INFLUENCE OF OUTSOURCING ON PERFORMANCE: A CASE OF INTERNATIONAL LIVESTOCK RESEARCH INSTITUTE (ILRI)

BY

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

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A Project Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Executive Masters in Organizational Development (EMOD)

UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

SUMMER, 2015
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than United States International University - Africa.

Signed: ________________________ Date: _________________________

Joyce Wanjiru Chege (ID.NO:618112)

This research project has been presented for examination with our approval as the appointed supervisors.

Signed: ________________________ Date: _________________________

Dr. Juliana M. Namada

Signed: ________________________ Date: _________________________

Dean Chandaria School of Business
ABSTRACT

The purpose of this study is to assess the influence of outsourcing on performance. The study was guided by the following specific objectives; to establish the influence of outsourcing on operating cost, to examine the influence of outsourcing on customer satisfaction and establish the influence of outsourcing on service delivery efficiency.

A descriptive quantitative research design was used. Data was collected using a pretested structured questionnaire. The questionnaire was distributed to management, supervisors and employees at ILRI who are deemed to either be involved in the outsourcing process or who are beneficiaries of the outsourced service. Data submitted through the questionnaires was entered into IBM SPSS 20.0 statistical software and analyzed for descriptive statistics. Sampling technique was used to select the managers while simple random was used to select the remainder of respondents. Quantitative data was analyzed using descriptive statistics (frequencies and percentages).

The study found out that outsourcing of security services greatly affected performance; there was a strong relationship of outsourcing of security services and performance. Outsourcing of computer maintenance services greatly affected performance; there was a strong positive relationship between outsourcing of computer maintenance services and performance. Outsourcing of cleaning services greatly affected performance; there was a strong positive relationship between outsourcing of cleaning services and performance.

The study concluded that ILRI had achieved great positive influence on operational performance through outsourcing of security, computer maintenance and cleaning services. However, several outsourcing strategies that require improvement were identified which if implemented would make the influence greater.

The study recommends that ILRI should evaluate service providers based on their experience and the on bonding process should be through competitive bidding to ensure they attract the best from the market. They should also ensure that the outsourced providers meet ILRI’s set standards by putting in place a strict Service Level Agreement (SLA) and monitoring closely to ensure that the providers meet the set standards. ILRI should also ensure close interaction with the owners and or supervisors of the organizations providing outsourced services during which the values of ILRI should be clearly communicated and a mechanism put in place to ensure the provider reflects the
values in their daily routine. This way, the gap in values should not be felt when services are outsourced.

ILRI should also adopt a well-researched contractor management tool using which they should periodically measure performance. Parameters to be measured by the tool should include timeliness, cost, productivity and efficiency. This should hopefully address the gaps identified in the study.
ACKNOWLEDGEMENT

I would like to thank the almighty God for giving me the courage to embark on these studies and the wisdom and knowledge to prepare and complete this project.

I would also like to thank my supervisor, Dr. Juliana M. Namada for her dedicated guidance in executing this project. Thank you for your encouragement, feedback and wealth of knowledge that helped direct this project even when I felt like giving up.

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DEDICATION

I dedicate this paper to my dear husband, Evan Chege, and our three children (Einstein, Cynthia and Eric) for their sacrifice, prayers and a lot of support when I spent a lot of time away from them during my study and in preparation of this research paper. You guys are awesome! God bless you all in your endeavors! I pledge to support you always.
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>ICT</td>
<td>Information Communication Technology</td>
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<td>ILRI</td>
<td>International Livestock Research Institute</td>
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<td>SDF</td>
<td>Staff Development Fund</td>
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<td>MSSP</td>
<td>Managed Security Service Provider</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Outsourcing has been growing both domestically and internationally during the recent years. The contemporary highly competitive environment in which today’s businesses operate acts as a strong stimulus for firms to outsource. In addition, economic globalization facilitates the process of searching for opportunities on the open global market to outsource some firms’ activities instead of performing them on their own. Outsourcing is promoted as one of the most powerful trends in modern management. The rationale for outsourcing some functions and or processes includes substantial financial economies, increased ability to focus on strategic issues, access to technology and specialized expertise, and an ability to demand measurable and improved service levels. When outsourcing, pertinent organizations’ decisions are made after an in-depth understanding of its core competencies, and their purpose is to build the organization’s competitive edge advantages, outsourcing is then a strategic decision (Bettis and Hamel, 1992).

Outsourcing has been applied in various sectors. Over the last decade, the emphasis has shifted towards the ICT sector, with 40 percent of all outsourcing contracts in 1998 in United States of America (Elmuti, Kathawala and Monippalil, 1998). Egger and Falkinger (2006), state that the leading international consulting companies have distinctively outlined the role of outsourcing in the economic globalization process. A lot of prominence has been put on South East European Countries. The main aim of this prominence is to strengthen the position of these countries. The countries are considered to be attractive sites for outsourcing of business processes. Currently, most European Union (EU) members have received investments for successfully completing outsourcing projects that show crucial interest in this respect.

Most organizations believe that they have to focus on efficiency and cost containment rather than solely focusing on revenue increased in order to compete globally. Companies are now discovering that they can cut down on costs and still achieve quality by having confidence in external service providers as they seek to increase their competitive positions in the global market place (Engardio, 2006). The main goal of all these is for
partnerships to be developed from outsourcing relationships. Providers of outsourcing services are taking a lot of responsibility in areas that have customarily remained internally in the organization. These areas include corporate strategy, business investment, information management and internal quality initiatives.

Katz and Murphy (1992), argue that outsourcing is an effective way to gain competitive advantage. This has been exemplified by most international companies. Multinational companies view outsourcing as a way to hire the very best in these competitive markets. The outsourcing process thus gives the company an opportunity to perform its routine business functions and most importantly focus its resources on essential activities in their value chain. This is where the impact will be high and greatly felt by the customer. In the United States, most companies started to outsource so as to shift towards skilled labor demand from relative labor demand. Job outsourcing has shifted greatly from telemarketing jobs to jobs high in the corporate ladder like managerial positions.

The United States government currently sub-contracts its work to private contractors because the labor force in the country continues to compete with developing third world countries. This is caused by the increasing numbers of people in the United States. The subcontractors often outsource with an overseas contractor (TNtalk America, 2008). Deloitte Touche is a major governmental finance and accounting firm that outsources for Information Technology (IT) and managerial jobs overseas. This organization brings foreign workers into the country and educates them and also maintains control of most aspects of the workers’ lives. This is a form of indentured slavery.

Nike Company, for example, outsourced shoe production and it manufactures the key elements of the “Nike Air”. Using this strategy, Nike has been able to secure leadership in the athletic footwear and apparel industry for many decades. Nike concentrates on production of what is unique to their brand like research and development and post-production activities. These include distribution, sales and post production. Nike Company has also outsourced advertising (Leavy, 2004).

Standard newspaper dated 3rd August, 2012 says that Kenya Airways was forced to lay off its staff and outsource some of its services. The aim of the outsourcing process was to reduce the cost of operations. In that year 2012, the Kenya Airways wage bill had risen to a staggering Ksh.13.4 billion from Ksh.6 billion in 2007. The airline thus had to focus on strategies like achieving growth and service delivery. Kenya Airways is the largest
airline in Kenya and more so a member of the SkyTeam alliance. The airline was recently presented with the Africa’s Business Airline award with its operations in most parts of Africa, Europe and Asia. Outsourced services by the airline definitely affect the regions of operation.

According to Donald (1997), the Kenya Union of Savings and credit Co-operatives supports outsourcing more than in sourcing. This organization outsources its IT and consultant services. The main reason for outsourcing is the constant changes in technology and economic recession. The organization saves costs on operations like security, marketing and logistics as a result of outsourcing. With these operations outsourced, the organization is able to focus on technological operations, expanding its market niche and most importantly maximizing profits.

The Kenyan government created the Kenya vision 2030 development print. This print identifies outsourcing as a driver of social economic improvement by creating jobs and wealth. The road map developed by the government shows Kenya’s unique geographical position and more so it’s well-developed Information Communication Technology (ICT) human resource base. These two factors will be used to make Kenya the preferred destination for outsourcing in Africa.

The 2006 Kenya ICT Strategy and the Vision 2030 created the structure that enables Kenya to focus on employment for the youth and more so create and generate wealth for not only local entrepreneurs but also investors by global business outsourcing. The ICT industry is a very vital industry when it comes to creation of growth and generation of opportunities among the young people in Kenya. The ICT industry is a major contributor to the Gross Domestic Product (GDP) and thus the Kenyan government is in close collaboration with the private sector in order to take up focused development initiative (The Kenya Vision 2030, 2006).

According to Al-Shalabi and Runquist (2007), it is very difficult for an organization to solely manage all its processes. This is because businesses today are of diverse nature and an organization has multiple processes to manage. An organization’s own expertise is not enough to handle and manage all the business processes. A firm trying to manage too many processes may lose its focus on its initial goal and this leads to loss of efficiency. Bathelemy and Adsit (2003) emphasize that a firm can easily fall outside its expertise if it does not focus on the core activities (the activities the firm performs best). Focusing on
these activities improves the effectiveness of the organization and also improves flexibility as the organization is able to build a specialized work force. This in turn helps control costs and greatly reduces business risk.

Bathelemy and Adsit (2003), acknowledge that the main goal of many multinational companies especially those that outsource aggressively for most of their functions is to secure a competitive position in the competitive industry amongst other large companies. These companies aim to achieve high asset return by less commitment of capital. There are great pressures towards management to remain competitive in an ever changing environment and outsourcing gives an organization the ability to remain competitive and provide less commitment to in-house resources. Effectiveness and efficiency is a major goal in any organization and achieving the best results possible with fewer resources and a faster location is the main product of outsourcing. Today, organizations are being restructured, and reengineered in an attempt to achieve a maximum effectiveness and efficiency. In order to do more work with fewer resources, the organization must focus on its limited resources especially or only those that are essential for the long term survival of the company and must hence leverage those activities that are peripheral.

Prior planning of outsourcing implementation results to lower costs, increased capacity and mostly productivity as several authors will agree. It is important to note that outsourcing can sometimes lead to down-sizing. Outsourcing is mostly done by the large firms but today even the smaller firms are starting to adopt the outsourcing processes. Smaller firms are breaking this dominance in order for them to realize all the advantages of outsourcing. Outsourcing can be made a long term approach by viewing it as a way to increase focus on the core activities. On the other hand, some organizations view outsourcing as a fast track system for their business instead of a future trend (Elmuti, 2003).

The performance of an organization is subject to three reasons. First and foremost increased focus on a firm’s core competencies is an important benefit associated with outsourcing (Desset et al., 1995; Gilley and Rasheed, 2000; Kotabe and Murray, 1990; Venkatraman, 1997). Every firm faces the make-or-buy decision and the evolving literature on key competencies is concerned with this decision. A hotel for example, can outsource for non-core activities and this enables the hotel to focus resource allocation and managerial attention on the tasks that the hotel does best. Outsourcing leaves
management teams in other organizations to conduct the tasks that are of relative disadvantage to the hotel. In the long run the firm will be more innovative and more skilled in the core activities (Bolat and Yilmaz, 2007).

The business world today is very hectic and companies are thus required to react more quickly to customer’s requirements (Kremic et al, 2006). Companies should be more flexible and one way to obtain that target is by outsourcing (Jennings, 2002). Outsourcing enables companies to enhance flexibility in different ways.

International Livestock Research Institute (ILRI) is a non-profit making governmental organization with its headquarters in Nairobi, Kenya and has its second principal campus in Addis Ababa, Ethiopia. ILRI works at the crossroads of livestock and poverty. It does so by bringing high-quality science and capacity-building to aid on poverty reduction and sustainable development. ILRI’s research is carried out in three major locations namely Africa, South and Southwest Asia, and China (www.ilri.org).

ILRI’s main business activity, therefore, is research and capacity development. The organization has a range of support departments responsible for providing operational support to the scientists carrying out the core business of research. ILRI is among the progressive organizations that have shifted from conducting core and support services to majorly concentrating on the core activity which is research. They have outsourced support services that are, but not limited to security, buildings and infrastructure maintenance, computer maintenance, catering, pest control, travel, taxi, cleaning among other. These services have been outsourced since 2004. ILRI’s goal is to achieve major reduction in operational costs especially considering it is a non-profit organization relying on donor funds. The firm also aims at achieving great customer satisfaction by delivering efficient services and most importantly high quality services to both their internal and external customers. They also aim at achieving reduced supervision time as this will enable the staff to concentrate more on the core business which is research. In the future, ILRI intends to outsource more services if it achieves its targeted outcome from the already outsourced services (ILRI Report 2010).

Ramanathan (2009), states that despite the major advantages of outsourcing, it has its challenges. First and foremost, outsourcing majorly affects the quality of products and services. This is true in the sense that outsourcing either enhances poor quality products or directly lowers quality. Outsourcing can either increase or decrease the turnaround
time but regardless it can lead to increased or minimized customer service. Depending on how the outsourcing process is managed, outsourcing could provide competitive advantage to the organization and or better and easier management. At the same time, outsourcing could do the reverse to an organization.

According to Ramanathan (2009), managers need to learn that regardless of the great outcomes of outsourcing, the process has its shortcoming too which may affect the company and its core activities. Analyzing the opportunity presented is very important and before coming to a decision, it is important to reflect on the benefits and the shortcomings of outsourcing. Therefore, the main goal of this study is to take stock of the outsourcing experience so far at ILRI and to enhance the opportunities presented by this process and at the same time develop strategies to address the limitations brought about by the outsourcing process. The findings of this study will also inform the ILRI management on whether or not it would be in the organizations best interest to outsource more services in the future.

1.2 Statement of the Problem

Outsourcing enables a firm to save resources like capital and labor. If the outsourcing services are used properly, a firm should maximize its profits through reduction of costs (Welch and Nayak, 1992). Bettis and Hamel, (1992) acknowledge that outsourcing aims at maximizing efficiency, reducing costs, and enabling an organization to produce products of better quality and this gives the firm a competitive edge in the ever changing market. When outsourcing, decisions should be made on a clear understanding of the main activities that the business does.

A study conducted by David and Han (2004) showed that outsourcing is widely used in business strategy and most of the literature used focuses on the effects of outsourcing on performance. Dobbs (2004) submits that areas where employment patterns are inconsistent are the most important to outsource for. This study conducted by Dobbs (2004) explains that outsourcing primarily involves labor and employment. Performance is not a major factor brought about by outsourcing. According to a study done by Yoon and Naadimuthu (1994), outsourcing decisions have a direct effect on the profit levels of an organization. Profits are very healthy to any organization as they enable the business to keep running. In the recent past, most firms around the globe have not been obtaining
desired results from outsourcing. The production process varies from company to company. At the end of the day, the decision made by the organization may have a positive or a negative impact on the company.

Therefore based on this knowledge, this study focuses on the impact of outsourcing on performance at the International Livestock Research Institute.

1.3 General Objective

The general objective of the study is to assess the influence of outsourcing on performance at the International Livestock Research Institute (ILRI).

1.4 Specific Objectives

The study was guided by the following specific objectives:

1.4.1 To examine how outsourcing of security services affects customer satisfaction at International Livestock Research Institute (ILRI).

1.4.2 To assess how outsourcing of computer maintenance services affects operating cost at International Livestock Research Institute (ILRI).

1.4.3 To determine how outsourcing of cleaning services affects efficiency in service delivery at International Livestock Research Institute (ILRI).

1.5 Scope of the Study

The content scope will comprise outsourcing as the independent variable and organizational performance as the dependent variable. Geographically, the study will be carried out in International Livestock Research Institute (ILRI) headquarters in Nairobi.

1.6 Significance of the Study

This study will be significant to:

1.6.1 Management and staff of International Livestock Research Institute (ILRI)

The Management of ILRI will have at their disposal recommendations on strategies they could use to achieve their desired outsourcing objectives. The staff of ILRI will also benefit greatly if management adopts the research findings and recommendations because they are the recipients of the outsourced auxiliary services.
1.6.2 International Livestock Research Institute (ILRI) Donors

If the implementation of the findings and recommendations implemented by ILRI management would result to reduced cost of doing business, the donors would benefit through better reports or funds utilizations resulting to more funding and hence greater impact on society.

1.6.3 Outsourced Service Providers

The outsourced service providers, through the outsourced services supervising department at ILRI, may also receive useful feedback from the findings and recommendations of this study. This may help them with ideas on offering improved services either at ILRI or elsewhere in future.

1.6.4 Other Organizations

The study findings will help to inform different organizations on different ways of how outsourcing can be made relevant to organizational performance. In any organization, it is important for management to keep reviewing strategies and evaluating their effectiveness.

1.6.5 Academia

The findings will be of great use to the academia, especially those who may wish to carry out further research on outsourcing and performance. It may build on the existing body of literature and knowledge.

1.6.6 Government

The study will be of great significance to the government as it is able to terminate subsidies to those money-losing projects hence generating a positive fiscal effect. Outsourcing also generates an economic surplus effect, as production may be higher under outsourcing than under a publicly managed firm.

1.7 Definition of Terms

1.7.1 Outsourcing

Outsourcing refers to the use of an external provider of goods or services instead of having recourse to internal resources to provide the same goods or services. As such,
outsourcing is a decision concerning the boundary of a firm and this has been a concern since the very existence of firms (Lonsdale and Cox, 2000).

1.7.2 Strategic Management

Strategic management has been defined as “consisting of the analysis, decisions, and actions an organization undertakes in order to create and sustain competitive advantage” (David and Han, 2004).

1.7.3 Performance

Performance is the process of carrying out or accomplishing a given task over a given period of time (Maund, 2001).

1.7.4 Productivity

Productivity is about the effective and efficient use of all resources. Resources include time, people, knowledge, information, finance, equipment, space, energy, materials (Gilley, 2004).

1.8 Chapter Summary

This chapter has presented a general introduction to the background of the study on influence of outsourcing on performance. The problem statement has established the need of outsourcing in organizations. The next chapter provides the review of the literature with regards to the research objectives. The third chapter covers the research methodology while the fourth chapter provides the research findings. The final chapter gives a summary and discussion of the findings as well as the conclusion and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review. It is divided into three sections according to the objectives of the study. The first section reviews literature about how outsourcing affects customer satisfaction, while the second section reviews literature about how outsourcing affects operating cost. The third section reviews literature about how outsourcing affects efficiency.

2.2 Outsourcing of Security Service and Customer Satisfaction

Poor service performance by the supplier is a bad reflection on the company outsourced from. Therefore the service outsourcing contracts fall into two main categories: those that contract based solely on capacity and quality levels, while the other ones that provide financial rewards or penalties to motivate the service provider to ensure they maintain high quality.

2.2.1 Security Services

According to Alner (2001), outsourcing security does not mean relinquishing control of the organizations security program. On the contrary, the organization should keep specifying security services and setting performance standards. When selecting a security provider, an organization should choose one that meets its expectations daily. Clients save on total security program costs by 15 to 35 percent by switching from an outsourced security force. With contract security, an organization easily budget and control annual security expenditures, such as payroll and staff benefits costs.

Contract security accords an organization the luxury to easily add experienced and well-seasoned personnel to handle their security issues. An organization can lay off security staff when needed, without a worry. Administrative support staff can be costly, mostly during absenteeism and turnover. By outsourcing security an organization can rest assured that security officers brought are trained to their specifications, and that there are standby personnel ready to fill open posts at any time. It is not an easy task for an
organization keep up and deal with all potential threats and vulnerabilities as well as current best security practices.

When an organization contracts for security patrol services, the service providers can report real-time results, all day, all night, every day of the year. This differs from an in-house service that may only operate during regular business hours. They guarantee service quality levels are high and ascertain their availability; failure of which they face financial repercussions (Securitas Security Services, 2010).

At first, managed security services relationship forming may need a change of people, processes, hardware, software, and other assets. It could also be from the client to the new provider or from one provider to another, essentially introducing new risks. Roles and responsibilities and major tasks are most often redefined during this change. Through outsourcing security systems to a managed security services provider (MSSP), companies can enjoy the advantage of the expertise, equipment, and processes provided and, without making a large financial investment in the organizations technology and resources. The benefits of outsourcing security are straight forward, but the same cannot be said about selecting the right provider. The highest potential benefits of outsourced security can only be achieved by choosing the right provider. It is therefore important for an organization to first conduct an extensive evaluation of their specific security requirements (Armstrong 2001).

Alner (2001) asserts that an organization’s security needs are as dynamic as the nature of the business environment. An organization should ensure that any managed security services partner offers a comprehensive range of vulnerability evaluations, assessment and management services that will keep the organization protected ahead of potential threats, irrespective of current security challenges. The elementary protection system, connected through a management portal, should be in a capacity to perform far more than simple event monitoring and device management. When planning for an outsourcing service contract, the organization should clearly and boldly state the security needs of the technology to be outsourced. This should include how all confidential and sensitive data should be handled. These requirements should form the basis of the tendering process for the services and become a critical part of the performance evaluation.
2.2.2 Customer Satisfaction

Gitman and Carl (2005), defines customer satisfaction as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals. Customer satisfaction makes the customers loyal to one service provider. Customer satisfaction and customer loyalty are important indicators of a firm’s performance as they are linked to higher firm profitability, shareholder value and risk-adjusted stock returns (Fornell, 2006). When customers are well pleased with a service experience, those customers are likely to stay loyal to the firm, spend more on the services of the said firm, and recommend the firm to their friends (Zeithaml, Berry and Parasuraman, 1996). Perceived quality is the subjective customer evaluation of their experience explaining whether the service offering is customized to meet individual customer needs and the extent to which it is reliable and free of anomalies. The quality level of the service needs to be relative to the price paid. Customers create expectations of future quality of services based on their previous consumption experience, which includes some non-experiential data from advertising and recommendations from others.

In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy. Within organizations, customer satisfaction ratings can have powerful effects. They focus employees on the importance of fulfilling customers’ expectations. Furthermore, when these ratings dip, they warn of problems that can affect sales and profitability. These metrics quantify an important dynamic. When a brand has loyal customers, it gains positive word-of-mouth marketing, which is both free and highly effective, (Farris, Neil, Phillip and David, 2010)

According to Gitman and Carl, (2005), utilizing competitive international opportunities, the financial costs of process relocation along with benefits from process handover play a useful role in company development strategy and business expansion. Keeping central outsourcing management guidelines in mind, outsourcing can be a compelling, competitive asset to the company. It doesn’t just bring benefits of cost and improved processes to the company, it can also add to the predictability and scalability of daily customer service delivery and user satisfaction. Through a well-implemented outsourcing strategy results in more satisfied customers.
2.2.3 Security Services and Customer Satisfaction

According to Securitas Security Services (2010), low customer satisfaction levels as a result of security outsourcing can be attributed to language and cultural barriers and challenges. It may also be related to issues such as the inability of outside service providers to efficiently serve and satisfy consumers. Analysis shows that security outsourcing is one of the key determinants of customer satisfaction. Most organizations outsource security services in order to ensure that their customers properties or luggage as well as their security is taken care of and as a result customers will feel satisfied by the kind of service that they are being offered (Hess, 2009). Organizations that offer courier services always ensure that security is available in order to protect that customer’s luggage or documents to arrive to the customer in good condition and as a result of this go a long way in enhancing customer satisfaction.

Plunkett (2008) states that the security service personnel may lack the experience to keep customers satisfied or worse still service delivery process may not be standardized, thus quality of service is low sometimes and high sometimes. Security service outsourcing ensures improved customer satisfaction, through attention emphasis during training on customer service. With managed security services outsourcing, these customer service necessities should be dealt with by the provider at no extra cost. This will include trainings, licensed workers, tracking and renewing licenses, paying state fees, handling workers’ compensation claims, administering unemployment claims, providing supervisory oversight and, if necessary, handling disciplinary actions. Whenever customer’s goods or products are not accorded security chances are higher that the customer will feel dissatisfied with the organization and hence opt to choose other avenues of having his goods or products (Securitas Security Services, 2010).

2.3 Outsourcing of Computer Maintenance Services and Operating Cost

2.3.1 Computer Maintenance Services

In today’s global economy, outsourcing is part of daily business activities. Many large organizations have outsourced some if not all of their IT functions. Factors like lower costs, improved productivity, higher quality, higher customer satisfaction, time to market, and ability to focus on core business are some of the benefits of outsourcing. IT
outsourcing is about transferring some or all of the IT related decision-making rights and internal activities, and services to external outsourced providers, who develop, manage, and administer activities according to set objectives (Dhar, and Sridar, 2004).

According to Gupta (2008), organizations are challenged by meeting the rising demands of customers and the marketplace with limited resources. Many have moved to outsourcing as one of their crucial organizational strategies. IT outsourcing refers to the hiring out of IT services, which would have been carried out by internal staff. There are two motivating forces when an organization considers the option of outsourcing. One is the opportunity of more specialized expertise than they have within the organization and the other is the chance of cost savings. Sparrow (2003) states that by outsourcing secondary processes, an organization can devote more key resources and time to primary business activities. IT Outsourcing covers services such as application development and maintenance, network management, desktop management, IT helpdesk services and computer data center management.

Andrae and Gupta (2001) explains that computer maintenance outsourcing includes data center operations, desktop and helps desk support, software development, e-commerce outsourcing, software applications services, network operations and disaster recovery. Organizations that outsource computer maintenance services run a risk of receiving poor quality work. Offshore outsourcing sites often experience high employee turnover and may capitalize on the organization’s limited technological capabilities, which leads to high-quality service being compromised. Outsourcing allows management to defer the details to a specialized company. Removing the details, permits management to focus on the larger issues within the organization. Typically, the specialized company that handles the outsourced IT work boasts technological capabilities superior to the organization. There are certain instances where information or situations can become a liability when a third-party is brought in. Security measures may need to be implemented to protect company data, employees, systems everything can become a liability.

2.3.2 Operating Cost
According to Malhotra (1995), factors that affect outsourcing decisions include lower operating costs, the ability to predict costs due to fixed contract, sharing risk on technology investments, access to specialized expertise in a particular field, and perception of improved efficiency. A typical example is IT outsourcing targeted in cost reduction. It usually concerns software development processes carried out by highly specialized people located in this low-cost environment. This efficiency effect ensures a lower price of the outsourced product, consequently providing better market positioning of the firm.

Certainly, the main reason for the outsourcing decision is reducing costs. Additionally, a second motive is to provide for a more flexible plan for cost control. Foreign companies e.g. clients of an outsourced service have the ability to respond more adequately in the case that there are attempts to overcharge them. Some researchers support the argument that the main motivation for outsourcing is found to be cost reduction. This is because paying for outsourcing generally costs less than maintaining equivalent services in-house (Gilley and Rasheed 2000).

According to Bettis, Bradley, and Hamel (1992), hiring and training employees for short-term projects can be very pricey, and temporary employees however don't always live up to the set expectations. Outsourcing allows a firm to focus the human resources where they are needed most. Linder (2004) argued that most small firms may not afford the in-house support services that larger well established companies maintain. Outsourcing can help small firms pretend to be big by allowing them access to the same economies of scale, efficiency, and expertise that large companies enjoy.

Gilley and Rasheed (2000) explain that there are costs involved with outsourcing computer maintenance services that many do not consider. There are other real costs as well, such as getting recommendations from the outsourced company that aren't actually needed. Upsales are common and sometimes unnecessary. The greater economies of scale that can be gained by a third party that is able to pool the activity of a large number of firms. It is thus frequently cheaper for a firm to outsource specialist activities (where it cannot hope to gain economies of scale on its own than it is to carry them out itself. Some firms gain the economies of scale by taking on the activity of others, becoming an outsourcer themselves.

2.3.2 Computer Maintenance Services and Operating cost
The outsourcing of computer services is extremely valuable to organizations in reducing the operating cost. Other than the benefits from the outsourced company’s data center and other internal resources, clients have the opportunity to gain from the general information environment. Because outsourcing providers have mandatory contractual obligations and restrictions to their clients and must uphold their reputation in the marketplace, their control processes are usually well documented and enforced (Aubert, 2004).

According to Vallis and Murphy (2008), on average, U.S. firms spend about 14 percent of their IT budget on IT outsourcing. This is because IT outsourcing is the potential for operating cost reduction. A survey by ITtoolbox (2004) found that the top reason for firms’ IT outsourcing is cost savings. Despite the growth of IT outsourcing as an industry trend and its cost saving benefits, few studies have empirically examined the impact of IT outsourcing on cost savings. On one hand, IT outsourcing can save costs for firms but on the other hand, there are significant underlying transaction costs associated with IT outsourcing which may outweigh the said benefits.

Today, maintenance outsourcing provided by outside vendors is covering more and more maintenance tasks once handled by in-house staff. If an organization technology needs are great enough to require at least one full-time staff member for support, then outsourcing to a managed service provider should actually lower the organization's costs. Maintenance support for specialized valves and actuators has long been outsourced. Routine maintenance for other control and automation processes is now being handled by outsourcing vendors as well (Gouge, 2003).

According to Aalders (2001) outsourcing of computer maintenance and services enables budget flexibility. It lets organizations pay for only the services they need and when they need them. It also reduces the need to hire and train specialized staff, brings in engineering expertise from the outside, and reduces capital expense, yielding better control of operating costs. The outsourcing arrangement can change as your maintenance needs change. A big part of the outsourcing equation, particularly for managers facing hiring freezes, cuts in training budgets, aging maintenance workforces, and hard-to-find skilled labor pools, is maintenance outsourcing. Today, maintenance outsourcing provided by outside vendors is covering more and more maintenance tasks once handled by in-house staff.
2.4 Outsourcing of Cleaning Services and Service Delivery

2.4.1 Cleaning Services

According to Gautie (2010), outsourcing cleaning services has a substantial impact on an organization in different ways. First, an immediate cost savings benefit because an expert cleaning staff will surely get more work done in less time than a person that is not an expert. Second, a professional maintenance company buys equipment, supplies and refillable goods like toilet paper, towels and hand soap for the organization as part of the contract. Beyond immediate cost cutting benefits the costs of recruiting, screening, hiring, training and managing employees is sizably reduced from the organization.

In the current competitive business environment, the available cleaning service contractors understand that firms give a myriad of options to consider before hiring. A trusted, professional cleaning company works hard to keep your business sparkling clean. In the case of an emergency the company can add or deduct the staff needed for a job. For example, adding more people for peak times and reducing them during off season times, or scheduling a much needed yearly maintenance, a professional cleaning maintenance contractor will work to meet the organization’s specific needs (Parlour, 2014).

All issues pertaining to the management of an organization’s cleaning operations become the contractor's responsibility. This includes staffing related issues, cleanliness standards, purchasing supplies, equipment and products for cleaning. While someone else is handling these responsibilities, the load lightens and staff can focus on other core duties. When office cleaning is outsourced to a cleaning company, those costs are absorbed by the contractor (Barrar and Gervais, 2006). Since the cleaning staffs are employees of the cleaning company, the organization is relieved from the additional expense of wages, and other employee benefits.

There is generally an immediate cost savings in part because an expert cleaning staff can get more done in less time and a professional maintenance company procures optical pricing on equipment, supplies. Beyond immediate cost cutting measures there is the elimination of the sizable costs of recruiting, screening, hiring, training and managing employees. When outsourcing cleaning services, benefits administration, health care, employee status verification and other time intensive tasks become the responsibility of your building maintenance contractor (Awino, 2011).
According to Andrae and Gupta (2001), in a competitive business environment, cleaning service contractors understand you have many options when considering outsourcing cleaning services. Outsourcing cleaning services to a professional company can save you time and money as they will insure their own employees and can even add you or the facility owner to their contractor's policy shielding you from third party litigation.

2.4.2 Service Delivery

Ramalamula (2007) asserts that outsourcing promotes effectiveness in service delivery, improves organizational performance and allows efficient allocation of resources in meeting customer needs in the organization. The contracting procedures encourage contractors to employ their duties with the customer well, they ensure that all their staff are given all the necessary information before they begin their designated jobs. They ensure that the firm's aim of giving the best services to the customers is achieved through the laid down procedures.

Firms should consider outsourcing when guaranteed that some support functions will be completed faster and better by an outside organization (Barthelemy and Adsit, 2003). Tasks that are not core competencies of the organization necessitate being contracted out. However, any particular skill or knowledge base that ensures an organization serves its customer best, and whose main purpose is the core competence and business of the organization should remain in-house.

Outsourcing cleaning services to a professional cleaning company means that the organization will be able to get better work done in less time. A professional cleaning company will employ the most advanced and efficacious methods to get the job done right. In addition every issue regarding the management of cleaning operations becomes the contractor's responsibility. This can include staffing issues, cleaning standards, the procurement of supplies, equipment and products and other resource draining operations. With someone else handling these responsibilities the organization load is lightened your and hence the staff can focus on other duties (Oshriand and Willcocks, 2011).

According to Anderson (2013), No matter how efficient you staff is with a duster and vacuum, a professional commercial cleaning service can and will do a better job. They have specialized, high-quality equipment and cleaning products, and years of experience in keeping places spic and span. The look of an office says a lot about the business itself.
and the impression you put out to clients should be one of cleanliness, organization and professionalism. A good cleaning company can ensure that your office is permanently kept in this state and you can rest assured that trash bins will remain empty, the staff kitchen will be sanitized and pleasant place to eat and the restrooms will be properly sanitized.

### 2.4.3 Cleaning services and Service Delivery

When evaluating the quality of an outsourcing relationship, organizations have to consider that the delivery of outsourced services is essentially different from physical goods. They are intangible and involve simultaneous production and consumption. They also most importantly involve and include the customer in their creation (Parasuraman, Zeithaml and Berry, 1988). Due to these unique characteristics, it poses a challenge in assessing the quality of outsourced services as compared to the evaluation of physical goods (Grover et al., 1996).

Hopkin (2012) asserts that by contracting a company that uphold and enforces high hiring standards, managers are not only ensuring the good disposition of the hired staff, but can also be certain that the task is completed thoroughly and correctly the first time. Cleaning services in the 21st is being outsourced in many organizations instead of hiring employees to do the cleaning because the services rendered by outsourced cleaning service is good and matches with the company standards. In addition availability of cleaning equipment is available because the cleaning service providers have a variety of equipment which are suitable for the right job in certain places thereby providing high quality services to the organization.

According to Kohleick (2008), hiring a reliable and reputable professional cleaning crew is essential because that brand is associated to the company they provide cleaning services for the consumer or client, there is a direct relationship between the strength, reliability and responsibility of the company hiring represented by the facility manager and the strength, reliability and responsibility of the company hired. Outsourcing of office cleaning to an office cleaning company grants the organization access to many additional cleaning services. As an added value, professional service providers will offer a planned maintenance schedule and perform the required maintenance at pre-planned interval ensuring that the organization will be maintained in the best condition possible.
The quality of a cleaner’s work is of course important, but errors or poor quality can usually be easily repaired and improved. Moreover, their work is usually not part of a complex work process or production processes with interdependencies between the tasks of other actors involved. These aspects, in addition to the being low-skilled workers, makes cleaning personnel are relatively replaceable; when a cleaner quits, the costs of the training needed to replace him or her, will generally not be very high. This represents an important framework condition which is likely to influence the level of power and influence cleaners can be expected to have over their working conditions (Anord 2000).

2.5 Chapter Summary

This chapter has clearly reviewed the relevant literature in relation to the research objectives presented in this study. It demonstrates clearly outsourcing and strategy perspective, the impact of outsourcing on a company’s customer satisfaction, operating costs and efficiency in service delivery. The following chapter presents the research methodology and analysis.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used to carry out the study. The chapter considers in detail the methods that were used to collect any primary or secondary data required in the study. In this chapter, the researcher has discussed the research design, target population, data collection and sample. The researcher has also discussed how this data was analyzed giving details of any models or statistical tools that were used in the analysis with reasons as to why these particular models or statistical tools were used.

3.2 Research Design

Research design is an overall framework or a plan for investigation and logical model of proof that guides the investigator in the various stages of research (Kothari, 2005). A descriptive survey research design was used in this research. The principal use of descriptive research statistics is to describe information or data through the use of numbers. According to Cooper and Schindler (2011), if the research is concerned with finding out who, what, where, when, or how much, then the study is descriptive. A descriptive survey is primarily concerned with addressing the particular characteristics of a specific population of subjects, either at a fixed point in time or at varying times for comparative purposes.

Saunders, Lewis and Thornhill (2003), submit that surveys are one of the most utilized methods in business research since they allow the collection of large amount of data from a sizeable population in a highly economic way while describing the status quo. The survey method is therefore justified for this research as it contains the most the advantageous traits given the large sample size and short time span for administration. Some of the traits include; flexibility of data collection, range of questions, sample management, control of the data collection environment, number of data, response rate, rate and expenditure.
3.3 Population and Sampling

3.3.1 Population

According to Ngechu (2004), a population is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated. This definition ensures that population of interest is homogeneous. Cooper and Schindler (2011) have defined population as the total collection of elements from which inferences are made.

The population of this study was the top and middle level management and other staff of International Livestock Research Institute (ILRI). A target population of 300 employees was used. The population was targeted because it is entrusted with the responsibility of working towards the attainment of the ultimate goals.

Table 3.1 Population Distribution

<table>
<thead>
<tr>
<th>Population</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Level</td>
<td>20</td>
</tr>
<tr>
<td>Middle Level</td>
<td>120</td>
</tr>
<tr>
<td>Lower Level</td>
<td>160</td>
</tr>
<tr>
<td>Total</td>
<td>300</td>
</tr>
</tbody>
</table>

3.3.2 Sampling Design

Getting a sample involves selecting some elements of the population and using it to draw conclusions regarding the entire population. According to Cooper and Schindler (2011), a good sample should be a representative of the population. This study used stratified sampling for compelling reasons of lower cost, greater accuracy of results, greater speed of data collection, and availability of population elements.

3.3.2.1 Sampling Frame

Cooper and Schindler (2008) define a sample frame as a list of elements from which the sample is actually drawn and is closely related to the population. A sampling frame could be a list of geographical areas, institutions, individuals, or other units added (Churchill
&Brown, 2007; Saunders, Lewis and Thornhill, 2007). The sampling frame was derived from the human resource of the company.

### 3.3.2.2 Sampling Technique

According to Cooper and Schindler, (2011) sampling is the process of selecting some elements from a population to represent the population as a whole. In this study, simple random sampling was adopted. This is because most populations can be segregated into several strata making it easier to make inferences on the specific groups of the population. Thereafter proportional allocation was used to determine the number in the sample from each stratum.

### 3.3.2.3 Sample Size

A sample size is typically one that bears some proportional relationship to the size of the population from which it is drawn. In order for the researcher to get a representative sampling size, then, the sampling size must be large (Cooper et.al, 2001).

The sample size is derived from Yamane (1967) formula

\[
n = \frac{N}{1 + N (e)^2}
\]

Where \(n\) is the sample size, \(N\) is the population size and \(e\) is the margin of error (Yamane, 1967).

\[
n = \frac{300}{1 + 300 (0.1)^2}
\]

\[
n = 75
\]

From the formula the sample was 75.

### Table 3.2 Sample Size
<table>
<thead>
<tr>
<th></th>
<th>Population</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Level</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>Middle Level</td>
<td>32</td>
<td>43</td>
</tr>
<tr>
<td>Lower Level</td>
<td>35</td>
<td>46</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>75</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

### 3.4 Data Collection Methods

The data collection method adopted in the study was primary data collection. Primary data was collected mainly through administration of pre-tested structured Likert scale questionnaires in the field. This was an ideal tool for use since it reduces the incidence of missing data and low rate of return from the respondents, as the researcher personally administered the questionnaires to respondents. The structured questionnaires were used to ensure that all respondents answer the same set of questions.

### 3.5 Research Procedures

The questionnaire for the study was developed by the researcher as per the research questions. In order to test the validity of the questionnaire, a pilot test- adhering to the fundamentals attested by Cooper and Schindler (2008), who state its importance as being a tool that can be utilized so as to detect weaknesses in the research design and the instruments on 5 percent of the sample size was conducted. The defined time period of three days was found to be sufficient for the pilot test. Based on the feedback obtained from the pilot test, the questionnaire was refined. The final version of the questionnaire was distributed to respondents in the sample size leaving out the respondents who took part in the pilot test.

### 3.6 Data Analysis

The collected data was first checked for completeness and accuracy then coded before being statistically analyzed using the Microsoft Excel program available in Microsoft office and the Statistical Program for Social Scientists (SPSS). The following statistical tools were employed in the analysis, frequency tables, cross tabulations, and percentages. Correlation analysis was also used to establish relationships. Tables were used to present
the data to enable ease in the understanding ability, analysis and interpretation of the results.

3.7 Chapter Summary

This chapter provided step by step methods of carrying out the study. It provided details of the target population, how a sample was obtained. Moreover it provided details of instruments used to collect data and the research procedures undertaken. Finally it provided details on data analysis. The following chapter presents the findings of the data that was collected using the questionnaires.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the results and findings of the study based on the research objectives. The results are presented in the form of summary tables. Regression analysis is also used to analyze the data to answer the research objectives.

4.2 Quantitative Analysis

Quantitative data analysis involved use of SPSS Version 20 which was used to analyze numerical data gathered using closed end questions and Likert scale questions which was represented as follows; (1 Strongly Disagree, 2 Disagree, 3 Neutral, 4 Agree and 5 Strongly Agree).

4.3 Response Rate

Table 4.1 shows the relationship between the sample size and the actual number of respondents who actively participated in the study. The sample size represents the number of respondents who were issued with the questionnaires and the actual representative represents the number of respondents who filled and gave back the questionnaires. The table shows that response rate percentage was; 85 percent responded and 15 percent did not respond which shows that the response was good.

Table 4.1 Response Rate

<table>
<thead>
<tr>
<th>Responses</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Response</td>
<td>64</td>
</tr>
<tr>
<td>Non response</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>75</td>
</tr>
</tbody>
</table>

4.3.1 Age of Respondents

Table 4.2 shows that 42 percent of the respondents were between 31-40 years, 38 percent between ages 18-30 years, 14 percent between 41-50 years and 8 percent of the
respondents were within the age bracket of 51 years and over. This showed that majority of the respondents who provided the required information on the influence of outsourcing on performance at ILRI were young people.

Table 4.2 Age of Respondents

<table>
<thead>
<tr>
<th>Response</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Secondary Level</td>
<td>0</td>
</tr>
<tr>
<td>College Level</td>
<td>3</td>
</tr>
<tr>
<td>University Level</td>
<td>58</td>
</tr>
<tr>
<td>Any other (specify)</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>64</td>
</tr>
</tbody>
</table>

4.3.2 Highest Education Level of the Respondents

The study sought to establish the respondent’s highest level of education and hence asked respondents to state their education category. Table 4.3 shows that 54 percent of the respondents had university education level, 5 percent had college education level and 5 percent were MBA and PHD graduates. This indicates that most of the respondents were academically qualified in their respective job undertakings and hence they would clearly understand the influence of outsourcing on performance at ILRI.

Table 4.3 Highest Education Level of the Respondents

<table>
<thead>
<tr>
<th>Response</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Secondary Level</td>
<td>0</td>
</tr>
<tr>
<td>College Level</td>
<td>3</td>
</tr>
<tr>
<td>University Level</td>
<td>58</td>
</tr>
<tr>
<td>Any other (specify)</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>64</td>
</tr>
</tbody>
</table>
4.3.3 Working Experience of the Respondents

The study aimed to establish the respondent’s work experience and hence asked respondents to state their working experience category. Table 4.4 shows that 39 percent had a working experience of 1-5 years, 25 percent had 6-10 years, 25 percent had 11-20 years, 6 percent had 21 years and above and 5 percent had less than 1 year experience. Most of the respondents had worked at ILRI over a long period and thus would be knowledgeable on the influence of outsourcing on performance.

Table 4.4 Working Experience of Respondents

<table>
<thead>
<tr>
<th>Response</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>1-5 years</td>
<td>25</td>
</tr>
<tr>
<td>6-10 years</td>
<td>16</td>
</tr>
<tr>
<td>11-20 years</td>
<td>16</td>
</tr>
<tr>
<td>21 years and above</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>66</td>
</tr>
</tbody>
</table>

4.3.4 Gender of the Respondents

The study aimed to establish the respondent’s gender. Table 4.5 shows that 52 percent were male as compared to 48 percent who were female, which would be an indication that ILRI was dominated by men.

Table 4.5 Gender of the Respondents

<table>
<thead>
<tr>
<th>Response</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Male</td>
<td>30</td>
</tr>
<tr>
<td>Female</td>
<td>34</td>
</tr>
<tr>
<td>Total</td>
<td>64</td>
</tr>
</tbody>
</table>
4.3.5 Department of the Respondents

The study aimed to establish the respondent’s departments. Table 4.6 shows that 72 percent were in support/operations department as compared to 28 percent who were in research department, which shows that most respondents who participated in the study at ILRI were from support/operations departments.

Table 4.6 Department of the Respondents

<table>
<thead>
<tr>
<th>Response</th>
<th>Distribution</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Percentage</td>
<td></td>
</tr>
<tr>
<td>Research</td>
<td>18</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Support/Operations</td>
<td>46</td>
<td>72</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>64</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

4.4 Outsourcing of Security Services and Customer Satisfaction

This section gives an analysis on the influence of outsourcing of security services on customer satisfaction at ILRI. This was done by asking the respondents to indicate the extent to which they believe that outsourcing of security services affected customer satisfaction at ILRI.

4.4.1 The Influence of Outsourcing of Security on Customer Satisfaction

Table 4.7 below shows the results of multiple regressions. The value of $R^2$ is 0.290, which clearly suggest a relationship between the two variables indicating that the outsourcing of security services shares a variation of 29 per cent of customer satisfaction.

Table 4.7 Model Summary of Security services and Customer Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.539a</td>
<td>.290</td>
<td>.131</td>
<td>.69091</td>
</tr>
</tbody>
</table>

This indicates that there is a relationship between the outsourcing of security services and customer satisfaction albeit a minimal one with a coefficient of determination of 0.29.
Table 4.8 below shows the regression results for outsourcing of security services, significant level denoted by significant F in the ANOVA box 0.048, F critical was 1.957.

**Table 4.8 Analysis of Variance of Security Services and Customer Satisfaction**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>11.335</td>
<td>13</td>
<td>.872</td>
<td>1.957</td>
<td>.048</td>
</tr>
<tr>
<td>Residual</td>
<td>20.055</td>
<td>45</td>
<td>.446</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>31.390</td>
<td>58</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Outsourcing increase timelines of service delivered, Outsourced security provider shares valuable information on current security trends, Security provider treats customer with utmost care, Outsourcing enhances respondents to customer request, I am comfortable retaining current security model, outsourcing security has improved my level of customer satisfaction, Security outsourcing has improved service delivery, Benefits of Outsourced Security, Outsourcing has brought expertise, Outsourcing security services meets core businesses, Outsourced security provider respects the customers and their security, Security provider respects the customers and their security, Outsourcing security has reduced staffing costs
b. Dependent Variable: Outsourcing and customer satisfaction

The table indicates F-test (F= 1.957), p value (sig) = (0.000<0.005) is significant and therefore the entire model fits well. This shows that the model was highly significant indicating that outsourcing of security services enabled customer satisfaction.

**4.4.2 Coefficient of Outsourcing Security Services and Customer Satisfaction**

The outcomes of the regression coefficients, t-statistics, standard errors of the estimates and p values are shown in 4.9 below. A mean correlation coefficient of 0.235 suggests that there is a positive relationship between outsourcing of security services and customer satisfaction.

When customer satisfaction was predicted the benefits of outsourcing security (Beta = .208, p> .005), respect to the customers (Beta=.060, p>0.005), treating customers with utmost care (Beta=.046, p >.005 and improved service delivery (Beta= .156, p >0.005) were positive but not significant predictors.

When customer satisfaction was predicted new expertise brought by outsourced security (Beta= -1.62 p>0.005), outsourcing security meeting core business (Beta=-0.55, p>0.005), reduced staffing cost (Beta =-0.225, p >0.05) and sharing of current security trends (Beta=-.119, p > .412) were negative but not significant predictors.
Table 4.9 Coefficients of Outsourcing Security Services and Customer Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.634</td>
<td>.208</td>
<td>7.749</td>
<td>.000</td>
</tr>
<tr>
<td>Benefits of Outsourced Security</td>
<td>.083</td>
<td>-.162</td>
<td>1.500</td>
<td>.140</td>
</tr>
<tr>
<td>Outsourcing has brought expertise</td>
<td>.093</td>
<td>-.162</td>
<td>-1.269</td>
<td>.211</td>
</tr>
<tr>
<td>Outsourcing security services meets core businesses</td>
<td>.035</td>
<td>-.055</td>
<td>-.421</td>
<td>.676</td>
</tr>
<tr>
<td>Outsourcing security has reduced staffing costs</td>
<td>.143</td>
<td>-.225</td>
<td>-1.533</td>
<td>.132</td>
</tr>
<tr>
<td>Outsourced security provider respects the customers and their security</td>
<td>.115</td>
<td>-.049</td>
<td>-.369</td>
<td>.714</td>
</tr>
<tr>
<td>Security provider respects the customers and their security</td>
<td>.106</td>
<td>.060</td>
<td>.449</td>
<td>.655</td>
</tr>
<tr>
<td>Security provider treats customer with utmost care</td>
<td>.096</td>
<td>.046</td>
<td>.358</td>
<td>.722</td>
</tr>
<tr>
<td>Security outsourcing has improved service delivery</td>
<td>.038</td>
<td>.156</td>
<td>1.166</td>
<td>.249</td>
</tr>
<tr>
<td>outsourcing security has improved my level of customer satisfaction</td>
<td>.037</td>
<td>-.448</td>
<td>-3.561</td>
<td>.001</td>
</tr>
<tr>
<td>Outsourced security provider shares valuable information on current security trends</td>
<td>.137</td>
<td>-.119</td>
<td>-.828</td>
<td>.412</td>
</tr>
<tr>
<td>I am comfortable retaining current security model</td>
<td>.093</td>
<td>-.043</td>
<td>-.321</td>
<td>.749</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Outsourcing and customer satisfaction

From the analysis above, the performance variables did not have significant effect on customer satisfaction except improved satisfaction level which had a significant negative effect on customer satisfaction.
4.5 Outsourcing of Computer Maintenance Services and Operating Cost

This section gives an analysis on the influence of outsourcing of computer maintenance services on operating cost. This was done by asking the respondents to indicate the extent to which they believe that outsourcing of computer maintenance services affected operating cost.

4.5.1 The Influence of Outsourcing of Computer Maintenance Services on Operating Cost

Table 4.10 below shows the results of multiple regressions. The value of $R^2$ is 0.611 which clearly suggest a very strong and positive relationship between the two variables indicating that the outsourcing of security services shares a variation of 61 percent of the operating cost.

Table 4.10 Model Summary of Computer Maintenance Services and Operating Costs

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$0.782^a$</td>
<td>0.611</td>
<td>0.537</td>
<td>5.85087</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), I am comfortable with ILRI outsourcing model for ICT maintenance as opposed to offering the services in-house, Potential benefits of outsourcing computer services, Computer maintenance sourcing and higher quality service, Computer maintenance outsourcing and improved organization productivity, outsourcing computer maintenance enables ICT staff to concentrate on strategic duties, Transition and management cost outweighs benefits of IT sourcing, Computer maintenance sourcing and world class knowledge and capabilities, computer outsourcing and benefits of vendors economy of scale, Outsourcing computer services and cost saving, Computer maintenance outsourcing has resulted to improved efficiency.

This means that outsourcing of computer maintenance is a major factor on the reduction of operational costs at ILRI depicted by a coefficient of determination value of 0.611.

Table 4.11 below shows the regression results for outsourcing Computer Maintenance Services, significant level denoted by significant F in the ANOVA box 0.000, F critical was 8.321.
Table 4.11 Analysis of Variance of Computer Maintenance Services and Operating Costs

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>2848.402</td>
<td>10</td>
<td>284.840</td>
<td>8.321</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>1814.332</td>
<td>53</td>
<td>34.233</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4662.734</td>
<td>63</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant Potential benefits of outsourcing computer services, Computer maintenance sourcing and higher quality service, Computer maintenance outsourcing and improved organization productivity, outsourcing computer maintenance enables ICT staff to concentrate on strategic duties, Transition and management cost outweighs benefits of IT sourcing, Computer maintenance sourcing and world class knowledge and capabilities, computer outsourcing and benefits of vendors economy of scale, Outsourcing computer services and cost saving, Computer maintenance outsourcing has resulted to improved efficiency, I am comfortable with ILRI outsourcing model for ICT maintenance as opposed to offering the services in-house,

b. Dependent Variable: Outsourcing and operating cost

The table indicates F-test (F= 8.321), p value (sig) = (0.000<0.005) is significant and therefore the entire model fits well. This shows that the model was highly significant and that outsourcing of computer services reduced the operational cost in the organization.

4.5.2 Coefficients of Outsourcing Computer Maintenance and Operating Costs

The findings in Table 4.12 presented below show a mean correlation coefficient of 0.788 indicating a strong positive correlation coefficient between the outsourcing of computer maintenance and operational costs reduction.

When operation costs was predicted, improved efficiency Beta =.091, p>0.005) was the most significant relationship with a positive relationship with outsourcing computer maintenance. World class knowledge and capabilities (Beta =.674, p< 0.05) was not significant. Cost saving (Beta= -0.75, p >0.005), ICT staff concentrating on their strategic duties (Beta = -0.165, p > 0.005), vendors economy of scale (Beta =-.020 p >0.005), improved organization productivity (Beta = .107, p >0.005), and transition and management cost (Beta =-.211, p >0.05) were significant predictors with a negative relationship to operating costs.
<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>18.876</td>
<td>7.095</td>
</tr>
<tr>
<td>Potential benefits of outsourcing computer services</td>
<td>-1.249</td>
<td>1.154</td>
</tr>
<tr>
<td>Outsourcing computer services and cost saving</td>
<td>-0.750</td>
<td>0.952</td>
</tr>
<tr>
<td>Computer maintenance sourcing and world class knowledge and capabilities</td>
<td>1.152</td>
<td>0.153</td>
</tr>
<tr>
<td>Outsourcing computer maintenance enables ICT staff to concentrate on strategic duties</td>
<td>-1.961</td>
<td>1.087</td>
</tr>
<tr>
<td>Computer outsourcing and benefits of vendor’s economy of scale</td>
<td>-0.207</td>
<td>0.998</td>
</tr>
<tr>
<td>Computer maintenance outsourcing and improved organization productivity</td>
<td>-1.000</td>
<td>0.844</td>
</tr>
<tr>
<td>Computer maintenance sourcing and higher quality service</td>
<td>-0.411</td>
<td>0.876</td>
</tr>
<tr>
<td>Transition and management cost outweighs benefits of IT sourcing</td>
<td>-1.669</td>
<td>0.708</td>
</tr>
<tr>
<td>Computer maintenance outsourcing has resulted to improved efficiency</td>
<td>0.500</td>
<td>0.533</td>
</tr>
<tr>
<td>I am comfortable with ILRI outsourcing model for ICT maintenance as opposed to offering the services in-house</td>
<td>-0.581</td>
<td>0.717</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Outsourcing and operating cost
All variables had negative effect on operating costs except on the question on the improved efficiency and world class knowledge and capabilities which was very significant with a p-value of 0.00. The other significant variable was on the perception that transition and management costs outweighed the accrued benefit, which had a negative coefficient of -1.669 (p = 0.022).

The results from these regressions indicate that the respondents had negative perception on the overall benefits of outsourcing of computer services as indicated by the negative coefficients.

4.6 Outsourcing of Cleaning Services and Service Delivery

This section gives an analysis on the influence of outsourcing of cleaning services on service delivery. This was done by asking the respondents to indicate the extent to which they believe that outsourcing of cleaning services affected service delivery.

4.6.1 The Influence of Outsourcing Cleaning Services on Service Delivery

Table 4.13 shows the value of R$^2$ is 0.435, indicating that the outsourcing of cleaning services shares a variation of 43.5 per cent of service delivery.

Table 4.13 Model Summary of Cleaning Services and Service Delivery

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.435$^a$</td>
<td>.189</td>
<td>.033</td>
<td>.52565</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), I am comfortable with ILRI retaining the outsourcing model for services as opposed to offering the services in-house, Outsourcing of cleaning services has resulted to timely cleaning service, Outsourcing of cleaning services enables easy access to equipment/technology owned by the service provider, Outsourced provider conforms to set quality standards in their service level agreements, Outsourced provider always clean work areas to the expected standards, Respect is extended to ILRI staff by staff outsourced provider, ILRI values are reflected by staff of outsourced provider, Outsourcing of cleaning services has resulted to a reduction on management time required to supervise staff, Outsourcing of cleaning services has resulted to a saving on staffing cost, Cost Saving has been realized on buying of cleaning equipment as a result of sourcing of cleaning services

This means that a positive relationship is present between the outsourcing of cleaning services and delivery of services. The coefficient of determination of 0.435 suggests that a significant relationship exists and that outsourcing of cleaning services does have an impact on how the quality of services is delivered at ILRI. Table 4.14 below shows the
regression results for cleaning services, significant level denoted by significant F in the ANOVA box 0.306, F critical was 1.211.

Table 4.14 Analysis of Variance of Cleaning Services and Service Delivery

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>3.347</td>
<td>10</td>
<td>.335</td>
<td>1.211</td>
<td>.306a</td>
</tr>
<tr>
<td>Residual</td>
<td>14.368</td>
<td>52</td>
<td>.276</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>17.714</td>
<td>62</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Predictors: (Constant), I am comfortable with ILRI retaining the outsourcing model for services as opposed to offering the services in-house. Outsourcing of cleaning services has resulted to timely cleaning service, Outsourcing of cleaning services enables easy access to equipment/technology owned by the service provider, Outsourced provider conforms to set quality standards in their service level agreements, Outsourced provider always clean work areas to the expected standards, Respect is extended to ILRI staff by staff outsourced provider, ILRI values are reflected by staff of outsourced provider, Outsourcing of cleaning services has resulted to a reduction on management time required to supervise staff, Outsourcing of cleaning services has resulted to a saving on staffing cost, Cost Saving has been realized on buying of cleaning equipment as a result of sourcing of cleaning services

The table indicates F-test (F= 1.211), p value (sig) = (0.306>0.005) is significant and therefore the entire model fits well. This shows that the model was highly significant and that outsourcing of cleaning services improved efficiency in the organization.

4.6.2 Coefficient of the Outsourcing of Cleaning Services and Service Delivery

Table 4.15 below shows the correlation coefficients of the outsourcing of cleaning services on service delivery. The mean correlation coefficient is r=0.354 meaning that there is a positive relationship between the outsourcing of cleaning services delivery of services.

When delivery of services was predicted the higher cleanliness standards (Beta = 0.51 p >0.005), less supervision of staff (Beta = 0.254, p>0.005), timely cleaning manner (Beta = 0.51, p> 0.005) and respected extended to ILRI staff (Beta = 0.187, p> 0.005) were the most significant variables with a positive relationship to service delivery.

Lower cost due to lack of buying of cleaning equipment (Beta = -.294 p >0.005) easy access to technology and equipment by staff (Beta = -0.258, p>0.005) and ILRI values are reflected by outsourced staff (Beta = -0.087, p>0.005) were the most significant predictors with a negative relationship to service delivery.
Table 4.15 Coefficients of Outsourcing Cleaning Services on Service Delivery

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>4.188</td>
<td>.439</td>
<td>.051</td>
<td>9.537</td>
</tr>
<tr>
<td>Outsourced provider always clean work areas to the expected standards</td>
<td>.032</td>
<td>.080</td>
<td>.051</td>
<td>.399</td>
</tr>
<tr>
<td>Cost Saving has been realized on buying of cleaning equipment as a result of sourcing of cleaning services</td>
<td>-.139</td>
<td>.067</td>
<td>-.294</td>
<td>-2.073</td>
</tr>
<tr>
<td>Outsourcing of cleaning services has resulted to a reduction on management time required to supervise staff</td>
<td>.053</td>
<td>.028</td>
<td>.254</td>
<td>1.858</td>
</tr>
<tr>
<td>Outsourcing of cleaning services has resulted to timely cleaning service</td>
<td>.027</td>
<td>.075</td>
<td>.051</td>
<td>.356</td>
</tr>
<tr>
<td>Outsourcing of cleaning services has resulted to a saving on staffing cost</td>
<td>.039</td>
<td>.070</td>
<td>.078</td>
<td>.556</td>
</tr>
<tr>
<td>Outsourcing of cleaning services has resulted to a saving on staffing cost</td>
<td>.137</td>
<td>.077</td>
<td>.239</td>
<td>1.776</td>
</tr>
<tr>
<td>Outsourcing of cleaning services enables easy access to equipment/technology owned by the service provider</td>
<td>-.138</td>
<td>.074</td>
<td>-.258</td>
<td>-1.855</td>
</tr>
<tr>
<td>Respect is extended to ILRI staff by staff outsourced provider</td>
<td>.105</td>
<td>.073</td>
<td>.187</td>
<td>1.428</td>
</tr>
<tr>
<td>ILRI values are reflected by staff of outsourced provider</td>
<td>-.041</td>
<td>.066</td>
<td>-.086</td>
<td>-.630</td>
</tr>
<tr>
<td>I am comfortable with ILRI retaining the outsourcing model for services as opposed to offering the services in-house</td>
<td>.045</td>
<td>.026</td>
<td>.233</td>
<td>1.709</td>
</tr>
</tbody>
</table>

Regression analysis showed one significant effect of outsourcing cleaning services at 95 percent significant level while 4 other variables showed marginally significant effects at 90 percent level. The respondents strongly indicated that outsourcing didn’t result to cost saving ($\beta = -1.39, p = 0.043$). The variables that were marginally significant were a reduction on management time required to supervise staff ($\beta = 0.053$ and $p = 0.069$), enables easy access to equipment/technology owned by the service provider ($\beta = -0.138$ and $p = 0.069$).
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter first discusses and summarizes the results contained in the previous chapter. It then draws conclusions based on the major findings and recommends areas of further research.

5.2 Summary

The purpose of this study was to investigate the influence of outsourcing of services on performance levels at International Livestock Research Institute. The study was guided by the following specific objectives; to establish the influence of outsourcing security services on operating cost, to examine the influence of outsourcing computer maintenance services on customer satisfaction and establish the influence of outsourcing cleaning services on service delivery efficiency.

5.2.1 Influence of Outsourcing of Security Services on Customer Satisfaction

Majority of respondents indicated that outsourcing of security services greatly influenced customer satisfaction. This was evidenced by the value of R² of 0.290, revealing 29.0 percent variability in potential benefits for outsourcing security services. The regression model was found to be highly significant which was evidenced by significant level denoted by significant F in the ANOVA box 0.048, F critical was 1.957. It was found that, holding all factors constant at 4.913, a unit increase in benefits of outsourced security would lead to a 0.125 increase in customer satisfaction, a unit increase in outsourcing has brought expertise would lead to a -0.118 decrease in customer satisfaction. A unit increase in outsourcing security services meets core businesses would lead to a -0.015 increase in customer satisfaction.

A unit increase in outsourcing security has reduced staffing costs would lead to -0.219 decrease in customer satisfaction. A unit increase in outsourced security provider respects the customers and their security would lead to -0.042 decreases in customer satisfaction. A unit increase in security provider respects the customers and their security led to a 0.048 increase in customer satisfaction. A unit increase in security provider treats
customer with utmost care would lead to 0.034 increases in customer satisfaction. A unit increase in security outsourcing has improved service delivery would lead to 0.045 increase in customer satisfaction. A unit increase in outsourcing security has improved my level of customer satisfaction would lead to -0.130 decrease in customer satisfaction. A unit increase in outsourced security provider shares valuable information on current security trends would lead to -0.113 decreases in customer satisfaction. Benefits of outsourced security and outsourcing security has improved my level of customer satisfaction were found to have the most significant positive influence on customer satisfaction. Outsourcing of security services enabled customer satisfaction.

5.2.2 Influence of Outsourcing of Computer Maintenance Services on Operating Cost

Majority of respondents indicated that outsourcing of computer maintenance services affected the operational cost in the organization which was evidenced by the value of R^2 of 0.611, revealing 61.1 percent variability in potential benefits of outsourcing computer maintenance services. Outsourcing Computer Maintenance Services, significant level was denoted by significant F in the ANOVA box 0.000, F critical was 8.321 which shows that the model was highly significant and that outsourcing of computer services reduced the operational cost in the organization. Holding all factors constant at 18.876, a unit increase in potential benefits of outsourcing computer services would lead to a -1.249 decrease operating cost, a unit increase in outsourcing computer services and cost saving would lead to a -0.0750 decrease in operating cost.

A unit increase in computer maintenance sourcing and world class knowledge and capabilities would lead to a 1.152 increase in operating cost. A unit increase in outsourcing computer maintenance enables ICT staff to concentrate on strategic duties would lead to a -1.961 decrease in operating cost. A unit increase in computer outsourcing and benefits of vendor’s economy of scale would lead to a -0.207 decrease in operating cost. A unit increase in computer maintenance outsourcing and improved organization productivity would lead to a -1.000 decrease in operating cost. A unit increase in computer maintenance sourcing and higher quality service would lead to a -0.411 decrease in operating cost. A unit increase in transition and management cost outweighs benefits of IT sourcing would lead to -1.669 decrease in operating costs. A unit increase in computer maintenance outsourcing has resulted to improved efficiency would
lead to 0.500 increase in operating cost. A unit increase in ILRI outsourcing model for ICT maintenance as opposed to offering the services in-house would lead to -0.581 decrease in operating cost.

5.2.3 Influence of Outsourcing of Cleaning Services and Service Delivery

Majority of respondents indicated that outsourcing of cleaning services improved efficiency in the organization. The model shows that the value of $R^2$ is 0.435 revealing 43.5 percent variability in outsourced provider conforms to set quality standards in their service level agreements. There model had significant level denoted by significant F in the ANOVA box 0.306, F critical was 1.211. Holding all factors constant at 4.188, a unit increase in outsourced provider always clean work areas to the expected standards would lead to 0.032 increase in efficiency. A unit increase in cost saving has been realized on buying of cleaning equipment as a result of outsourcing of cleaning services would lead to a -0.139 decrease in efficiency. A unit increase in outsourcing of cleaning services has resulted to a reduction on management time required to supervise staff would lead to 0.053 increase in efficiency.

A unit increase in outsourcing of cleaning services has resulted to timely cleaning service would lead to 0.027 in efficiency. A unit increase in outsourcing of cleaning services has resulted to a saving on staffing cost would lead to 0.039 increase in efficiency. A unit increase in outsourced provider conforms to set quality standards in their service level agreements would lead to a 0.137 increase in efficiency. A unit increase in outsourcing of cleaning services enables easy access to equipment/technology owned by the service provider would lead to a 0.138 decrease in efficiency. A unit increase in respect is extended to ILRI staff by staff outsourced provider would lead to a 0.105 increase in efficiency. A unit increase in ILRI values are reflected by staff of outsourced provider would lead to -0.041 decrease in efficiency. A unit increase in ILRI retaining the outsourcing model for services as opposed to offering the services in-house would lead to 0.045 increase in efficiency.

5.3 Discussion

5.3.1 Influence of Outsourcing of Security Services on Customer Satisfaction

The study found out that outsourcing has helped ILRI save cost and improve efficiency which agrees with Alner (2001) who argued that with contract security, an organization
can more easily budget and control annual security expenditures, including payroll and employee benefits costs. Outsourced security provider brought many benefits to the organization which includes expertise and efficiency which agrees with Armstrong (2001) who argued that by outsourcing security operations to a managed security services provider (MSSP), companies can take advantage of the expert skills, tools, and processes provided, and significantly enhance the security of the enterprise, without making a large investment in technology and resources.

Outsourced security provider respected the organization values by respecting the customers of the organization. This finding agrees with (Fornell, 2006; Zeithaml, Berry and Parasuraman, 1996) who argued that customer satisfaction and customer loyalty are important indicators of a firm’s performance. Higher customer satisfaction and customer loyalty scores have been linked to higher firm profitability, shareholder value and risk-adjusted stock returns. When customers are more satisfied with a service encounter, those customers are more likely to remain loyal to the firm, spend more with the firm, and recommend the firm to others.

Outsourced security provider shared the necessary information on the current security trends which made customers satisfied which disagrees with Fornell (2006) who argued that while back office outsourcing is not associated with a change in customer satisfaction, it is associated with an increase in customer loyalty. Interestingly, while front office outsourcing is associated with a decrease in customer satisfaction, onshore front office outsourcing is associated with a similar decrease.

5.3.2 Influence of Outsourcing of Computer Maintenance Services on Operating Cost

Outsourcing of computer maintenance outsourcing has led to users having access to world class knowledge and capabilities which agrees with Dhar and Sridar (2004) who argued that factors like lower costs, improved productivity, higher quality, higher customer satisfaction, time to market, and ability to focus on core areas are some of the benefits of outsourcing. Outsourcing of computer maintenance enables ICT staff concentrate on more strategic duties which agreed with Dhar and Sridar, (2004) who argued that by outsourcing non-core functions and processes, an organization can devote more of its key resources to core business activities. Computer outsourcing brings efficiency and economies of scale which agrees with Bettis, Bradley, and Hamel (1992) who argued that
outsourcing can help small firms act big by giving them access to the same economies of scale, efficiency, and expertise that large companies enjoy.

Computer maintenance outsourcing has brought quality to the organization which agrees with Dhar, and Sridar, (2004) who argued that factors like lower costs, improved productivity, higher quality, higher customer satisfaction, time to market, and ability to focus on core areas are some of the benefits of outsourcing. Computer maintenance outsourcing has resulted to improved efficiency in the organization which agrees with Dhar, and Sridar, (2004) who argued that one is the availability for specialists in external service providers to provide a more efficient and effective service than is possible within the organization and the other is the possibility of cost savings.

Majority of respondents at ILRI strongly agreed that benefits of outsourced computer maintenance services can only be achieved by selecting a qualified provider. This agrees with Armstrong (2001) who argues that the benefits of outsourcing are straight forward, but the same cannot be said about selecting the right provider. The highest potential benefits of outsourced services can only be got by choosing the right provider and that it is therefore important for an organization to first conduct an extensive evaluation of their specific service requirements.

5.3.3 Influence of Outsourcing of Cleaning Services and Service Delivery

The amount of supervision time required when using the outsourced cleaning company at ILRI was greatly reduced through outsourcing. ILRI also benefited from use of advanced equipment supplied by the outsourced company which is updated as technology is enhanced therefore saving cost on capital equipment purchase and at the same time enjoying quality and efficient service. This observation agrees with Gautie (2010) who argued that there is generally an immediate cost saving in part because an expert cleaning staff can get more done in less time and a professional maintenance company procures optical pricing on equipment, supplies and refillable goods like toilet paper, towels and hand soap.

The Service Level Agreement (SLA) drawn between ILRI and the outsourced cleaning companies is adhered to strictly according to the findings of the study. This is a very important observation because it ensures quality and efficiency is delivered to the desired levels. This agrees with Hopkin (2012) who argues that by contracting a company that
upholds and enforces high hiring standard, the company can be certain that the task is completed thoroughly and correctly the first time. This is also confirmed by Alner (2001), who contends that outsourcing security does not mean relinquishing control of the organizations cleaning program. On the contrary, the organization should keep specifying cleaning services and setting performance standards. When selecting a cleaning provider, an organization should choose one that meets its expectations daily. This is also confirmed by the study when majority of the respondent agree that the outsourced provider always cleans work areas to the expected standard and in a timely manner.

ILRI staff do not always feel that the staff of the outsourced cleaning company extend respect to them. This may dilute their perception on the standard of services offered as discussed above. Fornell (2006) understood this when he argued that customer satisfaction and customer loyalty are important indicators of firm performance. Zeithaml et al (1996) also argued that when customers are well pleased with a service experience, those customers are likely to stay loyal to the firm, spend more on the services of the said firm, and recommend the firm to their friends. Perceived quality is the subjective customer evaluation of their experience explaining whether the service offering is customized to meet individual customer needs and the extent it is reliable and free of anomalies. Customers create expectations of future quality of services based on their previous consumption experience.

5.4 Conclusion

The study concluded that most of the respondents at ILRI were young, academically qualified and had worked at ILRI over a long period of time and hence understand and had experienced how outsourcing influences performance.

5.4.1 Influence of Outsourcing of Security Services on Customer Satisfaction

From regression analysis, benefits of outsourced security services on customer satisfaction were not very apparent because only one variable had a significant effect. This is an indication that outsourcing of security services was perceived to have both negative and positive implications on the respondents. However, improved satisfaction is an attribute that needs attention given that it was the only significant variable.

5.4.2 Influence of Outsourcing of Computer Maintenance Services on Operating Cost
Outsourcing of computer maintenance services brought expertise from the outside which led to quality service delivery. It has met the organization expectations and reduced the cost incurred by the organization. Outsourced service provider respects the organization’s customers, reflects the values of ILRI in their service delivery and generally offers good levels of customer satisfaction. ILRI retaining the outsourcing model for computers maintenance services as opposed to offering the services in house was acceptable by employees. There was a strong positive relationship between outsourcing of computer services and performance, a unit increase in outsourcing of computer maintenance services led to an increase in performance. From regression analysis, computer maintenance outsourcing has helped ILRI access world class knowledge and also enables ICT staff to concentrate on strategic duties. Transition and management cost outweigh benefits of IT sourcing and the overall operational cost at ILRI.

5.4.3 Influence of outsourcing of Cleaning Services and Service Delivery

Cleaning services offered by the provider satisfied most respondents. Using equipment of outsourced provider was embraced by the employees as a cost saving measure. Outsourcing greatly reduced the amount of time required to supervise staff and the provider was efficient in service delivery. Reducing cost was evaluated as one of the major reasons for outsourcing. The outsourced providers met all the quality requirements set by the organization and also brought modern technology to the organization. Some of the respondents, however, were not satisfied with the respect extended to them by the outsourced service provider but the ILRI values were upheld. The model of outsourcing of cleaning services was acceptable to most employees. Most respondents were satisfied with the service delivery timelines achieved by the provider and were certain that efficient management of service effectively contributed to saving on cost of service.

5.5 Recommendations

ILRI should evaluate service providers based on their experience and the on bonding process should be through competitive bidding to ensure they attract the best from the market. They should also ensure that the outsourced providers meet the ILRI’s set standards set by putting in place a strict Service Level Agreement (SLA) and monitoring closely to ensure the provider meets the set standards. ILRI should ensure close interaction with the owners and or supervisors of the organizations providing outsourced
services during which the values of ILRI should clearly be communicated and a mechanism put in place to ensure the provider reflects the values in their daily routine. This way, the gap in values should not be felt when services are outsourced.

ILRI should also adopt a well-researched contractor performance management tool using which they should periodically measure the performance which should either attract rewards or penalties. Parameters to be measured should include timeliness, cost, productivity and efficiency. This should hopefully address the gaps identified in the study.

5.5.1 Recommendations for Improvement

The study encountered various challenges such as lack of cooperation from the targeted respondents which made it difficult to collect data from some targeted respondents. This happened despite researcher having explained to the respondents that the study was of academic purposes and their views were kept highly confidential.

5.5.2 Recommendation for Further Studies

The study was to identify the influence of outsourcing on performance at the International Livestock Research Institute (ILRI). The study findings narrowed into three performance indictors influenced by outsourcing of services. There are other factors that influence performance at ILRI that have not been identified in the study. Suggestion for further studies is therefore advisable to contribute towards identification of more other benefits of outsourcing on performance.
REFERENCES


http://www.standardmedia.co.ke/?article ID=2000063273 & story_title =major -job-cuts-at-kenya-airways & page No=2

https://tntalk.wordpress.com/2008/03/18/us-outsourcing-and-multinational-corporations/


APPENDICES

APPENDIX I: QUESTIONNAIRE

This questionnaire seeks to assess the influence of outsourcing on performance at the International Livestock Research Institute (ILRI). All the information you give will be treated with confidentiality and used for academic purposes only and nothing else what so ever. Please take a few minutes to complete this questionnaire.

SECTION A: DEMOGRAPHIC INFORMATION

Please tick appropriately

1. Age bracket of staff (to the nearest full year)
   - 18-30 years
   - 31-40 years
   - 41-50 years
   - Above 51 years

2. Highest Education Level of staff
   - Secondary level
   - College level
   - University level
   Any other please specify.................................................................

3. Working experience of staff
   - Below 1 year
   - 1-5 years
   - 6-10 years
   - 11-20 years
   - 21 and above

4. Gender of staff
   - Male
   - Female

5. Which is your Department
   - Research
   - Support/Operations
SECTION B: SECURITY SERVICES

Please state the extent to which you agree or disagree with the following statements regarding outsourcing of security services and its effect on customer satisfaction.

(1 strongly Disagree, 2 Disagree, 3 Neutral, 4 Agree and 5 strongly Agree)

<table>
<thead>
<tr>
<th>SECURITY SERVICES</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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</thead>
<tbody>
<tr>
<td>1. The potential benefits of outsourced security computer maintenance service can only be achieved by selecting a qualified provider</td>
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<td>2. Outsourcing security has brought on board expertise hence improved service delivery.</td>
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<td>3. Outsourcing of security services meets the core business of offering optimum security.</td>
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<td>4. Outsourcing of security services has reduced staffing cost.</td>
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<td>5. Outsourced security provider respects the customers and their security.</td>
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<td>6. Outsourced security provider reflects the values of ILRI in their service delivery.</td>
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<td>7. Outsourced security provider treats customers with utmost care.</td>
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<td>8. Security service outsourcing has improved my level of customer satisfaction.</td>
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<tr>
<td>10. I am comfortable with ILRI retaining the outsourcing model for security services as opposed to offering the services in-house.</td>
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</table>
SECTION C: COMPUTER MAINTENANCE SERVICES

Please state the extent to which you agree or disagree with the following statements regarding outsourcing of computer maintenance services and operating cost.

(1 strongly Disagree, 2 Disagree, 3 Neutral, 4 Agree and 5 Strongly Agree)

<table>
<thead>
<tr>
<th>COMPUTER MAINTENANCE SERVICES</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1. The potential benefits of outsourced computer maintenance service can only be achieved by selecting a qualified provider</td>
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<tr>
<td>2. Outsourcing of computer maintenance services has led to cost saving on overall budget.</td>
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<tr>
<td>3. Computer maintenance outsourcing has led to users having access to world class knowledge and capabilities</td>
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<td>4. Outsourcing computer maintenance enables ICT staff concentrate on more strategic duties</td>
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<td>5. As a result of computer maintenance outsourcing, users benefit from vendor’s efficiency and economies of scale</td>
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<td>6. Computer maintenance outsourcing has resulted to improved organization productivity.</td>
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<td>7. Computer maintenance outsourcing has led to higher quality of service</td>
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<td>8. Transition and management costs outweigh the benefits of IT outsourcing</td>
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<tr>
<td>9. Computer maintenance outsourcing has resulted to improved efficiency</td>
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<tr>
<td>10. I am comfortable with ILRI retaining the outsourcing model for ICT maintenance services as opposed to offering the services in-house.</td>
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</table>
SECTION D: CLEANING SERVICES

Please state the extent to which you agree or disagree with the following statements regarding outsourcing of cleaning services and service delivery.

(1 Strongly Disagree, 2 Disagree, 3 Neutral, 4 Agree and 5 Strongly Agree)

<table>
<thead>
<tr>
<th>CLEANING SERVICES</th>
<th>1</th>
<th>2</th>
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</thead>
<tbody>
<tr>
<td>1. The outsourced provider always cleans work areas to the expected standard.</td>
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<tr>
<td>2. Cost saving has been realized on buying of cleaning equipment as a result of outsourcing of cleaning services</td>
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<td>3. Outsourcing of cleaning services has resulted to a reduction on management time required to supervise staff</td>
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<td>4. Outsourcing of cleaning services has resulted to more timely cleaning service.</td>
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<tr>
<td>5. Outsourcing of cleaning services has resulted to a saving on staff costs</td>
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<tr>
<td>6. Outsourced provider conforms to set quality standards in their Service Level Agreement (SLA)</td>
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<td>7. Outsourcing of cleaning services enables easy access to equipment/technology owned by the service provider</td>
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<td>8. Respect is extended to ILRI staff by staff of outsourced provider.</td>
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<td>9. ILRI values are reflected by staff of outsourced provider</td>
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<tr>
<td>10. I am comfortable with ILRI retaining the outsourcing model for ICT maintenance services as opposed to offering the services in-house.</td>
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</table>
SECTION E: PERFORMANCE MEASURES

Please state the extent to which you agree or disagree with the following statements regarding outsourcing and performance from your general understanding.

(1 Strongly Disagree, 2 Disagree, 3 Neutral, 4 Agree and 5 Strongly Agree)

<table>
<thead>
<tr>
<th>PERFORMANCE MEASURES</th>
<th>1</th>
<th>2</th>
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</thead>
<tbody>
<tr>
<td><strong>Outsourcing and customer satisfaction</strong></td>
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<tr>
<td>1. Outsourcing enhances quality of service delivered</td>
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<td>2. Outsourcing enhances responsiveness to customer requests.</td>
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<td>3. Outsourcing increases timeliness of service delivered (turn-around time)</td>
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<tr>
<td><strong>Outsourcing and operating cost</strong></td>
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<tr>
<td>1. Efficiency in outsourced standards leads to reduced fixed operating overheads</td>
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<tr>
<td>2. Inefficiency in outsourced standards leads to increased operating cost</td>
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<tr>
<td>3. Efficient management of service providers results to savings on cost of service.</td>
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<tr>
<td><strong>Outsourcing and efficiency</strong></td>
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<td></td>
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<tr>
<td>1. Outsourcing saves management time to concentrate on strategic issues</td>
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<td>2. Outsourcing leads to reduced supervision time.</td>
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<tr>
<td>3. Outsourcing increases cost/benefit in company operations.</td>
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Thank you for your Participation!