuals as a threat by others. The first view holds that human resource outsourcing is an instrument for creating time for human resource to become a strategic partner. While the second view

holds that human resource outsourcing is considered as a cost-cutting instrument that gradually reduces human resource staff.

With the expanded globalization, outsourcing has turned into a significant methodology in the business condition and the company's competitive advantage might be picked up as the administration or item are created all the more productively and adequately by the outside sourced providers (Davari & Rezazadeh, 2015). The urgency of responding to the changes in the market on daily basis and the increased difficulty of predicting the direction of such kind of changes requires organizations to continuously focus on their core competencies and capabilities that will help them in addressing the changes taking place in the business environment effectively (Busi, 2008).

Traditionally, outsourcing was abbreviated for “outside resource using” whereby outside meant value creation from without and not within the organizational (Busi, 2008). Strategic outsourcing permits organizations to entirely focus on their own core competencies by relocating the limited available resources in strengthening their core product or service and strategic use of outside suppliers in performing service activities traditionally used to be done internally (Pratap, 2014). Traditional outsourcing emphasized on tactical benefits such as cost reduction, such as cheap labor, low cost production countries and most recently having been replaced by increased productivity, innovation and speed, flexibility, developing business application and accessibility to the new technologies disrupting the current business environment for a firm to gain a competitive advantage over its competitors (Bagga, 2015).

Human resource outsourcing refers to the contracting out of parts or the whole functions of the Human resource to the external providers of the human resource activities (Dietl, Özdemi, & Schweizer, 2017). Human resource outsourcing can range from transferring of the non-core units such as training and development and the Human Resource strategic planning. Human Resource managers are expected to have flexibility, responsive and efficient that the human resource managers of the old, and contributing to the strategic decisions of their firms. In responding to this paradigm shift, various human resource managers are turning to outsourcing as the right way of meeting these demands (Brewer, Ashenbaum, & Ogden, 2013). Gilley, Rasheed and Greer (2014), conducted a study on human resource outsourcing and organizational performance in the manufacturing companies and found out that outsourcing of certain human resource activities had a

positive impact on the overall invention and creativity within the firm. Another study carried out by Klaas, McClendon and Gainey on human resource outsourcing to analyze the impact of organizational characteristics and the study revealed that the relationship that existed between the degree of outsourcing and its perceived advantages generated was moderated by the reliance on idiosyncratic human resource practices, the firm size, uncertainty, human resource practices and the pressures of costs. The effect that organizational characteristics had varied among various kinds of human resource activities being outsourced. The study also indicated that when making outsourcing decisions, firms need to be considering the likely effect of outsourcing the organizational HR activities on the firm's performance and for them to do so it is vital to distinguish between the core and non-core activities.

Agndal and Nordin (2009), suggest that a basic distinction can be made between the human resource core and non-core activities. The former could incorporate the human resource arrangements, top-level methodology, line the executives obligations, for example, control and evaluation while the last included specialization exercises like enrollment and staffing, routine worker organization, for example, finance and benefits and the expert human asset counsel, for example, the lawful exhortation that is identified with the business laws and regulations (Peslak, 2009). Bagga (2015) goes further to suggest that the core activities are the transformational work that tends to create the unique value for employees, investors and consumers of the company's products and services. Noncore on the other hand, they would be transactional work which is routine and the standard can be easily replicated and duplicated making the development of technology significant.

The internet technology and the new generations of various software have also revolutionized human resource productivity, significant in improving the human resource productivity, an increased control of staff benefits, streamlining compliance efforts, lowering recruitment costs and facilitating the administration of payroll activities (Peslak, 2009). As much as there may be a consensus that firms should perform core functions internally and outsource those functions that are non-core to their companies, what is regarded core and non-core units varies between organizations and industries. Therefore, the decision involving which Human Resource activities can be outsourced is purely driven by the business strategy the organization is pursuing (Davari & Rezazadeh, 2015).

According to Bagga (2015) he indicates that recruitment and selection, training and development management, health and safety, job valuations, quality initiatives and reward strategies and systems were likely to be the human resource activities to be outsourced by either being considered as noncore or because the company lacked the expertise in handling them in house. The findings of Bagga (2015) contrary to Shekhar (2008) who found out that training and development with other facilities management were the most likely activities to be outsourced while industrial relations expertise was considered lead activity to be outsourced. Gilley, Rasheed and Greer (2014) they analyzed the relationship existing between outsourcing of the human resource activities such as training and payroll and organizational performance and indicated that outsourcing performance relationship is not the same throughout all the firms. The findings also stated that training and payroll human resource activities outsourcing had implications on organizational performance.

2.2.1 Recruiting Process Outsourcing

The process of outsourcing recruiting activities has a long history and has been rapidly growing into various sectors (Jensen, 2011). There is a natural outgrowth of the mass acquisition of the recruiting services, recruiting process outsourcing has matured in terms of its scope, size and the duration of outsourced contracts on the same. The recruiting process outsourcing taps into two main reasons for outsourcing gaining the required expertise sourced from the best in the industry and lowering costs that come along with the hiring process (Karhunen & Kosenen, 2013).

According to Ulengin (2015) recruiting process outsourcing is the situation where a firm outsources part or all their recruitment initiatives to a third party organization to manage on their behalf. Recruiting Process Outsourcing is similar to the Business Process Outsourcing and is done by the firm often for the same reasons that is either to save on the costs of recruitment, or seeking a technical expertise that is crucial for recruitment which is not readily sourced internally. The recruitment process outsourcing is commonly required when there is a sudden spike in the demand for staff for them to work on a specific project and increasing the internal human resource with an attempt of meeting the temporary demand that would be inefficient and costly for a company. This process enables companies to alleviate their internal resources of the management and transactional responsibilities involved with staffing permitting the alleviated resources to dedicate all

their time to other key areas of the business with an attempt of achieving the efficiency and productivity being desired (Shekhar, 2008).

2.2.2 Payroll Process Outsourcing

According to Peslak (2014) payroll processing is perhaps the most transactional human resource activity which involve the human resource and it the most frequently outsourced among other human resource activities. Organizations may hire an external firm to handle all of their payroll activities for it to save money, time involved and reducing the need for internal training of payroll staff, buying and maintenance of appropriate software packages and staying updated with the payroll legislations (Yakhlef, 2015). The service levels of the payroll outsourcing varies since some providers offer a barebones services while others will go an extra mile to deal with everything such as leasing with the human resources authorities in the country and maintaining a full compliance without the main company ever having to deal with the payroll activities at all (Achonjo, 2014).

2.2.3 Training and Development Outsourcing

Delivery of training and development service has long been outsourced by firms, the level of outsourcing is rapidly increasing (Shekhar, 2008). Driving the increase in outsourcing training and development human resource activities has been rising in the number and the nature of projects involving training the firms carry out. Davari and Rezazadeh (2015) in their study they highlighted the significant importance of outsourced trainings and development in their study and researchers apply the view of transactional cost economies, and the resource based view theory in identifying the factors that are thought of impacting the customer satisfaction with the external training providers. Findings also show that socially oriented trust and the contractual specific do mediate the relationship (Agndal & Nordin , 2009).

2.3 The effect of Logistics Outsourcing on Business Performance

Logistics is concerned with the movement of all the materials that come in and go out of the organization. Logistics outsourcing has become more popular and relevant to many companies currently due to the increased globalization forcing firms to focus on their core competencies for more efficiency (Akbari, 2018). Third party service that are contracted for outsourcing activities are highly specialized and can offer the same service that is required by companies at a lower and affordable cost thus companies are able to effectively

manage the forces arising from macro environment of the business and become competitive and help the company in improving its overall performance (Brewer, Ashenbaum, & Ogden, 2013).

The organization has to make the good decisions in several related fields to allow an efficient flow of materials such choosing the right suppliers, negotiating terms for delivery use and appropriate storage systems in the company (Liu, Huo, & Zhao , 2015). The institute dealing with logistics looks at the concept as the time period related positioning of resources or the strategic management approach that addresses the entire value chain. Currently, companies will often contract with firms that specialize in logistics to handle all or most of their logistics activities, the contracted transport companies are often referred as third party logistics firms. In the face of increasingly and intensified rivalry in the global economy, many companies are progressively turning to the outsourcing of their logistics function (König & Spinler, 2016).

An evaluation of the industry practices was conducted in a study on outsourcing of an integrated logistics functions and adopted variables which consisted of: transportation, location facility, managing of the inventory, logistics ICT systems and the material flow (Gotzamani, 2010). Outsourcing can be looked as a feasible business system since turning of the non-center capacities over to the outer providers enables firms to use their assets, spreading dangers and ultimately focusing on the issues that are basic for survival and the future development of organizations (Karhunen & Kosenen , 2013). Karhunen and Kosenen (2013), also indicated that processing of orders, invoicing, materials management, logistics Information systems and the value added services were the main variables in determining the impact of logistics on company performance of the small and medium-sized enterprises.

Mulama (2012), conducted a study on logistics outsourcing practices and performance of big manufacturing companies in Nairobi, the findings indicated that majority of the companies were outsourcing logistics activities, management of warehouse and material handling management while half of the companies outsourced management of information activities, and handling management of their inventories. Another study done by Githinji (2010), in establishing the impact that logistics outsourcing had on the supply chain of universities' performance, he indicated that the most common outsourced activities by higher education institutions in Nairobi are only the non-controversial activities with benefits that accrue in reducing overhead costs, improved university operations and the

customer service function which enable the universities to focus on their core competencies of teaching, time saving and the mandate. Among the variables used in the study included; warehouse management, material handling, logistics of ICT systems, facility location and transport management since they are critical aspects that comprise logistics outsourcing concept.

Logistic outsourcing activities are non-core and can be outsourced so as the organization can fulfill the customer demand that requires a full package service, however, companies should not be expecting gains from outsourcing of logistics automatically they should rather analyze company specific attributes that will support a few cases suffering from the decisions pertaining to outsourcing of non-core business units (Githinji, 2010). Therefore, firms need method tools and trading partner relationships that permits to be more flexible and adapt quickly to business environment changes. Findings indicate that very minimal logistics outsourcing functions in the Kenya Armed Force that were due to the work set up that is outsourcing was deployed on the non-core services like stationary supplies (Mulama, 2012).

According to Busi (2008), outsourcing entails the shift from the traditional corporate activities to the third part outside the company with an aim of acquiring the world class capabilities. Global competition puts pressure on companies to increase the quality of all the services being delivered while at the same time dealing with overhead costs. These objectives can be met through professional logistics management services. A study examining the effect of logistics capabilities and outsourcing logistics on company performance in the electronic commerce market environment, it indicated that the advance knowledge pertaining the company's logistics ability, outsourcing of logistics and the company's performance in electronic commerce, all the main impacts were significant and positive.

Wellenburg, Cahill and Knemeyer (2010), conducted a study on logistics outsourcing performance and loyalty behavior comparing between Germany and the United States and found out that performance is significant lever that generates loyalty and this was achieved through logistics sourcing. They also found out that logistics outsourcing improved performance through exceeding of goals and the expectations of the consumer and improved loyalty. Companies buying logistics services tend to have a dilemma whether there is a trade-off between the quality of service and the price of the service being paid for

and generally between competitive markets and the long-term partnership, therefore, companies need to consider outsourcing from a broader perspective, and how firms can utilize the competencies and resources of the specialized outsourcing providers in their logistics service (Davari & Rezazadeh, 2015). A link between logistics outsourcing and business performance seem to be less developed empirically, Busi (2008), in his normative literature he suggested that outsourcing is one of the crucial sources of increasing the company's business performance by arguing that there is a positive correlation between the two since outsourcing makes the company more nimble and permits it to the increased concentration on its core activities while leaving the non-core business units to the outside providers.

2.3.1 Warehouse Management

When it comes to consideration of effort level needed in the warehouse operations, the biggest expenditure of effort needed is the picking process, gaining efficiency in picking, labor time of picking orders also needs to be reduced and this can be accomplished in various ways (Connolly, 2008). Firms with the most efficient warehouses tend to have the most frequently picked items that are close to the shipping areas in order to minimize the picking time, hence, these firms are able to achieve competitive advantage by constantly having to review their sales data to ensure that the items are well stored and close to the shipping area for more efficiency in terms of service delivery to the clients (Green, 2011).

The layout of the warehouse is also significant in achieving a greater logistics efficiency thus with an attempt of minimizing the transport time between picking zones can positively improve the firm's productivity, however, achieving this efficiency, organizations should develop processes through outsourcing as they specialize in new technologies that help in monitoring the picking transit times and storage locations (Mulama, 2012). Companies that are still using the hard copy tickets can sometimes find it difficult and not very efficient, as it is exposed to the human error, overcoming this situation and maximize efficiency, having outsourced logistics helps companies achieve a world class warehouse operations (Peslak, 2009). Many organizations in the East African Community seem to have trouble that is as a result of operating losses and cash flow issues and this can be traced back to warehouse management activities, quite often they have piles of obsolete stocks which are seen within their work premises that leads to huge write offs eating the firms' profitability (Mutai & Moronge, 2017). In Kenya, management of warehouse has been affected by

various organizations as they spend amounts of resources installing the warehouse management systems with an attempt of cutting down costs and improve service delivery to their customers.

2.3.2 Inventory Handling

Inventory handling management helps companies in maintaining the lean inventory, that is the firm is able to maintain the optimal level of inventory needed in the marketplace by avoiding having too much or little inventory through periodical reviews and the stocking patterns reviews (Williams & Tokar , 2018). Selection of the vendor to outsource from must be properly done by reviewing checks and balances of the process. Inventory depends upon the demand in the market as well as the supply chain delivery period and often firms undertake one inventory policy for all their items (Liu, Huo, & Zhao, 2015).

Outsourcing logistics comes with inventory management enabling companies to improve these operations and performance respectively. According to Mulinge (2014) based on the variables like space utilization, good inventory turns, effective housekeeping practices, accuracy recording and proper flow of inventory can be achieved to a large extent and the aim of inventory handling is categorizing inventory and understand the types and the specific attributes that is key in building inventory stocking parameters by taking into consideration the attributes of the particular inventory.

Management of materials in companies cannot be achieved without the reference to the inventory management with specialized services (Ulengin, 2015). Inventory handling remains to be the central theme in the pharmaceutical industry as the stock of goods moves from the plant to the final consumer with care needed in handling the nature of the product, therefore, outsourcing of these activity becomes the best option for companies producing medicine which is meant for human consumption (Connolly, 2008). Inventory handling enables firms to meet the anticipated demand rather than causing delays in the transit operations due to lacking of reliable logistics service that are necessary for the companies' inventory in most companies. Inventory handling is key in any manufacturing company as it helps in the developing policies that aim the optimal investment in the inventory. Similarly, inventory handling can lead to the maximization of the risk and liquidity as outsourcing logistics seems to strike the balance between the benefits that come from accrue holding inventory and the costs of doing business.

2.4 The Relationship between Outsourcing and Business Performance

Pratap (2014), defines outsourcing as the process of transferring some of the firm's functions and the decisions rights to the outside vendors through a contractual agreement. Lyons and Brennan (2014) evaluates outsourcing as the strategy used by management whereby the non-core business functions are shifted to specialists, external providers and efficient. Oshri and Willlocks (2011), on the other hand, looks at outsourcing as the contracting with a third party service providers for managing and completing of certain amount of work for a specific allocated period of time and cost length of the service being offered.

In the current world business environment competition is ever increasing, companies are looking for the new ways to gain a competitive advantage and generate value for its customers that competitors should not be able to match easily(Oshri & Willlocks, 2011). Lyons and Brennan (2014), recognize that competitive advantage as a special requirement which can help a firm in dealing with the dynamics in the market and the environmental forces in the best way possible than competitors, organizations to achieve the desired competitive advantage can be met through outsourcing their non-core business units to the specialists outside the organization and achieve the desired performance as the company focuses on their core competencies.

Achonjo (2014), states that excellent organizations remain close to the knitting through a focus on core business units while outsourcing what they regard non-core within the organization since what companies regard as non-core tends to vary from one company to another. While the concept of outsourcing remains new to some sectors and managers, it has been and still significant precursor to some of the business structures that have been developed in operational management. According to Elmuti (2013), the root of any company's competitive advantage lies in its core competencies rather than the non-core business units which most of time act as supporting functions to the core business functions of the company, outsourcing of the non-core business units allows companies to exploit market opportunities. Outsourcing is not just used for supporting services but also for activities that are close to core business units especially when companies are looking for lean production efficiency or cutting edge technology that can be sourced internally. Studies have revealed out that publishers outsource component manufacturing which were previously done in-house (Green, 2011).

Many firms are opting to outsource with hopes that they will benefit from outsourced functions. Outsourcing can lead to improved performance such as shorter cycle time, high quality products, profitability and increased productivity within the firm as it allows the firm to focus on what they do best (Akbari, 2018). A study conducted by Pricewaterhouse Coopers (2011) found out that most companies ideally undertake outsourcing activities with the aim of saving overhead costs but this is achieved through short-terms outsourcing as opposed to a long-term outsourcing of non-core business units. Outsourcing help customers to benefit from supplier cost advantages like experience, location and economies of scale (Chima & John, 2018). The decision on outsourcing can be a delicate matter since it is not just a purchasing affair. The question on when a firm should outsource or keep functions internally is pertinent. According to Agndal and Nordin (2009), outsourcing should depend on two essential variables that is the strategic importance of a specific competence to the firm and the level of competitiveness relative to the suppliers of the service being outsourced outside the Company.

Outsourcing is a common activity across publishing functions ranging from the digital composition to the editorial functions. It offers cost benefits and flexibility that come along with the access to diverge range of technology that is associated with skills being desired (Gotzamani, 2010). Currently, in the publishing industry outsourcing of books publishing extends not just to the arrangements with the initial traditional trading partners but also an extended networks with new partners. According to Lyonns and Brennan (2011), it is generally noted that strategic factors should not be outsourced, however, the nature of the book publishing industry, the editorial services and other important publishing activities are not immune to it.

A survey of the United States CEOs indicates that 42 percent of telecommunication firms, 40 percent of the personal computer manufactures and 37 percent of the semiconductor firms relied on the global outsourcing for them to meet the intended demand of their products and services in the global market (Shekhar, 2008). The main reason for a high number of telecommunication is outsourced largely outsourced due to the lack of communications professionals in the country. Most firms cannot afford hiring communication specialists full time, hence, prompting outsourcing. Inventory, payroll, communication facilities and database functions are among many areas that can be outsourced by firms (Brewer, Ashenbaum, & Ogden, 2013).

2.4.1 Cost Efficiency

Jiang, Frazier and Prater (2006), conducted a study on outsourcing and the performance of the companies in relation to the costs involved. They revealed that the outsourcing arrangements that companies did in transferring the assets of the company to an outside vendor can actually convert the firm's fixed costs and the operating expenses to the variable usage charges in the company. On the practical side, outsourcing of business functions can reduce the commitment to fixed costs, a full time human resource expenses and other overhead costs coming along which will provide the development skills as need. Similarly, outsourcing of business functions and activities improves the company's cost efficiency (Maku & Iravo, 2013). Achonjo (2014), indicates that outsourcing activities does significantly affect the firm's cost efficiency metrics of outsourcing.

Some researchers argue that a crucial source of cost reduction is through outsourcing the company's access to the economies of scale and the unique experts that a big and experience outsourcing vendor can deliver effectively (Szierbowski-Seibel & Kabst, 2018). Cost efficiency metrics of the company describes the ration of the outputs to the inputs whereby the output can be measured using the total revenues or sales of the company and inputs is measured through the overhead costs incurred in generating the outputs. The two measures of cost efficiency can be used is the overhead expenses that is selling the general and administrative costs and the operating expenses and both expressed as a percentage of sales to help in competing company different sizes (Jensen, 2011).

2.4.2 Productivity

A study done by Jiang et al., (2006), found insufficient evidence for them to conclude that outsourcing of firms' activities, the firms obtained significant growth in productivity over the four quarter period, however, several studies have attempted to explain a relationship that exist between productivity growth and outsourcing. Mulama (2012), finds that companies outsource services with an aim of smoothing the production cycles and the benefits from specialization that permits the organization to focus on the core competencies through outsourcing. Mako and Iravo (2013), found a positive relationship between outsourcing and growth in production as companies increased efficiency through specialization.

Efficient companies allocate resources to the activities for which they can enjoy a comparative advantage (Connolly, 2008). Other functions are increasingly outsourced, for instance outsourcing production of goods and services to a company that has a competitive advantage in terms of quality, cost and reliability is emphasized by most companies that seem to be having production costs in the home country (Liu, Huo, & Zhao , 2015). Outsourcing contracts enables firms to assess productivity in terms of the internal service activities and only undertake the actions of outsourcing if the providers can offer better comparable service. Cost reductions due to the differences in labor costs lead to the outsourcing and positive changes in inputs and the output being produced can be altered by profits and the growth in productivity (Brewer, Ashenbaum, & Ogden, 2013). According to Bagga (2015), outsourcing activities does not only result in a shift of labour but also the productivity differences between outsourcing contract offering company and the outsourcing contract receiving companies. Outsourcing also permits companies to rely on management teams in other companies in overseeing tasks in which they are at a relative disadvantage, and increasing the managerial focus and resource allocation to what the company does best.

2.5 Chapter Summary

The chapter presented the literature review of different authors on the effects of strategic outsourcing of the non-core business units on business performance. The first part of the chapter presented a literature of the effect of outsourcing human resource activities on business performance, and the following part reviewed the literature on the effect of logistics outsourcing on business performance and lastly the relationship between outsourcing and business performance. The next chapter presents research methodology that was used in guiding the study.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

The chapter presents research methodology that guided the study to address the research objectives effectively. This chapter covers the research design that was used in conducting the study, population and sampling design entailing the target population as well as the sampling frame, technique and the sample size drawn from the target population. Data collection methods deployed in collecting data from the target respondents, the research procedures through which the researcher pursued in carrying out the study successfully have all been presented in this chapter. Data analysis methods deployed in analyzing data obtained from the respondents have been highlighted in this chapter.

3.2 Research Design

Cooper and Schidler (2014) defines research design of the study as the plan or framework that is used by the researcher in determining the methodology and the structure that the study takes in addressing the research problem. According to Cresswell (2014), the research design indicates the overall plan that is adopted in conducting the study in manner that is logical and coherent in answering the research objectives. Choosing a research design requires the researcher to be certain that he or she can justify the choice of the research design being selected and stating the resources that are necessary in implementing the chosen research design (Guthrie, 2010).

This study used the descriptive survey research design which empowered the researcher to gather both quantitative and subjective information form the respondents. Descriptive survey design is the type of research design that permits collection of both qualitative and quantitative data in nature enabling the description of characteristics of the respondents without influencing the study environment in any way (Cooper & Schindler , 2014). The study selected descriptive survey design since the data collected from the respondents is primary in nature and the description of the attributes of the respondents is crucial to the findings of the study to meet the desired objective.

3.3 Population and Sampling Design

3.3.1 Population

Population refers to the aggregate or the totality of all the objects, things, members or subjects that conform to a certain set of specifications that the researcher is interested in (O'Beirne, 2011). In this study, the population was the employees working at GlaxoSmithKline Kenya. The target population was the senior level management and the middle level management of the company.

Table 3.1 Population Distribution

Level of Management	Population	Distribution (%)
Senior Managers	5	9%
General Managers	8	15%
Middle Level Managers	15	27%
Supervisors	27	49%
Total	55	100%

Source: GlaxoSmithKline Kenya human resource (2018)

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

Sampling frame is defined as the list or gadget that features the whole target populace of the examination that the analyst is keen on to embrace an examination (Lavrakas, 2008). Sampling frame for this particular study was obtained from the office of Human Resource at GlaxoSmithKline Kenya. Senior managers sampling frame provided information pertaining to the strategic decisions concerning outsourcing of non-core units, general managers and middle level of managers provided the information on implementation process of outsourcing non-core business units while the supervisors provided information on the effectiveness of outsourcing activities.

3.3.2.2 Sampling Technique

Sampling technique is the strategy utilized by the analyst in guaranteeing that equivalent odds of the subject determination inside the objective populace frames an example size of the investigation (Cooper & Schindler, 2014). Sampling technique ensures that whether the population is heterogeneous or homogeneous, all the individuals or objects are given equal chances of being selected to form the sample size (Guthrie, 2010). This study used census sampling technique since the target population was too small.

3.3.2.3 Sample Size

Sample size refers to the smallest unit representing the entire target population with similar attributes and traits upon which the researcher can make inferences of the study to address the research problem (Creswell, 2014). A sample is selected from the entire target population by using a sampling technique and it can either be final or designated sample size. For this particular study, the entire population was studied. A census was conducted to determine the sample size since the target respondents were few making census as the most appropriate way of determining the sample size for the study.

Table 3.2: Sample Size Distribution Table

Level of management	Population	Distribution (%)
Senior Managers	5	9.1%
Middle Level Managers	8	14.0%
Supervisors	27	49.9%
Total	55	100%

Source: Author (2019)

3.4 Data Collection Methods

According to Cooper and Schindler (2014), data collection is the procedure that empowers the researcher to assemble information from the respondents with the point of addressing the examination questions or explicit targets of the investigation. This study utilized a closed-ended structured questionnaire in obtaining primary data from the target

respondents. The study chose a questionnaire as the data collection tool because it easy for the researcher to obtain specific information from the respondents and the effectiveness of conducting statistical analysis to address the research questions or objectives. The questionnaire used in this study was based on Likert scale which consists of five levels of responses that is Strongly Disagree, Disagree, Neutral, and Agree and strongly agree (Connolly, 2008). The questionnaire had four main sections with its first section addressing the general information pertaining to demographics of the study population, followed by the second section containing questions on the effect of outsourcing human resource activities on business performance, third section have questions on the relationship between outsourcing of core business units and business performance while the last section of the questionnaire had questions on the effect of outsourcing logistics on business performance.

3.5 Research Procedures

Research Procedures refers to the systematic and definite portrayal delineating bit by bit on how the analyst will complete the investigation with an endeavour of tending to the exploration issue (Cooper & Schindler, 2014). Research procedures allow the researcher to achieve the objective of the research process in manner that is logical and relevant to the objectives of the study. Upon approval of this research proposal from the supervisor, a letter was drafted to the director of human resources for GlaxoSmithKline Kenya seeking authority from the company to conduct this study based on its employees' opinions and views. A pilot test was then carried out using ten percent of the sample size that is five respondents that were not be included in the actual study will be used for pilot test in testing the validity and reliability of the questionnaire. Any weakness that was identified during pilot test, amendments were done to the questionnaire before administering it for the actual study. Reliability and validity of the research instrument was tested using cronbach's alpha. The next step was to physically visit to the GlaxoSmithKline Kenya, where the researcher located the target respondents and explain to them the purpose of the study and the problem the research intends to address. A drop and pick approach was used by the researcher, whereby he dropped the questionnaires to the respondents and then collected them within five working days, after picking them the researcher cross-checked all the questionnaires to make sure that all of them are dully filled, in case of any missing information. The researcher went back to the company to seek for the missing information from the respondents. Questionnaires were then collected for data analysis.

3.6 Data Analysis Methods

Creswell (2014), defines data analysis as the procedure where crude information is changed over into important data that is significant to the clients by utilizing information investigation device. This study made use of Statistical Package for Social Sciences (SPSS) software version 24 to analyse data obtained from the respondents. Descriptive statistics were deployed to analyse frequencies, mean and standard deviations. Inferential statistics were used to analyse the relationship between study variables. Inferential statistics were used to analyse correlational and regression analysis to establish the relationship that exists between study variables. The information gathered from the respondents was presented in tables and figures.

3.7 Chapter Summary

This section presented the research methodology of the study. The methodology highlighted descriptive survey as the research design used in conducting this study, the population of the study which is 55 employees from top management and middle level management for GlaxoSmithKline Kenya. Sampling design and a sample size accounting for 55 respondents has been presented. Data collection methods deployed in obtaining data from target respondents have been presented. Research procedures deployed have also been highlighted. The methods of data analysis have also been highlighted. Chapter four presents the results and findings. The chapter presents the findings in forms of tables and figures highlighting frequencies, percentages, regression and correlational analysis of the findings.

CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

The findings of the study obtained from the respondents are presented in this chapter. The first part of the chapter highlights general information of the respondents, followed by findings on the effect of outsourcing human resource activities on business performance, the effect of outsourcing logistics on business performance and the relationship between outsourcing of non-core business units and business performance.

4.2 General Information

4.2.1 Response Rate

A response rate of 89% was revealed in this study whereby out of 55 questionnaires that were issued, 49% were fully answered. Since, the response rate was above 70%, it was regarded sufficient for data analysis.

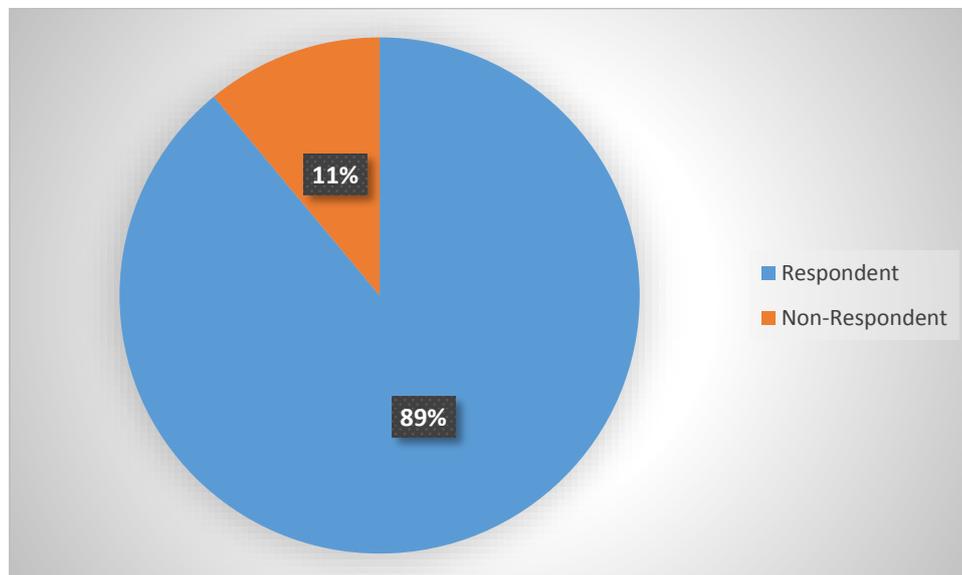


Figure 4. 1: Response Rate

4.2.2 Demographic information

4.2.2.1 Gender of the respondents

The respondents of the study were asked to indicate their gender, 39% were female and 61% were male as shown in Figure 4.2. It implied that most of the respondents were male. It inferred that most of the respondents were male and the sexual orientation dissemination inside the organization is very much conveyed.

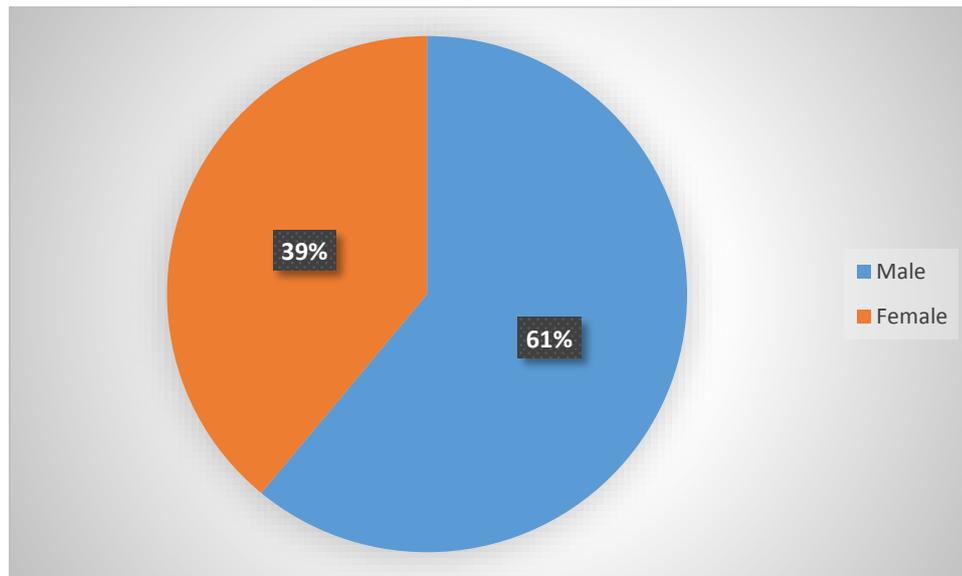


Figure 4. 2: Respondents Gender

4.2.2.2 Age of the Respondents

At the point when the investigation respondents were approached to show the age section, 22% matured between 41-47 years, 16% had the age of at least 48, 39% aged between 34-40 years, 17% aged between 26-33 years and 6% matured between 18-25 years as appeared in Figure 4.3 underneath. This indicated that all the respondents are eligible to work according to the labour laws of the country.

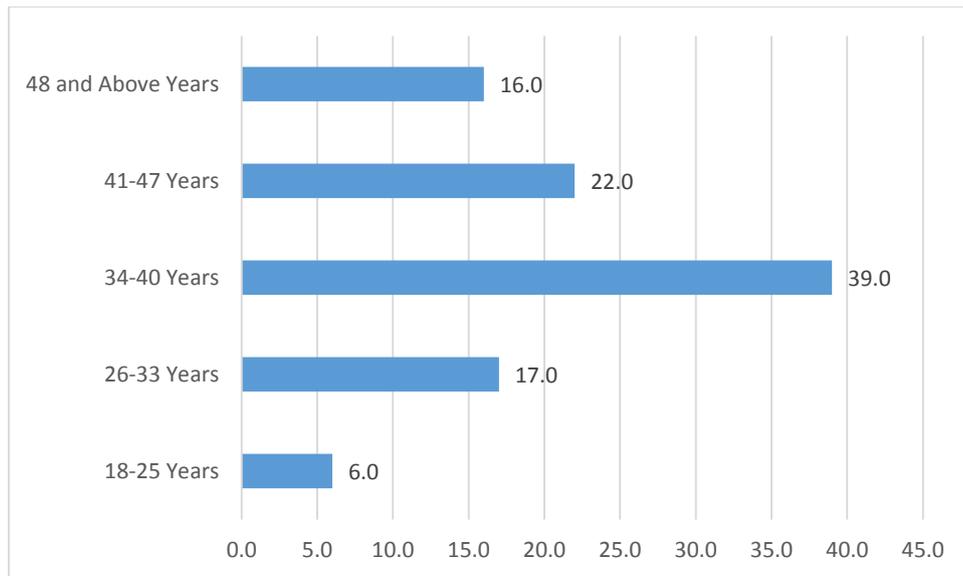


Figure 4. 3: Respondents Age

4.2.2.3 Number of Years in the Organization

The investigation looked to build up the quantity of years the respondents had remained with the association, 6% had remained for somewhere in the range of 0 and 1 year, 18% somewhere in the range of 2 and 4 years, 39% somewhere in the range of 5 and 7 years, 20% somewhere in the range of 8 and 10 years and 17% over 10 years. This inferred the dominant part had remained in the organization for over 5 years, subsequently, they see well how the association functions. The findings are presented in Figure 4.4.

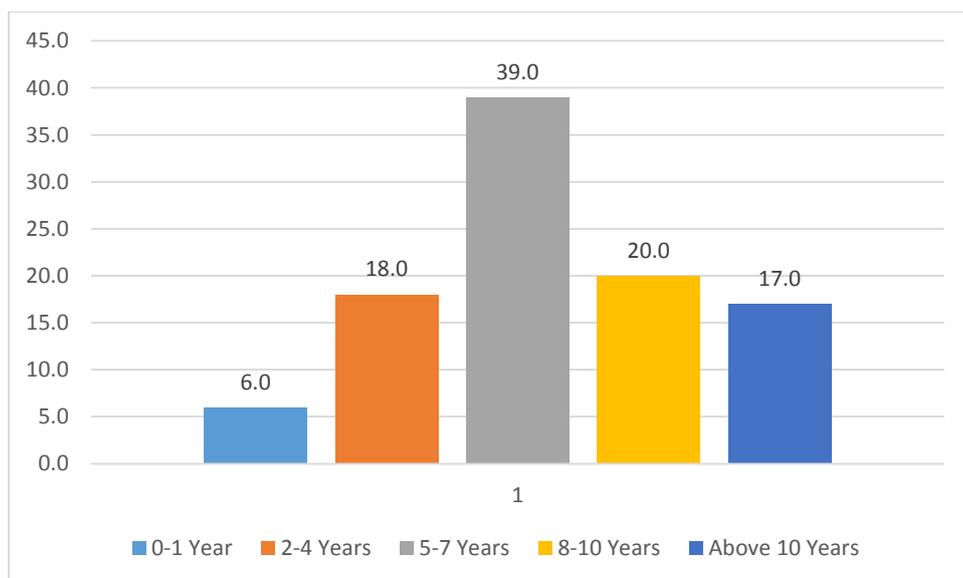


Figure 4. 4: Number of Years in the Organization

4.2.2.4 Respondent's Education

At the point when the respondents were solicited to demonstrate their most elevated level from education, 41% showed that they had a postgraduate certificate, 4% a diploma, 45% a four year college education and 10% had a doctorate capability as showed up in Figure 4.5 underneath. It implied that the respondents have capacity to peruse and decipher the data that was looked for by the researcher.

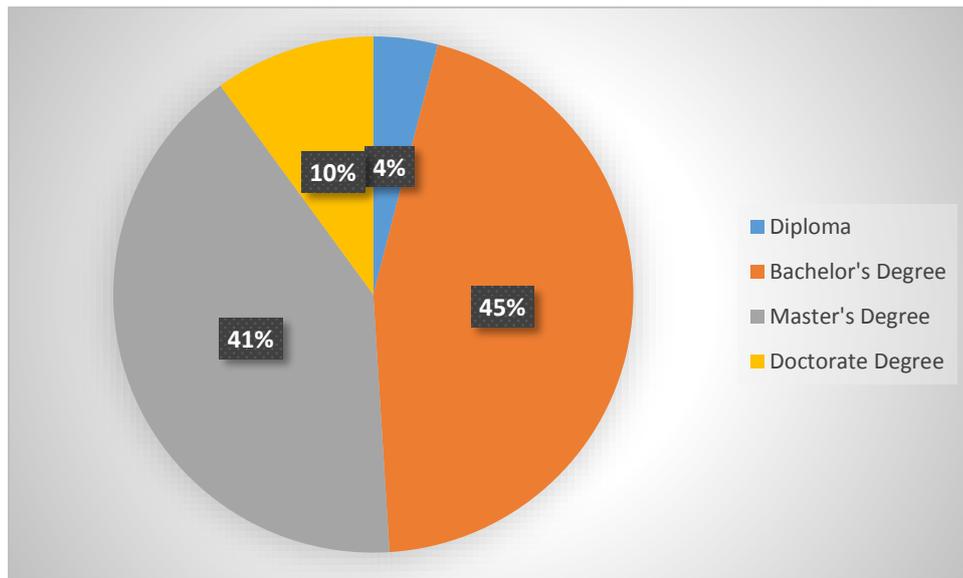


Figure 4. 5: Respondent's Education

4.3 The Effect of Outsourcing Human Resource Activities on Business Performance

This study sought to determine the effect of outsourcing human resource activities on business performance. The findings are presented as follows:

4.3.1 Outsourcing Human Resource and Business Performance

When the respondents were asked whether outsourcing of human resource activities enhances business performance, 8% of the respondents were neutral, 41% agreed and 51% strongly agreed as shown in Figure 4.6 below. It meant that outsourcing of human resource activities enhances business performance.

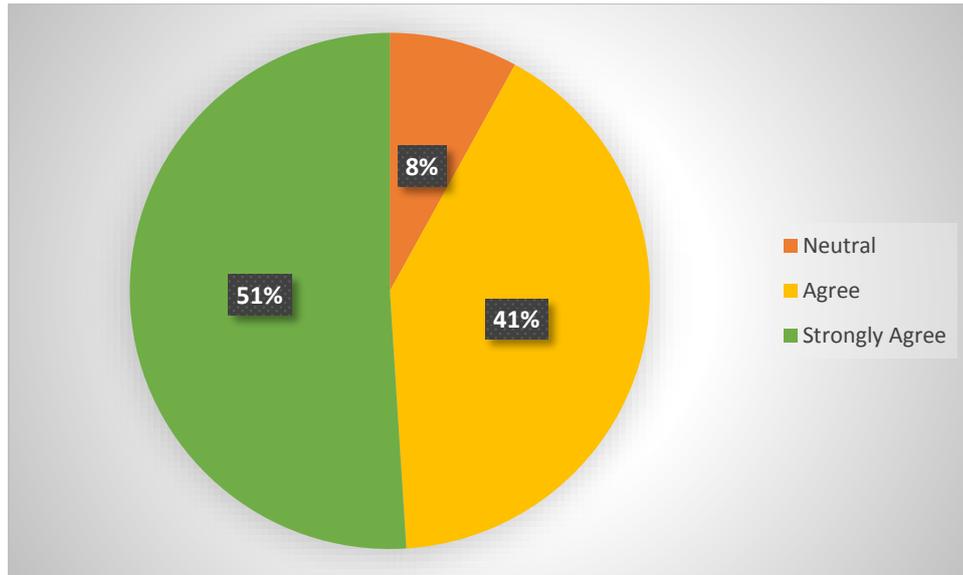


Figure 4. 6: Outsourcing Human Resource and Business Performance

4.3.2 Outsourcing Human Resource Activities and Innovation

On the question whether outsourcing of human resource activities enhances innovation in the firm, 6% of the respondents disagreed, 55% agreed and 39% strongly agreed as shown in Figure 4.7 below. It indicated that outsourcing of human resource activities enables the organization to be innovative.

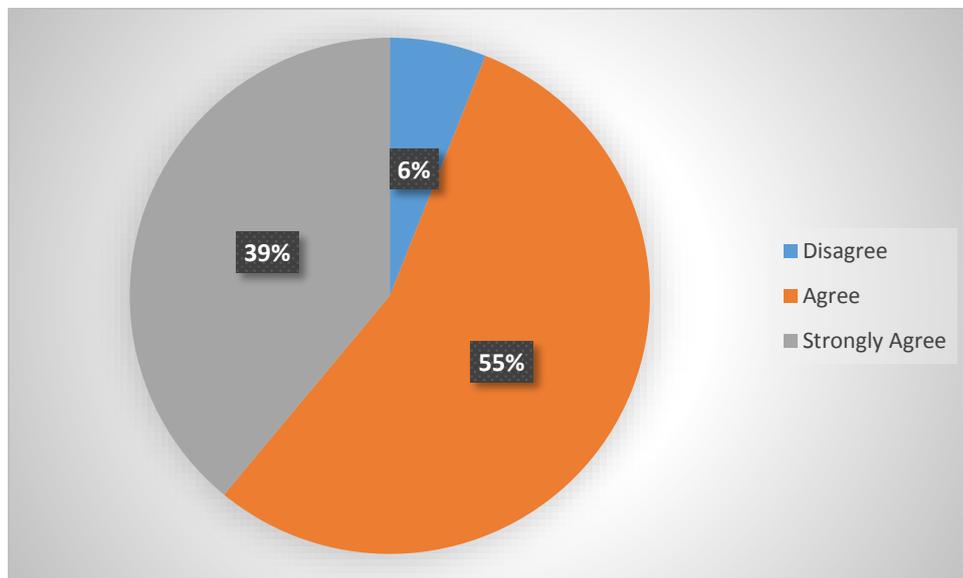


Figure 4. 7: Outsourcing Human Resource Activities and Innovation

4.3.3 Outsourcing and Focus on Core Business Activities

On the question whether outsourcing of human resource activities enables the organization to focus on core business activities, 55% of the respondents strongly agreed and 45% agreed as shown in Figure 4.8. The implication of this is that outsourcing of human resource activities enables the company to focus on core business activities.

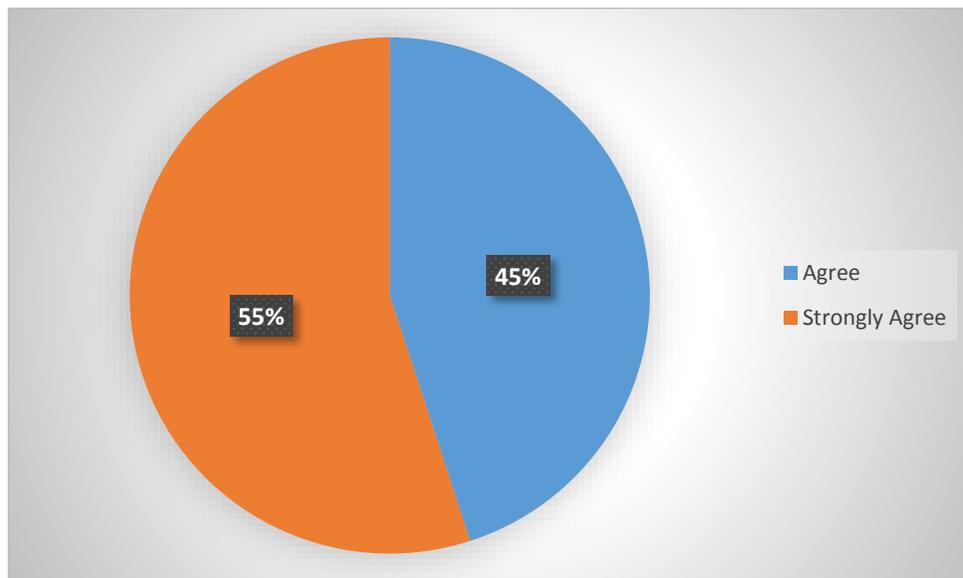


Figure 4. 8: Outsourcing and Focus on Core Business Activities

4.3.4 Outsourcing of Human Resources Activities and Talent Acquisition

When the respondents were asked to indicate whether outsourcing of human resource activities enhances talent acquisition into the organization, 2% strongly agreed, 6% were neutral, 45% agreed, and 47% strongly agreed. It implied that outsourcing of human resource activities enhances talent acquisition. The findings are presented in Figure 4.9.

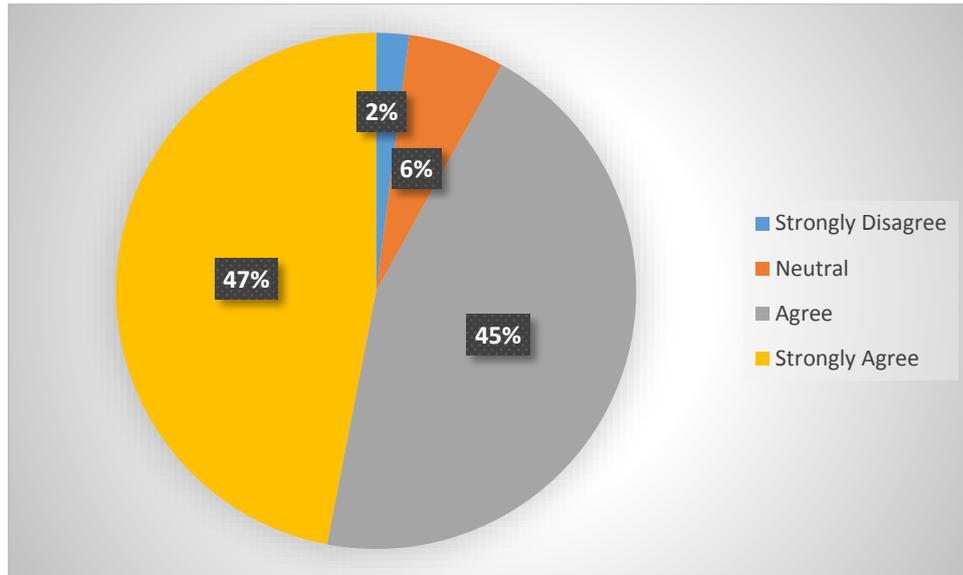


Figure 4. 9: Outsourcing of Human Resources Activities and Talent Acquisition

4.3.5 Outsourcing of Human Resource Activities and Efficiency

On the question whether outsourcing of human resource activities enhances efficiency in the organization, 4% disagreed, 51% agreed and 45% strongly agreed as shown in Figure 4.10. This meant that outsourcing of human resource activities enhances efficiency in the organization.

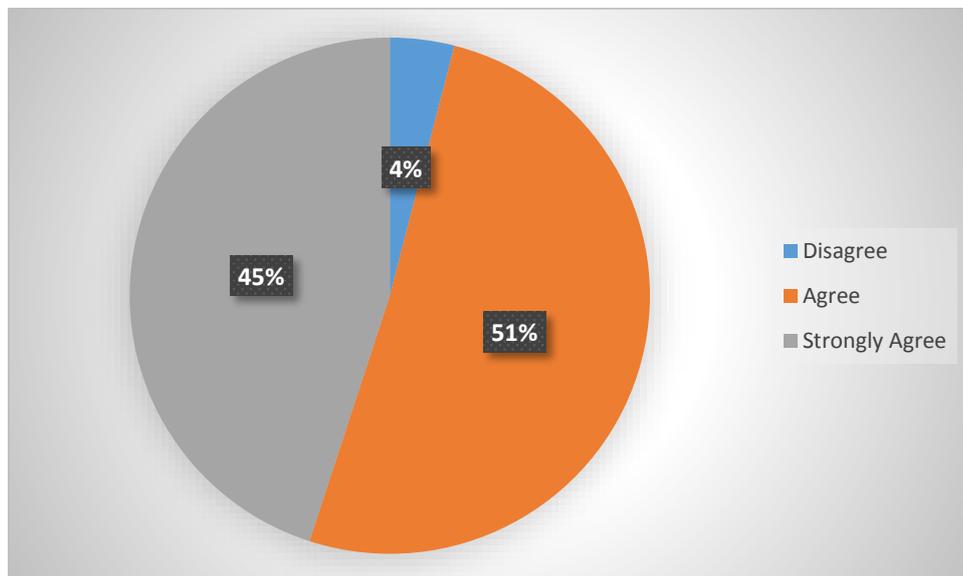


Figure 4. 10: Outsourcing of Human Resource Activities and Efficiency

4.3.6 Outsourcing of Human Resource Activities and Cost Cutting

The respondents were asked to indicate whether outsourcing of human resource activities helps the organization cut down costs, 63% agreed and 37% strongly agreed as shown in Figure 4.11 below. It meant that outsourcing of human resource activities helps the organization in cutting down costs.

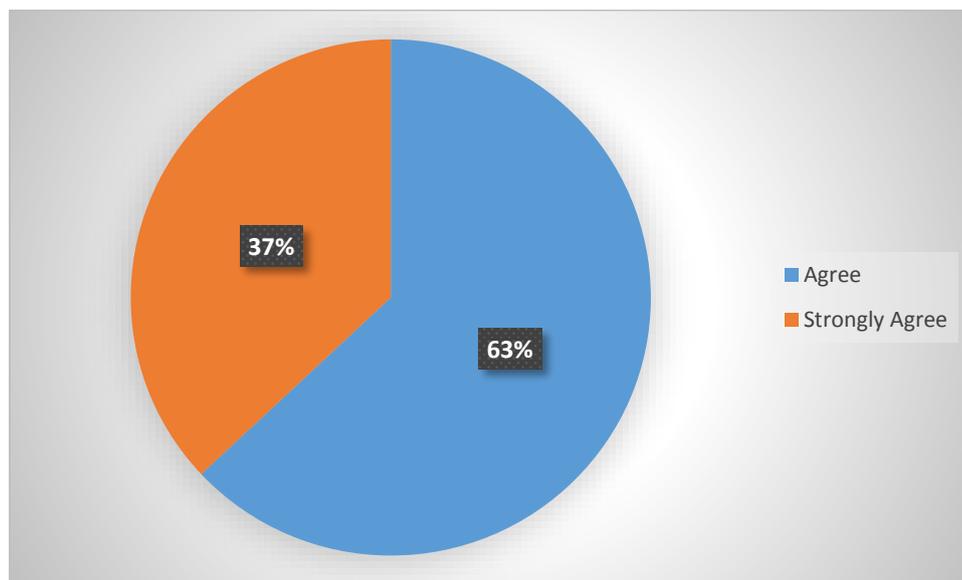


Figure 4. 11: Outsourcing of Human Resource Activities and Cost Cutting

4.4 The Effect of Outsourcing Logistics on Business Performance

This study sought to determine the effect of outsourcing logistics on business performance. The findings are presented as follows:

4.4.1 Logistics Outsourcing and Costs

On the question whether outsourcing of logistics helps the organization reduce logistics expenses when done internally, 31% agreed and 69% strongly agreed as shown in Figure 4.12 below. This implied that outsourcing of logistics enables the organization to cut down logistics expenses as opposed to carrying it out internally.

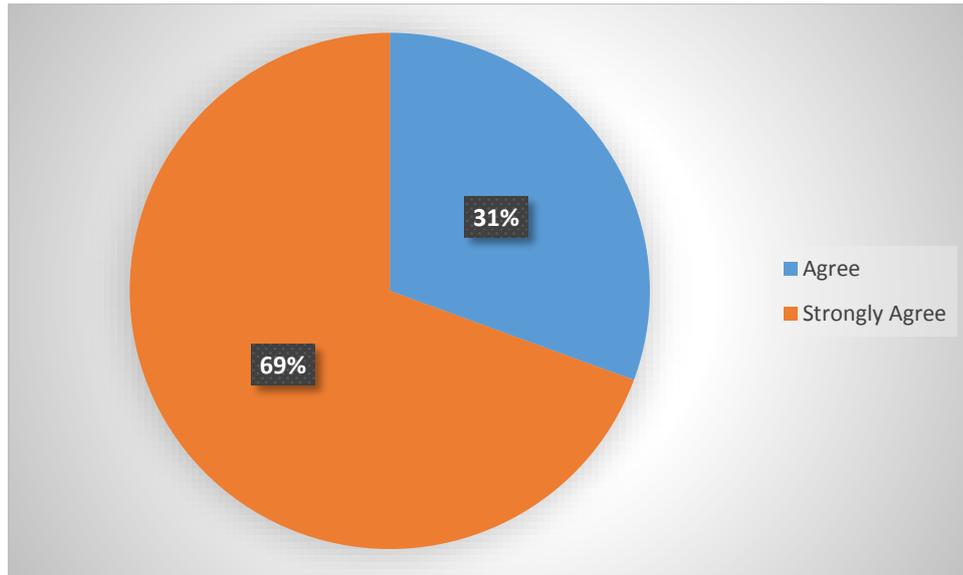


Figure 4. 12: Logistics Outsourcing and Costs

4.4.2 Logistics Outsourcing and Operations

The respondents were asked to indicate whether outsourcing of logistics reduced cycle time in the company's operations, 41% agreed and 59% strongly agreed as shown in Figure 4.13. It implied that outsourcing of logistics reduces cycle time in the company's operations.

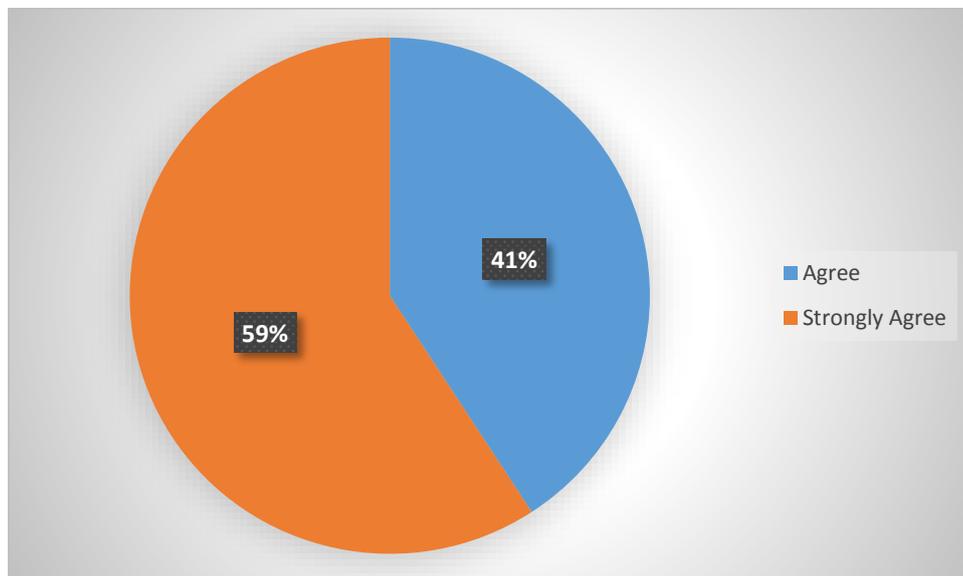


Figure 4. 13: Logistics Outsourcing and Operations

4.4.3 Housekeeping Practices and Outsourcing Logistics

On the question whether good housekeeping practices had been achieved through outsourcing logistics; the majority of the respondents strongly agreed at 65% and 35% agreed as shown in Figure 4.14 below. It implied that good housekeeping practices have been achieved through outsourcing logistics.

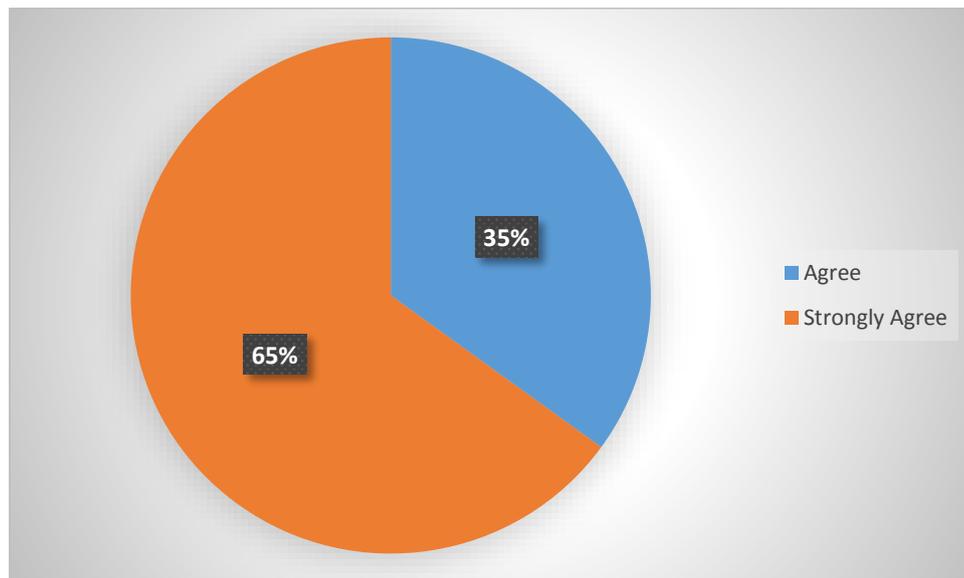


Figure 4. 14: Housekeeping Practices and Outsourcing Logistics

4.4.4 Efficient Stock Levels and Outsourcing Logistics

When the respondents were asked to indicate whether efficient stock levels had been achieved in the organization as a result of outsourcing logistics, 4% were neutral, 69% agreed and 27% strongly agreed as indicated in Figure 4.15 below.

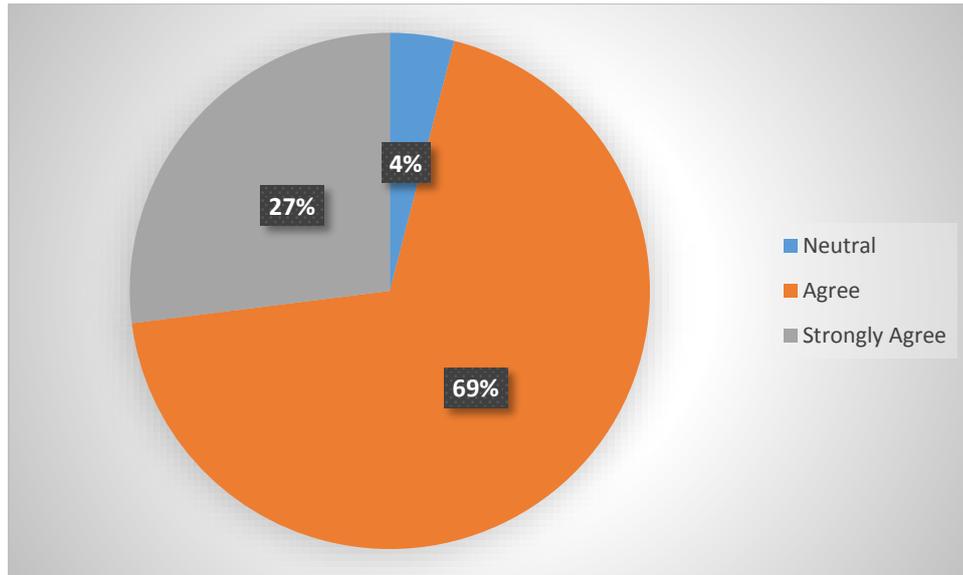


Figure 4. 15: Efficient stock levels and outsourcing logistics

4.4.5 Customer Accessibility

On the question whether customer accessibility into various locations had been enhanced as a result of outsourcing logistics, 53% of the respondents agreed and 47% of the respondents strongly agreed as shown in Figure 4.16. It implied that customer accessibility has been enhanced as a result of outsourcing logistics.

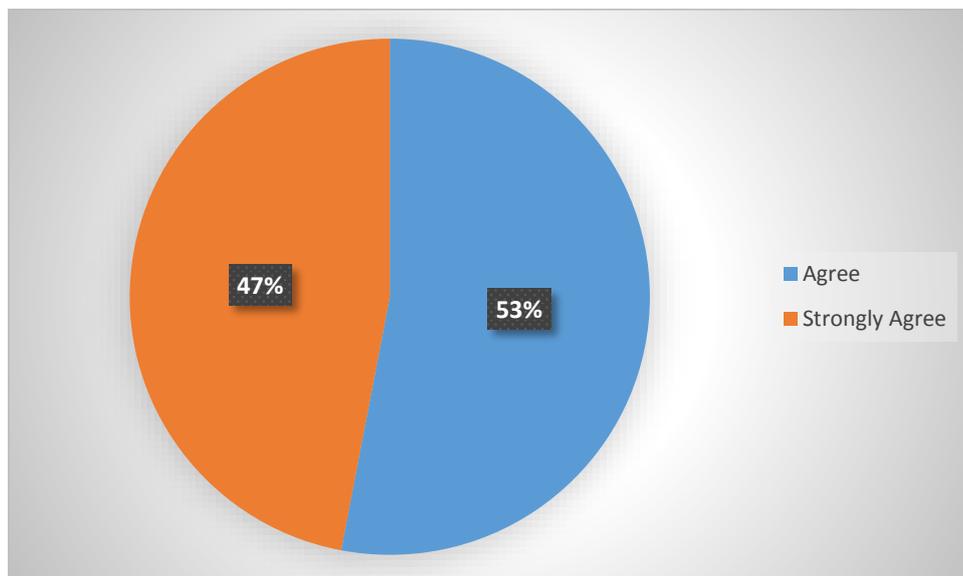


Figure 4. 16: Customer Accessibility

4.4.6 Outsourcing logistics and productivity

On the question whether outsourcing of logistics enhances productivity in the organization, the majority of the respondents agreed at 61% and 39% strongly agreed as shown in Figure 4.17 below. It indicated that outsourcing of logistics enhances productivity in the organization.

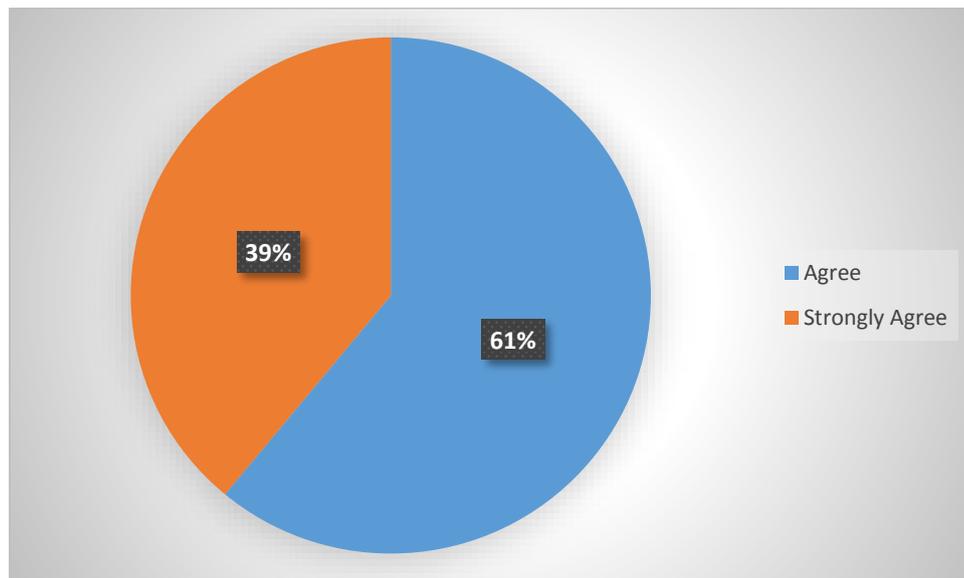


Figure 4. 17: Outsourcing Logistics and Productivity

4.5 The Relationship between Outsourcing of Non-Core Business Units and Business Performance

This study sought to determine the relationship between outsourcing of non-core business units and business performance. The findings are presented as follows:

4.5.1 Outsourcing of Non-Core Business Units and Business Performance

When the respondents were asked to indicate whether outsourcing of non-core business units enhanced business performance, 59% agreed and 41% strongly agreed as shown in Figure 4.18. It means that outsourcing of non-core business units enhances business performance.

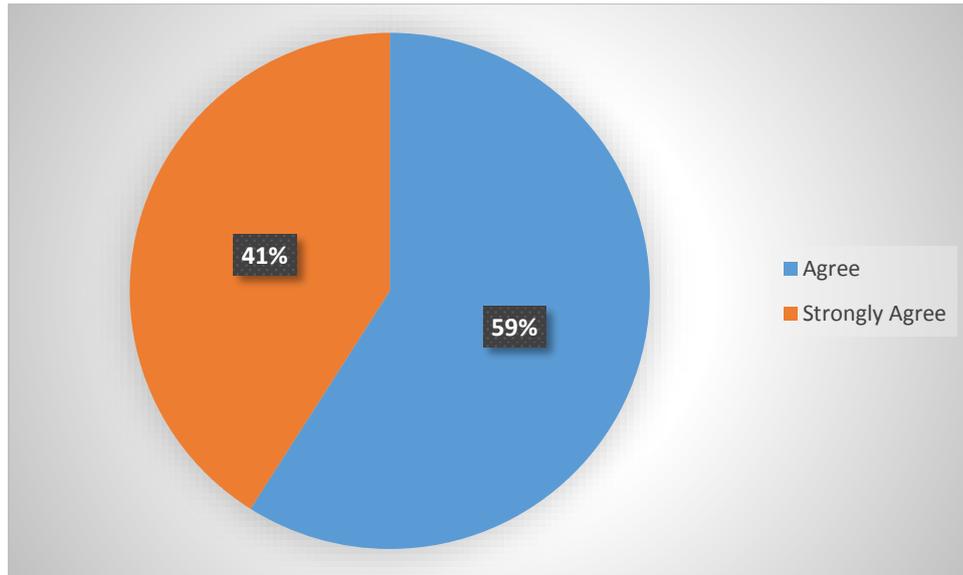


Figure 4. 18: Outsourcing of Non-Core Business Units and Business Performance

4.5.2 Outsourcing and Operations Costs

The respondents were asked to indicate whether outsourcing has reduced operations costs for the organization, 47% agreed and 53% of the respondents strongly agreed as shown in Figure 4.19 below. It implied that outsourcing of non-core business units enhances cost reductions in operations of the firm.

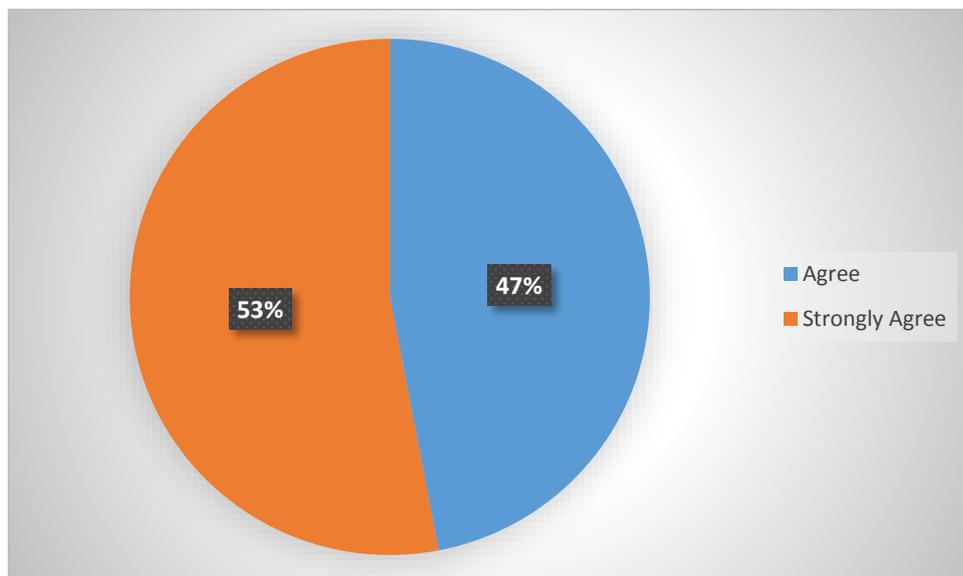


Figure 4. 19: Outsourcing and Operations Costs

4.5.3 Outsourcing and Business Success

When the respondents were asked to indicate whether outsourcing of non-core business units was crucial for their business success, 51% strongly agreed, 43% agreed while 6% were neutral as indicated in Figure 4.20 below. It implied that outsourcing of non-core business units is crucial for business success of the organization.

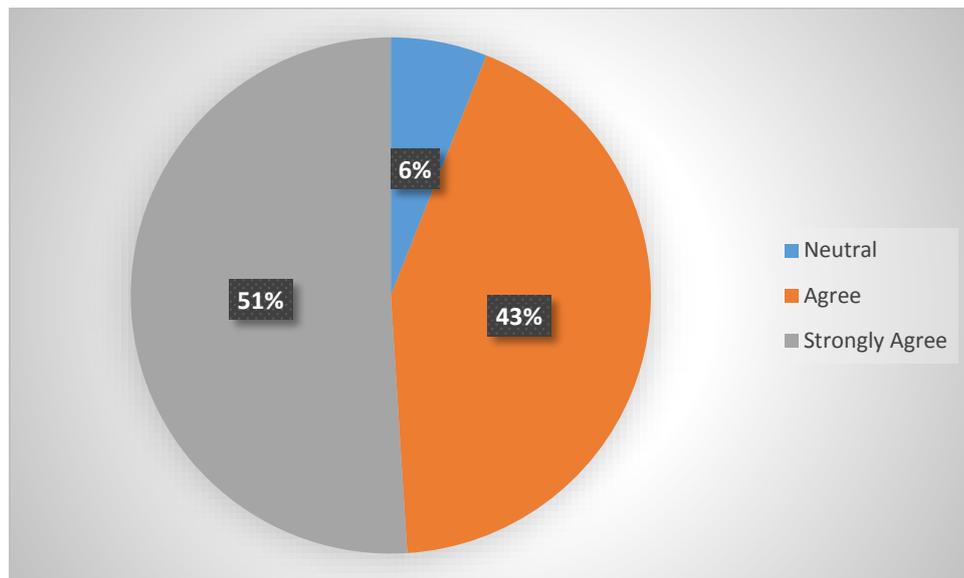


Figure 4. 20: Outsourcing and Business Success

4.5.4 Outsourcing and Competitive Advantage

When the respondents were asked to indicate whether outsourcing of non-core business units enhances their competitive advantage, 47% agreed and 53% strongly agreed as shown in Figure 4.21 below. It meant that outsourcing of non-core business units enhances competitive advantage of the firm.

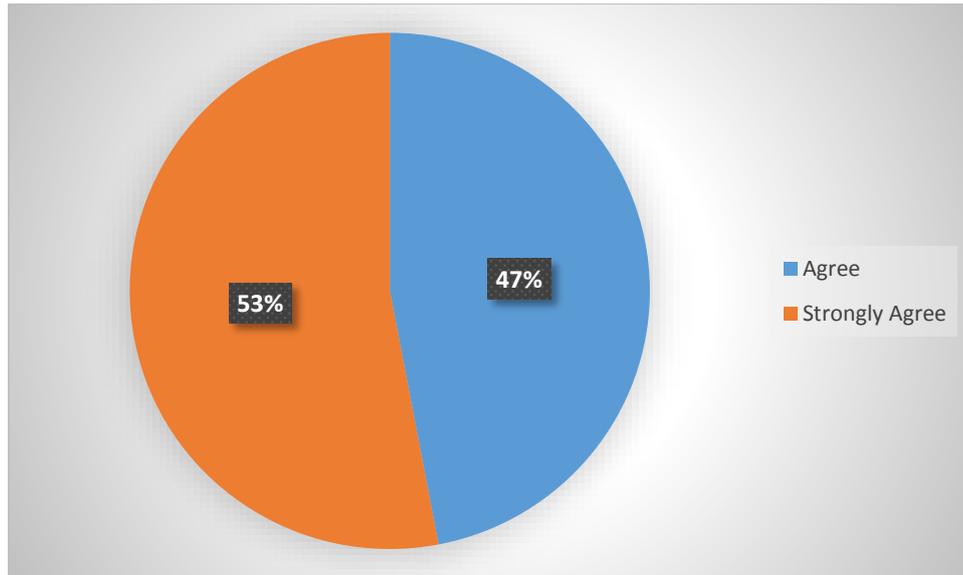


Figure 4. 21: Outsourcing and Competitive Advantage

4.5.5 Outsourcing and Quality Service Delivery

When the respondents were asked to indicate whether outsourcing of non-core business units enhanced quality in service delivery of the firm, 4% strongly disagreed, 4% disagreed, 61% agreed and 31% strongly agreed as shown in Figure 4.22. It implied that outsourcing enhances quality in service delivery in the organization.

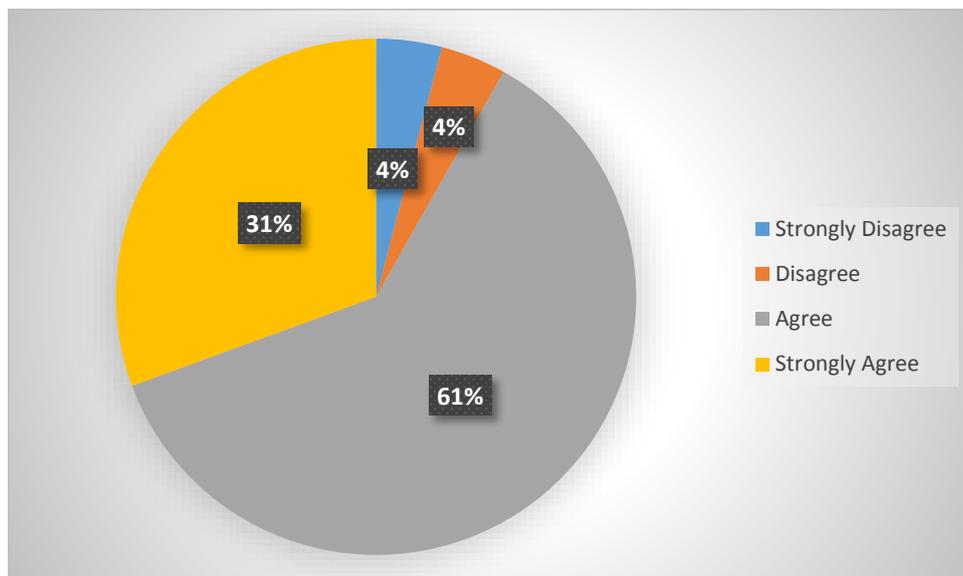


Figure 4. 22: Outsourcing and Quality Service Delivery

4.5.6 Outsourcing and Financial Performance

When the respondents were asked to indicate whether outsourcing of non-core business units enhanced their financial performance, 4% were neutral, 61% agreed while 35% strongly agreed as indicated in Figure 4.23. It indicated that outsourcing enhances financial performance of the organization.

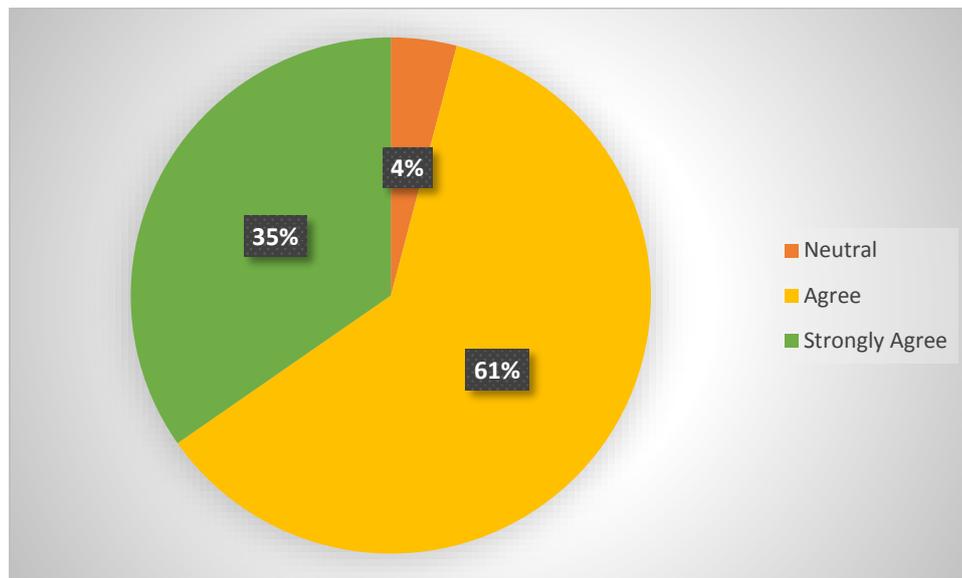


Figure 4. 23: Outsourcing and Financial Performance

4.5.7 Outsourcing and Flow of Information

When the respondents were asked to indicate whether outsourcing enhances good flow of information throughout the entire organization, majority of the respondents at 59% agreed and 41% strongly agreed as shown in Figure 4.24 below. It implied that outsourcing of non-core business units enhances good flow of information through the entire organization.

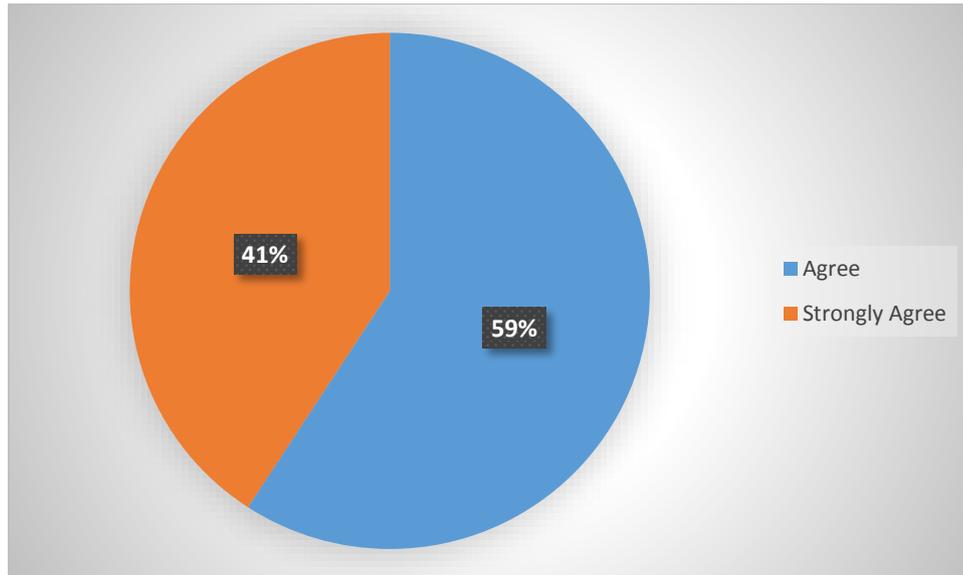


Figure 4. 24: Outsourcing and Flow of Information

4.5.8 Outsourcing and Specialization

When the respondents were asked to indicate whether outsourcing enhanced specialization in their organization, 63% agreed and 37% strongly agreed as shown in Figure 4.25 below. This implied that outsourcing of non-core business units enhances specialization in the organization.

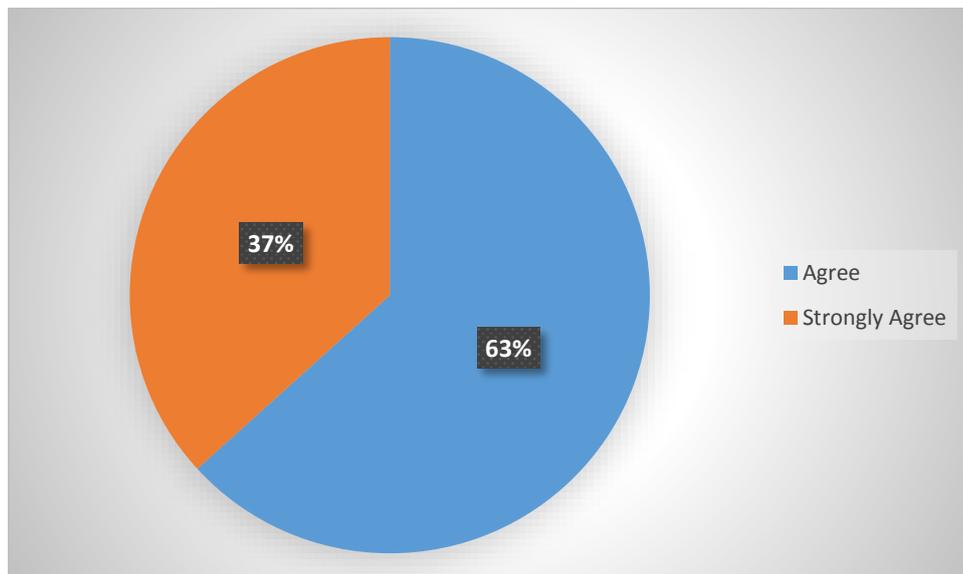


Figure 4. 25: Outsourcing and Specialization

4.6 Correlation Analysis

Correlational analysis was conducted to establish the relationship that exists among the study variables. The findings of this study indicated that there exists a significant relationship between human resource outsourcing and business performance, $r(0.369)$; $p\text{-value} < 0.01$. The findings also indicated a statistical significant relationship between logistics outsourcing and business performance $r(0.484)$; $p\text{-value} < 0.01$ and finally a strong and significant relationship was found to exist between outsourcing of non-core business units and business performance, $r(0.767)$; $p\text{-value} < 0.01$. The findings are presented in Tables 4.1 below.

Table 4. 1: Correlation Analysis

Variables		1	2	3	4
Business Performance	Pearson				
	Correlation	1			
	Sig. (2-tailed)				
	N	49			
Human Resource Outsourcing	Pearson				
	Correlation	.369**	1		
	Sig. (2-tailed)	.009			
	N	49	49		
Logistics Outsourcing	Pearson				
	Correlation	.484**	-.003	1	
	Sig. (2-tailed)	.000	.985		
	N	49	49	49	
Outsourcing and Business Performance	Pearson				
	Correlation	.767**	.276	.638**	1
	Sig. (2-tailed)	.000	.054	.000	
	N	49	49	49	49

** . Correlation is significant at the 0.01 level (2-tailed).

4.7 Regression Analysis

Regression analysis was carried out in order to determine the relationship between the study variables when combined. The study findings found an adjusted R square value of (0.591) which indicates that about (60%) or the variability in business performance of the company is attributed to outsourcing of human resource activities, logistics outsourcing and the relationship between outsourcing and business performance. The remaining variability of (40%) on business performance was attributed to the factors that were not covered in this study. The findings are presented in Table 4.2 below.

Table 4. 2: Regression Analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.785 ^a	.616	.591	.15178

a. Predictors: (Constant), Relationship between Outsourcing and Business Performance, Human resource outsourcing, Logistics outsourcing

The Analysis of Variance (ANOVA) was conducted to investigate whether the means of the variables were statistically significant. The findings showed a statistically significant mean variable $F_{(3,45)} = 14.620$; $p\text{-value} < 0.000$ as shown in Table 4.3 below. The mean variables fell within the statistical significance level of 0.05 indicating that the mean variables were statistically significant.

Table 4. 3: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.057	3	.686	14.620	.000 ^b
Residual	2.110	45	.047		
Total	4.167	48			

a. Dependent Variable: Business Performance

b. Predictors: (Constant), Relationship between Outsourcing and Business Performance, Human Resource Outsourcing, Logistics outsourcing

The coefficient model shows that Outsourcing human resource activities had the highest Beta coefficient β (0.541); p-value = 0.00 and followed by logistics outsourcing with Beta coefficient β (0.337); p-value = 0.008 and the relationship between outsourcing of non-core business units and business performance had a Beta coefficient β (0.138); p-value = 0.023. It is evident that all the p-values are < 0.05, hence, statistically significant. The findings are presented in Table 4.4 below.

Table 4. 4: Coefficients Summary

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.024	.791		-.030	.976
Outsourcing Human Resource Activities	.541	.110	.560	4.926	.000
Logistics Outsourcing	.337	.189	.254	1.787	.008
Outsourcing and Business Performance	.138	.138	.148	1.005	.023

a. Dependent Variable: Business Performance

4.8 Chapter Summary

This chapter presented the results and findings obtained from the target respondents. The findings revealed a significant relationship between outsourcing of human resource activities, followed by a significant relationship between logistics outsourcing and business performance. Finally, the study findings revealed a significant relationship between outsourcing of non-core business units and business performance. The next chapter covers the discussion, conclusion and recommendations based on the study findings.

CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Chapter five of this study presents the discussion, conclusion and recommendations based on the findings of the study obtained from the respondents. The first section of this chapter presents the summary of the study followed by the discussion, conclusion and recommendations for improvement as well as for further studies.

5.2 Summary

The purpose of this study was to determine the effects of strategic outsourcing on non-core business units on business performance at GlaxoSmithKline Kenya. The study was guided by the following research questions; what is the effect of outsourcing human resource activities on business performance, what is the effect of outsourcing logistics on business performance and what is the relationship between outsourcing of non-core business units and business performance.

This study used descriptive survey design on the target population of 55 senior managers and middle level managers at GlaxoSmithKline Kenya. A pilot study was done using 10% of the sample size to test the validity as well the reliability of the questionnaire. A closed ended structured questionnaire was used in collecting primary data from the respondents. A census was used to study the entire population as the sample size for this particular study. Data analysis consisted of both descriptive statistics and inferential statistics. Descriptive statistics analyzed frequencies and percentages and inferential statistics analyzed correlational analysis and regression analysis. Data was analyzed using Statistical Package for Social Sciences (SPSS) software version 24.

The first research question sought to determine the effect of outsourcing human resource activities on business performance. The findings of this study revealed that there exists a significant relationship between human resource outsourcing and business performance, $r(0.369)$; $p\text{-value} < 0.01$. Since the $p\text{-value} < 0.05$ it is evident that outsourcing of human resources activities influences business performance positively.

The second research question sought to determine the effect of logistics outsourcing on business performance at GlaxoSmithKline Limited. The findings indicated a statistical significant relationship between logistics outsourcing and business performance $r(0.484)$; $p\text{-value} < 0.01$. Since the $p\text{-value} < 0.05$, it is evident that logistics outsourcing influences business performance.

The third research question sought to determine the relationship that exists between outsourcing and business performance. The findings revealed a strong and significant relationship was found to exist between outsourcing of non-core business units and business performance, $r(0.767)$; $p\text{-value} < 0.01$. Since the $p\text{-value} < 0.05$ it shows that outsourcing influences business performance.

5.3 Discussion

5.3.1 The Effect of Outsourcing Human Resource Activities on Business Performance

The first research question sought to determine the effect of human resource activities on business performance. The findings revealed that there exists a significant relationship between outsourcing of human resource activities and business performance. These discoveries affirm the finding of Davari and Razazadeh (2015), who contends that with the expanded globalization, redistributing has turned into a significant methodology in the business condition and the company's upper hand might be picked up as the administration or item are delivered all the more productively and adequately by the outside sourced providers. According to Busi (2008), the urgency of responding to the changes in the market on daily basis and the increased difficulty of predicting the direction of such kind of changes requires organizations to continuously focus on their core competencies and capabilities that will help them in addressing the changes taking place in the business environment effectively.

Sheehan and Cooper (2011), on the other hand argues that the debate on outsourcing of human resource activities is polarised since human resource is seen as opportunity for the Human Resource function by some individuals as a threat by others. The first view holds that human resource outsourcing is an instrument for creating time for human resource to become a strategic partner. While the second view holds that human resource outsourcing is considered as a cost-cutting instrument that gradually reduces human resource staff.

The findings of this study revealed that outsourcing of human resource activities enables the company to focus on their core competencies for enhanced business performance. According to Pratap (2014), strategic outsourcing permits organizations to entirely focus on their own core competencies by relocating the limited available resources in strengthening their core product or service and strategic use of outside suppliers in performing service activities traditionally used to be done internally. Busi (2008), argues that traditionally outsourcing was abbreviated for “outside resource using” whereby outside meant value creation from without and not within the organizational. In addition, Brewer, Ashebaum and Ogden (2013), argues that human resource managers are expected to have flexibility, responsive and efficient that the human resource managers of the old, and contributing to the strategic decisions of their firms. In responding to this paradigm shift, various human resource managers are turning to outsourcing as the right way of meeting these demands.

The findings of this study also revealed that outsourcing of human resource activities enhances cost reduction in the organization. These findings confirm with the findings of Bagga (2015) as he suggests that traditional outsourcing emphasized on tactical benefits such as cost reduction, such as cheap labor, low cost production countries and most recently having been replaced by increased productivity, innovation and speed, flexibility, developing business application and accessibility to the new technologies disrupting the current business environment for a firm to gain a competitive advantage over its competitors. Gilley, Rasheed and Greer (2014), carried out a study on human resource outsourcing and organizational performance in the manufacturing companies and found out that outsourcing of certain human resource activities had a positive impact on the overall invention and creativity within the firm. Another study carried out by Klaas, McClendon and Gainey on human resource outsourcing to analyze the impact of organizational characteristics and the study revealed that the relationship that existed between the degree of outsourcing and its perceived advantages generated was moderated by the reliance on idiosyncratic human resource practices, the firm size, uncertainty, human resource practices and the pressures of costs.

The findings revealed that outsourcing of human resource activities enhances operational efficiency in the organization. According to Peslak (2009), outsourcing of human resource activities to the specialists that are well equipped technology can enhance efficiency. The internet technology and the new generations of various software have also revolutionized

human resource productivity, significant in improving the human resource productivity, an increased control of staff benefits, streamlining compliance efforts, lowering recruitment costs and facilitating the administration of payroll activities. According to Davari and Razazadeh (2015), as much as there may be a consensus that firms should perform core functions internally and outsource those functions that are non-core to their companies, what is regarded core and non-core units varies between organizations and industries. Therefore, the decision involving which Human Resource activities can be outsourced is purely driven by the business strategy the organization is pursuing.

According to Shekhar (2008), the process of outsourcing recruiting activities enhances the firm's business performance in that this process enables companies to alleviate their internal resources of the management and transactional responsibilities involved with staffing permitting the alleviated resources to dedicate all their time to other key areas of the business with an attempt of achieving the efficiency and productivity being desired.

5.3.2 The Effect of Outsourcing Logistics on Business Performance

The second research question sought to determine the effect of outsourcing logistics on business performance. This study found a statistically significant relationship between outsourcing logistics and business performance. The findings are in line with the findings of Akbari (2018), who illustrates that logistics outsourcing has become more popular and relevant to many companies currently due to the increased globalization forcing firms to focus on their core competencies for more efficiency. According to Brewer, Ashebaum and Ogden (2013), third party service that are contracted for outsourcing activities are highly specialized and can offer the same service that is required by companies at a lower and affordable cost thus companies are able to effectively manage the forces arising from macro environment of the business and become competitive and help the company in improving its overall performance.

Liu, Huo and Zhao (2015), argue that the organization has to make the good decisions in several related fields to allow an efficient flow of materials such choosing the right suppliers, negotiating terms for delivery use and appropriate storage systems in the company. The institute dealing with logistics looks at the concept as the time period related positioning of resources or the strategic management approach that addresses the entire value chain. Currently, companies will often contract with firms that specialize in logistics to handle all or most of their logistics activities, the contracted transport companies are

often referred as third party logistics firms. In the face of increasingly and intensified rivalry in the global economy, many companies are progressively turning to the outsourcing of their logistics function (König & Spinler, 2016).

The findings of this study also indicated that logistic outsourcing enhances customer accessibility. These findings confirm with the findings of Githinji (2010) who argues that logistic outsourcing activities are non-core and can be outsourced so as the organization can fulfill the customer demand that requires a full package service, however, companies should not be expecting gains from outsourcing of logistics automatically they should rather analyze company specific attributes that will support a few cases suffering from the decisions pertaining to outsourcing of non-core business units. Therefore, firms need method tools and trading partner relationships that permits the to be more flexible and adapt quickly to business environment changes (Mulama, 2012).

Wellenburg, Cahill and Knemeyer (2010), carried a study on logistics outsourcing performance and loyalty behavior comparing between Germany and the United States and found out that performance is significant lever that generates loyalty and this was achieved through logistics sourcing. They also found out that logistics outsourcing improved performance through exceeding of goals and the expectations of the consumer and improved loyalty. Companies buying logistics services tend to have a dilemma whether there is a trade-off between the quality of service and the price of the service being paid for and generally between competitive markets and the long-term partnership, therefore, companies need to consider outsourcing from a broader perspective, and how firms can utilize the competencies and resources of the specialized outsourcing providers in their logistics service (Chima & John, 2018).

The findings of the study also indicated that outsourcing of logistics enhances efficiency in the company. These findings confirm with the findings of Connolly (2008), indicating that when it comes to consideration of effort level needed in the warehouse operations, the biggest expenditure of effort needed is the picking process, gaining efficiency in picking, labor time of picking orders also needs to be reduced and this can be accomplished in various ways. According to Green (2011), companies with the most efficient warehouses tend to have the most frequently picked items that are close to the shipping areas in order to minimize the picking time, hence, these firms are able to achieve competitive advantage

by constantly having to review their sales data to ensure that the items are well stored and close to the shipping area for more efficiency in terms of service delivery to the clients.

Furthermore, the findings indicated that logistics outsourcing enables the organization to maintain efficient stock levels. According to Williams and Tokar (2018), inventory handling management helps companies in maintaining the lean inventory, that is the firm is able to maintain the optimal level of inventory needed in the marketplace by avoiding having too much or little inventory through periodical reviews and the stocking patterns reviews. Outsourcing logistics comes with inventory management enabling companies to improve these operations and performance respectively. According to Mulinge (2014) based on the variables like space utilization, good inventory turns, effective housekeeping practices, accuracy recording and proper flow of inventory can be achieved to a large extent and the aim of inventory handling is categorizing inventory and understand the types and the specific attributes that is key in building inventory stocking parameters by taking into consideration the attributes of the particular inventory.

5.3.3 The Relationship between Outsourcing of Non-Core Business Units and Business Performance

The third research question sought to determine the relationship between outsourcing of non-core business units and business performance. The findings revealed that there exists a statistically significant relationship between outsourcing of non-core business units and business performance. These findings confirm with the findings of Oshri and Willocks (2011), who argue that in the current world business environment competition is ever increasing, companies are looking for the new ways to gain a competitive advantage and generate value for its customers that competitors should not be able to match easily. Lyons and Brennan (2014), indicate that competitive advantage as a special requirement which can help a firm in dealing with the dynamics in the market and the environmental forces in the best way possible than competitors, organizations to achieve the desired competitive advantage can be met through outsourcing their non-core business units to the specialists outside the organization and achieve the desired performance as the company focuses on their core competencies.

In addition, Achonjo (2014), indicates that excellent organizations remain close to the knitting through a focus on core business units while outsourcing what they regard non-core within the organization since what companies regard as non-core tends to vary from

one company to another. While the concept of outsourcing remains new to some sectors and managers, it has been and still significant precursor to some of the business structures that have been developed in operational management. According to Elmuti (2013) the root of any company's competitive advantage lies in its core competencies rather than the non-core business units which most of time act as supporting functions to the core business functions of the company, outsourcing of the non-core business units allows companies to exploit market opportunities. Outsourcing is not just used for supporting services but also for activities that are close to core business units especially when companies are looking for lean production efficiency or cutting edge technology that can be sourced internally. Studies have revealed out that publishers outsource component manufacturing which were previously done in – house (Green, 2011).

The findings also revealed that outsourcing of non-core business units enhance business performance of the organization. These findings are in line with the thinking of Akbari (2018), arguing that many firms are opting to outsource with hopes that they will benefit from outsourced functions. Outsourcing can lead to improved performance such as shorter cycle time, high quality products, profitability and increased productivity within the firm as it allows the firm to focus on what they do best. A study conducted by Pricewaterhouse Coopers (2011) found out that most companies ideally undertake outsourcing activities with the aim of saving overhead costs but this is achieved through short-terms outsourcing as opposed to a long-term outsourcing of non-core business units. Outsourcing help customers to benefit from supplier cost advantages like experience, location and economies of scale (Chima & John, 2018). The decision on outsourcing can be a delicate matter since it is not just a purchasing affair. The question on when a firm should outsource or keep functions internally is pertinent. According to Agndal and Nordin (2009), outsourcing should depend on two essential variables that is the strategic importance of a specific competence to the firm and the level of competitiveness relative to the suppliers of the service being outsourced outside the Company.

The findings revealed that outsourcing of non-core business units leads to cost efficiency in firm's operations. These findings are in line with those of Jiang, Frazier and Prater (2016), who carried a study on outsourcing and the performance of the companies in relation to the costs involved. They revealed that the outsourcing arrangements that companies did in transferring the assets of the company to an outside vendor can actually convert the firm's fixed costs and the operating expenses to the variable usage charges in

the company. On the practical side, outsourcing of business functions can reduce the commitment to fixed costs, a full time human resource expenses and other overhead costs coming along which will provide the development skills as needed. Similarly, outsourcing of business functions and activities improves the company's cost efficiency (Maku & Iravo, 2013).

Some researchers argue that a crucial source of cost reduction is through outsourcing the company's access to the economies of scale and the unique experts that a big and experience outsourcing vendor can deliver effectively (Szierbowski-Seibel & Kabst, 2018). Cost efficiency metrics of the company describes the ration of the outputs to the inputs whereby the output can be measured using the total revenues or sales of the company and inputs is measured through the overhead costs incurred in generating the outputs. The two measures of cost efficiency can be used is the overhead expenses that is selling the general and administrative costs and the operating expenses and both expressed as a percentage of sales to help in competing company different sizes (Jensen, 2011).

This study found out that outsourcing of non-core business units enhances productivity of the organization. The findings are in line with Mulama (2012) who argues that companies outsource services with an aim of smoothing the production cycles and the benefits from specialization that permits the organization to focus on the core competencies through outsourcing. Mako and Iravo (2013) found a positive relationship between outsourcing and growth in production as companies increased efficiency through specialization. A study done by Jiang et al., (2016) found insufficient evidence for them to conclude that outsourcing of firms' activities, the firms obtained significant growth in productivity over the four quarter period, however, several studies have attempted to explain a relationship that exist between productivity growth and outsourcing.

5.4 Conclusion

5.4.1 The Effect of Outsourcing Human Resource Activities on Business Performance

This study concludes that outsourcing of human resource activities enhances business performance of an organization. This study also concludes that the urgency of accurately responding to the changes in the market on daily basis and the difficulties associated with predicting the direction of such kind of changes requires organizations to continuously focus on their core competencies and capabilities that will help them in addressing the

changes taking place in the business environment effectively making outsourcing of human resource activities a paramount.

5.4.2 The Effect of Outsourcing Logistics on Business Performance

This study concludes that logistics outsourcing enhances operational efficiency in the organization. Logistics outsourcing is one of the crucial sources of increasing the company's business performance since it makes the company more nimble and permits it to the increased concentration on its core activities while leaving the non-core business units to the outside providers. This study concludes that outsourcing of logistics. This study concludes that outsourcing of logistics ensures good warehouse management and effective inventory handling that are commuted to meeting the demands of the customers effectively and efficiently while the organization focuses on its core competencies.

5.4.3 The Relationship between Outsourcing of Non-Core Business Units and Business Performance

This study concludes that there exists a significant relationship between outsourcing of non-core business units and business performance. Outsourcing of non-core business units can lead to improved performance such as shorter cycle time, high quality products, profitability and increased productivity within the firm as it allows the firm to focus on what they do best. This study also concludes that outsourcing of business functions can reduce the commitment to fixed costs, a full time human resource expenses and other overhead costs coming along which will provide the development skills as needed. Similarly, outsourcing of business functions and activities improves the company's cost efficiency.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 The Effect of Outsourcing Human Resource Activities on Business Performance

This study recommends that GlaxoSmithKline Limited Kenya should outsource entirely all activities concerning human resource to a third part company as opposed to only recruiting. All activities concerning human resource ranging from recruiting, induction, compensation,

training and development should all be outsourced. This will help the organization to focus more on its core activities to effectively meet the dynamic demands and competition pressures from other pharmaceutical firms.

5.5.1.2 The Effect of Outsourcing Logistics on Business Performance

This study recommends that GlaxoSmithKline Limited should reduce its overall costs through outsourcing logistics to a third party logistics providers that offer a better service that is in line with the company's logistics needs. The company should also emphasize on improved customer focus by putting necessary measures that will enable them compete effectively in the market.

5.5.1.3 The Relationship between Outsourcing of Non-Core Business Units and Business Performance

Since, this study has established a significant relationship between outsourcing of non-core business units and business performance. Therefore, GlaxoSmithKline Limited Kenya should put up various measures that will address a declining rate of innovation while at the same time enhancing motivation loss of employees in line with the outsourced services. GlaxoSmithKline should also identify qualified as well as reliable suppliers for them to clearly decide what activities should be outsourced and what should not.

5.5.2 Recommendation for Further Studies

This study confined itself to GlaxoSmithKline Limited Kenya, therefore, future studies should be carried out on different sectors on the same subject to establish the effects of strategic outsourcing of non-core business units on business performance. Therefore, future studies can be done on sectors like hotels, education, retail, construction, and the health sector.

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APPENDICES

APPENDIX I: RESPONDENTS' CONSENT LETTER

6TH AUGUST 2018

ABRAHAM RONO

P.O. BOX 14634, 00800

NAIROBI

Dear Sir/ Madam,

RE: REQUESTING YOUR PARTICIPATION IN MY STUDY

Abraham Rono, a graduate student at the United States International University (USIU-Africa) pursuing a Master's degree in Business Administration (MBA). In a partial fulfilment of my degree, I am currently conducting a study titled "**Effects of Strategic Outsourcing of Non-core Business Units on Business Performance: A Case of GlaxoSmithKline Limited in Kenya**".

This study will be beneficial to the entire pharmaceutical industry since it will provide information on the effect of strategic outsourcing of non-core business units on business performance.

Kindly take a few minutes in responding to the study questionnaire provided. Your participation is highly valued.

Yours Sincerely,

Abraham Rono

APPENDIX II: STUDY QUESTIONNAIRE

SECTION I: GENERAL INFORMATION

This section contains demographic information. Kindly answer to the best of your knowledge.

1. Kindly indicate your gender

Male Female

2. Kindly indicate your age range

18- 25 Years	
26- 33 Years	
34- 40 Years	
41-47 Years	
48 and Above	

3. Kindly indicate the number of years you have worked at GSK?

0-1 Years	
2-4 Years	
5-7 Years	
8-10Years	
Above 10 years	

4. What is your level of education?

Diploma	
Bachelor's Degree	
Master's Degree	
Doctorate Degree	

SECTION II: THE EFFECT OF OUTSOURCING HUMAN RESOURCES ACTIVITIES ON BUSINESS PERFORMANCE

Kindly answer the following questions to the best of your knowledge using the following Likert scale. Strongly disagree = 1, disagree = 2, neutral = 3, Agree = 4, strongly agree = 5

No	Questions	1	2	3	4	5
5.	Outsourcing human resource activities enhances performance.					
6.	Outsourcing human resource activities enables you to become innovative.					
7.	Outsourcing human resource activities enables your organization to focus on core business activities.					
8.	Outsourcing human resource activities in your organization brings new talent.					
9.	Outsourcing human resource activities is essential for your efficiency.					
10.	Outsourcing human resource activities enables your organization to cut down costs.					

Is there any other effect of outsourcing human resources actives on performance?

.....

SECTION III: THE EFFECT OF OUTSOURCING LOGISTICS ON BUSINESS PERFORMANCE

Kindly answer the following questions using the Likert scale provided in section II

No	Questions	1	2	3	4	5
11.	Outsourcing logistics enables your organization to reduce logistics costs.					
12.	Outsourcing logistics reduces cycle time in your operations.					
13.	Good housekeeping practices have been achieved through outsourcing logistics.					
14.	Efficient stock levels have been achieved through outsourcing logistics.					
15.	Client accessibility to various service locations has been enhanced.					
16.	Productivity has been achieved through outsourcing logistics.					

Any other comment in regards to outsourcing of logistics and business performance of your firm.

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SECTION IV: THE RELATIONSHIP BETWEEN OUTSOURCING OF NON-CORE BUSINESS UNITS AND BUSINESS PERFORMANCE

Kindly answer the following questions to the best of your knowledge using the Likert scale in Section II.

No		1	2	3	4	5
17.	Questions of Non-Core business units enhances performance.					
18.	Outsourcing has reduced operations costs in your organization.					
19.	Outsourcing is crucial for your business success.					
20.	Outsourcing of non-core business units has given your organization a competitive advantage.					
21.	Quality service delivery has been achieved through outsourcing.					
22.	Outsourcing of non-core business units has improved your financial performance.					
23.	Outsourcing enables good flow of information throughout the entire organization.					
24.	Outsourcing of non-core business units has encouraged specialization.					

What is the relationship between outsourcing of non-core business units and business performance?

.....

Thank you very much for your participation

APPENDIX III: IRB LETTER



TO WHOM IT MAY CONCERN

19th JULY 2019

Dear Sir/Madam,

REF: PERMISSION TO CONDUCT RESEARCH- ABRAHAM RONO

STUDENT ID NO. 617187.

The bearer of this letter is a student of United States International University (USIU)-Africa pursuing a master's Degree in Business Administration

As part of the program, the student is required to undertake a dissertation on the "Effects of strategic outsourcing of non-core business units on business performance: a case of Glaxosmithkline Limited in Kenya." requires him to collect data.

Please note that information provided will be treated with utmost confidentiality and will only be used for academic purposes.

Kindly assist the student get the appropriate data and should you have any queries contact the undersigned.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'A. Njuguna'.

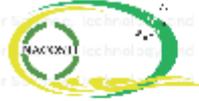
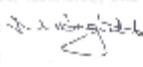
Prof. Amos Njuguna

Dean School of Graduate Studies, Research and Extension

Tel: 0730 116 442

Email: amnjuguna@usiu.ac.ke

**APPENDIX IV: National Commission for Science, Technology and Innovation
(NACOSTI) Research Permit**

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 762389	Date of Issue: 25/July/2019
RESEARCH LICENSE	
	
This is to Certify that Mr. Abraham Rono of United States International University Africa, has been licensed to conduct research in Nairobi on the topic: Effects of strategic outsourcing of non-core business units on business performance: a case of Glaxosmithkline Limited in Kenya for the period ending : 25/July/2020.	
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