EFFECTS OF OUTSOURCING ON ORGANIZATIONAL PERFORMANCE OF OIL MARKETING COMPANIES IN KENYA

BY

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DECLARATION AND RECOMMENDATION

I declare that this research is my own work and has not been presented previously in part or in its entirety at any other University towards the award of a degree

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SUPERVISORS' RECOMMENDATION

I do hereby confirm that I have examined master's research report of Beatrice Kivuva and I am satisfied myself that all revisions I recommended have been adequately addressed.

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ABSTRACT

Outsourcing is using an external provider for services to a company that is not able to provide them for itself, or cannot provide them in a better and efficient way. Almost all business functions have become complex with globalization, technology, and competition progressing at a speedy pace. By strictly analyzing the motivations, prospects, and justifications for outsourcing basic supply chain functionality, enables companies to make better and sound decisions hence generating progressive yields and shareholder value (Hockey Min, 2012). The core objective of carrying out this study was to analyze the effects of outsourcing services in the oil marketing firms in Kenya. Descriptive research design was employed in this study .The population of the study consisted of 30 oil companies in Kenya targeting managers in the legal departments, Finance/IT departments, Head of operations and heads of marketing thus giving a target population of 120 managers. A census sampling method was conducted owing to the small number of the study population. The study used primary sources to collect data by use of questionnaires. Data analysis was done using Microsoft excel and statistical packages for social sciences (SPSS).The study findings were that outsourcing influences organization performance even though to a small extent. This might be due to our variables that proved to be weak in predicting the rate of increase. Professional outsourcing, manufacturing outsourcing, Process specific outsourcing and operational outsourcing explain 4% of the organizational performance. Only process specific outsourcing had a notable influence on the organization performance. Professional services outsourcing affect organizational performance and thus an organization needs to minimize professional outsourcing as it kills the credibility of the organization. Manufacturing outsourcing affects an organization negatively and thus if possible a company should thrive to manufacture its products or services to ensure they conform to market standards and also control the quality of the products. Process specific outsourcing is positively related to organization performance thus companies can take advantage of that to increase profitability, productivity and time by ensuring they outsource the best to get the best results so as to improve organization performance. A further study is needed to find the really predictors of organization performance in oil companies like manufacturing, production.

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DEDICATION

This work is dedicated to my husband for always being there even when things were tough, and my children for their continued support. Their support, encouragement and dedication made me concentrate to end. Thank you all.

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LIST OF ACRONYMS

ERC: Energy Regulatory Commission

KPC: Kenya Pipeline Company

KPRL: Kenya Petroleum Refinery Limited

NOCK: National oil Corporation of Kenya

RBV: Resource Based Vies

SPSS: Statistical Package for Social Science

3PL: Third Party Logistics

IP: Intellectual Property

TCE: Transaction Cost Economics

PSO: Professional Service Outsourcing

LPO: Legal Process Outsourcing

BPO: Business Process Outsourcing

LPG: Liquefied Petroleum Gas

O & G: Oil and Gas

DEFINITION OF TERMS

Outsourcing: Outsourcing is using an external provider for services to a company that is not able to provide them for itself, or cannot provide them in a better and efficient way.

Performance: Performance refers to output and their outcomes obtained from process, production and services that permits evaluation and comparison relative goals or standards expressed both in monetary and non- monetary terms, in technical terms, a performance measure is a quantifiable expression of the amount, cost, or a result of activities that indicate how well or badly a firm is performing both financially and non-financially.

Resource Based View (RBV): This theory focuses on the resources and capabilities that a company has and only secondarily on the industries/markets in which it operates.

Transaction Cost Economics (TCE): Transaction costs are the costs incurred in the process of trading i.e. the process of selling and buying above the price of the product that is being traded.

Core Competence Theory: Is the shared knowledge of an organization, with regard to the means of combining different productive skills and the unification methods of various different technologies.

Agency Theory**:** This is a management and economic theory which explains relationships and self-interest in business organizations. It describes the relationship between principals/agents and delegation of control. In this theory, the principal determines the work whereas the agent performs or makes decisions on behalf of the principal.

Professional Service Outsourcing (PSO): Professional services outsourcing (PSO) is a key component of a total workforce strategy and is unique since it focuses on the client-provider relationship on the work product being delivered rather than practically any other element in the talent supply chain.

Manufacturing outsourcing: Outsource manufacturing entails hiring external people to join parts of, or build an entire product. It is usually cheaper to outsource production processes to companies that have a comparative advantage in that area than to produce them internally.

Operational Outsourcing Service**:** This type is basically related with the manufacturing industry due to operational tasks and steps required to be taken for the end result to be achieved properly. Some of these activities include equipment repairs and machine maintenance which is commonly outsourced to a 3rd party that specializes in such tasks.

Process-Specific Outsourcing: It is also known as Business process Outsourcing (BPO) which is a subgroup of outsourcing involving the undertaking of the operations and responsibilities of a particular business process to a third-party service provider.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Outsourcing is using an external supplier for services to a company that cannot provide them for itself, or cannot provide them in an efficient way. Almost all business functions have become complex with globalization, technology, and competition progressing at a speedy pace. By strictly analyzing the motivations, prospects, and justifications for outsourcing basic supply chain functionality, enables companies to make better and sound decisions hence generating progressive yields and shareholder value (Min, 2012).

A firm has to carefully consider and analysis the cost factors, performance gaps, financial impact, and suitability for outsourcing so as to produce high yielding outsourcing strategies and adaptation. Outsourcing basically requires trust since transferring functions of supply chain operations to an external provider is usually a difficult task for organizations that have no good relationship with their providers(Vinod, 2016).

According to Ten and wolf (2001),having a contract with a third party is where firms issue products to a transporter or receipts into a warehouse, then raises orders to deliver to specific receivers and expect excellent execution and inventory balances. The difference lies on how products are handled, stored, moved, and controlled physically and their connected information over a period of time. Trust is the key factor for hence each has to play their role to build and maintain the relationship.

According to Akeshuwola and Elegbebd (2012), outsourcing has been one of the major strategies organizations are utilizing so as to remain competitive in the current wave of market dynamics. They have delegated some of the main activities to specialized third party service providers owing to the benefits of lowering their costs and better customer service thus employees are able to concentrate on other core functions of the business.

Studies by Lawson, Tyler & Potter (2014) noted that outsourcing leads to better readiness to respond to turbulence in the business environment and improved service delivery. Other benefits of outsourcing are cost reduction (Cheng et al 2014), increased focus on core competencies (UN & Asakawa, 2014), better and improved quality of goods & services (Lawson et al, 2014) and reduced risk of technology change (Dahlander & Gann, 2010).

Outsourcing has reduced costs, brought about the growth of the companies, also eliminated waste and has enabled companies to focus on key functions. (Mutual, 2012).Deavers, (1997) in his survey identified five reasons for outsourcing as: improving company focus, gaining access to world-class capabilities, acceleration of benefits from re-engineering, sharing of risks and freeing resources for other purpose.

1.1.1 Outsourcing in organizations

According to Maurice (1999), Outsourcing is the act of transferring some of an organization's recurring internal activities and decision rights to an external provider. Aksoy and Ozturk (2012) defined outsourcing as a plan by which organizations assign major ,non-core functions to experienced service providers who are experts in that field.

According to Narayanan (2009) there are four strategic reasons to outsource :, enhanced cash flow, better control of payment, adaptable staffing and to improve overall business performance. Jiang and Qureshi (2006) stated that companies planning to outsource need to evaluate the cost factor and if the reduction of the current operating cost is achievable through outsourcing then the resources available can be ploughed back to achieve a competitive advantage.

1.1.2 Organizational Performance

Performance refers to output and outcomes obtained from process, production and services that permits evaluation and standards expressed both in monetary and non-monetary terms, in technical terms, a performance measure is a quantitative aspect of the amount, cost, or a result of activities that indicate how well or badly a firm is performing both financially and non-financially (Kargar & Parnell, 1986; Ramanujam & Venkatram, 1987).

Organizational Performance Comprises the actual outcome or byproduct of an organization as measured against its intended outputs (or goals and objectives). It is a wide construct capturing what organizations do, produce, and accomplish for the various departments with which they associate. Experts in almost all fields are troubled with organizational performance including strategic planners, operations, finance, legal, and organizational development (Baum, 2002).

According to Richard et al. (2009) organizational performance comprises of three specific areas of companies output: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added, etc.). According to 2018 Market Business news, Organizational performance involves analyzing a company's performance against its objectives and goals.

In other words, organizational performance comprises real results or outputs compared with intended outputs. Jamestown (2018) certified educator, the analysis focuses on three main outcomes: Shareholder value performance, financial performance and Market performance:

1.1.3 Oil Marketing Companies in Kenya

The history of oil marketing in Kenya began in 1903 during colonial times. The main product was kerosene which was imported in tins then followed by gasoline which was imported in tins and drums. The first depot on the Mombasa Island at Shimanzi was established by royal Dutch Shell. Oil in Kenya is regulated by the Energy Regulation Commission and the Ministry of Mining.

According to the Energy Regulation Commission (ERC), Petroleum fuels account for the main source of commercial energy in Kenya. Kenya has an 800 km cross country oil pipeline from Mombasa to Nairobi and Western Kenya where it has terminals in Nairobi, Nakuru, Eldoret and Kisumu, run by the Kenya Pipeline Company (KPC).

The sector also boasts of over 30 oil importing and marketing companies comprising of companies namely Vivo, Total, Kenol/Kobil, Oil Libya, Nock Dalbit, Tosha, Gapco, Galana, Engen, Gulf Energy, Hass Petroleum, Bakri, Tristar and other upcoming Companies. The industry is divided into three major *sectors*, that is, upstream, midstream and downstream.

1.2 Statement of the Problem.

Theoretically, outsourcing is a useful tool for organizations to gain profit and it's a chance for companies to learn from external expertise and gaining from it. However, John (2018) quoted as saying that in some cases, outsourcing firms are well known to innovate a solution at one firm (at their own expense) and immediately sell the newly developed solution to the competitors.

Any organization wanting to innovate and to remain competitive should do all the innovation by itself when it comes to anything that has a competitive advantage. According to Panos (2011), Outsourcing can be easily reproduced by the competition leading to division and deterioration of the supply chain, therefore bringing new entrants into the industry.

It also supports corporate self-satisfaction; and weakens a company's relations with its customers, labor, and both domestic and local fraternities. Whatever seems popular in a business strategy isn’t always a good strategy, especially if done to the extremes. If done to the extremes, outsourcing turns corporations into unscrupulous institutions with no vision, leading into a wrecking course with its most valuable partners—labor, customers, and the fraternity.

Innovation and reduction of the operational costs remain the key reasons of outsourcing, but other researchers argue that the trend will take a different approach as the significance of this argument will decline in the next years (Kakabadse & Kakabadse, 2002).Outsourcing has become the new fashion in organizational strategy where the main reason to outsource is for firms to remain competitive thus gaining competitive edge over their opponents by minimizing production cycle time, lowering production costs, decreasing marketing time , enhancing product and service quality and improving overall organizational effectiveness (Gilley, Greer & Rasheed 2004).

By outsourcing, firms become more productive, hence pay attention to their key activities (Domberger, 1998; Quinn, 1999). Outsourcing also minimizes production costs because service providers are experienced in those fields, (Hendry, 1995; Kotabe, 1998) and also enables firms to flexibly deal with technological variations. (Balakrishnan & Wernerfelt, 1986; Semlinger,1993). Outsourcing avoids administrative costs associated with production within the firm (D‘Aveni & Ravenscraft, 1994; Jensen & Meckling, 1976). Outsourcing also opens up the possibility of obtaining leases from relations with vendors (Dyer & Singh, 1998; Linder, 2004).

In outsourcing, organization's production is partially transferred to another party, accompanied by employees and other resources. A growing number of evaluation studies show unreliable results of outsourcing though the economic benefits seem considerable. Cost savings are becoming less than expected leading to decrease in quality. Reasons behind these outcomes may be that - managers put most emphasis on economic aspects, hence ignoring the human and social effects. Failure to consider the change implications of outsourcing leads to undesirable economic results (Robert, Robert, Smeelen , Mariska , Hoefeld & Carola, 2005).

Even though Firms or organizations outsource for issues related to cost, there is no guarantee that expected savings will be achieved in the long run. Current studies show that cost savings have been overestimated and costs hike after outsourcing(Bryce and Useem, 1998; Cole-Gomolski, 1998; Pepper, 1996); Vining & Globerman, 1999; Welch & Nayak, 1992). A survey done by Domberger and Fernandez, (1999) revealed that the outsourcing resulted in an average of 9% increase in costs. Firms are also incurring additional indirect and social costs in addition to not realizing their starting costs (Gillett, 1994, Maltz & Ellram, 1997).

Some of the indirect costs are contract generation and procurement, contract monitoring and over sight, intangibles, and transition costs. The concept of outsourcing has not gotten remarkable recognition and support which can be termed as favorable for improving organization's growth and performance in Kenya. The effects of outsourcing on organizational performance are also not well documented. Previous outsourcing studies give contradicting outcomes: some give positive relationships between outsourcing and organizational performance, while others give no significant or negative results, hence concluding that it all depends on the firms' motive to outsource.

Studies done by Deloitte (2014) found out that most large companies that outsourced didn't achieve the expected cost saving. Despite the fact that outsourcing improved quality and lowered costs, there was loss of in-house talent and jobs.

1.3 Research Objectives

The core objective of carrying out this study was to analyze the effects of outsourcing services in the oil marketing firms in Kenya.

1.3.1 Specific Objectives

The specific objectives of this research study are:

(a) To find out the effects of Professional services outsourcing on organizational performance

(b) To find out the effects of Manufacturing outsourcing on organizational performance

(c) To find out the effects of Process specific outsourcing services on organizational performance

(d) To find out the effects of operational outsourcing services on organizational performance.

1.4 Research Questions

a) What is the effect of professional outsourcing services on organizational performance in the oil marketing firms in Kenya?

b) What is the effect of manufacturing outsourcing on organizational performance in the oil marketing firms in Kenya?

c) What is the effect of process specific outsourcing services on organizational performance in the oil marketing firms in Kenya?

d) What is the effect of Operational outsourcing services on organizational performance in the oil marketing firms in Kenya?

1.5 Justification of the study

The Findings from the study may be beneficial to various stakeholders

1.5.1 The Management of the oil companies

This study will help the management to understand how the outsourcing strategy has affected the organizational performance of the company and enlighten them on how they can fully utilize the strategy to gain competitive advantage and also make informed decisions when outsourcing.

1.5.2 The academicians and researchers

The study will be of great use to other researchers or academicians wishing to carry out further research on outsourcing in the oil industry.

1.6 Scope of the study

The research was conducted amongst the managers of the thirty (30) top oil marketing companies in Kenya .The managers were from the Legal departments, Finance/IT departments, Operations department and Marketing departments.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter on literature review has two sections. The first section is about the Theoretical principals of outsourcing. Section two is about the empirical review of outsourcing tackling the types of outsourcing.

2.2 Theoretical Framework

A theoretical framework is basically a collection of concepts that are related, e.g. a theory that is not well worked-out which gives guidance in determining the things to measure, and what statistical relationships one will look for in a research (Stephen, 1999).

2.2.1 Resource Based View (RBV)

The resource-based view main focus is on the resources and capabilities that a company has and only secondarily on the industries/markets in which it operates (Foss, 1997). This theory was developed in the late 1980s and 90s. Having the goal of a competitive advantage through internal resources, the view became one of the grand theories of economics.

For an organization to sustain competitive advantage, resources are required to be diverse and motionless (Barney, 1991). Moreover, to create a competitive advantage, resources need to be valuable, scarce, unique and not able to be substituted (Barney, 1991; Dierickx & Cool, 1989; Peteraf, 1993). According to Barney (1991) "the RBV examines the link between a firm's internal features and performance''. Being the basis for a competitive advantage, the resource based view considers the application of intangible and tangible resources(Penrose, 1959; Wernerfelt, 1984).

The theory stands on the assumption that organizations are structured administratively .The structure links and brings together all activities of individuals and teams within the organization. These links are the resources that govern the productivity of organizations which can vary from one firm to the other, hence contributing to the diversity of firms (Penrose, 1959; Neves et al., 2014).

Some of these resources are processes, all assets, information and skills controlled within the firm and by its members of staff (Roy & Aubert, 2001). Decisions made by the organization during the Relationship Management and re-evaluation phases are explained via this theory (Kutsikos & Mentzas, 2011). The capabilities can be utilized in the form of functional capabilities (IT, production, exploration etc.) and across the organization to form cross-functional capabilities based on the structure and process of an organization (Neves et al., 2014).

RBV is important to this study since in the oil and gas industry, competitive advantage stem from tangible assets, which arise from a union of tangible assets, capabilities, and intangible assets such as reputation and intellectual property (IP). Capabilities types that set one firm apart from others in an extremely competitive field of oil and gas are composite bundles of capabilities that are required to solve crucial challenges and that are hard to develop and imitate.

Further, the capability to develop such bundles is itself a skill. RBV gives insight to having a sustainable competitive advantage by having unique physical resources like plant and equipment, property rights like patents, intangible values like proper reputation and good image, intangible internal resources like intimate knowledge, intangible capabilities like capability to invent patentable products and processes (Foss, 1997).

2.2.2 Transaction Cost Economics (TCE)

Transaction costs are the costs incurred in the process of trading i.e. the process of selling and buying above the price of the product that is being traded. A few examples of transaction costs are legal fees, communication charges, labor charges (Paul, 2012). The excessive application of transaction cost economics (TCE) as the most used theory in outsourcing is due to the need to optimize cost (Perunovic & Pedersen, 2007). TCE is the best strategy to be applied when organizations want to achieve efficiency gains in terms of transaction and production costs (Michael & Michael, 2011).

TCE focuses on the premise that the type of governance structure is defined by the properties of a transaction (union, market and hierarchy) that will be adopted (Mclvor, 2009).Past research shows that transaction costs can prevent high frequency trading in the market for crude oil. There can be serious involvement for the value of the basis as a forecast of movement in the spot price if the transaction costs are significant (Stevens, 2014).

Williamson described two factors that can lead to transaction costs namely limited rationality, where humans are unable to foretell all matters relating to a transaction .The second factor is the risk of taking advantage where one party benefits from unanticipated changes in conditions surrounding the transaction by taking advantage of the situation thus bringing undue advantage.

There are three critical variables to characterize a transaction: the dilemma under which the transaction takes place, the level of transaction of specific investment and the rate at which that transaction occurs (Williamson, 1979, Yang et al, 2012).Analyzing TCE from the perspective of the decision to “make or buy,” managers will execute the organizational form that reduces transaction costs (Hoek, 2000). One risk exposed by Fine (1998) is that the firm becomes more reliant on a provider as tacit knowledge is lost.

2.2.3 Core Competence Theory

The utilization of core competence was initiated into management literature in 1990 by Prahalad and Hamel. They defined Core Competencies as the shared knowledge of an organization, with regard to the means of combining different productive skills and the unification methods of various different technologies. This theory describes actions to be taken by organizations to achieve competitive advantage in the marketplace. Firms must play to their strengths or those areas or functions in which they have competencies (Prachi, 2018).Organizational competencies are usually classified into core and non-core competencies.

Core competencies are functions that are directly merged into the development of products and services whereas non-core competencies are directly related to the production of products and services (Power et al, 2006).Normally decision makers opt to maintain crucial activities and outsource the non-crucial activities to external service providers (Arnold, 2000).

The authors of this model, Prahalad and Hamel (1990) noted that for one to identify which activities are core, they needed to note: firstly, Functions or activities that help organizations access market, secondly one cannot achieve customer retention /satisfaction without the input of such activities or functions, and lastly activities or functions must be difficult to emulate. Outsourcing of core functions reduces the organization's ability to invent and increases the degree of competition and also leads to disclosure of organization's critical information (XU, 2009).

2.2.3 Agency Theory

Agency theory emanates from the problems of risk sharing between managers and brokers (Daily et al., 2003). This is a management and economic theory which explains relationships and self-interest in business organizations. It describes the relationship between managers/brokers and delegation of power.

In this theory, the manager determines the work whereas the broker performs or makes decisions on behalf of the manager (Jensen & Meckling, 1976; Schroeder et al., 2011).This theory summarizes and solve problems emanating from the relationship between a manager and a broker. Agency relationships are very common in financial management, due to the nature of the industry (David, 2009). The focus of the theory is to determine the most efficient contract putting in mind the risk and effort features of the manager and broker, information distortion and environmental uncertainty (Eisenhardt, 1989). Heath (2009) notes that AT creates an obligation to the principal and therein a moral duty to serve their interests in the best possible way.

2.3 Emperical Review

2.3.1 Professional Service Outsourcing (PSO)

Professional services outsourcing (PSO) is a key component of a total workforce strategy and is unique since it focuses on the client-provider relationship on the work product being delivered rather than practically any other element in the talent supply chain (Joe,2017). The frequently outsourced services are skill specific such as "Information Technology, legal and accounting.

This type of outsourcing saves a great deal of money and time (Outsourcing Insight, 2018). This type of outsourcing offers increased cost reduction leading to increased cost savings hence making outsourcing in these areas a common trend. Companies gain access to high quality resources and do not pay beyond the services used leading to reduction in a company's overhead costs (Daven, 2015).Some of the services under PSO are Legal process outsourcing, accounting outsourcing and IT outsourcing. Legal process outsourcing (LPO) is the process of allocating law-related tasks to an outside firm (globally) with the ability to handle those tasks efficiently. Factors that encourage legal outsourcing are globalization, increasing price of legal services, development of the internet, automation, improved security, and legal software.

Outsourcing legal services solve law firm's problem and provide them every single solution (Cooper, 2010).According to Maslow (2015), as companies in the U.S. Continue to reduce their organizational costs, many organizations are turning to offshore legal analysis outsourcing due to discovery and records management issues. Using the best of the best lawyers from developing countries can save up to 80% on legal discovery costs.

The initial goals of managing legal costs are: minimizing the cost per hour of a lawyer's time, and minimizing the number of hours of lawyer time required by the Company for outside lawyers (Gregory, 2015).This can be easily reduced via outsourcing Legal services. Legal process outsourcing seems to occur in almost all quarters of the legal industry. Duties previously done by lawyers, legal practitioners, legal secretaries and litigation support personnel is increasingly being performed by legal service providers across the globe (Sally, 2017).Legal outsourcing is quite a risky strategy due to issues of data confidentiality, lack of control, quality assurance, and complex ethical issues of conflict of interest.

Comnet, (2015) and Vinita,(2017) outlined the disadvantages of outsourcing legal services as confidentiality issues, cultural and communication barriers, hidden costs, quality assurance and supervision, and conflicts of interests. The uniformity of industry accounting processes and reporting, and outsourcing these activities, lead to better efficiencies, reduction of cost , and a higher-quality product (EKS & H, 2018).Outsourcing accounting services is one feature of business that has directly benefited the operating cost to the oil marketing Companies .

Through outsourcing accounts, companies have access to specialists with the knowhow of complicated tax systems, reporting audits and industry standards. The frequent audits ensure third party endorsement and that financial records are compliant with regulatory requirements (Menuel, 2007). Outsourcing accounting services in the oil industry is quite beneficial in times of transition, outsourcing your company's oil accounting is a reliable solution for the short term. During times of change, like mergers and acquisitions, companies may need additional assistance from consultants to maintain their accounting needs.

When organizations are reevaluating their expenses due to a difficult market environment, outsourcing certain functions, like accounting, can help them survive the storm. When companies have a specific or temporary need, accounting outsourcing is the strategy used to utilize to maintain their financial needs, as they navigate through unique challenges (Opportune Insights, (2015). Some of the benefits of outsourcing accounting as outlined by (Mueller, 2018) are: Reducing costs since company will eliminate hiring and training of staff plus employee overhead expenses. Another benefit is companies will improve on reporting and controls since they will receive accurate financial information from experience professional thus reduce the risk of fraud.

Creating a silent partner is also another benefit since company will receive guidance from professionals without adding staff and will have increased productivity since data is more readily available for review (most accounting services use the cloud –based services thus data is readily available when needed.Some of the risks of outsourcing accounting as outlined by Cruce, (2015) and Bardos, (2017) are: Language barriers which leads to misunderstandings, hinder proper communication with both parties resulting to legal problems. Another risk is Company has less control over their processes since they have to rely very much on the service provider.

Security risk is another challenge since business accounting is highly sensitive**,** passing on confidential information is equally a risk. Due to distance and time, companies will have to communicate their needs and challenges across a distance, maybe even across time zones resulting to delayed responses due to time lags.

2.3.2 Manufacturing outsourcing

Outsource manufacturing entails hiring external people to join parts of, or build an entire product. It is usually cheaper to outsource production processes to companies that have the expertise than to produce them internally (David, 2018). It is not difficult to get a product idea, but the challenges come in when you try to put your idea into practice, and need to create a physical product.

There are problems and challenges attached in every stage of product development hence manufacturing poses to be one of the most difficult stages of product development. This stage demands a lot of attention, time, planning, and energy since there is large costs associated with it. Many organizations simply outsource the manufacturing due to the challenges and difficulties associated with production (Rudhi, 2017).

Controlling costs has become a threat for the oil and gas industry due to the economic downturn hence creating chances for external providers to offer industry-specific outsourcing solutions across the entire supply chain. The oil and gas industry usually meets more than two-thirds of the global energy demand. The industry is challenged by high price variations for oil products, a shortage of skills, aging workforce, and frequent change of compliance requirements; apart from the external factors which include diminishing production, rising consumption and low reserves (Pune, 2011).

The cost of making an organization's own products locally is significantly high, since there is a huge cost incurred in paying the factory workers and raw material. Outsourcing organization's manufacturing to other countries like china may lower cost per product (Outsourcing insight, 2018). Many organizations outsource their manufacturing to get rid of the overhead cost associated with operating a manufacturing facility .Some of the overhead costs include utilities, such as gas, electric and water, production equipment maintenance costs, indirect labor such as quality assurance staff, machine technicians, product handlers, shipping and receiving employees (Hamlet ,2018).

A study by Hamlett (2018) also stated organizations gain increased flexibility when they outsource their production to a contract manufacturer. He also stated that Contract manufacturers usually produce goods for a number of companies, including the competitors within the same industry hence they have the ability to produce more goods than the original manufacturing company and usually action swiftly to increased production requirements.

When an organization outsources production it gains the benefits of cost reduction .Many organizations are usually overwhelmed by the operating costs (i.e. purchase, operation and maintenance of facilities and equipment) associated with mass production .Organizations are also able to access industry knowledge since guidance on material and production methods usually provide massive advantages for companies who outsource production to the skilled service providers.

Other advantages are improved company focus, better distribution of resources and efficiency (Alljack, 2018). Three main market types are to be put into consideration anytime a firm is making strategic choices concerning manufacturing outsourcing locations namely: Commodity or Price-Driven, secondly, value-Added or Rapid Response and lastly Technological and Innovative. Product or price-driven it is advantageous to search out less-cost areas for manufacturing work where organizations are involved in product or strongly competitive priced markets. This requires careful evaluation since it's a turbulent type of market, and a readiness to move to new areas as conditions vary.

Value-Added or Rapid Response is where organizations put more emphasis on human resource skills and responsiveness when selecting locations, as opposed to lowering costs in case a need to rapidly add value to products arises. The need to be near the customer base being served is crucial hence having the ability to respond quickly to changing market demands. In regard to Technological and Innovative, organizations have to be keen to safeguard their patents, copyrights, and intellectual property since they cannot afford to lose their competitive edge thus the need to utilize manufacturing plants based in their own countries (William & Stephen, 2002).

Many oil marketing industry players face a challenge of diminishing talent pool within the base of their operations. Aging labor force, staff turnover, attrition and downsizing has brought about scarcity of trained personnel. Training of staff in the oil marketing industry can be expensive, and veterans have years of experience under their belts. This leads to organizations with no other option but to outsource their production services to service providers well versed with the services. (Crystal, 2018; Menuel, 2007).

2.3.3 Operational Outsourcing Service

This type is basically related with the manufacturing industry due to operational tasks and steps required to be taken to properly achieve the final result. Some of these activities include equipment repairs and machine maintenance which are usually outsourced to a 3rd party who are experts in such tasks. (Outsourcing Insight, 2018; Daven, 2015).

Kinetrix Consulting (2010) found out that Operational Outsourcing provide scale to a business and keeps fixed costs low hence allowing organizations to grow and contract in response to varying market conditions. According to experts of QED Financial systems,(1987) when organizations outsource operations to the right partner it creates economies of scale in both human capital and technology thus freeing its managers to focus on core competencies hence eliminating the drain on resources. Additional types of operational activities include landscaping, facilities maintenance, cleaning, and property management (Carol, 2018).

Companies are turning to the outsourcing of equipment to reduce expenses and maintain production. Companies make the decision to outsource equipment to increase production and efficiencies during boom times whereas during an economic downturn, they look to outsourcing as a means to decrease expenses while meeting production targets (Farthing, 2009).

Oil & Gas, Utility and Power Generation operators and producers not only need the right equipment, but efficient and responsive service as well (Valmec, 2018).According to Kutemann (2015) , operation & maintenance services is a comprehensive, specialized activity which needs understanding the plant and its processes, plus the objectives of the owner. Effective maintenance will increase the facilities up-time (i.e. the time the plant is available for production).

Professional maintenance increases operating revenue, and extends the productive lifetime of the assets, leading to a reduction of capital expenditure as well as environmental risks of the client. There are several factors the oil marketing companies have to put into considerations before outsourcing maintenance. One of the factors is Downtime. This directly impacts on productivity and customer profits since the staff skills will determine the response time to breakdowns. On the other hand having a maintenance service provider with the rights skill set could basically lower the repair time. Another factor is workforce, companies outsource maintenance to reduce costs.

There are huge expenses from In-house staff such as salaries, benefits, pensions and hospital bills, as compared to contracting a company to carry out the work when needed. Other factors are Lack of control since the company is at the mercy of the service provider. Managing risk is another factor to be considered since the company will be exposed to external sources. **(**Jonathan, 2017**).** Oil marketing companies use heat exchangers in the laboratories thus getting service providers with the right expertise can be an advantage to the companies. According to petro industry news (2014), oil marketing companies use heat exchangers of different types for both heating and cooling applications.

The heat exchangers are used in harsh environments and are liable to pollution inside tubes and on outside surfaces. This leads to blockages, rusting or leaks, thereby affecting the flow and pressure levels and eventually impairs heat transfer. Pollution eventually leads to a reduction in the efficiency of the heat exchanger, thereby increasing energy usage and operational costs, wear and tear, and reducing its working life if not cleaned at regular intervals (Adrian, 2014).

Cleaning services is another service outsourced by the oil marketing companies. Owing to the kind of chemicals used in the blending of lubricants at the lubricating plants, oil marketing companies have no option but to outsource cleaning services. Fairwind LLC notes that equipment cleaning takes better share of any oil marketing industry maintenance program thus usage of high-pressure, heated water and safe environmentally friendly cleaning compounds get drilling and fracturing equipment looking like new. Purchasing such machines can be a cost element to oil companies thus they are forced to outsource to lower their operating costs.

2.3.4 Process-Specific Outsourcing

This is where other outsourcing services are very particular to a process or internal procedure. This leads too many companies outsourcing processes revolving around their main product like delivery of their products (Gas, lubricants and fuel) (Outsourcing Insight, 2018). It is also known as Business process Outsourcing (BPO) which is a subgroup of outsourcing involving the undertaking of the operations and responsibilities of a particular business process to a third-party service provider (Jordan,2015). BPO can be further defined as contracting of a specific business operation or process, such as customer service, finance & accounting, HR, recruiting, payroll or any other non-IT business function, to a third-party service provider (John,2018).

This type of outsourcing is also found in the service sector, where an organization outsources particular feature of the operation to other companies that have the expertise in that service. An example is where a bakery outsources transport of the end product to a courier company. The contract provides details on delivery time lines, customer contacts and costs. This will enable companies to focus on their strengths thereby improving their over-all customer service (Carol, 2014).The oil and gas companies will opt to outsource their delivery of bulk lubricants, fuel, liquefied petroleum gas (LPG) in both bulk and bottled to a third party to third party service providers who have the right skills and well versed with technology.

Third party logistics (3PL) outsourcing has become a key part of organizational supply chain processes as it entails passing on logistics-related duties in part or whole to an outside party for execution. Organizations are practicing this to reduce operation cost, improve on flexibility and operationalization of logistics services, and reduce capital investment (Rahman, 2011; Zacharia, Sanders, & Nix, 2011). Giri and Sarker (2017) pointed out that companies have to turn to 3PL for reduction of logistics processes load and achieving customer satisfaction and competitive advantage (Chen, Goan, & Huang, 2011).

Each industry has individual supply chain challenges, but none is as complicated as oil and gas. Transportation of product requires specific machines, strict adherence to regulatory rules, and expansive safety procedures (Justine, 2014). Bill Heathcock, the regional director for Philadelphia notes that Logistics services in the oil and gas industry calls for a great sense of urgency and need for clarity.

Logistics is not a key role within the Oil and Gas (O&G) since it is not one of its explorations, production, and refining operations. O&G requires external service provider to take charges of the human element which is a key factor in logistics service delivery, since it offloads logistics burden from the O&G routines, leveraging assets for economies of scale and scope, and providing professional logistics services to the oil industry.

Zhu et al, (2017) acknowledged that logistics outsourcing is being embraced by firms to reduce costs and increase flexibility. Human outsourcing is another strategy in the oil and gas sector. Apart from reduction of costs, organizations are outsourcing in areas such as employee retention, benefits, recruitment to service providers who are experts in the fields, (Tholon, 2007). Human resources outsourcing occurs when businesses outsources service providers to manage employee functions. This includes administration of health benefits plans, retirement plans, and workers' compensation insurance. It also includes recruiting, training, and legal expertise, (Kimberly, 2018).

According to HRZone, (2018) Payroll outsourcing is usually outsourced for two reasons: it consumes time for employers, and there are external providers with the technology and expertise to handle it more efficiently and compliantly.The growth in human resource (HR) outsourcing, has been prompted by organization's efforts to reduce costs, to put emphasis on key issues, and to improve on employee services (Chiang & Shih, 2011). Initially, HR sections did administrative duties, but have adjusted to assist organizations to compete and sustain through various challenges (Braun, Pull, Alewell, Störmer, & Thommes, 2011; Cook & Gildner, 2006).

Researchers put forward that HR outsourcing centralise on reorganizing the HR department, refocusing activities, and relocating HR resources (Chiang & Shih, 2011; Greer, Youngblood, & Gray, 1999), so that organizations can "make more by doing less" (Gilley & Rasheed, 2000). Price is the determining factor in deciding on which HR outsourcing company to choose for most small business owners. HR outsourcing services are highly customized based on the needs of the client, (Rebecca, 2018). According to Lisa (2017), the cost for fully outsourced HR services varies greatly and is customized depending on the individual needs of the client. The outcome of the outsourcing initiative have been influenced by the quality of relationship between the supplier and the client, (Chakrabarty, Hitten, & Green, 2008).

Customer service outsourcing is another strategy used by organizations to gain competitive advantage in the market. Infinite contact, (2013) posits that Customers are the vitality of business hence without them, no business can keep going, which is why having outward & inward customer service should be a crucial part of any company. Customer service outsourcing is the process of associating with another company to handle business activities for you. This has become an increasingly common business practice that allows organizations to gain services and skills that would normally be costly or difficult to develop and maintain in-house, (Echo-u, 2018).

The customer service industry is continually evolving over the period hence there is a high demand for customer support channels therefore making it key for organizations to handle customer touch points across the entire lifecycle, (Infosys, 2018). Noting that customer service centers are the customer's first single point of contact with an organization, their communication with customer service executives contributes to their opinion of the quality of service provided,(Bartnett,2006).

Dean (2007) argued that service-based competition and the opportunity for high-volume, low-cost service delivery through telephone-based technology brought up the massive growth of customer service Centers. Customers' expectations are increasingly growing and customer service executives have the duty to meet / exceed these expectations for the organizations to gain a competitive advantage. Managing the customer experience resulting from Customer service center encounters has a major impact on an organization's success. Afrika, (2012) highlighted that Customer service centers have failed to "personalize their service, resulting to customers consulting the stores for assistance, leading to a negative customer experience, (Govender 2016).

2.3.5 Outsourcing and Organizational Performance.

Outsourcing basically improves organizational performance if applied as an organizational strategy (Bacon, 2009). Outsourcing frees up assets and reduces costs in the following financial period. Organizations outsourcing parts of the operations report high savings on operational and capital costs. There is a relationship between outsourcing best practice and high performing companies (Rimmer, (1991), Utley, (1993), Laurgers et al. (2005). Strategic outsourcing leads to cutting of costs (Bowser 1990), increased capacity; Improved quality, (Lau and Hurley 1997), increased productivity (Casale 1996), and improved organizational competitiveness (Lever 1997).

Organizations that outsource are exposed to greater levels of risk in comparison to those outsourcing their business functions. The former face challenges trying to balance between selecting the right alternatives, training employees on the area of competence and also maximizing efficiency (Gupta & Zheuder, 2004). According to Lau and Hurley (1997), there is a deeper relationship between outsourcing and profitability margin. They found that Chryslers profit margin was four times as high as that of General Motors (GM) due to effective outsourcing through strategic alliances. Organizations that outsource reduce their risks with regard to huge infrastructural expenditures hence attracting more investors to their organizations (Jennings, 2006).

Outsourcing is basically rearranging the organization around the core competencies and the external relationship. The traditional outsourcing put emphasis on tactical benefits like cost reduction, have been recently replaced by productivity, flexibility, speed and innovation in developing business applications, and access to new technologies and skills (Bacon, 2009).From the business perspective, outsourcing enables organizations to offer competitive rates hence enhancing efficiency. A supporting argument is from Boston University Professor Nitin Joglekar who found out that less than 20 % of workers affected by the decision to outsource often lose their jobs whereas the rest are redeployed within the organization hence implying increased efficiency.

Organizations that outsource make effective deliveries to their clients thus the overall result is that clients are satisfied with their services since they consider timely delivery as a positive business attribute thus enabling them to come back.

2.4 Conceptual Framework on Organizational Performance

The variables used in this study were dependent and independent variables. According to Mugenda, (2008) an independent variable also known as Predictor variable predicts the measure of variation occurring in another variable whereas dependent variable also known as criterion variable is usually influenced by another variable.

The independent variable in this study were professional service outsourcing, manufacturing outsourcing, operational outsourcing service and process specific outsourcing. The dependent variable here was Organizational performance as per the below figure 2.4.

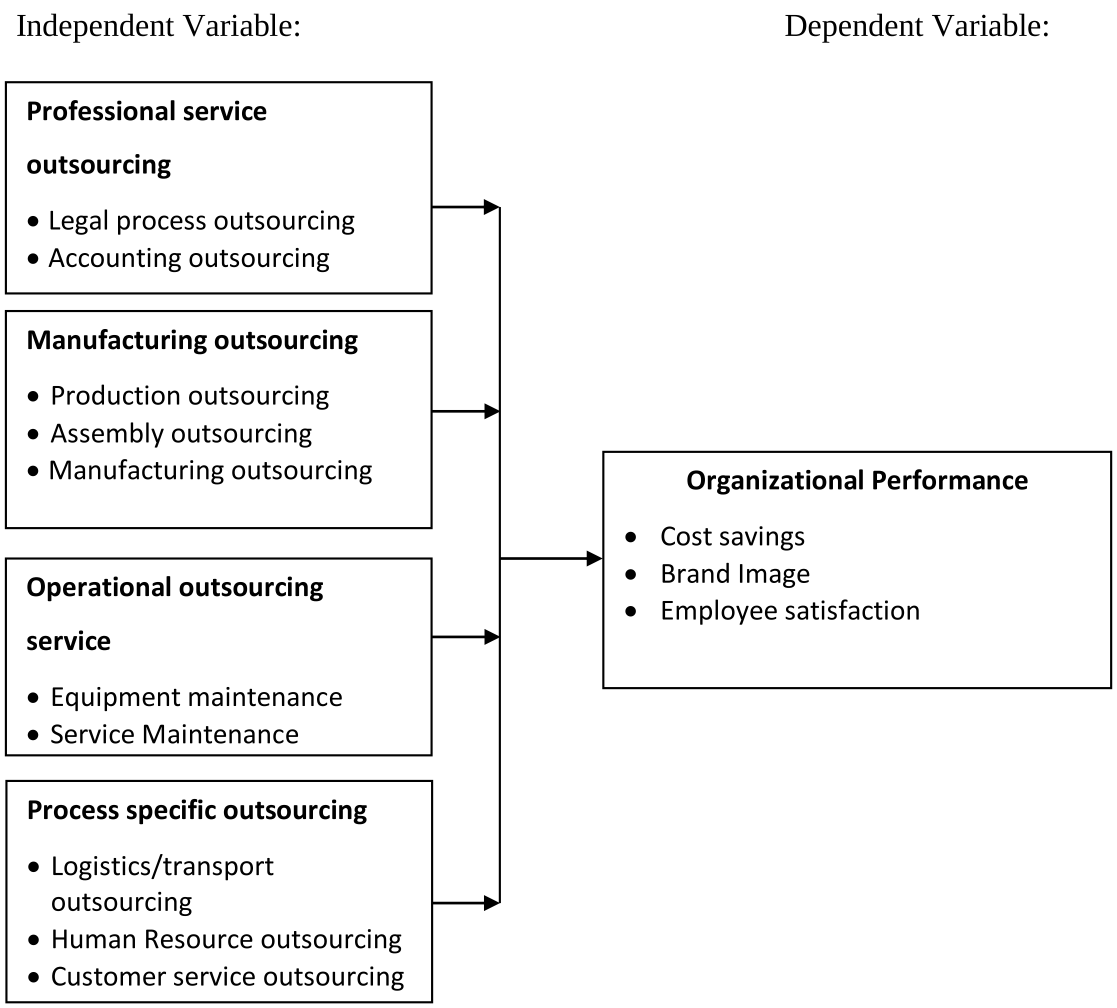


Figure 2.4: Conceptual Framework

2.5 Operalization of Variables

Variable	Variable Definition	Indicator/Measure	Measurement scale
Independent Variable	Professional Service Outsourcing • Legal Process outsourcing • Accounting outsourcing	• No of complaints from staff • Breach of contract like underperformance, theft • Account reconciliation. Information linkage	Interval/ Ordinal
Independent Variable	Manufacturing outsourcing • Production Outsourcing • Assembly outsourcing	• Product quality • Production output • Production lead time	Interval/ Ordinal
Independent Variable	Operational Outsourcing • Equipment Maintenance • Equipment Maintenance	• Frequency of breakdown of equipment. • spare parts availability • Frequent clogging of machines.	Interval/ Ordinal
Independent Variable	Process Specific Outsourcing • Logistics/transport outsourcing • Human Resource Outsourcing • Customer Service Outsourcing	• Frequency of vehicle breakdowns. • Product adulteration • Delivery lead-times • Employee satisfaction • Customer satisfaction • Customer retention	Interval/ Ordinal
Dependent Variable	Organizational Performance • Cost savings • Brand Image • Employee satisfaction	• Comparison charts • No. of new /% repeat customers • Product quality • Employee turnover	Interval

Table 2.5 Operalization of variables

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was used to carry out the research which helped in adequate planning for the study. The chapter also further discussed the study population, sampling design and sample size, data collection methods, tools and procedures and analysis procedures that were used.

3.2 Research Design

Descriptive research design was employed in this study. The design is mostly preferred since the study sought to find the effects of outsourcing on the organizational performance in the oil marketing companies in Kenya.

Descriptive research is usually a study of status based on the assumption that issues can be resolved and there can be improvement of practices via observation, analysis and description. The design can be used whenever one is collecting data or information about people's attitudes, opinions and habits by conducting interview guides or questionnaires for detailed analysis (Koh Owen, 2000).

3.3 Target Population

According to Cooper and Schindler (2003), a population is defined as the group to be focused on the researcher. Mugenda and Mugenda (2003) defined target population as large collection of persons, cases, or objects with some similar observable features which the researcher generalizes the results of the research.

The target population of the study was taken from the thirty (30) top oil marketing companies in Kenya according to the market share 2017 (appendix 1).

Respondents	Population
Operations Managers	30
Marketing Managers	30
Legal Managers	30
Finance/IT Managers	30
Total	**120**

Table 3.3: Population Target of the Respondents.

Census survey method was used for the determination of the respondents. Census survey is used in a small population as it collects information from all respondents, (Kothari, 2004).

3.4 Research Instrument

The study used primary sources of data via questionnaires. A questionnaire is a document consisting of a number of questions typed and printed in a systematic order on a form, (Kothari, 2004). There are three types of questionnaires according to Dawson (2002) namely: closed ended, open ended or a combination of both. Closed – ended questionnaires are used in quantitative research whereas open-ended questionnaires are used in qualitative research. Use of data obtained from participants with different methods and experience will avoid information bias and increase credibility regarding the information collected (Cohen, Manion, Morrison, 2007).

Questionnaires have various advantages like being cost effective since it's the most affordable way to gather information without additional cost, they are also practical in nature since they can be targeted to groups of one choice and are manageable,

Questionnaires give speedy results since it's easy to collect results with online and mobile tools, are scalable since they allow one to gather information from a large audience, questionnaires usually cover all aspects of a topic thus they are dependable and reliable(Stefan ,2016). Likert scale questionnaire was used in this study. A likert scale as defined by Robinson (2014) measures the level of agreement with statements relating to attitude or objects and is usually on a 5 to 7-point scale consisting of strongly disagree, disagree, neutral, agree and strongly agree.

3.5 Validity and Reliability of the instrument

This subject section discussed on the pre-testing of the questionnaire for measuring and enhancing its validity and reliability.

3.5.1 Validity

Validity of the questionnaire was established by panel of experts to access if it captured all items it was made to measure. The research instrument was availed to the experts who established its content and construct validity and ensure that the items are adequate representative of the subject area that was studied.

3.5.2 Reliability Test

Reliability is a measure of the level to which a research instrument yields consistent results after repeated trials (Ngechu, 2004). This research study used internal consistency test for reliability which defines the consistency of the results delivered in a test hence ensuring that the various items measuring the different constructs deliver consistent scores (Martyn,2008).

Cronbach's Alpha (α) coefficient was used to measure the internal constistency.of the scales being used in the research instrument which measures internal reliability tests with multiple possible answers(Stephanie ,2016). The Cronbach's Alpha Formula is as below:

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N-1) \cdot \bar{c}}$$

Where:

- N = the number of items.
- $\bar{c}$ = average covariance between item-pairs.
- $\bar{v}$ = average variance.

The reliability coefficient ranges between 0 and 1. Mohsen and Dennick (2011) provided the rule of thumb as per below table:

Cronbach's Alpha	**Internal consistency**
$\alpha \geq 0.9$	**Excellent**
$0.9 > \alpha \geq 0.8$	**Good**
$0.8 > \alpha \geq 0.7$	**Acceptable**
$0.7. > \alpha \geq 0.6$	**Questionable**
$0.6 > \alpha \geq 0.5$	**Poor**
$0.5 > \alpha$	**Unacceptable**

Table 3.5: Mohsen and Dennick Rule of thumb

A score of more than 0.7 is usually allowed for a study.

3.6 Data Collection

The data in collection was descriptive in nature where a questionnaire was used as the collection instrument since it allows collection of unbiased data from a large sample and also uses advanced technical techniques.

The questionnaire consisted of closed ended questions that were administered through the drop and pick method and others send via email. The researcher send the questionnaires to the respondents via email with an introduction letter from the university where due diligence was exercised to ensure all questionnaires were responded to.

3.7 Data Processing and Analysis

According to Steven (2015), Data analysis can be defined as a method or methods that can be used to analyze data and the process of analyzing it. The data collected was thoroughly examined and checked for completeness and compressibility.

Descriptive statistics such as mean, standard deviation and frequency distribution was used to analyze the data. This included the percentages; line charts bar charts and pie charts tabulations. Inferential statistics was computed with the help of the SPSS package to arrive at the conclusions based on the surveyed data collected.

Regression analysis was used to establish the extent to which the independent variables i.e. legal outsourcing, accounting outsourcing, production outsourcing, equipment repairs outsourcing, equipment maintenance outsourcing, cleaning outsourcing, logistics outsourcing ,human resource outsourcing and customer service outsourcing illustrate the effects of outsourcing on organizational performance. The model is depicted as follows:

$Y= \beta_0 + \beta_1X_1 + \beta_2X_2+ \beta_3X_3+ \beta_4X_4 + e_o$ …………………

β_o= Is the Y intercept where x=Zero

Y = Organizational Performance

X_1 = Professional Service Outsourcing

X_2 = Manufacturing outsourcing

X_3 = Operational Outsourcing Service

X_4 = Process Specific Outsourcing,

e = error term.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

The objective of the research was to establish how outsourcing affects organizational performance in the oil firms in Kenya. This chapter presents the analysis, findings and discussion. The findings were represented in tables and graphs.

4.2 Response rate

A total of 120 Questionnaires were sent out and only 90 were returned. Figure 4.1 represents the response rate of 75 % which is satisfactory for the analysis as recommended by Mugenda and Mugenda (2010).

Table 4.1 Response rate

Response Rate	Frequency (F)	Percentage (%)
Returned	90	75
Not returned	30	25
Issued	**120**	**100**

4.3 Demographic Information

This section presents the characteristics of the respondents as follows: gender, age, level of education, Management level and length of continuous service with the company.

4.3.1 Respondents Gender

The research findings established that 56% of the respondents were male while 44% were female. This is in line with other researches that show women numbers are on the rise in professional careers in Kenya. This is an indication that most of the managers in the oil firms are male.

Table 4.2 Gender of respondents

Respondents	Frequency(F)	Percentage (%)
Male	50	56
Female	40	44
TOTAL	**90**	**100**

4.3.2 Age of the respondent

Table 4.3 below presents the study findings regarding the age brackets of the respondents.

Table 4.3 Respondents Age Bracket

Age distribution	Frequency(F)	Percentage (%)
Below 35	10	11
35-40	20	22
40-45	40	45
Above 45	20	22
TOTAL	**90**	**100**

The study revealed that a larger percentage of the respondents were aged between 40 and 45 years (45%) followed by the age between 35-40 years (22%) and above 45 years (22%). A proportion of 11% were aged below 35 years.

Talent retention in the oil firms is key due to the complexity of the job thus employers will retain more talented employees. Research conducted by PwC (2012) for its 14th annual CEO Survey indicated that Talent retention is of particular concern in the oil industry thus true from the findings that majority of the managers are aged between 40-45 since they have the expertise needed by the industry .

4.3.3 Level of education

Table 4.4 below presents the study finding regarding the respondents' educational levels.

Table 4.4 Respondents Level of Education

Level of education	Frequency (F)	Percentage (%)
High School	6	7
Tertiary college	14	16
Undergraduate	40	44
Masters	30	33
TOTAL	**90**	**100**

According to the findings, most of the respondents had the first degree (44%) followed by those who had Masters (22%). Those with Diploma qualifications amounted to 16% and the least category of the respondents had High school certificate (7%). This could imply that majority of the managers are learned having attained tertiary level of education plus the seniority of the jobs requires persons to be well trained and educated to compete with the diverse market trends.

4.3.4 Level of Management

Table 4.5 below presents the study finding regarding the respondent's level of management.

Table 4.5 Level of Management

Level of Management	Frequency(F)	Percentage (%)
Head of Legal	6	7
Head of operations	20	22
Head of Marketing	30	33
Head of Finance/IT	20	22
OTHERS	14	16
TOTAL	**90**	**100**

The results indicated that most of the respondents were from Marketing (33%), followed by Operations and Finance/IT (22%) each, other respondents had 16% and the least was Legal which had 6%. This results tally with the current status of the busiest departments in the oil industry being marketing, operations and Finance/IT.Due to the nature of the jobs in oil firms, marketing carries the day since this is where the company relies on for profits. The findings agree with marketing writer Stephen Forrester (2017) who noted that Marketing communications has a key role in the oil and gas industry since for them to be valid in the market they need to promote brand awareness. Many firms are looking for increased visibility and recognition for their products, technologies, and services hence marketing enables them to capture more business.

4.3.5 Length of Service

Table 4.6 below represents the study findings regarding the length of service

Table 4.6 Length of service

Length of service	Frequency(F)	Percentage (%)
0-5 years	10	11
5-10 years	20	22
10-15 years	25	28
Above 15 years	35	39
TOTAL	90	100

The results in Table 4.6 indicate that 39% of the respondents have worked in the company for over 15 years, 28% of the respondents indicated that they have worked for the company for between 10 to 15 years while 22% of the respondents indicate that they have worked in the company for between 5 to 10 years and the least have worked in the company for less than 5 years.

This implies that the companies need to come up with adequate knowledgebase policy to preserve the acquired knowledge and retain the same by training more employees to take over roles in the senior management since most of the employees with length of service of more than 15 years have a wealth of experience and skills.

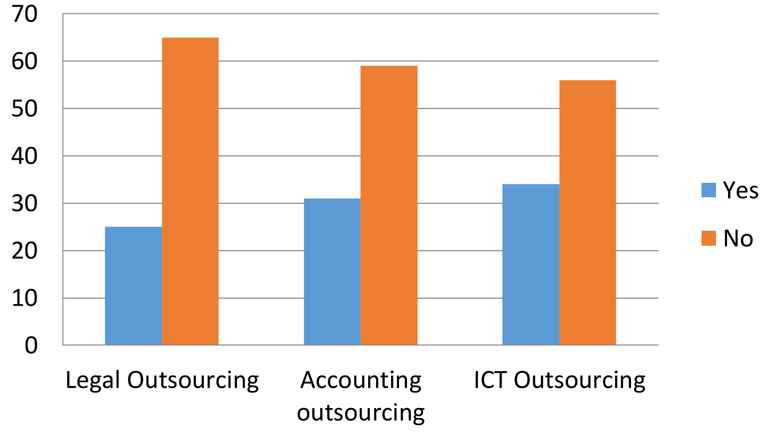
4.4 Descriptive Statistics for the Study Variables

The data was analysed as below

4.4.1 Effects of professional service outsourcing on organizational performance.

The study sought to find out if the firms outsourced professional services like legal services, accounting services and ICT services. The results were as per below figure 4.1.

Figure 4.1: Professional Services Outsourcing



Source: Researcher 2018

Results from our study indicated that (24.8%) managers outsource legal services, while (64.4%) do not outsource legal services this might be due to the fact that most oil firms are large corporate who have hired their own legal professional. This implies that Legal outsourcing is quite a risky strategy due to issues of data confidentiality, lack of control, quality assurance, and complex ethical issues of conflict of interest. Comnet, (2015) and Vinita,(2017) outlined the disadvantages of outsourcing legal services as confidentiality issues, cultural and communication barriers, hidden costs, quality assurance and supervision, and conflicts of interests.

On accounting outsourcing, (30.7%) managers outsourced, while (58.4%) do not outsource the reasons being that since they are large corporate they have hired their own accounting officers on permanent basis. This implies that most firms will employ their own staff who have the expertise in the Oil industry and who understand the field better. The fear of relying on another party to sort out reconciliations issues becomes a threat to large firms who want confidentiality. The findings tally with Cruce, (2015) and Bardos, (2017) who outlined the challenges of outsourcing accounting services as: Language barriers which leads to misunderstandings, hinder proper communication with both parties resulting to legal problems.

Both parties noted that the Company has less control over their processes since they have to rely very much on the service provider. Security risk is another challenge since business accounting is highly sensitive**,** passing on confidential information is equally a risk. Due to distance and time, companies will have to communicate their needs and challenges across a distance, maybe even across time zones resulting to delayed responses due to time lags

On ICT outsourcing, (33.7%) outsource ICT services while (55.4%) do not outsource main reason being they can afford to hire people on permanent basis to provide the same services. Oil firms have so many processes running at the same time thus the need to have reliable staff who understand the company vision and mission and who can readily be available once called upon.

Confidentiality of data is key in any oil firm thus the reason why many will opt to employ their own staff. The findings agree with Yvonne Lederer Anotucci, (1998) in her article "The Pros and Cons of IT Outsourcing," where she noted that an external supplier is never as effective as a permanent employee. She also noted challenges with confidentiality of data and disaster recovery as big threats to IT outsourcing.

4.4.1.1 Extent to which the following statements influence professional outsourcing services in the oil firms.

The study aimed at establishing the impact of professional outsourcing services in the oil firms .The results were tabulated using the Likert scale to rate the extent of adoption of the indicators as shown below

Table 4.7 Professional outsourcing services

Professional outsourcing services indicators	Mean	Std. Dev
The organization has reduced the cost per hour of lawyer's time by outsourcing legal services.	4.000	1.281
The organization's confidential information hasn't been exposed to competitors by outsourcing legal services	3.989	1.213
Accounting reconciliations have been reduced by outsourcing accounting services.	4.111	1.185
Customer statements are accurate and timely by outsourcing accounting services	3.667	1.414
Customer orders have been released and loaded in time by outsourcing accounting services.	3.544	1.530
Organization has utilized information technology in coordinating their activities with suppliers by outsourcing IT services	3.956	1.297
Availability and proper flow of information in the organization has improved by outsourcing IT services	4.078	1.256
The quality of outsourced professional services is very high compared to in house	3.667	1.398
Outsourced professional services are more reliable than in-house services	4.011	1.176
Outsourced professional services are more cost effective than in-house services.	3.811	1.483
Professional outsourcing services	3.883	1.323

From the results above most managers Agree that cost of legal services have been reduced due to outsourcing of legal services with a mean of 4, accounting reconciliations have also been reduced by outsourcing accounting services with a mean of 4.111, and proper flow of in information has been be improved by outsourcing IT services supported by a mean of 4.078 which translates in our likert scale as agree.

Most managers slightly agree that the organization has utilized IT in coordinating their activities with their suppliers through outsourcing of IT services with a mean of 3.956, the organization's confidential information hasn't been exposed to competitors by outsourcing legal services with a mean of 3.989, and Outsourced professional services are more cost effective than in-house services with a mean of 3.811. This is evident from the statistics with a mean of greater than 3 but less than 4.

From the study, managers were also doubtful that Customer statements were accurate with a mean of 3.667 and timely and customer orders were released and loaded in time due to outsourcing of accounting services with a mean of 3.544. The managers were also not sure whether the quality of outsourced professional services was higher compared to in house with a mean of 3.667.All the above had a mean of between 3-3.7.

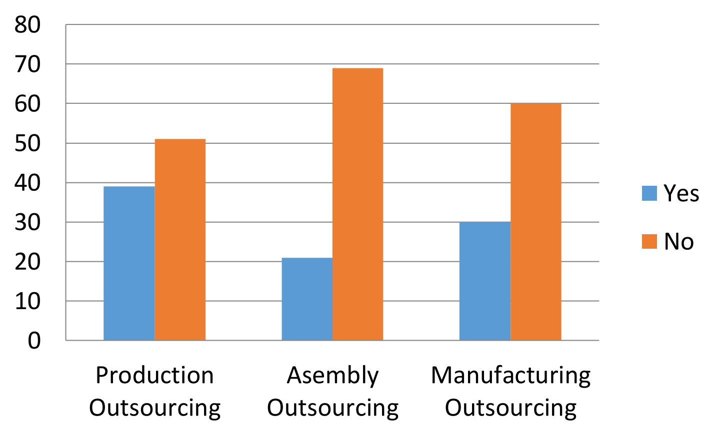
Generally managers from the study slightly agreed that professional outsourcing services influence the performance of an organization with a mean score showing 3.88 which almost to 4 which translates to slightly agree. This findings are in line with Kumaran ,(2013) who stated that organizations are not only looking for cost-effective solutions to run non-core activities like accounting and payroll services, but they are also seeking to add value for them to achieve better control and understanding of cash flow hence making informed decisions .

Kumaran also pointed out on the advantages of outsourcing accounting and payroll services as; achieving cost effective services, achieving high level of accuracy, fraud check, direct payments via efficient payroll processing, saving up on processing time, evading tax penalties, He also added other benefits like being at par with up-to-date technology, gaining from the tax experts, being up to date with reconciliations related to financial institutions and being well-informed with up-to-date accounting status hence for the small firms, they have no option but to outsource.

4.4.2 Effects of manufacturing outsourcing on organizational performance.

The study sought to find out if the firms outsourced manufacturing services like production services, assembly and manufacturing services. The results were as per below figure 4.2.

Fig 4.2: Manufacturing Outsourcing



Source: Researcher 2018

From figure 4.2 (38.6%) managers from the oil companies accepted production outsourcing while (50.5%) did not outsource for production. Middle level companies do not have the capacity to handle the production process thus outsourcing is cheaper and convenient to them while large , established corporate have their own production facilities and they do not need to outsource.

For companies to do their own production, there is the need to have qualifies staff able to run the processes effectively thus middle level firms cannot afford to pay for such staff hence opt to outsource. Large firms will employ their own staff whom they train to fit into the various sections of production .The findings agree with Crystal, (2018) and Menuel, (2007) who noted that many oil marketing industry players face a challenge of diminishing talent pool within the base of their operations. Aging labor force, staff turnover, attrition and downsizing has brought about scarcity of trained personnel. Training of staff in the oil marketing industry can be expensive, and veterans have years of experience under their belts. This leads to organizations with no other option but to outsource their production services to service providers well versed with the services.

This also applies with assembly outsourcing since middle level oil companies are not able to handle the assembly process due to financial constraints as evident from the statistics where (20.8%) out sourced assembling services while (68.3%) did not. The same trend applies to manufacturing outsourcing where it is costly for middle level oil companies to do manufacturing so outsourcing is the only option while large established companies have the capability to manufacture so they do not outsource. This is shown by (59.4%) managers who believe they will not outsource manufacturing services while (29.7%) believe they will outsource.

The above findings agree with Hamlet (2018) who noted that many organizations outsource their manufacturing to get rid of the overhead cost associated with operating a manufacturing facility .Some of the overhead costs include utilities, such as gas, electric and water, production equipment maintenance costs, indirect labor such as quality assurance staff, machine technicians, product handlers, shipping and receiving employees .

4.4.2.1 Extent to which the following statements influence Manufacturing outsourcing services in the oil firms.

Table 4.8 Manufacturing outsourcing services

Manufacturing outsourcing services Indicators	Mean	Std. Dev
Manufacturing/production outsourcing had led to timely delivery of goods/services in the organization	4.144	1.157
Production outsourcing has enabled this organization to economize on production cost thus spend less	3.878	1.179
Production outsourcing has helped departmental heads make efficient decisions in times of stock outs.	4.144	1.241
Production outsourcing has enabled this organization increase quality of products.	4.111	1.136
Production outsourcing has increased flexibility of the personnel to do other core activities.	3.967	1.258
The cost of training personnel to run the machines has been reduced by outsourcing production.	3.978	1.060
The additional costs of overtime by staff for excess hours is reduced by outsourcing production.	4.056	1.301
The quality of outsourced manufacturing services is very high compared to in-house	3.789	1.268
Outsourced manufacturing services are more reliable than in-house services	4.156	1.101
Outsourced manufacturing services are more cost effective than in-house services.	4.044	1.217
Manufacturing outsourcing services	4.027	1.1918

From the results above, most managers believed outsourced manufacturing services are more cost effective and reliable than in-house services with a mean of 4.156. They also believed that costs of overtime by staff for excess hours is reduced with a mean of 4.056, increase quality of product or services with a mean of 4.111, and timely delivery of goods /services was due to production outsourcing with a mean of 4.144.

The above findings agree with Sam Ashe-Edmunds, (2018) who stated that depending on where a company outsources its production services, they can reduce their labor costs significantly. Apart from savings on salaries and hourly wages, they can also save on payroll taxes and benefits. Overtime laws might also be less stringent if outsourcing from another country thus this allows the company to add a shift or offer workers longer hours without increasing the hourly pay rate.

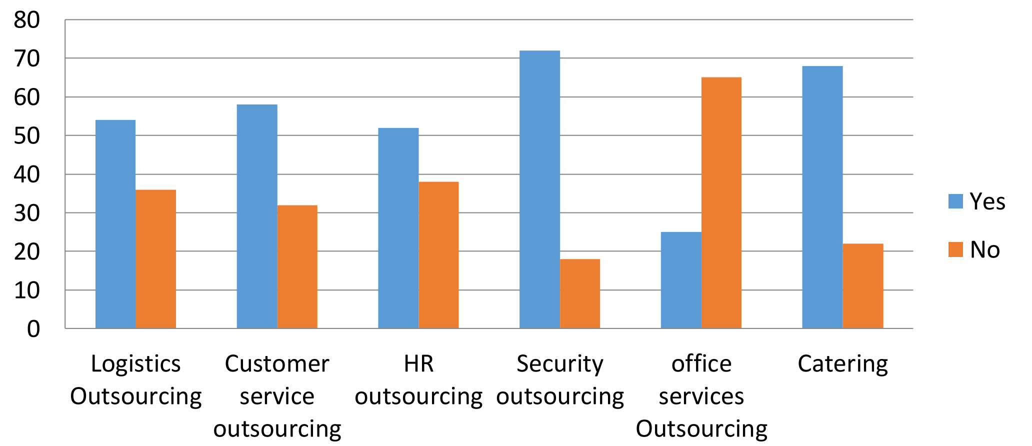
However the managers slightly agreed that due to production outsourcing the organization economized production cost thus spending less with a mean of 3.878, it has increased flexibility of the personnel to do other core activities with a mean of 3.967, the cost of training personnel to run the machines has been reduced with a mean of 3.978, and finally that the quality of outsourced manufacturing services higher compared to in-house with a mean of 3.789.

This implies that small oil firms do not have the capacity to purchase the big machines for the production of the oils thus they opt to outsource such services to large firms who have access and experts for the job. The findings are in line with Mary, (2018) who pointed out the advantages of small firms to outsource as to lower costs, get skilled workforce, security and control concerns.

4.4.3 Effects of process specific outsourcing on organizational performance.

The study sought to find out if the firms outsourced process specific services like logistic services, customer services and human resource services. The results were as per below figure 4.3.

Fig 4.3: Process Specific Outsourcing



Source: Researcher 2018

Results the figure above (53.5%) managers prefer to outsource logistics services may be because it is cheaper since it reduces the overhead costs like maintenance, fuelling, and even salary for drivers. (31.7%) prefer not to outsource may be due to the size of their companies. For Larger companies to cater for their own logistics service is costly while for small and middle level companies it is reasonable. The above findings agree with Rahman, Zacharia, Sanders, & Nix, (2011) who noted that third party logistics (3PL) outsourcing has become a key part of organizational supply chain processes as it entails passing on logistics-related duties in part or whole to an outside party for execution. Organizations are practicing this to reduce operation cost, improve on flexibility and operationalization of logistics services, and reduce capital investment.

Majority of the managers (57.4%) preferred to outsource customer services may simply because they are larger companies that have the capability and need professional services, while (31.7%) managers prefer not to outsource may be simple due to size of their companies mostly small or middle level and financial constraints.

The above findings agree with Bartnett, (2006) who pointed out that customer service centers are the customer's first single point of contact with an organization, their communication with customer service executives contributes to their opinion of the quality of service provided.

Larger companies have quite a large work force thus hiring of professional to handle the job is cheaper and convenient while small or middle level can manage their work force. Thus (51.5%) prefer to outsource HR services while (37.6%) can handle the work by themselves thus prefer not to outsource. This implies that firms have to outsource HR services to reduce on costs and focus on core issues. Chiang & Shih, (2011) pointed out that the growth in human resource (HR) outsourcing, has been prompted by organization's efforts to reduce costs, to put emphasis on key issues, and to improve on employee services hence tallying with the above findings.

On security outsourcing, (71.3%) prefer to outsource since its reliable, convenient with minimum risks since the security companies are insured in case of theft, while (17.8%) prefer not to outsource may be because of financial constraints or the size of their companies. This implies that since most oil companies have no experience on security matters they transfer the risk to the security firm.

All licensed security Services Company should have the expertise and experience to avoid potential risks most of the security companies have the latest security technology hence able to monitor daily activities even at the comfort of their offices. The study findings agree with writer Ebony (2015) who stated that Security experts work closely with the latest and most advanced solutions and technology, on a daily basis. It is their responsibility to know every detail of the latest innovations, protocols, and procedures.

On office services (51.5%) managers prefer to outsource because it is convenient, reliable, and gives them the professional touch. while (37.6%) managers prefer not to outsource may be because their companies are small and it costly for them to get those services.

With a view of companies making key decisions to prioritise the deployment of resources towards their core business drivers, they are often left with minimal resources for their office support services. They usually find it a challenge to train, manage, motivate and retain quality personnel in front-office positions, such as reception, administrative support , copy/print services , sending and receipt of mails ,hence opt to outsource.

Most managers (71.3%) prefer to outsource catering services because they believe it gives them the best value for their money, and there is a lot of professionalism with the catering companies while (17.8%) prefer not to outsource because their companies are small and will be costly to outsource. This implies that they save on wages, equipment and even training the staff to offer better services. This risk is transferred to the supplier.

This implies that outsourcing catering services allows the Company to focus on their key business while entrusting the nutritional requirements of their staff to a specialist. Catering Service providers stay in touch of the latest food trends, they provide training for all staff, they handle staff related issues, and they deal with canteen related issues hence company saves on productivity.

4.4.3.1 Extent to which the following statements influence Process specific outsourcing services in the oil firms.

Table 4.9 Process specific outsourcing services

Process specific outsourcing Indicators	Mean	Std. Dev
Fleet tracking tools have increased vehicle visibility by outsourcing logistics.	3.922	.890
Route optimization and vehicle scheduling has been improved by outsourcing logistics.	3.189	.923
There has been minimal issues of product shortage and adulteration by outsourcing logistics.	3.689	1.260
The number of customer complaints has reduced by outsourcing customer service	2.344	1.238
Effective service delivery is maintained with the service provider by outsourcing customer service	3.778	.992
Employees are satisfied with the services offered by outsourcing human resource services.	3.400	.969
Employee overhead costs have reduced by outsourcing	3.789	1.362
The quality of outsourced process specific services is very high compared to in-house	2.933	1.110
Outsourced process specific services are more reliable than in-house services	3.044	1.170
Outsourced Process specific services are more cost effective than in-house services	3.222	1.109
Process specific outsourcing	**3.331**	**1.102**

From the results above most managers were not sure that due to process specific outsourcing: it was more cost effective and reliable than in house services with a mean of 3.044 and 3.222 respectively, there was improvement of route optimization and vehicle scheduling with a mean of 3.189.This implies that due to traffic in the city, route optimization couldn’t be achieved since vehicles rarely make two trips in a day hence contributing to non-adherence of the truck schedule.

There was minimal product shortage and adulteration with a mean of 3.689, effective service delivery was maintained with the service provider with a mean of 3.778. All the above indicators had a mean score of more than 3 but less than 4 translating to not sure from our likert scale.

The above findings tally with ERC Business Daily (2016), where it was noted that the issue of fuel adulteration had hit the country. The country is surrounded with inherent fraud system of selling adulterated fuel including that which is meant for export. This is usually beyond both suppliers and oil firms since it's a cartel that can only be dealt with by the government by imposing strict penalties on culprits.

However the managers slightly agree that fleet tracking tools have increased visibility of vehicles due to logistics outsourcing with a mean of 3.922. The managers were also slightly unsure whether the outsourced process specific services were of better quality than in house with a mean of 2.93. This implies that logistic service providers have the latest technology required to track their vehicles on a daily basis thus able to offer efficient feedback to their clients online.

The issue of adulteration spoils the whole deal on quality, since customers will not be satisfied with poor quality of products. This findings tally with a report by PWC (2011) that stated that long lead times and other distribution inefficiencies have eroded the customer satisfaction thus negatively impacting the Kenya's economy as stipulated in the vision 2030.

The study noted that there was reduction of employee overhead cost with a mean of 3.789 and Employees are satisfied with the services offered by outsourcing human resource services with a mean score of 3.400.The findings contradict a study by Gilley et al. (2004) on human-resource outsourcing where he found significant implication of HR activities like payroll and training. Results showed that HR outsourcing had a positive impact of performance of firm leading to organizational effectiveness in general

Finally the managers disagree that due to process specific customer complaints have reduced with a mean of 2.34. Generally the managers felt uncertain on how the process specific outsourcing influenced organization performance with a net score of 3.3 which translates to not sure in our likert scale.

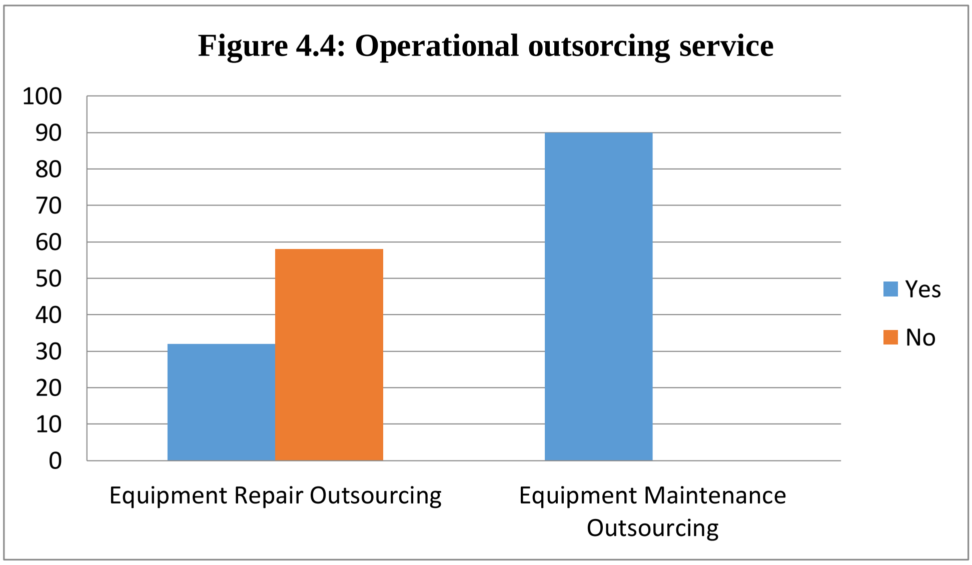
The findings are in line with a study by Cho et al. (2008) who noted that logistics outsourcing was positively related to the performance of the firm in the e-commerce market. If the logistics service provider isn't performing, then customers will not be satisfied and many more complains will arise.

The overall findings concur with Fritsch and Wullenweber (2007), who did an analysis on the determinants of business process outsourcing in the German banking market. They came up by concluding that BPO was used as a strategic element in market differentiation strategies to obtain competitive advantage.

4.4.4 Effects of Operational outsourcing service on organizational performance.

The study sought to find out if the firms outsourced operational services like equipment repair services and equipment maintenance services. The results were as per below figure 4.4.

Figure 4.4: Operational outsorcing service



Source: Researcher 2018

Statistics from the figure above, (31.7%) managers outsourced for equipment repair this could be due to size of the organizations and cost constraints notably from middle level and small companies. The other (57.4%) managers preferred not to outsource for equipment repair may simply because of the size of their companies most notably large and financial stable, to increase efficiency due to professionalism from the outsourced companies who have a reputation to trade with. All managers preferred their equipment to be maintained by an outsourced company since they are professionals, reliable and will ensure minimal risks failures after service.

This implies that due to the complexity of the equipment used in the oil firms, most companies will opt to transfer all this to outsourcing providers who have the experience and are well trained to handle the various machines.

The findings tally with a report by petro industry news (2014), which noted that oil marketing companies use heat exchangers of different types for both heating and cooling applications. The heat exchangers are used in harsh environments and are prone to fouling, (accumulation of organic and/or non-organic material deposits within heat transfer equipment) inside tubes and on external surfaces.

This leads to blockages, corrosion or leaks, thereby affecting the flow and pressure levels and eventually impairs heat transfer, hence outsourcing service providers with the skills and experience saves the company great costs.

4.4.4.1 Extent to which the following statements influence Operational outsourcing services in the oil firms.

Table 4.10 Operational outsourcing services

Operational outsourcing services Indicators	**Mean**	**Std. Dev**
The cost of maintaining equipment has reduced by outsourcing equipment maintenance services	4.378	.869
The cost employing qualified engineers to repair/ service the machines has reduced by outsourcing service maintenance.	3.722	.636
The time spend on procuring spare parts has been reduced by outsourcing equipment maintenance	4.422	1.049
The no. of Machine breakdowns has reduced by outsourcing maintenance	3.411	1.080
Response time to breakdowns improved by outsourcing maintenance	4.167	.997
Time taken to complete repair/maintenance improved due to outsourcing maintenance	3.956	1.180
No. of customer complaints and repeat calls reduced by outsourcing maintenance	3.944	.964
The quality of outsourced operational services is very high compared to in-house	4.300	1.116
Outsourced operational services are more reliable than in-house services	3.444	1.219
Outsourced operational services are more cost effective than in-house services.	4.111	1.146
Operational outsourcing services	**3.986**	**1.026**

Results from the study show that most managers slightly agree that time to complete repairs has improved with a mean of 3.956 and customer complaints have reduced due to outsourcing maintenance with a mean of 3.944. Both mean score are slightly near to 4 which represents agree in our likert scale.

The above findings agree with studies by Jonathan (2017) where he noted that there are several factors the oil marketing companies have to put into considerations before outsourcing maintenance. One of the factors is Downtime. This directly impacts on productivity and customer profits since the staff skills will determine the response time to breakdowns. On the other hand having a maintenance service provider with the correct skill set could significantly lower the time taken to repair.

The managers agreed that cost of maintenance of equipment has reduced with a mean of 4.378, time spent to procure spares has also reduced with a mean of 4.422, while response time to breakdowns has improved with a mean of 4.167, and finally the quality of outsourced operational services are higher compared to in house due to outsourcing of operational outsourcing services with a mean of 4.300.The above all translate to agree in our likert scale.

Companies through outsourcing are able to increase the speed of implementation where services like corrective maintenance requires rapid response to repair failures. This tallies with Greaver, (1999) stating that outsourcing enables firms to exert pressure on a contractor to attend to changes because they should have the resources needed to perform such tasks in the agreed time. However the managers were not sure whether outsourced operational services are more reliable than in house service with a mean of 3.444.Generally for operational outsourcing services, managers slightly agreed that it influenced organizational performance with a net score of 3.985 which is slightly near 4 which translates to agree.

The findings are in line with Mike, (2014) who pointed out that outsourcing maintenance function is usually cost-effective, but there are limitations when working with contractors, like the host company may be unable to directly manage and instruct the workforce. Also all the clients requirements may not be fully fulfilled and both parties usually have different styles and philosophies therefore leading to conflict. In cases of specialty contracts like, refrigeration and complex compressors, this may be handled more rapidly in-house as compared to calling a vendor because a longer response time equates to more downtime and lost production.

4.4.5 Relationship between outsourcing and organizational performance.

4.4.5.1 Extend to which outsourcing affects organizational performance

Table 4.11 below shows the extent to which outsourcing affects organizational performance

Organizational Performance Indicators	Mean	Std. Dev
Operational costs	4.100	.862
Technical capacity	4.144	.815
Performance of contract	4.478	1.008
Improved cultural compatibility	3.578	1.254
Market share compared to past years	4.344	1.083
Customer service e.g. retention rates	4.178	.856
Productivity e.g. efficiency rate	4.111	.867
Profitability	4.589	.833
Legal compliance	3.727	.893
Organizational Performance	4.139	0.941

Source: Researcher 2018

Majority of the managers agreed that outsourcing has influenced the firm's operational costs with a mean of 4.100, Technical capacity with a mean of 4.144, performance contract with a mean of 4.478, market share with a mean of 4.244, customer service with a mean of 4.178, productivity with a mean of 4.111, and profitability with a mean of 4.589.All these have an average of greater than 4.0 which relates to Agree in our likert scale.

The findings tally with the above authors comments who noted a relationship between outsourcing best practice and high performing companies (Rimmer, (1991), Utley, (1993), Laurgers et al. (2005). Strategic outsourcing leads to cutting of costs (Bowser 1990), increased capacity; Improved quality, (Lau and Hurley 1997), increased productivity (Casale 1996), and improved organizational competitiveness (Lever 1997).

The managers were slightly unsure whether improved cultural capability with a mean of 3.578 and legal compliance with a mean of 3.727 are influenced by outsourcing as evident from study results where the mentioned indicators have a mean of between 3.5 to less than 4 which is represented in our likert scale as not sure. This implies that organizational culture needs to be cultivated in the firms. The study findings are in line with Blunt and Jones (1992), George and Jones (1996) and Zakaria (1997) who argued that all organizations, allover work within a specific culture, thus it's being recognized in company discussions of organizational performance that decision makers, managers and other organizational practitioners need to adopt an understanding of their cultural settings if their organizations are to perform effectively.

Generally results from the study showed that Outsourcing services influenced organization performance since our mean score was 4.1 which relates to Agree in our likert scale. Thus most managers believe that outsourcing services influenced the organizational performance.

The findings concur with Brad and Peterson who pointed out that outsourcing comes along with new opportunities and new risks for any company sourcing or providing key services like finance, accounting information technology, human resources, facilities management and other critical non-core functions (Brad L. Peterson Nov. 10, 2014).

4.5 Diagnostic Tests

This section will cover the various diagnostic tests conducted on our study variable.

4.5.1 Diagnostic Tests on Independent Variables

The study tested the presence of multi collinearity between the independent variables to determine if there was any possibility that they were all measuring the same relationship in the model. For multi collinearity to exist, the Variation Inflation Factor

(VIF) must be greater than 10 and the Tolerance less than 0.1. The following Table 4.12 shows the results obtained from the test.

Table 4.12: Multi-collinearity Tests on Independent Variable

Collinearity Statistics

Model (Variables)	**Collinearity Statistics**	
	Tolerance	**VIF**
Professional Services Outsourcing	.417	2.400.
Manufacturing Outsourcing	.414	2.415
Process specific Outsourcing	.733	1.364
Operational Outsourcing	.770	1.299

a. Dependent Variable: Organizational performance

From Table 4.12, the Tolerance level of Professional services outsourcing was .417, VIF 2.4; manufacturing outsourcing .414, VIF 2.415; process specific outsourcing was .733, VIF 1.364; and operational outsourcing was .770, VIF 1.299. Thus all VIF are less than 10, while the Tolerance is greater than the 0.1 or 10%. We can conclude that all the predictors were okay since they were not measuring the same relationship in the model. There was no multi-collinearity in our independent variables and the all the variables are reliable to estimate the model.

4.5.2 Correlation Analysis

A correlation analysis was conducted to determine the existence of any relationship between the dependent variable and independent variable. If the relationship is significant enough then it is viable to estimate the study model. Pearson's product method was used to determine the relationship at 0.05 level of significance as shown in the Table 4.13 below.

Table 4.13: Correlation Results

Correlations						
		Organizational Performance	Professional Services Outsourcing	Manufacturing Outsourcing	Process specific Outsourcing	Operational Outsourcing
Organizational Performance	Pearson Correlation	1	.035	.011	.267*	-.042
	Sig. (2-tailed)		.744	.916	.011	.697
	N	90	90	90	90	90
Professional Services Outsourcing	Pearson Correlation	.035	1	.751**	.370**	-.232*
	Sig. (2-tailed)	.744		.000	.000	..028
	N	90	90	90	90	90
Manufacturing Outsourcing	Pearson Correlation	.011	.751**	1	.334**	-.319**
	Sig. (2-tailed)	.916	.000		.001	.002
	N	90	90	90	90	90
Process specific Outsourcing	Pearson Correlation	.267*	.370**	.334**	1	-.436**
	Sig. (2-tailed)	.011	.000	.001		.000
	N	90	90	90	90	90
Operational Outsourcing	Pearson Correlation	-.042	-.323*	-.319**	-.436**	1
	Sig. (2-tailed)	..697	.028	.002	.000	
	N	90	90	90	90	90

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

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

The Table 4.13 represents the Pearson correlation results of the study dependent variable and the independent variables to determine if there exist significant relationship between them. From the results operational outsourcing is negatively related to organizational performance.

This means that an increase in organizational performance by 1 reduce the operation outsource by 0.042 and vice versa. To add to that the relationship is not strong since r= 0.042< 0.05 and is also significant since p= .697>0.05. There is a positive relationship between organization performance and professional services, manufacturing outsourcing, and process specific outsourcing however the relationship is weak since r = .035, .011, 0.267 < 0.05.

There is no significant relationship between professional services outsourcing (p =.744), manufacturing outsourcing (p= .916) to organizational performance since the p-values are greater than the threshold of 0.05.Thus only predictor that is significant to the study is process specific outsourcing with a significant coefficient of .011 which is less than P-value of 0.05.

4.5.3 Normality Test

The study carried out a normality test to find out whether the variables were normally distributed. The findings as shown in Table 4.14.

Table 4.14: Normality test

	N	Skewness		Kurtosis	
	Statistic	**Statistic**	**Std. Error**	**Statistic**	**Std. Error**
Professional services	90	-.683	.254	-1.156	.503
Manufacturing outsource	90	-.748	.254	-.334	.503
Logistics outsource	90	.068	.254	.634	.503
Operational outsource	90	-.385	.254	-1.059	.503
performance	90	-.514	.254	-.751	.503

The findings show that the professional services had a skewness of -0.683 and kurtosis of -0.156, manufacturing outsource had a skewness of -0.748 and kurtosis of -0.334. Logistics had a skewness of 0.068 with kurtosis of 0.634. Operational outsources had a kurtosis of -0.385 with skewness of -1.059 and performance had a skewness of -0.514

with kurtosis of -0.751. The findings show that all the variables had a skewness and kurtosis of below ±2 an indication that the variables were normally distributed.

4.5.4 Auto correlation

The researcher carried out an autocorrelation test to establish if the data in which the correlation between the variables was based on related objects or was from the same source. The findings are as shown in Table 4.15.

Table 4.15: Autocorrelation

Model	Durbin-Watson
1	1.214

The findings show that Durbin Watson had a coefficient of 1.214 an indication of positive correlation. An autocorrelation of +1.0 represents a perfect positive correlation, this shows that an increase seen in one time series leads to a proportionate increase in the other time series.

4.5.5 Heteroscedasticity Test

The study carried out heteroscedasticity test to establish whether the data set was homoscedastic or heteroscedastic. The findings are as shown in Figure 4.5.

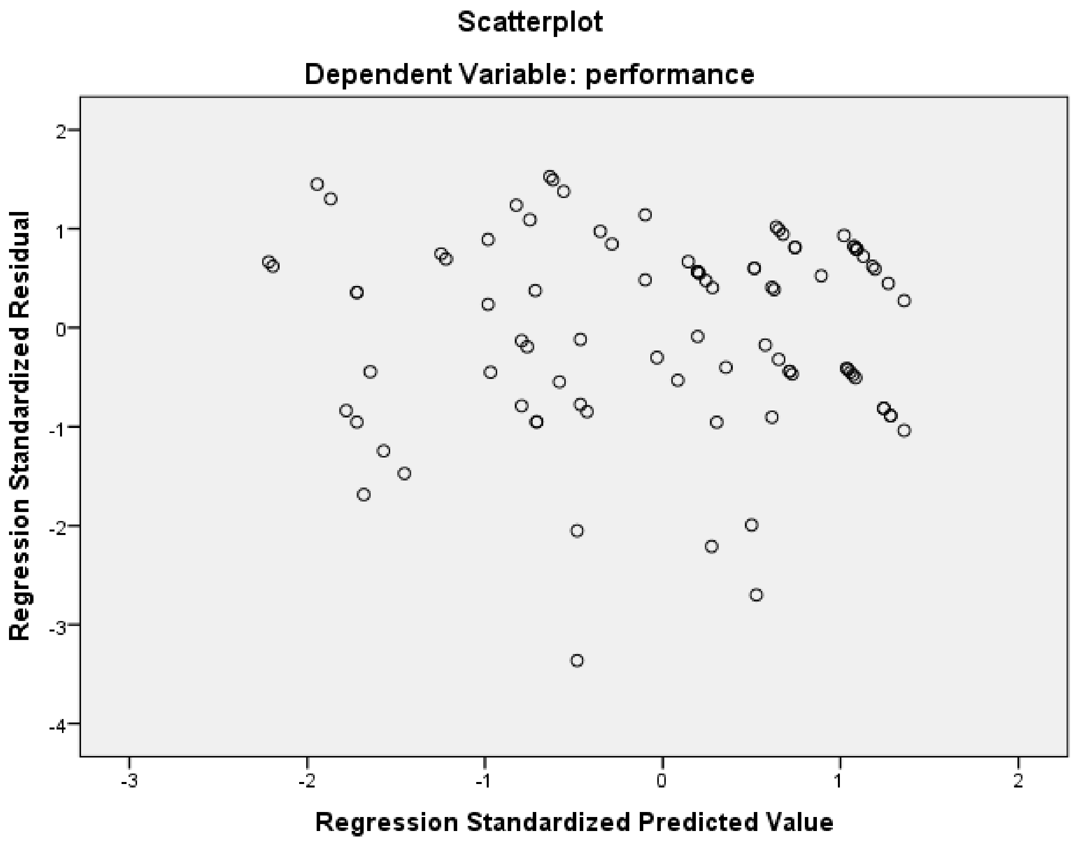


Figure 4.5: Heteroscedasticity Test

The findings show that the data sets did not form a pattern and were scarcely populated an indication that the variance of error term was constant. This shows that the data set was homoscedastic.

4.6 Model Fitting

Analysis of Variance (ANOVA) was used to determine the linear relationship among the variables under investigation. By using this method, the sum of squares, degrees of freedom (Df), mean square, value of F (calculated) and its significance level was obtained. The results are shown in Table 4.16

Table 4.16: ANOVA for Organizational Performance

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	64.719	4	16.180	1.927	.113[b]
	Residual	713.781	85	8.397		
	Total	778.5	89			

a. Dependent Variable: organizational performance

b. Predictors: (Constant), professional services, manufacturing outsourcing, process specific outsourcing, and operational outsourcing

The following hypothesis was generated to from the results from the Table 4.16 to test the significance of the model.

H_o: $\beta_1 = \beta_2 = \beta_3 = \beta_4 = 0$ (i.e, the coefficient of $X1$, X_2, X_3, and $X4$ are all zero)

$H\alpha$: at least one $\beta_i \neq 0$

H_o is accepted if p-value >0.05 (at 5% significance level)

H_o is rejected and $H\alpha$: is accepted if p-value <=0.05 (at 5% significance level)

From the Table 4.16, P= .113 >0.05, Thus at 5% there is no evidence of existence of significance of the predictors usefulness in predicting the organizational performance. There is no significance evidence for professional services, manufacturing outsourcing, process specific outsourcing, and operational outsourcing to explain organization performance. With the findings we regress the dependent variable against the independent variables to estimate our model. Table 4.17 below captured the following results.

Table 4.17: Regression results of DV against Predictor Variables

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	27.351	6.623		4.129	.000
	Professional services	-0.19	.098	-.031	-.193	.847
	Manufacturing outsourcing	-.032	.101	-.050	-.312	.756
	Process specific outsourcing	.235	.086	.330	2.719	.008
	Operational outsourcing	.056	.084	.079	.667	.506

a. Dependent Variable: Organization performance

From Table 4.17 the P-value for c is .847, Manufacturing outsourcing is .756, Process outsourcing is 0.008, and Operational outsourcing is .506. Thus a clear indication that process specific outsourcing has a significant relationship with organization performance since the p-value of the predictor is less than 0.05 i.e. $p = 0.008 < 0.05$.

This is to say that the predictor Process specific outsourcing could be used to estimate the organization performance. The coefficients for professional outsourcing is -0.19 , manufacturing outsourcing is -.032, Process specific outsourcing is .235, and Operational outsourcing is .056.

From the results the model can be estimated as follow:

$Y = 27.351 - .19X_1 - 032X_2 + .235X_3 + 056X_4 + e$ ……………………………… (iii)

Table 4.17 shows that professional services and manufacturing outsourcing have negative coefficients, meaning an increase in organization performance decreases the two predictors thus they are inversely related. Process specific outsourcing, and operational outsourcing have positive coefficients meaning an increase in any of the predictor increases organization performance thus they are directly proportional to organization performance.

4.7 Model Summary

The following Table 4.18 represents the model summary

Table 4.18: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.288[a]	.083	.040	2.89783

a. Predictors: (Constant), professional services, manufacturing outsourcing, process specific outsourcing, and operational outsourcing

The results show that the coefficient of determination was .040 an indication that 4% change in organization performance is explained by professional services, manufacturing outsourcing, process specific outsourcing, and operational outsourcing. Therefore the variables are not strong determinants of organizational performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of findings, conclusions and recommendations from the study findings. The conclusion and recommendations are based on the study findings presented and discussed in the previous chapters.

5.2 Summary of the findings

The main objective of the study was to assess the benefits and risks of outsourcing services i.e. the extent at which outsourcing influences organizational performance in the oil Industry.

To achieve that the study was steered by specific objectives which included: finding out the extent to which professional service outsourcing; manufacturing outsourcing; process specific outsourcing; and operational outsourcing influences organizational performance in the oil marketing companies in Kenya. The study findings are summarized as below:

5.2.1 Relationship between outsourcing and organization performance

The study found out generally that outsourcing influences organization performance. Majority of the managers agreed that outsourcing has influenced the firm's operational costs, Technical capacity, performance contract, market share, customer service, productivity, and profitability.

From the study it was found that Process specific outsourcing had a significant role in ensuring organization performance of oil firms. However manufacturing outsourcing, professional services outsourcing, and operational outsourcing showed that they played an insignificant role in determining the organization performance. This is evident since their P-values were greater that the threshold of 0.05.

The findings also reveal that managers are in agreement that through outsourcing operational costs are minimized. The findings agree with Lawson et al. (2014), that reducing operation cost is a key metric in a company's profitability equation.Outsourcing also helped to increase the technical capacity of an organization. The findings also revealed that with outsourcing there is increase in profitability, productivity as well as an improvement of customer services.

However it's still not clear on how outsourcing affects the improved cultural compatibility since the outsourced company might bring a team whose culture is totally different from the organization thus affecting the interaction pattern, at the same time if the team is from the same region or same country then it is easy to integrate with the other members of the organization.

The findings tally with the above authors comments who noted a relationship between outsourcing best practice and high performing companies (Rimmer, (1991), Utley, (1993), Laurgers et al. (2005). Strategic outsourcing leads to cutting of costs (Bowser 1990), increased capacity; Improved quality, (Lau and Hurley 1997), increased productivity (Casale 1996), and improved organizational competitiveness (Lever 1997).

5.2.2 Effects of Professional services outsourcing on organizational performance.

From the study, professional services outsourcing doesn't have a significant contribution to the organization performance evidently by the P-value of 0.847 which above our threshold of 0.05. The results also showed an inverse relationship between professional services outsourcing and organizational performance. This means it affects the organization performance negatively.

The study results showed that most medium oil firms outsource legal services whereas the multinational firms rarely outsource legal services due to confidentiality issues. Legal experts are highly paid thus a medium sized oil firm will not be in a position to sustain such experts hence opt to outsourcing the services at a fair rate.

The above findings agree with Comnet, (2015) and Vinita, (2017) who outlined the disadvantages of outsourcing legal services as confidentiality issues, cultural and communication barriers, hidden costs, quality assurance and supervision, and conflicts of interests.

The same trend applies to both accounting and ICT services where the potential oil firms wish to employ their own staff instead of outsourcing as compared to the medium sized oil firms. This means that the organization reliance on external experts affect the overall performance may be in terms of its profitability, productivity.

When companies outsource accounting services, they are putting the organization to risks of theft and confidentiality thus may be due to that fear they sought to employ permanent staff. The findings concur with Cruce, (2015) and Bardos, (2017) who noted some of the risks of outsourcing accounting as Language barriers which leads to misunderstandings, hinder proper communication with both parties resulting to legal problems.

The issue is cost since outsourcing comes at a cost them, having the professional in the organization will me mean paying for more and this will also affect the other internal employees as they might feel being under paid.

Outsourcing IT services has its draw backs at times of system downtime where customers aren’t able to access their balances since the outsourced systems aren’t working. We can conclude that any change in either of the professional services will have a negative impact on the organizational performance of any company.

Legal complains will affect the company negatively, same applies to IT breakdowns will still affect the performance and also affect the brand image of the company. Customers not able to view their balances also affects the performance of the company and affects its brand image.

5.2.3 Effects of Manufacturing Outsourcing services on organizational performance

The study found out that manufacturing outsourcing was not a significant factor in determining the organization performance as far as outsourcing is concerned. This is evidently from the p-value of .756. This also showed an inversely relationship with organization performance meaning an increase in manufacturing outsourcing decreases the organization performance. Thus the more an organization relies on external sources for its manufacturing then the high likely hood of it being affected in its performance. This might be due to delays, quality, even in terms of the profits it makes.

From the study it was evident that most managers do not outsource production. However from the study production outsourcing is the most sought outsourcing followed by manufacturing and finally assembling outsourcing.

From the study managers of the oil firms agreed that production/manufacturing outsourcing had led to timely delivery of goods and also enabled the organization to economize the production cost and spend less.

The study also found out that outsourcing increased the quality of products/services as reduced the cost of overtime of the employees. The study also found out that managers were in agreement that manufacturing outsourcing were more reliable and cost effective than in house services. Also the study found out the managers slightly agreed that due to outsourcing machine operation cost was reduced.

We can concur with Hamlet ,(2018) who concluded that many organizations outsource their manufacturing to get rid of the overhead cost associated with operating a manufacturing facility .Some of the overhead costs include utilities, such as gas, electric and water, production equipment maintenance costs, indirect labor such as quality assurance staff, machine technicians, product handlers, shipping and receiving employees .

5.2.4 Effects of Process Specific Outsourcing services on organizational performance

The study found out that process specific outsourcing was significant predictor in determining organization performance. This is evidently from the P-value which is .008 which is less than 0.05 the threshold. The study also found out that there is direct relationship between organizational performance and process specific outsourcing. Thus an increase in process specific outsourcing increases the performance of an organization. This is may be due to the fact that it reduces overhead cost that if the company had outsourced it would have incurred thus affecting its profitability.

This may be the reasons why large corporates outsource logistics to cut down the cost and increase efficiency. It was found that majority managers preferred logistics outsourcing because it was cheaper as it did include additional costs like maintenance, fueling etc. For Larger companies to carter for their own logistics service is costly while for small and middle level companies it is reasonable.

Majority of the managers prefer to outsource customer service this is simply because they are not able to cope with the expenses incurred in paying for their employees plus their benefits. Larger companies have financial capabilities and because of the reputation of their companies they have to show that they professional hence employ and train their own staff rather than outsourcing which gives them an added advantage over their competitors.

Majority of managers prefer to outsource human resource this might be due to the fact that they prefer professional services due to their small size hence able to have a competitive advantage over their competitors. For Large companies, they employ their own staff since they are financially stable.

The study also showed that security outsourcing was preferred by most managers. This was because security firms are reliable and professional in handling security issues at the same time the companies are insured in case of risks. Majority of the managers preferred to outsource office services.

It was also found that most managers agreed to outsource catering services. It is cheaper to outsource catering services than to hire since catering is not a basic necessity of most organizations. Studies show that there are many benefits of outsourcing logistics functions in the oil and gas industry.

Most firms outsource logistics functions so as to realign their distribution networks and to obtain competitive advantage. Recent study done by Capgemini, in conjunction with Penn State University and other sponsors, (2014) showed that the demand for third party logistics is rising, as it has for recent years.

We can conclude that when companies outsource logistic services, they get route plans and monitor driver's safety, customers are provided with timely updates on the estimated arrival time to fuel depots.

5.2.5 Effects of operational outsourcing services on organizational performance

The study found out that operational service outsourcing was significant in determining the organizational performance. This was evident from the P-value of .506 which was more than the alpha threshold of .05. However operational outsourcing was found to have direct relationship with organizational performance though not significant directly related to organizational performance.

Thus increase in operational outsourcing led to an increase in organizational performance. However it is not significant in determining the rate of organizational performance. Findings from the study explained that majority of the managers preferred not to outsource equipment repair outsourcing. Basically this could be because the firms were too small and outsourcing for equipment repair could be expensive.

Alternatively due to the type of the equipment's i.e. if it broken down or needed repair frequently then hiring permanent is the best option to cut cost. All the managers agreed that equipment maintenance outsourcing was preferred. This could be due to the fact that the organizations do not have the experts to handle the equipment and rather outsourcing would be too expensive for the organization.

Findings from the study revealed that the cost of maintaining equipment, cost of employing qualified engineers to repair machines, and the time spent on procuring spare parts had reduced due to outsourcing. However managers slightly agreed that time taken to complete repairs, and the complaints from customers all reduced due to operational outsourcing.

The above findings agree with studies by Jonathan, (2017) where he noted that there are several factors the oil marketing companies have to put into considerations before outsourcing maintenance. One of the factors is Downtime. This directly impacts on productivity and customer profits since the staff skills will determine the response time to breakdowns. On the other hand having a maintenance service provider with the correct skill set could significantly lower the time taken to repair.

5.3 Conclusions

Based on our findings we can conclude that:

Process specific outsourcing has a significant role in determining the effect of outsourcing on organization performance. It also has a direct relationship with organization performance.

Therefore it is advisable for oil firms to outsource professional services since it evidently from the study that professional outsourcing services play a significant role in determining organization performance as far as outsourcing is concerned. Manufacturing outsourcing affects an organization negatively and thus if possible a company should thrive to manufacture its products or services to ensure they conform to market standards and also control the quality of the products.

Process specific outsourcing is positively related to organization performance thus companies can take advantage of that to increase profitability, productivity and time by ensuring they outsource the best to get the best results so as to improve organization performance.

The study has shown that process specific is significant in determining the organization performance. Which mean the company will only focus on their area of specialization and the other services are taken care off. This is inline which the explanation of Carol (2014) that process specific outsourcing enables a company to focus on their core strength and improve their over-all customer service. Logistics outsourcing has made it easier for companies to deal with the complex challenges of transportation as acknowledged by Zhu et al, (2017) who thinks logistics outsourcing is increasingly being adopted by firms to “reduce costs and increase flexibility.

Human resource outsourcing is a good opportunity for a company to enjoy good and reliable human resource utilization at reasonable cost as suggested by Chiang and Shih (2011) that HR outsourcing focuses on reorganizing the HR department, centralizing activities, and reallocating HR resources so that organizations make more for less.

Customer service outsourcing is a good strategy that a company could use to ensure satisfaction of its customers. It helps a company gain skills that would be develop internally. This is supported by Echo-u (2018) who explained that organizations have made it a common business practice to gain services and skills that would normally be costly to develop or maintain in house.

5.4 Recommendations

Companies need to look at their financial stability, efficiency of the outsourcing service before embarking on any. The main objectives of an organization is to get a good margin of profits.

With HR outsourcing, logistics outsourcing , and customer care outsourcing companies will get a competitive advantage as they get the best services from the professional as well make good margins of profit. Company should adopt process specific outsourcing in their plans as a way of improving profitability.

5.5 Suggestion for Further Study

The objective of the study was to find out how outsourcing affects the organization performance. Since the study variables were all related to outsourcing, I would recommend integrating other variables different from outsourcing or only one predictor variable to be outsourcing while the rest are based on other factors to identify the other factors apart from outsourcing how they affect organization performance.

Another study can also be done in other companies like manufacturing, production etc. to measure the same.

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APPENDICES

Appendix 1: Market Share For Oil Marketing Companies In Kenya

No	COMPANY	% MARKET SHARE
1	Kenol Kobil	15.8
2	Vivo Energy	13.9
3	Total Kenya Ltd	12.9
4	Gulf Energy	7.0
5	Libya oil	5.1
6	Petro	4.6
7	Nock	3.4
8	Gapco	3.1
9	Hass	3.0
10	Bakri	2.8
11	Royal	2.4
12	One petroleum	2.4
13	Fossil Fuel	1.7
14	Galana	1.4
15	Tosha	1.4
16	Oryx	1.3
17	Stabex	1.2
18	RHDevani	1.1
19	City oil	1.0
20	Tristar	1.0
21	Engen	0.9
21	Ainushamshi	0.9
23	Rivapet	0.8
24	Olympic	0.8
25	Mogas	0.7
26	Eagol	0.7
27	Dalbit	0.7
28	Regnol	0.7
29	Texas	0.7
30	Aspam	0.6
30	Finejet	0.5

Source: Petroleum institute of East Africa, Kenya Petroleum sales market share Jan-Dec 2017.

APPENDIX 11: INTRODUCTION LETTER

KCA UNIVERSITY
~ 1 9 8 9 ~

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KCAU/SGS/MBA/Sep.18/20 ***9/4/2018***

To whom it may concern,

Dear Sir/Madam,

RE: BEATRICE MBITHE KIVUVA

It is my distinct pleasure to introduce to you Ms. Beatrice Mbithe Kivuva who is a student in our institution pursuing a Master of Business Administration in Corporate Management Degree at the School of Business and Public Management.

Beatrice is conducting research on a topic titled: *"The Effects of Outsourcing on the Organizational Performance of Oil Marketing Companies in Kenya"* which is part of the requirements of the program she is pursuing. The research as well as the data procured thereof shall be used for academic purposes only.

Any assistance accorded to her is highly appreciated.

In case of further inquiry, do not hesitate to contact the undersigned.

Yours faithfully,

Dr. Nyaribo Misuko

Dean, School of Graduate Studies & Research

APPENDIX 111: STRUCTURED QUESTIONNAIRE

Section A: Background information

1. Name of Organization---

2. Kindly tick your gender as listed below

   Male ☐ Female ☐

3. Kindly tick the age bracket you fall into as listed below.

   Below 35 years ☐ 35-40 years ☐

   40-45 year ☐ above 45 years ☐

4. Kindly indicate the level of education as listed below

   High school ☐ Tertiary College ☐

   Undergraduate degree ☐ Masters ☐

   Others (specify) ---

5. What is your position in this organization?

   Head of Legal ☐ Head of Finance/IT ☐

   Head of operations ☐ Head of Marketing ☐

6. What is the length of service in this organization?

   0-5 years ☐ 5-10 years ☐

   10-15 years ☐ above 15 years ☐

SECTION B. Effects of professional service outsourcing on organizational performance.

1. Has your organization outsourced the below professional services?

Legal Outsourcing	Yes	☐	No	☐
Accounting outsourcing	Yes	☐	No	☐
ICT Outsourcing	Yes	☐	No	☐

2. By using the following scale : Strongly disagree (1) Disagree (2) Not sure (3) Agree (4) strongly agree (5),kindly show your level of agreement showing the extent to which the statements apply in your organization by ticking your response corresponding to the number in the scale given below in box against statement.

No.	**Statement**	**1**	**2**	**3**	**4**	**5**
1	The organization has reduced the cost per hour of lawyer's time by outsourcing legal services.					
2	The organization's confidential information hasn't been exposed to competitors by outsourcing legal services					
3	Accounting reconciliations have been reduced by outsourcing accounting services.					
4	Customer statements are accurate and timely by outsourcing accounting services.					
5	Customer orders have been released and loaded in time by outsourcing accounting services.					
6	Organization has utilized information technology in coordinating their activities with suppliers by outsourcing IT services					
7	Availability and proper flow of information in the organization has improved by outsourcing IT services					
8	The quality of outsourced professional services is very high compared to in-house					
9	Outsourced professional services are more reliable than in-house services					
10	Outsourced professional services are more cost effective than in-house services.					

SECTION C. Effects of Manufacturing outsourcing on organizational performance.

1. Has your organization outsourced the below Manufacturing services?

Production Outsourcing Yes ☐ No ☐

Assembly outsourcing Yes ☐ No ☐

Manufacturing Outsourcing ☐ Yes ☐ No

2. By using the following scale : Strongly disagree (1) Disagree (2) Not sure (3) Agree (4) strongly agree (5),kindly show your level of agreement showing the extent to which the statements apply in your organization by ticking your response corresponding to the number in the scale given above in box against statement.

No.	**Statement**	**1**	**2**	**3**	**4**	**5**
1	Manufacturing/production outsourcing had led to timely delivery of goods/services in the organization					
2	Production outsourcing has enabled this organization to economize on production cost thus spend less					
3	Production outsourcing has helped departmental heads make efficient decisions in times of stock outs.					
4	Production outsourcing has helped this organization increase quality of products/services.					
5	Packaging outsourcing has increased flexibility of the personnel to do other core activities.					
6	The cost of training personnel to run the machines has been reduced by outsourcing production.					
7	The additional costs of overtime by staff for excess hours is reduced by outsourcing production services.					
8	The quality of outsourced manufacturing services is very high compared to in-house					
9	Outsourced manufacturing services are more reliable than in-house services					

10	Outsourced manufacturing services are more cost effective than in-house services.					

SECTION D. Effects of process specific outsourcing on organizational performance.

1. Has your organization outsourced the below process specific services?

Logistics Outsourcing Yes ☐ No ☐

Customer service outsourcing ☐ Yes ☐ No

Human Resource Outsourcing Yes ☐ No ☐

2. By using the following scale: Strongly disagree (1) Disagree (2) Not sure (3) Agree (4) strongly agree (5), Kindly show your level of agreement showing the extent to which statements applies in your organization by ticking your response corresponding to the number in the scale given above in box against statement.

No.	**Statement**	**1**	**2**	**3**	**4**	**5**
1	Fleet tracking tools have increased vehicle visibility by outsourcing logistics.					
2	Route optimization and vehicle scheduling has been improved by outsourcing logistics.					
3	There has been minimal issues of product shortage and adulteration by outsourcing logistics.					
4	The number of customer complaints has reduced by outsourcing customer service.					
5	Effective service delivery is maintained with the service provider by outsourcing customer service					
6	Employees are satisfied with the services offered by outsourcing human resource services.					
7	Employee overhead costs have reduced by outsourcing Human resource services					

8	The quality of outsourced process specific services is very high compared to in-house					
9	Outsourced process specific services are more reliable than in-house services					
10	Outsourced Process specific services are more cost effective than in-house services.					

SECTION E. Effects of operational outsourcing services on organizational performance.

1. Has your organization outsourced the below operational outsourcing services?

Equipment repair Outsourcing Yes ☐ No ☐

Equipment Maintenance outsourcing Yes ☐ No ☐

2. By using the following scale in this section: Strongly disagree (1) Disagree (2) Not sure (3) Agree (4) strongly agree (5),kindly show your level of agreement showing the extent to which the statements apply in your organization by ticking your response corresponding to the number in the scale given above in box against statement.

No.	**Statement**	**1**	**2**	**3**	**4**	**5**
1	The cost of maintaining equipment has reduced by outsourcing equipment maintenance services					
2	The cost employing qualified engineers to repair/ service the machines has reduced by outsourcing service maintenance.					
3	The time spend on procuring spare parts has been reduced by outsourcing equipment maintenance					
4	The no. of Machine breakdowns has reduced by outsourcing maintenance					

5	Response time to breakdowns improved by outsourcing maintenance					
6	Time taken to complete repair/maintenance improved due to outsourcing maintenance					
7	No. of customer complaints and repeat calls reduced by outsourcing maintenance					
8	The quality of outsourced operational services is very high compared to in-house					
9	Outsourced operational services are more reliable than in-house services					
10	Outsourced operational services are more cost effective than in-house services.					

SECTION F. Relationship between outsourcing and organizational performance

1. To what extent has outsourcing affected the following perceived performance of your
Organization? Use a scale of 1 to 5, where 1=no extent, 2=little extent, 3=moderate extent, 4=large extent and 5=very large extent

Perceived Performance for outsourced activities	1	2	3	4	5
Operational costs					
Technical capacity					
Performance of contract					
Improved cultural compatibility					
Market share compared to past years					
Customer service e.g. retention rates					
Productivity e.g. efficiency rate					
Profitability					
Legal compliance					