ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

The Effect of Outsourcing on Organizational Performance: In Spa Service Enterprise.

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Thesis Submitted to School of Graduate Studies of Addis Ababa University in Partial Fulfillment of the Requirements for Award of Degree of Master Logistics and Supply Chain Management.

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Addis Ababa

Statement of Certification

This to certify that Abinet Sebhatleab has carried out his thesis work on the topic entitled “the effect of outsourcing on organizational performance in spa service enterprise” under my guidance and supervision. Accordingly, I here assure that his work is appropriate and standard enough to be submitted for the award of Master of Arts in Logistics and Supply Chain Management.

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Mengistu Bogale (PHD)

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Declaration

I the undersigned, declare that this thesis entitled "the effect of outsourcing on organizational performance in spa service enterprise" is my original work and has not been presented for a degree in any other University, and that all sources of materials used for the thesis have been duly acknowledged.

Declared by;

Name ________________________

Signature _____________________

Date _________________________

Date of Submission ____________________________

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ABSTRACT

*The research was based on spa service enterprise, a prominent and government owned bath and hotel service provider. The purpose of the study was to establish what driven spa to outsource and how that decision affects the overall performance of spa. The research questions were presented in order to identify the effect of cost-driven outsourcing on organizational performance; the effect of expertise-driven outsourcing on organizational performance and the effect of focus-driven outsourcing on organizational performance. The study employed an explanatory research design. Out of the study population of 780 employees of the enterprise, a sample size of 205 was taken, whose elements was selected using a random sampling technique. Questionnaires were used as the primary data collection instrument. The response rate was 97%, with 199 questionnaires properly filled out of the distributed 205 questionnaires. Data was analyzed using descriptive statistics, correlation and regression analysis and then presented in tables**.** The finding of study implies that cost driven outsourcing had positive and statistically insignificant effect on spa performance. And expertise driven outsourcing had negative and statistically insignificant effect on spa performance. Finally, focus driven outsourcing had positive and statistically significant effect on the organizational performance of spa. Although, spa driven force for outsourcing was cost reduction, focus driven outsourcing had shown a greatest effect on spa performance. This study recommends, since the results shows that there is insignificant effect of outsourcing strategy on spa service enterprise performance, the management of the organization should review this strategy again for further decision. In this study 38.3 % of the variance in dependent variable (organizational performance) was explained and predicted by independent variables (cost driven, focus driven and other capability driven outsourcing). Therefore an interested researcher could identify other predictor and execute study more.*

Keywords: *driven force of outsourcing, organizational performance, and hospitality industry.*

Table of Contents

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The business environment within the hospitality and tourism industry has been evolving just like any other industry. Globalization, technological advancement, fierce competition and the changing customer have been cited as driving this change (Espino-Rodriguez & Padron-Robaina, 2005). Some businesses have been slow to change while others have been quick to act or react. But in the current global business environment, it is no longer good and healthy for a business entity to sit idle and wait for any contingency. Businesses need strategies in order to effectively compete and many are turning to outsourcing. Outsourcing can provide opportunities for an organization to become competitive by accessing the knowledge, skills, and economies of scale and experience of specialist firms. These benefits notwithstanding, many organizations have failed to achieve the desired benefits envisaged in the decision to outsource and have subsequently experienced the consequences of outsourcing failure or have run into challenges that were not envisaged. This is as a result of industry practitioners adopting and embracing outsourcing strategies without necessarily taking the time to assess whether the concept is applicable to their businesses or not (Lam & Han, 2005)..

Quinn and Hilmer, (1994) state that the history of outsourcing strategy originated back to 1960s and 1970.Most firms outsource some or all the entire non-core functional activities out the core competence to external service provider in exchange to achieve competitive advantage of outsourcing. And also, most of the organizations are move towards the outsourcing activity, in order to reduce cost and achieve effectiveness via specializing in the limited numbers of crucial areas (Afzal, 2012).Outsourcing plays a great role in organization strategy in both USA and European countries (kakabadse, 2000).

According to Brown, (1997), outsourcing is a contractual agreement between the customer and one or more suppliers to provide services or processes that the customer is currently providing internally. The fundamental difference between outsourcing and any other purchasing agreement is that the customer contracts-out a part of their existing activity. Outsourcing involves greater specialization as firms switch from sourcing inputs internally to sourcing them from separately owned suppliers. There are many reasons why a company may choose to outsource and rarely will it be for one single reason. While they are normally specific to the particular situation, some commonly-sited reasons are in order to reduce cost, improve quality service delivery, help organization to focus on those activity which has competitive advantage, and finally, to be flexible for the dynamic business world.

While many firms have followed the pattern of outsourcing some part of their operations to improve their competitiveness, others have not, leading many to ask what factors influence the decision to use outsourcing and how such outsourcing improves organizational performance (Merino and Rodriguez, 2007; Nayak, 2007). Outsourcing is a management strategy by which an organization delegates major, non-core functions to specialized and efficient service providers.

Outsourcing success can be measured in terms of the impact outsourcing has on organization performance and customer satisfaction. Organization performance can be measured by assessing the degree of achievement of the strategic, economic, output and other technological benefits of outsourcing contract. Customer satisfaction can be viewed as the level of acceptance or fitness between a customer requirement and outsourcing outcome. However, (Grover, 1996) identified outsourcing success as the benefits from outsourcing gained by a firm as a result of adopting an outsourcing strategy. Outsourcing plays a big role on organizational performance through; Improved Focus on Core Competencies, Access to Modern Technology and Expertise, Cost Savings, Specialization and finally, Access to innovate.

Organization performance is a wide concept and an open question with limited research studies on definitions and measures. Organization performance is an important parameter mostly defined as a dependent variable which seeks to produce variations of performance. Organization performance may be compared or measured in terms such as; production output, profitability, sales turnover, market share, and many other accounting ratios. Organization performance is the extent to which the organization achieves a set of pre-determined targets that are in line with its mission. The most common performance drivers include: customer value, team performance, talent management, and strategic focus all which are achieved through, proper planning, evaluation, implementation and control. The critical success factors for organization performance consist of access to right knowledge and skills, proper planning, innovation and flexibility.

Organization performance measures consists of return on equity, profit, return on assets, market share while non-financial performance measures consists of corporate social responsibility, innovation, responsiveness and employee development.

In Ethiopian case the application of outsourcing is in its infancy stage. Currently there are few companies that are engaged in providing limited outsourcing service. The current outsourcing practice in Ethiopia is limited to a company's non-core activities which are confined to recruitment service, security service and janitorial service.

Spa service enterprise is a public enterprise re-established in accordance with the council of ministers regulation No.111/1993 on January 1993 with following objectives:-

- To establish, organize and operate spa service.
- To establish, organize and operate hotel service needed with spa service.

In 2009 EC, 2,320,876 customers were got a service from SPA service enterprise; this means average 6358 per day customers were served. In addition to this, spa permanent employees are 435, the outsourced service both cleaning and security employees are 275 average and 70 respectively. Spa service enterprise has been outsourcing both its cleaning and security services to the outsider since 2012. According to Dajasa Agama (purchasing manager), the main purpose of outsourcing this activities by the enterprise is to be a competitive in the market via reducing cost. Therefore, this study was done to address the impact of outsourcing on organizational performance (the case of spa service enterprise).

1.2 Statement of the problem

In this dynamic world, organizations are forced to look for new ways to generate business value. So that Outsourcing has been one of the major strategies that companies utilize in order to remain competitive in the current dynamic environment. This is due to the benefits resulting from such as lower cost, better customer satisfaction and management flexibility in order to concentrate on core functions of the organization (Akeshuwola&Elegbebde, 2012)

According to Barney (2001), firm applies outsourcing strategy in order to reduce labor cost. A UK survey by Manpower focusing on the benefits accruing to firms from outsourcing services, found that 68 percent of firms outsource at least some services, and their main motive was to reduce cost. In addition, Maku and Iravo (2013) and Musangi (2013)found that cost driven outsourcing had positively impacted the company's performance through reduction of labor and operational costs, hence improved profitability in both manufacturing and agriculture industry. Thus, it can be inferred that cost-driven outsourcing can improves organizational performance.

According Prahalad& Hamel, (2010) most firms which investigate their value chain found that 90% of their in-house activity done below at best in the world level and also had insignificant contribution to competitive edge of the company. Thus, it can be inferred that Focus driven outsourcing strategy help the companies to see an improvement in their organizational performance (Prahalad& Hamel, 2010).

According to Bragg (1998) firm could achieve both higher customer satisfaction and even higher retention from allowing job to be done by other supplier who specialize on that area. Specialist (outside suppliers) is able to achieve greater volumes than those possible if the activities are spread across a number of companies performing than in-house. Thus, it can be inferred that expertise driven outsourcing strategy allow the specialist supplier can reap the benefits of economies of scale that may be unattainable by an in-house provider (Domberger,1998).

Outsourcing does not come without risks, one main risk that is incurred when outsourcing is that when a firm does outsource, they leave the supply of that product or service in the hands of someone whom they cannot control, contrary to controlling their own supply (Maynard, 2006).According to McIvor (2005), many outsourced functions are failing because of the misapplication of the concept by practitioners. Additionally, many of the organizations that have experienced outsourcing failure or poor results often had limited knowledge or experience in outsourcing and were outsourcing activities that they were having problems with without looking within to see what was internally wrong. This clearly shows that outsourcing is not all that rosy as there are challenges that firms will face no matter how well-crafted their outsourcing strategies are.

Research work on organizational performance should include multiple performance measures. Such measures could be traditional accounting measures such as sales growth, market share, and profitability. In addition, factors such as customer satisfaction and non-financial goals of the stakeholders are also very important in evaluating performance,(Cheng, 2011).

According to Raghubalan (2015) the hotel housekeeping department is changing rapidly. Compared to few years back when only cleaning the premises was the main goal, nowadays taking care of the hygiene aspect is also essential. Eco friendly amenities, products and processes are also increasing awareness in hospitality industry for the cleaning sector. Beside, Spa increasingly become the choice of people that accepted by the public as therapeutically in its nature. Relieves people from stress, rejuvenates muscle and organs fissures and maintains optimum health. This hot spring water along with its medical characteristics contributes to the beauty, cleanliness, also source of pleasure and pride to the bather. Spa service enterprise has been outsourcing both its cleaning and security activity to the outsider since 2012.Although, cleaning activity are considered as very important function in hospitality industry, spa outsource this function to outside specialist. This decision indicates a disagreement with a literature that argues non-core function of the organization should be outsourced in order to reap the benefit of outsourcing strategy. Therefore, the purpose of the study was to establish what influences spa service enterprise the decision to outsource and how that decision affects the overall performance of the enterprise.

The researcher has not found any published literature that could indicate some empirical study having been carried out on the operations spa service enterprise. Therefore there was a need for an empirical study to evaluate the effects of outsourcing on the performance of the enterprise.

1.3 Research question

1. What is the effect of cost-driven outsourcing on organizational performance of spa service enterprise?
2. What is the effect of focus-driven outsourcing on organizational performance of spa service enterprise?
3. What is the effect of specialist capabilities-driven outsourcing on organizational performance of spa service enterprise?

1.4 Research objective

1.4.1 General objective

To, examine the effect of outsourcing on organizational performance; in spa service enterprise.

1.4.2 Specific objective

- To identify the effect of cost-driven outsourcing on organizational performance of spa service enterprise.
- To identify the effect of focus-driven outsourcing on organizational performance of spa service enterprise.
- To identify the effect of specialist capability-driven outsourcing on organizational performance of spa service enterprise.

1.5 Significance of the study

This study will be beneficial to firms under the hospitality industry particularly spa service enterprise in their bid to fully comprehend the issues that are particularly inherent in outsourcing decisions and this will help them improve on their performance and competitiveness. Moreover, this study may help as an input for other researcher who engages on assessing the effect outsourcing strategy on the organizational performance.

1.6 Scope of the study

The study focused on the impact of outsourcing on organizational performance with particular focus on spa service enterprise. Thus, the purpose of the study was to establish what influences the decision to outsource and how that decision affects the overall performance of the spa service enterprise. The motivation for choosing to study this subject in spa was the fact that its accessibility to the researcher. Regarding to the location, spa service enterprise found in kirkos sub city central part of Addis Ababa. And the target respondents were the employees of the enterprise. Finally the study was done from November 2017 up to June 2018.

1.7 Limitation of the study

Since the study entitled only in case of spa service enterprise, the finding of the research cannot be generalized for all service sectors in the country of Ethiopia. Besides, the survey carried was out based on the company's employees' perspective of outsourcing practices in the organization. Other stakeholders' perspectives such as customers were not incorporated in this study. Finally the researcher faced a difficulty in collection of questioner from the respondent and this made a delay in study analysis.

1.8 Organization of the paper

This study consists five chapters. The first chapter focus on introduction aspects like background of the study, statement of the problem, objective of the study, scope of the study,significant of the study and final limitation of the study. The second chapter, focus on existing literature aspect like theoretical, empirical and conceptual framework that could reflect the relation between outsourcing and organizational performance. Chapter three outline the research methodology used on this study. It describe the research design, target population, sampling techniques, source of data, data analysis method, ethical consideration and finally test reliability and validity of the study. Chapter four focuses on reflecting and interpreting the result and finding of study after analysis made based on collected data. Finally, chapter five focus on discussing on the finding of the study, and provide both conclusion and recommendation sequentially.

CHAPTER TWO

RELATED LITERATURE REVIEW

2.1 Theoretical literature

2.1.1 Outsourcing

Outsourcing has been considered as a field of investigation in many different fields, spanning from the management of information systems to the international business (Mayer & Salomon, 2006). Despite the heterogeneity of its definition, scholars agree that the decision to outsource concerns a reliance of firms on external sources of inputs, services, processes, or other value-adding activities (Gilley & Rasheed, 2000), balancing the span of activities that a firm performs internally versus those that are acquired from outside (Espino-Rodríguez &Padròn-Robaina, 2006). Lacity and Hirschheim,(1993) and Barthélem, (2001) both agreed on defining outsourcing as the decision to outsource activities previously made in-house by recurring to medium- or long-term agreements, also including the transfer of activities and personnel to third parties. This perspective is also compatible with the further development of the phenomena of outsourcing that have been registered during the past decade, i.e., off shoring, global sourcing, smart sourcing, etc.

Specialization within a firm happens when a firm organizes an activity in a specialized unit, for example, when a firm moves payroll activities out of the back office of a factory, and into a specialized payroll office. Outsourcing is specialization outside the firm. This occurs when firms opt to 'buy' rather than 'make' in-house. Outsourcing involves greater specialization as firms switch from sourcing inputs internally to sourcing them from separately owned suppliers. Off shoring occurs when firms move production overseas - either its own specialized unit or outsourced services (Laura Abramovsky, Rachel Griffith, Mari Sako, 2004).

Handfield, (2006) defined outsourcing as "the strategic use of outside resources to perform activities traditionally handled by internal staff and resources". Sometimes known also as "facilities management", outsourcing is a strategy by which an organization contracts out major functions to specialize and efficient service providers who become valued business partners. Outsourcing is, thus, the strategic use of outside resources to perform business functions traditionally managed by internal staff. Using an outsourced company which will help reduce costs and gain efficiencies by leveraging the talent, technology, and expertise of third party vendors.

Anikin and Rudaya, (2014) described outsourcing as the situation where a company delegates its operations to be managed by a third party that can do it cheaper, better and at a faster rate.

Gilley and Rasheed, (2000) It is the substitution of activities performed in-house by acquiring them externally, although the firm has the necessary management and financial capabilities to develop them internally. It is also an abstention from performing activities in-house.

According to Quinn, (1999), strategic outsourcing is the process of engaging the services of a provider to manage essential tasks that would otherwise be managed by in-house personnel. This, when properly done, allows a business to plan the optimal utilization of its resources and capabilities to achieve the best advantage. It also improves the achievability of an organization's strategic goals. This kind of outsourcing strategy can be utilized by any organization regardless of its size and has the effect of not only reducing the cost of operation but also providing an opportunity for optimal allocation of resources to the very necessary functions (Welch &Nayak, 1992).His basic idea behind strategic outsourcing is to create gains by allowing outside providers and specialists to take over the operation and management of a given function. Such gains may come in different forms such as improving the bottom line of a company by reducing various operating expenses and increasing the flexibility for innovation without having to invest too much in training and capital infrastructure (Mella&Pellicelli, 2012). Other benefits may come in form of convenience, where the strategy allows the business owners and managers to concentrate on their core business (Insinga&Werle, 2000). As a simple rule, so long as the benefits are considered sufficient by the client, then the process of strategic outsourcing can be considered a success.

The most traditionally acknowledged driving force for outsourcing is cost reduction (Blumberg, 1998). Some organizations may outsource only for cost reduction and efficiency especially those that are involved in offshore outsourcing to destinations of lower cost offered by the service provider and the level of risk borne by the provider are the most important factors in the equation (Aksoy&Öztürk, 2001).

Another major driver of strategic outsourcing is innovativeness. As the business environment changes rapidly and customers increasingly modify their demands, organizations have to find a way to stay afloat in the market by providing innovative products to the market in proper time and ahead of competition (Calantone&Stanko, 2007). Such organizations may therefore utilize strategic outsourcing with a goal of developing new products faster as they seek increased flexibility for innovation (Gesing, Antons, Piening, Rese &Salge, 2014).

The other major driver for outsourcing is the need to focus on core competencies. According to (Buchanan, 2014), the ability to free up organizational resources and capabilities so as to focus on the organization's core business is one of the greatest determinants of whether outsourcing can be considered as strategic or not. Firms therefore utilize strategic outsourcing in a bid to reduce the administrative burden of managing support activities so as to focus their efforts on top business priorities (Cheng, 2014).

Based on the above discussion, outsourcing is an activity that some function of the organization done by specialist service provider. Most firms are exhaustively engage in using outsourcing strategy in order to acquire the organization cost advantage, to focus on priority activity of the organization, and finally to be innovative for the dynamic market.

2.1.2 Outsourcing Theories

Resource Based View (RBV) Theory: The theory argues that a firm has the ability to achieve and sustain competitive advantage if it possesses resources that are valuable, rare, imperfectly imitable and non-substitutable. Not all resources are strategically relevant within an organization.

The goal of an organization is to ensure it has access to and control of valuable resources by developing and securing all the relevant resources either internally or externally. If a firm possesses critical resources that have strategic value, it is better to retain the activity in-house. On the contrary, if the strategic value of target activities is low and no internal resources are available to perform such activities, it is beneficial for the company to outsource them. For the sustainable competitive advantages firms are forced to rely on a multitude of outside suppliers for parts, software, knowhow and sales and in doing so gain access to valuable resources and external capabilities (Langlois 1990). The argument here fits with the need and factors that lead to outsourcing decisions in firms, whether they are cost reduction, new product/services introduction, focus on core competencies or labor flexibility and how they improve organizational performance.

Transaction Cost Economic (TCE) Theory: Transaction Cost Economics (TCE) looks at firms as avoiders of market costs (Conner, 2001) by analyzing the relative efficiency of the market in comparison to internalization. This theory was pioneered by Coase in 1952 who predicted that "a firm will tend to expand until the costs of organizing an extra transaction within the firm become equal to the costs of carrying out the same transaction by means of exchange on the open market or the costs of organizing in another firm" (Conner, 2001). If the market is perfectly competitive, outsourcing may be more efficient than internalization. However, these conditions may not always exist. Williamson expanded on Coase's framework by identifying specific instances where firms can avoid market costs by internalizing. This approach has two behavioral assumptions that pay more attention to "human nature as we know it" (Williamson, 2006) bounded rationality and opportunism.

Furthermore, bounded rationality recognizes that agents possess limited abilities in formulating and solving complex problems and in processing information, and therefore they remain "intended rational, but only limitedly so" (Williamson, 2006). The agents are also simultaneously subject to opportunism, or self-serving with guile. All transactions in a market are associated with production costs, as well as additional costs due to incomplete contracts caused to bounded rationality and the risk of opportunistic behavior. These costs depend on the asset specificity, small numbers bargaining, and imperfect information (Walker &Roering, 2005). Asset specificity refers to the amount of dependence an asset has on an input or producer to which it is specific.

A resource that is highly asset specific requires highly specialized or idiosyncratic assets. This can arise in one or more of three ways; site specificity, physical asset specificity and human asset specificity (Williamson, 2006). This puts the producer at a higher risk as the assets are so highly specific that they cannot be easily transferred elsewhere. This can lead to a lesser number of suppliers, and a potential for noncompetitive opportunistic behavior by the suppliers. This condition creates small numbers bargaining, as a replacement for the asset cannot be found without cost. Imperfect information is the condition that it is difficult for the buyer to assess the performance of the vendor, and a complete contingent contract is not possible, leaving open risk of opportunistic behavior by the latter.

Core competency theory: Simchi-Levi, Keminisky&Simchi-Levi, (2004), defined core competency as the collective learning in the organization on how to coordinate diverse production skills and integrate multiple streams of technologies. This theory suggests that firm activities should either be performed in house or by external service providers. It is based on make or buy decision. Non- core activities should be considered for outsourcing to the best suited service providers who are experts in that field. However some few non-core activities which have a big impact on competitive advantage should be retained in house. Core competencies refer to the collective knowledge of the production system concerned in particular knowledge of procedures and how to best integrate and optimize them.

The process of outsourcing non-core competencies continues to gain importance as it transfers responsibilities such as maintenance and transport functions, in the hands of suppliers most capable of performing them most successfully (Chandra & Kumar, 2000). Vendors' competence is an important factor that influences the success of an outsourcing arrangement (Lavina& Ross, 2003).

Contractual Theory: For an outsourcing strategy to be implemented, it requires a legally bound contract which sets the institutional framework in which each party's rights, duties, and responsibilities are clearly defined. The goals, policies, practices, and strategies on which the arrangement is based are also specified in the contract. The purpose of the outsourcing contract is to facilitate proper exchange of services between the two parties, prevent misunderstanding, prohibit moral hazards in a cooperative relationship, and protect each party's proprietary knowledge. Properly written contracts prevents risks arising from non-performance and misunderstanding, and also reduces uncertainty likely to be faced by firm decision making process. The contract sets a procedure for conflict resolution (Luo, 2002). Legal experts emphasize the need for comprehensive contract which can serve as a reference point specifying how the client and the vendor relate (Kem&Willcocks, 2000)

Based on the above discussion, outsourcing is a way of securing a competitive advantage of the organization through concentrating internal strategic resources and core competence of the organization. In addition to this, both transaction cost and legal contract should be considered in making deal with the outsider firm. Outsourcing Decision Research on outsourcing has a long-standing history in economic research. Often, authors argue that cost differences between make and buy are crucial for the outsourcing decision. For example, (Burke and Ng 2006) discuss the outsourcing of HR functions in the context of companies‟ cost pressures induced by the globalization of companies. Cánez et al. (2000) present a model of outsourcing decisions and ascertain that cost effects are the most important element in the decision.

Walker and Weber (1984) analyze transaction and production cost effects of 60 make-or-buy decisions in the U.S. automobile industry. While volume uncertainty and supplier market competition have a small, but significant effect, production costs are the strongest predictor of make-or-buy decisions in their analyses. Some authors argue that important benefits of outsourcing need to be assessed against an increase in transactional cost and a decrease in flexibility – the benefits being, first, the ability to focus on the core business and strategic issues, second, the utilization of expertise and economies of scale of the service provider, third, better management of the cost structure.

The general outsourcing model developed by Arnold (2000) illustrates that there are four components which need to be reviewed when making outsourcing decisions: outsourcing subject, outsourcing object, outsourcing partner, and outsourcing design initially, organizations should focus on outsourcing the subject, which involves the decision making process to determine if outsourcing is a viable option.

Organizations should then consider which internal activities might be outsourced. Outsourcing objects refers to the activity which might be outsourced and is linked to the degree of manufacturing penetration with respect to organization activities, including core activities, core-close activities, core-distinct activities, and disposable activities. Arnold (2000) states that if the activity is a core competency, highly specific and important for organizational strategy, it makes no sense to outsource these kinds of activities.

Next, organizations should consider an outsourcing partner from all possible outsourcing providers. Finally, when outsourcing internal activities, organizations need to formulate the most appropriate outsourcing design. In addition to this, Arnold (2000) suggests that organizations should focus on three major governance structures when making outsourcing decision. These include the price of external services, management control, and other governances, including contracts or strategic alliances. Despite addressing specific decision making with regard to outsourcing, this model places no regard on employee involvement.

2.1.3 Causes of Outsourcing

Globalization and accelerated competition as well as the ever increasing consumers demand for value are some of the major causes of outsourcing. In the attempt to create value through efficient use of limited resources and address the new requirements of the market place, firms became tempted to adopt cost cutting measures, including downsizing, and contracting non-core activities to third party service providers in order to gain competitive advantage. The most common cause for outsourcing introduction is cost reduction. Abraham and Taylor (1996) believe that one of the main causes for global outsourcing is high-wage organizations taking advantage of low market wage rates, e.g. in oversees countries. Beverakis, Dick and Cecez-Kecmanovic (2009) argue that the most important reason is to become more competitive in the marketplace; by reducing its operational costs, and establishing a global presence. Often, the implementation of outsourcing brings with itself significant organizational changes; therefore all arguments in favor must be clearly examined.

According to Power, Desouza and Bonifazi (2006): the reasons are (1) Cost savings; (2) Focus on core business; (3) Access to resources and knowledge; (4) Growth in global knowledge; (5) Increased sophistication of Information Technology (IT); and (6) Global diffusion of knowledge. Not to forget cost reduction in telecommunications, higher level of computerization and informatisation, higher level of education, mobile technology, e-mail, video conferencing, web conferencing, instant messaging and other collaborative tools.

Access to resources is important for all organizations; ownership of resources is only of secondary importance. Similarly Brown and Wilson(2005) list ten arguments for outsourcing: (1) Accelerate re-engineering benefits; (2) Gain access to world-class capabilities; (3) Earn cash back; (4) Release resources for other purposes; (5) Reevaluate problematic functions; (6) improve company focus; (7) make capital funds available; (8) Lower operating costs; (9) Minimize risk; and (10) Gain access to resources not available internally. Dyer, Kale and Singh (2001) define four advantages of strategic partnerships: improving knowledge management; increasing external visibility; providing internal coordination; and facilitating intervention and accountability.

2.1.4 Organizational Performance

The concept of organizational performance emanates from the concepts of efficiency and effectiveness. A business organization must produce the right products and services and it must produce them using the fewest possible inputs if it is to have a strong organizational performance (Cheng, 2011). Organizational performance can be measured by analyzing a company's performance as compared to its corporate goals and objectives based on three primary outcomes - financial performance, market performance and shareholder value performance.

Businesses simply endeavor to perform well in a number of areas of organization. Most importantly, they strive to do well financially in terms of achieving superior profitability and realizing good returns on investment. In order to acquire as much market share as possible, it is imperative that companies produce a product that is in demand and offer it at a price that allows them to compete in the market. Finally, they need to perform well in terms of creating value for their shareholders by ensuring a sustainable level of growth and shareholder return (Buchanan, 2014). Research work on organizational performance should include multiple performance measures. Such measures could be traditional accounting measures such as sales growth, market share, and profitability. In addition, factors such as customer satisfaction and non-financial goals of the owners are also very important in evaluating performance, especially among privately held firms (Cheng, 2011).

This approach is consistent with the proposal of (Kaplan and Norton, 1996) in the Balanced Score Card that the performance of a firm should be measured in four perspectives – financial, customer, learning and growth and internal business processes. The balanced score card directs that managers should use both financial and non-financial measures to evaluate the organization of the firm.

Based on the above discussion organizational performance can be measured via both financial and non-financial perspective. Financial perspective can be measured through accounting measures such as sales growth, market share, and profitability and non-financial measure includes customer satisfaction.

2.1.5 Outsourcing and performance

According to (Barney,2001) outsourcing may provide a viable strategy if firms aim to save on labor costs. A UK survey by Manpower focusing on the benefits accruing to firms from outsourcing services, found that 68 percent of firms outsource at least some services, the main motivation being cost reduction. In support (Conner, 2001) also emphasized that outsourcing can be used to economize on production cost, in particular by substituting in-house production with buying-in of components. They also argued that companies that do everything themselves have much higher research, development, marketing and distribution expenses, all of which must be passed on to customers. An outside provider's cost structure and economy of scale can give a firm an opportunity to be more efficient Outsourcing is viewed as a means to provide enhanced productivity. 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 (Barney, 2001). The process of considering and/or implementing an outsourcing solution must be systematic and fully documented to achieve the desired results. (Bender, 2009) asserts that the decision to outsource can lead to increased productivity for businesses. For outsourcing to be successful in enhancing productivity, 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 in enhancing productivity, 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.

In today's world of ever increasing competition, organizations are forced to look for new ways to generate value. The world has embraced the phenomenon of outsourcing and companies have adopted its principles to help them expand into other markets. Lau & Hurley, (2007) find a significant relationship between outsourcing and profitability margin where they found that Chrysler's profit margin is four times high due to effective outsourcing through strategic alliances.

Based on the above discussion, outsourcing decision can have significant effect on the organizational performance with depending on various variables like productivity, customer satisfaction and strategic alliance among dealer.

2.2 Empirical Literature Review

2.2.1 Outsourcing for Cost Reduction and Organizational performance

Studies from the Resource Based View perspective suggest that firms base their decisions on whether outsourcing reduces costs or builds strategic advantages (Sharpe, 2007). This has generated much research on how using outsourcing to cut costs or gain strategic advantages affects firm performance. A review of the literature reveals that most empirical research and discussion examine cost cutting and strategic advantages as mutually exclusive motives for outsourcing (Quinn, 2000). Moreover, news releases and the business press often cite both motives as influencing a firm's decision to outsource. In fact, 27.5% of the outsourcing announcements in Sharpe‟s (2007) study's sample explicitly cite both motives for outsourcing. For example, Unilever announced outsourcing its data network operations to cut overhead and increase efficiency in the short run, while enhancing product development and marketing in the long run (Keller, 1992). Similarly, Kodak announced that it anticipated immediate cost reduction and long-term gain in market share by outsourcing certain components in digital camera manufacturing (McWilliams, 2005).

Further, firms cite specific reasons for how outsourcing motivated by cost reduction can improve short-term performance. As a baseline for assessing advantages, firms equate the cost of outsourcing to the cost of acquiring additional resources to do work internally (Kavan, Saunders, and Nelson, 1999). Leveraging a vendor's ability to reduce clients' operating costs provides a comparable level of service at lower cost. Vendors' relative cost advantages may arise from scale and scope economies, which they achieve, respectively, by aggregating expertise and capacity across a large number of clients and by simultaneously undertaking a variety of projects across which they share or transfer capabilities (Loh and Venkatra-man, 2001; McCarthy and Anagnostou, 2004).

Outsourcing can also generate needed cash when firms sell assets or transfer employees to vendors (Juma'h and Wood, 2003). Cost advantages may come from reducing or eliminating new investments or investment renewals (Gilley and Rasheed, 2000; Kakabadse and Kakabadse, 2005). This occurs, for instance, when vendors offer services using technologies that are more efficient than the client's or skills that are unjustifiably costly for client develop in house (Abraham and Taylor, 2006). In addition, outsourcing may reduce internal cost inefficiencies associated with administration, bureaucratic procedures, and politics (Gilley and Rasheed, 2000).

Empirical studies on the relationship between outsourcing to cut costs and its expected impact on a firm's value show mixed results. Farag and Krishnan (2003) tested the anticipated performance effect of outsourcing in which firms announced attempts to cut costs by automating an existing business function. Their findings showed significant negative CARs. In another study, Gallivan, and Kim (2006) found a marginally significant positive relationship between outsourcing motivated by cost cutting and CARs.

Outsourcing is never a fix for poor internal systems, Wright (2001) stressed. You have to fix your own processes within the company first, before outsourcing, or you will have a bigger headache on your hands than when you started.

Dissatisfaction with surprise additional costs were a powerful negative in an outsourcing review of 25 large companies by Deloitte Consulting‟s (www.deloitte.com) "Calling a Change in the Outsourcing Market Report, 2005". The study looked at both business process and information technology outsourcing: 70% of the companies said they have had significant negative experiences with outsourcing projects – and were dissatisfied with its costs and complexity. Also reported was the need for more senior management attention and skills than anticipated. Additional costs came from unexpected complexity of the outsourcing process and lack of transparency in vendor pricing or cost structures. 57% said they absorbed costs for services they believed were included in contracts with vendors or outsource providers. Many indicated there were "hidden" costs in managing outsourcing projects, as well.

One reason for the results, according to Ken Landis, a senior strategy principal at Deloitte, may be that vendors and the companies that hire them have "conflicting Objectives." Another observation: "The structural advantages envisioned do not always translate into cheaper, better, or faster services." As a result of the findings, he observed, "outsourcing will become less appealing for large companies because it is not delivering the value as promised."

2.2.2 Core Competencies Focus and Organizational performance

More recently the main drivers for outsourcing appear to be shifting from cost to strategic issues such as core competence and flexibility (Wright, 2001). In general, the literature supports outsourcing as a strategy, which may offer improved business performance on numerous dimensions (Klopack, 2000).

Perhaps the most often cited strategic reason for outsourcing is to allow the organization to better focus on its core competencies (Quinn, 2000). Because of intense competition, organizations are forced to reassess and redirect scarce resources (Quinn, 2000).

Resources are typically redirected to where they make the greatest positive impact, namely the organization's core functions. In addition to refocusing resources onto core competencies, other strategy issues which encourage the consideration of outsourcing are restructuring, rapid organizational growth, changing technology and the need for greater flexibility to manage demand swings (Kakabadse and Kakabadse, 2005). Flexibility appears to be an important driver not just from a scale perspective but also regarding the scope of product or service. Organizations need to react quicker to customer requirements and outsourcing is seen as a vehicle to accomplish this. Outsourcing may also be perceived as a way to reduce the organization's risk by sharing it with suppliers and at the same time acquire the positive attributes of those suppliers.

The partnerships that result from outsourcing may enable an organization to be a world-class performer for a whole suite of products and services where it could only be an average performer by itself. This strategy results in a so-called "virtual organization" where functions are outsourced to multiple vendors under one agreement.

Together the suppliers perform an integrated set of services. There are, however, potential pitfalls when outsourcing for strategic reasons. Organizations may "give away the crown jewels" if they are not careful. IBM is used as a frequent example of a company that outsourced the "wrong" things (the operating system). If organizations outsource the wrong functions they may develop gaps in their learning or knowledge base which may preclude them from future opportunities (Prahalad and Hamel, 1990).

Specifically, in highly integrated and evolutionary technologies, applying the traditional core competence tests may result in outsourcing too many or the wrong functions. Literature also indicates that in industries with complex technologies and systems, internal synergies may be lost when some functions are outsourced. This could result in less productivity or efficiency among the remaining functions (Quinn and Hilmer, 2004).

2.2.3 Access to Modern Technology /Expertise and organizational Performance

As lamming (1993) notes as suppliers may be significantly more advanced, outsourcing to them allows organizations to exploit their more advanced technologies. Outsourcing enables an organization to benefit from complimentary assets by partnering with organizations whose resource bases compliment one's own (Momewery, 1998). Greaver (1999) highlighted the potential benefits of improving credibility and image by associating with superior providers. . Byham (1996) informs that companies of all sizes outsource part of their service to effect improvement in efficiency. Outsourcing gives an organization exposure to outsourced specialized systems. Specialization provides more efficiency that allows for quicker turnaround time and higher levels of quality. Outsources are bound to certain service levels and quality. Since the people hired to deliver the same have more time to concentrate on it, it means they put more caution in the provision of the service heading to improved qualities. Outsourcing also helps the organization from being locked up into specific assets and technologies. Outsourcing enables an organization to have means of accessing expertise not otherwise available. Particularly in the information technology era, companies may not have personnel available in house to take on certain projects. An outsider service would have the required resources for hiring proper training facilities and inspection ability that many not be available if the function were kept in house. In addition if a company is growing rapidly the organization may not have time to recruit the workers needed and may outsource the necessary labor

As Greer, Youngblood, and Gray (1999) observe, outsourcing decisions are frequently a response to an overwhelming demand for reduced costs for services. Downsizing and tougher competition mean that the HR functions is under increasing pressure to demonstrate value and competence, both in terms of efficiency and effectiveness (Roberts, 2001).

Although some elements of the HR functions may have always been performed by external service providers, Brewster observes that a new dimension "is this finance-driven idea connecting outsourcing to human resource management – the idea that you can save a lot of money by outsourcing in a bid to look for experts" (quoted in Turnbull, 2002, p. 10). In addition, outsourcing is seen as a way of liberating HR professionals within the client organization to perform the more consultative, competent and strategic role of designing and implementing programs aimed at retaining the workforce and enhancing its performance. This rationale is in line with Ulrich"s (1998) influential thesis of the four roles of HR, in which he proposed that HR should be a strategic partner, an administrative expert, an employee champion, and a change agent.

In a similar vein, Greer et al. (2009) argue that outsourcing for employee competence is consistent with the business partner role that the in-house HR department is attempting to assume. These roles arguably are where HR can add the greatest value to the organization, but they are difficult to measure quantitatively.

Outsourcing for employee competence is also seen as an effective way to bypass organizational politics and improve efficiency.

For example, according to the sales and training manager of United Kitchen, a company that has outsourced for employee competence, the company's aim was to buy an expert who could maintain an objective view, would not get embroiled in office politics, and yet could call on the support of a wide range of other experts in their own organization (Pickard, 2008). In short, the main reasons for outsourcing for employee competence appear to be fairly consistent (Sisson &Storey, 2000). Typical reasons include seeking specialist services and expertise, cost reduction, and enabling HR specialists to take on a more strategic role. In general, most commentators are convinced that outsourcing is seen not only as a cost-cutting exercise but also as a strategic tool. As Oates (2008) suggests, the outsourcing decision is a strategic one and is generally taken at a senior level.

The theme underpinning many of the recent managerial approaches is the development of a more competent and flexible workforce. This search for improved flexibility had, according to Baglioni (2000), become employers' new frontier in the management of labor. The catalyst for the introduction of flexible forms of work was the introduction of enterprise bargaining in the late 1980s. A centralized wage system could not, it was contended, facilitate the improved competitiveness required by manufacturing enterprises (BCA, 1989). Enterprise bargaining not only allowed a variety of issues to be addressed that were seen as impediments to improved flexibility but hastened the development of a reform culture amongst management.

The term flexibility has been given a variety of meanings (Atkinson, 2007; Brunhes, 2009) although an often used typology breaks the concept into three forms (Harrison and Kelley, 2003). Functional flexibility refers to the ability of the enterprise to re-deploy labor to cover new work tasks or new production methods. The second form is wage flexibility, in which the enterprise attempts to link wage payments to productivity and product demand. Finally, numerical flexibility is the ability to adjust labor inputs to product demand. The introduction of these forms of flexibility has been well documented in Australia (Rimmer and Zappala, 2008). Australian enterprises have instituted all three forms of flexibility although the actual mechanisms have, in the main, been limited to multi-skilling, performance-related payment schemes and the greater use of part-time, contract and casual work.

Outsourcing contributes to all forms of flexibility; wage, functional and numerical. Outsourcing involves 'the purchase of goods or services that was previously provided internally' (Lacity and Hirschheim, 2003). Thus, management by outsourcing can achieve considerable flexibility as payment is made only for work undertaken and completed, the tasks undertaken are contract-related and not craft-related, and worker numbers can be adjusted to the requirements of the plant. This last issue is particularly relevant to those firms that experience fluctuations in demand for their major product or service. By outsourcing enterprises are free to direct the released physical, managerial and financial resources to producing a quality product or service at a competitive price. Outsourcing can thus be a form of strategic flexibility where the firm adopts a different form of workplace organization in an endeavor to improve enterprise performance.

Nevertheless, while outsourcing can improve flexibility, the arguments for adopting this practice have tended to focus on cost considerations (McCune, 2003; Rees and Fielder, 2002). Plunkett (2008) reported that outsourcing is usually implemented to save money rather than forming part of any coherent strategy. Tully (2003) contended, however, that outsourcing 'frees companies to direct scarce capital where they have a competitive advantage'. This raises the question of strategy, although Strassman (2007) concluded that for most companies 'strategy is not driving outsourcing' but rather 'they're in financial trouble'.

Abraham and Taylor (2006) found only limited evidence that the search for lower costs was driving outsourcing, although the outsourcing of lower skilled activities appeared to be motivated by a desire to reduce hourly labor costs. Similarly, Wooden and VandenHeuvel(2006) found accessing specialized skills, coping with peak periods, and the ability to deal with one off tasks were the major reasons workplaces had used contract labor. As Sharpe (2007) argued 'outsourcing enables organizations to gain the benefit of state-of-the-art skills and technologies without investing directly in their development or exposing themselves to more risk than they care to take on'. Abraham and Taylor (2006) found support for this proposition in that smaller enterprises were likely to have outsourced more highly skilled activities.

Outsourcing may also be an impetus and agent for change. Contractors can bring to the organization more specialized and efficient ways of undertaking the given tasks (Bergstrom, 2003; Sharpe, 2007). This is particularly important if the enterprise has work practices that are no longer relevant or economically sustainable. In addition, outsourcing enables the benchmarking of activities across firms (Sharpe, 2007). Another advantage may be improved industrial relations that result from shifting industrial relations responsibility to a third party. This can be the case where the union representing the employees currently providing the service is militant or where workplace reforms are being resisted (Way, 1993). Unions, for their part, have expressed concern about the shift to market-mediated employment arrangements and as Kosters (2007) pointed out, these practices 'can make enforcement more difficult for requirements like those for minimum wages or overtime pay'. Nevertheless, Harrison and Kelley (2003) found 'no evidence that subcontracting is associated with union- avoidance per se'.

Outsourcing can, however, create problems for the enterprise. Outsourcing decisions tend to be incremental. As Bettis, Bradley and Hamel (1992) concluded, 'a whole series of incremental outsourcing decisions, taken individually, may make economic sense, but collectively they may also represent the surrender of the business's capability to compete'. Core products or technology may be compromised and the firm could become dependent on a large range of suppliers. Furthermore, Teresko (2002) challenged the cost of outsourcing claiming that 'the economics are troubling at best and extremely costly at worst'. This view was shared by Cooper, who believed conventional accounting systems are incapable of providing the relevant cost information on which to base a decision (quoted in Davis, 2002).

In the long-term, McCune (2003) argued that outsourcing may not be the best strategy for every function. As Prahalad and Hamel (1990) argued, 'outsourcing can provide a shortcut to a more competitive product, but it typically contributes little to building the people-embodied skills that are necessary to sustain product leadership'. Deavers (2007) reject such an argument as there 'is little empirical evidence to support their concern'. An additional problem is the co-ordination and supervision required when a company outsources activities.

2.3 Conceptual frame work

In this study, organizational performance will treated as the dependent variable while cost-driven, focus-driven and other capability-driven of outsourcing as the independent variables.

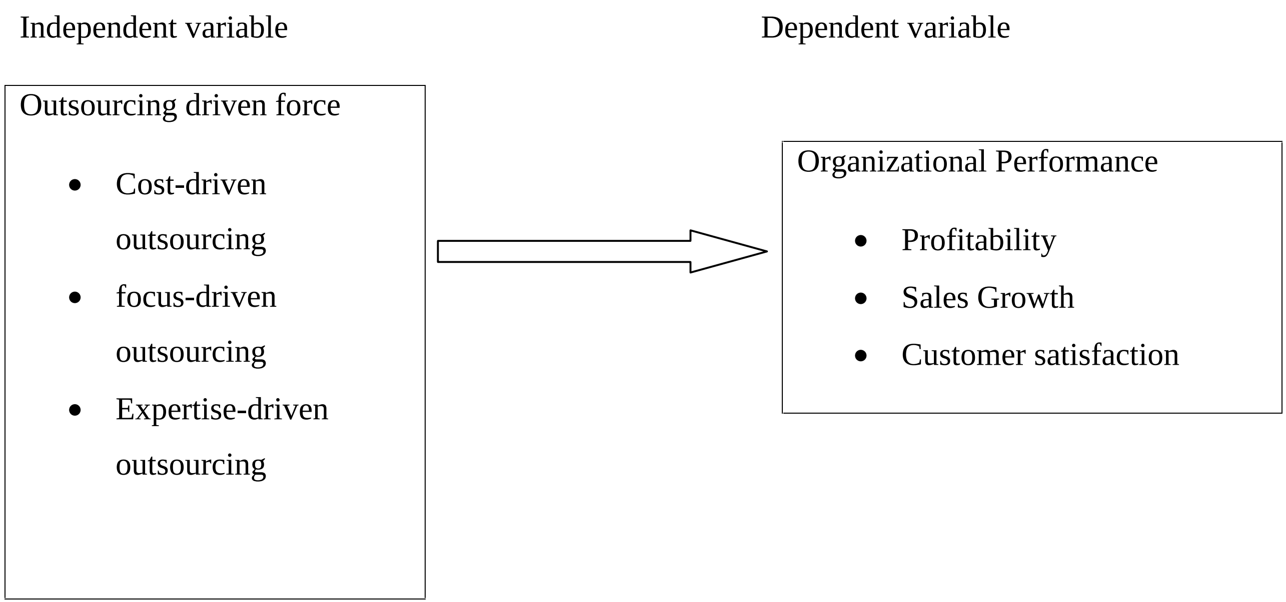

Fig.2.1 Conceptual framework constructed by the author, December 2018

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter examines the methodology that was used in executing the study from research design to target population and sampling. It also present the data collection methods, approaches and instruments used. The chapter also puts down the validity and reliability tests together with the data analysis tools which were used in this study. Finally, an ethical consideration was also expressed on this chapter.

3.2 Research design

Explanatory research design was used in this study. According to Cooper and Schindler, (2000) explanatory research focuses on why questions. In answering the `why' questions, the study is involved in developing causal explanations. Causal explanations argue that phenomenon Y (organizational performance) is affected by factor β (driven force of outsourcing). Therefore, the study was an explanatory research that describes and explains deeply the effect of cost driven, focus driven and expertise driven outsourcing on organizational performance. The study of organization, spa service enterprise was selected due to its accessibility and both time and cost advantage for the researcher.

3.3 Target Population

Target population refers to all members of a real set of people, events or objects to which the study generalizes hypothetical results of the research. Population also refers to a well-defined set of individuals (or objects) having some common observable characteristics that are being investigated (Mugenda&Mugenda, 2003). For this study, the target population was all the employees of spa service enterprise. According to the human resources department, the company had an average of 780 employees at the time of the study.

3.4 Sample

3.4.1 Sampling method

Sampling technique is a scientific or rather statistical method of selecting the sampling units that would offer the requisite estimates with their related margins of uncertainty; this would emerge from the probe of only part (sample) and not the whole population (Saunders et al, 2012).The researcher applied a probability sampling (simple random sampling) method in order to understand the attitude of spa service enterprise employees regarding to outsourcing effect.

3.4.2 Sample Size

Based on previous study which is done in the area of outsourcing impact on the organizational performance, the researcher applied yamane's (Israel, 2002) formula to determine sample size. So that, the researcher used to determine a sample size form the population based on the following formula:

$n=N/1+Ne^2$

Where:

N is the population size each strata

nis the sample size

e is the margin of error which 6% error margin

Therefore the sample size of this study was 205.

3.5 Source of data

The researcher used both primary and secondary source of data for the study. Primary data like questioners were distributed and collected from the employees of spa service enterprise. In addition to, the researcher also tried to explore some of the secondary data like financial statement of the organization for ten years. Finally, the researcher used previous study as an input in to order to show the relationship between outsourcing and performance of the organization.

3.6 Data Analysis Methods

The study utilized a quantitative method of data analysis. To enable easy analysis, the questionnaires were first coded as per each variable in each question of the study. Coding involves assigning a numerical value to a non-numerical variable to minimize the margin of error and assure accuracy during the data entry (Collis & Hussey, 2013). After data coding and entry into the analysis software, descriptive statistics were used to analyze the data. According to Denscombe (2012), descriptive statistics is simply a process of transforming a mass of raw data into tables, charts, with frequency distribution and percentages which are a very vital part of making sense of the data. SPSS v.20 was the preferred tool for data analysis. Both Pearson correlation and linear Regression analyses were used to test for relationship between the independent variables and the dependent variable.

Regression Model

$Yop = \alpha + \beta 1 (C) + \beta 2 (E) + \beta 3 (F) + e$

Where the variables are defined as:

Yop - Organizational Performance

C - Cost driven outsourcing

E – Expertise –driven outsourcing

F - Focus driven outsourcing

e - error term

3.7 Test reliability and validity

Reliability

Golafshani (2003) defines reliability as the extent to which results of a study are consistent over time and there is an accurate representation of the total population under study. According to Toke et al., (2012), the aim of reliability analysis is to find the extent to which a measurement procedure produced the same result if the process is repeated over and over again under the same conditions. The most common technique used in the literature to assess the scale's reliability and stability is use of the Chronbach Alpha Statistics. Chronbach Alpha should be over 0.70 to produce a reliable scale and any scale with Chronbach Alpha less than this standard should be eliminated Sekaran (2005).

Reliability Statistics

Cronbach's Alpha	N of Items
.796	18

Source: Own survey result, 2018

Table 3.1 reliability statistics.

To ensure the measurement and assessment of the real situation in the spa service enterprise, the researcher conducted pilot survey on the questionnaire by taking 5 employees. The researcher has done this by himself. Having the respondents comment and suggestion, the researcher has made all the necessary adjustments on both questionnaires structurally as well as content wise.

Validity

Validity indicates the degree to which instruments measure what they are supposed to measure (Kothari, 2004). Content validity was most relevant for our present study. This was because it was concerned with how well the content of the instrument samples the kinds of things about which conclusions were to be drawn. Joppe (2000) further argues that content validity refers to the extent to which a measure represents all facets of a given social construct. To establish content Validity of the instruments, researcher internal examiner was examined the content of the instruments and advised the researcher on the content validity. This feedback was used to revise the instruments.

3.8 Ethical consideration

Although, the researcher allowed doing this research by spa service enterprise, the researcher submitted a letter from school of commerce to assure that the study was undertake for academic purpose only. Privacy issue in accordance to the respondent was carefully considered by researcher as prime responsibility.

CHAPTER FOUR

DATA PRESENTATION, INTERPRETATION AND ANALYSIS

4.1 Introduction

This chapter deals with data presentation, interpretation and analysis of the study. In order to address the research questions, there were a key questions presented to employees spa service enterprise in form of five linkert scale question and also secondary data was also explored in order to bring a big picture about the study. From the total 205 question papers distributed to the respondents, the researcher could collect 199/205. The rest 6 not collected on the time of analysis. Thus, 199 responses were effectively used for analysis since it shows the response rate of 97% more. Finally, the data was analyzed using Statistical Package for Social Science (SPSS v.20).

4.2 Demographic information

The researcher considers the background information of the respondents to be very useful in understanding the logic of the responses issued by the respondents in the questionnaire.

4.2.1 Respondents Gender

Table 4.1 below presents the study findings regarding to gender status of the respondents.

The study revealed that (52.8%) male and the rest (47.2%) respondents were female. This indicates that there were almost equal participation of both males and female respondents on this study.

GENDER

		Frequency	Percent	Valid Percent	Cumulative Percent
	MALE	94	47.2	47.2	47.2
Valid	FEMAE	105	52.8	52.8	100.0
	Total	199	100.0	100.0	

Table 4.1 Gender of respondents.

4.2.2 Years spent in the current organization

Table 4.2 present the study of finding regarding to the respondents years of experience in spa

From the findings, most of the respondents (35.2%) had stayed in their organization for a period below 2 years, followed closely by (34.7%) for 5-9 years and (21.1%) for 2-5 years. The study also showed that from the total respondents of the study (9%) had more than 10 years and above experience. According to the finding more than fifty percent of the respondents had 2-5 years and above experience. This implies that study was undertaken with those experienced employees and this result would subsequently enhance the reliability of the study.

How many years have you worked with spa?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	below2 years	70	35.2	35.2	35.2
	2-5 years	42	21.1	21.1	56.3
	5-9 years	69	34.7	34.7	91.0
	10 and above	18	9.0	9.0	100.0
	Total	199	100.0	100.0	

Table 4.2 experience of the respondents.

4.2.3 Educational level

Table 4.3, present the study of finding regarding to education level of the respondents.

According to the findings, most of the respondents had the diploma (39.2%) followed by those who had degree (33.2%). Those with certificate and below certificate amounted (5%) and (22.6%) respectively from overall the respondents of the study. Beside this, there were not postgraduate degree holders among the respondents. This above finding implies that more than half percent of the respondents were both diploma and degree holder and this result could made the study reliable.

What is your level of education?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	certificate	10	5.0	5.0	5.0
	Diploma	78	39.2	39.2	44.2
	Degree	66	33.2	33.2	77.4
	Other	45	22.6	22.6	100.0
	Total	199	100.0	100.0	

Table 4.3 level of education of respondents.

4.2.4 Job Level of Respondent

Table4.4 presents the study of finding where the present position of the respondents over the organizational hierarchy.

The respondents who took part in this study were at different job groups in the organization. Most of the respondents (46%) were ordinary employees, and followed by those employees within lower management by (36.2%). Those under middle management and top management employees amounted (15.6%) and (2%) respectively from overall respondents of the study. This above finding implies that most respondents had direct connection with the operation of spa. So the research study was undertaken with those knowledgeable respondents and this in turn would help the overall finding of the study.

What is your present designation?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	top management	4	2.0	2.0	2.0
	middle management	31	15.6	15.6	17.6
	lower management	72	36.2	36.2	53.8
	0ther	92	46.2	46.2	100.0
	Total	199	100.0	100.0	

Table 4.4 present position of respondant.

4.3 Driving force for outsourcing.

According to Desouza and Bonifazi (2006), most companies see outsourcing as a way to reduce cost, Access to resources and knowledge, and to focus on core business. Therefore the researcher tried to find out the main reason why spa undertaken outsourcing strategy. And the respondents were asked in form five linkert scale question, the reason why their organization intended to outsource some activity. The questions were presented to identify, that spa outsource in order to gain cost advantage, or to focus on its core competence, or to grasp other capability. The questions analyzed through descriptive statistics and presented on table 4.5.

	SA		A		N		D		SD	
	F	%	F	%	F	%	F	%	F	%
To Reduce cost.	110	55.3	80	40.2	4	2	4	2	1	0.5
To take advantage of the specialists capacity and expertise.	3	1.5	16	8.06	73	36.7	106	53	1	0.5
To focus on core competence of the organization.	4	2	20	10.1	60	30.2	112	56	3	1.5

Table 4.5 driven force of outsourcing.

According to the respondents response depicted on table 4.5 (55.3%) and (40%) were strongly agree and agree respectively regarding that spa outsource in order to reduce cost. And those respondents who were neutral, disagree and strongly disagree on the statement amounted (2%), (2%) and (0.5%) respectively.

According to statement spa outsource in order to extract other capability, most of the respondents depicted on table 4.5 (53%) disagree and followed (36.7%) were neutral regarding to statement. The rest (1.5%), (8.06%), and (0.5%) of respondents were strongly agree, agree and strongly disagree respectively.

Finally, for the statement of spa outsource in order to focus on its core competence, most of the respondents (56%) were disagree and (30.2 %) were neutral. And the rest (10.1%), (2%) and (1.5%) were agree, strongly agree and strongly disagree on the statement respectively.

According the above finding cost driven outsourcing was the main motive for spa to outsource some activity. Manzi (2004) confirmed that the most common economic factor that influences the decision is the need to reduce costs .Where the benefits analysis has been carried out and has been established that it is most economical to outsource rather than continue to operate a given function looks forward to making profits in business.

4.4 Spa service enterprise performance.

Organization performance is a wide concept and an open question with limited research studies on definitions and measures. Organization performance is an important parameter mostly defined as a dependent variable which seeks to produce variations of performance. Organization performance may be compared or measured in terms such as; production output, profitability, sales turnover, market share, and many other accounting ratios. Organization performance is the extent to which the organization achieves a set of pre-determined targets that are in line with its mission. The most common performance drivers include: customer value, team performance, talent management, and strategic focus all which are achieved through, proper planning, evaluation, implementation and control. The critical success factors for organization performance consist of access to right knowledge and skills, proper planning, innovation and flexibility. Organization performance measures consists of return on equity, profit, return on assets, market share while non-financial performance measures consists of corporate social responsibility, innovation, responsiveness, customer satisfaction and employee development. Thus the researcher tried to see the performance of organization in both financial and non-financial performance indicator through preparing five linkert scale questions. And the result depicted on table 4.6.

	SA F	%	A F	%	N F	%	DA F	%	SD F	%
Spa customers are satisfied with our service provision.	6	3%	43	21.60%	28	14.10%	119	59.80%	3	1.50%
Spa customers have never complained on our service provision.	2	1	9	4.5	11	5.5	111	55.8	66	33.2
The value of spa services compared with the price paid is fair.	78	39.2	99	49.7	9	4.5	9	4.5	4	2
Spa has experienced a high sales growth since 2013.	38	19.1	86	43.2	62	31.2	7	3.5	6	3
Spa has experienced a high profit growth since 2013.	33	16.6	119	59.8	34	17.6	6	3	7	3.5
Overall, the performance of spa is better than other companies in the industry.	1	0.5	59	29.6	76	38.2	56	28.1	7	3.5

Table 4.6 spa performance.

From table 4.6, depicted that majority respondents (59.8%) disagreed regarding to the statement of spa customer are satisfied with current service provision. Only (21.60%) agreed and (14.10%) were neutral. In addition to, the respondents were asked if they had never encountered any complain from the customer regarding to service provision. On this (55.8%) and (33.2%) were disagreed and strongly disagree respectively. This implies that there was low level customer satisfaction with spa service provision. According Anderson, Fornell, & Lehmann, (1994) Customer satisfaction and loyalty are positively related to marketer profitability and market share.

The respondents were asked about fairness between values of spa services compared with the price paid. On this regard (39.2%) and (49.7%) of the respondent were strongly agreed and agreed respectively that there was fair price set by spa for the service delivered. According to Bei&Chiao, (2001) confirmed that there is a positive association between price fairness and customer satisfaction.

The respondents were asked whether the spa profitability and sales were high since 2013. On this regard (43.2%) and (19.1%) of the respondent were agreed and strongly agreed respectively that there were high sales growth in spa. In addition to, amounted (59.8%) and (16.6%) of the respondents believed that there was high profit growth in spa since 2013. According to Richard et al. (2008), the goal approach directs the owners-managers to focus their attentions on the financial (objective) and non-financial measures (subjective). Financial measures include profits, revenues, returns on investment (ROI), returns on sales and returns on equity, sales growth, and profitability growth. Successful implementation of an outsourcing strategy has been credited with helping to increase profitability and productivity (Sinderman, 1995)

Finally the respondents were asked if overall performance of spa was better than other company in the same industry. On this 38.2% neutral, 29.6% agreed and 28.1 were disagreed. According to Chen (2009) market share of the company could be seen as one of the financial performance indicators.

So that, the researcher could interpret that above finding unlike non-financial measures of organizational performance, Spa financial measures showed that there was positive effect outsourcing strategy on the performance of the organization.

4.5 Correlation and Regression Analysis Summary

The data obtained from summarizing the responses obtained from the research questions was further analyzed by use of both Pearson's correlation and linear regression models. The findings are summarized below.

4.5.1 Correlation of Main Variables

The results of the correlation of the main variables – cost driven outsourcing, focus driven outsourcing, other capability driven outsourcing and organizational performance are tabulated below.

Pearson correlation analysis was conducted to examine the relationship between the variables. The measures were constructed using summated scales from both the independent and dependent variables. As cited in Wong and Hiew (2005) the correlation coefficient value (r) range from 0.10 to 0.29 is considered weak, from 0.30 to 0.49 is considered medium and from 0.50 to 1.0 is considered strong. However, according to Field (2005), correlation coefficient should not go beyond 0.8, to avoid multicollinearity. Since the highest correlation coefficient is 0.610 which is less than 0.8, there is no multicollinearity problem in this research (table4.6).

According to the respondents response depicted on table 4.7 all the independent variables had a positive correlation with the dependent variable. In this study focus driven outsourcing has the highest correlation of ($r=0.610$, $p< 0.01$) with the performance the organization. And cost driven outsourcing has medium correlation ($r=0.41$, $p< 0.01$) with performance of the organization.

However, other capability driven outsourcing has weak correlation with dependent variable ($r=0.283$, $p< 0.01$). This indicates that all the variables were statistically significant at the 99% confidence interval level 2-tailed. This shows that all the predictor variables under consideration had a positive relationship with the dependent variable. This result agreed with the literature review where Cohen (2005) emphasizes that focus on core competencies, cost reduction and getting other party technology are positively correlated with improved overall organizational performance.

Correlations

		performance	Cost	Focus	Expert
Performance	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	199			
Cost	Pearson Correlation	.041	1		
	Sig. (2-tailed)	.567			
	N	199	199		
Focus	Pearson Correlation	.610**	.008	1	
	Sig. (2-tailed)	.000	.906		
	N	199	199	199	
Expert	Pearson Correlation	.283**	.196**	.580**	1
	Sig. (2-tailed)	.000	.005	.000	
	N	199	199	199	199

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

Table 4.7 correlation analysis.

4.5.2 Regression Analysis

Regression analyses are a set of techniques that can enable us to assess the ability of an independent variable(s) to predict the dependent variable(s). As part of the analysis, Regression Analysis was done. The results are as seen on Table 4.8, 4.9 and 4.10 below.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.619[a]	.383	.373	2.408	.924

a. Predictors: (Constant), expert, cost, focus

b. Dependent Variable: performance

Table 4.8Regression model summery.

From Table 4.8 it is clear that the R value was 0.619 showing a positive direction of R is the correlation between the observed and predicted values of the dependent variable. The values of R range from -1 to 1 (Wong and Hiew, 2005). The sign of R indicates the direction of the relationship (positive or negative). The absolute value of R indicates the strength, with larger absolute values indicating stronger relationships. Thus the R value at 0.619 shows a stronger relationship between observed and predicted values in a positive direction. The coefficient of determination R^2 value was 0.383. This shows that 38.3 % of the variance in dependent variable (organizational performance) was explained and predicted by independent variables (cost driven, focus driven and other capability driven outsourcing).

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	700.703	3	233.568	40.283	.000[b]
1	Residual	1130.643	195	5.798		
	Total	1831.347	198			

a. Dependent Variable: performance

b. Predictors: (Constant), expert, cost, focus

Table 4.9 ANOVA

The ANOVA illustrates whether the model can predict organizational performance using the independent variables. The F statistic (F=40.283) was significant at a 94% confidence level (Sig. F < 0.06). This means that the model has predictive power. There exists a statistically significant relationship between cost driven outsourcing, expertise driven outsourcing and focus driven outsourcing and organizational performance.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	5.798	1.249		4.643	.000		
	Cost	.084	.082	.059	1.025	.307	.945	1.058
	Focus	1.327	.136	.681	9.772	.000	.652	1.533
	Expert	-.209	.120	-.123	-1.737	.084	.627	1.594

a. Dependent Variable: performance

Table 4.10Regression Coefficients

The study model was:

Yop = α + β1 (C) + β2 (E) + β3 (F) + e

Where the variables are defined as:

Yop - Organizational Performance

C - Cost driven outsourcing

E – Expertise –driven outsourcing

F - Focus driven outsourcing

e - error term

According to the regression equation established, taking all factors into account (cost driven, expert driven and focus driven outsourcing) as constant at zero, the organization performance will be 5.798. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase on cost driven outsourcing will lead to a 0.84 increase on the organizational performance; a unit increase on focus driven outsourcing will lead to a 1.327 increase on the organizational performance and finally a unit increase on expertise driven outsourcing will lead to a 0.209 decrease on organizational performance. At 6% level of significance and 94% level of confidence, cost driven outsourcing had a 0.307 level of significance, focus driven outsourcing had 0.000 level of significance and finally expert driven outsourcing had 0.084 level of significance under t value constant (4.643).

From the table 4.10 depicted that cost driven outsourcing had positive effect on the organization performance (β= 0.059), but statistically insignificant at p=0.307.Successful implementation of outsourcing strategy has been accredited to cutting cost (Bowers, 1990). "Outsourcing can improve organizations effectiveness when applied as an organizational strategy.' usually companies may choose to outsource with certain business objectives in mind. The first objective amongst this, is the need to improve financial performance usually, such companies are aware that outsourcing companies may offer them an opportunity to work cheaply through efficient technology and economies of scale. The outsourcing organization benefit from getting the services from the provider at a reduced cost since it is provided on a large scale and usually for a reasonable time if it is good work.

In this study, focus driven outsourcing also had positive (β=0.681) and statistically significant (p=0.000) effect on the organizational performance. Lysons and Gillingham (2003), confirmed that, Outsourcing allows an organization to concentrate on areas of business that derive competitive advantage and outsource non-core activities to specialist with better skills and expertise.

Finally, expertise driven outsourcing had negative (β= -0.123) and statistically insignificant (p=0.084) effect on the organizational performance. In contrast to finding of the study lamming (1993) notes as suppliers may be significantly more advanced, outsourcing to them allows organizations to exploit their more advanced technologies.

According to above study focus driven outsourcing had statistically significant effect over the organization performance of spa. But other like cost driven and expertise driven outsourcing had insignificant effect over spa performance. This is in agreement with literature that argues that more recently the main drivers for outsourcing appear to be shifting from cost to strategic issues such as core competence and flexibility (Elmuti and Kathawala, 2000).

4.6 Secondary data analysis

Outsourcing by reducing costs helps the organization to generate more profit. More profit comes in when vendors are able to purchase products at a less expensive rate and continue to sell them at a reasonable price for consumers. Another way outsourcing saves business money is due to the fact that the business doesn't have to pay payroll tax deductions and other benefits to outsourced workers. If some work can be outsourced it can cut down on this expense, which means that the business can operate more profitably.

According data depicted on table 4.10, five years back 2012 spa service enterprise revenue and profit growth rate amounted average 15 % each. After 2012 spa started outsourcing strategy and both sales and profit growth rate amounted average 21% and 23% respectively. This implies that profit and sales of spa had insignificant increment after outsourcing strategy undertaken.

Ten years of spa sale and profit

Date	revenue/sales	growth rate	profit before tax	growth rate
june30/2007	21,671,063.00	0	6059758	0
june30/2008	26,728,046.00	0.233351866	8378242	0.382603398
june30/2009	29,431,259.00	0.101137696	8262845	-0.013773415
june30/2010	35,608,324.00	0.2098811	11450237	0.385749944
june30/2011	42,543,492.00	0.19476255	11208071	-0.021149431
june30/2012	50,510,276.00	0.187262108	9501275	-0.152282761
june30/2013	63,732,340.00	0.261769783	13958080	0.469074414
june30/2014	79,354,898.97	0.245127654	19242565.83	0.378596901
june30/2015	103,408,143.79	0.303109766	26325153.33	0.368068768
june30/2016	108,091,738.33	0.045292318	28628810.7	0.087507842

Source: finance department of spa.

Table 4.11 ten years of profit and revenues of spa.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATION

5.1 Summary of Findings

- From the demographic characteristics of the respondents, there were almost equal distribution of questioners to both male (47.2%) and female (52.8%) sex. Besides, the large number of the respondents (64.8%) who participated in this study had more than 2-5 years' experience within spa. Regarding to respondents education qualification, the majority (72.4%) had degree and diploma. And finally majority of the respondents (46.2%) were ordinary employees who had direct connection with operation of the organization.
- Majority respondents (95.5%) of the study believed that cost reduction was the main driven force of spa to outsource some activity which done previously in house.
- In this study majority respondents (59.8%) believed that spa customers were not satisfied with the service provision. In contrast the above, more than (50%) of the respondents believed that spa sales/profit growth high since 2013.
- In this study revealed that all the independent variables had a positive correlation with the dependent variable. Bedside, focus driven outsourcing has strong correlation with spa performance ($r=0.610$, $p< 0.01$) and cost driven outsourcing had medium correlation ($r=0.41$, $p< 0.01$). However expertise driven outsourcing had weak correlation with spa performance($r=0.283$, $p< 0.01$).
- In this study 38.3 % of the variance in dependent variable (organizational performance) was explained and predicted by independent variables (cost driven, focus driven and other capability driven outsourcing). The data findings analyzed also shows that taking all other independent variables at zero, a unit increase on cost driven outsourcing will lead to a 0.84 increase on the organizational performance; a unit increase on focus driven outsourcing will lead to a 1.327 increase on the organizational performance and finally a unit increase on expertise driven outsourcing will lead to a 0.209 decrease on organizational performance.
- At 6% level of significance and 94% level of confidence, cost driven outsourcing had a 0.307 level of significance, focus driven outsourcing had 0.000 level of significance and

finally expert driven outsourcing had 0.084 level of significance under t value constant (4.643).Focus driven outsourcing also had positive (β=0.681) and statistically significant (p=0.000) effect on the organizational performance. But other like cost driven and expertise driven outsourcing had insignificant effect over spa performance.

- Five years back from 2012 spa service enterprise revenue and profit growth rate amounted average 15 % each. After 2012 spa started outsourcing strategy and both sales and profit growth rate amounted average 21% and 23% respectively.

5.2 Conclusion

Under this study, cost driven outsourcing, focus driven outsourcing and expertise driven outsourcing were identified as determinant factor of organizational performance. Thus, three research questions were developed and addressed in this research.

Cost reduction was a major factor considered for performance. Most empirical research and discussion earlier reviewed examine cost cutting and strategic advantages as mutually exclusive and important motives for outsourcing for improved business performance (Quinn, 2000). The first research objective of this study was to identify the effect of cost driven outsourcing on organizational performance. Although Spa cost driven outsourcing had positive and medium correlation with performance the organization, there was statistically insignificant effect over the performance spa.

Another reason why the company outsourced was because of need to focus on core functions or competencies. This agrees with literature which asserted that outsourcing has been viewed as an impetus and agent for change and that focus on core competencies has become a major driving force for strategic options, a major part of which is outsourcing (Sharpe, 2007). The second research objective of this study was to identify the effect of focus driven outsourcing on the organizational performance. Although most respondent believed that cost reduction was the main driven force for spa to outsource, focus driven outsourcing has very significant and positive correlation/effect on the organizational performance of spa. Therefore, the researcher could conclude that spa successfully acquire the advantages of focus driven outsourcing effect on the organizational performance.

Specialists outside suppliers are able to achieve greater volumes than that possible if the activities are spread across a number of companies performing them in-house. This signifies that the specialist supplier can reap the benefits of economies of scale that may be unattainable by an in-house provider (Domberger,1998).According to Bragg (1998), a supplier who specializes in one of the area will result in higher customer satisfaction and even higher retention. The third objective of the study was to identify the effect of expertise driven outsourcing on the organizational performance. According the finding of the study there is a weak positive correlation, statistically insignificant and negative effect of expert driven outsourcing on spa performance, and the researcher could concluded that spa couldn’t reap a benefit from expertise driven outsourcing strategy at all.

Finally, profit and sales growth of spa had insignificant increment after outsourcing strategy undertaken. In addition to, non-financial performance indicators like customer satisfaction showed that negative result from the study. Lau & Hurley, (2007) find a significant relationship between outsourcing and profitability margin where they found that Chrysler’s profit margin is four times high due to effective outsourcing. However, the researcher concluded that outsourcing strategy in spa had insignificant effect over the organization performance.

5.3 Recommendation

- Since focus driven outsourcing had positive and significant influence on the organizational performance of spa, further review should be undertaken to utilize the untapped gain. Further review may also help spa to identify other activity which should be outsourced.
- Although the driven force outsourcing of spa was to reduce cost, its effect was statistically insignificant over the organizational performance. So spa management should review outsourcing strategy in order to find the hindrance of the gain from cost reduction advantage of outsourcing.
- Since expertise driven outsourcing had negative and insignificant influence over the organizational performance, spa should use its own capacity and experts rather than outsourcing for it.
- In this study outsourcing strategy had insignificant effect over the organization performance, spa should review the strategy again in order bring high profit margin.

- In this study 38.3 % of the variance in dependent variable (organizational performance) was explained and predicted by independent variables (cost driven, focus driven and other capability driven outsourcing). So that other researcher could explore more by including additional independent variables.

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Appendex

Addis Ababa University

School of Commerce

Department of Logistics and supply chain management

School of Graduate Study

Questionnaire to be filled by employees of spa service enterprise

Dear Respondents:

This questionnaire is designed to conduct a research on the topic ‘the effect of outsourcing on organizational performance; in spa service enterprise’. The purpose of the study is for the partial fulfillment of the requirement of MA degree in Logistics and supply chain management. For the successful accomplishment of the study, your response have key role by being used as valuable input for the study. The information that you provide is strictly confidential and will be used only for academic purpose. Thus, you are kindly requested to genuinely fill the questionnaire in the appropriate box with sign of √.

In PART II, III and IV, please indicate whether you strongly agree, agree, disagree, strongly disagree or are neutral about each of the statements.

SA- (Strongly Agree)	A-Agree	N-Neutral	D-Disagree	SD-(Strongly disagree)

Abinetsebhatleab

Thank you in advance for your cooperation

PART I

Background information

1. Gender

Male ☐

Female ☐

2. How many years have you worked with spa service enterprise?

Below 2years ☐

2-5years ☐

5-9years ☐

10 and above ☐

4. What is your level of education?

Certificate ☐

Diploma ☐

Degree ☐

Postgraduate degree ☐

Any other specify…………………………………………………..

5. What is your present designation?

Top management ☐

Middle management ☐

Lower management ☐

Other spcify…………………………………………………………..

PART II: The Main Drivers for Outsourcing Strategy

NO	STATEMENT	SA	A	N	D	SD
1	To Reduce cost.					
2	To take advantage of the specialists capacity and expertise.					
3	To focus on core competence of the organization.					

PART III: The Overall Performance of the Organization

NO	STATEMENT	SA	A	N	D	SD
1	Spa customers are satisfied with our service provision.					
2	Spa customers have never complained on our service provision.					
3	The value of spa services compared with the price paid is fair.					
4	Spa has experienced a high sales growth since 2013.					
5	Spa has experienced a high profit growth since 2013.					
6	Overall, the performance of spa is better than other companies in the industry.					

PART IV: information about driven force of outsourcing.

NO	COST – DRIVEN OUTSOURCING	SA	A	N	D	SD
1	Spa used outsourcing strategy in order to reduce fixed cost and other overhead cost.					
2	Spa used outsourcing strategy in order to bring operational efficiency.					
3	Spa used outsourcing strategy in order to control budget.					
	FOCUS – DRIVEN OUTSOURCING	SA	A	N	D	SD
1	Spa used outsourcing strategy in order to utilize its limited resource.					
2	Spa outsources some activity in order to concentrate on its core competence.					
3	Spa used outsourcing strategy in order to maintain flexibility.					
	OTHER EXPERTISE-DRIVEN OUTSOURCING	SA	A	N	D	SD
1	Spa used outsourcing strategy in order to accesses other specialist capacity.					
2	Spa used outsourcing strategy in order to get expertise.					
3	Spa used outsourcing strategy in order to ease human resource management.					

Thank you for your co-operation