

OUTSOURCING AND ORGANIZATIONAL PERFORMANCE IN  
PARASTATAL ORGANIZATIONS IN UGANDA: A CASE STUDY  
OF CIVIL AVIATION AUTHORITY (CAA)

BY

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**DECLARATION**

I, Mushega K. Harriet, declare that this study is my original work and has, to the best of my knowledge, never been submitted for the award of a degree or any other award in a University or other institutions of higher learning.

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## APPROVAL

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## **DEDICATION**

This work is dedicated to my dear family; my children Nkwanzi and Ishebo whose endeavors, prayers and encouragement for higher education contributed to this work.

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## **LIST OF ABBREVIATIONS**

- ACT - Agency cost theory
- BAT - British American Tobacco
- CAA - Civil Aviation Authority
- CCT - Core competencies theory
- CVR - Content Validity Ratio
- EAB - Eastern African Breweries
- IS - Information Systems
- IT - Institutional Theory
- PPDA - Public Procurement and Disposal of Assets
- R&D - Research and Development
- RBT - Resource-Based Theory
- SPSS - Statistical Package for Social Scientists
- TCT - Transaction Cost Theory
- TOR - Terms of Reference

## ABSTRACT

The study topic was outsourcing and organizational performance in parastatal organizations in Uganda: a case study of Civil Aviation Authority (CAA)". Outsourcing was the independent variable, organizational performance was the dependent variable and procurement legal framework was the moderating variable. The study was conducted because despite CAA's outsourcing, its performance had not scaled up. Thus, the general objective was to assess the effect of outsourcing on organizational performance in CAA. The specific objectives were to: assess the effect of outsourcing planning and decision making on organizational performance, find out the effect of outsourcing process on organizational performance, and establish the moderator effect of procurement legal framework on the relationship between outsourcing and organizational performance. A case study design using both qualitative and quantitative approaches was adopted. The target population was 38 and a sample size of 36 respondents was selected using simple random sampling and purposive sampling. Primary data was collected using questionnaires and interviews. Secondary data was gathered by reviewing documents. Frequencies and percentages and Spearman rank order correlation were used to analyze quantitative data. Qualitative data was sorted and classified into themes and categories to support the quantitative data. It was established that outsourcing planning and decision-making accounted for 31.7% change in the performance of the CAA and outsourcing processes accounted for 51.6% change in the performance of the CAA. However, procurement legal framework moderated the relationship between outsourcing and performance by weakening the strength of the relationships. It is recommended that CAA should improve its planning and decision-making, outsourcing process and procurement legal framework to improve its performance.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Introduction**

This study was about outsourcing, as the independent variable and its effects on organizational performance in Uganda, as the dependent variable. This chapter presents the background to the study, statement of the problem, general objective of the study, specific objectives, research questions, hypotheses, scope of the study, significance of the study, justification of the study, the conceptual framework and operational definitions of terms and concepts.

#### **1.1 Background to the study**

##### **1.1.1 Historical background**

According to Rundquist (2007), during the industrial revolution, there were no developed external markets because outsourcing was not formally identified as a business strategy for improving organizational performance until 1989. Therefore, in order for organizations to minimize costs and thus increase their profits (which are indicators of organizational performance, they produced in-house a wide range of activities upstream or downstream. Only a few firms, if any, during the 1800s and in the early 1900s outsourced parts of their processes as a strategy to improve their organizational performance; they were completely vertically integrated organizations. This means that as a strategy for maintain or improving organizational performance, the organizations produced or mined raw materials, converted their raw material to finished products in plants owned by the firm, and then shipped all the finished goods on firm-owned trucks to firm-owned retail stores for marketing. In addition, as a strategy for maintain or improving

organizational performance, the organizations owned their own insurance companies, did their own taxes, employed their own legal services, and had their own architects to construct their buildings without assistance from other firms (Piore & Sabel, 1990). This means that they actually outsourced very few activities as a strategy to improve their organizational performance.

Development of special services led to increased contracting as a strategy for improving organizational performance, which is a form of outsourcing and in the 1990s, as organizations began to focus more on cost-saving measures as part of improving their performance, they started to outsource those functions necessary to run a company but not related specifically to the core business (Rundquist, 2007). He further observes that the first wave of outsourcing as a strategy for improving organizational performance began during the second industrial revolution in the late 19<sup>th</sup> century, and started the growth of services such as insurance companies, tax consultancies, accounting services, lawyers, architecture and engineering services, and others. The companies performing this work were normally located in the same region, often the same city, as their customers (Piore & Sabel, 1990). In essence, this was a form of local outsourcing as a strategy for improving organizational performance. The next development step as a strategy for improving organizational performance came with outsourcing manufacturing of low-tech items such as toys, metal parts, shoes, and construction goods and later, more high-tech manufactured items like complex mechanics components and consumer electronics (Rundquist, 2007; Slack, 2003). More recently, outsourcing as a strategy for improving organizational performance has moved also to intangible activities or knowledge intensive activities such as information

technology, product development or research and development (R&D) (Quinn, 2000).

Today, the outsourcing of selected organizational activities is an integral part of corporate strategy of improving organizational performance. Historically, third party participation in a company's business to improve organizational performance has generally focused on the manufacture of parts and components and the provision of auxiliary services such as legal and travel services. A more recent phenomenon, however, involves third party participation in the management of the information systems (IS) function to improve organizational performance (Behara *et al.*, 1995).

There is very little literature about the history of outsourcing as a strategy for improving organizational performance in Africa. This may be because outsourcing where a company hires another company to improve its organizational performance has just started to be embraced in most African countries. The exception African countries where it has been practiced for some good period are South Africa, Libya and Egypt whose economies are close to the western countries with industries that have been well developed especially in the service sector (Mallard, 2006). In Uganda, like most other African countries, outsourcing as a strategy for improving organizational performance is a new phenomenon but the country is becoming more involved in this phenomenon (Mallard, 2006). This is evident in big organizations/firms such as the British American Tobacco (BAT), Eastern African Breweries, Coca Cola, Civil Aviation Authority (CAA), Makerere University, some ministries and Mulago Hospital.

### 1.1.2 Theoretical background

Different theories have been used to explain the concept of outsourcing and Organizational performance. Discussing these different theories provided a background against which outsourcing and organizational performance was examined.

**Core Competencies Theory (CCT):** It asserts that core competencies of organizations should be kept in-house, but that other functions that the organization does, which are not deemed core, or critical to its mission or function, should be considered for outsourcing (Urquhart, 2002). The core competency perspective is useful in prompting serious consideration about the functions, which are truly done cost-effectively in-house, and those, which could be outsourced, without any loss to future requirements in expertise. Thus, a firm seeking to outsource in order to improve its performance should plan or make decision to retain its core competencies. This theory is relevant to this study in that it emphasizes the importance of outsourcing planning and decision making in improving the performance of an organization.

**Resource-Based Theory (RBT):** Concentrates on those factors that enable firms to win competitive advantages and RBT helps firms to earn sustained returns (Barney, 1991). In view of this study, these returns are in terms of cost efficiency, productivity and profitability. This outcome (the sustained returns) arises because the firms have gained access to key resources (Barney 1991). Thus, a firm seeking to outsource in order to improve its performance should plan or make decision to retain its valuable resources. This theory is also relevant to this study in that it



emphasizes the importance of outsourcing planning and decision making in improving the performance of an organization.

**The Transaction Cost Theory (TCT):** Proposes that organizations may buy from the market, or develop in-house activities, and decisions to outsource are based on the relative cost, composed of the costs of production and costs of the transaction (Rundquist, 2007). According to this theory, managers must compare the total cost of production and transaction associated with executing a transaction within their firms against the total cost of production and transaction associated with executing the transaction in the market (outsourcing) and then decide which option is best to realize improved performance. Similarly, Cheon, Grover & Teng (1995) propose that the Transaction Cost Theory puts into consideration both the transaction and production costs. They further assert that outsourcing leads to lower production costs due to economies of scale enjoyed by an outside provider, but in many cases, higher transaction costs, from negotiating, monitoring and enforcing contracts. Thus, comparisons lead to poor outsourcing planning and decision making leading to poor performance and vice versa. Furthermore, this theory is relevant to this study in that it emphasizes the importance of outsourcing planning and decision making in improving the performance of an organization.

**Agency Cost Theory (ACT):** This expands on one aspect of Transaction Cost Theory, as it deals with the different perspectives of risk that client and supplier have. According to Eisenhard (1998), the theory investigates the effective contract regulation on the relationship between principals (the partners who receive inquiries or services) and agents (the partners who provide inquiries or services).

Thus, this theory is important to this study in that it emphasizes the aspect of outsourcing processes (e.g. Minimizing risks to increase performance) to improve the performance of the organization, which this study investigated.

The theory differentiates between outcome-based contracts and behavior-based contracts. If the firm distrusts the outsourcing partner, then the extent of monitoring required will be greater for the firm than it would be if the firm could wholly trust the partner to deliver required quality of goods and service. The firm has two main choices: a contract which stipulates payment by results (an outcome-based contract), or a contract which states that the partner should do certain things at stipulated times, or spend a specified amount of time on specific functions. According to this theory, if one cannot trust a partner to deliver a good or service according to agreement, then an outcome-based contract can ensure that at least the detailed actions are conducted. Agency cost theory helps to distinguish the most productive and fairest method of minimizing risks for both firm and outsourcing partner.

**Institutional Theory (IT):** Institutional theory focuses on how external forces lead to organizational actions (DiMaggio & Powell, 1983). Institutional theory seeks to explain homogeneity of organizational forms and practices. According to IT, organizational environments “...are characterized by the elaboration of rules and requirements to which individual organizations must conform to if they are to receive support and legitimacy...” (Scott and Meyer, 2000). As a result, values and beliefs external to the organization play an important role in determining the internal norms of the organization. During this study, this theory helped to explain

how the procurement legal framework came in play when trying to improve organizational performance through outsourcing.

Whereas the discussed theories are important to this study as shown in the previous sections, this study used the **Contingency Theory**, which combines all the above theories in one theory – to explain how outsourcing may affect the performance of a firm in a number of ways. Contingency theory suggests that there is no one best way to make a decision or organize an operation, but that any way of decision-making or organizing is not equally good/effective (Rundquist, 2007). Every specific situation affects which way is best. It depends on the context and the circumstances of the situation. Scott (in Rundquist, 2007) also concludes that contingency theory suggests that the best way to make a decision/organize depends on the nature of the environment to which the organization relates.

Thus, according to Rundquist (2007), the contingency theory captures all outsourcing theories that have been reviewed and this way helps to explain how several factors (outsourcing planning/decision making, outsourcing processing and procurement legal framework) may affect organizational performance. For example, the first three outsourcing theories (Core Competency Theory, Resource Based Theory and Transaction Cost Theory) explain how outsourcing planning/decision making affects performance. The fourth theory (Agency Cost Theory) explains how outsourcing processes affect performance. The last theory (Institutional Theory) explains how the procurement legal framework affects performance.

### 1.1.3 Conceptual background

**Outsourcing** is defined as the procurement of products or services from sources that are external to the organization (Rundquist, 2006; Barrar & Gervais, 2007; Gilley & Rasheed, 2000). Very simply outsourcing can be defined as phenomena in which a company delegates part of its in-house operations to a third party with the third party gaining full control over that operation/process (Ono & Stango, 2005; <http://www.cyfuture.com/definition-of-outsourcing.htm>). The clients inform their provider what they want and how they want the work performed. Therefore, the client can authorize the provider to operate as well as redesign basic processes in order to ensure even greater cost and efficiency benefits. In outsourcing, the control of the process is with the third party instead of the parent company. From the above, the following operation definition was adopted for this study: Outsourcing essentially referred to how things were done rather than what was done. Thus, the study looked out how CAA obtained services from other firms in terms of planning/decision-making and not what the services were. Thus, the focus was on a contracting transaction through which CAA purchased services from other firms while keeping ownership and ultimate responsibility for the underlying processes.

**Organizational performance** in this study is discussed as cost efficiency, productivity and profitability. According to Chaffey (2008), judgements of **efficiency** are based on some idea of 'wastage'. In this study, the variant of efficiency was cost efficiency. This involved weighting the inputs and outputs by their monetary values. Thus, cost efficiency referred to CAA's total revenue or

sales compared to the total costs and overhead costs incurred to provide services to its clients.

**Productivity** is the amount of output produced with a given amount of inputs (Houseman, 2006; <http://www.investorwords.com/3876/productivity.html>, Perry, 1997; Siegel & Griliches, 1992). According to Pavlina (2005), productivity is the ratio of value to time. In this study, therefore, productivity was operationalized in terms of the extent to which an amount of output was produced with a certain amount of input and the extent to which value was created in comparison to the time required to create that value. Value was defined in terms of work output within workers' career and number and quality of tasks completed.

**Profitability** refers to the efficiency of a company or industry at generating earnings (<http://www.moneychimp.com/glossary/profitability.htm>).

It is the amount of output per unit of input (labor, equipment and capital). It is the ability of a firm to generate net income on a consistent basis

(<http://www.businessdictionary.com/definition/profitability.html> or it is a measure that indicates how well a firm is performing in terms of its ability to generate profit (<http://www.businessdictionary.com/definition/profitability-ratios.html>).

Thus, the last two definitions were operationalized in this study and were expressed in terms of: "how much CAA made with what it had got" and "how much it made from what it took in" on a consistent basis.

**Procurement legal framework** refers to rules, procedures, and guidelines that an organization follows when making procurement. In this study procurement legal

framework was operationalized as the guidelines that CAA complied/followed during the procurement process such as Public Procurement and Disposal of Assets (PPDA) Act 2003.

#### **1.1.4 Contextual background**

Companies have always hired contractors for particular types of work, or to level-off peaks and troughs in their workload, and have formed long-term relationships with firms whose capabilities complement or supplement their own. However, the difference between simply supplementing resources by “subcontracting” and actual outsourcing is that the latter involves substantial restructuring of particular business activities including, often, the transfer of staff from a host company to a specialist, usually smaller, company with the required core competencies.

Many organizations have been forced to re-examine their strategic priorities because of intense competitive pressure to improve delivery, performance, quality, and responsiveness, while simultaneously reducing cost. For many organizations, this has included recognizing the need to re-focus on core competencies and outsource non-core activities. Not only does this allow firms to downsize and utilize resources more effectively, it allows them to take advantage of the capabilities and technologies of suppliers. In doing so, they can enhance the product development process, improve product quality, reduce product development times, and more rapidly integrate technological breakthroughs of their suppliers into their own products (Monczka *et al.*, 1994; Burt & Soukup, 1985; Ragatz *et al.*, 1997).

In Uganda, CAA was set up in 1994 by an act of parliament and gained Civil Aviation status, with a mission of maintaining the highest standards of safety and service in civil aviation and a mandate to manage all civil aviations in and outside Uganda in a safe and secure environment. CAA's core functions include managing other domestic air fields like Kisoro, Gulu and others; issuance of licenses to personnel and aircrafts. In order to concentrate on their core activities, CAA developed a strategy to outsource some of its non-core activities, which include cleaning, security and maintenance. Despite this, there has been decreasing savings/profits from year to year as shown in Table 1.

**Table 1: CAA's performance in terms of total income, expenditure and savings/profits**

	2005/06	2006/07	2007/08
Total income	42.85	51.13	51.3
Expenditure	35.3	44.53	52
Saving/profits	7.55	6.6	-0.7

It is shown in Table 1 that total income increased but not at faster rate than that of the increasing expenditure from 2005/06 to 2007/08. This resulted into a decrease in CAA's profits/savings where in 2007/08, CAA made a loss of 0.7 billions shillings. This happened despite the fact that CAA outsourced some of the activities with a purpose of improving its performance, hence the need to investigate why.

## **1.2 Statement of the problem**

Outsourcing has grown in importance today because economic and competitive pressures have made it imperative for organizations of all sizes to focus on their core competencies and turn to third-parties to assume responsibility for other secondary corporate functions. Leveraging third-party alternatives can reduce costs and improve operating efficiencies.

It was in this line that CAA developed a strategy to outsource some of its non-core activities, which include cleaning, security and maintenance in order to improve its performance. Despite this, performance did not improve. For example, savings decreased year to year, with large gains often achieved at first but diminishing returns recorded thereafter. Thus, one wonders- why is there no much improvement in the performance, in spite of CAA's initiative to outsource some of the activities. In order to fill this knowledge gap, this study was proposed, with the primary interest of assessing the effect of outsourcing on performance of CAA.

## **1.3 General objective**

To assess the effect of outsourcing on Organizational performance in Civil Aviation Authority

## **1.4 Specific objectives**

The specific objectives included

1. To assess the effect of outsourcing planning and decision making on organizational performance in Civil Aviation Authority



2. To find out the effect of outsourcing process on organizational performance in Civil Aviation Authority
3. To establish the moderator effect of procurement legal framework on the relationship between outsourcing and organizational performance in Civil Aviation Authority

### **1.5 Research questions**

The research questions were

1. What is the effect of outsourcing planning and decision making on organizational performance in Civil Aviation Authority?
2. Does outsourcing process contribute to organizational performance in Civil Aviation Authority?
3. How does the moderator variable 'procurement legal framework' contribute to the relationship between outsourcing and organizational performance in Civil Aviation Authority?

### **1.6 Research hypotheses**

The research hypotheses were

1. Outsourcing planning and decision making do not have a significant effect on organizational performance in Civil Aviation Authority.
2. Outsourcing process does not have a significant effect on organizational performance in Civil Aviation Authority
3. Procurement legal framework does not have a significant effect on the relationship between outsourcing and organizational performance in Civil Aviation Authority

### **1.7 Scope of the study**

The study covered a period of 2005-2008 when CAA started effective implementation of outsourcing strategic plan. Geographically, the study was carried out at CAA Headquarters, located in Entebbe, which is 27km from the Central business district of Kampala in Uganda. The content scope comprised outsourcing, as the independent variable, Organizational performance as the dependent variable and procurement legal framework as the moderator variable.

### **1.8 Significance of the study**

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

The study findings will also help policymakers such as members of parliament and CAA management in different Organizations by availing them with information that they will use to make decisions that are more informed, as far as outsourcing is concerned. The findings will further help stakeholders such as suppliers, procurement officers and human resource officers, finance officers and heads of department on how to attach performance onto the decision to outsource, knowing that outsourcing should have a direct linkage on performance. Finally, the findings will be of great use to the academia, especially those who would wish to carry out further research on outsourcing and performance. It will build on the existing body of literature and knowledge.

## **1.9 Justification of the study**

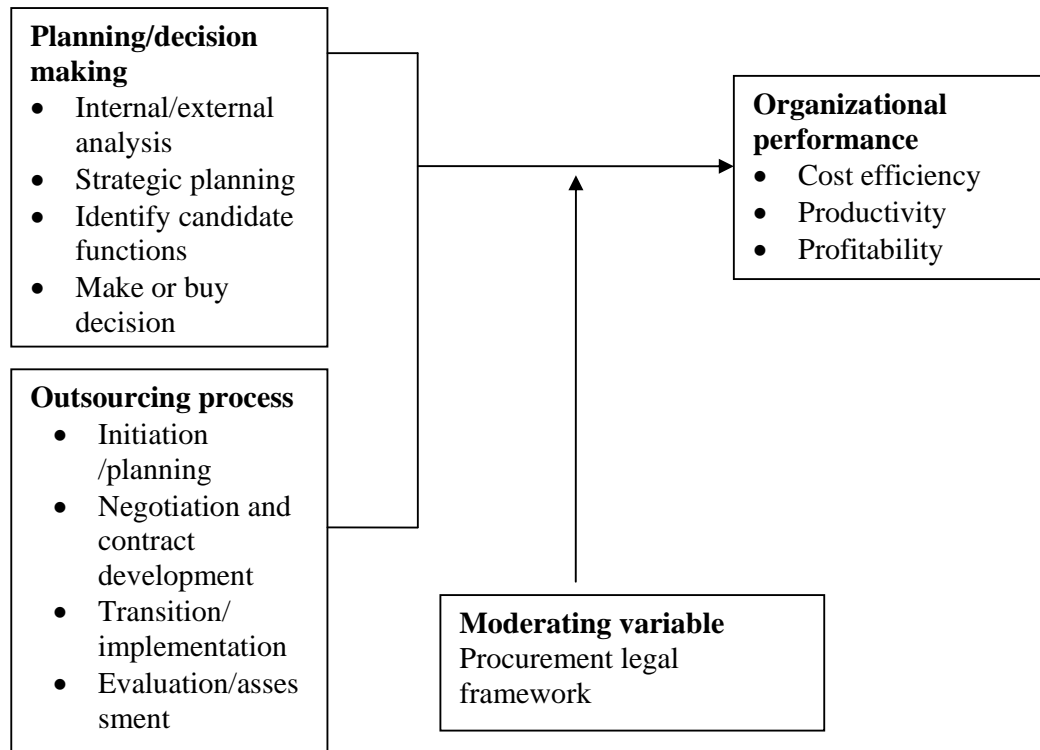
Little academic research had been carried out in this area in the context of parastatal organizations in Uganda. This study therefore sought to enrich knowledge existing knowledge about outsourcing and its effect on performance in parastatals. Such knowledge would be useful to policymakers and implementer trying to help parastatals in outsourcing with a purpose of improving their performance. In addition, this information would be useful to the parastatals themselves in that it would guide them in realizing the objectives of their outsourcing strategies.

## **1.10 Conceptual framework, showing the relationship between the dependent and independent variables**

The conceptual framework below explains the relationship between outsourcing and organizational performance. Outsourcing is the independent variable, and it is further broken down into two dimensions; 1) planning and decision-making; and 2) outsourcing process. Organizational performance is the researcher's variable of primary investigation - the dependent variable. The two variables are further moderated by procurement legal framework, which variable will either weaken or strengthen the independent variable. Figure 1 further shows that outsourcing planning and decision making, has an effect on organizational performance. Similarly, the outsourcing process, according to the framework, will affect either positively or negatively the performance of an organization. Procurement legal framework will either strengthen or weaken the relationship between outsourcing and organizational performance.

**Independent Variable**  
**Outsourcing**  
**performance**

**Dependent variable**  
**Organizational**



**Figure 1: Conceptual framework adapted from Urquhart (2002); Lever (1997); Zhu et al (2001); & Ezell (2005)**

### 1.11 Operational definitions of terms and concepts

**Cost Efficiency:** refers to the relative balance of effectively meeting reach and frequency goals at the lowest price (Lake, 2009).

**Evaluation:** Is the systematic assessment of the worth or merit of some object (Muraskin, 2009).

**External Analysis:** A phase of the planning process that focuses on factors such as the characteristics of an organizations customers, market segments, positioning strategies, competitors, and marketing environment (Muet, 2007).

**Implementation:** Is the carrying out, execution, or practice of a plan, a method, or any design for doing something. As such, implementation is the action that must follow any preliminary thinking in order for something to actually happen (Wikipedia Encyclopedia).

**Initiation:** the act of starting something; introducing something (Wikipedia Encyclopedia).

**Internal analysis:** The phase of the planning process that focuses on the product/service offering and the firm itself including the capabilities of the firm and its ability to develop and implement a successful integrated marketing (Wikipedia Encyclopedia).

**Negotiation:** 1) It is a process by which the involved parties or group resolve matters of dispute by holding discussions and coming to an agreement which can be mutually agreed by them. It also refers to coming to closing a business deal or bargaining on some product. 2) It also means exchange of negotiable instruments such as bills of exchange, cheques etc in exchange of goods, service or money (Wikipedia Encyclopedia).

**Organizational Performance:** is a broad construct, which captures what agencies do, produce, and accomplish for the various constituencies with which they interact (Chaffey, 2008).

**Outsourcing:** Outsourcing is a strategy by which an Organization contracts out major functions to specialized and efficient service providers, who become valued business partners (Rundquist, 2006).

**Planning:** The process of setting goals, developing strategies, and outlining tasks and schedules to accomplish the goals (Vijay, 2003).

**Process outsourcing:** This deals with matters pertaining planning, acquisition, implementation and evaluation of the outsourcing exercise (Gilley & Rasheed, 2000).

**Productivity:** The amount of output per unit of input (labor, equipment, and capital) (Vijay, 2003).

**Profitability:** Ability of a firm to generate net income on a consistent basis. It is often measured by price to earnings ratio (Pavlina, 2005)

**Strategic planning:** is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people (O'Connor, 2001).

**Transition:** Passage from one form, state, style, or place to another (Monczka, Trentand, Callahan, 1994).

## **CHAPTER TWO**

### **REVIEW OF LITERATURE**

#### **2.0 Introduction**

This section presents a review of literature on the outsourcing and organization performance. The first section presents related literature on the overall concept and practices of outsourcing. This is followed by a review of literature on the effect of outsourcing planning/decision making on organizational performance, related literature on outsourcing and organizational performance, and outsourcing and legal framework while the last section gives the gaps in the literature reviewed.

#### **2.1 Theoretical review**

According to resource-based theory, Organizations wish to maintain a distinctive product (competitive advantage) and will plug gaps in resources and capabilities in the most cost-effective manner. Outsourcing is easier to rationalize using resource-based theory as this emphasizes that cost-effective solutions are required to perform some of the major activities, in order to fulfill the main aim of the Organization (provide organized access to resources) (Urquhart, 2002). With resource dependent theory, the environment of the Organization is almost as important as the Organization itself. The principle is that Organizations adopt strategies to gain access to critical resources, to stabilize relationships with the external environment and to secure survival. With this theory, collaborative licensing deals are easy to rationalize. Collaboration allows access to resources (more effectively and more efficiently than without), deals lessen the problems of negotiations with many publishers on an individual basis, and survival (managing

diminishing budgetary resources) is more assured. Some individual choice over selection has gone, but more is gained for apparently less effort in staff time.

According to Urquhart (2002), if the decision is made to outsource, then the aim is to reduce those transaction costs as much as possible, and that can be done by collaborative working with other institutions, which require a similar product or service, to share the work involved in setting up and monitoring the contract. The transaction cost theory (TCT) perspective is useful in examining the contributions to transaction costs, and how these might be reduced.

Agency cost theory expands on one aspect of TCT, as it deals with the different perspectives of risk that client and supplier have, and differentiates between outcome-based contracts, and behavior-based contracts (Eisenhard, 1998). If the client distrusts the supplier then the extent of monitoring required will be greater for the client, than it would be if the client could wholly trust the supplier to deliver. The client has two main choices: a contract which stipulates payment by results (an outcome-based contract), or a contract that states the supplier should do certain things at stipulated times, or spend a certain amount of time on certain functions. If one cannot trust a supplier to deliver a product some months down the line, then it might pay to ensure that it looks as if they are doing something (Eisenhard, 1998). Agency cost theory helps to distinguish the most productive and fairest method of minimizing risks for both client and supplier.

The institutional influence is especially powerful to explain organizational phenomena in industries where structures are solid, external regulations are



strong, and practices are well established (DiMaggio in Rundquist, 2007). Applied to the outsourcing context, institutional theory pinpoints to what extent outsourcing practices should reflect the participants' unique characteristics versus mimicking industry best practices. This means focusing on the contingency factors that give the necessary balance between industry's best practices and participants' unique characteristics. DiMaggio and Powell (1983) suggested four institutions that influence the Organization: suppliers; customers and competitors; and regulatory bodies. The first three institutions are part of the supply chain. According to Feldman (April 2001), closer contacts between institutions lead to stronger conformity. This means that the closer and more trustful the institutions, the more conformity. Regulatory bodies affect the industry in two ways; with their rules and with their presentation of the rules. For example, trade agreements, changes in intellectual right properties, and changes in the legal system that surrounds the decision can lead to a new set of environments. In addition, the ways these new settings are presented affect the behavior of organizations. Those factors influence the decisions very much as.

## **2.2 Outsourcing and organizational performance**

Outsourcing can be divided into two broad categories (Gilley & Rasheed 2000). They are Business Process Outsourcing (BPO) and Knowledge Process Outsourcing (KPO). In BPO, a particular process task is outsourced (Gilley & Rasheed 2000). An example would be payroll. BPO work could be either back office related or front office work. By front office functions we mean customer oriented work like marketing, answering calls, technical support and so on, whereas internal work like billing and purchase come in the back office category.

As is evident from the description, BPO activities involve carrying out standardized processes for the client. KPO typically calls for work that needs higher levels of involvement from the worker (Gilley & Rasheed 2000). The worker has to employ advanced levels of research, analytical and technical skills and has to make decisions of a higher order than BPO work. Examples are pharmaceutical research and development, patent/ intellectual property research, animation and simulation. Apart from BPO and KPO, Information Technology Outsourcing (ITO) is another major category.

There has been increasing interest in privatization and business integration, which has led companies to turn to outsourcing as a way of improving their performance. However, despite the growing emphasis of outsourcing, researchers are unable to pinpoint empirically and systematically its effect on organizational performance metrics by using objective “hard data”. Most studies refer to outsourcing effect roughly as a conceptual combination of cost reduction, productivity growth, and profitability improvement approaches. Subjective “soft data,” such as self-report data and perceptual data, are dominating the current outsourcing research literature (Jiang & Quereshi, 2006).

Organizations around the world are increasingly considering outsourcing as a strategic management tool, which can be leveraged to allow them to focus on their core competencies. In the current environment of rightsizing, with a renewed focus on core business activities, companies can no longer assume that all organizational services must be provided and managed internally. Competitive advantage may be gained when products or services are produced more effectively

and efficiently by outside suppliers. The advantages in outsourcing can be operational, strategic, or both. Operational advantages usually provide for short-term trouble avoidance, while strategic advantages offer long-term contributions in maximizing opportunities.

Other authors support the argument 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. According to Malhotra (1995), factors that affect outsourcing decisions are reduction in operating costs, cost predictability due to fixed contract, sharing risk on technology investments, access to specialized expertise, and perception of efficiency.

Why do senior managers sometimes prefer to entrust outside firms with critical tasks? The fact is, senior management often finds outside firms to be more cost-effective. While middle managers often claim, they can hire a person to do it cheaper, upper management looks at things differently. They know they will typically pay at least less per hour to outsource, but they also know the job will be done on time and in a predictable fashion. If it is not, they can get somebody else without going through the hassles of hiring and firing employees. It is vision, function, and economics that drive the need for outsourcing (O'Connor, 2001).

Firms should consider outsourcing when it is believed that certain support functions can be completed faster, cheaper, or better by an outside organization (Barthelemy & Adsit, 2003). Tasks that are not core competencies of the

organization are candidates for being contracted out. However, any skill or knowledge that allows you to serve your customer base better, that deals directly with the product or service you are trying to put out of the door, is one that must remain in-house. Cost efficiency remains the primary explanation for the development of outsourcing. Firms evaluate outsourcing to determine if current operation costs can be reduced and if saved resources can be reinvested in processes that are more competitive. Some researchers contend that an important source of cost reductions is the outsourcing firm's access to economies of scale and the unique expertise that a large outsourcing vendor can deliver, all of which in turn will serve to boost the Organizational performance (Bin, 2004).

The literature presented under this paragraph shows that outsourcing affects the organizations' performance in various ways. These include increasing competitive advantage, cost reduction, sharing risk on technology investments, access to specialized expertise and improving the efficiency of the organization in its operations. However, what was not known in this study was whether these benefits accrued to CAA because of its outsourcing and hence needed to be investigated.

### **2.3 Outsourcing planning and decision making and organizational performance**

Outsourcing is viewed as a means to reduce costs, improve customer satisfaction, and provide enhanced efficiency and effectiveness. However, many organizations never realize the full benefits of an outsourcing relationship. Outsourcing relationships fail when they are viewed as short-term or tactical solutions, rather than part of long-term strategic plans. The process of considering and/or

implementing an outsourcing solution must be systematic and fully documented to achieve the desired results. A multi-step approach, including Planning, Analysis, Design, Implementation, and Operations phases, along with a contingency exit strategy, is required to achieve a successful outsourcing implementation.

At the start of any outsourcing programme, there are a variety of ideas and opinions about the purpose and scope of the programme, what the final result of the programme will be, and how the programme will be carried out. The Programme Initiation Stage is concerned with taking these ideas and intentions and documenting them to form the basis of a draft contract.

Evans and Lindsay (2001) assert that the decision to outsource can lead to competitive advantages for businesses. For outsourcing to be successful, the decision needs to be an informed one. Good, hard, detailed information in the hands of strong management can help avoid a costly step, one that is not easily reversed. Ultimately, for outsourcing in any form to be successful, quick response times to strategic opportunities and threats are essential. Effective management of the outsourcing relationships is an organizational imperative. The decision to outsource should address the critical role of information and processes in organizations, including the role that systems play. If an entire function is to be outsourced, sufficient provision should be made in the outsourcing contract to deal with current and future requirements of the organization. Special attention should be given to the potential need for innovative solutions to be provided by the outsourcer, and to the timing of these actions.

A number of issues are involved in the decision to outsource an organization's resources. To summarize, key items to analyze are scale economy, outsourcer expertise, short- and long-term financial advantage from the sale of resources, inability to manage the function, strategic realignment, and a need to focus on the core business (Fritsch, Geller, Chesler & Hughes, 2002). Additional issues that typically are involved and need to be considered in the context of a specific firm's situation include :impact on company competitiveness; identifying services to be outsourced; the number of suppliers to be used; ability to return to in-house operations if required; supplier reliability; supplier service quality; coordinating with the supplier and evaluating performance; flexibility in the products offered by the supplier; providing the latest/advanced technology and expertise. (Al-Shalabi, Omar & Rundquist, 2007)

The specific needs of the organization should be matched with the supplier's capabilities during negotiations to develop a contract around a shared vision (Gibbons, 2005). A cross-functional team with members from a variety of decision-making levels is required to assess the company's needs. Such a team is also required to manage the contract after its execution. Outsourcers should have the financial and technological incentive to help the company migrate to technology that is suitable to the organization. Suppliers that have a good understanding and an interest in the outsourcing firm's business will be better positioned to help define mutually beneficial goals. Supplier performance should be evaluated on the twin dimensions of technical and functional quality. Technical quality includes maintaining the required response time, minimizing system down

time, providing error-free service, and utilizing leading edge technology. Functional quality, in essence, is the quality of customer service.

Eger, Knudson, Marlowe and Ogard (2002) observe that successful outsourcing has been demonstrated to provide organizations with a number of benefits, most of which result from improved planning and decision-making. Eger *et al* (2002) observe that through the emphasis of “essential” or “core” functions, an organization is able to streamline its operations by maintaining only those resources considered essential to its mission or business model. They emphasize that because of good planning and decision-making, outsourcing allows firms to expand their market share, pursue new strategic directions, and improve overall competitive advantage. As a result, organizations in both the private and public sector have several incentives to explore their outsourcing options.

Eger *et al* (2002) emphasize the importance of assessing core competencies during planning and decision-making. Most outsourcing decisions should begin with an assessment of the role that the function in question plays in advancing the firm’s core competencies, functions, or mission. The underlying logic is simple – any function the organization performs that is not essential to its mission, can, in theory, be outsourced. However, assessing a firm’s core competencies is often an ambiguous and difficult task. In response to that challenge, current research on this phase of decision-making recommends that firms simultaneously consider the functions that may benefit from outsourcing in conjunction with the core competencies of third parties that could potentially provide outsourced services. Again, the logic is simple – unless a qualified provider can be identified for a

specific function, there may be no value added in considering an outsourcing plan for that function. Goldsmith's (2000) piece provided one of the first series of questions any firm should answer in this regard.

1. What are the company's most significant considerations: Competitive position?  
Bottom-line cost? Inventory control?
2. Do we have adequate manpower for these functions? Do we have a knowledgeable staff, enough support, and third party help?
3. Have we made current cost-benefit analysis of internal staffing versus outsourcing to accomplish our goals?

Using this sort of analysis, the initial task for management in assessing outsourcing needs is to identify areas where the firm can match its needs with the essential competencies of potential third-party providers. Copacino presents a similar framework to help managers assess the impact outsourcing may have on operations at the strategic, structural, functional, and implementational levels (Copacino, 2001). According to his framework, an outsourcing plan must include:

1. An accurate definition of customer service
2. Some knowledge on competitors
3. Institutional flexibility to incorporate a speedy response to future needs of the existing or new customers

Thus, works of this sort clearly indicate the importance of identifying and connecting core competencies when making the decision to outsource.

After the decision has been made to outsource, a number of issues arise regarding the transition toward outsourcing. Evidence throughout the literature emphasizes



the importance of establishing a plan for moving forward on the outsourcing decision. A study that was developed from a survey of managers in Transportation and Distribution across the United States addressed many of the prevalent issues regarding the transition toward outsourcing (Boyson, Corsi, Dresner, & Rabinovich, 1999). Based on the survey results, Boyson et. al. suggested a strategic approach to outsourcing. This type of approach involves identifying long-term goals and separating supply chain activities from core competencies, rather than focusing on outsourcing single functions to correct for production deficiencies. The approach to outsourcing should evaluate costs and potential process improvements that can be gained from obtaining a third party service provider. Survey results from the study suggested that these tasks are most effectively accomplished using internal knowledge capabilities.

This literature review presents various issues that should be considered during outsourcing planning and decision making in order to improve the performance of the organization. However, what was not known was whether these issues were considered in the outsourcing planning and decision making of the CAA. Thus, this investigated whether the CAA process of considering and/or implementing an outsourcing solution was systematic and fully documented to achieve the desired results and that the decision to outsource led to competitive advantages for CAA businesses. It also investigated whether the outsourcing decisions were informed ones. Lastly, the study investigated whether CAA realized the full benefits of their outsourcing relationship.

## **2.4 Outsourcing process and organizational performance**

Given the increasing importance of outsourcing, one would expect that how suppliers are selected and assessed, and in particular, the criteria used to guide these decisions, will impact the buying firm's performance. A greater onus exists on firms to ensure that would be suppliers can create value for the buying organization, and that once selected, supplier performance is consistent with the buying firm's expectations (Grossman, Helpman & Szeidl, 2005). However, little is known about the relationships between supplier selection and assessment and a buying firm's performance. Rundquist (2007) observed that supplier selection tactics positively impact a buying firm's manufacturing performance. They also demonstrated that high performing companies attach greater importance to key supplier selection criteria such as quality and delivery performance than low performing companies. They did not however attempt to relate supplier selection to broader measures of business performance. The supplier assessment literature makes no reference to studies linking assessment criteria and the performance of the buying firm.

Hancox and Hackney (2000) suggest four major requirements that ought to be considered before the decision to outsource is undertaken;

1. What will be the net gain or loss in efficiency and cost-effectiveness of using outsourcing?
2. What will be the net gain or loss in performance quality of using outsourcing?
3. What will be the net effect on the strength, versatility and resourcefulness of the treasury department if the duties in question are outsourced?

4. What dependence on a third party will be created by outsourcing, and how vulnerable would the organization be if that third party somehow became unable to perform as expected?

While outsourcing can often help control costs, simplify operations, and keep a company focused on its core competencies, it won't work unless it is properly implemented (Houseman, 2006). Some of the guidelines include;

1. *Determine what business you're in.* Quickly jot down the company's core competencies and primary sources of revenue. Obviously, these functions and processes are areas that you don't want to outsource. Whatever isn't on this list, however, may be outsourced.
2. *Look for outsourcing opportunities.* Similarly, find the functions or processes within the company that do not make the company unique or offer a clear competitive advantage over other businesses. Such non-strategic areas can often be outsourced.
3. *Evaluate costs.* Try to determine just how much is being spent on a function and whether or not it can be done more cheaply by an outside company. Set objectives. Realistically decide what an outsource partner can do for the company. Whether it is to cut costs, improve focus, or free up resources, make certain the goals are attainable.
4. *Be cautious.* Do not select an outsource partner without careful examination. After all, that business will be your company's representative to both employees and customers.

5. *Monitor.* If you decide to outsource, set up regular performance reviews or similar criteria to measure the provider's performance. Outsourcing is not an excuse to overlook an aspect of your business.
6. *Be flexible.* Even after deciding to outsource, look at ways it can be improved. Do not be afraid to make changes in the ways a process is being handled.
7. *Do not jump on the bandwagon.* Just because outsourcing is a growing trend doesn't mean it should be automatically embraced. If a change isn't needed, don't make one just for the sake of it.

Eger, Knudson, Marlowe and Ogard (2002) emphasize that the most prevalent reasons for outsourcing are generally to reduce costs and increase revenues. Therefore, customer service capabilities and the cost of services are primary factors in selecting third party providers. The study by Boyson, et. al. also addressed the issue of selecting an outside service provider for outsourcing (Boyson, Corsi, Dresner, & Rabinovich, 1999). According to the survey results, gathering information on available providers has been most effectively accomplished through in-house research and professional networks. The study also found that after a provider had been chosen and contracted, the relationship between the organization and the provider was most effectively managed through centralized systems that rely on in-house managers to audit and monitor the outsourcing agreement.

A second study developed from a survey of third party service users in the United States identified three major selection criteria for selecting third party (3PLs) service providers (Menon, McGinnis & Ackerman, 2002). In this study, Menon, *et al.* identified the first selection criterion as the perceived performance of the

supplier. The perceived performance includes the perception of on-time performance, the ability to meet promises, the availability of top management, and excellent error rates. The second criterion, perceived capability, is comprised of the perception of creative management and financial stability of the provider. The third criterion identified was the role of prices; however, the study suggested that performance and quality requirements outweigh price considerations.

In a third study based on survey results, Lieb identified an almost even division between cost and service considerations as most important for selecting a third party service provider (Lieb, 2001). Other considerations for selecting a provider that were identified in the study include prior experience with the third party, management capability, company reputation, and financial stability.

The contractual agreement is central to the third party service provider relationship. In general, organizations are risk-averse toward outsourcing relationships. The study by Boyson, et. al. found that most contractual agreements include preventative measures, which are often reflected through contractual clauses that explicitly outline the relationship with the service provider including the costs for services, provider responsibilities and provider performance monitoring.

In another outsourcing study, Behn and Kant focused on the development of a contractual relationship with a third party service provider (Behn & Kant, 1999). In the study, the authors made a distinction between regulatory contracting and performance contracting. The rationale behind regulatory contracting is that there

is one best way to fulfill a contract, the organization knows the best way, the organization is able to specify in contract language all of the details of the best way, the vendor will attempt to cheat the organization, and organization officials will collude with vendors for personal gain if given the opportunity. Regulatory contracts are also not viewed as effective outsourcing approach because they create few incentives for contractors to achieve the organization purpose of the contract. With a regulatory contract, neither the agency nor the contractor is held accountable if the contract fails to produce the desired outcome.

In the study, Lieb (as cited in Behn & Kant, 1999) also noted that the most prevalent implementation problem was difficulty in convincing operating personnel and managers to “buy in” to the third-party service program. It was noted that this problem was primarily traced back to a lack of trust in the third party and concerns over job security. Other implementation problems include insufficient time for the implementation process, and a lack of clear lines of differentiation regarding third party and internal responsibilities Lieb (as cited in Behn & Kant, 1999). On the other hand, the survey results also revealed a number of benefits experienced by companies using third party logistics providers, including cost reduction, improved productivity and improved service Lieb (as cited in Behn & Kant, 1999). Finally, the study indicated that companies handled the displacement of personnel primarily through transfers to other positions within the company and terminations Lieb (as cited in Behn & Kant, 1999). In addition, a number of personnel were offered employment by the third party provider Lieb (as cited in Behn & Kant, 1999).

An article by McIvor and McHugh on the organizational changes resulting from the transition to a third party service provider suggested a multifunctional organizational change strategy that supports cultural issues and has support and commitment from top management (McIvor & McHugh, 2000). The strategy requires collaboration across multiple levels in the organization. Middle managers should be involved in helping people understand new priorities and ways of operating. In addition, employees at lower levels are involved and allowed to participate in the transition so that they will “buy in” to the new values and systems that affect their own work. According to McIvor and McHugh, the perspectives and responses from employees at all levels within the organization have a significant impact on whether the transition is successful. Finally, the transition to the third party provider and a new focus on quality and customer relationships often requires changes in the cultural climate of the organization. Attention must be given to these changes because performance is heavily dependent on the attitudes and commitment of the employees within the organization.

Doug Garr offered an article on the current state of outsourcing practices and suggested a number of best practice strategies to ensure successful partnerships with third party providers (Garr, 2001). Garr suggested that an organization should ask several essential questions before outsourcing. In particular, it is important to ask whether the relationship will reduce costs and improve efficiency in the organization. When looking for a service provider, an organization should consider hiring an outsourcing consultant or at least acquiring reliable legal assistance to negotiate the contract. However, an employee of the organization

should always remain an internal point person for searching for a provider. Once a provider is chosen, it is essential to outline clearly the complete scope of the services being turned over to the third party provider and that the provider understands the specifics of the contract. It may be necessary to include a dispute resolution clause. It is also essential to consider the length of the outsourcing agreement. For first time agreements, it may be beneficial to keep the contract short with a renewal clause at specific points. Finally, Garr suggested that it is essential to have a clear set of objectives for the outsourcer, and that the outsourcer has a strategic plan to achieve the objectives. It may be necessary to consider penalties for not meeting and/or achieving objectives and incentives for exceeding them.

Another study by Useem and Harder on the management of outsourcing projects identified four necessary capabilities in managers responsible for outsourcing initiatives (Useem & Harder, 2000). Interviews of senior managers at twenty-five companies indicated that strategic thinking is one required capability of managers now that outsourcing has become more commonplace. Strategic thinking involves an understanding of whether to outsource and how outsourcing that improves an organization's competitive advantage can be accomplished. The second capability, deal making, refers to the ability of managers to broker deals that secure services from external providers and ensure their use by internal managers. The third capability is partnership governing, which refers to the ability to oversee effectively the outsourcing relationship after a contract has been established. Finally, it is essential for managers to be able to manage change because



organizations transitioning to outsourcing are likely to encounter employee resistance.

Despite the literature reviewed under this section shows that outsourcing processes affect the performance of an organization, little was known about the relationships between outsourcing processes and performance in CAA. Thus, this study investigated how CAA determined activities to outsource, how CAA suppliers were selected and assessed (the criteria used to guide selection/assessment decisions), whether and how CAA considered customer service capabilities, whether and how CAA considered cost and service considerations, whether the contractual agreements were satisfactory or not and whether CAA involved all stakeholders in outsourcing. Lastly, the study investigated how these impacted these CAA's performance.

## **2.5 Outsourcing and procurement legal framework**

According to section 40(1) of the PPDA Act, (2003), the guideline provides that the authority shall prequalify firms to provide procurement and disposal line support services to procuring and disposing entities on issues where there is lack of technical capacity. It further stipulates that a procuring and disposal entity shall first secure prior written assurance of the accounting officer that funds are available to pay in full and on time for those services. Basing on this, one can deduce that the procurement legal framework is of critical importance, not only because of the existing legal and regulatory framework, but also because privacy is a fundamental element for building trust relations between companies and their customers and/or business partners. Such important organizational issues should

be addressed prior to taking the decision to outsource. However, one important question still remains; how does the procurement legal framework influence the relationship between Outsourcing and Organizational performance? This is one area that this proposed study will seek to address.

## **2.6 Conclusion**

Every business activity's fundamental goal is to increase the firm's value. However, so far few studies provide any evidence of the relationship between a firm's outsourcing decision and its performance. So far, no research really studies the relationship between the outsourcing results and the outsourcing contract itself. This raises the following questions: do high-value outsourcing contracts have a better chance to improve the outsourcing firms' performance than low-value contracts? Are short-term outsourcing contracts more efficient than long-term contracts?

The outsourcing literature reviewed above has three gaps. While outsourcing is now broadly understood to be an attractive option, its specific impacts on firms' performance and value, i.e. outsourcing results, have not yet been well confirmed in the CAA. Second, when researchers look to measure the financial impact of outsourcing results, they have usually been forced to rely on managers' estimates in place of tangible metrics. Furthermore, the focus in most of the literature reviewed has been on cost savings, and rarely have the researchers directed their attention to an outsourcing decision's ultimate benefits (firms' value) for company investors. It is such gaps of current outsourcing results that have raised the need for further investigation in this area, which this proposed study seeks to do. First,

because the impact of outsourcing on operational performance metrics of the contract-granting firm has not been investigated by hard data, future study may be concerned with empirically examining the impact of outsourcing on firms' performance by using audited financial data.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

This chapter presents the methodology that was used in the study. The presentation includes the research design, study population, sample size and selection, sampling techniques and procedure, data collection methods, data collection instruments, validity and reliability and data analysis.

#### **3.1 Research design**

The case study design was used in this study. Zonabend (1992) stated that case study is done by giving special attention to completeness in observation, reconstruction, and analysis of the cases under study. Yin (1984) defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used (Yin, 1984, p. 23). Case study research excels at bringing us to an understanding of a complex issue or object. Researcher Robert K. The case study was used in this study because it helps to get in-depth information about the phenomenon (Amin, 2005). The study approach used was both qualitative and quantitative. The qualitative approach was used in order to gain a deep understanding of the concept of outsourcing and organizational performance in CAA. A quantitative approach was used to get data from the many respondents in a shorter time given that it allowed the use of closed-ended questions.

### 3.2 Study population

Data was gathered in Civil Aviation authority (CAA), with a focus on Procurement Department, Human Resources Department and Finance Department. The study population included 8 procurement officials, 10 Human resource officers, 16 Finance officials, 3 Heads of departments, and 1 senior administrator. Thus, the target total population was 38 members of staff.

#### 3.2.1 Sample size and selection

A sample size of 36 respondents was determined using a formula provided by Krejcie and Morgan as cited in Amin (2005). The simple random method was used for finance department employees. This was because since not all employees in this category were selected based on Krejcie and Morgan's approach of sample size determination, by using simple random sampling each respondent had an equal chance of being selected. Census was used to select all staff from procurement, human resource, heads of departments and senior administrators since these were few in number and according to Krejcie and Morgan as cited in Amin (2005), a population of only 10 and less subjects should all be selected for the study. The sample size and selection is further presented in Table 2 below.

**Table 2: Sample size and selection**

Category	Population	Target Sample	Actual sample	Technique
Procurement officers	8	8	8	Census
Human resource officers	10	10	9	Census
Finance officers	16	14	13	Simple random sampling
Heads of departments	3	3	3	Census
Senior administrators	1	1	1	Census
Total	38	36	32	

**Source:** Krejcie and Morgan as cited in Amin (2005)

From Table 2, the first column presents the various categories of employees the study will target. The second column shows the total population of the targeted categories of employees. The third column shows sample of employees that will be selected from the targeted category of employees. The last column shows how the various category samples will be selected. It can be observed the actual sample that participated in the study was 32 yet the target sample was 36. The response rate was 89%, which was above 67% that is recommended by Amin (2005). Thus, it was better to go ahead and analyze the results obtained from the field.

### **3.3 Data collection methods**

Data collection methods collect both primary and secondary data. Primary data is data observed or collected directly from first-hand experience. Published data and the data collected in the past or other parties is called secondary data Primary data was collected using structured questionnaire and interview guide. Secondary data was gathered through review of documents. The following section presents the data collection instruments in detail.

#### **3.3.1 Data collection instruments**

- i. **Questionnaire**: This was formatted and structured on a five point likert standardized rating scale of 1 to 5; (1- Strongly agree, 2- Agree, 3-Not sure, 4- Disagree, 5- Strongly disagree). It was the main means of collecting primary data from employees working in the following procurement, human resource and finance. The questionnaire was more convenient since one carried it home and filled it out at leisure, and it also helped one to respond freely due to its anonymous nature. It was used because of its efficiency and convenience in

collection of qualitative and quantitative data, to make triangulation feasible (Sekaran, 2003; Amin 2005). It was also less expensive than interviews and many people were reached in a short space of time. Questions in the questionnaire were standardized, which helped to avoid bias. The questionnaire was formatted and structured for purposes of precision and accuracy in the data collection, to ensure that the items had the same measure and reliability. It had only closed-ended questions, where respondents were given a set of alternative questions to pick from. This was done to ease the coding of the data and also help the respondents to respond fast.

- ii. **Interview Guide**: The interview guide was used to support and supplement on the data that was captured through the questionnaire. It was purposively applied to key informants who included Managing Director, Head of procurement, Head of Human resource and Head of Finance. Interviews were conducted face to face by the researcher to save time and reduce the costs, plus the advantage of soliciting extra information through probing and observing body language.
- iii. **Document review**: Documents reviewed were from CAA, Uganda Management Institute library, as well as the internet and newspapers.

### **3.4 Validity and reliability**

#### **3.4.1 Validity**

A validity test was carried out prior to the administration of the research instruments. This was done in order to find out whether the questions were capable of capturing the intended data. Two lecturers reviewed the questions to

see whether they were capable of capturing the intended response. A Content Validity Ratio (CVR) was calculated in order to establish the validity of the research instrument as shown in Table 3 and using the formula that follows the table.

**Table 3: Calculation of validity**

	Relevant	Not relevant	Total
Rater 1	27	5	32
Rater 2	23	9	32
Total	50	14	64

$$\text{The CVR} = \frac{\text{Total number of items rated relevant}}{\text{Overall total number of questions rated}} = \frac{50}{64} = .78$$

Since the CVR = .78 was greater than the recommended .70 (Amin, 2005), this implied that the questionnaire was valid for data collection.

### 3.4.2 Reliability

Reliability of the questionnaire instrument, which was the major instrument for data collection, was assessed using Cronbach's coefficient alpha. The questionnaire was pre-tested to 10 respondents and the reliability results were computed using the SPSS package. A coefficient of .98 above the recommended .70 (Amin, 2005) implied that the questionnaire was suitable for data collection. For detailed statistics see Appendix C.

### 3.5 Procedure of data collection



A study topic had to first be chosen and approved by UMI. Thereafter, a proposal was developed, which was supervised by two supervisors one from UMI and another from the place of work the study was conducted. The proposal was then presented to higher degrees for approval. Upon approval of the proposal from Uganda Management Institute, the researcher was given a letter of introduction to Civil Aviation Authority. This served to secure permission in order to carry out the study in this organization. The researcher then presented a letter of consent to the respondents, after which, a meeting with the workers in the department of procurement, human resource, and finance was organized. During the meeting, the workers were explained as to why the study was being conducted. In addition, they were requested to participate in the study willingly. Furthermore, those who intended to participate in the study were assured of their confidentiality and were told that they should not indicate their names anywhere on the questionnaire or interview guide. Thereafter, questionnaires were distributed to the selected respondents. The respondents were given time within which they should return the fully filled questionnaires. Dates were also set for the interviews with the key informants. After the questionnaires had been filled, the researcher collected them, sorted them and coded them.

### **3.6 Data analysis**

Coded (quantitative) data was entered in a computer program known as a Special Package for Social Scientists (SPSS) for analysis. Descriptive statistics were used to determine the distribution of respondents on personal information and on the questions under each of the variables.

Inferential statistics were used to test the hypothesis. Spearman rank order correlation was used to test the hypothesis given that the scales used in the questionnaire were ordinal (Sekaran, 2003). The symbol ( $r_{ho}$ ) was the correlation coefficient, which was used to determine the strength of the relationship between the variables. The sign of the correlation coefficient was used to determine the nature of relationship (change in the two variables). The significance of the correlation coefficient ( $p$ ) was used to test the hypothesis. The coefficient of determination ( $r^2$ ) was used to determine the effect of outsourcing planning and decision-making on organizational performance.

The data was organized and presented by tables. For qualitative data from interviews were reviewed thoroughly, sorted and classified into themes and categories, in order to support the quantitative data.

## **CHAPTER FOUR**

### **PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS**

#### **4.0 Introduction**

This chapter presents, analyzes and interprets the results. It is arranged into four sections. The first section is about the respondents' background information. The second section is about the effect of outsourcing planning and decision making on organizational performance in Civil Aviation Authority. The third section is about the effect of outsourcing process on organizational performance in Civil Aviation Authority. The fourth section is about the moderator effect of procurement legal framework on the relationship between outsourcing and organizational performance in Civil Aviation Authority.

#### **4.1 Background information**

The background information included the gender of respondents, education level of respondents, respondents' tenure in the organization and age of respondents. Findings are presented in the following table followed by an analysis and interpretation.

**Table 4: Descriptive results on respondents' background information**

<b>Gender of respondents</b>	<b>Frequency</b>	<b>Percent</b>
Male	18	56.2
Female	14	43.8
Total	32	100.0
<b>Education level of respondents</b>		
Tertiary	6	18.8
University	26	81.2
Total	32	100.0
<b>Respondents' tenure in the organization</b>		
Less than 1 year	2	6.2
1-2 years	9	28.1
3-5 years	7	21.9
5-10 years	6	18.8
Above 10 years	8	25.0
Total	32	100.0
<b>Age of respondents</b>		
20-30 years	16	50.0
31-39 years	11	34.4
40-49 years	5	15.6
Total	32	100.0

#### **4.1.1 Gender of Respondents**

From Table 4, about gender of respondents, it is revealed that most respondents who participated in the study were male. However, the difference in gender participation in the study was not very big. This implies that the study tried to have a balanced representation of respondents by gender to participate in the study. This enabled the study to capture issues regarding the study topic, which could arise because of gender.

#### **4.1.2 Education Level of Respondents**

From Table 3, about education level of respondents, results show that most of the respondents who participated in the study had a university level of education while the remaining portion had attained tertiary level of education. The implication of these findings is that the respondents who participated in the study

were literate and were able to understand the questions presented to them about the study topic. Thus, the possibility of making mistakes due to failure to understand the question was minimized.

#### **4.1.3 Respondents' Tenure in the Organization**

From Table 3, about respondents' tenure in the organization, results show that the highest percentage had worked for CAA for 1 to 2 years. Following were those who had worked for it for 3 to 5 years, for over 10 years, for 5 to 10 years and for less than 1 year. Thus, most of the respondents (65.7%).who participated in the study had worked for the CAA for 3 years and above. This implies that the study endeavored to involve respondents who had stayed with CAA for some time to be knowledgeable about the topical issues that the study sought.

#### **4.1.4 Age of Respondents**

Results about the age of respondents show that half of the respondents were aged 31 years and above, and the other half of the respondents were aged less than 31 years. The implications of these findings are that the composition of staff at CAA is equally composed of the youths and the old working category.

### **4.2 Effect of outsourcing planning and decision-making on organizational performance in Civil Aviation Authority**

According to Plonsky (2007), it is advised that when presenting the results of statistical tests, the researcher should give descriptive statistics before the corresponding inferential statistics. In other words, the researcher should give means and/or percentages (perhaps referring to a table or figure), before talking

about the results of any statistical tests performed. Thus, in this chapter, this advice was adopted and descriptive statistics used included frequencies and percentages, which were used to describe the four variables (that is outsourcing planning and decision-making, outsourcing processes, procurement legal framework and organizational performance). The following are the results:-

#### **4.2.1 Outsourcing planning and decision-making in the CAA**

This section presents, analyzes and interprets descriptive results about outsourcing planning and decision-making. Seven questions about outsourcing planning and decision-making were presented to respondents who were supposed to respond by selecting one of the following responses: "Strongly Disagree" or "Disagree" or "Neither Agree nor disagree" or "Agree" or "Strongly Agree". Findings are presented in Table 5 followed by an analysis and interpretation (for a complete table with frequencies and percentages see appendix G).

**Table 5: Descriptive results on outsourcing planning and decision-making**

Questions about outsourcing planning & decision making	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
1. CAA carries out adequate planning before outsourcing	(3%)	(0%)	(22%)	(41%)	(34%)	(100%)
2. Internal analysis of the organization is considered as a key element before outsourcing is done in CAA	(3%)	(0%)	(19%)	(53%)	(25%)	(100%)
3. CAA seeks opinions and ideas of the stakeholders before the decision to outsource is considered	(6%)	(3%)	(22%)	(38%)	(31%)	(100%)
4. The final results of the outsourcing decision are usually put into perspective before the decision to outsource is carried out	(6%)	(6%)	(28%)	(47%)	(13%)	(100%)
5. The kind of dependence on the third party is normally considered before outsourcing	(3%)	(6%)	(22%)	(28%)	(41%)	(100%)
6. Objectives are usually set before outsourcing	(3%)	(3%)	(22%)	(41%)	(31%)	(100%)
7. Management identifies internal service capabilities and designs of business plans for outsourcing	(3%)	(3%)	(13%)	(53%)	(28%)	(100%)
8. Average score on whether outsourcing planning & decision making was handled	(3%)	(3%)	(22%)	(44%)	(28%)	(100%)

Analysis of the findings involved summing the percentages of strongly disagree and disagree for each question to represent respondents who disagreed to the question and summing the percentages of strongly agree and agree for each question to represent respondents who concurred with the questions. The categories of respondents who disagreed to the questions were then compared to categories of respondents concurring with the questions in order to interpret the findings. This procedure is applied to the rest of the descriptive statistics in this chapter. The following is the analysis of the findings in Table 5:

Very fewer respondents (3%) disagreed to the question that CAA carries out adequate planning before outsourcing compared to 75% of the respondents who concurred with the question. However, 22% of the respondents neither agreed with nor disagreed to the question.

Very fewer respondents (3%) disagreed to the question that internal analysis of the organization is considered as a key element before outsourcing is done in CAA compared to 78% of the respondents who concurred with the question. However, 19% of the respondents neither agreed with nor disagreed to the question.

Very fewer respondents (9%) disagreed to the question that CAA seeks opinions and ideas of the stakeholders before the decision to outsource is considered compared to 69% of the respondents who concurred with the question. However, 22% of the respondents neither agreed with nor disagreed to the question.

Very fewer respondents (12%) disagreed to the question that the final results of the outsourcing decision are usually put into perspective before the decision to outsource is carried out compared to 60% of the respondents who concurred with the question. However, 28% of the respondents neither agreed with nor disagreed to the question.

Very fewer respondents (9%) disagreed to the question that the kind of dependence on the third party is normally considered before outsourcing compared to 69% of the respondents who concurred with the question. However, 22% of the respondents neither agreed with nor disagreed to the question.

Very fewer respondents (6%) disagreed to the question that objectives are usually set before outsourcing compared to 72% of the respondents who



concurred with the question. However, 22% of the respondents neither agreed with nor disagreed to the question.

Very fewer respondents (6%) disagreed to the question that management identifies internal service capabilities and designs of business plans for outsourcing compared to 81% of the respondents who concurred with the question. However, 13% of the respondents neither agreed with nor disagreed to the question.

The average percentage shows that very few respondents (6%) disagree that outsourcing planning and decision-making was well handled compared to 78% respondents who agreed.

From the above analysis it can be observed that some staff were neither satisfied nor dissatisfied with the planning and decision-making during the outsourcing process. This was because some of these staff were not aware that certain activities were outsourced and some were not part of the planning and decision-making process. However, it can be observed that most respondents answered positively to all the questions of outsourcing planning and decision-making compared to respondents who answered negatively. This shows that although outsourcing planning and decision-making is effectively done in the CAA, in a few instances it is not as revealed by respondents who answered negatively.

In an interview with the Head of Procurement and officer from Finance, both were supportive of the findings from the questionnaire. The interviews revealed that

CAA started outsourcing non-core activities in 1998, which included cleaning, security, maintenance and revenue collection. These were outsourced with a motive of reducing operational cost, gain access to experts/specialists, giving CAA time to concentrate on its core activities and spread risk and free capital for other uses. During the interview, the CAA Officer from Finance Department elaborated on the spreading of risk as said that when a department is outsourced, employees in that department fall under the control of the service provider firm. Therefore, all what happens to the employees in that case is the service provider's responsibility. The CAA financial officer gave an example that if an employee is injured, CAA will not be party to that but the service provider firm. The interviews revealed that outsourcing planning and decision-making involves the board and top management for approval and that top management also conducts an internal and external analysis to identify candidate functions to outsource, benchmark with other organizations that practice outsourcing, and then confirm budget for the procurement process to start. When asked whether they are satisfied with the planning and decision-making in outsourcing, both the CAA Head of Procurement and officer from Finance said yes. The Head of Procurement said that this was because many things are avoided such as keeping of cleaning equipments, and because this was a long time decision, which goes through stages and every stage is well discussed and all stakeholders are involved. As for the officer from Finance, the reason he was satisfied with the planning and decision-making in outsourcing was that everybody was involved to avoid problems of implementation and that it has enabled management to concentrate on core activities and it has led to attainment of targets and that some costs are reduced thus some savings are realized.

#### 4.2.2 Organizational performance in the CAA

Ten questions about organizational performance were presented to the respondents and were requested to respond by selecting one of the following responses: "Strongly Disagree" or "Disagree" or "Neither Agree nor disagree" or "Agree" or "Strongly Agree". Findings are presented in Table 6 followed by an analysis and interpretation (for a complete table with frequencies and percentages see appendix H).

**Table 6: Descriptive results on organizational performance**

Questions about organizational performance	Strongly Disagree	Disagree	Neither Agree nor disagree	Agree	Strongly Agree	Total
1. Cost efficiency has been achieved in CAA (A lot of money is saved through the decision to outsource)	(6%)	(13%)	(25%)	(40%)	(16%)	(100%)
2. Performance of CAA has improved	(13%)	(13%)	(13%)	(36%)	(25%)	(100%)
3. CAA saves a lot of money	(9%)	(16%)	(22%)	(31%)	(22%)	(100%)
4. CAA is efficiency in its service delivery	(3%)	(9%)	(28%)	(31%)	(28%)	(100%)
5. CAA has reduced its operations expenses	(6%)	(16%)	(28%)	(28%)	(22%)	(100%)
6. Outside firms provide better quality services	(6%)	(3%)	(31%)	(25%)	(34%)	(100%)
7. CAA has reduced its overhead expense	(6%)	(13%)	(34%)	(28%)	(19%)	(100%)
8. There is improved quality of work by CAA staff	(6%)	(6%)	(6%)	(53%)	(28%)	(100%)
9. The productivity of CAA as an organization has improved	(3%)	(6%)	(9%)	(50%)	(31%)	(100%)
10. Outsourcing has led to increased customer satisfaction in CAA	(3%)	(3%)	(19%)	(47%)	(28%)	(100%)
11. Average score on whether organizational performance had improved	(6%)	(9%)	(22%)	(38%)	(25%)	(100%)

The following is the analysis of the results in Table 6:

Few respondents (19%) disagreed to the question that cost efficiency has been achieved in CAA (A lot of money is saved through the decision to outsource)

compared to 56% of the respondents who concurred with the question. However, 25% of the respondents neither agreed with nor disagreed to the question

Few respondents (26%) disagreed to the question that performance of CAA has improved compared to 61% of the respondents who concurred with the question. However, 13% of the respondents neither agreed with nor disagreed to the question.

Few respondents (25%) disagreed to the question that CAA saves a lot of money compared to 53% of the respondents who concurred with the question. However, 22% of the respondents neither agreed with nor disagreed to the question.

Very few respondents (12%) disagreed to the question that CAA is efficient in its service delivery compared to 59% of the respondents who concurred with the question. However, 28% of the respondents neither agreed with nor disagreed to the question.

Few respondents (22%) disagreed to the question that CAA has reduced its operations expenses compared to 50% of the respondents who concurred with the question. However, 28% of the respondents neither agreed with nor disagreed to the question.

Very few respondents (9%) disagreed to the question that outside firms provide better quality services compared to 59% of the respondents who concurred with

the question. However, 31% of the respondents neither agreed with nor disagreed to the question.

Few respondents (19%) disagreed to the question that CAA has reduced its overhead expense compared to 47% of the respondents who concurred with the question. However, 34% of the respondents neither agreed with nor disagreed to the question.

Very few respondents (12%) disagreed to the question that there is improved quality of work by CAA staff compared to 81% of the respondents who concurred with the question. However, 6% of the respondents neither agreed with nor disagreed to the question.

Very few respondents (9%) disagreed to the question that the productivity of CAA as an organization has improved compared to 81% of the respondents who concurred with the question. However, 9% of the respondents neither agreed with nor disagreed to the question.

Very few respondents (6%) disagreed to the question that outsourcing has led to increased customer satisfaction in CAA compared to 75% of the respondents who concurred with the question. However, 7% of the respondents neither agreed with nor disagreed to the question.

The overall average percentage shows that fewer respondents (15%) disagreed that organizational performance had improved compared to the 63% of the respondents who agreed.

The above analysis shows that some respondents neither disagreed nor agreed to the questions about organizational performance. These were could respondents who were not conversant with the performance of CAA because had worked for the organization for a shorter period of not more than 2 years as evident in Table 3 regarding tenure of the respondents. This is further confirmed by the age of 20-30 for some of the respondents, which shows that workers still in their early years of working for the CAA. However, despite this, it can observed that most respondents concurred to all questions relating to organizational performance indicating that CAA performance had improved, while a few respondents disagreed to the questions indicating that CAA performance had not improved. This implies that though performance of the CAA had improved but some few staff not satisfied with the organization's performance.

#### **4.2.3 Testing of hypothesis one**

Having presented the descriptive statistics on outsourcing planning and decision-making and organizational performance, Spearman correlation statistical test results were produced to test the following first hypothesis:

*Hypothesis 1: Outsourcing planning and decision making has a significant effect on organizational performance in Civil Aviation Authority*

The origin of the data used for this analysis was the responses of the 32 respondents to questions about outsourcing planning and decision-making and organizational performance in the questionnaire (see Appendix D). The first column of the table in this appendix shows the respondents. The seven questions on outsourcing planning and decision-making are indicated in columns plan9 to plan15 and responses for each of the respondents are those below these columns. A total for all the respondents on these questions was computed into one variable named under column “PLANNING”, which standard in full as “outsourcing planning and decision-making”. Furthermore, ten questions on organizational performance are indicated in columns op32 to op41 and responses for each of the respondents are those below these columns. A total for all the respondents on these questions was computed into one variable named under column “PERFORMANCE”, which standard in full as “organizational performance”. It was these two total columns “PLANNING” and “PERFORMANCE” that were subjected to Spearman correlation using the SPSS program to test hypothesis one. Results are presented in Table 7 followed by an analysis and interpretation of the results.

**Table 7: Correlation between outsourcing planning and decision-making and organizational performance**

	Outsourcing planning and decision making
Organizational performance	$r_{hc} = .563(**)$ p = .001 n = 32
Coefficient of determination	$r_{ht} = .317$

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

Findings show a positive moderate correlation ( $r_{hc} = .563$ ) between outsourcing planning and decision-making and organizational performance. Subjecting these

findings to a test of significance, the correlation significance ( $p = .001$ ) was less than the recommended critical at .05 (Amin, 2005). Thus, the hypothesis “*Outsourcing planning and decision making has a significant effect on organizational performance in Civil Aviation Authority*” was accepted. The moderate nature of the correlation coefficient implies that a change in outsourcing planning and decision-making is related to a moderate change in the performance of the CAA. The positive nature of the correlation coefficient implies that an improvement in outsourcing planning and decision-making is related to an improvement in the performance of the CAA. The coefficient of determination ( $r^2 = .317$ ) when expressed in percentage shows that outsourcing planning and decision-making account for 31.7% change in the performance of the CAA. This shows that apart from outsourcing planning and decision-making, there are other factors that affect CAA’s performance which account for 68.3%.

Interview findings were supportive of the above relationship. For example, when the key informants were asked whether planning and decision-making has affected the performance of CAA, the two key informants agreed. In particular, the Head of Procurement said that cost savings are realized and CAA gains from experts/specialists, which leads to quality work/services. The Key informant from Finance said that outsourcing has led to reduction in costs, tremendous performance improvement, realization of savings, placement of CAA non-core activities in the hands of experts/specialists. In addition, it has freed enough time for management to concentrate on core activities and finally, transferring of risk to service provider. However, the two key informants said that other factors also affect CAA’s performance and these include human resources, financial



resources, political environment, the global economic environment, inflation, financial mismanagement and corruption, and the general management.

#### **4.3 Effect of outsourcing processes on organizational performance in Civil Aviation Authority**

Before establishing the effect of outsourcing processes on organizational performance, descriptive statistics of outsourcing processes in Civil Aviation Authority were computed using frequencies and percentages. Findings are presented in the following sub section.

##### **4.3.1 Outsourcing processes in Civil Aviation Authority**

Twelve questions about outsourcing processes were presented to the respondents and were requested to respond by selecting one of the following responses: "Strongly Disagree" or "Disagree" or "Neither Agree nor disagree" or "Agree" or "Strongly Agree". Findings are presented in Table 8 followed by an analysis and interpretation (for a complete table with frequencies and percentages see appendix I).

**Table 8: Descriptive results on outsourcing processes**

Questions about outsourcing processes	Strongly Disagree	Disagree	Neither Agree nor disagree	Agree	Strongly Agree	Total
1. Suppliers are selected basing on their competences	(3%)	(3%)	(6%)	(28%)	(60%)	(100%)
2. Performance of the suppliers is regularly monitored	(3%)	(0%)	(28%)	(44%)	(25%)	(100%)
3. CAA evaluates outsourcing to determine if the saved resources can be reinvested	(6%)	(6%)	(25%)	(54%)	(9%)	(100%)
4. Regular performance reviews to measure the provider's performance are usually carried out	(0%)	(13%)	(28%)	(38%)	(21%)	(100%)
5. Outsourced partners are usually carefully examined	(6%)	(3%)	(16%)	(44%)	(31%)	(100%)
6. CAA usually evaluates the performance of the outsourced services	(0%)	(6%)	(25%)	(44%)	(25%)	(100%)
7. The decision to outsource is usually done after assessing the net gain or loss in efficiency	(3%)	(9%)	(31%)	(41%)	(16%)	(100%)
8. The criteria for outsourcing service providers of CAA is clearly followed	(3%)	(0%)	(25%)	(44%)	(28%)	(100%)
9. A lot of importance is attached to the supplier in order to enhance outsourcing in CAA	(3%)	(3%)	(22%)	(53%)	(19%)	(100%)
10. Costs are evaluated prior to the decision to outsource	(3%)	(0%)	(19%)	(44%)	(34%)	(100%)
11. CAA and the outsourced suppliers usually have a shared vision	(6%)	(6%)	(38%)	(34%)	(16%)	(100%)
12. Supplier reliability is always considered before outsourcing	(3%)	(0%)	(16%)	(44%)	(38%)	(100%)
13. Average score on whether outsourcing processes is properly conducted	(3%)	(3%)	(22%)	(44%)	(28%)	(100%)

The following is the analysis of the results in Table 8:

Very few respondents (6%) disagreed to the question that suppliers are selected basing on their competences compared to 88% of the respondents who concurred with the question. However, 6% of the respondents neither agreed with nor disagreed to the question.

Very few respondents (3%) disagreed to the question that performance of the suppliers is regularly monitored compared to 69% of the respondents who

concurred with the question. However, 28% of the respondents neither agreed with nor disagreed to the question.

Very few respondents (12%) disagreed to the question that CAA evaluates outsourcing to determine if the saved resources can be reinvested compared to 63% of the respondents who concurred with the question. However, 25% of the respondents neither agreed with nor disagreed to the question.

Very few respondents (13%) disagreed to the question that regular performance reviews to measure the provider's performance are usually carried out compared to 59% of the respondents who concurred with the question. However, 28% of the respondents neither agreed with nor disagreed to the question.

Very few respondents (9%) disagreed to the question that outsourced partners are usually carefully examined compared to 75% of the respondents who concurred with the question. However, 16% of the respondents neither agreed with nor disagreed to the question.

Very few respondents (6%) disagreed to the question that CAA usually evaluates the performance of the outsourced services compared to 69% of the respondents who concurred with the question. However, 25% of the respondents neither agreed with nor disagreed to the question.

Very few respondents (9%) disagreed to the question that the decision to outsource is usually done after assessing the net gain or loss in efficiency

compared to 57% of the respondents who concurred with the question. However, 31% of the respondents neither agreed with nor disagreed to the question.

Very few respondents (3%) disagreed to the question that the criteria for outsourcing service providers of CAA is clearly followed compared to 72% of the respondents who concurred with the question. However, 25% of the respondents neither agreed with nor disagreed to the question.

Very few respondents (3%) disagreed to the question that a lot of importance is attached to the supplier in order to enhance outsourcing in CAA compared to 72% of the respondents who concurred with the question. However, 22% of the respondents neither agreed with nor disagreed to the question.

Very few respondents (3%) disagreed to the question that costs are evaluated prior to the decision to outsource compared to 78% of the respondents who concurred with the question. However, 19% of the respondents neither agreed with nor disagreed to the question.

Very few respondents (12%) disagreed to the question that CAA and the outsourced suppliers usually have a shared vision compared to 50% of the respondents who concurred with the question. However, 38% of the respondents neither agreed with nor disagreed to the question.

Very few respondents (3%) disagreed to the question that supplier reliability is always considered before outsourcing compared to 82% of the respondents who

concurrent with the question. However, 16% of the respondents neither agreed with nor disagreed to the question.

The average percentage on outsourcing process shows that most respondents (72%) agreed that outsourcing process at CAA was properly conducted compared to 3% who disagreed. However, 22% of the respondents neither disagreed nor agreed.

The above analysis shows despite that most respondents concurred to all questions relating to outsourcing processes, a few respondents disagreed to the questions. This implies that outsourcing processes of the CAA is good but sometimes it has some faults. However some respondents were not conversant of the outsourcing processes because they were not involved in it.

The reason a certain percentage of respondents neither disagreed nor agreed to the questions about outsourcing process were that they were not involved in the planning and decision-making.

In support of the findings, interviews conducted on how outsourcing process is done in the organization revealed that it starts with users identifying the need for outsourcing and justifying them and then drawing terms of reference (TOR). Then approval is sought, followed by budget confirmation, advertising for prospective bidders, receiving and opening bids, evaluating of bids both technical and financial proposal and awarding to the best evaluated bidder(s). When asked whether they are satisfied with the way outsourcing process is done, they all said

yes giving the reasons that overall performance of CAA has improved, best service providers are selected, better quality service is realized, staff affected by outsourcing are catered for in form of compensation, only non-core activities are outsourced and some costs are reduced. When the officer from procurement was asked why some staff are not happy with the CAA outsourcing process, he replied that because the process is too long, loss of confidentiality (leakage of sensitive information to rival companies), self-interest, fear of loss of jobs (redundancy) and sometimes the results are not realized as expected such as the revenue collection at the airport was taken back from the outsourcing firm to the CAA. This was because the outsourced firm was not effective in handling revenue collection for CAA.

#### **4.3.2 Testing of hypothesis two**

Having presented the descriptive statistics on outsourcing processes, Spearman correlation statistical test results were produced to test the following first hypothesis:

*Hypothesis 1: Outsourcing processes have a significant effect on organizational performance in Civil Aviation Authority*

The origin of the data used for this analysis was the responses of the 32 respondents to questions about outsourcing planning and decision-making and organizational performance in the questionnaire (see Appendix E). The first column of the table in this appendix shows the respondents. The twelve questions on outsourcing processes are indicated in columns osp16 to osp27 and responses for each of the respondents are those below these columns. A total for all the

respondents on these questions was computed into one variable named under column “PROCESSES”, which standard in full as “outsourcing processes”. Furthermore, ten questions on organizational performance are indicated in columns op32 to op41 and responses for each of the respondents are those below these columns. A total for all the respondents on these questions was computed into one variable named under column “PERFORMANCE”, which standard in full as “organizational performance”. It was these two total columns “PROCESSES” and “PERFORMANCE” that were subjected to Spearman correlation using the SPSS program to test hypothesis two. Results are presented in Table 9 followed by an analysis and interpretation of the results.

**Table 9: Correlation between outsourcing processes and organizational performance**

	Outsourcing processes
Organizational performance	<b><i>r<sub>hc</sub></i></b> = .718(**) p = .001 n = 32
Coefficient of determination	<b><i>r<sub>hc</sub><sup>2</sup></i></b> = .516

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

Findings show a positive strong correlation (***r<sub>hc</sub>*** = .718) between outsourcing processes and organizational performance. Subjecting these findings to a test of significance, the correlation significance (p = .001) was less than the recommended critical at .05 (Amin, 2005). Thus, the hypothesis “*Outsourcing processes have a significant effect on organizational performance in Civil Aviation Authority*” was accepted. The strong nature of the correlation coefficient implies that a change in outsourcing processes is related to a big change in the performance of the CAA. The positive nature of the correlation coefficient implies that an improvement in outsourcing processes is related to an improvement in the performance of the CAA. The coefficient of determination (***r<sub>hc</sub><sup>2</sup>*** = .516) when

expressed in percentage shows that outsourcing processes account for 51.6% change in the performance of the CAA.

Interviews with the procurement officers and officer from finance were partially supportive of the above findings as the officers said that outsourcing processes affect both positively and negatively the CAA performance. For example, on the positive side, it was revealed in the interviews that some savings have been realized, implementation has become easy, better experts handle the work, better results have been realized, performance has improved, quality of work has improved, capital has been freed for better investment and it has freed time for management to concentrate on core activities. On the negative side, the process causes delays, for example, some contracts require clearance from the Solicitor General, the process is too long because of the bureaucracy, and in case of some variations in the contract terms of reference (TOR), for example, the variation value should not exceed 15% of the original contract and yet it normally happens during the performance of the contract, and in some emergency cases, they have to seek a waiver/clearance from PPDA to avoid the long procurement process as required by PPDA Act.

#### **4.4 Moderator effect of procurement legal framework on the relationship between outsourcing and organizational performance in Civil Aviation Authority**

Before establishing the moderator effect of procurement legal framework on the relationship between outsourcing and organizational performance, descriptive statistics of procurement legal framework in Civil Aviation Authority were



computed using frequencies and percentages. Findings are presented in the following sub section.

#### 4.4.1 Procurement legal framework in Civil Aviation Authority

Four questions about procurement legal framework were presented to the respondents and were requested to respond by selecting one of the following responses: "Strongly Disagree" or "Disagree" or "Neither Agree nor disagree" or "Agree" or "Strongly Agree". Findings are presented in Table 10 followed by an analysis and interpretation (for a complete table with frequencies and percentages see appendix J).

**Table 10: Descriptive results on procurement legal framework**

Questions about procurement legal framework	Strongly Disagree	Disagree	Neither Agree nor disagree	Agree	Strongly Agree	Total
1. The legal procurement guidelines have always been followed in CAA	(3%)	(0%)	(16%)	(34%)	(47%)	(100%)
2. Regulations are usually followed before outsourcing	(0%)	(3%)	(16%)	(38%)	(44%)	(100%)
3. Regulations on procurement are very effective in CAA	(0%)	(9%)	(16%)	(44%)	(31%)	(100%)
4. The procurement legal framework in CAA is satisfactory	(0%)	(6%)	(22%)	(41%)	(31%)	(100%)
5. Average score on whether legal procurement framework is effective	(0%)	(6%)	(16%)	(41%)	(37%)	(100%)

The following is the analysis of the results in Table 10:

Very few respondents (3%) disagreed to the question that the legal procurement guidelines have always been followed in CAA compared to 81% of the respondents who concurred with the question. However, 16% of the respondents neither agreed with nor disagreed to the question.

Very few respondents (3%) disagreed to the question that regulations are usually followed before outsourcing compared to 82% of the respondents who concurred with the question. However, 16% of the respondents neither agreed with nor disagreed to the question.

Very few respondents (9%) disagreed to the question that regulations on procurement are very effective in CAA compared to 75% of the respondents who concurred with the question. However, 16% of the respondents neither agreed with nor disagreed to the question.

Very few respondents (6%) disagreed to the question that the procurement legal framework in CAA is satisfactory compared to 72% of the respondents who concurred with the question. However, 22% of the respondents neither agreed with nor disagreed to the question.

The average percentage shows that most respondents (78%) agreed that the legal procurement framework was effective while 6% disagreed. However, 16% of the respondents neither disagreed nor agreed.

The above analysis shows that some staff were neither satisfied nor dissatisfied with the legal procurement framework, this was because some do not know what takes place in the procurement unit regarding the new law on procurement and these respondents could be the new entrants at CAA. However, despite most respondents concurred to all questions relating to procurement legal framework, a few respondents disagreed to the questions. This implies that the procurement

legal framework of the CAA is in most cases effective though in a few cases it falls short of it is expected of.

Interviews were supportive of the above findings. When the key informants were asked about some of the legal procedures they follow before outsourcing any activity in CAA, they revealed that they have to consider redundancy issues that may arise from outsourcing such as staff layoffs and compensations. The loss of confidentiality to the service provider, that is, the sensitive information that the service provider comes across during the performance of the contract should be taken care of. PPDA laws, regulations and guidelines must also be followed. For example, clearance from the Solicitor General for contracts above 50 million shillings. The interviewees said that even when they try to follow legal procedures, at times there are loopholes.

#### **4.4.2 Testing hypothesis three**

Having presented the descriptive statistics on procurement legal framework, Spearman correlation statistical test results were produced to test the following first hypothesis:

*Hypothesis 1: Procurement legal framework has a significant effect on the relationship between outsourcing and organizational performance in Civil Aviation Authority*

The origin of the data used for this analysis was the responses of the 32 respondents to questions about outsourcing planning and decision-making and organizational performance in the questionnaire (see Appendix F). The first

column of the table in this appendix shows the respondents. The seven questions on outsourcing planning and decision making are indicated in columns plan9 to plan15 and responses for each of the respondents are those below these columns. A total for all the respondents on these questions was computed into one variable named under column “PLANNING”, which standard in full as “outsourcing planning and decision making”. In addition, twelve questions on outsourcing processes are indicated in columns osp16 to osp27 and responses for each of the respondents are those below these columns. A total for all the respondents on these questions was computed into one variable named under column “PROCESSES”, which standard in full as “outsourcing processes”. Furthermore, ten questions on organizational performance are indicated in columns op32 to op41 and responses for each of the respondents are those below these columns. A total for all the respondents on these questions was computed into one variable named under column “PERFORMANCE”, which standard in full as “organizational performance”. Lastly, four questions on procurement legal framework are indicated in columns plf28 to plf31 and responses for each of the respondents are those below these columns. A total for all the respondents on these questions was computed into one variable named under column “LEGAL”, which standard in full as “procurement legal framework”. It was these four total columns “PLANNING” “PROCESSES”, “PERFORMANCE” and “LEGAL” that were subjected to A Partial correlation using the SPSS program to test hypothesis three. Results are presented in Table 11 followed by an analysis and interpretation of the results.

**Table 11: Correlation between outsourcing and organizational performance while controlling for procurement legal framework**

Control Variable		Outsourcing planning and decision making	Outsourcing processes
Procurement legal framework	Organizational performance	$r_{hc} = .500$ p = .004 df = 29	$r_{hc} = .528$ p = .002 df = 29
	Coefficient of determination	$r_{hc}^2 = .25$	$r_{hc}^2 = .279$

Findings show a positive moderate correlation ( $r_{hc} = .500$ ) between outsourcing planning and decision-making and organizational performance and a positive moderate correlation ( $r_{hc} = .528$ ) between outsourcing processes and organizational performance. Subjecting these findings to a test of significance, the correlation significances (p = .004 and p = .002) were less than the recommended critical at .05 (Amin, 2005). Thus, the hypothesis “*Procurement legal framework has a significant effect on the relationship between outsourcing and organizational performance in Civil Aviation Authority*” was accepted.

However, it can be observed that procurement legal framework moderates the relationship between outsourcing and performance by weakening the strength of the relationships as compared to that in Tables 4 and 6. The weakness in the strength is much greater for the relationship between outsourcing processes and performance as compared to the relationship between outsourcing planning and decision-making and performance. The moderate nature of the correlation coefficient implies that a change in outsourcing planning and decision-making and in outsourcing processes is related to a moderate change in the performance of the CAA when the procurement legal framework moderates. The positive nature of the correlation coefficients implies that improvements in outsourcing planning and

decision-making and in outsourcing processes are related to an improvement in the performance of the CAA.

The coefficient of determination ( $r^2 = .25$ ) when expressed in percentage shows that outsourcing planning and decision-making account for 25% change in the performance of the CAA and that outsourcing processes account for 27.9% change in the performance of the CAA. These findings show that if it were not for the few shortfalls in the procurement legal framework such as some staff not following the recommended procedures, the legal framework would have improved the relationship between outsourcing and CAA's performance.

Interview findings were supportive of the above findings as when the interviewees were asked whether the legal procedures do in any way affect the planning/decision-making and process in outsourcing, they confirmed that they do. Specifically, it was revealed during the interview that legal procurement procedures delay in the procurement planning/decision-making/process, and at times force CAA to incur legal expert costs for interpretation of some legal issues. On the other hand, the legal procedures help CAA in making of the contracts such as putting in stringent measures like entry and exit strategies and confidentiality. Furthermore, it was revealed that legal procedures help CAA to improve performance and lead to electing of better service providers.

## **CHAPTER FIVE**

### **DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

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

#### **5.1 Discussion**

##### **5.1.1 Effect of outsourcing planning and decision-making on organizational performance in Civil Aviation Authority**

It was established that an improvement in outsourcing planning and decision-making is related to a moderate improvement in the performance of the CAA and vice versa, whereby outsourcing planning and decision-making accounted for 31.7% change in the performance of the CAA. In particular, the study established that outsourcing planning and decision-making was effectively done in the CAA but sometimes compromised, which was related to the compromised performance of the CAA.

Like in other organizations, these findings agree with Fritsch, Geller, Chesler and Hughes (2002) who said that outsourcing should be viewed as a means to reduce costs, improve customer satisfaction, and provide enhanced efficiency and effectiveness for the organization to realize the full benefits of an outsourcing planning and decision-making on organizational performance. However, the findings also showed that the CAA has not realized the full benefits of an outsourcing planning and decision-making on organizational performance. This is

because CAA's outsourcing was not very systematic to achieve the desired results. For example, in some instances CAA did not carry out adequate planning before outsourcing, the internal analysis of the organization was not fully considered as a key element before outsourcing is done in CAA, CAA did not seek opinions and ideas of some of the stakeholders before the decision to outsource, the final results of the outsourcing decision are not usually put into perspective before the decision to outsource is carried out, the kind of dependence on the third party was normally considered before outsourcing, objectives were not usually set before outsourcing, and management did not usually identify internal service capabilities and designs of business plans for outsourcing.

These findings are contrary to Fritsch, Geller, Chesler and Hughes (2002) and Al-Shalabi, Omar and Rundquist (2007) who emphasize the systematic manner in which outsourcing should be handled. In addition, the findings are contrary to Gibbons (2005) who advises that the specific needs of the organization should be matched with the supplier's capabilities during negotiations to develop a contract around a shared vision.

Despite these shortcomings, the study findings support Evans and Lindsay (2001) in that they show that the decision to outsource can lead to competitive advantages for businesses. Furthermore, the findings of this study agree with Eger, Knudson, Marlowe and Ogard (2002) who observed that successful outsourcing provides organizations with a number of benefits, most of which result from improved planning and decision-making. The findings also support Eger *et al* (2002) who observed that through the emphasis of "essential" or "core" functions, an



organization is able to streamline its operations by maintaining only those resources considered essential to its mission or business model.

### **5.1.2 Effect of outsourcing processes on organizational performance in Civil Aviation Authority**

It was established that an improvement in outsourcing processes was related to a big improvement in the performance of the CAA and vice versa, whereby outsourcing processes accounted for 51.6% change in the performance of the CAA. In particular, the study established that outsourcing processes were good in the CAA but sometimes compromised.

Outsourcing was compromised because in few instances, suppliers were not selected basing on their competences, the performance of the suppliers was not regularly monitored, and CAA did not always evaluate outsourcing to determine if the saved resources could be reinvested. Further, it was because regular performance reviews to measure the provider's performance were not usually carried out, outsourced partners were not usually carefully examined, and CAA did not usually evaluate the performance of the outsourced services. Furthermore, it was because the decision to outsource was usually done after assessing the net gain or loss in efficiency, the criteria for outsourcing service providers of CAA was not always clearly followed, and not a lot of importance was attached to the supplier in order to enhance outsourcing. Lastly, costs were not always evaluated prior to the decision to outsource, CAA and the outsourced suppliers did not usually have a shared vision and supplier reliability was always considered before outsourcing.

Basing on the above findings and taking in consideration Grossman, Helpman and Szeidl (2005) observation, who said that organizations should ensure that would be suppliers can create value for the buying organization, and that once selected, supplier performance should be consistent with the buying firm's expectations. In light of this, the findings of this study show that CAA did not effectively do as Grossman, Helpman and Szeidl (2005) suggested. The findings support Rundquist (2007) who observed that supplier selection tactics positively or negatively affect a buying firm's manufacturing performance.

The findings also show that the outsourcing process in the CAA did not effectively follow some of Hancox and Hackney's (2000) four major requirements that ought to be considered before the decision to outsource is undertaken. For example, it was established by this study through interviews that CAA decided to handle the revenue collection instead of continuing outsourcing it after CAA realised that it was not getting what it expected from the outsourced firm. This shows that CAA did not properly consider Hancox and Hackney's (2000) emphasis that organizations seeking to outsource should consider the net gain or loss in efficiency and cost-effectiveness of using outsourcing before any outsourcing decision is made. The findings also support Houseman (2006) in that they show that outsourcing will not work unless it is properly implemented.

### **5.1.3 Moderator effect of procurement legal framework on the relationship between outsourcing and organizational performance in Civil Aviation Authority**

It was established that procurement legal framework moderated the relationship between outsourcing and performance by weakening the strength of the relationships. The weakness in the strength was much greater for the relationship between outsourcing processes and performance as compared to the relationship between outsourcing planning and decision-making and performance. In this situation, improvements in outsourcing planning and decision-making and outsourcing processes were related to a moderate improvement in the performance of the CAA and vice versa, whereby outsourcing planning and decision-making accounted for 25% change in the performance of the CAA while outsourcing processes accounted for 27.9% change in the performance of the CAA.

These findings agree with Jiang (2002) who emphasized that the services or goods that an organization buys must conform to the standards applicable to the organization. The implication of the findings of this study is that before planning any outsourcing, CAA must first identify its own internal standards for everything it does before and during outsourcing. For any outsourcing, the CAA's own policies and procedures frame the requirements for its external suppliers and their supply chains and because of this, these policies and procedures should be very clear and should cover any loophole that may compromise the outsourcing in the CAA. In other words, the findings demonstrate a need for an appropriate compliance procurement legal framework in the CAA. According to O'Connor (2001), an appropriate compliance procurement legal framework involves

identifying and documenting compliance mandates, adopting documented standards and communicating them to all individuals responsible for complying in procurement. In outsourcing, this means ensuring that the service provider complies with the enterprise's compliance standards and programs, including training (Quinn, 2000).

The findings support the observation in the literature that the procurement legal framework is of critical importance, not only because of the existing legal and regulatory framework, but also because privacy is a fundamental element for building trust relations between companies and their customers and/or business partners.

## **5.2 Conclusions**

1. It was established that an improvement in outsourcing planning and decision-making was related to a moderate improvement in the performance of the CAA and vice versa, whereby outsourcing planning and decision-making accounted for 31.7% change in the performance of the CAA. In particular, the study established that although outsourcing planning and decision-making was most of the time effectively done in the CAA, there instances where it was not properly done and this negatively affected the performance of the CAA.
2. It was established that an improvement in outsourcing processes was related to a big improvement in the performance of the CAA and vice versa, whereby outsourcing processes accounted for 51.6% change in the performance of the CAA. In particular, the study established that there were a few instances when

outsourcing processes in the CAA was not properly conducted and thus leading to poor performance of the CAA.

3. It was established that procurement legal framework moderated the relationship between outsourcing and performance by weakening the strength of the relationships. The weaknesses in the relationship between outsourcing and performance arose because of a few shortfalls in the procurement legal framework such as some CAA staff failure to always follow the legal procurement guidelines and ineffectiveness of in some aspects of the legal framework. The weakness in the strength was much greater for the relationship between outsourcing processes and performance as compared to the relationship between outsourcing planning and decision-making and performance. Thus, if the legal framework had not such shortcomings, the relationship between outsourcing and performance would have been much strong in that CAA outsourcing would significantly improve its performance.

### **5.3 Recommendations**

Based on the findings and discussion in this study, the following are the recommendations of this study:

- (1) First, it was established that CAA performance was below the expectations because outsourcing planning and decision-making in CAA was not always very systematically carried out. Findings indicate that there is need for CAA to ensure this by involving all stakeholders in the outsourcing planning and decision-making. Adequate planning before outsourcing should be done,

internal versus external analysis of the organization should be considered as a key element before outsourcing is done, and final results of the outsourcing decision should be usually put into perspective before the decision to outsource is carried out.

- (2) The kind of dependence on the third party should be normally considered before outsourcing, and objectives should usually be set before outsourcing. In addition, CAA should always leave skeleton staff to oversee the outsourced services in case such services are reverted to the CAA where outsourced firms are found to be ineffective in providing the services to CAA. The skeleton staff at CAA would ensure that services that are reverted to CAA from the outsourced firm are not entirely disrupted. Thus, this calls for CAA to plan for entry and exit strategies in the outsourcing process.
- (3) For the outsourcing process, the following should be considered to improve them. Selection of suppliers should always be based on their competences. Their performance should be monitored regularly and their reliability should always be considered before outsourcing CAA function.
- (4) In addition to this, CAA should always evaluate outsourcing to determine if the saved resources can be reinvested and the decision to outsource should usually be done after assessing the net gain or loss in efficiency. The criteria for outsourcing service providers of CAA should be clearly followed and costs should always be evaluated prior to the decision to outsource.

(5) The legal requirement should focus on flexibility or adjustments within the procurement legal framework to reduce on the delays and rigidity where emergency cases are to be handled. The whole tendering process should be reviewed by the relevant authorities to reduce on the bureaucracy involved. Some staff not yet conversant with the new procurement legal framework should be sensitized through workshops and seminars and all other stakeholders should go for training about the procurement legal framework.

#### **5.4 Areas for Further Research**

This study focused on outsourcing and organizational performance in parastatal organizations. However, how parastatal organizations are run is different from how private organizations are run. Hence, it would be interesting to conduct a similar study among Uganda's private organizations.

Some stakeholders did not participate in this study. These included service providers, board of directors and contract committee members. If a similar study to this is conducted, it is recommended that such stakeholders should also be included among the participants.

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## APPENDICES

### Appendix A: Questionnaire

*Dear respondent,*

*I am a graduate student at Uganda Management Institute, pursuing a Masters degree in Management Studies (Procurement and Supply Chain Management). The purpose of my study is to establish the effect of Outsourcing on Organisational performance in Civil Aviation Authority. All information will be used for purely academic purposes and will be treated with ultimate confidentiality. In order to ensure anonymity, please do not write your name or any identifying marks on the questionnaire.*

*Thank you*

### **PART 1:**

#### **Background information about the respondent and his/her organization/department**

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##### **A. Respondent's Profile**

1. Gender:  Male  Female (Please tick)
2. Education level (indicate highest)  
 Primary  O-Level  A-Level  Institution  University  Other (specify) \_
3. Years you have served in the organization : (Less than 1 year)  (1 -2 years)  (3 -5 years)  (5 -10 years)  (Above 10 years)
4. Age  (20-30)  (31 -39)  (40 -49)  (Above 50)

**PART 11**

**SECTION B: PLANNING/DECISION MAKING**

*Instructions: From questions 9-15, tick (✓) on a scale of 1-5 how strongly you agree or disagree with the statements given.*

1 = Strongly Disagree 2 = Disagree 3 = Neither Agree or disagree 4 = Agree 5 = Strongly Agree

	1	2	3	4	5
9. CAA carries out adequate planning before outsourcing					
10. Internal analysis of the organization is considered as a key element before outsourcing is done in CAA					
11. CAA seeks opinions and ideas of the stakeholders before the decision to outsource is considered					
12. The final results of the outsourcing decision are usually put into perspective before the decision to outsource is carried out					
13. The kind of dependence on the third party is normally considered before outsourcing					
14. Objectives are usually set before outsourcing					
15. Management identifies internal service capabilities and designs of business plans for outsourcing					

**SECTION C: OUTSOURCING PROCESS**

*Instructions: From questions 16-27, tick (✓) on a scale of 1-5 how strongly you agree or disagree with the statements given.*

1 = Strongly Disagree 2 = Disagree 3 = Neither Agree or disagree 4 = Agree 5 = Strongly Agree

	1	2	3	4	5
16. Suppliers are selected basing on their competences					
17. Performance of the suppliers is regularly monitored					
18. CAA evaluates outsourcing to determine if the saved resources can be reinvested					
19. Regular performance reviews to measure the provider's performance are usually carried out					
20. Outsourced partners are usually carefully examined					
21. CAA usually evaluates the performance of the outsourced services					
22. The decision to outsource is usually done after assessing the net gain or loss in efficiency					
23. The criteria for outsourcing service providers of CAA is clearly followed					
24. A lot of importance is attached to the supplier in order to enhance outsourcing in CAA					
25. Costs are evaluated prior to the decision to outsource					
26. CAA and the outsourced suppliers usually have a shared vision					
27. Supplier reliability is always considered before outsourcing					

**SECTION D: PROCUREMENT LEGAL FRAMEWORK AN ORGANISATIONAL PERFORMANCE**

*Instructions: From questions 28-31, tick (✓) on a scale of 1-5 how strongly you agree or disagree with the statements given.*

1 = Strongly Disagree 2 = Disagree 3 = Neither Agree or disagree 4 = Agree 5 = Strongly Agree

	1	2	3	4	5
28. The legal procurement guidelines have always been followed in CAA					
29. Regulations are usually followed before outsourcing					
30. Regulations on procurement are vey effective in CAA					
31. The procurement legal framework in CAA is satisfactory					



**SECTION E: ORGANISATIONAL PERFORMANCE**

*Instructions: From questions 32-41, tick (✓) on a scale of 1-5 how strongly you agree or disagree with the statements given.*

1 = Strongly Disagree 2 = Disagree 3 = Neither Agree or disagree 4 = Agree 5 = Strongly Agree

	1	2	3	4	5
32. Cost efficiency has been achieved in CAA (A lot of money is saved through the decision to outsource)					
33. Performance of CAA has improved					
34. CAA saves a lot of money					
35. CAA is efficiency in its service delivery					
36. CAA has reduced its operations expenses					
37. Outside firms provide better quality services					
38. CAA has reduced its overhead expense					
39. There is improved quality of work by CAA staff					
40. The productivity of CAA as an organization has improved					
41. Outsourcing has led to increased customer satisfaction in CAA					

**THANK YOU**

## **Appendix B: Interview guide for key informants**

### **Planning/ decision making and organizational performance**

1. Please tell us some of the activities that you outsource in CAA
2. When and why did CAA start to outsource some of its activities?
3. What does the Outsourcing planning process in CAA involve?
4. Are you satisfied with the planning/decision making in outsourcing process of the CAA? Why?
5. How has the planning/decision making in outsourcing process affected the performance of the CAA?

### **Outsourcing process and Organizational performance**

6. How is outsourcing done in this organization?
7. Please explain the process of Outsourcing in CAA
8. Are you satisfied with the way outsourcing process is done in the CAA? Why?
9. How has the way outsourcing process is done affected the performance of the CAA?

1.

### **2. Outsourcing and Procurement legal framework**

10. What are some of the legal procedures that you follow before outsourcing an activity in CAA?
11. Does following those procedures in any way affect the planning/decision making in outsourcing process and thus the performance of CAA? How?
12. Does following those procedures in any way affect the way outsourcing process is done and thus the performance of CAA? How?

## Appendix C: Reliability

Item Statistics			
	Mean	Std. Deviation	N
CAA carries out adequate planning before outsourcing	4.50	.707	10
Internal analysis of the organization is considered as a key element before outsourcing is done in CAA	4.30	.675	10
CAA seeks opinions and ideas of the stakeholders before the decision to outsource is considered	3.90	1.287	10
The final results of the outsourcing decision are usually put into perspective before the decision to outsource is carried out	4.40	.699	10
The kind of dependence on the third party is normally considered before outsourcing	3.40	1.174	10
Objectives are usually set before outsourcing	4.00	1.247	10
Management identifies internal service capabilities and designs of business plans for outsourcing	4.10	1.197	10
Suppliers are selected basing on their competences	4.70	.675	10
Performance of the suppliers is regularly monitored	4.40	.699	10
CAA evaluates outsourcing to determine if the saved resources can be reinvested	3.90	.738	10
Regular performance reviews to measure the provider's performance are usually carried out	4.10	.994	10
Outsourced partners are usually carefully examined	4.20	1.229	10
CAA usually evaluates the performance of the outsourced services	4.30	.949	10
The decision to outsource is usually done after assessing the net gain or loss in efficiency	4.10	.738	10
The criteria for outsourcing service providers of CAA is clearly followed	4.40	.699	10
A lot of importance is attached to the supplier in order to enhance outsourcing in CAA	3.90	.876	10
Costs are evaluated prior to the decision to outsource	4.40	.516	10
CAA and the outsourced suppliers usually have a shared vision	3.70	1.337	10
Supplier reliability is always considered before outsourcing	4.60	.699	10
The legal procurement guidelines has always been followed in CAA	4.80	.422	10
Legal regulations are usually followed before outsourcing	4.70	.483	10
Legal regulations on procurement are vey effective in CAA	4.30	.949	10
The procurement legal framework in CAA is satisfactory	4.50	.707	10
Cost efficiency has been achieved in CAA (A lot of money is saved through the decision to outsource)	3.60	1.350	10
Performance of CAA has improved	3.80	1.398	10
CAA saves a lot of money	3.70	1.418	10
CAA is efficiency in its service delivery	4.20	1.317	10

CAA has reduced its operations expenses	3.80	1.398	10
Outside firms provide better quality services	3.60	1.578	10
CAA has reduced its overhead expense	3.60	1.350	10
There is improved quality of work by CAA staff	4.10	1.197	10
The productivity of CAA as an organization has improved	4.30	1.252	10
Outsourcing has led to increased customer satisfaction in CAA	4.20	1.229	10

<b>Item-Total Statistics</b>				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item- Total Correlation	Cronbach's Alpha if Item Deleted
CAA carries out adequate planning before outsourcing	132.00	710.000	.808	.979
Internal analysis of the organization is considered as a key element before outsourcing is done in CAA	132.20	709.289	.868	.979
CAA seeks opinions and ideas of the stakeholders before the decision to outsource is considered	132.60	683.156	.835	.979
The final results of the outsourcing decision are usually put into perspective before the decision to outsource is carried out	132.10	706.100	.925	.979
The kind of dependence on the third party is normally considered before outsourcing	133.10	706.767	.526	.981
Objectives are usually set before outsourcing	132.50	679.833	.916	.979
Management identifies internal service capabilities and designs of business plans for outsourcing	132.40	691.378	.765	.979
Suppliers are selected basing on their competences	131.80	711.067	.817	.979
Performance of the suppliers is regularly monitored	132.10	706.767	.906	.979
CAA evaluates outsourcing to determine if the saved resources can be reinvested	132.60	710.489	.760	.980
Regular performance reviews to measure the provider's performance are usually carried out	132.40	705.822	.646	.980

Outsourced partners are usually carefully examined	132.30	680.011	.927	.979
CAA usually evaluates the performance of the outsourced services	132.20	692.622	.950	.979
The decision to outsource is usually done after assessing the net gain or loss in efficiency	132.40	708.267	.818	.979
The criteria for outsourcing service providers of CAA is clearly followed	132.10	706.767	.906	.979
A lot of importance is attached to the supplier in order to enhance outsourcing in CAA	132.60	708.267	.685	.980
Costs are evaluated prior to the decision to outsource	132.10	722.322	.661	.980
CAA and the outsourced suppliers usually have a shared vision	132.80	697.511	.589	.980
Supplier reliability is always considered before outsourcing	131.90	707.211	.894	.979
The legal procurement guidelines has always been followed in CAA	131.70	734.678	.266	.981
Legal regulations are usually followed before outsourcing	131.80	731.956	.335	.981
Legal regulations on procurement are very effective in CAA	132.20	697.956	.840	.979
The procurement legal framework in CAA is satisfactory	132.00	704.444	.959	.979
Cost efficiency has been achieved in CAA (A lot of money is saved through the decision to outsource)	132.90	675.656	.904	.979
Performance of CAA has improved	132.70	672.011	.924	.979
CAA saves a lot of money	132.80	669.956	.940	.979
CAA is efficiency in its service delivery	132.30	689.344	.721	.980
CAA has reduced its operations expenses	132.70	672.678	.914	.979
Outside firms provide better quality services	132.90	682.989	.673	.980
CAA has reduced its overhead expense	132.90	671.433	.968	.978
There is improved quality of work by CAA staff	132.40	696.489	.681	.980
The productivity of CAA as an	132.20	682.844	.864	.979

organization has improved				
Outsourcing has led to increased customer satisfaction in CAA	132.30	680.011	.927	.979

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
.980	33

**Appendix D: Data used for correlation analysis between outsourcing planning and decision making and organizational performance**

Respondent	plan9	plan10	plan11	plan12	plan13	plan14	plan15	op32	op33	op34	op35	op36	op37	op38	op39	op40	op41	PLANNING	PERFORMANCE
1	3	3	1	3	3	1	1	1	1	1	1	1	1	1	1	1	1	15	10
2	4	4	4	4	4	4	4	4	3	3	3	3	3	3	4	4	4	28	34
3	5	4	5	5	4	4	4	4	5	4	5	4	4	4	4	4	4	31	42
4	5	5	5	5	4	5	5	5	5	5	5	5	4	5	4	5	5	34	48
5	5	5	4	5	4	5	5	5	5	5	4	5	5	5	5	5	5	33	49
6	4	5	3	4	3	5	5	3	4	5	5	5	3	4	4	5	5	29	43
7	4	4	3	4	2	3	5	3	4	3	5	4	1	3	5	5	4	25	37
8	5	5	5	5	5	5	4	5	5	5	5	5	5	5	5	5	5	34	50
9	5	4	5	5	4	4	4	4	4	4	4	4	5	4	4	5	5	31	43
10	5	4	4	4	1	4	4	2	2	2	5	2	5	2	5	4	4	26	33
11	3	3	3	3	3	3	3	2	2	2	3	2	3	2	2	2	3	21	23
12	4	4	3	1	3	5	5	4	3	4	3	3	5	3	5	4	4	25	38
13	3	4	4	4	4	3	3	3	2	3	3	2	3	3	4	4	4	25	31
14	1	1	2	1	1	2	2	2	1	1	2	3	4	2	2	3	3	10	23
15	4	5	4	4	5	4	5	5	5	5	5	5	5	5	5	5	5	31	50
16	5	5	5	5	4	4	5	4	4	4	4	3	4	3	5	4	4	33	39
17	5	5	5	5	5	5	5	3	4	4	4	5	4	5	4	4	4	35	41
18	4	3	3	4	3	3	4	3	4	3	3	4	3	3	4	4	3	24	34
19	3	3	5	4	3	5	4	4	3	4	4	4	5	5	5	5	5	27	44
20	4	4	5	3	3	4	4	4	5	5	4	4	4	4	4	4	4	27	42
21	4	4	2	2	4	4	4	4	4	4	3	3	3	4	4	4	4	24	37
22	4	4	5	4	4	4	4	4	4	4	5	4	5	4	4	4	5	29	43
23	3	4	4	3	3	5	4	3	1	2	3	3	3	3	3	4	4	26	29
24	3	3	3	3	3	3	3	1	1	1	2	1	2	1	1	2	2	21	14
25	5	5	5	5	4	4	4	2	2	2	2	2	3	3	3	4	4	32	27

26	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	28	40
27	4	4	5	4	4	5	4	3	4	3	4	3	3	3	4	5	3	30	35
28	5	4	5	5	4	4	4	4	4	2	3	3	5	3	4	3	3	31	34
29	4	4	4	5	5	5	5	3	3	3	3	3	4	3	4	3	3	32	32
30	3	3	4	4	4	3	3	4	4	4	4	4	5	4	4	4	4	24	41
31	4	4	5	3	2	4	4	4	5	5	4	5	5	4	4	4	4	26	44
32	5	4	3	3	4	3	4	5	5	3	5	2	3	2	5	5	5	26	40



**Appendix E: Data used for correlation analysis between outsourcing processes and organizational performance**

Respondent	osp16	osp17	osp18	osp19	osp20	osp21	osp22	osp23	osp24	osp25	osp26	osp27	op32	op33	op34	op35	op36	op37	op38	op39	op40	op41	PROCESSES	PERFORMANCE
1	3	3	3	3	1	2	3	3	3	4	3	3	1	1	1	1	1	1	1	1	1	1	34	10
2	4	4	3	4	4	4	4	4	4	4	4	4	4	3	3	3	3	3	3	4	4	4	47	34
3	5	4	4	5	4	5	4	4	4	5	5	5	4	5	4	5	4	4	4	4	4	4	54	42
4	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	4	5	4	5	5	60	48
5	5	5	4	4	5	5	5	5	4	5	4	5	5	5	5	4	5	5	5	5	5	5	56	49
6	5	5	4	4	5	4	4	5	4	4	4	5	3	4	5	5	5	3	4	4	5	5	53	43
7	5	4	3	2	4	4	3	4	4	4	2	5	3	4	3	5	4	1	3	5	5	4	44	37
8	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	60	50
9	5	5	4	5	5	5	4	5	4	4	4	5	4	4	4	4	4	5	4	4	5	5	55	43
10	5	4	4	4	4	4	4	4	2	4	1	4	2	2	2	5	2	5	2	5	4	4	44	33
11	2	3	2	2	2	2	2	3	3	3	2	4	2	2	2	3	2	3	2	2	2	3	30	23
12	5	3	3	3	4	4	3	5	4	3	3	4	4	3	4	3	3	5	3	5	4	4	44	38
13	4	3	3	3	3	3	3	3	3	4	3	3	3	2	3	3	2	3	3	4	4	4	38	31
14	1	1	1	2	1	3	2	1	1	1	1	1	2	1	1	2	3	4	2	2	3	3	16	23
15	5	4	4	4	4	4	5	5	5	5	3	5	5	5	5	5	5	5	5	5	5	5	53	50
16	5	4	4	5	5	5	4	4	5	5	4	4	4	4	4	4	3	4	3	5	4	4	54	39
17	4	4	5	5	4	5	4	4	4	5	4	4	3	4	4	4	5	4	5	4	4	4	52	41
18	4	3	3	3	3	3	3	3	3	3	4	3	3	4	3	3	4	3	3	4	4	3	38	34
19	5	3	4	4	4	4	3	5	4	4	4	4	4	3	4	4	4	5	5	5	5	5	48	44
20	4	4	3	4	4	3	4	4	3	3	3	3	4	5	5	4	4	4	4	4	4	4	42	42
21	5	4	1	2	3	3	3	3	3	4	3	4	4	4	4	3	3	3	4	4	4	4	38	37
22	5	4	4	4	5	4	3	4	4	4	3	5	4	4	4	5	4	5	4	4	4	5	49	43
23	4	4	4	3	3	4	4	3	4	3	3	4	3	1	2	3	3	3	3	3	4	4	43	29
24	3	3	3	3	3	3	3	3	3	3	3	3	1	1	1	2	1	2	1	1	2	2	36	14
25	5	4	4	4	4	4	4	4	4	5	5	5	2	2	2	2	2	3	3	3	4	4	52	27

26	4	3	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	47	40
27	5	5	4	3	4	3	5	4	4	5	4	5	3	4	3	4	3	3	3	4	5	3	51	35
28	5	4	4	4	5	4	2	4	4	4	3	4	4	4	2	3	3	5	3	4	3	3	47	34
29	5	5	4	3	4	3	3	4	4	4	4	4	3	3	3	3	3	4	3	4	3	3	47	32
30	4	5	4	5	5	4	4	4	5	5	5	5	4	4	4	4	4	5	4	4	4	4	55	41
31	4	4	2	3	4	4	4	3	4	4	3	4	4	5	5	4	5	5	4	4	4	4	43	44
32	5	3	4	4	5	5	1	5	5	5	3	4	5	5	3	5	2	3	2	5	5	5	49	40

**Appendix F: Data used for correlation analysis between outsourcing processes, outsourcing processes, legal framework and organizational performance**

Respondent	plan9	plan10	plan11	plan12	plan13	plan14	plan15	osp16	osp17	osp18	osp19	osp20	osp21	osp22	osp23	osp24	osp25	osp26	osp27	plf28	plf29	plf30	plf31	op32	op33	op34	op35	op36	op37	op38	op39	op40	op41		
1	3	3	1	3	3	1	1	3	3	3	3	1	2	3	3	3	4	3	3	5	5	2	3	1	1	1	1	1	1	1	1	1	1	1	
2	4	4	4	4	4	4	4	4	4	3	4	4	4	4	4	4	4	4	4	4	4	4	4	3	3	3	3	3	3	3	4	4	4		
3	5	4	5	5	4	4	4	5	4	4	5	4	5	4	4	4	5	5	5	5	5	5	5	4	5	4	5	4	4	4	4	4	4		
4	5	5	5	5	4	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	4	5	4	5	5	
5	5	5	4	5	4	5	5	5	5	4	4	5	5	5	5	4	5	4	5	5	5	5	5	5	5	5	4	5	5	5	5	5	5	5	
6	4	5	3	4	3	5	5	5	5	4	4	5	4	4	5	4	4	4	5	5	5	4	5	3	4	5	5	5	3	4	4	5	5		
7	4	4	3	4	2	3	5	5	4	3	2	4	4	3	4	4	4	2	5	5	4	5	4	3	4	3	5	4	1	3	5	5	4		
8	5	5	5	5	5	5	4	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	
9	5	4	5	5	4	4	4	5	5	4	5	5	5	4	5	4	4	4	5	5	5	4	5	4	4	4	4	4	4	4	5	4	4	5	5
10	5	4	4	4	1	4	4	5	4	4	4	4	4	4	4	2	4	1	4	4	4	4	4	2	2	2	5	2	5	2	5	4	4		
11	3	3	3	3	3	3	3	2	3	2	2	2	2	2	3	3	3	2	4	3	4	4	4	2	2	2	3	2	3	2	2	2	2	3	
12	4	4	3	1	3	5	5	5	3	3	3	4	4	3	5	4	3	3	4	5	5	3	4	4	3	4	3	3	5	3	5	4	4		
13	3	4	4	4	4	3	3	4	3	3	3	3	3	3	3	3	4	3	3	4	4	3	3	3	2	3	3	2	3	3	4	4	4		
14	1	1	2	1	1	2	2	1	1	1	2	1	3	2	1	1	1	1	1	1	2	2	2	2	1	1	2	3	4	2	2	3	3		
15	4	5	4	4	5	4	5	5	4	4	4	4	4	5	5	5	5	3	5	4	5	3	4	5	5	5	5	5	5	5	5	5	5	5	
16	5	5	5	5	4	4	5	5	4	4	5	5	5	4	4	5	5	4	4	5	4	5	5	4	4	4	4	4	3	4	3	5	4	4	
17	5	5	5	5	5	5	5	4	4	5	5	4	5	4	4	4	5	4	4	4	4	4	4	3	4	4	4	5	4	5	4	4	4	4	
18	4	3	3	4	3	3	4	4	3	3	3	3	3	3	3	3	3	4	3	4	4	4	4	3	4	3	3	4	3	3	4	4	3		
19	3	3	5	4	3	5	4	5	3	4	4	4	4	3	5	4	4	4	4	3	3	4	4	4	3	4	4	4	5	5	5	5	5		
20	4	4	5	3	3	4	4	4	4	3	4	4	3	4	4	3	3	3	3	5	5	5	5	4	5	5	4	4	4	4	4	4	4	4	
21	4	4	2	2	4	4	4	5	4	1	2	3	3	3	3	3	4	3	4	4	3	2	2	4	4	4	3	3	3	4	4	4	4	4	
22	4	4	5	4	4	4	4	5	4	4	4	5	4	3	4	4	4	3	5	5	4	5	4	4	4	4	5	4	5	4	4	4	5	5	
23	3	4	4	3	3	5	4	4	4	4	3	3	4	4	3	4	3	3	4	3	3	3	3	3	1	2	3	3	3	3	3	4	4	4	

24	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	1	1	1	2	1	2	1	1	2	2
25	5	5	5	5	4	4	4	5	4	4	4	4	4	4	4	4	5	5	5	4	4	4	4	2	2	2	2	2	3	3	3	4	4
26	4	4	4	4	4	4	4	4	3	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	
27	4	4	5	4	4	5	4	5	5	4	3	4	3	5	4	4	5	4	5	3	3	4	3	3	4	3	4	3	3	3	4	5	3
28	5	4	5	5	4	4	4	5	4	4	4	5	4	2	4	4	4	3	4	5	5	4	4	4	4	2	3	3	5	3	4	3	3
29	4	4	4	5	5	5	5	5	5	4	3	4	3	3	4	4	4	4	4	5	5	4	3	3	3	3	3	3	4	3	4	3	3
30	3	3	4	4	4	3	3	4	5	4	5	5	4	4	4	5	5	5	5	4	5	5	5	4	4	4	4	4	5	4	4	4	4
31	4	4	5	3	2	4	4	4	4	2	3	4	4	4	3	4	4	3	4	4	4	4	3	4	5	5	4	5	5	4	4	4	4
32	5	4	3	3	4	3	4	5	3	4	4	5	5	1	5	5	5	3	4	5	5	5	5	5	5	3	5	2	3	2	5	5	5

## Appendix G: Descriptive results on outsourcing planning and decision making

Questions about outsourcing planning & decision making	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
9. CAA carries out adequate planning before outsourcing	1 (3%)	0 (0%)	7 (22%)	13 (41%)	11 (34%)	32 (100%)
10. Internal analysis of the organization is considered as a key element before outsourcing is done in CAA	1 (3%)	0 (0%)	6 (19%)	17 (53%)	8 (25%)	32 (100%)
11. CAA seeks opinions and ideas of the stakeholders before the decision to outsource is considered	2 (6%)	1 (3%)	7 (22%)	12 (38%)	10 (31%)	32 (100%)
12. The final results of the outsourcing decision are usually put into perspective before the decision to outsource is carried out	2 (6%)	2 (6%)	9 (28%)	15 (47%)	4 (13%)	32 (100%)
13. The kind of dependence on the third party is normally considered before outsourcing	1 (3%)	2 (6%)	7 (22%)	9 (28%)	13 (41%)	32 (100%)
14. Objectives are usually set before outsourcing	1 (3%)	1 (3%)	7 (22%)	13 (41%)	10 (31%)	32 (100%)
15. Management identifies internal service capabilities and designs of business plans for outsourcing	1 (3%)	1 (3%)	4 (13%)	17 (53%)	9 (28%)	32 (100%)
16. Average score on whether outsourcing planning & decision making was handled	1 (3%)	1 (3%)	7 (22%)	14 (44%)	9 (28%)	32 (100%)

## Appendix H: Descriptive results on organizational performance

Questions about organizational performance	Strongly Disagree	Disagree	Neither Agree nor disagree	Agree	Strongly Agree	Total
12. Cost efficiency has been achieved in CAA (A lot of money is saved through the decision to outsource)	2 (6%)	4 (13%)	8 (25%)	13 (40%)	5 (16%)	32 (100%)
13. Performance of CAA has improved	4 (13%)	4 (13%)	4 (13%)	12 (36%)	8 (25%)	32 (100%)
14. CAA saves a lot of money	3 (9%)	5 (16%)	7 (22%)	10 (31%)	7 (22%)	32 (100%)
15. CAA is efficiency in its service delivery	1 (3%)	3 (9%)	9 (28%)	10 (31%)	9 (28%)	32 (100%)
16. CAA has reduced its operations expenses	2 (6%)	5 (16%)	9 (28%)	9 (28%)	7 (22%)	32 (100%)
17. Outside firms provide better quality services	2 (6%)	1 (3%)	10 (31%)	8 (25%)	11 (34%)	32 (100%)
18. CAA has reduced its overhead expense	2 (6%)	4 (13%)	11 (34%)	9 (28%)	6 (19%)	32 (100%)
19. There is improved quality of work by CAA staff	2 (6%)	2 (6%)	2 (6%)	17 (53%)	9 (28%)	32 (100%)
20. The productivity of CAA as an organization has improved	1 (3%)	2 (6%)	3 (9%)	16 (50%)	10 (31%)	32 (100%)
21. Outsourcing has led to increased customer satisfaction in CAA	1 (3%)	1 (3%)	6 (19%)	15 (47%)	9 (28%)	32 (100%)
22. Average score on whether organizational performance had improved	2 (6%)	3 (9%)	7 (22%)	12 (38%)	8 (25%)	32 (100%)

## Appendix I: Descriptive results on outsourcing processes

Questions about outsourcing processes	Strongly Disagree	Disagree	Neither Agree nor disagree	Agree	Strongly Agree	Total
14. Suppliers are selected basing on their competences	1 (3%)	1 (3%)	2 (6%)	9 (28%)	19 (60%)	32 (100%)
15. Performance of the suppliers is regularly monitored	1 (3%)	0 (0%)	9 (28%)	14 (44%)	8 (25%)	32 (100%)
16. CAA evaluates outsourcing to determine if the saved resources can be reinvested	2 (6%)	2 (6%)	8 (25%)	17 (54%)	3 (9%)	32 (100%)
17. Regular performance reviews to measure the provider's performance are usually carried out	0 (0%)	4 (13%)	9 (28%)	12 (38%)	7 (21%)	32 (100%)
18. Outsourced partners are usually carefully examined	2 (6%)	1 (3%)	5 (16%)	14 (44%)	10 (31%)	32 (100%)
19. CAA usually evaluates the performance of the outsourced services	0 (0%)	2 (6%)	8 (25%)	14 (44%)	8 (25%)	32 (100%)
20. The decision to outsource is usually done after assessing the net gain or loss in efficiency	1 (3%)	3 (9%)	10 (31%)	13 (41%)	5 (16%)	32 (100%)
21. The criteria for outsourcing service providers of CAA is clearly followed	1 (3%)	0 (0%)	8 (25%)	14 (44%)	9 (28%)	32 (100%)
22. A lot of importance is attached to the supplier in order to enhance outsourcing in CAA	1 (3%)	1 (3%)	7 (22%)	17 (53%)	6 (19%)	32 (100%)
23. Costs are evaluated prior to the decision to outsource	1 (3%)	0 (0%)	6 (19%)	14 (44%)	11 (34%)	32 (100%)
24. CAA and the outsourced suppliers usually have a shared vision	2 (6%)	2 (6%)	12 (38%)	11 (34%)	5 (16%)	32 (100%)
25. Supplier reliability is always considered before outsourcing	1 (3%)	0 (0%)	5 (16%)	14 (44%)	12 (38%)	32 (100%)
26. Average score on whether outsourcing processes is properly conducted	1 (3%)	1 (3%)	7 (22%)	14 (44%)	9 (28%)	32 (100%)

## Appendix J: Descriptive results on procurement legal framework

Questions about procurement legal framework	Strongly Disagree	Disagree	Neither Agree nor disagree	Agree	Strongly Agree	Total
6. The legal procurement guidelines have always been followed in CAA	1 (3%)	0 (0%)	5 (16%)	11 (34%)	15 (47%)	32 (100%)
7. Regulations are usually followed before outsourcing	0 (0%)	1 (3%)	5 (16%)	12 (38%)	14 (44%)	32 (101%)
8. Regulations on procurement are very effective in CAA	0 (0%)	3 (9%)	5 (16%)	14 (44%)	10 (31%)	32 (100%)
9. The procurement legal framework in CAA is satisfactory	0 (0%)	2 (6%)	7 (22%)	13 (41%)	10 (31%)	32 (100%)
10. Average score on whether legal procurement framework is effective	0 (0%)	2 (6%)	5 (16%)	13 (41%)	12 (37%)	32 (100%)