

**OUTSOURCING AND ORGANIZATIONAL PERFORMANCE IN PUBLIC
ENTITIES
A CASE STUDY OF MBALE CITY COUNCIL**

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M22/MUC/BPLM/001

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE
OF BACHELOR OF PROCUREMENT AND LOGISTIC MANAGEMENT OF THE UGANDA
CHRISTIAN UNIVERSITY**

July, 2024




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DECLARATION

I **Achom Lilian Ruth** assert that this dissertation is my original work made through the information acquired during my research with the guidance of my supervisor and has never been submitted to any university or any other institute of higher learning for any academic award.

Sign: 


Date: 29th/07/2024

APPROVAL SHEET

I hereby certify that this research, conducted by Achom Lilian Ruth, is an original work that has been thoroughly developed and reviewed under my supervision. It is now ready for submission to the Department of Business at Uganda Christian University for further consideration and academic evaluation.

Signature:

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30/07/2024

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(SUPERVISOR)

DEDICATION

I wish to thank the Lord for his many blessings and for his assistance on this long journey. This dissertation is a special dedication to my grandmother Aee Mary, my mother Aee Christine and Mr Higenyi James for their tireless efforts and support towards my academics.

Thank you.

ACKNOWLEDGMENT

First and foremost, I will acknowledge the almighty God for his guidance, love and care and the gift of life in its fullness.

I would also like to thank the staff of Mbale city council for giving me an opportunity to carry out my research, for the hospitality they showed to me throughout my being there and the willingness to provide the necessary information I needed during my research.

Additionally, I recognize my supervisor, Dr. Masakala Chris for his unselfish efforts, guidance, and parental care given to me during this proposal development.

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LIST OF ACRONYMS

TCT : Transaction Cost Theory

CVI : Content Validity Index

SRM : Supplier Relationship Management

GAO : Government Accountability Office

RBV : Resource Based View

ABSTRACT

This study sought to investigate the effect of outsourcing and organizational performance in public entities. The study objectives were; to establish the effect of outsourcing planning on organization's efficiency in Mbale City Council.; to establish the effect of supplier selection on organizations effectiveness in Mbale City Council; and to examine the effects of Supplier relationship management on organizational performance on organizational performance on organization's reliability in Mbale city Council. The study population was 58 respondents with the sample size of 55 (3 executives, 15 senior workers, 30 other workers and 10 support workers) selected using Krejcie and Morgan (1970) table of sample size determination, from the public entities in Mbale city. The study employed stratified random sampling techniques in coming up with a sample size of 55 respondents. The primary data collection methods used was a questionnaire. The collected data was analyzed using descriptive statistics in SPSS version 20. Linear and Multiple regression analysis were also used to determine the effect of the independent variables on dependent variables. The study found that outsourcing use of organizational performance was significant in affecting outsource planning with R square value = 0.124(12.4%) and $\beta = .352$ with p-value = 0.003<0.05. The regression coefficient of outsourcing use of organizational performance was positive and significant in affecting outsource planning. Further the study found that outsourcing use of supplier selection had R square value = 0.261 and $\beta = .511$ with a p-value = 0.000<0.05. The regression coefficient of supplier selection was positive and significant in predicting outsourcing. The study further found that outsourcing use of supplier relationship management had significant effect in predicting s outsourcing with p-values of 0.000 less. The study recommended that Outsourcing at Public entities should be improved in order to improve on cost efficiency and profitability.

CHAPTER ONE

INTRODUCTION

1.0 INTRODUCTION

Chapter one covers the background of the study, the statement of the problem, the objectives of the study, scope, importance of the study. And various definitions of the study.

1.1 BACKGROUND OF THE STUDY

1.1.1 HISTORICAL BACKGROUND

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

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

Several authors define outsourcing according to Zhu, Hsu and Lilie (2003) define outsourcing as the strategic use of resources to perform activities traditionally handled by local staff and their resources, it is a management strategy by which an organization outsource major non-core.

1.1.2 THEORETICAL BACKGROUND

Outsourcing, defined as the strategic utilization of external resources to perform activities traditionally handled by internal staff, has become a global phenomenon driven by advancements

in technology, globalization, and the pursuit of efficiency. The theoretical foundations of outsourcing in public entities can be explored through several key theories: Transaction Cost Economics (TCE), the Resource-Based View (RBV), and Agency Theory.

Transaction Cost Economics (TCE), developed by Oliver Williamson, suggests that organizations seek to minimize the costs associated with transactions by outsourcing activities when external suppliers can perform these tasks more efficiently and at a lower cost (Williamson, 1981). On a global scale, TCE explains why public entities outsource services to specialized providers, particularly in contexts where cost reduction and efficiency are paramount.

articulated by Barney (1991), argues that organizations should focus on their core competencies and outsource non-core activities to leverage external expertise. This perspective is vital globally, as public entities outsource IT services, administrative functions, and other non-core activities to enhance overall performance. By focusing on core functions, public entities can allocate resources more effectively and improve service delivery (Espino-Rodríguez & Padrón-Robaina, 2006).

Transaction Cost Economics (TCE) is relevant as the council seeks to reduce operational costs and improve efficiency by outsourcing services such as waste management, IT services, and infrastructure maintenance. By contracting external providers, the council aims to leverage specialized expertise and achieve cost savings (Sako, 1992).

Agency Theory, explored by Jensen and Meckling (1976), examines the relationship between principals (e.g., government agencies) and agents (e.g., service providers). This theory highlights the need for robust contracts and monitoring mechanisms to ensure that agents act in the best interests of the principals. Globally, this theory underscores the importance of governance structures in outsourcing agreements to ensure accountability and performance.

1.1.3 CONTEXTUAL BACKGROUND

Globally, outsourcing has become a strategic tool for enhancing efficiency and reducing costs in public entities. The outsourcing market has grown substantially, driven by the need for public organizations to access specialized skills and advanced technologies. According to the International Association of Outsourcing Professionals (IAOP, 2020), the global outsourcing market was valued at over \$92.5 billion in 2019. This growth is underpinned by the pursuit of cost reduction, improved

service quality, and the ability to focus on core functions (Doh et al., 2009). The adoption of outsourcing is facilitated by advancements in technology and increased globalization, allowing public entities to leverage global expertise and innovations (Espino-Rodríguez & Padrón-Robaina, 2006).

In the European Union (EU), outsourcing in public entities is shaped by regional policies and initiatives aimed at enhancing public sector efficiency and innovation. The EU promotes outsourcing as part of its e-Government strategy, encouraging member states to adopt digital solutions and external expertise to improve service delivery (European Commission, 2016). This regional approach emphasizes the balance between cost savings and maintaining high service quality through stringent regulatory frameworks and performance monitoring mechanisms. In contrast, Sub-Saharan Africa faces distinct challenges such as limited infrastructure, governance issues, and capacity constraints. Despite these obstacles, there is a growing recognition of outsourcing's potential to enhance public service delivery. Regional bodies like the African Union advocate for capacity-building initiatives to support effective outsourcing practices and improve governance structures (African Union, 2020).

Nationally, policies and regulatory frameworks play a crucial role in shaping outsourcing practices in public entities. In the United States, outsourcing is extensively used to enhance public sector efficiency and reduce operational costs. The Government Accountability Office (GAO) regularly evaluates outsourced services to ensure they deliver value for money and maintain accountability (GAO, 2018). Similarly, the United Kingdom has developed comprehensive guidelines to govern public sector outsourcing, focusing on transparency, accountability, and performance measurement. The National Audit Office (NAO) highlights both the benefits and challenges of outsourcing, emphasizing the importance of effective contract management and performance monitoring to achieve desired outcomes (NAO, 2019).

In Mbale City Council, Uganda, outsourcing practices reflect the broader challenges and opportunities faced by public entities in developing countries. Resource constraints, capacity limitations, and the need to improve service delivery efficiency drive the council to outsource various services. By contracting external providers for services such as waste management, IT, and infrastructure maintenance, Mbale City Council aims to leverage specialized expertise and achieve

cost savings (Rouse & Corbitt, 2006). However, the success of these outsourcing initiatives depends on robust governance structures, clear contracts, and effective performance monitoring to ensure service quality and accountability (Eisenhardt, 1989). Addressing these factors can significantly enhance the council's ability to deliver high-quality public services efficiently.

1.1.4 CONCEPTUAL BACKGROUND

Globally, the conceptual framework of outsourcing in public entities is grounded in several key theories that highlight the strategic benefits and challenges of outsourcing. Transaction Cost Economics (TCE), developed by Oliver Williamson, posits that organizations outsource to minimize transaction costs associated with performing activities in-house. This theory emphasizes that outsourcing can lead to cost savings and efficiency gains when external providers can perform services more efficiently (Williamson, 1981). The Resource-Based View (RBV) argues that organizations should focus on their core competencies and outsource non-core functions to leverage external expertise and resources, thereby enhancing overall performance (Barney, 1991). Additionally, Agency Theory examines the relationship between principals (government entities) and agents (service providers), stressing the importance of governance structures and performance monitoring to ensure that outsourced services meet the desired standards (Jensen & Meckling, 1976).

In the European Union (EU), the conceptualization of outsourcing in public entities is influenced by policies and directives aimed at promoting efficiency, innovation, and accountability. The EU's emphasis on e-Government and digital transformation underscores the strategic role of outsourcing in achieving these goals. According to the European Commission (2016), outsourcing ICT services and other non-core functions can enhance the efficiency and quality of public services. However, the success of outsourcing initiatives depends on robust regulatory frameworks and performance monitoring mechanisms to ensure accountability and service quality. In contrast, in regions like Sub-Saharan Africa, the conceptual framework of outsourcing must address unique challenges such as infrastructure limitations, governance issues, and capacity constraints. The African Union (2020) advocates for capacity-building initiatives to support effective outsourcing practices and improve governance structures, highlighting the need for tailored strategies to address regional specificities.

At the national level, the conceptual background of outsourcing in public entities is shaped by policies, regulatory frameworks, and performance evaluations. In the United States, outsourcing is conceptualized as a strategy to enhance public sector efficiency and reduce costs. The Government Accountability Office (GAO) conducts regular evaluations of outsourced services to ensure value for money and accountability, highlighting the importance of performance monitoring and governance structures (GAO, 2018). In the United Kingdom, the National Audit Office (NAO) emphasizes the balance between cost savings and service quality, stressing the need for effective contract management and performance measurement (NAO, 2019). These national perspectives underscore the importance of aligning outsourcing practices with strategic objectives and ensuring robust governance mechanisms to achieve desired outcomes.

In Mbale City Council, Uganda, the conceptualization of outsourcing is driven by the need to overcome resource constraints, capacity limitations, and improve service delivery efficiency. The council adopts outsourcing as a strategic approach to leverage external expertise, reduce operational costs, and focus on core functions such as governance and strategic planning. The Resource-Based View (RBV) is particularly relevant in this context, as it emphasizes the importance of outsourcing non-core activities to enhance overall performance (Barney, 1991). Additionally, Transaction Cost Economics (TCE) provides a framework for understanding the cost savings and efficiency gains that can be achieved through outsourcing (Williamson, 1981). However, the success of outsourcing in Mbale City Council depends on robust governance structures, clear contracts, and effective performance monitoring to ensure service quality and accountability (Eisenhardt, 1989). Addressing these factors is crucial for realizing the potential benefits of outsourcing and enhancing organizational performance in the council.

1.2. STATEMENT OF THE PROBLEM

Globally, the issue of outsourcing in public entities is a complex one, characterized by a mix of benefits and challenges. While outsourcing is promoted as a strategy to improve efficiency and reduce costs, there are significant concerns about its impact on service quality, accountability, and employment. A 2019 report by the International Association of Outsourcing Professionals (IAOP) indicates that the global outsourcing market was worth over \$92.5 billion, underscoring its widespread adoption (IAOP, 2020). However, evidence from various countries suggests mixed outcomes. For instance, a study by Doh et al. (2009) found that while outsourcing can lead to cost savings, it often results in a loss of control over service delivery and potential declines in service quality. Additionally, public entities face challenges in managing outsourcing contracts and ensuring accountability, as highlighted by the complexity of measuring performance and maintaining transparency (Espino-Rodríguez & Padrón-Robaina, 2006).

In the European Union (EU), outsourcing in public entities is influenced by regional policies aimed at enhancing efficiency and innovation. Despite these efforts, there are notable problems. The European Commission's 2016 report on e-Government initiatives revealed that while outsourcing ICT services can lead to efficiency gains, it also raises concerns about data security and the protection of citizens' privacy (European Commission, 2016). Moreover, the EU faces challenges in harmonizing outsourcing practices across member states due to differing national regulations and standards. In Sub-Saharan Africa, the problem is compounded by infrastructure limitations and governance issues. According to the African Union (2020), many public entities lack the capacity to effectively manage outsourcing contracts, leading to suboptimal outcomes and issues with service delivery. The region's infrastructural deficits further exacerbate these challenges, limiting the potential benefits of outsourcing.

Nationally, the United States and the United Kingdom provide contrasting examples of outsourcing in public entities. In the United States, the Government Accountability Office (GAO) has repeatedly emphasized the need for robust performance monitoring and accountability in outsourced services (GAO, 2018). Despite the potential for cost savings, there are recurring issues with contract management and ensuring that service providers meet the required standards. Similarly, the United Kingdom's National Audit Office (NAO) has highlighted the challenges of maintaining service

quality and achieving value for money in outsourced public services (NAO, 2019). Statistical evidence from the NAO indicates that while outsourcing can reduce operational costs by up to 20%, it often comes with trade-offs in terms of service quality and public satisfaction. These national-level challenges underscore the need for effective governance frameworks and performance measurement systems to address the complexities of outsourcing.

In Mbale City Council, Uganda, the problems associated with outsourcing are reflective of broader issues faced by public entities in developing countries. The council's decision to outsource services such as waste management, IT, and infrastructure maintenance is driven by resource constraints and the need to improve service delivery efficiency (Rouse & Corbitt, 2006). However, the success of these initiatives is hampered by several factors. First, there is a lack of robust governance structures to manage outsourcing contracts effectively. Second, performance monitoring mechanisms are often inadequate, leading to issues with service quality and accountability (Eisenhardt, 1989). Moreover, the council faces challenges in ensuring that outsourced services meet the needs of the local population, particularly in terms of accessibility and quality. These problems highlight the need for tailored strategies to improve the management and oversight of outsourcing in Mbale City Council to enhance organizational performance and public service delivery.

The problem of outsourcing and its impact on organizational performance in public entities is multifaceted, with global, regional, national, and local dimensions. Globally, the benefits of outsourcing are often offset by challenges related to service quality and accountability. Regionally, differences in regulatory frameworks and infrastructural capacities further complicate the effective implementation of outsourcing strategies. Nationally, robust governance and performance monitoring are critical to realizing the potential benefits of outsourcing while mitigating its drawbacks. In the specific context of Mbale City Council, addressing governance and performance monitoring issues is essential to improving the effectiveness of outsourcing initiatives. Understanding these challenges and developing appropriate strategies is crucial for enhancing organizational performance and public service delivery in public entities. Due the gaps isolated above, globally and to the area of study, this however has given chance for the researcher to get interested in carrying out this research

in Mbale city mainly organizational performance on organizational performance on organization's reliability in Mbale city Council.

1.3 GENERAL OBJECTIVE

To assess the effect of outsourcing and organizational performance in public entities, a case study of Mbale City Council.

1.3.1 SPECIFIC OBJECTIVES

- i. To establish the effect of outsourcing planning on organization's efficiency in Mbale City Council.
- ii. To establish the effect of supplier selection on organizations effectiveness in Mbale City Council
- iii. To examine the effects of Supplier relationship management on organizational performance on organizational performance on organization's reliability in Mbale city Council.

1.4 SCOPE OF THE STUDY

1.4.1 Time scope

This study will cover a period between March to December 2024 because this is the period at which there is better access to data in the study area.

1.4.2 Geographical scope

The study will be conducted from Mbale City Council which is located in Mbale City, in eastern Uganda. Mbale City council is approximately 325 kilometers from Kampala on Kampala-Soroti Road.

Geographically, it is inhabited by the gishu tribe and other bilingual tribes. The people are mainly business-oriented and others practice small-scale agriculture and poultry keeping. They believe in circumcision (imbalu) as their cultural traditional ceremony which is always done at Mutoto cultural grounds every even year. Besides the above, they are also ruled by a king well known as "Omukuka" who is always chosen from the three tribal clans of Mubuya, Wanale, and Mwambu after every five years of leadership and the current one is His highness Jude Mike Mudoma.

1.4.3 Contextual scope:

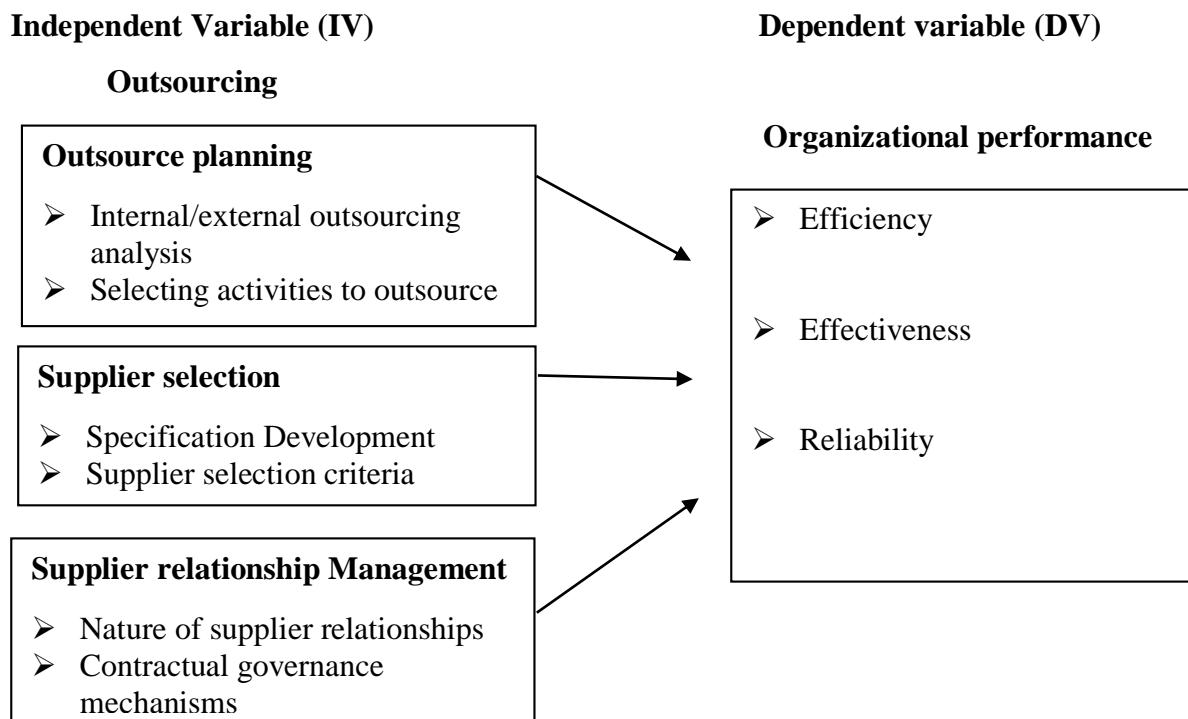
The study tresses the effect of outsourcing and organizational performance in public entities, a case study of Mbale city council.

1.5 RESEARCH QUESTIONS

- i. What are the effects of outsourcing planning on the organization's efficiency?
- ii. What are the effects of supplier selection on an organization's effectiveness?
- iii. What are the effects of Supplier relationship management on organizational performance on organizational performance on an organization's reliability?

1.6 CONCEPTUAL FRAMEWORK

Figure 1:conceptual frame work



Source: Bin, J. (2004).

Outsourcing is the independent variable, further broken down into three dimensions; Outsourcing planning, supplier selection, and Supplier relationship management on organizational performance on organizational performance. Organizational Performance is the dependent variable, with dimensions as efficiency, effectiveness, and reliability in the performance of the Organization. Figure 1 further shows that outsource planning, supplier selection and Supplier relationship management on organizational performance on organizational performance have an effect on Organizational Performance (Rundquist, 2007). The assumption is that effective outsourcing practices will be associated with better Organizational Performance while ineffective outsourcing will be associated with poor Organizational performance. In addition, the Transaction Cost Theory also indicates that organizations will always consider the costs of using an external firm to perform activities that were formally done internally. The organization will examine the costs involved in outsourcing planning, supplier selection and Supplier relationship management on organizational performance on organizational performance of the outsourced activities and the costs associated with Organization performance.

1.7 OPERATIONAL DEFINITIONS

Effectiveness: Refers to the degree to which an organization is executing its activities (Lake, 2009). It is the capability of producing the desired result.

Efficiency: Refers to the degree to which an organization is able to execute its activities with existing resources: it indicates how well an organization uses its resources to perform its activities (Lake, 2009); it is the capability to accomplish tasks with the least waste of time and effort.

Outsourcing: Outsourcing is a strategy by which an organization delegates out major functions to specialized and efficient service providers, who become valued business partners (Rundquist, 2006). In this case, Mbale City Council gave the responsibility of providing some of the activities previously carried out internally, to external firms.

Service reliability: It is the probability that a product/service will perform a required function without failure under stated conditions for a stated period.

Organizational performance: It's the actual output of a company measured against its intended output.

Supplier selection: Refers to matters of dicing the party to who services are outsourced (Gilley & Rasheed, 2010).

Supplier relationship management on organizational performance on organizational performance

1.8 Scope of the study

The study is based on outsourcing as an independent variable and performance as a dependent variable. Geographically the research is based on Mbale city council.

The research

1.9 SIGNIFICANCE OF THE STUDY

The study will provide additional knowledge and expertise on the appropriate process of outsourcing.

The study findings will help to inform the different organizations on different ways on how outsourcing can be made relevant to organizational performance.

The study findings will also help policymakers such as members of parliament and Mbale City Council Local Government management by availing them with information that they may use to make decisions that are more informed, as far as outsourcing is concerned.

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

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter presents the literature review of the objectives of the study, it contains the theoretical review as well as the empirical review of literature on outsourcing and service delivery.

2.1 Theoretical Review

The Transaction Cost Theory guided the study. According to Macher and Richard (2006), the basic insight of “Transaction Cost Theory (TCT)” is that organizations should realize that exchange transactions should be governed and benefits depend on the form of governance adopted by the firm. The theory suggests three main factors underlying positive transaction costs. One is that individuals are limited in their ability to plan and have to deal with the complexity and unpredictability environment in which they operate and yet most of them lack the knowledge for planning and accurately forecasting the various contingencies that may arise (Macher & Richman, 2006). Secondly, the theory states that even if perfect planning was possible, it will still be difficult for contracting parties to negotiate about these plans because of difficulty in agreeing on the same business language across the world (Hart, 2005). Thirdly, it is assumed that contracting parties cannot easily plan and negotiate for a fully contingent contract, which makes enforcement difficult. This, therefore, results in incomplete contracts.

Williamson (2008) states that in order to guard against opportunistic behavior, contracting parties must choose arrangements that will help reduce on the expected total cost of the transaction. He adds that the governance structures that firms use to guard against these contracting may vary in many different ways. Williamson (2008), asserted that a final assumption underlying transaction cost economics is that important dimensions along which transactions differ can be identified and measured, qualitatively if not quantitatively.

Williamson (2010) stresses that governance is very important in managing contractual conflicts. He adds that complex modes of organizations are reserved for complex transactions that experience contractual dangers and simple modes of governance suit simple transactions which minimal dangers.

Transaction Cost Theory, therefore, provides suitable scientific support for Mbale City Council's major concern in a process of outsourcing that is looking for minimized transaction costs. Before outsourcing its activities, Mbale City Council should carry out a cost-benefit analysis and compare the costs of performing the activity itself with the cost of outsourcing that activity. Therefore, where it seems cheaper to outsource, Mbale City Council can go ahead and outsource that activity. However, if it is costlier if performed by external resources, then that activity should not be outsourced. Mbale City Council should therefore look at the whole process of outsourcing its activities and should only outsource when the benefits of another company doing the same job are greater than the cost of supervising that provider.

2.2 The Concept of Outsourcing

Although the literature on "outsourcing" is quite wide and there are diverse definitions, each outsource definition is not enormously dissimilar from the other. Outsourcing has been defined as the use of external firms to perform their internal organizational activity (King & Malhotra, 2000). In other words, outsourcing can also be defined as subcontracting or permitting external companies to be responsible for specific activities or needs that the primary organization cannot or does not want to do (Gonzales et al, 2010). It is suggested that Organizations should not outsource the core activities of their firm. Nevertheless, there is increasing evidence that outsourcing services range from services that are unimportant and used infrequently to services that are imperative to the core activity of the Organization. (King and Malhotra, 2000).

2.3 Reasons for Outsourcing

Outsourcing decisions of the firms are driven and justified by various factors including, among others, the need to achieve operational flexibility, customer service, risk mitigation, cost reductions, operational efficiency, and access to resources and markets.

Studies have shown that firms outsource mainly to achieve cost efficiency. Firms assess outsourcing decisions to determine whether their costs will reduce in case the activity is outsourced (Anderson & Weitz, 1986; Roodhooft & Warlop, 1999). In case the costs will reduce than the firm will opt for outsourcing.

Factors such as gaining access to sophisticated technology, the flexibility of operations, and risk reduction have been suggested. For instance, van Laarhoven *et al.*, (2000) states that one of the main

reasons for outsourcing is to retain flexibility in operations. Similarly, Bhatnagar *et al.*, (1999) add that along with cost savings and customer satisfaction, the flexibility of operations is the main reason for outsourcing in the context of Singaporean manufacturing firms. Arroyo *et al.*, (2006) reported similar findings in the context of outsourcing in Mexico and suggest that along with the flexibility of operations, the opportunity to reduce the risk of uncertainty is also a major factor for outsourcing.

Thipchutar *et al* (2014), in their study, proved that core business factors, expertise, reliability and quality factors, cost savings factors, and technology factors positively influence or motivate firms to do outsourcing.

2.4 Effect of Outsourcing on Organizational Performance

Bin *et al* (2006) state that outsourcing is considered a very attractive strategy but its effect on the organizations performance has not yet been proved. Firms have indicated that it is not easy to quantify the financial effect of outsourcing their activities (Bryce & Useem, 1998).

Gorzig and Stephan (2002) presented a view that firms tend to overestimate the benefits accruing from outsourcing of external services and/or underestimate the associated transaction costs. A prerequisite for successful outsourcing activities is that markets for intermediate inputs really function. Our results suggest that this is the case for material inputs, but not for external services. One reason could be that it is easier for firms to monitor quality of intermediate products than to monitor the quality of services.

Kariuki (2013) quoting Chitkara (2005) describes performance as the degree of achievement of a certain undertaking. It relates to the prearranged goals or objectives which form the task parameters. Mutava (2012) asserts that the performance of Organizations is highly dependent on the efficacy and efficiency of the tendering procedures. The essence of performance is the creation of value. So long as the value created by the use of the contributed assets is equal to or greater than the value expected by those contributing the assets, the assets will continue to be made available to the organization and the organization will continue to exist. Therefore, value creation, as defined by the resource provider, is the essential overall performance criteria for any organization (Carton 2004).

Chimwani *et al.* (2014) quoting Smith and Conway (1993) observe that there are eight key success factors that influence Organizational performance namely; a clear strategy, effective management

information and control systems, development of expertise, a role in corporate management, an entrepreneurial and proactive approach, co-ordination and focused efforts. An eighth is fundamental; communicate the key success factors to all levels of the organization and set out of outsourcing strategy to achieve continuous improvement in value for money. This should be based on total cost, quality, and enhancement of competitiveness of suppliers using best procurement practices.

Basheka (2008), Organizational performance is an outcome of the effectiveness and efficiency of policies and procedures adopted by the firm during supplier selection. Leenders and Fearon (2002) observed, that decisions to buy instead of make so as to improve quality, lower inventories, integrate supplier and buyer systems, and create co-operative relations underline the need for good supplier performance. Performance provides the foundation for an organization to gauge how well it is rolling towards its predetermined objectives, identifies areas of improvement, and decides on potential initiatives with the goal of how to initiate performance improvements. Van Weele (2006) and Ogubala *et al.* (2014) concur that there is a link between procurement process, efficiency, effectiveness, and performance. Organizational performance starts from purchasing efficiency and effectiveness in the procurement function in order to change from being reactive to being proactive to attain set performance levels in an entity.

With that said Lardenoije, Van Raaij, and Van Weele (2005) asserted that, based on financial performance and neglecting non-financial performance cannot improve the procurement operations because only partial performance is considered. They continued to add that procurement performance is an interaction between various elements; professionalism, staffing levels, and budget resources. Organizations that do not have performance means in their processes, procedures, and plans experience lower performance, higher customer dissatisfaction, and employee turnover.

Yu (2010) in his study about the relationship between IT outsourcing and firm performance in the banking industry revealed that, IT outsourcing cannot enhance firm performance of banks.

Novak (2005) argues that outsourcing facilitates access to cutting-edge technology and the use of high-powered performance contracts. On the other hand, vertical integration allows firms to respond to adapt to unforeseen contingencies and customer feedback, maintain more balanced incentives over the product lifecycle, and develop firm-specific capabilities over time. Together, these effects suggest that outsourcing will be associated with higher levels of initial performance, while vertical integration will be associated with a higher rate of performance improvement over the product lifecycle. Bosire *et al*

(2009) in their study about outsourcing in supermarkets revealed that there is a positive correlation between outsourcing and lead time. This was possible through the use of correlation analysis. They also added that supermarkets commit mistakes while outsourcing.

2.5. Effect of Outsourcing Planning on Organizations Efficiency

Outsourcing is seen as a means of reducing operational costs, improving customer satisfaction, and providing enhanced efficiency, effectiveness, responsiveness, and reliability. However, it has been revealed that a number of firms have failed to achieve the full potential and benefits of outsourcing. The failure of outsourcing relationships has been attributed to considering it a short-term solution other than a long-term solution. The process of considering and/or implementing an outsourcing strategy must be well organized and fully documented to achieve the desired results. A rigorous process including planning, consultations, implementation, an exit strategy should be considered.

Outsourcing planning commences prior to the award of the contract and continues right to the end of the contract (Wassenaar, 2004). Throughout this period consideration is being given to the requirements of how the contract will be managed is based on consideration of the value, complexity, strategic importance, risk, the general market maturity, and the selected supplier capability.

Evans and Lindsay (2008) state that outsourcing decisions can improve the competitiveness of the firm. They had that for it to be successful a decision should be taken using accurate information. Having accurate and reliable information can help a firm avoid costs associated with wrong outsourcing decisions since such decisions are not easy to reverse.

According to Wassenaar, Dijkgraaf & Gradus (2010), outsourcing should be adopted within an organized setting of which planning is important. Organizations need to be clear about their outsourcing objectives, how they hope to achieve the set objectives, the kind of firm they are likely to deal with, and the relationship they wish to establish with that firm. In addition, they need to be clear on their own outsourcing policies and capability and how they hope to mitigate risks associated with outsourcing. By doing so, organizations are more likely to deliver better services.

The major objectives of outsourcing are to improve on performance, minimize risks, manage any conflicts that may arise, and reduce costs, and in order to achieve all these objectives, it is important to undertake outsourcing planning (Haapio, 2006).

Further, Domberger & Jensen (2007) argue that good-quality outsourcing builds on planning and sharing of those plans, ensuring that those plans are clearly understood by all the parties involved. Dijkgraaf, Gradu & Melenberg (2003); Dijkgraaf & Gradus (2003) opine that the foundations for good-quality outsourcing are properly indicated at the planning stage, way before the contract is negotiated and signed. As such, for buyers and suppliers alike, outsourcing planning is very important if a firm is to be successful in outsourcing.

Eger *et al* (2002) emphasize the importance of assessing core competencies during planning and decision-making. Outsourcing decisions should start with studying the role of a given unit and how it contributes to the firm's core competencies. The idea is that any unit whose performance is not essential to the organization can be outsourced. However, this is not a simple task. It can therefore be recommended that a firm should consider the benefits from outsourcing together with the core competence of the firm to whom they wish to outsource the activity. This means a firm should outsource if there are more benefits as well as better performance from the third party.

Goldsmith's (2010) suggests that a firm need to identify areas where it is more competent and match this with organizational needs and the core competence of the third party. Copacino (2008) adds that a decision to outsource should clearly define customer service, competitor's knowledge, organizational flexibility, and the future needs of the customers. With this kind of assessment, a firm will be able to outsource the right activities for the right reasons and this will improve its competitiveness. Boyson, *et al* (2009) also adds that the transition process needs to be thought of and planned for.

The literature review presents various issues that ought to be considered during outsourcing planning in order to improve the service delivery of the organization. However, what remained unknown was whether these issues were considered in the outsourcing planning of the Mbale City Council. Thus, this study investigated the Mbale City Council. The process of deciding to outsource was well planned for.

2.6 Effect of Supplier Selection on Organizations Effectiveness

Supplier selection is an important activity in outsourcing decisions. This activity focuses on managing the question and answer process with the suppliers whilst they are preparing their responses, evaluating their responses, and then negotiating with suppliers to down-select to one or more short-listed vendors

(Deloitte, 2013). The main aim of this activity is to identify and select suppliers that represent the best value for the services being outsourced so that they can be taken through to final due diligence and contract negotiations.

Supplier Selection basically involves scanning, analyzing, examining, and filtering the basic background and bio data of suppliers within the market with the aim of choosing the best one that will propel the performance of the organization in a better direction (Stormy, 2005). The dynamic business environment owing to technological advancements and sophisticated market demands has forced procuring entities to earnestly source for new suppliers who will meet their business needs hence; the importance of supplier selection under the purchasing function cannot be stressed enough.

In practice, the organizational buyer has to identify the important vendor performance attributes he/she must have in order to qualify as a supplier. Much as the choice of a particular vendor over another is largely a function of numerous determinants as each and every organization has its own set of criteria they adhere to (Ogot et al., 2009), it cannot be denied that the procurement manager's key role is to choose a vendor who will ultimately enhance the organizations performance (Otieno, 2004). Garfarmy (2005) indicates that the criterion for choosing suppliers is determined by such variables as the buyer's own characteristics, interpersonal attributes of other organizational members, environmental factors like business constraints and price. Therefore, in order to keep the promises to stakeholders an effective supplier selection system becomes necessary besides the improved production methods and technology.

While firms differ in the specific determinants of selecting suppliers, certain trends can be observed. Quantifiable criteria like price, delivery, and quality are routinely used for supplier selection. In addition, 'soft'- difficult to quantify factors such as compatibility and strategic direction of the supplier has also proven to be important (Krause et al., 2000). Hence, there is a general agreement that Supplier Selection ought to contribute to the procurement performance of a firm regardless of the overall selection criteria (Harju, 2010).

Gribbons (2005) states that when selecting outsourcing firms there is need to ensure that the needs of the firm are matched with the capabilities of the supplier. It may require a team with varying capabilities and skills coming together to assess the supplier. Those suppliers with capabilities desired by the outsourcing firm stand a better chance of being selected. Aspects to consider when selecting these suppliers may include response time, error free services and utilizing advanced technologies.

Eger, Knudson, Marlowe & Ogard (2002) emphasized, that the most common reasons for outsourcing are generally to increase efficiency, effectiveness, responsiveness and reliability. Therefore, capabilities that lead to the above reasons are key when selecting the suppliers. Boyson *et al* (2009) suggest that it is very important for a firm to gather information on the available suppliers and experts should conduct this.

Menon, McGinnis & Ackerman (2002) stressed, that when selecting suppliers for outsourcing it is important to look at the perceived service quality of the potential supplier, they added that perceived capability should also be considered as well as the prices being offered by the provider, however, and they suggested that service quality requirements are more important than price considerations. Lieb (2008) also added that, cost and service considerations are very important when selecting suppliers for outsourcing activities. He adds that experience, management capability, image, and financial capability should also be considered.

2.7 Supplier relationship management on organizational performance on organizational performance on Organizations Reliability

Supplier relationship management on organizational performance on organizational performance is all about defining how the firm will work with the supplier to whom activities have been outsourced. It involves contractual governance mechanisms, which are catered for in the contracts. The contracts indicate the terms and conditions that will govern the relationship between the contracting parties (Goo, Kishore, Rao & Nam, 2009). A well-designed contract will help enhance the trust between the buyer and the seller through enabling open communication, mutual problem solving and support between the contracting parties and through this it determines the organization's reliability (Ntayi, Namugenyi, & Eyaa, 2010).

Citing Lieb & Lieb (2010) in their study also noted that the most prevalent implementation problem in outsourcing was to get top management support and commitment by suppliers and their reliability in an organization. This is because of a lack of trust in the service provider as well as insufficient time for the implementation process, and a lack of clear lines of differentiation regarding the third party and internal responsibilities.

Garr (2008) suggested a number of best practice strategies to ensure successful partnerships with third-party providers. Garr suggested that an organization should ensure that the relationship would reduce costs and improve efficiency in the organization. Another study by Useem and Harder (2010) highlighted necessary capabilities in managers responsible for outsourcing initiatives such as capability and partnership governing. They added that the ability to effectively oversee the outsourcing relationship after a contract has been established has an impact on Organizational Performance. Similarly, Ntayi, Namugenyi, & Eyaa, (2010) opine that well-designed formal contracts help to develop buyer-supplier trust by enabling open communication, joint problem solving, and mutual support between parties.

Boyson *et al* (2004) argued that effective outsourcing relationships can establish continuous improvement in productivity of Organizational Performance. It has been suggested that relationships will be the source of competitive advantage in the future and that trust is essential to these relationships. The literature reviewed under this section shows that outsourcing processes affect the Organizations reliability of an organization. However, little was known about the relationships between outsourcing processes on Organization's Reliability by Mbale City Council. In this regard, this study investigated how Mbale City Council determines activities to outsource, conducts assessment and selection of suppliers, whether it considers customer service capabilities, whether and how Mbale City Council considers cost and service considerations, and lastly, whether the contractual agreements are satisfactory or not and whether Mbale City Council involves all stakeholders in outsourcing. Lastly, the study investigated how these affected Mbale City Council's Organization's reliability.

2.8 Summary of Literature

This chapter will review the Transaction Cost Theory, linking outsourcing to Organizational Performance. The theory highlighted assumptions applicable to outsourcing and Organizational Performance, which assumptions were investigated in the case of Mbale City Council. The literature highlighted the importance of outsource planning, supplier selection, and supplier relationship in Organizational Performance. However, most of the literature is outside the context where this study is conducted. In other words, it did not show how to outsource planning, supplier selection, and supplier relationship affected Organizational Performance at Mbale City Council. Hence, there is a need for a study to provide evidence of the relationship between the variables in the context of Mbale City Council.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter explains the methods the study used to get information on the research problem. The chapter includes the research design, study population, sample size and selection, sampling techniques and procedure, data collection methods and instruments, data analysis, measurement of variables, and ethical considerations.

3.1 Research Design

This study will use a cross-sectional research design. The cross-sectional design will enable the researcher to collect data on outsourcing and Organizational performance from a section of working officials within the Mbale City Council area. According to Amin (2005), this type of research design enables the researcher to collect data at a particular time across categories of respondents. The study approach will use quantitative approaches. Quantitative approaches will be used to get data from many respondents in a shorter time given closed-ended questions used.

3.2 Study Area

The study will be conducted in Mbale City Council. The Mbale City Council is located in Mbale City in the Eastern region, Eastern Uganda.

3.3 Study Population

The study will target the population of 58 members of Mbale City Council workers. This is mainly comprised of executive, senior workers, other workers and support staff handling matters related to outsourcing in Mbale City Council, These workers will be selected using purposive and simple random sampling techniques because they are the ones that handle procurement and outsourcing activities at Mbale City Council.

3.4 Sample Size

The sample size will be determined using Krejcie Morgan's (1970) sample selection table (Appendix 1). The following table provides the breakdown.

Table 1: Population, sample size and sampling techniques

Category	Population	Sample	Morgan Table
Executive	3	3	Simple random sampling
Senior workers	15	14	Simple random sampling
Other workers	30	28	Purposive sampling
Support Staff	10	10	Simple random Sampling
Total	58	55	

Source: Morgan and Krejcie (1970)

3.5 Sampling Technique

The study will employ both random and non-random sampling methods. In particular, simple random and purposive sampling techniques will be used respectively. Simple random sampling is preferred in the selection of the operational and technical staff. This is intended to avoid bias by providing an equal and independent chance to all respondents to participate in the study. On the other hand, the purposive sampling technique will be used to select members of top management.

The members of this population category are assumed to have varying levels of knowledge relevant to the study so the technique will enable the researcher to hand pick respondents on the basis of who was deemed to have more relevant information.

3.6 Data Collection Procedure

Data will be collected from both primary and secondary sources. Qualitative and quantitative methods will be used in the collection of data. Primary data will be collected using self-administered questionnaires and interviews. While secondary data will be obtained from review of documents such as journals, reports, documents, memos, and files. The data will be collected from Mbale City Council by the researcher and assisted by research assistants for convenience and speed.

3.7 Data Collection Methods

Questionnaire methods was employed to collect data in the study.

3.8. Questionnaire survey

A questionnaire survey will be used to collect information from Mbale City Council junior workers. Questionnaire survey method will be used for this category of respondents to save on time because their number is big. During the questionnaire survey, a predefined series of questions will be used to collect data from Mbale City Council junior workers. The questionnaires will be restricted to a representative sample of the potential group consisting of Mbale City Council junior workers, for reasons of practicality and cost-effectiveness.

3.9 Data Collection Instruments

A questionnaire will be used to collect data in this study.

3.9.1 Questionnaires

Close-ended questionnaires shall be used to collect quantitative data from Mbale City Council workers. These questionnaires comprises of closed-ended questions on a five point likert scale, where 1 = Strongly Disagree, 2 = Disagree, 3 = Not sure, 4 = Agree and 5 = strongly agree. The questionnaire contain questions about each of the variable.

3.10.1 Validity

These was to ensure that the instruments to be used will yield relevant and correct data. The questionnaire will be given to two experts to comment identify ambiguous items, difficult items, and assess the relevancy of questions to ensure construct, content, and face validity. In addition, the content validity ratio/index (CVR) for the questionnaire will be computed using the following formula.

$$CVR = \frac{\text{Total number items rated relevant by raters}}{\text{Total number items rated by raters}}$$

Total number items rated by raters

The CVI for the questionnaire was 0.8 which was above 0.7, which is recommended by Nunnally (1967) cited by Kent (2001). This meant that the questionnaire is suitable for collecting data.

3.10.2 Reliability

To test for reliability, a Cronbach's coefficient alpha will be used since it was one of the widely used measures of internal reliability (Kimberlin & Winterstein, 2008). Cronbach's alpha coefficient above

0.5 accepted, implying the instrument was valid, as recommended by Nunnally (1978). The table shows that all the four variables had Cronbach's Alpha of above 0.7, which is greater than the recommended.

Table 2:2: Reliability Statistics

Variable	Cronbach's Alpha	No of Items
Outsource Planning	0.837	16
Supplier Selection	0.797	15
Supplier Relationships	0.828	21
Organizational Performance	0.879	20

Source (Primary Data)

3.11 Measurement of variables

Nominal and ordinal scales of measurement shall be used. The nominal scale of measurement was mainly used in the first part of the questionnaire (demographics).

Mugenda & Mugenda (1999), nominal scales are assigned only for purposes of identification. The ordinal scale, specifically the Likert scale, is used to collect opinion data on the study variables using the five scales: 5= strongly agree; 4 = agree; 3 = not sure; 2 = disagree; 1 = strongly disagree, (Amin, 2005). The numbers in the ordinal scale represent relative position or order among the variables ((Mugenda and Mugenda, 1999; Amin, 2005).

3.12 Data Analysis

The study adopted the Quantitative and Qualitative analysis methods.

3.12.1 Quantitative Data Analysis

Data will be analyzed using the Statistical Package for the Social Sciences (SPSS). Two types of analysis will be conducted. The first will include descriptive statistics (frequencies and percentages) and the second will include inferential statistics (correlations and coefficient of determination). The frequencies and percentages will be used to determine the respondents' views on each of the study variable items. Factor analysis will be used to determine the number of factors to extract and be used during analysis.

Spearman correlation will be used to determine the relationship between the study variables. Given that Spearman correlation does not determine cause and effect relationship, the coefficient of determination

will be then used to determine the effect of one variable on another variable. For interpretation of the correlations, a correlation close to +1 or -1 shows that there is a very strong association between the variables, whereas a correlation close to 0 shows that the relationship is weak or there is no relationship. The sign of the correlation is used to determine the change in variables. The coefficient of determination will be used to determine the magnitude of variance in organizational performance accounted for by outsourcing.

3.12.2 Qualitative Analysis

This will involve content analysis. Thus, qualitative data will be edited and re-organized into meaningful phrases. A thematic approach will be used to analyze qualitative data where themes, categories and patterns are identified. The recurrent themes was presented in the results, with selected direct quotations from participants presented as illustrations.

3.13 Ethical Considerations

Participants shall receive full disclosure of the nature of the study, the risks, benefits, and alternatives, with an extended opportunity to ask any questions regarding the research. The researcher took all information provided by participants with maximum confidentiality.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

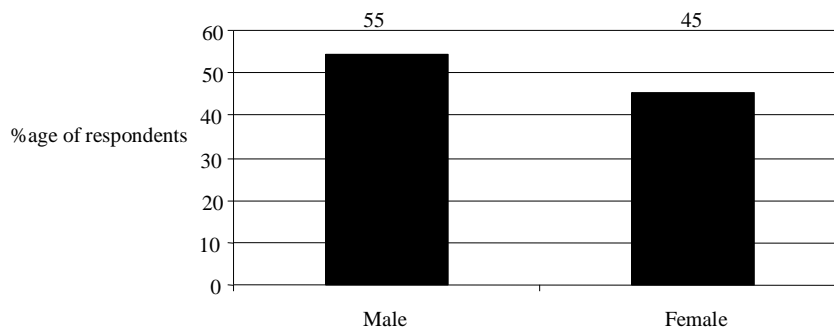
4.0 Introduction

This chapter presents, analyzes and interprets the results. It is divided into four sections. The first sections present, analyzes and interprets the results about the background information. The second sections present, analyzes and interprets the results about Outsourcing planning on Organizational performance. The third sections present, analyzes and interprets the results about effect of Supplier selection. The fourth sections present, analyzes and interprets the results about effect of Supplier relationship management on organizational performance on organizational performance

4.1 Background Information

Respondents were asked about their gender, age, level of education and tenure with their organization. Findings are presented in Figures 1 to 4 followed with an analysis and interpretation.

Figure 2:2 Gender of Respondents

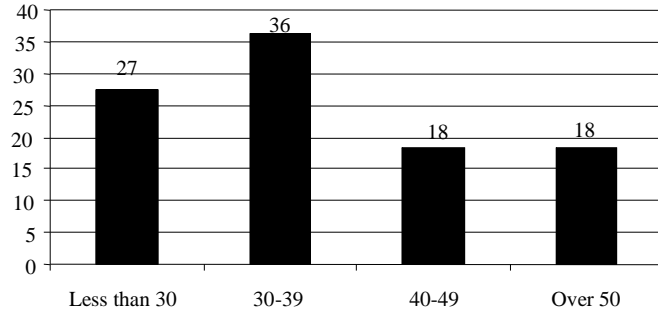


Source: Research area

Figure 1: Gender of respondents

Findings in Figure 1 show that most respondents (55%) were male compared to the female respondents (45%). This implies that there are more staff members at Uganda Compared to the female staff members.

Figure 3:2 Age Range of Respondents

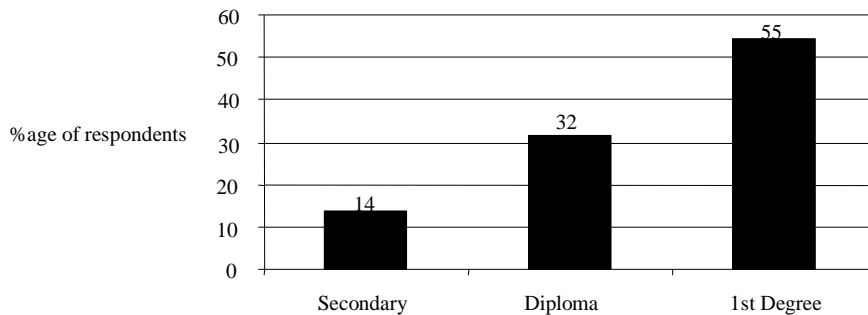


%age of respondents

Source: Research Area

Findings in Figure 2 show that a large proportion of respondents (36%) were in the age range of 30-39 years compared to the respondents in the age range of less than 30 years (27%), 40-49 years and over 50 years (18%), respectively. This implies that there is large proportion of staff members at Public entities are in the age range of 30-39 years.

Figure 4:3 Level of Education of Respondents



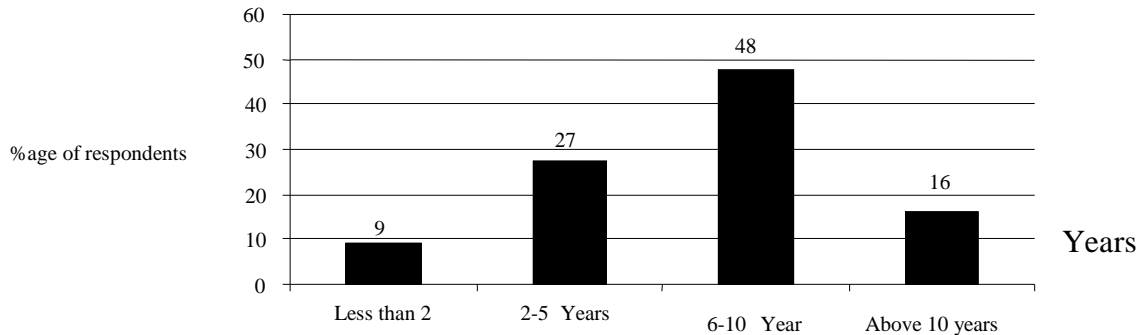
Source: Research area

Figure 3: Level of education of respondents

Findings in Figure 3 show that a large proportion of respondents (55%) had a 1st degree level of education compared to the respondents with a diploma level of education (32%) and with a secondary level of education (14%), respectively. This implies that there is large proportion of staff members at Public entities are in the age range of 30-39 years.

Tenure with the Organization.

Figure 5:4 Tenure with Public entities



Findings in Figure 4 show that a large proportion of respondents (48%) had served Public entities for a period of 6-10 years compared to the respondents who had served for a period of 2-5 years (27%), above 10 years (16%) and less than 2 years (9%), respectively. This implies that there is large proportion of staff members at Public entities are in the age range of 6-10 years.

4.2 Outsourcing planning on Organizational performance

Five statements about Outsourcing planning on Organizational performance were presented to respondents at Public entities. There were requested to respond to the statement using a five Likert scale from “Strongly disagree to “Strongly agree”.

Findings are presented in Table 2 followed with an analysis and interpretation.

Table 3:2: Findings about Outsourcing planning on Organizational performance

SD f (%)	D f (%)	D f (%)	NS f (%)	A f (%)	SA	M	SD f (%)
Outsourcing has led to cost reduction in this organization	3 (7%)	5 (11%)	4 (9%)	23 (53%)	9 (20%)	2.30	.906
Outsourcing has enable this organization to hire people to do its work more cheaper	7 (16%)	6 (14%)	9 (20%)	16 (36%)	6 (14%)	3.14	.597
Outsourcing has enabled this organization to economize on production cost	4 (9%)	6 (14%)	5 (11%)	13 (30%)	16 (36%)	2.94	.883
Outsourcing has enabled this organization to spend less	6 (14%)	10 (23%)	7 (16%)	20 (45%)	1 (2%)	3.13	.721
Outsourcing has helped th organization to be mo efficiency	2 (5%)	7 (16%)	9 (20%)	10 (23%)	16 (36%)	3.31	.692

Source: Research area

On finding out whether, Outsourcing has led to cost reduction in this organization in the table indicate that 3 (7%) of the respondents strongly disagreed with the statement, 5 (11%) of the respondents disagreed with the statement, 4 (9%) of the respondents were not sure of the statement, 23 (53%) agreed with the statement, and 9 (20%) of the respondents strongly Disagreed with the statement. The average mean value obtained of 2.30 signifies agreement to a large extent and the standard deviation of 0.906 indicates a wide variance in responses.

On finding out whether, Outsourcing has enable this organization to hire people to do its work more cheaper in the table indicate that 7 (16%) of the respondents strongly disagreed with the statement, 6 (14%) of the respondents disagreed with the statement, 9 (20%) of the respondents were not sure of the statement, 16(36%) agreed with the statement, and 6 (14%) of the respondents strongly Disagreed with the statement. The average mean value obtained of 3.14 signifies agreement to a large extent and the standard deviation of .597 indicates a wide variance in responses.

On finding out whether, Outsourcing has enable this organization to hire people to do its work more cheaper in the table indicate that 4 (9%) of the respondents strongly disagreed with the statement, 6 (14%) of the respondents disagreed with the statement, 5 (11%) of the respondents were not sure of the statement, 13 (30%) agreed with the statement, and 16(36%) of the respondents strongly Disagreed with the statement. The average mean value obtained of 2.94 signifies agreement to a large extent and the standard deviation of .883 indicates a wide variance in responses.

On finding out whether, Outsourcing has enabled this organization to spend less in the table indicate that 6(14%) of the respondents strongly disagreed with the statement, 10(23%) of the respondents disagreed with the statement, 7 (16%) of the respondents were not sure of the statement, 20 (45%) agreed with the statement, and 1 (2%) of the respondents strongly Disagreed with the statement. The average mean value obtained of 3.13 signifies agreement to a large extent and the standard deviation of .721 indicates a wide variance in responses.

On finding out whether, Outsourcing has enabled this organization to spend less in the table indicate that 2 (5%) of the respondents strongly disagreed with the statement, 7 (16%) of the respondents disagreed with the statement, 9 (20%) of the respondents were not sure of the statement, 10 (23%) agreed with the statement, and 16 (36%) of the respondents strongly Disagreed with the statement. The average mean value obtained of 3.31 signifies agreement to a large extent and the standard deviation of .692 indicates a wide variance in responses.

4.3 Effect of Supplier selection on Organizational performance

Five statements about effect of supplier selection were presented to respondents at public entities. They were requested to respond to the statement using a five Likert scale from “Strongly disagree to “Strongly agree”. Findings are presented in Table 2 followed with an analysis and interpretation.

Table 4:3: Findings about effect of Supplier selection.

Statements	SD f (%)	D f (%)	NS f (%)	A f (%)	SA f (%)	M	SD
Outsourcing has helped this organization to increase productivity	4 (9%)	6 (14%)	3 (7%)	22 (50%)	9 (20%)	3.64	.512
Performance per employee in this organization has increased due to outsourcing	1 (2%)	8 (18%)	2 (5%)	20 (45%)	13 (30%)	3.63	.594
Outsourcing has helped this organization to improve capacity	1 (2%)	8 (18%)	4 (9%)	27 (62%)	4 (9%)	3.47	.631
Outsourcing has helped this organization to improve quality of its products/services	4 (9%)	18 (41%)	9 (20%)	11 (25%)	2 (5%)	3.64	.539
Outsourcing has helped this organization help employees set their priorities more clearly	3 (7%)	16 (36%)	4 (9%)	18 (41%)	3 (7%)	3.40	.646

On finding out whether, O Outsourcing has helped this organization to increase productivity, the table indicate that 4 (9%) of the respondents strongly disagreed with the statement, 6 (14%) of the respondents disagreed with the statement, 3 (7%) of the respondents were not sure of the statement, 22 (50%) agreed with the statement, and 9 (20%) of the respondents strongly Disagreed with the statement. The average mean value obtained of 3.64 signifies agreement to a large extent and the standard deviation of 0.512 indicates a wide variance in responses.

On finding out whether, Performance per employee in this organization has increased due to outsourcing, the table indicate that 1 (2%) of the respondents strongly disagreed with the statement, 8 (18%) of the respondents disagreed with the statement, 2 (5%) of the respondents were not sure of the statement, 20 (45%) agreed with the statement, and 13 (30%) of the respondents strongly Disagreed with the statement. The average mean value obtained of 3.63 signifies agreement to a large extent and the standard deviation of 0.594 indicates a wide variance in responses.

On finding out whether, Outsourcing has helped this organization to improve capacity, the table indicate that 1 (2%) of the respondents strongly disagreed with the statement, 8 (18%) of the respondents disagreed with the statement, 4 (9%) of the respondents were not sure of the statement, 27 (62%) agreed with the statement, and 4 (9%) of the respondents strongly Disagreed with the statement. The average mean value obtained of 3.47 signifies agreement to a large extent and the standard deviation of 0.631 indicates a wide variance in responses.

On finding out whether, Outsourcing has helped this organization to improve quality of its products/services, the table indicate that 4 (9%) of the respondents strongly disagreed with the statement, 18 (41%) of the respondents disagreed with the statement, 9 (20%) of the respondents were not sure of the statement, 11 (25%) agreed with the statement, and 2 (5%) of the respondents strongly Disagreed with the statement. The average mean value obtained of 3.64 signifies agreement to a large extent and the standard deviation of 0.539 indicates a wide variance in responses.

On finding out whether, Outsourcing has helped this organization to improve quality of its products/services, the table indicate that 3 (7%) of the respondents strongly disagreed with the statement, 16 (36%) of the respondents disagreed with the statement, 4 (9%) of the respondents were not sure of the statement, 18 (41%) agreed with the statement, and 3 (7%) of the respondents strongly Disagreed with the statement. The average mean value obtained of 3.40 signifies agreement to a large extent and the standard deviation of 0.646 indicates a wide variance in responses.

4.4 Effect of Supplier relationship management on organizational performance

Five statements about effect of Supplier relationship management on organizational performance on organizational performance were presented to respondents at Public entities. There were requested to respond to the statement using a five Likert scale from “Strongly disagree to “Strongly agree”. Findings are presented in Table 4 followed with an analysis and interpretation.

Table 5:4: Findings about effect of Supplier relationship management on organizational performance on organizational performance

Statements	SD f (%)	D f (%)	NS f (%)	A f (%)	SA f (%)	M	SD
Outsourcing has helped this organization to increase value of its products/services	4 (9%)	10 (23%)	3 (7%)	18 (41%)	9 (20%)	3.57	.579
Outsourcing has helped this organization to increase its profits	5 (11%)	7 (16%)	3 (7%)	18 (41%)	11 (25%)	3.47	.675
Outsourcing has helped this organization to expand into other markets	5 (11%)	9 (20%)	6 (14%)	21 (48%)	3 (7%)	3.33	.675
Outsourcing has helped this organization to become more competitive in the market	1 (2%)	13 (30%)	9 (20%)	19 (43%)	2 (5%)	3.49	.608
Outsourcing has helped this organization to increase its sales	2 (5%)	16 (36%)	3 (7%)	19 (43%)	4 (9%)	3.41	.670

On finding out whether, Outsourcing has helped this organization to increase value of its products/services. , the table indicate that 4 (9%) of the respondents strongly disagreed with the statement, 10 (23%) of the respondents disagreed with the statement, 3 (7%) of the respondents were not sure of the statement, 18 (41%) agreed with the statement, and 9 (20%) of the respondents strongly Disagreed with the statement. The average mean value obtained of 3.57 signifies agreement to a large extent and the standard deviation of 0.579 indicates a wide variance in responses.

On finding out whether, Outsourcing has helped this organization to increase its profits, the table indicate that 5 (11%) of the respondents strongly disagreed with the statement, 7 (16%) of the respondents disagreed with the statement, 3 (7%) of the respondents were not sure of the statement, 18(41%) agreed with the statement, and 11(25%) of the respondents strongly Disagreed with the statement. The average mean value obtained of 3.47 signifies agreement to a large extent and the standard deviation of 0.675 indicates a wide variance in responses.

On finding out whether, Outsourcing has helped this organization to expand into other markets, the table indicate that 5(11%) of the respondents strongly disagreed with the statement, 9 (20%) of the respondents disagreed with the statement, 6(14%) of the respondents were not sure of the statement, 21(48%) agreed with the statement, and 3(7%) of the respondents strongly Disagreed with the statement. The average mean value obtained of 3.33 signifies agreement to a large extent and the standard deviation of 0.675 indicates a wide variance in responses.

On finding out whether, Outsourcing has helped this organization to become more competitive in the market, the table indicate that 1 (2%) of the respondents strongly disagreed with the statement, 13(30%) of the respondents disagreed with the statement, 9(20%) of the respondents were not sure of the statement, 19(43%) agreed with the statement, and 3(7%) of the respondents strongly Disagreed with the statement. The average mean value obtained of 3.49 signifies agreement to a large extent and the standard deviation of 0.608 indicates a wide variance in responses.

On finding out whether, Outsourcing has helped this organization to increase its sales, the table indicate that 2 (5%) of the respondents strongly disagreed with the statement, 16(36%) of the respondents disagreed with the statement, 3(7%) of the respondents were not sure of the statement 19(43%) agreed with the statement, and 4 (9%) of the respondents strongly Disagreed with the statement. The average mean value obtained of 3.41 signifies agreement to a large extent and the standard deviation of 0.670 indicates a wide variance in responses.

Inferential Statistics.

1.5.1. The effects of outsource planning on Organizational performance

In a bid to address the First objective, a linear regression model is run to establish the effect Outsource planning on Organizational performance and the results were presented in tables below.

Table 6: 5Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.352 ^a	.124	.111	.41854
a. Predictors: (Constant), Outsource planning rate				

Analysis in the table above reveals a coefficient of determination, R Square 0.124 (0.124 *100 = 12.4%) which indicates a strong positive effect of Outsource planning rate on Organizational performance in schools in Mbale city. Hence the coefficient of determination (R Square) indicates good Organizational performance as a result of Outsource planning rate. In order to explain the percentage of variation in the dependent variable (Organizational performance) as explained by the independent variables, the researcher established that the independent variables (Outsource planning rate) contributed to 12.4%) of the variation in the Organizational performance as explained by R square of .124 which shows that the model is the good prediction. It reveals that Outsource planning rate explains 0.124 or 12.4 percent of the Organizational performance while 87.4 percent is explained by other factors beyond supplier selection not covered in this study.

Table 7:6 Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.579	.287		8.988	.000
	Outsource planning rate	.318	.103	.352	3.099	.003
a. Dependent Variable: organizational performance						

The significance of Outsource planning rate had p value ($p=0.000$) which is less than 0.05. The beta coefficient 0.352 is positive. Based on this finding, it can be deduced that Outsource planning rate significantly affected Organizational performance. This showed that Outsource planning rate is a good predictor of Organizational performance. It can further be deduced that Outsource planning rate had positive and significant effect on Organizational performance in schools in Mbale city .

4.4.2 The effect of supplier selection on Organizational performance .

In a bid to address the second objective, a linear regression model is run to establish the effect supplier selection on Organizational performance and the results were presented in tables below.

Table 8:7: Showing effect of supplier selection on Organizational performance .

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.511 ^a	.261	.250	.38441
a. Predictors: (Constant), supplier selection				

Analysis in the table above reveals a coefficient of determination, R Square = 0.261 ($0.261 \times 100 = 26.1\%$) which indicates positive effect of exhibition and display opportunity on Organizational performance in schools in Mbale city. Hence the coefficient of determination (R Square) indicates good Organizational performance as a result of exhibition and display opportunity. In order to explain the percentage of variation in the dependent variable (Organizational performance) as explained by the independent variables, the researcher established that the independent variables (exhibition and display opportunity) contributed to 73.9% of the variation in the Organizational performance as explained by R square of .261 which shows that the model is the good prediction. It reveals that exhibition and display opportunity explains 0.261 or 26.1 percent of the Organizational performance while 73.9 percent is explained by other factors beyond exhibition and display opportunity not covered in this study.

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.444	.413		3.499	.001
	Supplier selection	.656	.134	.511	4.898	.000

a. Dependent Variable: organizational performance

The significance of supplier selection had p value ($p=0.000$) which is less than 0.05. The beta coefficient 0.511 is positive. Based on this finding, it can be deduced that exhibition and display opportunity significantly affected Organizational performance. This showed that exhibition and display opportunity is a good predictor of Organizational performance. It can further be deduced that exhibition and display opportunity had positive and significant effect on Organizational performance in schools in Mbale city.

4.4.3 The effect of supplier relationship management Organizational performance

In a bid to establish the effect of supplier relationship management on Organizational performance, a linear regression model is run and the results were presented in tables below.

Table 4.10: Showing effect of supplier relationship management Organizational performance

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.528 ^a	.278	.268	.37983

a. Predictors: (Constant), supplier relationship management

Analysis in the table above reveals a coefficient of determination, R Square = 0.278 ($0.278 \times 100 = 27.8\%$) which indicates a positive effect of supplier relationship management on Organizational performance in Mbale city. Hence the coefficient of determination (R Square) indicates good organizational performance as a result of supplier relationship management. In order to explain the percentage of variation in the dependent variable (Organizational performance) as explained by the

independent variables, the researcher established that the independent variables (supplier relationship management) contributed to 27.8% of the variation in the organizational performance as explained by R square of .337.8 which shows that the model is the good prediction. It reveals that supplier relationship management explains 0.360 or 36.0 percent of the organizational performance while 72.2 percent is explained by other factors beyond supplier relationship management not covered in this study.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.544	.376		4.106	.000
	supplier relationship management	.537	.105	.528	5.121	.000
a. Dependent Variable: organizational performance						

The significance of supplier relationship management had p value ($p=0.000$) which is less than 0.05. The beta coefficient 0. 528 is positive. Based on this finding, it can be deduced that supplier relationship management significantly affected organizational performance. This showed that supplier relationship management is a good predictor of organizational performance. It can further be deduced that supplier relationship management had positive and significant effect on organizational performance in schools in Mbale city .

CHAPTER FIVE

OUTSOURCING, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents the findings, conclusions and recommendations. It is divided into three sections. The first section presents the findings. The second section presents the conclusions. The third section presents the recommendations.

Objective 1

Outsourcing planning on Organizational performance

The findings revealed that outsourcing at Public entities positively contributed to cost efficiency. This was because outsourcing led to cost reduction at Public entities, it has enabled Public entities to hire people to do its work cheaply, enabled Public entities to economize on production costs, outsourcing has also enabled Public entities to spend less and it has helped Public entities to be more efficient on service delivery to its customers.

The study findings support some authors and argue that the main motivation for outsourcing is found to be cost reduction (Altinkemer et al. 1994, Gilley & Rasheed 2000). This is because paying for outsourcing generally costs less than maintaining equivalent services in-house. The findings of the study concur with some academicians that successful implementation of an outsourcing strategy has been credited with helping to cut cost (Bowersox 1990; Gupta and Zeheuder 1994; Greer, Youngblood and Gray 1999). Findings agree with Abraham and Taylor (1996) that outsourcing may provide a viable strategy if firms aim to save on labor costs. Findings support Abraham and Taylor (1996) who emphasized that outsourcing can be used to economize on production cost, in particular labor cost by substituting in-house production with the buying-in of components. The study findings support Barthelemy and Adsit (2003) that firms should consider outsourcing when it is believed that certain support functions can be completed faster, cheaply, or better by an outside organization.

Objective 2

The study established that outsourcing at Public entities somehow positively contributed to improved productivity. This was because, outsourcing helped to increase productivity at Public entities,

performance per employee increased due to outsourcing at Public entities, outsourcing has helped to improve capacity at Public entities, outsourcing has also helped to improve on quality of products/services at Public entities, and outsourcing helped some employees at Public entities set their priorities more clearly.

Findings of this study concur with academicians who emphasized that outsourcing is viewed as a means to provide enhanced productivity. The findings support Evans and Lindsay (2001) who asserted that the decision to outsource can lead to increased productivity for businesses. The findings of this study support academicians who established that successful implementation of an outsourcing strategy has been credited with helping to increase capacity, improve capacity, and improve quality (Lau and Hurley

1997; Kotabe, Murray and Javalugi 1998).

5.1.3 Objective 3

It was established that outsourcing at Public entities positively contributed to profitability. This was because, outsourcing helped to increase value of its products/services at Public entities, outsourcing helped to increase its profits at Public entities, and outsourcing helped to expand into other markets.

Outsourcing helped this organization to become more competitive in the market at Uganda

Limited and outsourcing has helped to increase on its volume of sales at Uganda.

The findings of the study support the view that a fundamental question to ask is whether outsourcing is value enhancing and, in particular, whether the firm that undertakes outsourcing shows higher profitability as a result. The findings of this study are contrary to Kimura (2002) who did not find any evidence that outsourcing led to higher profits in Japanese manufacturing firms. They are also contrary to Kimura (2002) who did not find any evidence that subcontracting leads to higher profits. The findings of the study are similar to Lau and Hurley (1997) who found a significant relationship between outsourcing and profitability margin.

5.2 Conclusions

The findings revealed that outsourcing at Public entities positively contributed to cost efficiency.

The study established that outsourcing at Public entities somehow positively contributed to improved productivity.

It was established that outsourcing at Public entities positively contributed to profitability.

5.3 Recommendations

Outsourcing at Public entities should be improved in order to improve on cost efficiency.

Outsourcing at Public entities should be improved in order to improve on productivity.

Outsourcing at Public entities should be improved in order to improve on profitability

5.4 Areas for further research

In view of the findings and limitations of this study, and it's recommended that these areas be further investigated:

Expand the scope to include how outsourcing of services at Uganda has influenced the quality of service and customer satisfaction.

To find out whether Outsourcing has helped Public entities to achieve its benefits. Should be improved in order to improve on profitability.

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APPENDIX 1: QUESTIONNAIRE

Dear respondent

I am Achom Lilian Ruth, a student of Uganda Christian University pursuing a bachelor's degree in procurement and Logistic management. I am conducting a research under the topic "outsourcing and organizational performance in public entities: A case study of Mbale city council"

SECTION A: PERSONAL DATA

1. Sex of the respondent

i. Male ii Female

2. Department/ position

Executives

Social workers

Other workers

Support staff

If any other please specify.....

3. Level of education

Masters

Bachelors' degree

Diploma

Certificate

If any other please specify.....

5. Length of service

0 – 5 years

6 – 10 years

10 and above

If any others, please specify.....

SECTION B

Section B: Talent Management Strategies on Employee Performance

Kindly specify the degree to which you concur to the following items based on how employee performance in Mbale City Council, is influenced by Human Resource planning strategy, Training strategy, and talent management strategy.

As one moves away towards to 5 it shows a reduction in the level of agreement to the question

1= Strongly Disagree 2= disagree 3= Not Sure 4= Agree 5= strongly Agree

SECTION B: OUTSOURCING PLANNING

Statement	SD	D	NS	A	SA
1. Outsourcing has led to cost reduction in this organization					
2. Outsourcing has enable this organization to hire people to do its work more cheaper					
3. Outsourcing has enabled this organization to economize on production cost					
4. Outsourcing has enabled this organization to spend less					
5. Outsourcing has helped this organization to be more efficiency					

If any other please specify.....

SECTION C: SUPPLIER SELECTION

Supplier selection	SD	D	NS	A	SA
1. Outsourcing has helped this organization to increase productivity					
2. Performance per employee in this organization has increased due to outsourcing					
3. Outsourcing has helped this organization to improve capacity					
4. Outsourcing has helped this organization to improve quality of its products/services					

5. Outsourcing has helped this organization help employees set their priorities more clearly					
1. Outsourcing has helped this organization to increase productivity					

If any other please specify.....

SECTION D: SUPPLIER RELATIONSHIP MANAGEMENT

Supplier relationship management	SD	D	NS	A	SA	
1. Outsourcing has helped this organization to increase value of its products/services						
2. Outsourcing has helped this organization to increase its profits						
3. Outsourcing has helped this organization to expand into other markets						
4. Outsourcing has helped this organization to become more competitive in the market						
5. Outsourcing has helped this organization to increase its sales						

If any other please specify.....

Thank you for your corporation.

Organizational performance	SD	D	NS	A	SA
1. Outsourcing has helped this organization to increase to realize their value in production					
2. Outsourcing has increased on its performance by building on the capacity of workers in an organization					
3. Outsourcing has helped this organization to explore on different techniques of management for its initial performance.					
4. Outsourcing has helped this organization to become more popular and introduced in high ranking organizations in Mbale					
5. Outsourcing has helped this organization to increase on staff performance, and efficiency					

Thank you.

Appendix iii: Table for Sample Size Determination

N	S	N	S	N	S
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	280	100000	384

Source: Morgan and Krejcie (1970)

ACCEPTANCE LETTER



UGANDA CHRISTIAN UNIVERSITY, MBALE UNIVERSITY COLLEGE.

A Centre of Excellence in the Heart of Africa

BUSINESS DEPARTMENT

To TOWN CLERK
MBALE CITY COUNCIL

Dear Sir/Madam,

Re: Academic Research

Christian greetings!

We are honored to introduce to you Mr. Mrs./Miss ACHOM WILIAN

Of Registration Number; M22/MUC/BPLM/001

Degree/Postgraduate Diploma / Bachelor's Degree

IN PROCUREMENT AND LOGISTIC MANAGEMENT

He/ she is required to carry out an academic research on the topic

OUTSOURCING AND ORGANIZATIONAL PERFORMANCE IN PUBLIC ENTITIES - A CASE STUDY OF MBALE CITY COUNCIL

and thereafter produce a well bound hard cover research report (MAROON) in color for undergraduate and three (BLACK) copies for Postgraduate students as a University requirement for the award of a degree/diploma in the academic discipline that he / she is pursuing.

We shall be grateful for the help you may offer to him or her accordingly.

Thank you.

Yours faithfully,


.....
HEAD OF DEPTMENT BUSINESS UCU-MUC
Henry Omache Ogachi



*Permission granted as long as the reports for only academic reasons and research ethics must be observed.
#Hwong
22/02/2024*

