

**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF COMMERCE**



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**Prospects and Challenges of Public Procurement in
Outsourcing non-core Activities: A case study of Addis
Ababa University.**

**A Thesis Submitted to Addis Ababa University, College of Business and Economics, School
of Commerce, in partial fulfillment of the Requirement for the Award of Master of Art
Degree in Logistics and Supply Chain Management**

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June, 2019
Addis Ababa, Ethiopia**

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DECLARATION

I, MequanintYalew, declare that this thesis entitled “**Prospects and Challenges of Public Procurement in Outsourcing non-core Activities with case study of Addis Ababa University**” is my original work. I further confirm that to the best of my knowledge, this paper has never been submitted to any other university for any degree, diploma or fellowship. Finally, I declare that all source materials used in this research has been fully recognized and acknowledged.

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CERTIFICATION

This is to certify that MequanintYalew has carried out his thesis work on the topic entitled “**Prospects and Challenges of Public Procurement in Outsourcing non-core Activities with case study of Addis Ababa University**” under my guidance and supervision. Accordingly, I hereby assure that his work is appropriate and standard enough to be submitted for the award of Master of Arts degree in Logistics and Supply Chain Management.

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Date: _____

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Acronyms

AAiT: Addis Ababa Institute of Technology

AAU: Addis Ababa University

GDP: Gross Domestic Product

GNP: Gross National Product

IT: Information Technology

MOFEC: Ministry of Finance and Economic Cooperation

PO: Procurement out sourcing

PPA: Public Procurement and Property Administration Agency

PPDS: Public Procurement and Property Disposal Service

SLA: Service Level Agreement

SPSS: Statistical package for Social Studies

SWOT: Strength, weakness, Opportunity and Threat

TCE: Transactional Cost Economics

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Abstract

Procurement is a means by which an organization acquires works, good, consultancy and other services in a scientific manner. More than two third of the organization annual budget is spend through procurement. Every activity of the organization, either service or goods provider, is highly attached with the procured product. The purpose of this research is to assess the challenges and prospects of public procurement in outsourcing the non- core activities with a case study in Addis Ababa University. The study areas were four colleges namely Main Campus, Colleges of Business and Economics, Addis Ababa Institute of Technology (AAiT) and College of Natural Sciences on security and cleaning or janitorial services. The research is a descriptive study applying both quantitative and qualitative approach in which questioner was collected across a population through purposive sampling and uses descriptive statistics for the data analysis.

The finding of the study shows that outsourced service assist Addis Ababa University to focus more on core functions and strategic areas, to save management time and upscale its primary objective of establishment as teaching and learning, conducting problem solving research and providing community service. On the other side, conflict of interest between outsourced employees and permanent University employees, difficulty to measure service/Product quality, Poor structure to manage the outsourced function , loss of autonomy in decision making, Possibility of harm and/ damage to university resource, high budget and cash flow requirement, leaking of information to competitors and loss of confidentiality and poor and/ infant Industries on the sector were the major challenges of the University due to outsourcing. Finally based on the finding, the researcher recommended that the University should conduct due diligence on the service provider's related work experience, quality of services provided, ethical considerations, technical capabilities, the resource possessed, the recruitment and selection criteria, and the reward packages provided. When it is used in a calculated and well-designed way, outsourcing could bring lots of benefits to the client organization. If applied without proper assessment of the capacities of service providers, it may involve irreparable damages in the short-range and could draw lots of risks that may disturb time-honored organizational culture. Hence, any form of outsourcing is likely called for maximizing benefits and minimizing risks.

Key Words *Public procurement, Challenges of Outsourcing, Benefits of outsourcing*

CHAPTER ONE

INTRODUCTION

Public procurement is the acquisition of goods and services at the best possible total cost of ownership, in the right quantity and quality, at the right time, in the right place and from the right source for the direct benefit or use of corporations, or individuals, generally by (contract Breitman & Lucas 1987).

In recent years, outsourcing as a business strategy has brought dramatic change of fortunes in many organizations. Corbett (1999) observed that smart organizations focus on core competencies that provide high value, maximize return on internal resources, treat many services as strategic enablers and also have an internal customer/supplier orientation. They approach outsourcing in a strategic manner to bring predictability and reliability in the delivery of services as well as giving them a competitive advantage.

This chapter would provide a background of the study, a statement of the problem, the purpose of the study, objectives of the study, research questions, scope, limitations of the study, definition of the operational terms used in the study as well as the background of the organization of the study.

1.1. Background of the study

According to the Ethiopian Public Procurement Proclamation (No 649/2009), procurement means “obtaining goods, works, consultancy or other services through purchasing, hiring or obtaining by any other contractual means.” From the above definitions, the overall tasks of procurement is to obtain goods, works, consultancy services and other services at the right quality, in the right quantity, from the right sources, at the right time, place and price to achieve an organizational objectives.

Public procurement is the acquisition of goods and services at the best possible total cost of ownership, in the right quantity and quality, at the right time, in the right place and from the right source for the direct benefit or use of corporations, or individuals, generally by contract (Breitman & Lucas, 1987).

Public procurement is a key tool to achieve maximum value for money in procurement i.e. insure economy, efficiency and effectiveness, support the country’s economic development by

ensuring economy, efficiency and effectiveness in the execution of public procurement, ensure accountability for decisions made and measures taken in the execution of public procurement, and encourage local producers, companies and small and micro-enterprises which support the national economy through the application of preferential treatment granted by the Proclamation and the directive issued on June 2010.

In Ethiopia, more than 60% percent of the total public expenditure has been spent through public procurement in a year. It is a significant amount of money that public bodies spent via public procurement. The expenditure on public procurement is increasing from year to year. Despite this, many reports show that the resource spent on public procurement is not used properly and in an economical manner and in the current Ethiopian public procurement process, the compliant on public procurement process shows increment from year to year. Efficiently and effectively handling this size of procurement outlay has been a policy and management concern as well as a challenge for government (PPA Annual Report 2017).

Power, Desouza, Benufazi (2006) defined outsourcing as follows: “Sourcing is the act of transferring work from one entity to another. Outsourcing is the act of transferring the work to an external party”. Whether or not to outsource is the decision of whether to make or buy. Organizations are continuously faced with the decision of whether to expend resources to create an asset, resource, product or service internally or to buy it from an external party. If the organization chooses to buy, it is engaging in outsourcing.

Power, Desouza, Benufazi (2006), on the other hand, defined Procurement Outsourcing (PO) as “a process wherein organizations take a calculated approach of moving some of their processes around source to pay to a specialist”. This involves organizations identifying the core and non-core activities with source to pay and start outsourcing non-core activities to a specialist.

Outsourcing is a management strategy by which an organization delegates major, non-core functions to specialized and efficient service providers, or as Corbett (1999) President of Michael F. Corbett and Associates asserts, “Outsourcing is nothing less than the wholesale restructuring the corporation around our core competencies and outside relationships.” The traditional outsourcing emphasis on tactical benefits like cost reduction (for example, cheaper labor cost in low-cost countries), have more ;2recently been replaced by productivity, flexibility, speed and innovation in developing business applications, and access to new technologies and skills (Greer, Youngblood, and Gary 1999; Bacon 1999 Ravishankar and Lilanthi 1998), highlighted that in

the 1980s and early 1990s intensifying market pressures forced businesses to look at new ways to gain efficiency.

Heikkila & Cordon (2002) point out that when making decision, both strategic as well as operational issues should be taken into account. McIvor (2000) also points out that outsourcing should be carried out from strategic perspective and integrated into overall strategy of the organization. According to Lonsdale & Cox (1998) outsourcing should not be considered as a short-term decision. Rather, all aspects of outsourcing decision should be taken into account. Although outsourcing is considered as a powerful management tool (Johnson 1997, Laabs 1993), wrong outsourcing decisions are costly (Willcocks et al. 1995) and result in loss of competencies and capabilities and in exposure to unexpected risks and business failures (Ngwenyama & Bryson 1999). Changes within the environment do affect the capability of the organization, as Aosa (1992) states that the strategy create a fit between internal capability and external conditions a mismatch of the two creates a problem and therefore even when adopting the outsourcing strategy, SWOT analysis must be explored. As part of a strategic plan, a cost-benefit analysis delineates those functions that can be performed as efficiently, if not more so, by outside suppliers.

In recent years, outsourcing as a business strategy has brought dramatic change of fortunes in many organizations. Corbett (1999) observed that smart organizations focus on core competencies that provide high value, maximize return on internal resources, treat many services as strategic enablers and also have an internal customer/supplier orientation. They approach outsourcing in a strategic manner to bring predictability and reliability in the delivery of services as well as giving them a competitive advantage.

Due to these reasons the researcher will examine the challenges and prospects of public procurement in out sourcing their non-core activities with special reference to Addis Ababa University.

1.2. Statement of the problem

In the past, the key to success was bulk; today the importance of high quality is growing. As the managerial paradigm shifts from “bigger is better” to “lean and mean”, and from “high-volume” to “high-value” companies are being forced to identify exactly where they have the greatest competitive advantage, and to redefine their organizational structures to maximize that

advantage. An increasingly common way for organizations to try and increase their flexibility and generate high value is through outsourcing. This situation requires precise identification of the line of business one wishes to follow (ensuring a competitive advantage) and a careful analysis of its weak and strong points. One result of this process is a recognition and reassessment of those activities which are not core in particular, whether these non-core activities should be carried out by the organization itself (make) or outsourced to a specialist third party.

Although outsourcing is a good business concept, it 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). Organizations who choose to outsource may not realize their anticipated or promised gains because of the loss of oversight and control of an outsourced project or business functions. The concept of core competences has been developed on the basis of the resource based theory. Prahalad and Hamel (1990) defined the core competencies as the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams technologies. The application of concept of core competences in outsourcing became very popular among researchers. The concept has been predominantly used to develop and test various outsourcing decision frameworks arguing that the core activities shall remain in house.

Manikandan(2006) pointed out that several factors drive companies to incline to outsourcing which includes increased global competition, increased pressure to reduce cost, increased spending visibility, increased leverage to collaborate on people, technology, and process, increased need to gain access to improved price, Growing acceptance to procurement outsourcing, Pressure to refocus personnel to strategic activities.

Power, Desouza, Benufazi (2006) identified three drivers that most often cause an outsourcing review: the need to reduce cost or internal headcount, internal capacity constrained by increasing market demand, and insufficient internal manufacturing or service performance to meet requirements.

Outsourcing has been widely adopted by various private as well as government organizations in the recent past. In the limelight of high pressure to reduce costs and improve service delivery, the universities as well have to be competitive enough and one way of attaining this desired state is through outsourcing. The trend has been outsourcing of non-core functions such as cleaning and

provision of security services. Outsourcing, when properly structured and monitored, can have many benefits, such as reducing costs, improving service quality, and increasing efficiency and innovation.

There are many reasons identified for when organizations fail at outsourcing. Cox (2014) affirms that many organizations fail to understand what is needed to outsource successfully and that there is a failure to make changes in the 'home' business to cope with the change.

Understanding one's own core competencies can be difficult for many companies, but then finding a high-quality supplier willing to provide the necessary product or service can also prove to be quite daunting. Despite the decision to outsource, many companies are stuck with the capital equipment and long term labor contracts they had in place before the change.

Consequently, the outsourced staff may have less loyalty to the client than if they were employed directly by the institution and express disappointment with the resulting inadequate services which affect the business sectors in many regards. Most service providers may not realize the client's culture ;2or personality, and the services delivered by them may not fit in the client's culture due to some of them only produce one set of service delivery system for all their clients in order to reduce the production costs (Siegel, 2000). On the same tradition, managers are required to regularly monitor, establish constant communication, and evaluate outsourced functions to be confident that they are beneficial to their organization. Moreover, negative attitude, resisting to new changes and morale problem are real problems that will cause ineffectiveness to the clients (Siegel 2000; Mobley and Maurer 1998).

According to Barthelemy (2003), through a survey of nearly a hundred of outsourcing efforts in Europe and United States found that one or more of seven "deadly sins" underlie most failed outsourcing efforts. These are outsourcing activities that should not be outsourced; selecting wrong service providers; writing a poor contract; overlooking personnel issue; losing control over the outsourcing activity; overlooking the hidden costs of outsourcing; and failing to plan an exit strategy. Most of the time, these outsourcing failures are rarely reported because firms are reluctant to publicize them.

Despite its aggressive application in the international environment, the use of outsourcing in Ethiopia is at its infancy stage. Level of awareness of top level management about the concept of outsourcing, writing a poor contract and lack of competent service provider also have its contributions for poor progress in the area (Meresa 2007). To the extent, it has been dominated

by non-core business functions such as maintenance and janitorial services, security services and information technology services. This is mainly due to the organizations fear of loss of confidential information and loss of control low quality of service, lack of competent service provider, low employee belongingness, loss of control over key information resources, continuous increase in price and other challenges. In addition, the organizations suspect that the external service providers are not loyal to them.

A study conducted by Commercial Bank of Ethiopia (2016) “an assessment on challenges, prospects and way forward of the outsourcing initiative” indicates that, even though the main reasons to outsource non-core business functions are to improve service quality and helps to focus on the core functions of the bank, the research finding implied that outsourcing effort doesn’t assist the CBE’s core functions as expected, and also unable to outsource others additional non-core business functions as planned, which are proposed by the Bank to be outsourced (Tewodros 2017).

At AAU outsourcing is still rudimentary and most of the Colleges/departments rely most non-core activities on internal facilities and expertise and hence the need to explore on the introduction of outsourcing in order to see whether it can have an impact on efficiency of its core competency service delivery. In view of the progressing globalization, competitive pressures, benefits, risks and problems of outsourcing, this study seeks to identify the prospects in the university and also determine the challenges facing AAU. As far as the researcher knowledge, no study has been done on prospects and challenges of public procurement in outsourcing their non-core activities which includes catering service, deriving, distribution of fuel and lubricant, maintenance works, cleaning services, landscape and campus beautification and security services and such the study will provide a new aspect of knowledge. The study seeks to answer the following question; what are the prospects of outsourcing at AAU? Secondly what are the challenges facing the implementation of outsourcing at Addis Ababa University?

By considering the above issues the researcher tried to examine the challenges and prospects of outsourcing by raising research questions as stated below and providing answer to these questions.

1.3. The Research questions

The main research question of the study is “What are the major prospect and Challenges of outsourcing non-core activities in Addis Ababa University”? Particularly this study attempted to answer the following specific research question:

1. What are the opportunities the University gets from outsourcing?
2. What are the challenges encountered in carrying out outsourcing?
3. What is employees’ attitude towards the level of outsourced services?
4. What are the mechanisms and methodologies used to overcome the challenges and complaints?

1.4. Objective of the study

The general objective of the study was to assess the prospects and challenges of public procurement in out sourcing non-core activities in Addis Ababa University. The specific objectives were:

1. Examining the existing practice of outsourcing in Addis Ababa University.
2. To find out the prospects and/or opportunities obtained as a result of outsourcing;
3. To examine the challenges encountered in carrying out outsourcing;
4. Examine employees’ attitude towards the outsourced services and
5. To propose possible solutions that help to overcome challenges or problems and maximize the prospects of outsourcing.

1.5. Significance of the study

The output of this research may paramount importance for Addis Ababa University in particular and all federal budgetary institutions to identify the challenges and prospects that affect procurement performance in outsourcing its non-core activities and to fix the problem with appropriate action. The study perhaps expected that from the findings of this study, Addis Ababa University may put in place appropriate measures to improve out sourcing all non-core activities procurement performance levels so that it can fully engage in its core activities of the very establishment.

In addition, the study will be important to all external stakeholders including MoFEC, PPA, PPDS, other various public Institutions, procurement Professionals in various public sectors since it would add a body of knowledge to factors of procurement performance since outsourcing practice is an infant industry. The decisions given based on the research may also be important to policy makers in drafting legal frameworks to improve overall public procurement performance in achieving the basic principles of public procurement.

Moreover, the study provided important inputs for academicians and researchers who are working on risk management in outsourcing and for organizations this paper gives a better understanding of what would be anticipated when conducting outsourcing.

1.6. Scope /Delimitation of the study

Since outsourcing of the non-core activities in public institutions is currently being applied and practiced under minimal extent, the study is delimited to the challenges and prospects of Addis Ababa University outsourcing practice of its non-core activities against the domain of the legal frameworks.

The scope of the study is limited to outsourced services in Addis Ababa University particularly in four colleges namely Main Campus, Colleges of Business and Economics, Addis Ababa Institute of Technology (AAiT) and College of Natural Sciences on security and cleaning or janitorial services due to the highest budget allocated to these colleges compared to other Colleges and the number of population are significant enough to draw a conclusion for other colleges. Therefore, any conclusion that will be drawn from this research is based on the above circumstances.

1.7. Limitation of the study

This research has aimed at assessing the key challenges and prospects of public procurement in the system of outsourcing non-core activities in Addis Ababa University. The research has limited to examine the practice and extent of outsourcing performed in Addis Ababa University in comparison of the legal frameworks, the challenges and prospects in outsourcing the non-core activities together with the sources of the challenge to uncover possible success factors for the future development of the outsourcing practice in public institutions.

This research has been formidably challenged with the limiting factors of manageability of data and budget constraint in order to upscale the number of respondents such as all higher officials of

the university, end users and procurement across all colleges of the university so that it might be difficult to draw relatively better conclusion and generalization given the small number of respondents interviewed or questioned.

1.8. Operational definitions

Public procurement is the acquisition of goods and services at the best possible total cost of ownership, in the right quantity and quality, at the right time, in the right place and from the right source for the direct benefit or use of corporations, or individuals, generally by contract (Breitman& Lucas1987).

Outsourcing is the process of establishing and managing a contractual relationship with an external supplier for the provision of capacity that has previously been provided in-house (Momme, 2001).It is the act of purchasing goods and services that were originally produced in-house from an outside supplier. Many companies are outsourcing as a strategic move so that they can focus more on their core competencies, that is, what they do best.

Prahalad and Hamel (1990) defined the core competencies as the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams technologies.

Quality: an item/service which fulfill the minimum need of the user department.

1.9. Organization of the paper

This study is arranged under five main chapters. The first chapter is the introduction and the main areas covered under the chapter are the background of the study, the statement of the problem, research objectives and questions, relevance and scope of the study. The second chapter is the literature review. The chapter reviewed literature related to the study. The third chapter is the research methodology and it captures the methods that were adopted for gathering and analyzing the data. The fourth chapter is the data analysis and interpretation section. The last chapter, five also highlights the summary of the data collected, conclusion and the recommendations to the research.

CHAPTER TWO

RELATED LITERATURE REVIEW

2.1. Introduction

This chapter will explore the available literature on public procurement, key principles of public procurement, outsourcing i.e., the definition of outsourcing, benefits, and reasons for outsourcing, opportunities in outsourcing and the gaps that exist in the field of outsourcing.

2.2. Public procurement: An overview

Public Procurement can be defined as the acquisition, whether under formal contract or not, of works, supplies and services by public bodies. It ranges from the purchase of routine supplies or services to formal tendering and placing contracts for large infrastructural projects. (<http://www.epa.ie/about/procurement/>).

In the public finance literature, government is involved in four major economic activities: (a) providing the legal framework for all economic activities, (b) redistributing income through taxation and spending; (c) providing public goods and services freely available to the public such as national defense, public safety, education, and infrastructure (bridges and roads); and (c) purchasing goods, services and capital assets (Khi V. Thai, 2001).

Importance of procurement to organizational competitiveness has been increasingly being noted and more and more organizations start to consider it as a strategic function instead of an operative one. As a result, more and more attention is placed on the procurement activities which have led to the restructuring of the function and the search for finding the optimal procurement process (Karjalainen, 2009).

Public procurement is the process of the acquisition, usually by means of a contractual arrangement after public competition, of goods, services, works and other supplies by the public entity. The public procurement process spans the whole life cycle from initial conception and definition of the needs through to the end of the useful life of an asset or the end of a contract (PPA, 2009). Then again, Baily and et al (2005) identified proposals for the public procurement sector includes; Seeking to develop world class professional procurement staff, Seeking to introduce best practice in terms of whole-life cost savings, highest standard benchmarking, Co-operative relationship with contractors and supplies within the constraints of competition, the promotion of continuous improvement (Kaizen) .

2.3. Key principles

A key principle of Public Procurement is that the function is discharged honestly, fairly, and in a manner that secures best value for public money. Contracting authorities must be cost effective and efficient in the use of resources while upholding the highest standards of probity and integrity. Procurement practices are subject to audit and scrutiny under the Comptroller and Auditor General (Amendment) Act 1993 and accounting Officers are publicly accountable for expenditure incurred. (<http://www.epa.ie/about/procurement/>)

Public procurement principles are rules or approaches to the procurement activities which enable the development of an effective procurement marketplace and lead to improved procurement performance and the commonly found Ethiopian public procurement principles include: Value for money, fairness, transparency, competitiveness, accountability, and professionalism.

Public procurement is an important function of government for several reasons. First, the sheer magnitude of procurement outlays has a great impact on the economy and needs to be well managed. Indeed, in all countries in the world, estimates of the financial activities of government procurement managers are believed to be in the order of 10% – 30 % percent of GNP (Callender& Mathews, 2000). One of the basic rules of procurement is that in the end, it is important to think in terms of the total cost of ownership. This includes not only the purchase price, but also time and resources that are expended in the pursuit of the ownership. By understanding the steps involved with procurement, it is possible to get a better understanding of the real cost involved with attaining any good or service (Baily et al 2004). Procurement encompasses the whole process of acquiring property and/or services. It begins when an agency has identified a need and decided on its procurement requirement. Procurement continues through the processes of risk assessment, seeking and evaluating alternative solutions, contract award, delivery of and payment for the property and/or services and, where relevant, the ongoing management of a contract and consideration of options related to the contract. Procurement also extends to the ultimate disposal of property at the end of its useful life (Waters 2004).

Government procurement in Ethiopia is governed by the Ethiopian Federal Government Procurement and Property Administration Proclamation No.649/2009, which replaced the proclamation on Procedures of Public Procurement and establishing its Supervisory Agency, Proclamation No. 430/2005. The Public Procurement and Property Administration Agency advises the federal government on "on all public procurement and property administration

policies, principles and implementation" and provides "technical assistance to the regional governments and city administrations".(<http://www.epa.ie/about/procurement/>)

2.4. Concepts of outsourcing practice

Without question, outsourcing has fundamentally changed the global business landscape. Not long ago, outsourcing was simply viewed as a means to reduce various operational costs. However, as the current competition increased and new players also began to enter the market, wise organizations are now relying on outsourcing to both gain a competitive advantage while further expanding their global footprint.

William, F (1999) defines outsourcing as the procurement of products or services from sources that are external to the organization. Outsourcing involves contracting for the provision of a service or good or execution of a task, previously undertaken in-house, to a third party to perform on the organization's behalf (Reilly and Tamkin. 1996). Firms should consider outsourcing when it is believed that certain support functions can be completed faster, cheaper or better by an outside organization. Tasks that are not core competencies are candidates for being contracted out. However any skill or knowledge that allows you to serve your customer base better whether dealing with product or service must remain in house. Today, the outsourcing of selected organic activities is an integral part of corporate strategy. For Corporations benefit of outsourcing are substantial and include reduced costs, experienced services and expertise. Outsourcing allows companies to refocus their resources on their core business. Outsourcing also referred to as contracting out, is a form of privatization that refers to an institutions decision to contract with an external organization to provide function or service to an institution. In the purest form outsourcing refers to the shifting of the provision of a service from public to private sector. Public sector outsourcing is now a well established mechanism for government service provision. Despite a great deal of practical experience by governments of all levels, in many countries, there is still relatively little agreement about whether outsourcing is uniformly beneficial or what the magnitude of reductions in government expenditure might be (Pollitt and Bouckaert 2000).

Outsourcing is the business practice of hiring a party outside a company to perform services and create goods that traditionally were performed in-house by the company's own employees and staff.

Usually done as a cost-cutting measure, it can affect jobs ranging from customer support to manufacturing to the back office. (<https://www.investopedia.com/terms/o/outsourcing.asp>)

Outsourcing was first recognized as a business strategy in 1989 and became an integral part of business economics throughout the 1990s. The practice of outsourcing is subject to considerable controversy in many countries. Those opposed argue it has caused the loss of domestic jobs, particularly in the manufacturing sector. Supporters say it creates an incentive for businesses and companies to allocate resources where they are most effective, and that outsourcing helps maintain the nature of free market economies on a global scale (Ibid).

Power, Desouza, Benufazi (2006), on the other hand, defined Procurement Outsourcing (PO) as “a process wherein organizations take a calculated approach of moving some of their processes around source to pay to a specialist”. This involves organizations identifying the core and non-core activities with source to pay and start outsourcing non-core activities to a specialist.

Put in simple words, outsourcing is the practice of obtaining goods and services from a foreign supplier. This is most commonly used in industries where there is either a shortage of labor for particular positions or where the cost of labor is too high.

Outsourcing can be used for any position whatsoever, but today we see companies using it for non fundamental roles or non-core competencies, those whose function is to provide support to the central establishment of the company or aid in the day-to-day operations of the company.

In its simplest form, companies outsource because it reduces their overhead to produce a product, thus increasing their profit margins. It's a purely a business decision. (<https://medium.com/coderslink/what-is-outsourcing-what-does-it-mean-for-companies>).

We live in a world where the same amount of work done in one country or city is not equally paid as if it were done elsewhere. It can be argued that the discrepancies in pay levels come from state and federal taxes, the country's economic standpoint (measured in GDP per capita) and wage-setting institutions. Regardless, the basis of the decision is an economic one.

According to Brandon Gaille, 46% percent of companies have cited their top reason for outsourcing was to reduce operating costs with 12% percent desiring to access world class capabilities.

Among the definitions of the above different authors, it is clearly found that they come to a common background in which they agree that outsourcing could be summarized in the functions of make or buy decisions, transfer the job to a third party, and organizational focus on core

business activities while handling non-core activities to others who are specialist in order to increase job efficiency and cost reduction.

Outsourcing as a key business strategy has been used by companies in various industries for many decades. Competitive pressures have forced companies to look objectively and critically at business processes. Companies have been outsourcing manufacturing operations, business services and even entire business lines successfully for a long time now. The idea of outsourcing has its roots in the competitive advantage theory propagated by Adam Smith in his book “The Wealth of Nations” (1776). Over the years, the meaning of term outsourcing has undergone a sea change. What started off as the shifting of manufacturing of goods to locations or countries providing cheap labor during the industrial revolution, it has taken on a totally new connotation in today’s scenario. Today, information technology has become the backbone of businesses and plays a key role in all types of business transactions. Through outsourcing one company hands over part or whole of its business process to another company, making it responsible for the design and implementation as per the requirements and specifications of the outsourcing company (Handfield 2006).

2.5. Rational for outsourcing

Outsourcing is not an end by itself. Its successful adoption involves different concerned parties in making important decisions about the business they are in and the best mechanism for delivering their services to the customers. Whether organization outsource for the first time or as a renewal exercise, the initial step is to determine the primary reasons for the outsourcing (Choi, 2008). A company hires the services of the external party due to several reasons such as reduction in cost, trained employees, shortage of staff or equipments, better technology, best service quality, able to learn new things, contractors have better reputation, to develop better relationship with other organizations, provides flexibility as organizations focus on other important functions etc (Ashrefa, et al, 2010). Even though each organization have their own specific reasons to outsource its function to suppliers, according to different scholars the following are the main reason for organizations to make a decision for the outsourcing.

Focus on strategy: accompany manager typically spent the bulk of each day handling the detailed operation their functional areas. By outsourcing this function a company can give the tactical part of each manager’s job to supplier which allows the management team to spend more time on strategic issues as market positioning and product development (Bragg, 1998).

Focus on core functions: Successful outsourcing allows the organization to focus in house resources on tackling priorities. When organization concentrates on carrying out its priorities, it can use its financial, human and management resources more effectively and efficiently.

Outsourcing of some non-core functions provides organizations with the flexibility to redirect and focus their resources on activities critical to their mission. When organization concentrates on carrying out its priorities, it can use its financial, human and management resources more effectively and efficiently (Choi 2008).

Outsourcing not only involves the transfer of work, but also the transfer of decision rights (Power, 2009). By transferring decision rights, the organization is reducing its need to focus high levels of resources on the effort of decision making. The vendor takes on the responsibility for decision making and is held accountable for the decision outcomes about achieving project goals. Transferring decision rights and accountability allows the client to pay more attention to its core competencies. Without engaging in outsourcing, the organization will perhaps not focus on areas in which it should invest manager attention and efforts.

In sum a company need to keep its functions in house if the functions are core functions as well as there is no supplier that can do it better than the company itself.

Avoid major investment: Due to lack of investment some functions in a company are not as efficient as it could be. If the company keeps this function in-house, it is forced to make a large investment for the function in order to modernize it. By outsourcing the function, such function the company permanently avoid having to make this investment (Bragg, 1998). The value of using outside provider is clear: better service for less investment of the capital and management time (Wilson and Brown, 2005).

Assist fast growth situation: If the company is rapidly acquiring market share, the management team will be stretched to its limit building the company up and to handle the volume of the business. In such situation the management team will desperately need additional help in running the company by focusing on a small number of core activities (Bragg, 1998).

Improve flexibility: According to Domberger (1998) flexibility is the ability to adjust the scale and the scope of production upward or downwards at lowest cost and rapid rate when a function experiences extremely large swing in the volume of work it handles, it may easier to eliminate the fixed cost of an internal staff and move the function to suppliers who will only paid for the actual work done. This converts the fixed cost into a variable cost –the price of the supplier’s will fluctuate directly with in the transaction volume it handles (Bragg, 1998).

In addition to the above point Choi (2008) justify flexibility in another way; maintaining the level of equipment and staff necessary to cover peak loads can leave organizations with under-utilized resources during off-peak periods. On the contrary, organizations may only be able to maintain resources at a level just sufficient to meet normal demand, which is lead to poorer customer service at peak periods. In such situation outsourcing of functions that are subject to peaks and troughs in usage can provide organization with the flexibility to respond rapidly to changing demands.

Reduce cost: outsourcing is not all about reducing cost. However, a company may emphasize cost saving of a variety of reason, such as being a poor financial position, plan to increase profit. A supplier can lower costs by centralizing the work of several companies at one location, purchase its input in large volume. So, the company can reduce its cost indirectly by transferring its function to this type of suppliers (Brown and Wilson, 2005).

Stroh and Treehuboff (2003) described outsourcing as an effective strategy that can help an organization to give out its non-core activities to be performed by another supplier. This they indicated could help the company maintain its customer services and also gain a competitive advantage in the market that it operates.

The predominant reason given for engaging in outsourcing is the cost savings, which are realized in several ways. First, cost savings can come from the simple move from fixed to variable cost models. In the fixed cost model, you own all the resources and have to pay for their acquisition, upkeep and maintenance. These costs are fixed and occur no matter if you use the resource or not. Second, cost savings can come from the company doing the outsourced work. In the case of software development, most of the current outsourcing is occurring with companies in the so called developing world. Third, other cost savings could result from beneficial tax treaties and other foreign-trade agreements, wherein governments may encourage multinational and international corporations to open up businesses in the developing countries by giving tax concessions and other setup benefits.

Access to skills: Organization may faced with a shortage of skilled and experienced staff brought about by the change in the business operation setting , retirements, resignations, or recruitment problems. Existing staff may not always have the necessary skills to keep pace with rapidly evolving change and technology. When an organization is contemplating providing new services, outsourcing can ease the process of building the skills and resources required to respond to these new initiatives. In some cases, outsourcing to an external service provider may

be the only practical way to access the skills necessary to properly deliver services. On top of this organizations also benefit from having their staff work with the service provider's specialists (Choi, 2008).

Outsourcing when properly structured and monitored can have numerous benefits such as reduction in operating costs; improve service delivery and increasing efficiency and innovation. Proper contract procedures and oversight are essential to ensure that resources are appropriately used and services are rendered satisfactorily. Through Outsourcing institutions are forced to be more responsive to the needs of their clients and outsourcing can generate efficiencies that can enhance the institutions goals. Outsourcing can reduce an institutions labor and benefit costs, provide a single point of accountability and provide predictable costs allowing an institution to use the savings on its core operations (Bowersox, 1989). Through outsourcing there is added expertise where contracts are structured so that vendors can bear the cost of acquiring new equipment and technology. In the same way, the institutions can bring new levels of expertise in an organization. Institutions can take advantage of economies of scale achieved by vendors specifically, private vendors who specialize in a particular service area allowing them to purchase goods or service at a lower cost. Competition can be introduced into an institution services that are often isolated from the profit factor thus private managers are forced to find the most cost effective means to provide a service to ensure that a profit is realized.

To acquire better management: An in-house function which is no longer effective or efficient due to poor management can be outsourced to a supplier who will give access to the best and most experienced experts in the functional areas(Bragg, 1998).

Improving service quality: Functions non-core for the outsourcer is core for the vendors, and the vendor focus on reengineering and running the process efficiently. Since it is a core activity for the vendor, it would strive to bring about improvements in the outsourced process and deliver superior quality standard than the company itself (Aran and Patel, 2005).

Bragg (1998) notice that before deciding outsource based on one or more of the above reason, the concerned body who is making the outsourcing decision should consider that it is not necessary outsource an entire area rather rick those tasks within the function that are clearly worthy of being outsourced and keep all other tasks in-house. As Domberger (1998) contracting the provision of key parts and components can loss an organization its core competences. Brown and Wilson (2005) thus, selective outsourcing reduces the risk of the company when the chosen suppliers do a bad job or not perform its task properly.

2.6. Prospects of out sourcing

Outsourcing is a strategy that refers to taking some of the business functions outside the organization to be performed by others; reasons for outsourcing are varied and involve several issues such as taking the work to outside experts rather than developing that expertise within the company. Kenneth L (2004) recognized the fact that a business whose core business is to perform the outsourced function will most probably do it better and cheaper than the staff hired internally by the firm. Both big and small business outsource for different reasons. For small business they outsource since they do not have the internal capacity to handle the needed functions more so if the functions are non-core. Although large business may afford to build the needed capacity, competitive pressure and other economic realities of the digital age in the new millennium are forcing them to re-examine their operations in order to separate their core functions from non-core functions and to exert all their energies towards the operations which are core in nature and outsource non-core operations to third parties.

Professor AtienoNdede(2004) in the annual review of Kenya Kountry Business Incubator(KEKOBI) observed that business strategy demands that large corporations one way of gaining the necessary efficiency to compete effectively is through outsourcing of non-key functions. Due to digital economy, this change is forcing them to shed off non-core functions and to find ways to maximize profitability, which they can do in part by reducing their expenses, especially fixed expenses. In this context outsourcing therefore sheds off some of their fixed costs and to convert them to variable costs.

From a business development perspective, outsourcing by both small and large business represent an excellent opportunity for start up. This means that a start up business can develop an entire business model centred on providing services that are needed by small businesses or used to be in -house at large companies. Some good examples of outsourced functions include mail delivery, internal this is a historical function done by messengers and which is being entirely taken up by courier services that charge less and give guarantee for quality and timely service. Other areas that are being embraced by outsourcing include functions such as accounting, IT services, payroll and public relations, security, transport management, mail handling and cleaning services.

If a business wants to survive in today's business world, its focus must be on flexibility, speed, and agility (Lee, 2008). To achieve that, the organization would have to focus on its core competency and contract its noncore activities and functions to an external company which has

the resource and also could take that activity as its core. This outsourcing strategy would enable the focal organization to concentrate its core competencies and therefore increase its efficiency without having to invest a lot (Lee, 2008).

Outsourcing allows for organizations to concentrate on its core competencies. Outsourcing secondary activities allows the institution to focus more on core functions and to worry less about the other non-core business operations. Kennedy (2003) argues that the core reasons for outsourcing include enhanced service, staffing constraints, and budget constraints, to access technology. Similarly, Jefferies (1996) asserts that outsourcing, when properly planned and controlled, is expected to produce several benefits, such as reduced costs, improved service quality, and increased efficiency and innovation.

The most significant advantages of outsourcing are focus on core activities, cost savings, access to experience, improving performance, and flexibility. First, many researchers agree on the fact that by handing over noncore activities to a trusted third party, a company can concentrate on activities central to its value proposition and increase its competitive positioning . Second, outsourcing in general is held toward one of the main goals as cost savings. The special necessity arises when a certain resource, either human or equipment resources, is not needed full time, or the efforts to obtain the resource cannot be justified. For example, for a medium-size business keeping technical expertise and maintenance is needed occasionally. Since the cost of hiring and training an engineer who is competent in computer support is too high, it will be beneficial for the organization to outsource this task. Third, by outsourcing companies have the possibility to access to highly qualified personnel, who may not be available to the client organization and fully exploit the suppliers' investments, innovations, and specialist capabilities. Fourth, an important reason for outsourcing consideration is achievement of an improvement in performance that the outsourcer company might offer due to economies of scale. Large scale can provide a variety of functions and opportunities which will help to save the best available worker, who might not want to work in a less stimulating consumer environment. Additionally, with service providers the level of operational experience is expected to be higher, because of the greater concentration of staff on tasks as compared to internal operations. Fifth, flexibility is the key reason for outsourcing for many companies. Outsourcers' contracts and the jobs of their employees depend on the degree of flexibility to reflect changing business environments.

Outsourcing is the only way to grow since it will enable the entities to concentrate on their core functions and leave the non-core functions to specialized firms. In outsourcing, cutting costs and

passing the benefits to consumers should be the ultimate goal, thus the entity is tasked with delivery of a more efficient service thus freeing up resources to other task which are core in nature. Thus firms adopting outsourcing strategy are at a competitive advantage than their competitors in the same industry. Hence, this concept is very valuable as it ensures that there is specialization and dedication of resources to core functions (Jefferies 1996).

2.7. Challenges in implementing outsourcing

A barrier or a challenge is an obstacle which prevents a given policy instrument being implemented, or limits the way in which it can be implemented. In the extreme, such barriers may lead to certain policy instruments being overlooked, and the resulting strategies being much less effective.

Management must make the commitment to stay focused on the agreed upon plans and should only make significant changes to the plan after careful consideration on the overall implications and consequences of the change. The organization should maintain a balance between ongoing business activities and working on new strategic initiatives. That is, the problems with implementation often occur when companies concentrate on new strategy development and in the process forget their main line of business that underlie within previously formulated business strategies (Nickols 2000).

According to Fan et al. (2011) the major challenges to outsourcing activities included loss of managerial control over outsourced operations, quality problems, threat to security and confidentiality, hidden costs and reallocation of existing teams. With the issue of loss of control over the outsourced operations they indicated that special skills are required in the management of systems. These skills include the skills to manage people and processes, management of contracts and negotiation skills.

The outsourcing contract will have terms and security spelt out in them. The challenge is that although these terms are clearly stated there is always a problem associated with auditing.

There is a major challenge associated with the execution and auditing of terms that are captured under the outsourcing contract (Ashley, 2012).

One of the expectations of outsourcing services is that the focal company expects to receive better services than that offered by its staff. The challenge therefore is the ability to choose an outsourcer that can provide the expected service. The outsourcer must be chosen such that it would not have any negative influence on the goods and services provided by the company.

Adler (2013) indicated that if care is not taken in the selection of the outsourcer the consequence might be so grave that it can affect the position of the focal company (Adler, 2013).

Another major issue associated with outsourcing is that both parties are bound by only the terms and conditions as stipulated in the outsourcing contract. Anything that is not captured under the contract cannot be enforced on the other party. Any other duty that is performed by the outsourced company will be subjected to charges and that brings additional cost to the focal company.

The lack of an employment contract between the direct employer and employee, and labour warranty makes the labour rights of workers more vulnerable/helpless. Also with outsourcing there are risks of damaging property's safety, security and leakage of confidential information, through the provision of unregulated access to documents, records and property of the company. As well outsourcing vendors have the lack of knowledge of national and local cultural features and slight acquaintance with the psychology of company's customers.

Transfer of some functions to outsourcing is not practical for large organizations, because it can lead to loss of their privacy, reduction of the speed of provision of the necessary information for the management of the organization. Leaking confidential information can lead to loss of competitiveness of the company. As well the transfer of some functions to outsourcing can lead to loss of some kinds of activities that are providing the success for the company in the market. Moreover, transferring to outsourcing a big amount of functions, company can increase its costs. It is important to notice that enormous usage of outsourcing can lead the company to be fully dependent on outside outsourcing vendors (Ababu W, 2015). Several challenges are likely to occur when an institution introduce outsourcing processes. Wang et al. (2013) highlights some of the pitfalls in outsourcing and stipulated that some outsourcing providers are found to lack knowledge, some providers are non-responsive, and others have low performance standards. They, therefore, indicated that it will not be any organization that will see success if it decides to outsource some of its activities.

2.8. Things to be considered for successful outsourcing

2.8.1. Availability of skills needed to manage outsourcing efforts

Companies need to ensure that employees have the skills that will allow them to contribute to the goals and objectives of the organization. One respondent company reported that it uses a team based approach to the set skills required to for each class of employee. Such a special team

should consist of groups of employees and managers, who were considered to be, understand experience in the working area Yenus et al. (2005). Furthermore, Thoms (2004) stated that, in order to be successful at leading outsourcing efforts, you must develop certain competencies. Good decision making in high uncertainty environments is a critical skill when managing outsourcing efforts. While outsourcing initiatives are not entirely novel to organizations, their complexity, risk and impact on organizations has never been higher. A consequent factor of this is the need to make decisions in uncertain environments. You must be able to make decisions with incomplete information, have the foresight to plan ahead using scenarios, think through various alternatives, and most importantly find ways to reduce the uncertainty associated with making decisions. Hence, it is very important to have good marketing, negotiating and relationship-building skills are essential for building a good outsourcing relationship with your vendors. To do this successfully, it is important that you have excellent negotiating skills and can manage the relationship so as to attain the organizational objectives with minimal hostilities with the vendor.

2.8.2. Assessing and Selecting Competent service providers

Considering a company does not jump on the movement and instead takes due diligence in planning a concrete outsourcing strategy, one of the critical steps is choosing a vendor capable of complimenting the company's needs Thoms (2004). In essence, vendor selection is just as important as the decision to outsource. Although it is difficult to assess every aspect of a vendor, the following list provides areas a company should be looking at: company Stability, references/reputation, flexibility of the contract terms, scope of resources, additional value added capability, location, price, cultural match, existing relationship, and staff turnover. We can agree that some of the areas listed above such as price, quality and contract management are on the list of top priorities, but what about some of these other intangible aspects such as a cultural match. According to (Kurat, 2011) as quoted in Borisova (2011) there are additional criteria for the company to evaluate the service providers. This will help to perform at least a preliminary analysis of which company is dealing with (Kurat 2011).

Quality commitment: The vendor should be quality focused. The company should ask providers what measures they have for quality assurance and quality control.

Cost: Provider's price policy should enable customers to save money and still choose outsourcing as opposed to in-house development.

Additional resources and capabilities: The vendor should have resources and capabilities that are not available to the customer internally or with other providers. These days' customers are smart and are looking for additional capabilities of a vendor at competing price. Smart vendors can use it as advantage over competitors.

Prior work: The vendor should have experience of working with other organizations. The company should check provider's portfolio and if there are no testimonials available, the company should contact some of its clients and ask them what kind of experience did they have or still have with this vendor.

Contract terms: The terms of contract should offer flexibility to the client to modify the requirements or terminate the contract easily if required. The best development methodologies for fast and frequent changes are agile-based.

Confidentiality: How secure is the customer's data at the vendor site? The vendor should have well-defined security policies in place.

2.8.3. Availability of well-formulated contract

Outsourcing is required to comply with all federal, state, and local laws and regulations as well as an organization's own policies and procedures. Although it is easy to summarize the restrictions placed on outsourcing in one sentence, it is far more difficult defining such in terms of a contract and without proper contract management; an outsourcing initiative can turn into an ugly legal battle. Although legal action should only be taken as a last resort, it is important for an organization to be aware of the various governmental, environmental and organizational liabilities that exist. Before any outsourcing initiative can begin, contracts are generally drawn up and agreed upon by each side. The main function of the contract is to identify a specific pricing structure and service level agreement (SLA), both of which are critical to any outsourcing initiative. In addition to the SLA, a contract will identify a governing law for the two parties in addition to establishing what regulatory laws and tax implications apply. In fact, identifying the tax implications of an outsourcing project at an early stage is crucial Thoms (2004). In the same way, Tafti, (2005) confirmed that one of the most important component of any outsourcing deal is the contract. It describes the services that a vendor is to provide, discusses financial and legal issues, and becomes the blueprint for the life of the agreement.

2.8.4. Setting Service Level Agreement (SLA)

As stated by Thoms (2004) a well-defined and constructed SLA will appropriately set expectations for both sides of an outsourcing relationship while providing targets for accurately measuring performance to those objectives. There are various steps to establishing an SLA between parties. The first involves negotiation whereby both parties will agree to the terms of service.

Once established and agreed upon, the various methods of payment are also identified. Of the important aspects of any SLA are the methods by which a company will evaluate the service of a vendor. In other words, did the vendor perform the service in line with the agreement?

Further Thoms (2004) added that when properly chosen and implemented, the SLA metrics:

First measure the right performance characteristics to ensure that the client is receiving its required level of service and the service provider is achieving an acceptable level of profitability. Second it can be easily collected with an appropriate level of detail but without costly overhead, and tie all commitments to reasonable, attainable performance levels so that "good" service can be easily differentiated from "bad" service, and finally giving the service provider a fair opportunity to satisfy its client.

2.8.5. Giving attention to employee issues

The efficient management of personnel issues is crucial because employees generally view outsourcing as an underestimation of their skills. This may result in a massive exodus even before an actual outsourcing decision has been made. Secrecy in outsourcing feasibility and decision making is very difficult, and open communication is the key to managing personnel issues in outsourcing. When attempts at secrecy fail, rumors start spreading. As soon as employees know that outsourcing is under consideration, counterproductive anxiety arises and employees begin handing in their notice in anticipation of outsourcing Barthelemy (2003). Moreover, Barthelemy argues that firms that consider outsourcing must face two interrelated personnel issues. First, key employees must be retained and motivated.

For most activities, outsourcing does not mean transferring all the employees to the vendor. When an activity has been performed in house for a long period of time, firm-specific knowledge about how to run the activity smoothly has accumulated. Employees who possess this firm-specific knowledge must be identified. To keep them in-house, the management must be prepared to offer them higher salaries and benefits. A second, personnel issue is that the

commitment of employees transferred to the vendor must also be secured. As a manager in charge of finance outsourcing contract put it: "Retention of knowledge and skills is a key issue. Irrespective of the profile of the service provider, the actual work is done by individuals harnessing their skills, knowledge, experience, and the technology available to them. If high staff turnover is experienced, then the quality of the work will deteriorate noticeably, particularly in specialist technical areas and analytical work." The outcome of an outsourcing effort is highly dependent on the commitment of employees who have been transferred to the vendor. Employees working in activities that do not belong to the firm's core business are often given low-priority. Once they are transferred to specialist vendors, they may be offered opportunities for better career paths in what is regarded as the vendor's core business. To many employees, vendor employment is more attractive than continued employment in an organization where the outsourced activity is viewed as a mere utility Barthelemy (2003).

2.9. Empirical cal Review

Patterns of outsourcing differ somewhat in developing and transition countries. Developing and transition countries are practicing outsourcing, off-shoring and on-shoring.

Theories have been used to study, understand and describe activities within the phases of the outsourcing process in order to enrich the existing knowledge. According to Perunovic and Pedersen (2007) to understand these theories, outsourcing is considered as a process consisting of several phases namely; preparation, vendor(s) selection, transmission, management of relationship, and reconsideration phases.

Outsourcing phenomenon has been grounded in many theories some of them complementary and the others contradictory. Some of the common theories include: Transaction Costs Economics theory (TCE), Core Competencies Theory, Knowledge - Based View theory, Resource Based View theory, Relational view theory, Evolutionary Economics theory, Agency theory, and Social exchange theory.

Transaction cost economics (TCE) has been the most utilized theory of outsourcing. TCE is perceived to provide the best decision making tools to help organizations to decide to outsource and to prepare themselves for forthcoming outsourcing arrangements. Cheon, Grover and Teng (1995) stated that TCE as an economic theory assume that, goods and services are most efficiently produced in specialized organizations that are able to achieve the economies of scale. The theory aims at explaining the characteristics of a structure such as contract or governance.

According to Barney and Hesterly (1996), the core principle of the resource-based view is that resources and capabilities can vary significantly across firms, and that these differences can be stable. If resources and capabilities of a firm are mixed and deployed in a proper way they can create competitive advantage for the firm. The resource-based view in outsourcing builds from an assumption that an organization that lacks valuable, rare, unique, organized resources and capabilities, shall seek for an external provider in order to overcome that weakness. Therefore, the most prominent use of the theory is in the Preparation phase of the outsourcing process for defining the decision making framework and in the vendor selection phase for selecting an appropriate vendor.

Andersen 1994 states that this theory developed from Darwinism and includes some assumptions transposed to the economic “species”. These assumptions include that the agents (individuals and organizations) can never be perfectly informed and they have to optimize locally rather than globally, the decision-making of agents is normally bound to rules, norms and institutions, agents are to some extent able to imitate the rules of other agents, to learn for themselves and to create novelty, the processes of imitation and innovation are characterized by significant degrees of cumulateness and path dependency but they may be interrupted by occasional discontinuities, the interaction between the agents are typically made in disequilibrium situations and the result is success and failures of commodity variants and method variants as well as agents, the processes of change occurring in a context described by the above assumptions and characteristics are non-deterministic, open-ended and irreversible.

The focus of the agency theory originally was on the relationship between managers and stakeholders (Jensen and Meckling, 1976), but has spread over the time on explaining the relationship between two inter-firm subjects. In that context, the agency theory is associated with understanding the relationship between outsourcer and vendor. Sources of the agency problem, moral hazards and adverse selection should be resolved by monitoring and bonding (Barney and Hesterly, 1996). Consequently, the application of the theory in the outsourcing process research is in the Preparation Phase (when screening for vendors and defining its own attitude towards the type of the relationship). Prahalad and Hamel (1990) defined the core competencies as the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams technologies. The concept of core competences has been developed on the basis of the resource-based theory. The concept has been predominantly used to develop and test various outsourcing decision frameworks arguing that the core activities shall remain in

house. Learning and communication premises of the concept made it also applicable in the Managing relationship and Reconsideration phases. Vendor's competences are assumed to be one of the most important factors that influence success of an outsourcing arrangement (Levina and Ross, 2003; Feeney et al., 2005).

The knowledge-based view provides insight in understanding how individuals cooperate to produce goods and services. The knowledge-based view has been used in utilized in the outsourcing research to prove that knowledge sharing in the Managing relationship phase is positively related to the success of an outsourcing arrangement.

Relational view develops and explains how firms gain and sustain competitive advantage within inter-organizational relationships (McIvor, 2005). Its key principle is that the concept of relational rents has been explored to explain how firms choose their future outsourcing partners and preferred type of the relationship. It has been also utilized in studying the transition. Managing relationship and reconsideration phases makes the relational view to be the only theory that has been applied in the research of all the outsourcing process' phases.

The social exchange theory explains interpersonal relationships by positing the economical cost benefit analysis as precondition for social engagement and exchange. The theory presupposes that the exchange of resources (material or social) is a basic form of human interaction. Social exchange is an ongoing reciprocal process in which actions are contingent on rewarding reactions from others (Gottschalk and Solli-Sasther. 2005).

The study conducted by Charity N. (2014) on the effect of strategic outsourcing on organizational performance a case study on Bidco Africa Limited indicated that Even though the implementation process shows partially good results while in part it creates negative image for outsourcing. The achievement registered is cost saving in cleaning and security and ease of administrative burden. The complaint is high in terms of completion time, quality, customer satisfaction, integrity and deriving service assets utilization related to poor service level agreement, contracts administration and ethical problems of providers.

According to a research conducted by Meresa M. (2007) on outsourcing in Ethiopia revealed that Ethiopian organizations are willing to outsource non-core business functions, such as catering, maintenance and janitorial services, security services and deriving (transportation) services.

Conversely, Accounting and Administration outsourcing service providers will face great challenges form Ethiopian organization to deliver their services. This is mainly due to the

organizations fear of loss of confidential information and loss of control. In addition, the organizations suspect that the external service providers are not loyal to them.

Over all, outsourcing implications on public sectors need to be viewed from a different perspective. Throughout this paper outsourcing has been addressed in relation to outsourcing functions within Addis Ababa University. What it matters is that public sectors need to become more flexible, entrepreneurial, responsive and efficient and proper evaluations of outsourcing opportunities and threats can help a business to reach their goals by trying new things, competitively price services, strengthen capabilities use other people's capital and, most importantly, to concentrate on what they do best (Bartem and Sherry, 2001).

However, during review of related literature, out sourcing non-core activities are not boldly presented and discussed in view of public procurement.

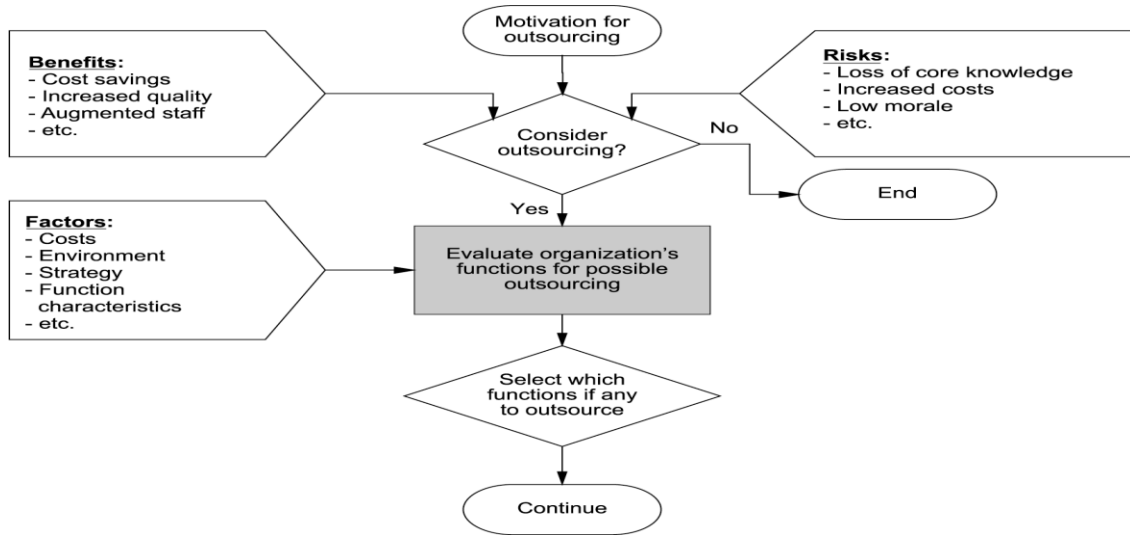
2.10. Conceptual framework

Conceptual framework is defined as a presentation in graphical form of the linkage between the identified variables in the study.

According to the results of the literature review, a conceptual model for the study was adopted and modified.

To make outsourcing work in favour of an organization, managers need to carefully assess the potential benefits as well as risks of outsourcing choice. Understanding the business environment is a good starting point in outsourcing decision. If supplier markets were totally reliable and efficient, rational companies would outsource everything except their key and/or critical activities. Unfortunately, most supplier markets are imperfect and do entail some risks for both buyer and seller with respect to price, quality, time, or other key dimensions. Moreover, outsourcing entails unique transaction costs searching, contracting, controlling, and re-contracting that at times may exceed the transaction costs of having the activity directly under management's in-house control. To address these difficulties, managers a good outsourcer knows how to keep and leverage on multiple partnerships.

Figure1. Conceptual framework



Source: Kremoc T, Rom W. and Tukul O. (2006) Vol.11 Number 6, p. 268

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter presents research design and methodology in terms of data collection method, data analysis and presentation techniques.

3.1. Description of the study area

Outsourcing is a form of sub-contracting some of the processes of a specific business execution to a certain or group of suppliers/service providers. It involves the transfer of daily routine activities and/or partial business tasks of an organization to an external service provider. Although there might be other organizations that started outsourcing some part of their functions, this study mainly focus on the outsourcing practice of Addis Ababa University. Moreover, this research focuses only on the following activities: Security service and Cleaning/Janitorial service in the case of Addis Ababa University.

3.2. Research Design

The study adopts descriptive research design. It determines and reports the way things are in describing the possible behaviour, attitude, values and characteristics of the respondents while using questionnaires and in depth interview as the appropriate tool.

The study organization, Addis Ababa University, is selected due to its convenience to the researcher. This convenience is related to data availability and familiarity of this organization for the researcher.

3.3. Research Approach

In this particular research both qualitative and quantitative research approaches have been used in combination to enumerate the data analyzed. These approaches considered appropriate in answering the research questions.

Using qualitative data only from few subjects would be inappropriate and may lead to subjective interpretation of the results. Thus, both qualitative and quantitative (mixed) research approaches was used in this research so that relevant and accurate information obtained. The purpose of qualitative approach is to analyze open ended questions and assist in explaining and interpreting the finding of quantitative study.

Dorney (2007) and Creswell (2009) indicate that in mixed methods study, it is common and even advisable to use an embedded model of data collection where one form of data (either qualitative or quantitative) predominates. According to these authors, this strategy enables researchers to make their study more focused and manageable. Hence, by employing this design, interview, questionnaires and document reviews are used to elicit the data required for the study. Interview was conducted to get in-depth information from top management.

Questionnaires also distributed to collect information from professional & outsourced employees. On the other hand, it is used to triangulate and cross check the results of interview.

Moreover, document reviews were made to check whether there are gaps between what is generally stipulated about research and the actual practice of outsourcing in the university. Since the study draw both on qualitative and quantitative data, the analysis of these data employed qualitative and quantitative procedures. The qualitative data which provide the dominant base for the study and collected from interview, and reviews of some relevant documents of the university was analyzed thematically after a systematic coding of information. On the other hand, the quantitative information gathered through questionnaires was analyzed using descriptive statistics then presented in the tables.

3.4.Sources of Data and collection procedure

The Researcher employed both primary and secondary data from multiple sources in order to get different outlooks and facts on the outsourcing practice of the University.

3.5.Primary data

The researcher used both interview and questionnaires. An in-depth interview was conduct to the top management, who is considered on the basis of his positions in the university and his ability to provide specific information on the actual performance of outsourcing providers and the respective obstacles involved. In addition to this data was collected by distributing structured questionnaires i.e. open-ended and closed-ended questionnaires to employees who have an exposure to outsourcing functions. The questionnaire a likert scale ranking (5-point likert scale) where 5 stands for strongly agree 4 stands for agree 3 stands for neutral 2 stands for disagree and 1 stands for strongly disagree.

3.6. Secondary data

Secondary data was collected from organization reports, relevant policy documents and manuals. When necessary, materials was downloaded from most referred web sites.

3.7. Target Population

According to Zikmund (2010), a population is any complete group that shares some set of characteristic. Target population is the intended group for the study. The target populations of the study were comprised of the staffs of the four selected colleges/Institutes of Addis Ababa University (Main campus, college of Natural and Computational Science, College of Business and Economics and Addis Ababa Institute of Technology (AAiT)) among the 16 budget units of colleges/Institutes/Schools who are involved in the solicitation of outsourcing procurement.

3.8. Sampling frame

Since the study was concerned with Addis Ababa University, the participants of the study were employees of this University. The study focus on the population who are currently working selected college/school/Institutes of the University. Currently the University has more 16 budget units. The sample frame is a population list from which the sample will draw. To make the study manageable and for the reason that the highest budget allocated to these colleges, the sample was drawn from the four colleges namely Main Campus, Colleges of Business and Economics, Addis Ababa Institute of Technology (AAiT) and College of Natural Sciences evenly and those colleges/Institutes have direct relationship with the study area. Human Resource Management Development Directorate record indicates that Main Campus, Colleges of Business and Economics, Addis Ababa Institute of Technology (AAiT) and College of Natural Sciences have a total of 5000 academic and Administrative staffs.

The samples used in the study selected using purposive sampling which is a function of non-probability sampling. Under purposive sampling technique, the researchers purposely choose who, in their opinion are thought to be relevant to the research topic. In this case, the judgment of the researcher was more important than obtaining a probability sample. Accordingly, the process of sampling in this case involved purposive identification of the respondents who are the staffs of the four colleges/Institutes of the University who have direct relationship with managing and facilitating the services in the University.

3.9. Data analysis

Data analysis means the categorizing, ordering and summarizing of data to get answers to research questions (Delport, CSL, 2005). As stated by Cramer and Howitt (2004), descriptive data analysis emphasizes on maximizing the gain from the data by making clearer the process of describing and analyzing the data gathered. Thus, after proper editing, the data was coded and entered to the software then it will make ready for analysis. For the purpose of achieving the objectives of the study, the collected data was processed and analyzed with descriptive statistics using Statistical Package for Social Studies (SPSS) of 20th version. This technique is selected because it helps to summarize the sample, provides and allows describing the characteristics of the data collected and it helps to thoroughly analyze and interpret the questions one by one in order to reach meaningful results. Throughout the analyzing process percentages are used. In doing so, tables were used to present and made easily understandable the findings in order to arrive at meaningful results.

The descriptive statistics analysis of this section is conducted with percentage values of the data collected. Frequency distributions of all respondents provided in the questionnaires was count and computed. Data collected from interview discussion was organized as per the questionnaires designed and included in the data discussion and interpretation part of the study. Finally, summary, conclusions and recommendations was draw based on the data analysis and interpretation.

3.10. Data Quality Assurance

3.10.1. Validity

Items in the questionnaire were prepared using a five point-Likert scale multiple questions and interview questions.

The researcher carried out a pilot study to pretest and validates the questionnaire. According to Cooper and Schindler (2003), the pilot group can range from 25 to 100 subjects depending on the method to be tested but it does not need to be statistically selected. However in this case study, the respondents were the top management and hence the number does not apply. The researcher selected a pilot group of few individuals from the Procurement, finance, security and human resource departments of each college. They helped in testing and validating the questionnaire as well as it was an opportunity for the researcher to practice on conducting the interview with the respondents for the main study.

3.10.2. Reliability

Internal consistency of items incorporated in the instrument was checked by using Cronbach Alpha. Mean of each variable was computed and then the reliability was checked based on the Means.

Table 3.1 Reliability statistics of the instrument

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.916	.888	31

Source: SPSS reliability result output

As indicated in the Table 3.1, the Cronbach Alpha test implies that the instrument's internal consistency as 91.6% which is above the acceptable percentage.

3.11. Ethical Consideration

Whenever the researcher conduct, on/with people the well being of research participants must be given top priority. The research question is always of secondary importance. This means that if a choice must be made between doing harm to a participant and doing harm to the research, it is the research that is sacrificed. The interview was conducted and questionnaires were distributed with full knowledge of the management. Ethical issues in this research concerned with maintaining confidentiality about the information that the researcher gathered from respondents, using secured data for academic purpose only and ensuring that the respondents personality will not exploited.

CHAPTER FOUR

DATA PRESENTATION, INTERPRETATION AND ANALYSIS

4.1. Introduction

This chapter dealt with the analysis and discussion of the information from the questionnaires and interviews obtained.

4.2. Response Rate

This chapter deals with data presentation, interpretation and analysis of the study. It has two main parts: the first part is the demographic characteristics of the respondents; the second part consisted of data collected from employees and managers through questionnaires and interview respectively.

In order to address the research questions, 130 questionnaires were prepared and distributed to AAU employees, Out of these questionnaires 120 were filled and returned. From the total returned responses, 8 of them were incomplete because of missing data and the rest 10 questionnaires were unreturned. Thus, only 112 complete responses are employed in the analysis, which represents the response rate of 86% ($112/130=.86.15$).

4.3. Demographic Characteristics of Respondents

The first part of the questionnaire consists of the demographic information of the participants. This part of the questionnaire requested a limited amount of information related to personal and professional characteristics of respondents. Accordingly, the following variables about the respondents were summarized and described in the following Tables. These variables include age, gender, educational level, current position and work experience of respondents.

Table 4.1 demographic characteristics of the respondents by sex

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	88	78.6	78.6	78.6
Valid Female	24	21.4	21.4	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

As depicted above in the Table 4.1 above, 88 (78.57 %) of the respondents are male and the rest 24 (21.43%) are female. This shows that the major respondent was dominated by male.

Table 4.2 demographic characteristics of the respondents by Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 26-40	96	85.7	85.7	85.7
41-55	16	14.3	14.3	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

With regard to age structure, 96 (85.71%) were between 26-40 years and 16(14.29%) were between 41-55 years old. The university is said to be relatively filled by youngsters.

Table 4.3 demographic characteristics of the respondents by Educational status

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Degree	80	71.4	71.4	71.4
Above Degree	32	28.6	28.6	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

The majority of the respondents' (78.57 %) have first degree level of educational background whereas only 28.57 % of the respondents had second degree respectively. This shows that the employees are fairly educated and they can also understand and gave reasonable responses to the questionnaire distributed to them.

Table 4.4 demographic characteristics of the respondents by Year of service

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 3-6 years	40	35.7	35.7	35.7
7-10 years	8	7.1	7.1	42.9
Above 10 years	64	57.1	57.1	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

As to years of service in the University, 64(57.14%) of the respondents served the university above 10 years, 40(35.71%) of the total respondents have service year of 3-6 years and the remaining 8(7.14%) have service years of 7-10 years. This implies that the majority of them (57.14%) of the respondents have served above 10 years.

Table 4.5 demographic characteristics of the respondents by Status in the University

	Frequency	Percent	Valid Percent	Cumulative Percent
Managerial	32	28.6	28.6	28.6
Valid Professional	80	71.4	71.4	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

The data showed 80 out of the total respondents were Professional representing 71.43 % and 32 respondents were Managerial and no result has been found for the rest of the positions.

Table 4.6 demographic characteristics of the respondents by out sourcing level of awareness

	Frequency	Percent	Valid Percent	Cumulative Percent
Medium	32	28.6	28.6	28.6
Valid High	48	42.9	42.9	71.4
Very high	32	28.6	28.6	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

As it can be seen from Table above, the majority of respondents 48(32.86 %) have high knowledge about the concept of outsourcing and 32(28.57%) and 32(28.57%) of them know the concept of outsourcing in a very high state and no result has been found for the rest of measures. From this we can conclude that the respondents have knowledge about the concept of outsourcing. This helps the researcher to get reasonable responses from them since they have knowledge about the study subject.

4.4. Benefit of Outsourcing

The study sought to first ascertain the main forces driving the company to incorporate outsourcing in its corporate strategy. The respondents were asked to, on a scale of 1 to 5; rank the reasons why their company outsources and the responses were analyzed using descriptive statistics.

Literature on the subject has identified potential benefits, and the University has plenty of reasons for outsourcing its services. Here in the study the respondents were asked and presented to what extent outsourcing benefited the University as compared to in-house sourcing.

1.Desire to reduce overheads and operational costs. e.g. salary and wages

Table 4.7. Desire to reduce overheads and operational costs. e.g. salary and wages

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	32	28.6	28.6	28.6
Agree	32	28.6	28.6	57.1
Neither Agree nor Disagree	16	14.3	14.3	71.4
Do not agree	16	14.3	14.3	85.7
Strongly do not agree	16	14.3	14.3	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

As it has been observed in the table above, 64(57.14%)of the respondents were agreed and strongly agreed on that outsourcing of non-core business functions of the University is with a desire to reduce overheads and operational costs. e.g. salary and wages. 32 of the respondents respond that the university is not out sourced its non-core functions with the intention to reduce cost as they response either do not agree or strongly do not agree. On the other hand, the remaining14.29 % of the respondent was undecided to the raised question. This can tell that outsourcing has reduced the overhead and operational costs in average terms. As Brown and Wilson (2005), outsourcing is not all about reducing cost. However, a company may emphasize cost saving of a variety of reason, such as being a poor financial position, plan to increase profit.

2. To focus on more strategic areas rather than non-core activities

Table 4.8. To focus on more strategic areas rather than non-core activities

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	80	71.4	71.4	71.4
Agree	16	14.3	14.3	85.7
Neither Agree nor Disagree	16	14.3	14.3	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

As depicted in the above table, 14.29 % of the respondents haven't seen any benefit, and equivalently, 14.29 % of the respondent had no idea about such benefits in the University. 71.43 % of them assert that outsourcing helped the University to focus on more strategic areas rather

than non-core activities. This point is strengthened by Choic (2008), outsourcing of some non-core functions provides organizations to focus their resources on activities critical to their mission and Leads the organization concentrates on carrying out its priorities by using financial, human and management resources more effectively and efficiently. According to Bragg (1998) a company manager typically spent the bulk of each day handling the detailed operation their functional areas. By outsourcing this function a company can give the tactical part of each manager’s job to supplier which allows the management team to spend more time on strategic issues as market positioning and product development.

3. Outsourcing helps for AAU to access new skills not available internally

Table 4.9. Outsourcing helps for AAU to access new skills not available internally

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	48	42.9	42.9	42.9
Valid Agree	48	42.9	42.9	85.7
Valid Do not agree	16	14.3	14.3	100.0
Valid Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

About 85.7% of the respondents confirmed that outsourcing helps for AAU to access new skills not available internally.

Specifically, 42.9% agreed and 42.9% even strongly agreed on this aspect. While, 14.3% Do not agree .The response of the majority was similar with Aran and Patel (2005) suggestion, functions non-core for the outsourcer is core for the vendors. Since it is a core activity for the vendor, it would strive to bring about improvements in the outsourced process and deliver superior quality standard than the company itself.

4.Improved Service/product Qualities

Table 4.10. Improved Service/product Qualities

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	56	50.0	50.0	50.0
Valid Agree	24	21.4	21.4	71.4
Valid Do not agree	32	28.6	28.6	100.0
Valid Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

Improved service quality was cited by the majority of respondents as one of the advantages of outsourcing. From the above table, 71.4% of the respondent said there was service quality improvement after AAU outsourced the services. On the contrary 28.6% said the service provided did not improve the quality. Quality improvement was the primary reason while outsourcing and the data supports that AAU satisfied with the quality of service delivered.

5. Outsourcing saves management time and money

Table 4.11 Outsourcing saves management time and money through reduced the need to control day to day operations of the non-core function of activities of the University

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	88	78.6	78.6	78.6
Agree	8	7.1	7.1	85.7
Valid Neither Agree nor Disagree	16	14.3	14.3	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

As shown in the table above, most 85.7% (78.6% strongly agree and &7.1% agree) of the respondents says that outsourcing helps AAU saves management time and money through reduced the need to control day to day operations of the non-core function of activities of the University, on the other side 14.3% of them are undecided whether out sourcing saves management time and money through reduced the need to control day to day operations of the non-core function of activities of the University or not. This also align with Bragg (1998) comment, if the company is rapidly acquiring market share, the management team will be stretched to its limit building the company up and to handle the volume of the business. In such situation the management team will desperately need additional help in running the company by focusing on a small number of core activities. Bragg mentioned that one of the benefit of outsourcing is a company has no longer to deal with the hiring, firing, personnel related paper work because of the supplier take care of all these administration details which need more time.

6. Outsourcing Improves Flexibility

Table 4.12 Improves Flexibility

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	56	50.0	50.0	50.0
Agree	32	28.6	28.6	78.6
Valid Neither Agree nor	8	7.1	7.1	85.7
Disagree	16	14.3	14.3	100.0
Strongly do not agree	16	14.3	14.3	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

The majority of employees were in agreement that out sourcing improves flexibility and shall be promoted within the University.

As we can see from the above table, 78.6% of the respondents confirmed that flexibility of outsourced service was improved, on the opposite side 14.3% of the respondents respond as the service provider did not improved the flexibility of the service and the few (7.1%) of them were on the disagreement level on this issue. Which means the majority conclude that, the service provider realized the benefit of outsourcing supposed by the literature. According to Choi (2008), flexibility maintaining the level of equipment and staff necessary to cover peak loads can leave organizations with under-utilized resources during off-peak periods. On the contrary, organizations may only be able to maintain resources at a level just sufficient to meet normal demand, which is lead to poorer customer service at peak periods. In such situation outsourcing of functions that are subject to peaks and troughs in usage can provide organization with the flexibility to respond rapidly to changing demands.

7. Outsourcing Assist the fast expansion of the University

Table 4.13 Assist the fast expansion of the University

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	48	42.9	42.9	42.9
Agree	32	28.6	28.6	71.4
Valid Neither Agree nor	32	28.6	28.6	100.0
Disagree	32	28.6	28.6	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

About 71.4% with (42.9% strongly agree and 28.6% agree) of the respondent believes that out sourcing non-core activities enables the University for its fast expansion and focus on its core

activities and the remaining 28.6% of the respondent were neutral whether it has assisting the expansion.

8. Access Skills and resources which are not available in house

Table 4.14 Access Skills and resources which are not available in house

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	48	42.9	42.9	42.9
Agree	48	42.9	42.9	85.7
Do not agree	16	14.3	14.3	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

As shown in the table above, about 85.7 % ((42.9% strongly agree and 42.9% agree) of the respondents confirmed that out sourcing non-core activities enabled the University to Access Skills and resources which are not available in house, 14.3% of the respondents disagree and none of the respondents neither agree nor disagree and strongly disagree.

9. Improve responsiveness to the needs of the university

Table 4.15 Improve responsiveness to the needs of the university

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	48	42.9	42.9	42.9
Agree	32	28.6	28.6	71.4
Neither Agree nor Disagree	32	28.6	28.6	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

Table 4.16 indicated that 71.4% of the employees agreed with the fact that implementation of outsourcing would promote improved responsiveness to needs of clients in promoting a competitive edge. Specifically, 42.9% of the respondents strongly agreed and 28.6% even agreed. On the other hand 28.6% and none of the respondents neither agree nor disagree and strongly disagreed with this aspect respectively.

10. Access to more qualified and experienced personnel

Table 4.16 Access to more qualified and experienced personnel

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	56	50.0	50.0	50.0
Agree	40	35.7	35.7	85.7
Valid Neither Agree nor Disagree	16	14.3	14.3	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

The result showed that, access to more qualified and experienced personnel had 85.7% of the respondents strongly agreed and agreed that it will also be promoted within the University after outsourcing is implemented. The remaining 14.3% of the respondents had preferred reservation and none of them on the level of strongly disagreement. One can conclude that the University has the possibility to access to highly qualified personnel, who may not be available to the client organization and fully exploit the suppliers' investments, innovations, and specialist capabilities.

11. Permits the Advanced production technique provided by the outsourcing supplier and/client

Table 4.17 Permits the Advanced production technique provided by the outsourcing supplier and/client

	Frequency	Percent	Valid Percent	Cumulative Percent
strongly agree	32	28.6	28.6	28.6
Agree	64	57.1	57.1	85.7
Valid Neither Agree nor Disagree	16	14.3	14.3	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

Regarding the benefit of the Advanced production technique provided by the outsourcing supplier and/client, majority of respondents representing 85.7% believed that the benefit gained is the highest. Among the total respondents 57.1% and 28.6 of them believed outsourcing brings the above benefit very much and much respectively. While 14.3 % and none of the respondents neither agree nor disagree and strongly disagreed with this aspect respectively. Hence, one can

conclude that out sourcing permits the University advanced production technique provided by the outsourcing supplier and/client which in turn enables it to focus on its core business activities.

4.5. Challenges of outsourcing

Despite all the employees being almost in agreement that outsourcing non-core activities is of benefit to the University, the researcher had noted that the practice has not been implemented in the University across all Colleges/Institutes/Schools. The employees were asked to state some of the challenges that may have inhibited the implementation of outsourcing practice and at the same time to indicate the obstacle they expect to face if the strategy is to be implemented successfully. The responses are analyzed below in the following subsequent tables.

1. Increased in cost of Administering the outsourcing function

Table 4.18 Increased in cost of Administering the outsourcing function

	Frequency	Percent	Valid Percent	Cumulative Percent
Very strongly inhibits	32	28.6	28.6	28.6
Strongly inhibits	16	14.3	14.3	42.9
Average Inhibits	56	50.0	50.0	92.9
Small inhibits	8	7.1	7.1	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

As shown in the table above, almost half of the respondents (50%) believed that increased in cost of administering the outsourcing function challenges on average followed by respondents who confirmed that very strongly inhibits the process which accounts 28.6%. This indicates that administering outsourcing functions is not a major challenge compared to in house administering non-core activities of the University. In addition, 14.3% of the respondents respond this element has been strongly inhibits out sourcing process. Only 7.1% of the respondents felt that increased in cost of administering the outsourcing function inhibits in a smaller manner.

2. High rate of redundancies

Table 4.19 High rate of redundancies

	Frequency	Percent	Valid Percent	Cumulative Percent
Very strongly inhibits	16	14.3	14.3	14.3
Strongly inhibits	24	21.4	21.4	35.7
Average inhibits	48	42.9	42.9	78.6
Small inhibits	16	14.3	14.3	92.9
Does not inhibit at all	8	7.1	7.1	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

The table above describes, the majority (42.9%) of the respondents believed high rate of redundancies on out sourcing challenges it on average. In addition, 35.7(14.3% Very strongly inhibits and 21.4% strongly inhibits) confirmed that this factor inhibits out sourcing process. Only 7.1% of the respondents believed this element did not inhibit at all. From this we can infer that there are challenges and problems regarding those above issues and the University needs to have a proper contract management tool to avoid duplication of effort and resource.

3. Conflict of interest between outsourced employees and permanent University employees

Table 4.20 Conflict of interest between outsourced employees and permanent University employees

	Frequency	Percent	Valid Percent	Cumulative Percent
Very strongly inhibits	64	57.1	57.1	57.1
Strongly inhibits	16	14.3	14.3	71.4
Small inhibits	32	28.6	28.6	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

The data showed majority of the respondents representing 57.1 % responded that they believe the challenge is very strongly and even a significant respondents (14.3%) responded the problem related to conflict of interest among out sourced and permanent employees strongly inhibits out sourcing on public procurement. But 28.6% and none of the total respondents believe the level of challenge is low & too low respectively. From the above data we can tell that conflict of interest

among the employees that have been outsourced and permanent employees exists and it is high. Here again the conflict of interest is a serious issue that will bring about low belongingness for the University and the public at large.

4. Difficult to measure service/Product quality

Table 4.21 Difficult to measure service/Product quality

	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Very strongly inhibits	32	28.6	28.6	28.6
	Strongly inhibits	16	14.3	14.3	42.9
	Average inhibits	40	35.7	35.7	78.6
	Small inhibits	24	21.4	21.4	100.0
	Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

As depicted in the table above, majority (35.7%) of the respondents replied as difficulty of measuring service quality on average. Moreover, 28.6 % and 14.3% of them confirmed this factor challenges out sourcing very strongly and strongly the University respectively. The remaining 21.4% of them placed their position as it a small challenge. This response also agreed with Dickstein and Flast (2009), which says outsourcing intangible products like security service and cleaning service are not as such transparent, and it is difficult to measure the service like that of tangible products which leads to subjective judgment among stakeholders.

5. Dilution of control over Quality

Table 4.22 Dilution of control over Quality

	Frequency	Percent	Valid Percent	Cumulative Percent	
Valid	Very strongly inhibits	16	14.3	14.3	14.3
	Strongly inhibits	24	21.4	21.4	35.7
	Average inhibits	32	28.6	28.6	64.3
	Small inhibits	40	35.7	35.7	100.0
	Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

The majority respondent (35.7%) responds that AAU losses direct controlling the day to day activities and performance of the outsourced services on small scale, others 28.6% of them responded dilution of control over quality affects on average manner and the remaining 21.4% and 14.3% placed their position that it affects strongly and very strongly respectively. This response were agreed on average with what Domberger (1998) said, outsourcing involves the perceived loss of control. Many managers adhere to the view that ownership means control. In outsourcing if complementary assets are independently owned, cost will higher and efficiency lower than if they are held under single ownership. Thus, this indicates loss of control through fragmented ownership implies higher cost or inefficiency. In addition Alex Bank (2010) also stated that, due to lack of direct control on the human resource the vendor might hire under qualified or unqualified employees, depending on his discretion, which would successively, hampers the quality of service further.

6.Security Threat e.g. the third parties may pause a threat to the operation of the university

Table 4.23 Security Threat e.g. the third parties may pause a threat to the operation of the university

	Frequency	Percent	Valid Percent	Cumulative Percent
Very strongly inhibits	48	42.9	42.9	42.9
Average inhibits	24	21.4	21.4	64.3
Valid Small inhibits	16	14.3	14.3	78.6
Does not inhibit at all	24	21.4	21.4	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

About 64.3% of the respondents confirmed that when services are proposed for outsourcing arrangement, third parties may cause a threat to the operation of the university.

Specifically, 42.9% very strongly inhibits and 21.4% even average inhibits on this aspect. While, 14.3% and 21.4% strongly believed this factor affects out sourcing in small scale and did not inhibit at all. Therefore, it can be concluded that during activities are identified for outsourcing arrangement top management shall devise a mechanism to avoid third parties threat to the operation of the university by employees.

7. Poor structure to manage the outsourced function well

Table 4.24 Poor structure to manage the outsourced function well

	Frequency	Percent	Valid Percent	Cumulative Percent
Very strongly inhibits	48	42.9	42.9	42.9
Strongly inhibits	32	28.6	28.6	71.4
Average inhibits	8	7.1	7.1	78.6
Small inhibits	24	21.4	21.4	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

As we see from the above table 42.9 % of the total respondents replied that Poor structure to manage the outsourced function well strongly challenges out sourcing activities. Moreover, 28.6% of the respondents responded that the level of challenge is high. In addition 21.4 % of the total respondents believed the level of challenge is just small. Only 7.1% of the respondents believed the structure challenges the process on average. From this it can be generalize that the majority of employees were not confident that the University has well formulated structure on outsourcing practice. AAU has expected the quality service to be gained while outsourcing its services, but the result showed that governance structure within the University does not support outsourcing. Therefore, AAU shall stretch a structure that manages the process effectively and efficiently to gain the maximum benefit and concentrate to its core business activities.

8. Loss of autonomy in decision making

Table 4.25 Loss of autonomy in decision making

	Frequency	Percent	Valid Percent	Cumulative Percent
Very strongly inhibits	64	57.1	57.1	57.1
Strongly inhibits	16	14.3	14.3	71.4
Average inhibits	16	14.3	14.3	85.7
Small inhibits	16	14.3	14.3	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

Majority of the respondents (57.1%) confirmed that outsourcing non-core business functions very strongly challenged by autonomy of decision making by university as it is governed by board of directors and different government offices which had direct/indirect influence. Moreover, 14.3% of the respondents replied uniformly and no respondent had been found autonomy in decision making did not affect out sourcing practice. From this, it can be concluded that government support and approval is paramount if outsourcing is to be implemented in the University that can help it to increase its purpose of establishment.

9. Possibility of harm and/ damage to university resource

Table 4.26 Possibility of harm and/ damage to university resource

	Frequency	Percent	Valid Percent	Cumulative Percent
Very strongly inhibits	32	28.6	28.6	28.6
Average inhibits	40	35.7	35.7	64.3
Valid Small inhibits	32	28.6	28.6	92.9
Does not inhibit at all	8	7.1	7.1	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

The percentage result revealed that 35.7% average inhibited, 28.6% strongly inhibited and 28.6% small inhibited believed that out sourcing practice is challenged by the possibility of damage of its resources after out sourcing. Only 7.1% of the respondents believed that there will not be possibility of damage of its resources.

10. Possibility of harm and/ damage to university resource

Table 4.27 Unethical behavior of the employees

	Frequency	Percent	Valid Percent	Cumulative Percent
Very strongly inhibits	32	28.6	28.6	28.6
Strongly inhibits	16	14.3	14.3	42.9
Valid Small inhibits	32	28.6	28.6	71.4
Does not inhibit at all	32	28.6	28.6	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

As we see from the above table, 42.9% (28.6% Very strongly inhibits and 14.3% Strongly inhibits) of the respondents said unethical behavior of the outsourced employees was the challenge in AAU, 28.6% rejected the statement related to ethical problem and similarly 28.6% were on average.

11. High budget and cash flow requirement compared to in house sourcing

Table 4.28 High budget and cash flow requirement compared to in house sourcing

	Frequency	Percent	Valid Percent	Cumulative Percent
Very strongly inhibits	48	42.9	42.9	42.9
Strongly inhibits	32	28.6	28.6	71.4
Average inhibits	32	28.6	28.6	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

As per the information obtained from the respondents, 71.1% (42.9% very strongly inhibits and 28.6% strongly inhibits) of the respondents agreed that high budget and cash flow requirement compared to in house sourcing challenges outsourcing practice of the University which hindered it to focus on its core business. About 28.6 % confirmed that high budget and cash flow requirement compared to in house sourcing affects on average. On the other hand, no respondents were in a position of small inhibits and does not inhibit that high budget and cash flow requirement compared to in house sourcing challenges outsourcing.

12. Leaking of Information to competitors and loss of confidentiality

Table 4.29 Leaking of Information to competitors and loss of confidentiality

	Frequency	Percent	Valid Percent	Cumulative Percent
Very strongly inhibits	48	42.9	42.9	42.9
Strongly inhibits	40	35.7	35.7	78.6
Average inhibits	16	14.3	14.3	92.9
Does not inhibit at all	8	7.1	7.1	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

About 78.6% of the respondents confirmed that when items are proposed for outsourcing arrangement leaking of Information to competitors and loss of confidentiality.

Specifically, 42.9% very strongly inhibits and 35.7% even strongly inhibits believed on this aspect. Moreover, 14.3% respondents still agreed that leaking of Information to competitors and loss of confidentiality is a challenge on average. The remaining 7.1% were in a position that this element did not affect out sourcing. Therefore, it can be concluded that the University is violating one of the principle of public procurement clearly stipulated both in the proclamation and the Directive as “an employee or a person in a position of responsibility has to keep in secret any confidential information of the Public Body, candidates or suppliers which he came to know of on account of his duty” in the due process of procurement.

13. Prohibition by the legal frameworks on outsourcing

Table 4.30 Prohibition by the legal frameworks on outsourcing

	Frequency	Percent	Valid Percent	Cumulative Percent
Very strongly inhibits	32	28.6	28.6	28.6
Strongly inhibits	8	7.1	7.1	35.7
Average inhibits	32	28.6	28.6	64.3
Small inhibits	16	14.3	14.3	78.6
Does not inhibit at all	24	21.4	21.4	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

As shown in the table above, 7.1% and 28.6 % of the respondents responded that they believe the challenge because of prohibition by the legal framework is too high and far too high respectively. But 14.3% and 21.4% of the total respondents believe the level of challenge is low & none respectively. Majority of the respondents representing 64.3 % said the problem because of prohibition by the legal framework is just right. The University still relies on the government for its financial support and its policy approval and hence the need to seek the government approval if any policies like outsourcing is to be adopted treated separately as a research institute unlike other government institutions to achieve its objectives.

14. Poor and/ Infant Industries on the sector to perform contracts as per the agreement

Table 4.31 Poor and/ Infant Industries on the sector to perform contracts as per the agreement

	Frequency	Percent	Valid Percent	Cumulative Percent
Very strongly inhibits	48	42.9	42.9	42.9
Valid Strongly inhibits	16	14.3	14.3	57.1
Average inhibits	48	42.9	42.9	100.0
Total	112	100.0	100.0	

Source: survey questionnaire data, 2019

Regards to availability of industries on the sector which are to be outsourced, majority of the respondent about 57.1% believed Poor and/ Infant Industries on the sector to perform contracts as per the agreement is a drawback specifically, (42.9% very strongly inhibits&14.3% strongly inhibits), still42.9% of the respondent believes that Poor and/ Infant Industries on the sector to perform contracts as per the agreement challenges out sourcing on average.

Hence, one can conclude that lack of competent service provider in the market and even after selection the service provider is not performing as per the service level agreement. In this regard Brown and Wilson (2005) confirm that, choosing the right partner, establishing effective governance for relationship and managing employee transition with sensitivity are the three most outsourcing challenges for outsourcing.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter deals with summary of major findings, conclusion part of the study and recommendations stems or emanates from the research results and review of relevant literature.

5.1. Summary of Major Findings

According to Nicholas Beaumont and AmrikSohal (2004) outsourcing is a fashionable way of solving some business problems and there are numerous reports of its increasing use.

However, the use of outsourcing in Addis Ababa University is very low with the exception of the use of some non-core functions like Security service and cleaning service. Thus, this variation attracts me to undertake a research with the objective to assess the prospects and challenges of public procurement in out sourcing non-core activities in Addis Ababa University.

The following are the major findings with regards to the demographic and general perception questions of outsourcing non-core business functions of the University:

- From the total sample of the respondent 78.6% are male and 21.4% are female
- A majority number of 85.7% are below aged of 40
- A majority of respondents 71.4% are first degree holders
- A majority of the respondents 57.1% have been in service years of above 10 years
- A majority of the respondents 71.4% have working as a professional
- Respondents have reasonable level of awareness about the concept of outsourcing.
- 85.7% of the respondent confirmed that major drivers for outsourcing non-core business functions in the University are to focus on more strategic areas rather than non-core activities, to access new skills not available internally, to save management time and money through reduced the need to control day to day operations of the non-core function of activities of the University, to access Skills and resources which are not available in house, to access more qualified and experienced personnel and to get the advanced production technique provided by the outsourcing supplier.
- And also respondents relatively ranked the stated five main reasons to outsource non-core business functions benefiting the University. Accordingly, desire to reduce overheads and operational costs, to improve service quality, to improve flexibility, to assist the fast expansion of the University and to improve responsiveness to the needs of the university with the percentage of 57.1%, 71.4%, 78.6%, 71.4% and 71.4% respectively.

- Result on the challenges that derived from outsourcing the non-core activities of the University, revealed that outsourcing also has different challenges, but from all the challenges analyzed, conflict of interest between outsourced employees and permanent University employees, difficulty to measure service/Product quality, Poor structure to manage the outsourced function , loss of autonomy in decision making, Possibility of harm and/ damage to university resource, high budget and cash flow requirement, leaking of information to competitors and loss of confidentiality and poor and/ infant Industries on the sector were the major challenges faced by the University with a percentage of 71.7%, 64.3%, 71.4%, 71.4%,64.3%,71.4%,78.6% and 57.1% respectively.
- Increased in cost of administering the outsourcing function, high rate of redundancies, difficult to measure service/Product quality and unethical behavior of the employees are rated as moderate challenges of public procurement for outsourcing practice in the University. On the other hand respondents considered dilution of control over quality and Prohibition by the legal frameworks on outsourcing as less inhibiting factor for outsourcing non-core activities.

5.2. Conclusions

Outsourcing is a fashionable management technique. Unlike other short lived management fashions, such as quality control or participation, there are good theoretical reasons such as access to economies of scale, corporate strategy of an organization(focusing on core business functions) and expertise for its use (Nicholas Beaumont and AmrikSohal, 2004).

Despite the reasonable level of awareness of employees about the concept of outsourcing, the use of outsourcing in Addis Ababa University has been low and highly dominated by non-core business functions such as catering service, deriving, distribution of fuel and lubricant, maintenance works, cleaning services and security services.

However, Addis Ababa University engaged in the outsourcing arrangements in some extent to focus on its core business functions. Following its strategic directions, the University has already outsourced some of its non-core business activities. Outsourcing as strategic option assisted the University in a various way though it has faced with a number of challenges in implementing it. Conclusions are drawn as follows:

- Respondents have reasonable level of awareness about the concept of outsourcing.
- The reasons for outsourcing strategy is to focus on core functions, to access new skills, to save management time and money, to improve flexibility, to access skills and resources, to access qualified and experienced personnel and permitting advanced production technique and the data supported all these deriving forces of out sourcing benefited the University . The other main reason to outsource non-core business functions of the University was to improve service quality, to assist the fast expansion of the university and to improve responsiveness and these are also prospects as the data confirmed it. To reduce cost takes the next prospect to outsource non-core business functions of the University.
- Respondents relatively agreed improve service quality, improve flexibility, assist the fast expansion of the University and improve responsiveness to the needs of the university benefited the university to outsource none-core business functions.
- AAU has faced many challenges; conflict of interest between outsourced employees and permanent University employees, difficulty to measure service/Product quality, Poor structure to manage the outsourced function , loss of autonomy in decision making, Possibility of harm and/ damage to university resource, high budget and cash flow requirement, leaking of information to competitors and loss of confidentiality and poor and/ infant Industries on the sector were the major challenges faced by the University.

5.3. Recommendations

On the basis of the findings and conclusions reached, the following recommendations are forwarded in order to improve the outsourcing efforts of the University:

- Participating all concerned parties when the activities are proposed for outsourcing arrangement are critical. It helps to gain the support of internal stakeholders, facilitate the identification of activities that can be best performed by the service providers, setting of well formulated contract and service level agreement, identification of competent service providers also help for the creation of awareness regarding the objectives of outsourcing strategy. Therefore it is better to invite all the concerned parties when activities are proposed for outsourcing arrangement.

- As much as possible, the University's senior management and internal staffs should play a leading role for the success of the outsourcing efforts.
- The University should select competent service providers in order to obtain committed & responsible staffs and need to consider some financial savings from economies of scale achieved by the vendors in the long term besides quality of services and reduction of administrative burdens that enable to save financial resources to its core businesses.
- Outsourcing services should be checked at certain time intervals against fixed measurements or set standards. The standard must be transparent and well-known by both the client and the supplier. This has to be supported by well-established Service Level Agreement (SLA).
- To overcome the contractual problems that occur in the implementation and practices of outsourcing the University should have to be flexible to consider changing environment rather than insisting to enforce rigid agreements on the contract and setting well formulated contract that considers laws, norms and culture of the country.
- To harvest the fruit of the successful outsourcing strategy and to overcome the mentioned challenges the University should conduct due diligence on the service provider's related work experience, quality of services provided, ethical considerations, technical capabilities, the resource possessed, the recruitment and selection criteria, and the reward packages provided.
- As far as outsourcing has many advantages, the University has to focus on outsourcing other non-core activities of the University fully across all colleges/Institutes like catering service, deriving, distribution of fuel and lubricant, maintenance works, cleaning services, landscape and campus beautification and security services so as to benefit from outsourcing as demanded and concentrate on the University's core activities as a result increasing the organizational performance.
- As indicated in the data presentation, the University should work hard in order to reverse the adverse impact of outsourcing strategy that affects its performance in delivering quality education, conducting problem solving research and Technology transfer and providing community service in a competitive and efficient way.

5.4. Suggestions for Future Researches

Despite its popularity in most parts of the world, the experience of outsourcing in government institutions is minimal. Furthermore, no formal research has been done in this area to assess the impacts, challenges and prospects of outsourcing in the Institutions. To this end, this preliminary research provides vast findings, which can also serve as a stepping stone for other related research, regarding outsourcing in budgetary institutions. However, this research is very general which require further investigations both in breadth and depth. Thus, future researches should consider an in-depth study on the outsourcing of each business function.

The other important point is that, factors such as the researcher's lack of prior; experience in undertaking systemized research and our society's poor attitude in filling out questionnaire with due care and returning it on time that could have some impact on the study's result. Therefore, the researcher suggest that other scholars also to work in the area of outsourcing which is the demanding issue and interesting part of public procurement in well developed society.

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APPENDICES

**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF COMMERCE**

Master of Art in Logistics and Supply Chain Management

Questionnaires on Prospects and Challenges of Public Procurement in Outsourcing Non-core Activities-the case of AAU

The main purpose of this questionnaire is to gather data for Master's Thesis for partial fulfillment of Master of Art (MA) degree in Logistics and Supply Chain Management, which is entitled as "Prospects and Challenges of Public Procurement in Outsourcing Non-core Activities with the case of AAU".

Dear respondents, you are expected to provide accurate and relevant information with respect to the overall outsourcing practice of AAU. You are not required to write your name thus, the researcher is very much grateful for the sacrifice you pay to this end and the information gathered under this questionnaire is strictly confidential and used only for the research purpose. If you have any enquiry please don't hesitate to contact the researcher on phone number:

0913 84 73 32 and e-mail mequanintaau@gmail.com

Thank you in advance for your cooperation.

Part One: Respondent Profile

Instruction: Put "circle" on the appropriate letter to signify the importance level of each item.

1. Sex:

A. Male B. Female

2. Age:

A. 18-25 B. 26-40 C. 41-55 D. Above 55

3. Highest Academic Attainment

A. Certificate B. Diploma C. Degree D. Above degree

4. Year of service

A. 1-2 years B. 3-6 years C. 7-10 years D. Above 10 years

5. Status in the university

A. Managerial B. Professional C. Non-clerical D. Other

6. What is your level of awareness about the concept of outsourcing?

A. Very low B. Low C. Medium D. High E. Very high

Part Two: Questions Related with the Topic

1. Outsourcing strategy if successfully implemented has several advantages. To what extent outsourcing benefited the University as compared to in-house sourcing?

On a scale of 1 to 5 where 1 is strongly agree. 2. Agree. 3. Neither Agree nor Disagree. 4. Do not agree. 5. Strongly do not agree. Please tick those that are relevant to the University.

S.N	Benefits/prospects	1	2	3	4	5
1	Desire to reduce overheads and operational costs. e.g. salary and wages					
2	Outsourcing helped the university to focus on more strategic areas rather than non-core activities.					
3	Outsourcing helps for AAU to access new skills not available internally.					
4	Improved Service/product Qualities					
5	Outsourcing saves management time and money through reduced the need to control day to day operations of the non-core function of activities of the University.					
6	Improves Flexibility					
7	Assist the fast expansion of the University.					
8	Access Skills and resources which are not available in house					
9	Improve responsiveness to the needs of the university.					
10	Access to more qualified and experienced personnel.					
11	Permits the Advanced production technique provided by the outsourcing supplier and/client.					

2. Certain factors are an obstacle toward ensuring the successful implementation of outsourcing strategy in the University. These factors are referred to as the inhibiting factors. In the space provided below please indicate the inhibiting factors which are-bound to retard implementation of outsourcing strategy in AAU.

Please indicate to what extent each of the listed factors affect implementation of outsourcing strategy in AAU. Each factor is given a varied degree of measuring the rate of inhibition.

Where 1 is Very strongly inhibits. 2. Strongly inhibits. 3. Average inhibits. 4. Small inhibits 5.Does not inhibit at all.

S.N	Factors	1	2	3	4	5
1	Increased in cost of Administering the outsourcing function.					
2	High rate of redundancies.					
3	Conflict of interest between outsourced employees and permanent University employees.					
4	Difficult to measure service/Product quality.					
5	Dilution of control over Quality.					
6	Security Threat e.g. the third parties may pose a threat to the operation of the university.					
7	Poor structure to manage the outsourced function well.					
8	Loss of autonomy in decision making					
9	Possibility of harm and/ damage to university resource.					
10	Unethical behavior of the employees					
11	High budget and cash flow requirement compared to in house sourcing.					
12	Leaking of Information to competitors and loss of confidentiality.					
13	Prohibition by the legal frameworks on outsourcing.					
14	Poor and/ Infant Industries on the sector to perform contracts as per the agreement.					