THE EFFECTS OF OUTSOURCING ON ORGANIZATIONAL PERFORMANCE

A CASE STUDY OF FAFI LIMITED COMPANY MOMBASA, KENYA

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A PROJECT PROPOSAL SUBMITTED TO KAMPALA INTERNATIONAL UNIVERSITY SCHOOL OF BUSINESS AND MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF BACHELOR OF SUPPLY AND PROCUREMENT MANAGEMENT

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DEDICATION

This work is dedicated to my parent who wholeheartedly supported me through my entire course, my lovely sister Halima for her moral support my dear friends a.k.a (Abakahin Family) and lastly mama Maryan family.

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CHAPTER ONE

1.0 INTRODUCTION

This chapter basically covers the background of the study, how the various definitions of the study, statement of the problem, objectives of the study, hypothesis scope and importance of the study.

1.1. BACKGROUND OF THE STUDY

Looking at the history of human development, the history of outstanding dates back to the industrial development that begun in the 17th century. For instance, the making of American covered wagons and clipper ship sails was a job outsourced to workers in Scotland, with raw materials imported from India, England, Textiles industry became so efficient in the 1880s that eventually Indian manufactures could not compete, and that work was outsourced to England (Kelly, 2003).

The ancient Chinese empire and the Japanese were also adept of sourcing to their conquered nations looking times, in the United State of America (USA) many computer companies used to outsource their pay roll processing in the 1970's and the 1980's learning that outsourcing existed since the early days of our civilizations, one may wonder why no one talked about it, let us say 10-15 years back. The reason outsourcing stayed out of news is because it used to happen on a small scale and was concentrated in some specific regions, like the USA, Europe. But now outsourcing is a 400 billion year industry and the world cannot afford to ignore it.

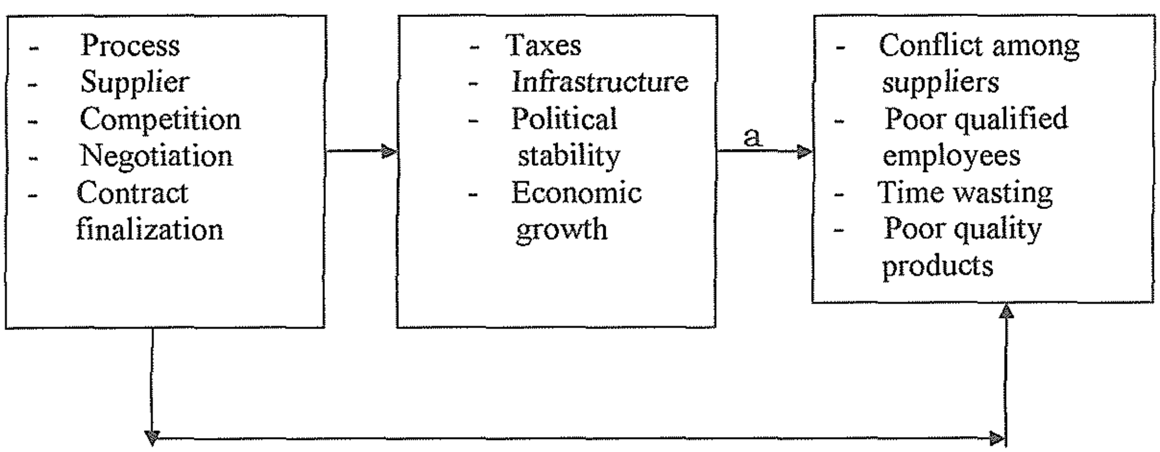
Several authors define outsourcing according to zhu, hsu and lilie (2003) define outsourcing as the strategic use of resources to perform activities traditionally handled by local staff and their resources, it is a management strategy by which an organization outsource major no-core

1.6 RESEARCH QUESTIONS

1. What are the benefits of outsourcing?
2. What is the relationship between outsourcing and the performance of organization?
3. What is the effective process of outsourcing?
4. What are the solutions which can be applied to overcome the failure of outsourcing?

1.7 CONCEPTUAL FRAME WORK

Independent variable	Intervening variable	Dependent variable
Outsourcing		Performance



(a) Indirect Influence

(b) Direct Influence

The outsourcing is the independent variable while the performance is dependent variable.

The performance of organization depends on the effective and efficient outsourcing.

1.8 SCOPE OF THE STUDY

The study is based on outsourcing as on independent variable and performance as a dependent variable. Geographically the research is based on Fafi Limited Company, Mombasa.

The research is carried out to identify the effect of outsourcing on organizational performance.

1.9 SIGNIFACANCE OF THE STUDY

- The study will provide additional knowledge and expertise on the appropriate process of outsourcing.
- The study will provide a recommendation that helps to improve the efficiency and effectiveness of outsourcing concept.
- The study will assist organizations to appreciate and embrace the concept of outsourcing.
- The study will be useful to other scholars as it provides recommendation for further studies in this outsourcing concept.
- As a student in partial fulfillment for the award of Bachelors Degree in Supplies and Procurement Management at Kampala International University.

Outsourcing is increasingly the common answer to "make it decision being asked by manufacturing industries and do it ourselves is asked by the service industries.

Outsourcing combined with other techniques in creating a whole new sophisticated environment for the customer supplier activity on the manufacturing front for example:-operation is intense with supplies adopting the same systems ask customers, sharing:- those system, becoming extension of them on taking over whole organization systems from them in general, management front whole business processes are being taken over.

Robert et al 2000 argue that all questions arise from qualifications of suppliers, best practices training among others.

2.2 Outsourcing concept

World economies are experiencing threats from globalization, deregulation and disruptive technologies, organization must make and absorb changes faster than ever before in this era of global competition, Linder 2004.

He further noted that this change can be possible if organization all over the world, adopted transformational outsourcing which he defined as using out sourcing to archive a rapid sustainable, step-change improvement in enterprise, level performance. Linda gave an example of (USA) United States of America where according to the 2003 survey, outsourcing constituted 70% of the economic development registered the power, Desonza and Bonifazi 2006 while analyzing national for outsourcing stated that we must source out work because there are others who do it cheaper, faster, better *and* because we have other more important demands on our resources Mcivov 2005 noted that; Outsourcing has several benefits but the potential ones are cost reduction, performance improvements, flexibility, specialization and access to innovation.

However Linder 2004 observed that outsourcing as a management tool, does not create any impact by itself where he stated tools do not make change happen, people make change happen, in a related development, power et al 2004 observed that if outsourcing is to be productive, there must be skills to manage outsourcing efforts which they enumerated as decision making, marketing and positioning, negotiation and performing.

2.3 Types of outsourcing

In relation to information technology IT, Lacity provide taxonomy of outsourcing options categorized as body shop, project management and total outsourcing

- Body shop outsourcing refers to a situation where management uses outsourcing as a means of meeting short-term requirements e.g. a shortage of in-house skills to meet a temporary demand.
- Project management outsourcing is employed for all or part of particular project, e.g. developing a new information technology Project, training in new skills, management consultancy.
- Total outsourcing is where the outsourcing supplier is given full responsibility for a selected area, e.g. creating security.

Reason for outsourcing. The main reason for outsourcing will typically include one or more of the following,

New product development. In the purchasing and supply chain management book 2002 second edition by Robert Trent, Robert mentioned that outsourcing decisions are often initiated during the new product cycle because of the products, service and sub assemblies or components available to guide the outsourcing decision.

The commodity under consideration may represent unfamiliar technology on processes, in such a case an outsource decision may be reached initially, unless the parts on technology under consideration are core competence.

The team should carefully consider the stability of the technology in question, the possible duration of product life cycle and availability of reliable resources.

Recognition that the conditions business cannot, for whatever reason (e.g. Pay, conditions or prospect), retain sufficiently qualified staff - this is a common problem for information technology professionals working in house for a company.

Service improvement which cannot be gained without significant expenditure of internal time or on external consultancy.

Refurbishment of existing tangible asset base (typical of information technology outsourcing) where the information technology infrastructure has degraded.

Obtaining better management of existing resources from a specialist.

Obtaining better procurement opportunities on an asset refresh (again a typical) in information technology infrastructure outsourcing.

Cost reduction, usually the major factor.

Insufficient management time available to devote to the in-house operation.
Financial reasons - the ability to convert costs to variable cost.

2.4 EFFECTS OF OUTSOURCING ON ORGANIZATION PERFORMANCE

Outsourcing is not without problems despite its wide claimed benefit in the organization which has resulted into many researchers to carryout a study on its effects.

According to Lysons 2003, noted that it can take several years before an organization begins to benefit from any savings and in some cases the whole process is not cost neutral. And the effects of outsourcing were described as cost escalation, maintaining quality over dependence on suppliers' flexibility and lack of management skills to control suppliers.

According to Reilly 2000, mention that a principle objection to outsourcing is the possible loss of competitive advantage particularly in the loss of skills and expertise of staff, insufficient internal investment and passing of knowledge and expertise to the supplier who may be able to seize initiative.

According to Lacity 2002, also point out that outsourcing does not seem to work well in areas where a specific or unique knowledge of the business is required where all or most of the services are custom and, where the employee culture is too fragmented or hostile for the organization to come back together. The effects reported in relation to outsourcing suppliers include, high staff turnover poor project management skills, lack of commitment to the client industry, shallow expertise, insufficient documentation, lack of control over large suppliers, poor staff training compliancy over time are some of the problems highlighted although Le and Hitt 2003, Brumberg 2000 go as far as claiming that outsourcing can create several economic advantages which can reduce a firms costs up to 20% - 40% taking into consideration alone can be dangerous to the firm. Authors such as Probert 1999 point out that increases in outsourcing can lead to un expected cost increases this might occur when many of the services processed are outsourcing in a widely scattered and disorganized manner with a firm becoming increasingly dependent on un increasing, number of suppliers which case the firm will fail to meet its desired goal of saving costs.

A strategic analysis of sourcing requires that we recognize this involves strategic risks an appropriate adoption and use of outsourcing together with an increased use of strategy often caused by competition has led to numerous organizations into a process of misconceived outsourcing which may leave them without the capacities and the skills necessary to compete effectively and sometimes into a state of decline. The concerns are classified facing organizations which option to outsource are the loss of critical skills, abilities, or the acquisition of erroneous skills and abilities, the loss of tansfunctional skills arid loss of control over the suppliers Quinn et al.

With reference to transfunctional skills the author would like to highlight the fact that the interaction between specialized personnel from different departments or areas usually provides new ideas or solutions in relation to the loss of control over the supplier, the danger or risk exists in that the organizations outsource some of the core activities only to discover later that their suppliers are un able to provide sufficient quality and quantity service in their provisions of components and service. This situation arises as a result of lack of adequate information available in the market about the suppliers and hence the organization lacks the information about the work ethics of the supplier.

On the other hand, suppliers could obtain excessive information about the firm which they could in turn use against the organization at a later date. This lack of control could also be related to the number of existing suppliers. What could happen is that, due to the insufficient suppliers in the market, the most powerful supplier could take unfair advantage of company to monitor changes in the supply market, When a company chooses to outsource, it may do so because the presence of competition amongst a number of suppliers in the supply market. However many organizations fail to monitor changes in the supply market and their impact upon the outsourcing process. For example, the balance of power may shift towards the supply market. If there has been consolidation amongst a high number of small suppliers into a few large suppliers. Such a situation may arise if the company under takes outsourcing organization has with limited experience of managing a supplier relationship. Public sector or organizations have had difficulties with monitoring and managing public sector contracts due to lack of the requisite skills and experience. example in the united states a report by the united states general accounting office (1999), found performance management to be the most critical weakness in the privatization initiative pursued by the US government due to lack of skilled personnel cited in kaka Bads et al 2000. Many organizations fail to recognize that managing external suppliers requires a different set of skill than those associated with managing an internal process. Suppliers in outsourcing markets are extremely adept at exploiting any naiveté on the part of the outsourcing organization in areas such as contract negotiation and relationship management.

Outsourcing can lead to the loss of critical skills and the potential for the innovation in the future. In the long term an organization to maintain innovative capacity in a number of key activities in order to exploit new opportunities in its respective markets. If an organization has outsourced a number of critical activities its ability to innovate may be severely diminished. Innovation requires slack resources, organic and fluid organization process and experimental competences- attributes that outside supply does not guarantee Earl 1999. These risks can become more pronounced when objectives of the outsourcing company and the suppliers are conflicting. For example, the customer organization may decide to establish a short term contract with the supplier in order to obtain the lower price and keep the supplier in a weak position. However this will seriously undermine any incentive for the supplier to pass on any of the benefits associated with innovation to the customer organization. Suppliers can also become competitors in the future once they obtain the requisite knowledge to provide the entire product of which the outsourced activity is a significant element. An early example of this scenario is the dodge brothers, founders of what became a division of Chryster corporation supplying engines to the ford motor company. They integrated forward to produce entire automobiles and were competing directly with ford Welch and Nayak 1999.

Outsourcing has significant social implications for an organization. For example outsourcing can lead to the redeployment of staff within the customer organization or the transfer of staff to the supplier organization. The demands associated with outsourcing transcend organizational boundaries, and therefore approach to managing the change process must ensure that complementary activities and behaviors are exhibited within and between organizations. However organizations have had extreme difficulties with embracing and effectively managing the change process required.

For example, a new focus on quality and customer relationships necessitates changes in politics, cultural values, work procedures and process relationship between departments and interactions between buyers and suppliers. Often these elements of strategic change are not addressed by traditional strategic planning, which concerns itself with whether actions make financial strategic change process. Given the strategic nature of the decision to outsource cultural change if vital. However effecting cultural change is an enormous task. Frequently organizations fail to engage in a process whereby time, money, and efforts are invested in bringing about a change in culture, structure and reward system Boddy et al 1998.

The strategy of organizations tends to focus on content issues such as the achievement of efficiencies, while ignoring the process how to achieve the efficiencies.

Loss of strategic resources.

Care must be taken to avoid what happened to a number of companies during the recession of the 1999s. Companies in an effort to reduce headcount sometimes outsourced technical functions and then found that the technical intellectual capital that the company possessed was seriously degraded. Outsourcing will sometimes argue that with proper control, technical functions can be outsourced with appropriate guarantees from the supplier to retain the former staff on the customers work. This is of course true but only up to a point as usually the commitment is only for a limited period. After all, one of the main advantages of outsourcing is that the customer passes its staff to an organization that provides career opportunities.

2.5 Outsourcing processes

The decision to outsource is taken at a strategic level and normally requires board approval. Outsourcing is the divestiture of a business function involving the transfer of people and the sale of assets to the supplier. The process begins with the client identifying what is to be outsourced and building a business case to justify the decision only once a high level business case has been established for the scope of services, will the search begin to choose an outsourcing partner.

2.6 Supplier shortlist

A shortlist of potential suppliers is drawn-up from companies that are capable of providing the services and match the screening criteria, Screening can be enhanced by issuing a request for information to a wider audience.

2.7 Supplier proposals

A request for proposal is issued to the shortlist suppliers requesting a proposal and a price.

2.8 Supplier competition

A competition is held where the client marks and scores the supplier proposals. This may involve a number of face to face meetings to clarify the client requirements and the supplier's response. The suppliers will be qualified out until only a few remain in. This is known as down select in the industry. It is normal to go in to the due diligence stage with two suppliers to maintain the competition following due diligence the supplier submits the best arid final offer (BAFO) for the client to make final down select decision to one supplier. It is not unusual for two suppliers to go into competitive negotiations.

2.9 Contract finalization

At the heart of every outsourcing deal, is a contractual agreement that defines how the client and the supplier will work together. This is a legally binding document and is core to the governance of the relationship. There are three significant dates that each party signs up to the contract's signature date, the effective date when a contract terms become active and a service commencement date when the supplier will takeover the service commencement date when the supplier will take over the services.

Transition

The transition will begin from the effective date and normally ran until four months after service commencement date. This is the process for the staff transfer and the take-on of services.

Termination

Near the end of the contract term the decision will be made to terminate or renew the contract. Termination, may involve taking back services in sourcing or the transfer of the services to another supplier.

Solutions to the effects of outsourcing.

Although outsourcing has so many effects which are negative to the organization but there are solutions which can be applied in order to overcome the effects of outsourcing.

Inter-organizational relations configurations organization have been adopting a range of relationship configurations with suppliers and other organizations in order to reduce the risks associated with outsourcing. In particular, the organizations that have adopted extensive outsourcing strategies have attempted to adopt collaborative arrangements with their key suppliers. The relationship configurations adopted have been influenced by the type of product or service being outsourced and the number of capable suppliers that can deliver the product or service. In the case of a standard product of service that ca be supplied by a number of external providers such as catering or security the outsourcing organization is likely to employ a relationship bounded by explicit contractual safeguards such as price and payment terms, a short term perspective and a clear definition of roles and responsibilities alternatively, in case of a more collaborative relationship through relational mechanisms such as bi-directional information sharing, large term perspective and joint problem solving. These arrangements are sometimes referred to as quasi- integration, arrangements and can include strategies such as joint ventures, strategic alliances, practicing and partnership sourcing. It is important to stress that many of these configurations have been employed before the trend towards increased outsourcing, however, the increasing externalizations has forced many organizations to pursue more innovative relationship configurations with their suppliers can be categorized into the followings.

Joint ventures and strategic alliances.

Joint ventures and specific alliances allow organizations to exchange certain products services information, and expertise while maintaining a formal trading relationship on other parts of the business. For example, many manufacturing companies are increasingly relying upon competent suppliers who have been able to contribute to the customer's efficiency in production as well as research and development; in other words, these organizations have been supplementing their key capabilities to satisfy the needs of their customers. Virgin which encompasses retailing travel, soft drinks and music, provides a good example of a joint venture, where one party provides the brand name and marketing expertise and other one party provides the production facilities and capital Johnson et al 2002, strategic alliances are essentially agreement between two or more companies to share the costs, risks and benefits associated with exploiting new business opportunities. An alliance can take the form of along term contract between opportunities in which they agree to undertake some joint activity that benefits both, For example Kodak established strategic company or alliances by awarding five and ten year contracts with a number of information technology service providers including IBM Mcfanan et al 1998 the agreements were structured to allow the suppliers to make a proper and to encourage them to continuously improve mutually beneficial areas. Creating spin off companies has been another quasi integration arrangement companies may develop world class capabilities in non critical activities that may spin off into separate profit making entities. For example Damier -

Public sector relationship configurations

Public sector organizations have also adopted a range of relationship configurations with external parties in order to reduce the risks associated with the outsourcing of products d services. The public private partnership (PPP) philosophy has attempted to create an environment of cooperation between the public and the private sector in the form of the inter- organizational partnership.

PPPs not only involves the introduction of market mechanisms to public sector 1anagernent but also involve using partnerships to integrate the strength of public and Private sectors in order to achieve a common set of objectives, public- private partnerships can be traced back to the 1999s when partnership was by the federal government in the united states as a means of encouraging investment from inter city: :infrastructures. Ideally, public and private sector organizations are both pursuing mutual respect, The objectives of the public sector organization in such an arrangement include partnering with the private sector in order to improve performance, reduce costs, obtain higher service level, and share risks and responsibility the objectives if the private sector organization includes an attractive investment proposition, to achieve a profit, and opportunity to further develop its business. The concept of public private sector partnership involves a number of key elements including acting in and protecting the public interests and stimulating of investment from the private sector Pongsiri 2002.

Many people including government representative are advocating legislative approaches to stem the outsourcing tide. Bills have *been* introduced in the country and put restrictions on foreign call centers or limit outsourcing of government contracts.

Representatives claim that they cannot afford the loss of consumer spending and revenues and additional government expenses incurred by unemployed workers.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN:

The study adopts the case study research design describing the area of the study sample selection, data collection and data analysis. The problem encountered in this study was described together with the manner in which these have tended to limit the study.

3.2 POPULATION AND SAMPLE

The survey population consisted of thirty (30) workers and it involved those who were working during day and night both male and female all aged between 20-64 years, this was done randomly to avoid bias. Besides there were workers identification and their experience which helped in giving a sample for this study.

3.3 DESCRIPTION OF SAMPLING METHODOLOGY

To select the study area, two methods of sampling were applied. Simple random sampling was used to select employees in Fati limited company. To ensure that all units in this population category had an equal chance of being selected, the researcher carried out random through the study area randomly in the sample, until required number was obtained.

The age of employees in Fafi limited company whom were selected range from 20-64 years. The researcher selected the above population units after carefully considering that the employees of Fafi Limited Company were the most reliable source of data pertaining to the existing situations and conditions in the area.

3.4 DATA COLLECTION

The data collection methods to be used include;

3.5.1 QUESTIONNAIRE

In this method a comprehensive questionnaire is adopted to collect data from target employees and employer and other staff involved in the outsourcing process. Written set of questions both open and closed ended would be used. This was an efficient data collection method which helped the researcher know exactly what was required and how to measure the variables of interest.

3.6 INTERVIEW GUIDE

In depth interviews were carried with the aid of interview schedule which was used to gather data from different employees so this instrument enabled face to face interaction.

3.7 DATA ANALYSIS

Qualitative data analyzed was edited, coded and tabulated to make it easy for analysis; processing of data helped the researcher to compute frequencies and percentages.

Data was analyzed before, during and after collection. There after, useful information was assembled and a report was written.

CHAPTER FOUR

4.0 Introduction

This chapter analyses data collected from the field based in the questions proposed in the objectives in the first chapter. The research involves presentations, interpretations and analysis of the collected primary data. The presentation is done in tables with illustrations. It continues in presenting the findings of the study by the use of responses, frequencies and percentage in order to reach at the true finding.

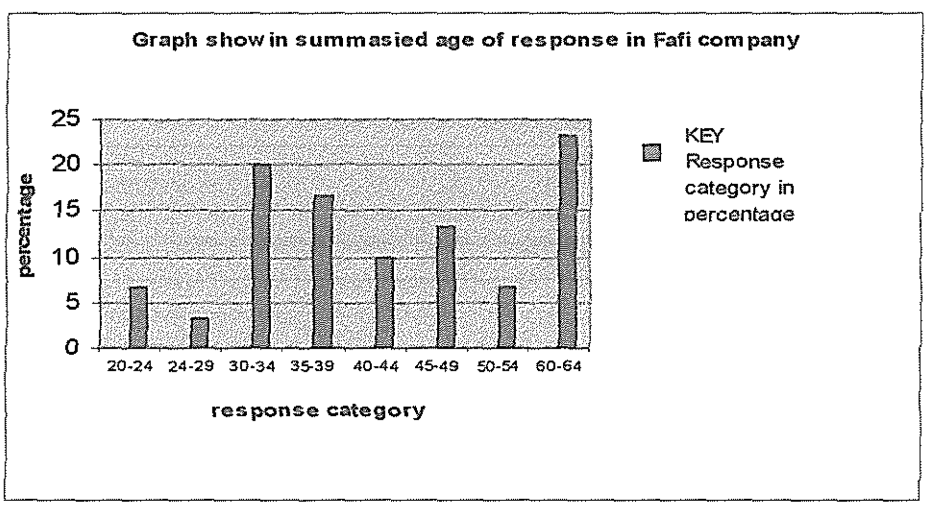
4.1 Analysis and Interpretation of Data

Table 4; Summarized the Age of Respondents in Fafi Company

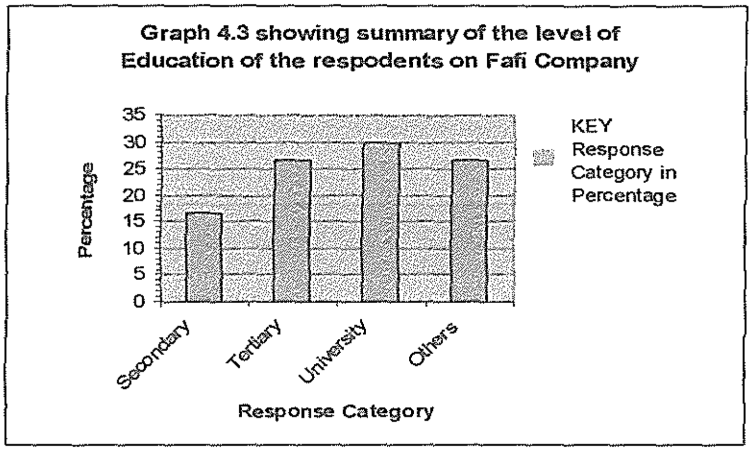
Age		Percentage
20-24	2	6.67
24-29	1	3.33
30-34	6	20
35-39	5	16.67
40-44	3	10
45-49	4	13.33
50-54	2	6.67
60-64	7	23.33
Total	30	100%

Source primary data.

Graph 4.1 showing the age of respondents in Fafi Company



The above information can further be presented on graph 4.3



From table above for the level of education secondary are 16.66%, university 30% Tertiary and others 26.66%. So for that matter it means that the degree holders are the majority.

On the process of outsourcing in the organization on whether the organization practice outsourcing many organizations have not hilly involved in outsourcing meaning that few implemented the concept. However during the study the researcher found out that Fafi Company practice out sourcing since the majority of the respondents agreed that outsourcing is being practiced in their organization.

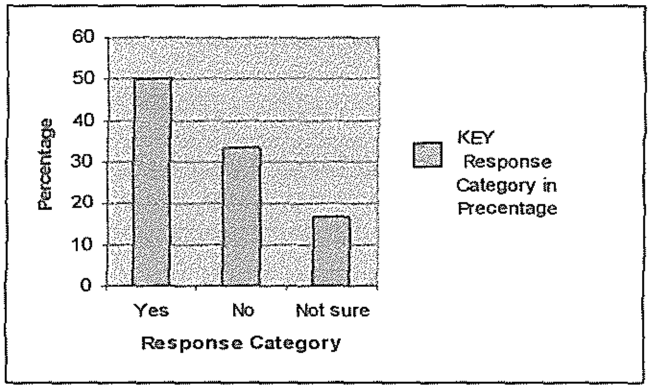
Table 4.4 showing the responses on whether outsourcing is practiced in the organization.

Response category	Frequency	Percentage
Yes	15	50.00
No	10	33.33
Not sure	05	16.67
total	30	100%

Source primary data

From the table above 50% of the respondents agree that the organization practice outsourcing, 33.33% of the respondents they disagree that Fafi Company does not practice outsourcing, 16.67 of the respondents are not sure whether the organization practice outsourcing or not so according to what the researcher discovered is that Fafi Company practice outsourcing.

The above information can also be illustrated on the graph 4.4 blow



Source: Primary Data

Further more the researcher went a head to find out the process involved in outsourcing in Fafi Company.

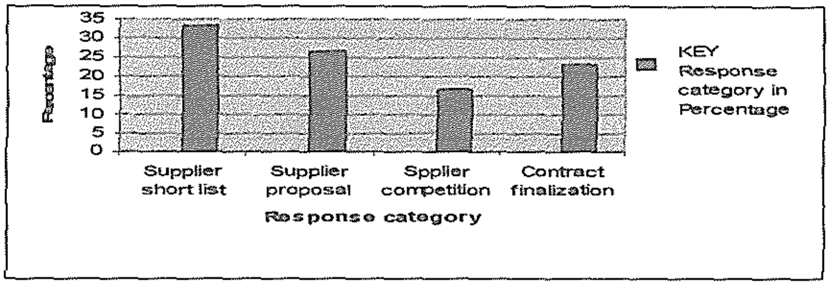
Table 4.5 shows the responses on the process involved in outsourcing in Fafi company

Response category	Frequency	Percentage
Supplier short list	10	33.33
Supplier [proposals]	8	26.66
Supplier competition	5	16.66
Contract finalization	7	23.33
total	30	100%

Source; Primary data

From the table above 33.33% of the respondents strongly agree that short list is the process of out sourcing involved by Fafi `Company 26.66% agree that supplier proposal. 16.66% fall under supplier competition and 23.33% agree that the organization apply contract finalization. So this means that supplier shortlist is the best process of outsourcing applied in Fafi Company.

The above information can further be represented on graph 4.5 below.



Source: primary data

Why does organization outsourcing?

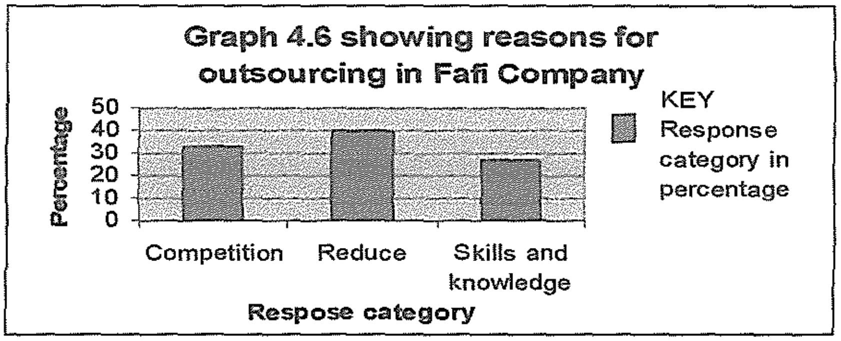
Table: 4.6 show the repossesses on the reasons ass to why Fafi Company outsource.

Response category	Frequency	Percentage
Competition	10	33.3
Reduce costs	12	40.00
Skills and knowledge	08	26.67
total	30	100

Source: Primary Data

From the above table 33.33% of the respondents in Fafi Company they support competition as to why the organization outsources 40.00% reduce costs and 26.67% skill and knowledge. So for that matter the most reasons as to why 9heiiix Logistics outsource is to reduce costs.

The information in the table above is a also illustrated on the graph 4.6 below



How does outsourcing affect your organization.

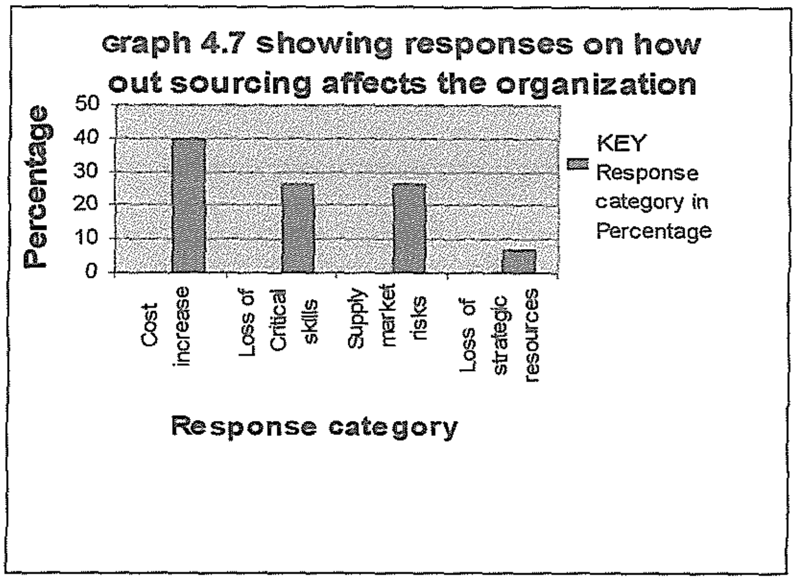
Table 4.7 shows the responses on how outsourcing affects the organization.

Responses category	Frequency	Percentage
Cost increase	12	40
Loss of Critical skills	8	26.66
Supply market risks	8	26.66
Loss of strategic resources	2	6.66
total	30	100%

Source: primary data

According to the table above 40% respondents that cost increase affects the organization due to outsourcing in Fafi Company toss of Critical skills supply market risks they are 26.66% and loss of strategic resources the respondents where 6.66% hence cost increase affects Fafi Company high due to outsourcing.

The information can be presented on the table below on 4 7



Source: Primary Data

Solutions to the effects of Outsourcing

Table 4.8 shows the responses to the solutions of the effects of outsourcing in the organization.

Response category	Frequency	Percentage
Inter organization	8	26.66
Joint	7	23.33
Collaborative buyer suppliers relation	5	16066
Virtual corporation	4	13.33
Public sector relation configuration	6	20
Total	30	100%

Source: Primary Source Data.

From the table according to the responses in Fafi company to the solutions of the effects of out sourcing are as follows 26.66% inter organization relationship, 23.33% joint ventures collaborative buyer suppliers' relationship, 16.66% virtual corporations, 13.33% and the public sector relation configuration 20%. So that mans that inter organization relationship 26.66% is the best measure applied by Fafi company in order to solve the effects of outsourcing.

The above information can be illustrated in the graph 4.8 below

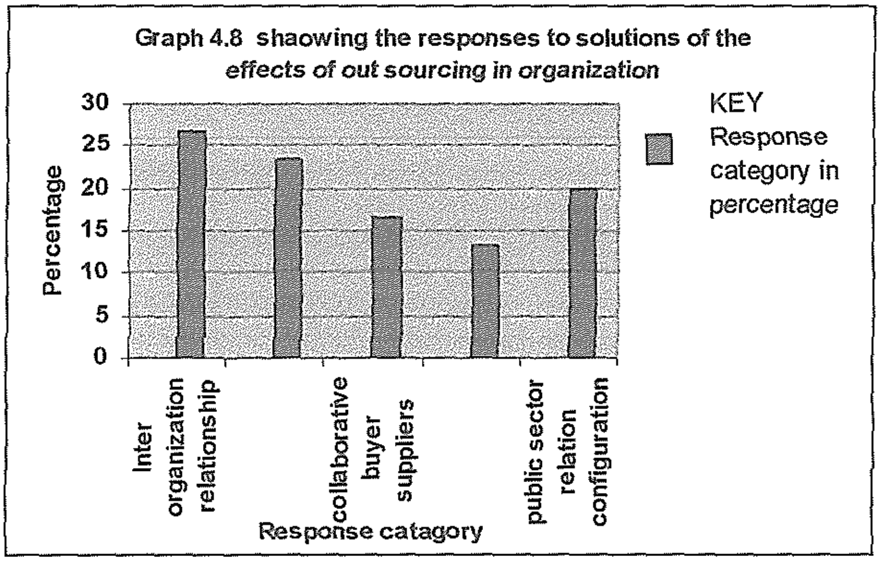


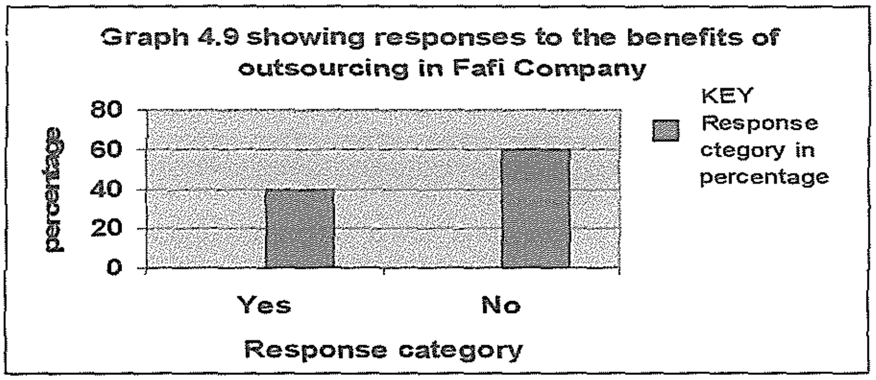
Table 4.9 showing the responses to the benefits of outsourcing in Fafi company

Response category	Frequency	Percentage
Yes	12	16.66
No	18	40
total	30	60

Source: Primary Data

From the table above 40% respondents agree that the organization benefits from outsourcing while 60% disagree that Fafi company does not benefit from outsourcing. It means that the organization does not benefit from outsourcing

The above information can be illustrates I the Graph 4.9 blow


Graph 4.9 showing responses to the benefits of outsourcing in Fafi Company
80
60
40
20
0
percentage
Yes
No
Response category
KEY
Response ctegory in percentage

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents summary and conclusion derived and drawn from the study after having presented analyzed and discussed the findings recommendations that can be adopted and implemented to overcome the problems highlighted are also presented in this chapter.

5.1 Summary

Organizations take outsourcing as a first priority in improving the organization performance that is why so many organizations are outsourcing so many activities and the areas in an organization that can be outsourced can include transport, technology, management, payroll preparation, cleaning services catering and son many others and the main reasons as to why organizations outsource are competition, reduce costs, skills and knowledge and **so** many others. Organizations face many challenges as they endeavour to implement outsourcing thus managers have to come up with an outsourcing process to effect its implementation, However companies that have well handled the outsourcing process through their different functions thus bringing about better performance within the organization. There are also other organizations that find it difficult **to** come up with which functions should and should
Not be outsourced.

The researcher found out that according to the respondents is that Fafi practices outsourcing because the majority of the respondents were supporting Yes *50.0* % while No were the minority 33.33% those ones who were not sure were totaling to
16.7% which indicates that outsourcing is being practiced and the most

activities which they outsource are information technology, management, cleaning services and so many others.

The researcher found out that from the responses about the processes involved in outsourcing in Fafi company which are as follows supplier shortlist 3333%, supplier proposals 26.66%, Supplier competition 16.66% and contract finalization 23 .33%. So for that matter, supplier shortlist is the best processes which is applied in Fafi company since it contains the highest percentage among all the processes involved. The research or also found out the reasons as to why Fafi company practice outsourcing the first reason is competition which contains 33.33%, Reduce costs 40.00% skill and knowledge 26.67% so the majority of the respondents strongly agree that Fafi company practice outsourcing in order t reduce costs. According to the respondents the researcher discovered that the benefits of Faficompany in the course of practicing outsourcing is poor 40% Yes agree that the organization acquire benefits whereas 60% No disagree that Fafi company has only gained losses indicating that it has led to the poor performance of the organization.

The researcher found out how does outsourcing has affected Fafi company and these are among the effects cost increase 40%, loss of critical skills 26.66%, supply market risks 26.66%. loss of strategic resources 6.66% this indicates that cost increase has affected the organization more due to outsourcing which has resulted into poor performance of the organization.

The solutions to the effects of outsourcing the researcher found out that interorganization relationship 26.66% is among them joint venture 23.3 3%, collaborative buyers I 6.66%,virtual cooperation 20% and public sector relation configuration.

RECOMMENDATIONS OF THE STUDY

On the basis of the results obtained from the study, the researcher has the following recommendations both to the intending researcher op the same topic and to the management of Fafi company so as to overcome true effects of outsourcing in order to improve on performance of the organization.

It is recommended that the management structure of Fafi company should filly understand the concept of outsourcing before implementing it or putting it in place and also make sure that all the members in the organization are aware of what taking place in the entire organization understanding the objectives and goals of the organization in order to work in line with them in the end to accomplish the assigned task hence improving the performance of the organization.

Changes should be embraced positively within the organization and among its employees so as to implement the concept of outsourcing in order to improve the Fafi company of the organization.

Another recommendation is developing new products in the organization. The commodity under consideration may be reached initially, unless the parts on technology under consideration are core competence. So for that matter team should carefully consider the stability of the technology in question.

It is recommended that parties involved in outsourcing should be able to generate solutions to the problems which can rise up in the organization due to the poor implementation of outsourcing than waiting for the problem to come and then find ways to overcome it so reacting to the problems like that can result into poor performance in the organization.

CONCLUSION

It has been observed that outsourcing has a big role to play in order to improve the organizational performance especially in the ever changing developing and competitive business environment allover the global whereby organizations have to employ better outsourcing processes which can enable organizations to eradicate' the negative effects of outsourcing in order to enable organizations achieve their set goals and objectives.

The main objective of the study was to find out the effects of outsourcing on the organizational performance at Fafi company whereby it was observed by the researcher that outsourcing has resulted onto so many negative effects in the organization which has led to poor performance of the organization whereby there in increase in costs like transport costs ordering costs maintenance costs storage costs so many others so there was many negative effective effects on the organizational performance its company due to outsourcing than before.

It is also noted that the effects of outsourcing towards the organization performance is ranging from cost increase, loss of critical skills, supply market risks, loss of strategic sources and so many others.

The findings indicate that the concept is established in Fafi Company but its performance is poor towards the organization and yet the main reasons as to why Fafi Company established the concept is that to reduce the costs, improve the skills d knowledge and others but it has just done the opposite hence affecting the performance of the organization

More so processes were established to be followed in the process *of* outsourcing like supplier *shortlist,* supplier proposals, supplier competition contract finalization, transition id so many others.
Finally solutions were introduced in order to solve the problem of effects which come as result of outsourcing virtual corporation, joint venture, collaborative buyers and suppliers and so many others.

Dear

Respondents.

This questionnaire is designed to help the researcher collect information on the effect of outsourcing on the organization performance in Fafi Limited. The findings of this study will assist the organization to overcome the effects of challenges which come as a result of outsourcing. This will certainly improve the performance of the organization in order to provide high quality work to the public.

You are assured and affirmed that the information you give will be strictly confidential and shall only be applied to make this study a success.

I therefore appeal to you to contribute to this study by filling this questionnaire in this most frank and honest manner and returning it to the researcher when he comes to collect it within a week's time.

Should you need any further clarification please contact telephone number 0724488719

I thank you for sparing your time to make this study a success.

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APPENDIX II

TIME SCHEDULE

The study will pass through different activities, which will include those, the are to be carried out in the process of the study as illustrated below.

ACTIVITY	WEEKS
Topic selection and statement of the problem Meeting the supervisor to approve the statement and topic	1 1
Drafting proposal	1
Literature review	1
Meeting supervisor for editing and analyzing data Final proposal	2
Questionnaire design	2
Field survey	2
Meeting supervisor Data processing Meeting supervisor	2 2 1
Final report	1
Submitting a report	1
Total number of weeks	17 weeks