



**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT MBA PROGRAM**

**The Effect of Outsourcing on Organizational Performance: The Case of
International Livestock Research Institute /ILRI-Addis Ababa**

**By
Thomas Getahun**

**May, 2019
Addis Ababa, Ethiopia**

**The effect of Outsourcing on Organizational Performance: the case
of International Livestock Research Institute /ILRI-Addis Ababa**

**By
Thomas Getahun**

Research Advisor: Workneh Kassa (PhD)

**(A Thesis Submitted to Department of Management for the Partial
Fulfillment of the Required for the Award of Masters of Arts Degree in
Business Administration)**

**May, 2019
Addis Ababa, Ethiopia**

DECLARATION

I hereby declare that this study entitled "The Effect of Outsourcing on performance in International Livestock Research Institute/ILRI-Addis Ababa" is my original work prepared under the guidance of my advisor Workneh Kassa (PhD). This paper is submitted in partial fulfillment of the requirement for the award of Master of Arts Degree in MBA and it has not been previously submitted to any diploma or degree in any college or university. I would like also to confirm that all the sources of materials used in this study are duly acknowledged.

By: Thomas Getahun

Signature _____

Date _____

LETTER OF CERTIFICATION

This is to certify that Thomas Getahun carried out his study on the topic entitled: **The effect of Outsourcing on Organizational Performance: the case of International Livestock Research Institute /ILRI-Addis Ababa.** This work is original in nature and suitable for submission for the award of the Masters Degree in Business Administration.

Dr Workneh Kassa

(The research advisor)

Signature

Date

ADDIS ABABA UNIVERSITY
DEPARTMENT OF MANAGEMENT

**The Effect of Outsourcing on Organizational Performance: The Case of
International Livestock Research Institute /ILRI-Addis Ababa**

By
Thomas Getahun

Approved By the Board of Examiners and Advisor:

_____	_____	_____
Advisor	Signature	Date
_____	_____	_____
Internal Examiner	Signature	Date
_____	_____	_____
External Examiner	Signature	Date

ACKNOWLEDGEMENTS

First and foremost, I would like to thank God. Of course, He is always on my side to strengthen me in any endeavourer which I may in.

I would also want to express my appreciation to Dr Workneh Kassa, for being my advisor and for all his constant professional support. Without his very constructive study guidance, encouragement critiques and recommendations, this paper would not have been accomplished this way. A special thanks to all my family members for their unreserved cooperation and patience to make this study true.

Finally, I thank all known and unknown generous peoples who have been helping me.

Table of Contents

Contents	Page
ACKNOWLEDGEMENTS	i
LIST OF TABLE	v
LIST OF ACRONYMS/ABBREVIATIONS	vi
ABSTRACT	vii
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the Study	1
1.2 Background of the Organization	3
1.3 Statement of the Problem	4
1.4 Research Questions	5
1.5 Objectives of the Study	5
1.5.1 General Objective	5
1.5.2 Specific Objectives	5
1.6 Research Hypotheses	6
1.7 Significance of the Study	6
1.8 Delimitation/Scope of the Study	7
1.9 Operational Definitions	7
1.10 Organization of the Study	7
CHAPTER TWO	8
LITERATURE REVIEW	8
2.1 Introduction	8
2.2 Theoretical Review of the Study	8
2.2.1 Concept and Definitions of Outsourcing	8
2.2.2 Strategic Outsourcing Driven	11
2.2.2.1 Cost driven Outsourcing	11
2.2.2.2 Innovation Driven Outsourcing	12
2.2.2.3 Focus on Core Competencies-Driven Outsourcing	12
2.2.2.4 Quality Driven Outsourcing	12
2.2.3 Organizational Performance	13

2.3 Review of Empirical Studies.....	15
2.3.1 Studies Conducted into Outsourcing and Organizational Performance	15
2.3.2 Relationship between Variables.....	17
2.3.2.1 Relationship between Cost-Driven Outsourcing and Organizational Performance ...	17
2.3.2.2 Relationship between Innovation-driven Outsourcing and Organization Performance.....	18
2.3.2.3 Relationship between Focus on Core Competencies Driven Outsourcing and Organization Performance.....	19
2.3.2.4 Relationship between Quality Driven Outsourcing and Organization Performance	20
2.4 Conceptual Framework of the Study	21
CHAPTER THREE	23
METHODOLOGY OF THE STUDY	23
3.1 Introduction.....	23
3.2 Research Approach.....	23
3.3 Research Design.....	23
3.4 Sampling Design	23
3.4.1 Target Population	23
3.4.2 Sampling Technique.....	24
3.4.3 Sample Size	24
3.5 Source of Data Collection.....	25
3.6 Data Collection Instrument.....	25
3.7 Reliability and Validity of the Instrument	26
3.7.1 Instrument Validity	26
3.7.2 Instrument Reliability	26
3.8 Data Processing and Analysis.....	27
3.9 Ethical Considerations	28
CHAPTER FOUR.....	29
RESULT AND DISCUSSION	29
4.1 Introduction.....	29
4.2 Demographic Characteristics of the Respondents	29
4.3 Reliability.....	31

4.4 Descriptive Statistics.....	31
4.4.1 ILRI Employees Perception on Cost Driven Outsourcing.....	32
4.4.2 ILRI Employees Perception on Innovation Driven Outsourcing.....	32
4.4.3 ILRI Employees Perception on Focus on Core Competencies Driven Outsourcing	33
4.4.4 ILRI Employees Perception on Quality Driven Outsourcing.....	34
4.4.5 Comparison of ILRI Employees Perception on Outsourcing Constructs	35
4.4.6 The Level of Organizational Performance Of ILRI Employees	36
4.5 Correlation Analysis	37
4.6 Regression Technique.....	38
4.6.1 Assmptions of Regressions Analysis	38
4.6.2 Regression Analysis.....	40
4.7 Hypothesis Testing.....	42
4.8 Discussions	42
CHAPTER FIVE	46
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	46
5.1 Introduction.....	46
5.2 Summary of Findings.....	46
5.3 Conclusions.....	48
5.4 Recommendations.....	49
5.5 Limitations and Directions for Future Researches.....	50
REFERENCES	51
APPENDIX: ONE	55
APPENDIX TWO.....	59
APPENDIX THREE.....	60

List of Table

	Page
Table: 2.1 Summary of Previo	15
Table 3.1: Proportion of sample size	24
Table 3.2: Measurement of variables.....	25
Table 3.3: The Response Value	26
Table 4.1: Demographic Distribution of Respondents	30
Table 4.2: Reliability Statistics of the Variables	31
Table 4.3: Descriptive statistics for perception of ILRI employees about cost driven outsourcing..	32
Table 4.4: Descriptive statistics for perception ILRI employees about innovation driven outsourcing.....	33
Table 4.5: Descriptive statistics for perception ILRI employees about focus on core competencies driven outsourcing.....	34
Table 4.6: Descriptive statistics for ILRI employees about quality driven outsourcing	35
Table 4.7: Grand mean scores for the outsourcing constructs	36
Table 4.8: Descriptive statistics for attitude ILRI employees about organizational performance.....	36
Table 4.9: The relationship between independent variables and organizational performance	37
Table 4.10: Regression model summary and ANOVA table.....	40
Table 4.11: Results of multiple regressions between independent variables and organizational performance	41
Table 4.12: Summary of research hypothesis testing	42

List of Figure

Figure 2.1 Conceptual framework; Source: Modified from Ndinda	22
---	----

LIST OF ACRONYMS/ABBREVIATIONS

CGIAR Consultative Group for International Agricultural Research

ILRI International Livestock Research Institute

ABSTRACT

In recent years, global economic challenge with resource limitations is increasingly growing pressure on competitive advantage of firm. Organizations need to find strong ways to deal with this changing environment. The success of organization depends greatly on many factors such as productivity, cost efficiency and successful strategic human resource management. With dynamic environment, outsourcing turns to be an important tool of strategic management of firm. Therefore, this study is aimed to explain the impact of outsourcing dimensions (cost driven outsourcing, innovation driven outsourcing, focus on core competencies driven outsourcing and quality driven outsourcing) on organizational performance, by focusing on International Livestock Research Institute/ILRI-Addis Ababa. A conceptual framework was used as a guideline to test the relationships between outsourcing dimensions and organizational performance. A quantitative approach is chosen in this research. In order to collect primary data, a questionnaire is designed and was given to the staff of ILRI. The target populations of the study were all ILRI permanent employees in Addis Ababa. Out of 200 distributed only 186 complete questionnaires were used for analysis. The SPSS version 20.00 for windows is used to process the data which is collected through questionnaire. Regression analysis was used to test the significance contribution of each independent variable to the dependent variable of organizational performance. The findings show that cost driven outsourcing, focus on core competencies driven outsourcing and quality driven outsourcing dimensions have significant and positive impact on organizational performance. However, the innovation driven outsourcing is positively but not significantly effect to organizational performance in ILRI-Addis Ababa. Therefore, ILRI should outsource with a clear picture in mind as to why it wants to outsource. When ILRI outsources it should have measurable indicators in form of Key Performance Indicators for the service provider.

KEY WORDS: *Cost driven outsourcing, Innovation driven outsourcing, Focus on core competencies driven outsourcing, Quality driven outsourcing and Organizational performance*

CHAPTER ONE

INTRODUCTION

Under this chapter the researcher would like to show the background of the study, statement of the problem, research questions, objectives of the study, significance of the study, and scope/delimitation of the study. These are the basic elements of the research which outlines the direction to the whole subsequent chapters.

1.1 Background of the Study

In recent years, global economic challenge with resource limitations is increasingly growing pressure on competitive advantage of firm (Leavy, 2004). Organizations need to find strong ways to deal with this changing environment. The success of organization depends greatly on many factors such as productivity, cost efficiency and successful strategic human resource management. With dynamic environment, outsourcing turns to be an important tool as strategic management of firm (Leavy, 2004). Because of competition in the global market, many firms have been increasingly outsourcing in order to improve their competitiveness (Tijun et al., 2009). Outsourcing is most commonly defined as the transfer of activities and processes previously conducted internally to an external party. Beside to this Parker and Russell (2004) define outsourcing broadly as an arrangement of cooperative inter-firm relationships based on mutual trust between partner organizations, for improving performance of the inter-firm transactions.

According to Rundquist (2007), during the industrial revolution, outsourcing was not formally identified as a business strategy for improving organizational performance until 1989. Development of special services led to increased outsourcing as a strategy for improving organizational performance during the second industrial revolution in the late 19th century, as organizations began to focus more on cost-saving measures (Rundquist, 2007). More recently, outsourcing as a business strategy has moved to intangible activities or knowledge intensive activities such as information technology, product development or research and development (Quinn, 2000) and it is an integral part of an organizational strategy of improving organizational performance (Behara et al., 1995).

Outsourcing is one of the most effective activities in contemporary organizations, because many companies try to use all innovations of science, techniques and technologies to issue qualified and competitive product which will satisfy consumer. This situation is very usable for both parts, because each of them can concentrate its resources on development of core competencies and prospective directions of activity. This leads to essential reduction of expenses on production of the end product because each part works on that it can do best without applying additional effort and without investing for learning new activity types (Anikin and Rudaya, 2009).

The fundamental basis for outsourcing is the focus on core activities of a company. Core competence or core activities of the company are the basis of its competitive advantage in the marketplace (Prahalad and Hamel, 2003). All organizations have their own core activities that form the basis of their business models. The rationale for outsourcing those activities that are outside of the core competencies has been to limit the activities management has to manage. The attention and focus of managers is a scarce resource that is seen as best utilized for the company's core activities. After identification of core activities, the organization can develop to support their management and utilization (Lauri, 2009). Therefore, outsourcing is a management strategy through which a company assigns some non-core functions to more specialized, more effective and more efficient service providers such that the organization can be left to perform and concentrate with the core business activities (Lauri, 2009).

International Livestock Research Institute, ILRI has core competency in seven areas such as system analysis and impact assessment, livestock feeds and nutrition, livestock health, livestock genetics and genomics, people, livestock and environment, livestock policy analysis, and strengthening partnerships for livestock research. ILRI's main business activity, therefore, is research and capacity development. The organization has a range of support departments responsible for providing operational support to the scientists carrying out the core business of research. ILRI is among the progressive organizations that have shifted from conducting core and support services to majorly concentrating on the core activity which is research. They have outsourced support services that are, but not limited to security, buildings and infrastructure maintenance, computer maintenance, catering, cleaning among other (ILRI Report, 2010).

ILRI's outsourcing goal is to achieve major reduction in operational costs especially considering it is a nonprofit organization relying on donor funds. The firm also aims at achieving great customer satisfaction by delivering efficient services and most importantly high-quality services to both their internal and external customers. They also aim at achieving reduced supervision time as this will enable the staff to concentrate more on the core business which is research. In the future, ILRI intends to outsource more services if it achieves its targeted outcome from the already outsourced services (ILRI Report, 2010). Thus; researcher intends from to find out the practices of outsourcing on organizational performance in ILRI.

1.2 Background of the Organization

International Livestock Research Institute (ILRI) is a not for profit institution with a staff of more than 600 and, in 2014, an operating budget of about USD83 million. A member of the CGIAR Consortium working for a food secure future, ILRI has its headquarters in Nairobi, Kenya, a principal campus in Addis Ababa, Ethiopia, and offices in other countries in East, West and Southern Africa and in South, Southeast and East Asia.

ILRI leads the CGIAR research program on livestock and fish, leads a component of a CGIAR research program on agriculture for nutrition and health on the prevention and control of agriculture associated diseases, and contributes to six other CGIAR research programs. Staff members work in integrated sciences and biosciences programs that develop and deliver science based practices, provide scientific evidence for decision making and develop capacities of livestock sector stakeholders.

ILRI works with partners worldwide to enhance the roles that livestock play in food security and poverty alleviation, principally in Africa and Asia. The outcomes of these research partnerships help people in developing countries keep their farm animals alive and productive, increase and sustain their livestock and farm productivity, find profitable markets for their animal products, and reduce the risk of livestock related diseases.

ILRI is governed by an independent board of trustees. The institute is led by a director general and a deputy director general for research. ILRI research is organized through research programs. In addition, the institute has four supporting clusters: directorate, partnerships, corporate and people and organizational development.

Vision

ILRI envisions a world where all people have access to enough food and livelihood options to fulfill their potential.

Mission

ILRI's mission is to improve food and nutritional security and to reduce poverty in developing countries through research for efficient, safe and sustainable use of livestock—ensuring better lives through livestock.

1.3 Statement of the Problem

Organizations' decision on business process outsourcing is usually analyzed as a make or buy dilemma (Shekar, 2008).. The make option is favored, in the case of services that hinder the comparability of output and prices and reduces market transparency (Shekar, 2008). On the other hand, there are other arguments that favor the buy option. Among them are cost cut, increased capacity, improve quality, increase profitability and productivity, improve financial performance, lower innovation costs, risks, and improved organizational competitiveness, are very commonly considered as the main reasons to justify outsourcing strategies(Nordin, 2008).

Outsourcing concept has not received a remarkable attention and support which can be considered to be favorable for improving organization growth and performance. Besides the effects of outsourcing on organization performance is not well documented. This is supported by the fact that previous outsourcing studies give contradicting outcomes. While some for example (Wanjiru, 2015; Ndinda (2016); Yeboah (2013) give positive relationships between outsourcing and performance results, other reports give no significant or sometimes negative results. This would then mean it depends on the motive of the firm to outsource. Moreover, from the studies there are not as many studies carried out to stipulate the contributions of practices outsourcing on organizational performance despite many studies undertaken on organizational performance in the profit business sector. Therefore, very little evidence does exist on the effect of strategic outsourcing in the non-profit-organizations. Most of the studies in the literature review do not explicitly address the effect of strategic outsourcing on the organizational performance of non-profit-organizations. Related to this, to the best knowledge of the researcher, there has not been

any study and empirical evidence in regarding the relationship between outsourcing and organizational performance in ILRI at Addis Ababa. This study aims to fill this gap by answering the question what is the effect of strategic outsourcing on organizational performance of ILRI at Addis Ababa?

1.4 Research Questions

Based on the problem mentioned the study attempts to get answer for the following questions:

- To what extent do outsourcing (cost driven outsourcing, innovation driven outsourcing, focus on core competencies driven outsourcing and quality driven outsourcing) affect on organizational performance of ILRI?
- To what extent do cost driven outsourcings affect on organizational performance of ILRI?
- To what extent do innovation driven outsourcings affect on organizational performance of ILRI?
- To what extent focus on core competencies driven outsourcing affect on organizational performance of ILRI?
- To what extent quality driven outsourcing affect on organizational performance of ILRI?

1.5 Objectives of the Study

In line with the aforementioned problems and research questions, the general and specific objectives of the study are presented as follows:

1.5.1 General Objective

The general objective of this study is to examine the effect of outsourcing decision on organizational performance in ILRI.

1.5.2 Specific Objectives

The study has the following specific objectives:

- To investigate the level of outsourcing (cost driven outsourcing, innovation driven outsourcing, focus on core competencies driven outsourcing and quality driven outsourcing) as perceived by ILRI staffs.

- To examine the effect of cost driven outsourcings on organization performance of ILRI.
- To examine the effect of innovation driven outsourcings on organization performance of ILRI.
- To examine the effect of focus on core competencies driven outsourcing on organization performance of ILRI.
- To examine the effect of quality driven outsourcing on organization performance of ILRI.

1.6 Research Hypotheses

With the help of appropriate empirical data on the effect of strategic outsourcing on organizational performance, this study tested the following hypothesis:

H₁: Cost driven outsourcing has significant and positive effect on organizational performance in ILRI.

H₂: Innovation driven outsourcing has significant and positive effect on organizational performance in ILRI.

H₃: Focus on core competencies driven outsourcing has significant and positive effect on organizational performance in ILRI.

H₄: Quality driven outsourcing has significant and positive effect on organizational performance in ILRI.

1.7 Significance of the Study

The main significance of this study is to take stock of the outsourcing experience so far at ILRI and to enhance the opportunities presented by this process and at the same time develop strategies to address the limitations brought about by the outsourcing process. The findings of this study will also inform the ILRI management on whether or not it would be in the organizations best interest to outsource more services in the future. It will enable the management of the company to understand how the outsourcing strategy has affected the performance of the company, and further shed more light on how they can optimize on it to gain and retain organizational advantage. Beside to this, it makes an important theoretical contribution to the extant literature dealing with the impact of strategic outsourcing on organizational performance. The study will help in reducing the researches gap about these issues in country.

1.8 Delimitation/Scope of the Study

Primarily the study is concerned with the impact of strategic outsourcing on organizational performance in ILRI. Strategic outsourcing (cost driven outsourcing, innovation driven outsourcing, focus on core competencies driven outsourcing and quality driven outsourcing) used as an independent variables and organizational performance used as a dependent variable. The study focused on ILRI in Addis Ababa. However, there would not be comparison made with other non-profit-organizations. Therefore, the result of this research cannot be generalized to other nonprofit organizations. Beside, the research was limited geographically.

1.9 Operational Definitions

- **Outsourcing-** refers to the use of an external provider of goods or services instead of having recourse to internal resources to provide the same goods or services. As such, outsourcing is a decision concerning the boundary of a firm and this has been a concern since the very existence of firms (Lonsdale and Cox, 2000).
- **Strategic outsourcing-** refers to outsourcing that it is aligned with the company's long-term strategy. The benefits that organizations expect from strategic outsourcing include achieving a gain in competitive advantage, freeing up resources for core activities, market repositioning and market share (Holcomb and Hitt, 2007).
- **Performance**—refers to the process of carrying out or accomplishing a given task over a given period of time (Maund, 2001).

1.10 Organization of the Study

This research consists of five chapters and other sections, namely, the list of reference and appendixes. The first chapter which has already been discussed provides the introduction of the research topic. The research is carried out with the assessment of the theoretical function and relevant literature in chapter two and the suitable methodology utilized to answer the research question will be discussed in chapter three. Data analysis and interpretation, discussion of results of the research found by using the appropriate instrument for the methodology selected will be dealt in chapter four. The final chapter five will cover conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The primary purpose of this chapter is to get the theoretical and empirical understanding of the concept of outsourcing and organizational performance. First, it will discuss the definitions given by different scholars on the term outsourcing and organizational performance. Second, the review identified and discussed the different strategic outsourcing driven. Third, the literature review examined empirical studies on outsourcing toward organizational performance. Fourth, the review of the literature has tried to discuss the relationship between variables. Finally, the research model will be introduced in order to give a clear idea about the research area.

2.2 Theoretical Review of the Study

2.2.1 Concept and Definitions of Outsourcing

This section reviews the theoretical framework on which the concept of outsourcing for organization performance is anchored on. Outsourcing is a practice among both private and public organizations and is a major element business strategy. Most organizations now outsource some of the functions they used to perform themselves.

Lysons and Gillingham (2003), define outsourcing as the strategic use of resources to perform activities traditionally handled by internal staff and their resources. They view it as a management strategy by which an organization contracts major non-core functions to specialized efficient server providers. Outsourcing is a process of contracting with an outside party to handle a portion of a client's business compared with traditional make or buy decisions (Espino and Padon, 2006). Outsourcing is a process of obtaining goods and services by contract from an outside supplier. It is a management strategy by which an organization delegate's major noncore functions to the specialized and efficient service provider, thereby saving time and money (Stroh and Treehuboff, 2003). It can also be termed as a contractual agreement between customers and one or more supplier to provide services or processes that the customer is providing in-house (Fan, 2009). It is an arrangement in which one company provides services to another company that could be or usually have been provided in-house (Nag, 2004).

Ford (2000) points out the reasons for outsourcing decisions as cost reduction, leveraging to make businesses focus on their core functions leaving operations details assumed by an outside expert. However, Kakabadse and Kakabadse (2000) states that quality is an important driver not just from a scale perspective but also regarding the customer's perception of your product or service resulting to customer loyalty hence improving the firm's performance. Outsourcing can provide access to the best in the world quality for particular activities or components that will increase your market share (Quinn, 1999).

There is need to identify and explain relevant relationship between facts Verma and Beard (1981). This means that there is need to build a theoretical structure that can explain facts and the relationship between them. Outsourcing is based on many theories including resource based view theory, resource dependency theory, and diffusion of innovation theory.

According to Wernerfelt (1984) a firm has the ability to achieve and sustain competitive advantage if it possesses resources that are valuable, rare, imperfectly imitable and non-substitutable. Not all resources are strategically relevant within an organization.

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

Resource dependence theory (RDT) is the study of how the external resources of organizations affect the behavior of the organization. The procurement of external resources is an important tenet of both the strategic and tactical management of any company. It was first argued by (Pfeffer and Salancik, 1978). Resource dependence theory has implications regarding the optimal divisional structure of organizations, recruitment of board members and employees, production

strategies, contract structure, external organizational links, and many other aspects of organizational strategy (Deckers, 2000).

The resource based theory of the organization holds that, in order to generate sustainable competitive advantage, a resource must provide economic value and must be presently scarce, difficult to imitate, non-substitutable and not readily obtainable in factor markets. This theory rests on two key points. First, that resources are the determinants of organization performance and second, that resources must be rare, valuable, difficult to imitate and non-substitutable by other rare resources. When the latter occurs, a competitive advantage has been created (Priem and Butler, 2001).

Organizations depend on multidimensional resources: labor, capital, raw material, etc. Organizations may not be able to come out with countervailing initiatives for all these multiple resources. Hence organization should move through the principle of criticality and principle of scarcity. Critical resources are those the organization must have to function. For example, a burger outlet can't function without bread. An organization may adopt various countervailing strategies it may associate with more suppliers, or integrate vertically or horizontally (Kloptick, 2001).

The diffusion theory, also known as the diffusion of innovations theory, is a theory concerning the spread of innovation, ideas, and technology through a culture or cultures (Rogers, 1962). Diffusion theory states that there are many qualities in different people that cause them to accept or not to accept an innovation. There are also many qualities of innovations that can cause people to readily accept them or to resist them. According to diffusion theory, there are five stages to the process of adopting an innovation. The first stage is knowledge, in which an individual becomes aware of an innovation but has no information about it. Next is persuasion, in which the individual becomes actively interested in seeking knowledge about the innovation. In the third stage, decision, the individual weighs the advantages and disadvantages of the innovation and decides whether or not to adopt it. After the decision comes implementation, in which the individual actually does adopt and use the innovation. Confirmation is the final stage. After making adopting the innovation, the individual makes a final decision about whether or not to continue using it based on his own personal experience with it. These same stages apply, to varying degrees, to groups of people in addition to individuals (Rogers, 2002).

2.2.2 Strategic Outsourcing Driven

According to Quinn (1999), strategic outsourcing is the process of engaging the services of a provider to manage essential tasks that would otherwise be managed by in-house personnel. This, when properly done, allows a business to plan the optimal utilization of its resources and capabilities to achieve the best advantage. It also improves the achievability of an organization's strategic goals. This kind of outsourcing strategy can be utilized by any organization regardless of its size and has the effect of not only reducing the cost of operation but also providing an opportunity for optimal allocation of resources to the very necessary functions (Welch and Nayak, 1992).

The basic idea behind strategic outsourcing is to create gains by allowing outside providers and specialists to take over the operation and management of a given function. Such gains may come in different forms such as improving the bottom line of a company by reducing various operating expenses and increasing the flexibility for innovation without having to invest too much in training and capital infrastructure (Mella and Pellicelli, 2012). Other benefits may come in form of convenience, where the strategy allows the business owners and managers to concentrate on their core business (Insinga and Werle, 2000). As a simple rule, so long as the benefits are considered sufficient by the client, then the process of strategic outsourcing can be considered a success.

In the context of this study, strategic outsourcing will be considered in terms of the driving force behind the strategy. This study will focus on cost-driven outsourcing, innovation-driven outsourcing and focus-driven outsourcing.

2.2.2.1 Cost driven Outsourcing

For organizations seeking to simply lower their cost of doing business, the efficiency that most traditionally acknowledged driving force for outsourcing is cost reduction (Blumberg, 1998). Some organizations may outsource only for cost reduction and efficiency especially those that are involved in offshore outsourcing to destinations of lower cost offered by the service provider and the level of risk borne by the provider are the most important factors in the equation (Aksoy and Ozturk, 2007).

2.2.2.2 Innovation Driven Outsourcing

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

2.2.2.3 Focus on Core Competencies-Driven Outsourcing

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

2.2.2.4 Quality Driven Outsourcing

Quality is the ability of product or service to consistently meet customer needs and expectations by giving value for money. The service provider should be in a position to carry out repair, service, and equipment maintenance with zero or minimum defects thereafter. All equipment's should be kept in tip-top conditions ready for use any time. Service provider should be rated on an agreed percentage level of performance acceptance of equipment's after repair. Other aspects to be included in quality are that; there should be reduced equipment returns due to failure after repair, as well as reduced downtime (Felix and Shale, 2016).

The service delivery should be reliable, on time, and defect free such that it meets customer satisfaction. Outsourcing provides an improved quality by utilizing a service provider who has more knowledge, experience and expertise in providing a particular service. It is also the responsibility of the service provider to implement changes in the service industry as necessary brought about by changes in technology. Similarly, when a firm does not have the required capacity to perform its non-core activities, outsourcing may be an option. For firms wishing to reduce costs and achieve service improvement, Service outsourcing is an attractive option for them (Felix and Shale, 2016).

2.2.3 Organizational Performance

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Richard (2009) organizational performance encompasses three specific areas of firm outcomes:

- Financial performance (profits, return on assets, return on investment, etc.)
- Product market performance (sales, market share, etc.)
- Shareholder return (total shareholder return, economic value added, etc.)

Organizational performance is the ultimate dependent variable of interest for researchers concerned with just about any area of management. This broad construct is essential in allowing researchers and managers to evaluate firms over time and compare them to rivals. In short, organizational performance is the most important criterion in evaluating organizations, their actions and environments. This importance is reflected in the pervasive use of organizational performance as a dependent variable (March and Sutton, 1997).

Performance is one of the most argued concepts about which there has never been an agreement among various researchers and theorists. These indexes with different definitions have been used in various disciplines like airline, education, management, and computer science (Jenatabadi, 2015). Cameron (1986) refers to an absence of sufficient understanding or clarification in the definition of the concept of performance. In the absence of any operational definition of performance upon which the majority of the relevant scholars agree, there would naturally be different interpretations and inferences opined by various people according to their own perceptions. This discord and lack of agreement is partly due to the lack of a significant attempt to theoretically or practically account for and define the concept. As a result, a commonly accepted definition of the concept faces various problems, which means that the possibility of any definitions and deriving some norms to arrive at the desired definition is still questionable.

Organizations perform various activities to accomplish their organizational objectives. It is these repeatable activities that utilize processes for the organization to be successful that must be quantified in order to ascertain the level of performance and for management to make informed decisions on where, if needed, within the processes to initiate actions to improve performance. Therefore, it can be claimed that there is a close relationship between the organizational

objective and the concept of organizational performance. Therefore, all companies probably attempt to achieve certain pre-determined objectives with the help of available resources. Hence, the two aspects of the concept, i.e., the organizational objective, and the organizational inputs or resources can be considered in the definition of organizational performance (Jenatabadi, 2015).

Some researchers, such as Thompson (1967), and Friedlander and Pickle (1968) consider performance as a theme that repeatedly occurs in paradigms of management. Strategic and operations management are also included in performance, a feature that attracts the interest of both practicing managers and academic scholars. Performance, therefore, can be defined as the evaluation of the constituents that try to assess the capability and ability of a company in achieving the constituents' aspiration levels using efficiency, effectiveness, or social referent criteria, which are briefly explained below.

Effectiveness, refers to the maximum extent production functions are able to fulfill and meet the demands and requirements of the customer. Efficiency, on the other hand, is assessing and evaluating how the resources of an organization are economically utilized through the accomplishment of functions to achieve its objectives. Quantitatively, performance and the dimension of scale are interrelated. As an example, the performance level can be expressed as a percentage or an absolute value in a way that makes it easy to understand for directors. According to Macleod et al. (1997), the quantitative expression of performance targets is the only way to render them meaningful. Furthermore, performance refers to the nature and quality of an action performed in a company to achieve the accomplishment in its primary functions and tasks to produce profit.

In the first decade of the twenty first century, the definition of organizational performance mostly focused on the capability and ability of an organization to efficiently utilize the available resources to achieve accomplishments consistent with the set objectives of the company, as well as considering their relevance to its users (Peterson et al., 2003). In this definition, the three general elements of organizational performance, i.e. efficiency, effectiveness and relevancy have been taken into consideration. Conversely, the performance of an organization is believed to be able to cover broader areas including the connection between performance and organizational goals (effectiveness); organizational resources (efficiency); and, satisfaction of the stakeholders (relevancy).

2.3 Review of Empirical Studies

2.3.1 Studies Conducted into Outsourcing and Organizational Performance

Several studies (Mwelu et al., 2014; Yeboah, 2013; Njihia, 2014; Femi and Babatunde, 2013) had been carried out on the outsourced services and organizational performance but little had been done in non-profit organizations. Therefore, a research gap exists that need to be filled by doing a thorough study on the outsourced services and organizational performance in non-profit organizations. Table 2.1below presents a comprehensive summary of studies into outsourcing with organizational performance.

Table: 2.1 Summary of Previous Works

Researchers and Year of Research	Variable of Research	Result of Research
Ndinda (2016)	Cost driven outsourcing, Innovation driven outsourcing, Focus driven outsourcing and organizational performance.	The study found that cost driven outsourcing led to improved organizational performance by reducing costs and risks while increasing operational efficiency. Further, the study found that innovation driven outsourcing improved organizational performance by enabling it to create, develop and deliver value to the market faster than its competitors. The success of innovation driven outsourcing however was found to be largely dependent on cost control and core competencies focus, hence must be evaluated carefully. Finally, the study found that focus driven outsourcing assists a company to free up its resources so as to concentrate on its core business, which leads to improved organizational performance.

Wanjiru (2015)	Outsourcing of security services, Outsourcing of computer maintenance services, Outsourcing of cleaning services and Performance.	The study found out that outsourcing of security services greatly affected performance; there was a strong relationship of outsourcing of security services and performance. Outsourcing of computer maintenance services greatly affected performance; there was a strong positive relationship between outsourcing of computer maintenance services and performance. Outsourcing of cleaning services greatly affected performance; there was a strong positive relationship between outsourcing of cleaning services and performance.
Ndungu and Noor (2016)	Cost, Quality, Technology adaption, Risks and Organization performance.	Both correlation and regression analysis were done and the results reviewed that: Cost, quality, technology adaption had organization performance had a significant strong positive relationship. There was an insignificant positive weak relationship between risks and organization performance.
Femi and Babatunde (2013)	Outsourced, Organizational growth, Organizational productivity, Production cost and Organizational performance.	The results show that the more an organization outsourced, the higher its organizational growth, and organizational productivity are positively correlated to the amelioration of competitive advantage of labor productivity and average production cost. The paper also revealed that outsourcing is beneficial to organizational performance, and enhances firm's financial economies and competitive advantage in the market place.
Soltani and Esmaeely (2013)	Outsourcing, Complexity, Cent realization, Hierarchy, Formality, Professionalism, Specialization, Standardization, Personnel ratio and consequently impact on Organizational effectiveness and Productivity.	The results show that outsourcing had positive effect on all eight dimensions and also improved productivity and effectiveness of structure.
Masinga and Kiarie (2014)	Outsourcing of information technology adoption, Cost reduction, Top management support and Organization performance	Information technology adoption, cost reduction and top management support and commitment were positively correlated to organization performance
Jyoti and Arora (2012)	Outsourcing, Cost leadership, Differentiation, Innovation strategies and Organizational performance.	Results revealed that outsourcing of non-core critical activities and non-core non-critical activities positively affect organizational performance. Cost leadership, differentiation and innovation strategies act as moderators between outsourcing and organizational performance. Further, the outsourcing organizations have better financial performance than the non-outsourcing organizations.

Yeboah (2013)	Outsourcing, Organizational productivity, Quality and Competitive advantage.	The study revealed that no statistically significant correlation between outsourcing and organizational productivity, there is statistically significant correlation between outsourcing and quality, there is statistically significant correlation between outsourcing and competitive advantage.
Akewushola (2012)	Outsource, Average cost, Sales turnover and profitability, Expertise, Service quality, Staff strength.	The findings reveal that firms that outsource experience reduce average cost, increased sales turnover and profitability, enhance expertise, improve service quality, reduce staff strength, streamline the production process, reduced administrative burden and save time for core activities.
Njihia (2014)	Outsourcing and Organization performance	The results indicated that correlation between outsourcing and organization performance shows that there was a strong positive correlation.
Mwelu et al. (2014)	Outsourcing and Profitability	Findings indicated that outsourcing has a positive significant association with the level of profitability.

Source: Various Source, 2019

2.3.2 Relationship between Variables

2.3.2.1 Relationship between Cost-Driven Outsourcing and Organizational Performance

Companies may choose to incorporate outsourcing in their corporate strategies with a bid to reduce cost. Strategic outsourcing results in improved organizational performance by reducing costs with in-house production, increasing operational efficiency, and therefore increasing profitability and growth. Well managed outsourcing results in both short term cost reduction and long term efficiency and sustainable performance. The study found that cost was the first most important driver for outsourcing in the company. Although more strategic reasons are now being fronted, the traditional cost reduction driver is still a basic one in many a manager's minds. This confirms the prior studies by Insinga and Werle (2000) that had placed cost reduction first on the rank of outsourcing drivers. The study also ascertained that the company had been outsourcing some significant activities for more than ten years, and had subsequently recorded a steady improvement in performance. Shekar (2008) points out that it is essential to recognize the multidimensional nature of the performance construct. According to Rothaermel et al. (2006), such measures could include traditional accounting measures such as sales growth, market share,

and profitability. Moreover other findings of the study further revealed that the cost of outsourcing was lower than the cost of in-house production. That outsourcing resulted in reduced costs and hence improved profitability was no doubt clear Nordin (2008).

The findings from the study show that strategic cost-driven outsourcing has a significant positive effect on the firm's performance, whether it is the short run as in reduced operational costs and increased profitability; or in the long run in terms of improved market share and customer satisfaction Cox (2014). According to Cox (2014) short-term cost-based performance is almost always certain in outsourcing, but better long-term relationships may result in substantially improved terms and conditions, hence better long-term performance. The findings above present a consistent affirmation that strategic cost driven outsourcing leads to improved organizational performance. This will lead to setting the first hypothesis of basic research hypothesis, which states that:

H₁: Cost-driven outsourcing has significant and positive effect on organizational performance in ILRI.

2.3.2.2 Relationship between Innovation-driven Outsourcing and Organization Performance

According to Gesing et al (2014) in order to survive and compete in the constantly changing business environment of the twenty first century, companies must partner with other firms that have the capacity to innovate quickly and continuously. This enables them to develop products in good time for the market, thus shortening the traditionally long new product development cycles. In the findings of study, it was revealed that the company is keen on new product development, but sometimes it may be difficult due to lack of funds and insufficient capacity. The study further found that the company had outsourced some innovation to other companies that could do it better and faster. The findings confirmed the work of white and Bruton (2011) that a company may have the desire to innovate but its own intrinsic limitations may make this almost impossible to implement, hence the need for outsourcing. The study also found out that the specialists are believed to possess the required capacity, flexibility and experience to perform innovation sometimes better and faster than the company itself. This finding agrees with Gesing, et al. (2014) that partnering with strategic professional firms may improve project performance

because such firms are generally organized for that purpose. This is as a result of the capabilities these specialist companies have developed over the years in their area of specialization as well as the learning curve associated with innovation.

The study further found the company's strategy to outsource innovation gave it the ability to create and deliver value faster to the market, hence keeping the company competitive in the market place. This finding is in agreement with Grimpe and Kaiser (2010) that the outsourcing creates intellectual value by making the firm's capabilities flexible enough to support innovation.

The study also found that outsourcing innovation leads to better performance of the firm. This finding agrees with the open innovation paradigm advanced by Love, et al (2013), and the assertion that it results in better innovative performance. The recent advances in information technology have enabled faster innovation due to rapid design and shorter production runs. It further agrees with White and Bruton (2011) that customers are more sophisticated, segmented and demanding, and expect more in terms of customization, newness, quality and price. Since customer now have more choice, it is extremely important to place innovation at the heart off any business that plans to succeed. These findings further confirm Cox's assertion that if innovation is outsourced to specialists who can do it better and faster, this can translate to improved organizational performance(Cox, 2014).These theoretical and empirical arguments addressing innovation-driven outsourcing and organizational performance lead to setting the second hypothesis of the basic research hypothesis, which states that:

H₂: Innovation-driven outsourcing has significant and positive effect on organizational performance in ILRI.

2.3.2.3 Relationship between Focus on Core Competencies Driven Outsourcing and Organization Performance

The findings from recent studies showed that companies are increasingly outsourcing for focus. This agrees with the assertion of Cox (2014) that it's increasingly becoming quite difficult for companies to remain competitive doing everything for themselves. The findings of this study indicate the need to let go of non-core functions so as to concentrate on building and sustaining a company's core competencies. This agrees with Contractor et al. (2010) that there is need for organizations to let go of non-core activities so as to focus on building their core competencies.

The findings confirm the research findings of Mella and Pellicelli (2012) that concentrating on core competencies by outsourcing some activities generates numerous benefits for an organization such as creating synergy, leverage and flexibility.

It was further revealed that outsourcing had generated some flexibility in the organization's structure and strategy that had in turn made the organization more competitive in the market place. This finding agrees with Cheng et al. (2014) that outsourcing some part of the supply chain makes firms flexible such that they can respond to the constantly changing business environments in which they operate. The findings of the study show outsourcing can be used as a strategic tool to free up a company's resources so as to focus on its core competencies. The study confirmed that focusing on core competencies is a major contributor to improved performance and it creates competitive advantage. The findings of this study agree with the prior studies that strategic focus driven outsourcing leads to improved organizational performance. Strategic outsourcing frees up company's resources so as to concentrate on its core business. This creates competitive advantage which in turn leads to improved sales, better profits, more satisfied customers and better market share. Therefore, focus driven outsourcing leads to improved organizational performance (Ndinda, 2016).

H₃: Focus on core competencies driven outsourcing has significant and positive effect on organizational performance in ILRI.

2.3.2.4 Relationship between Quality Driven Outsourcing and Organization Performance

The growth in outsourcing practice has been contributed by the firms need for diverse and high quality services in order to survive and excel in the rapidly changing external environment (Kok and Richardson, 2003). Nevertheless building strong outsourcing partnerships faces challenges as firms lack the know how to select their outsourcing vendors as well as poor management of outsourcing relationships (Parker and Russel, 2004). Quality can be described as fitness for use. Quality in outsourcing contract exists when the contract serves its intended function and meets the objective of both parties.

Outsourcing contract may be affected by organizational human and environmental factors. In order to build a satisfied relationship with service provider, firms need to equip themselves with the right knowledge and relationship management capabilities (Ren et al., 2010). Lee and Kim (1999) found that successful outsourcing contract quality is influenced by five factors which are: trust, business understanding, benefit and risk sharing, conflict and commitment, while Anderson and Narus (1990) found other factors such as communication, top management support and age of the relationship. Successful outsourcing contract enable firms to achieve organizational objective and build competitive advantage (Khong, 2005).

H₄: Quality driven outsourcing has significant and positive effect on organizational performance in ILRI.

2.4 Conceptual Framework of the Study

According to Thomas, (2010), a conceptual framework can be defined as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation. Its aim is to assist a researcher to develop awareness and understanding of the situation under scrutiny and communicate the same in a broad perspective. It highlights the study variables and illustrates the underlying relationships (Thomas, 2010). This displays the inputs as independent variables and the output as dependent variables. Any changes in the input brought about by the way outsourcing process is carried out will have an effect on the outputs. The independent variables of the study are: cost-driven outsourcing, innovation-driven outsourcing and focus-driven outsourcing whereas the dependent variable is organizational performance.

Independent variables

Dependent Variable

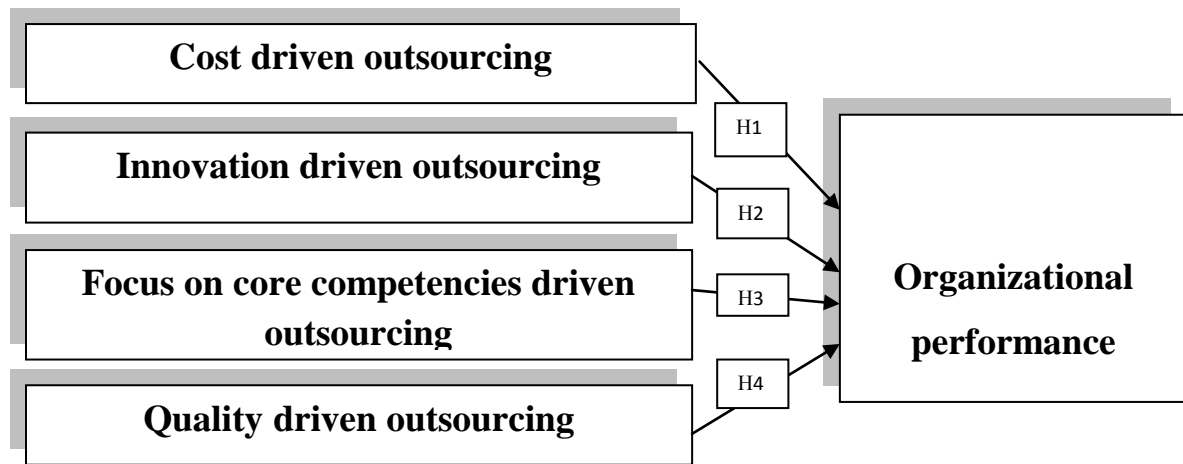


Figure 2.1 Conceptual framework; Source: Modified from Ndinda (2016)

CHAPTER THREE

METHODOLOGY OF THE STUDY

3.1 Introduction

This chapter presents the research approach that will be adopted in the study. It explains in detail the research methodology utilized and its justification for the purposes of this study. The chapter discusses procedures and activities undertaken, focusing on namely the study's research design, data collection, and sampling design, data processing and analysis and instrument development. It further addresses issues of reliability and validity and concludes with the ethical considerations of the study.

3.2 Research Approach

The research can be classified into two approaches. These are qualitative research and quantitative research. For the purpose of this study, quantitative research approach was employed. The motivation for using the quantitative research approach is followed by two main reasons. First, the objective of quantitative research is to develop and employ mathematical models, theories and hypotheses pertaining to natural phenomena. It usually starts with a theory or a general statement proposing a general relationship between variables. Second, quantitative research favors methods such as surveys and experiments, and will attempt to test hypotheses or statements Kothari (2004).

3.3 Research Design

As this study aims to examine the impact of outsourcing on organizational performance of ILRI from the viewpoints of staffs, thus it targets to measure relationships between variables, a combination of descriptive and explanatory type of research was used.

3.4 Sampling Design

3.4.1 Target Population

Target population is a population that can be defined as all people or items (unit of analysis) with the characteristics that one wishes to study. The unit of analysis may be a person, group,

organization, country, object, or any other entity that the researchers wish to draw scientific inferences about Bhattacharjee, (2012). The target populations of the study were all ILRI permanent employees in Addis Ababa.

3.4.2 Sampling Technique

Tharenou et al. (2007) state that the basic idea of sampling is that by selecting some elements of a population, one can make inferences about the population as a whole. Saunders and Lewis (2012) are of the opinion that sampling should be used when it is impractical for researchers to survey the entire population or when budget or time constraints disallow a census. For the purpose of this study, a sample frame was selected and a census was executed. In this study, the sampling frame was identified and then all respondents within the frame were approached to complete the questionnaires as and when they are available. There was no statistical basis for the selection of respondents; they were simply targeted due to their availability and ease of contact for the researcher. This form of sampling lends itself to bias since the only respondents included are those easily available, but this study targeted the entire identified sample frame and therefore the bias is relatively limited. Since, the population to be studied is relatively small; the researcher was utilized the entire population as the sample frame for the study in order to collect a sufficient amount data.

3.4.3 Sample Size

Total number of permanent employees employed at ILRI, according to the data obtained from people and organizational development as of June 2018, is 200 which are working in Addis Ababa Ethiopia. Hence, the sample size for the study was comprised the entire staffs currently working in ILRI permanently. And hence the study is census based on the employees of ILRI. The researcher classified the sample according to the position of the employees they have as follows the table below.

Table 3.1: Proportion of sample size

position	Number	Percentage
Top level directors, Program leaders and Department managers	17	8.5%
Middle level managers, Program coordinators, Deputy managers and Research coordinators	62	31%
Supervisors, Research officers and Support staffs	121	60.5%

3.5 Source of Data Collection

The study was employed both primary and secondary sources of data collection. In order to realize the target, the study was use well designed questionnaire as best instrument. This could complete by respondents that were willingly fill and return the questionnaire. Secondary data from strategic document and policy papers was use to provide additional information where appropriate. Besides, variety of books, websites, reports and newsletters were reviewed to make the study fruitful.

3.6 Data Collection Instrument

Closed/ structured questions method of data collection is quite popular, particularly in case of big enquiries (Kothari, 2004).In this research survey, a closed ended questionnaire is developed for self-completion by respondents.

Table 3.2: Measurement of variables

Variable	Variable type	Operationalization	Measurement
Cost driven outsourcing	Independent	Outsourcing has been to maintain a competitive edge by reducing costs and focusing on core competencies(Ndinda, 2017).	Likert scale
Innovation driven Outsourcing	Independent	Innovation is something that changes a market. Companies are said to be innovative when they develop something better for their customers (Ndinda, 2017).	Likert scale
Focus on core competencies driven outsourcing	Independent	Identification and exploitation of the concept of core competences, in a manner that provides for new advantages to be obtained from specialization(Ndinda, 2017)	Likert scale
Quality driven outsourcing		Quality is the ability of product or service to consistently meet customer needs and expectations by giving value for money(Ndinda, 2017).	Likert scale
Organization performance	Dependent	The process of carrying out or accomplishing a given task over a given period of time (Maund, 2001).	Likert scale

Source: Ndinda (2017)and Maund (2001).

The questionnaire in this research consists of general and specific questions. The general questions are concerning to gather general information about the respondents' gender, age, and education. The specific questions include questions construct measures are based on extensive review of the literature on outsourcing and organizational performance.

For each independent variable, items are measured on a Five-point Likert scale, with anchors 1 for “Strongly disagree” and 5 for “Strongly agree” as shown in Table 3.2. All items are positively worded.

Table 3.3: The Response Value

Response Scale	Scale Rating
Strongly agree	5
Agree	4
Neutral	3
Disagree	2
Strongly disagree	1

The questionnaire is developed and was distributed in English, no translation was involved. This is because one of their job requirements is to be skillful in English for ILRI staffs. So, no translation is needed.

3.7 Reliability and Validity of the Instrument

3.7.1 Instrument Validity

Hair *et al.* (2010) defined the validity as “the degree to which a measure accurately represents what it is supposed to”. Validity is concerned with how well the concept is defined by the measure(s). He also mentioned about three types of validity: content validity, Predictive validity, and Construct validity. Content validity is the assessment of the correspondence between the individual items and concept. The study was addressed content validity through the review of literature and adapting instruments used in previous research which related to outsourcing and organizational performance questionnaire repeatedly refined and corrected in different works.

3.7.2 Instrument Reliability

Extents to which a variable or set of variables is consistent in what it is intended to measure Hair *et al.*, (2010). The reliability of a standardized test is usually expressed as a correlation coefficient, which measures the strength of association between variables. Such coefficients vary between -1.00 and +1.00 with the former showing that there is a perfect negative reliability and the latter shows that there is perfect positive reliability. In this study each statement rated on a 5 point likert response scale which includes strongly agree, agree, neutrals, disagree and strongly disagree. Based on this an internal consistency reliability test will be conducted with a sample of

employees and the Cronbach's alpha coefficient for the instrument was calculated. Sekaran (2000) points out that the closer the coefficient is to 1.00, the greater the reliability of the instrument. It is generally accepted that a 0.7 or higher value of the Cronbach's alpha coefficient represents high reliability (Nunally, 1978).

3.8 Data Processing and Analysis

The Statistical Package for Social Science (SPSS) was used to analyze the data obtained from primary sources. Descriptive statistics were used to explain the data of the questioner. To explain the characteristics of the response mean and standard deviation were used. In addition to this, Pearson correlation coefficient was used to show the interdependence between the independent and dependent variables.

According to Sekaran (2000), inferential statistics allows to infer from the data through analysis the relationship between two or more variables and how several independent variables might explain the variance in a dependent variable. Therefore, regression analysis was used to test the significance contribution of each independent variable to the dependent variable of organizational performance.

Linear regression analysis

Linear regression is a method of estimating or predicting a value on some dependent variable given the values of one or more independent variables. Like correlations, statistical regression examines the association or relationship between variables. Unlike correlations, however, the primary purpose of regression is prediction (Geoffrey et al., 2005). In this study multiple regression analysis was employed.

Model specification

The equation of regressions on this study is generally built around two sets of variables, namely dependent variable (organizational performance) and independent variables (cost driven outsourcing, innovation driven outsourcing, focus on core competencies driven outsourcing and quality driven outsourcing). The basic objective of using regression equation on this study is to make the study more effective at describing, understanding and predicting the stated variables. Multiple Regressions is a statistical technique that allows us to predict someone's score on one

variable on the basis of their scores on several other variables. The regression equation is as follows:

$$\text{Perf} = \alpha_1 + \beta_1 \text{Cos} + \beta_2 \text{Inv} + \beta_3 \text{Cmp} + \beta_4 \text{Qul} + e_1$$

Where:

Perf = Organizational performance

Cos= Cost driven outsourcing

Inv= Innovation driven outsourcing

Cmp= Focus on core competencies driven outsourcing

Qul= Quality driven outsourcing

α_1 = the intercept term- constant which would be equal to the mean if all slope coefficients are 0 and e_1 = Error

β_1 , β_2 , β_3 and β_4 are the coefficients associated with each independent variable which measures the change in the mean value of Perf, per unit change in their respective independent variables.

3.9 Ethical Considerations

All information that was collected treated with confidentiality without disclosure of the respondents' identity. Moreover, no information was modified or changed, hence the information was presented as collected and all the literatures collected for the purpose of this study is acknowledged in the reference list. In order to keep the confidentiality of the information given by respondents, it was not required writing their name and assured that their responses were treated in strict confidentiality. The purpose of the study is disclosed in the introductory part of the questionnaire. Furthermore, the researcher tried to avoid misleading or deceptive statements in the questionnaire. Lastly, the questionnaires were distributed only to voluntary participants.

CHAPTER FOUR

RESULT AND DISCUSSION

4.1 Introduction

In this chapter, the results that are obtained from the study are analyzed, presented and interpreted in detail. This chapter begins by presenting respondents' profile followed by a descriptive statistics, correlation and regression analysis respectively. A total of 200 questionnaires were distributed to ILRI's staffs. Among 200 questionnaires a total 186 (93%) questionnaires were returned and valid to analyzed, while the remaining 14 (7%) questionnaires were not included due to incompleteness of the questionnaire and unreturned.

4.2 Demographic Characteristics of the Respondents

The following analysis dealt with the basic data of the respondents which comprises of sex, age group and educational level of ILRI staffs. The demographic profile of the respondents' shown below in table 4.1.

Gender

According to Table 4.1 out of the 186 valid respondents, from gender perspective 53% or 98 respondents were males and the remaining 47 % or 88 respondents were females. This implies that the numbers of male and females respondents are somewhat balanced.

Age

Out of total valid 186 respondents the most respondent's age group was between 46 and 55, which is 41.40%. The age between 36 and 45 years old were ranking second who took about 29.59% followed by respondents who were with age range of 25 and 35 which is 17.21%.

The results indicate that majority of the respondents were above forty six years. With the majority of the staff being over 46years, they will be nearing their retirement age and it will be necessary for the organization to have to introduce younger staff in the levels of respondents to

facilitate a flawless succession program and also introduce new views in the decision making process.

Education Level

From the 186 valid respondents, 99 of them or 53.22% were first degree, 71 or 38.17% were MA/MSc; 16 of them were PhD holders which is about 8.61%. It is evident from the figure that the majority of ILRI staffs are first degree and masters degree holder.

The staff in the organization can be said to be well trained and have the necessary education to steer the company to greater heights. It is therefore necessary for the management necessary reward system to retain the same staff. It is also necessary for the management to involve this cadre of staff in decision making and preferable a bottom in the company to capture the expertise in these staff.

Table 4.1: Demographic Distribution of Respondents

Items	Description	Frequency	Percentage
Gender	Male	98	53%
	Female	88	47%
	Total	186	100%
Age	Less than 24	15	8.10%
	25-35	32	17.21%
	36-45	55	29.59%
	46-55	77	41.40%
	More than 55	7	3.70%
	Total	186	100%
Academic qualification	Certificate	-	-
	College diploma	-	-
	First degree	99	53.22%
	MA/MSc	71	38.17%
	PhD	16	8.61%
	Total	186	100%

Source: Survey Data (2019)

4.3 Reliability

Reliability is an indicator of a measure's internal consistency. Reliability is thus measured in terms of the ratio of true score variance to observed score variance (Garson, 2005). A benchmark alpha of .70 was set as an acceptable measure of reliability (Cronbach, 1951). Thus, the variables reliability test of this research is summarized in Table 4.2.

Variables of the study scored more than the benchmark alpha which is .70 considered by different researchers, so it can be conclude that the measurements can be applied for analyses with acceptable reliability.

Table 4.2: Reliability Statistics of the Variables

Variables	Cronbach's Alpha	N of Items
Cost driven outsourcing	.896	5
Innovation driven outsourcing	.934	8
Focus on core competencies driven outsourcing	.851	6
Quality driven outsourcing	.793	6
Organizational performance	.808	9

4.4 Descriptive Statistics

The main objective of this study is to examine the effect of outsourcing on organizational performance of ILRI at Addis Ababa. The researcher uses itemized rating scale to construct a range. This range could be used to measure the perception level of the respondents towards each variable.

$$\text{Agreement level} = \frac{\text{max}-\text{min}}{5} = \frac{5-1}{5} = 0.8$$

Therefore the range of the score indicates:

- 1.00 - 0.80 Strong disagreements
- 1.81 - 2.6 Disagreement
- 2.61 - 3.4 Neutrality
- 3.41 - 4.20 Agreement
- 4.21 - 5.00 Strong agreement

4.4.1 ILRI Employees Perception on Cost Driven Outsourcing

ILTI staffs members evaluated this dimension with five items using five point Likert scale(1= strongly disagree and 5= strongly agree). Table 4.3 below presents the result: the mean score and standard deviation of each item of cost driven outsourcing dimension.

Table 4.3: Descriptive statistics for perception of ILRI employees about cost driven outsourcing

Cost driven outsourcing dimension	Mean	Grand Mean	Std. deviation	Rank mean
Outsourcing reduces overhead and fixed costs.	3.62	3.59	.905	3
The cost of outsourcing is lower than the cost of acquiring more resources to do work internally.	3.89		.909	2
Outsourcing has reduced the risk of doing business.	4.02		.828	1
Since my organization started outsourcing, I have seen a great improvement in efficiency.	2.95		1.052	5
Outsourcing has created better intellectual value for our organization in the long run.	3.49		1.036	4

Source: Computation from survey data (2019)

The means for the cost driven outsourcing dimension items construct ranged between 2.95 and 4.02 and the standard deviation ranged between 0.828 and 1.052 which show some level of variance. The statement which respondents agree with most was “outsourcing has reduced the risk of doing business” (Mean=4.02 and Standard deviation= 0.828). The statement indicating the least level of agreement was “since my organization started outsourcing, I have seen a great improvement in efficiency” (Mean= 2.95 and Standard deviation= 1.052). The grand mean for the perception of cost driven outsourcing is 3.59, indicating that the majority of respondents towards agree level of agreement with the statements specified in the study.

4.4.2 ILRI Employees Perception on Innovation Driven Outsourcing

ILRI staffs members evaluated this dimension with eight items using five point Likert scale(1= strongly disagree and 5= strongly agree). Table 4.4 below presents the result: the mean score and standard deviation of each item of innovation driven outsourcing dimension.

Table 4.4: Descriptive statistics for perception ILRI employees about innovation driven outsourcing

Innovation driven outsourcing dimension	Mean	Grand Mean	Std. Deviation	Rank mean
My organization develops new service every so often.	2.84	3.29	1.063	8
My organization need to deliver newer products and services to maintain its objectives.	3.23		1.062	5
ILRI is keen on new service and product development.	3.34		.981	4
Sometimes innovation can be difficult due to lack of funds or in-house capacity in ILRI.	2.87		.994	7
ILRI outsource some innovation to other companies that can do it better and faster.	3.09		1.096	6
Outsourcing has helped us to create and deliver value faster.	3.48		1.004	2
I am sure ILRI is innovated and remained competitive.	3.47		1.035	3
My organization has flexibility for innovation.	3.96		.693	1

Source: Computation from survey data (2019)

The means for the innovation driven outsourcing dimension items construct ranged between 2.84 and 3.96 and the standard deviation ranged between 0.693 and 1.063 which show some level of variance. The statement which respondents agree with most was “My organization has flexibility for innovation” (Mean=3.96 and Standard deviation= 0.693). The statement indicating the least level of agreement was “My organization develops new service every so often” (Mean= 2.84 and Standard deviation= 1.063). The grand mean for the perception of innovation driven outsourcing is 3.29, indicating that the majority of respondents towards neutral level of agreement with the statements specified in the study.

4.4.3 ILRI Employees Perception on Focus on Core Competencies Driven Outsourcing

ILRI staffs members members evaluated this dimension with six items using five point Likert scale (1= strongly disagree and 5= strongly agree). Table 4.5 below presents the result: the mean score and standard deviation of each item of focus on core competencies driven outsourcing.

Table 4.5: Descriptive statistics for perception ILRI employees about focus on core competencies driven outsourcing.

Focus on core competencies driven outsourcing dimension	Mean	Grand Mean	Std. Deviation	Rank Mean
ILRI needs to concentrate on its core functions to remain competitive.	3.26	3.21	.919	3
ILRI uses outsourcing as a strategic tool to free up the company's resources so as to focus on its core competencies.	2.88		.998	6
The best way to concentrate on core functions is to outsource the non-core functions.	3.31		.929	2
Outsourcing has enabled ILRI to concentrate its efforts on building and expanding its best in world competencies.	3.08		1.058	5
Outsourcing has created flexibility in my organizational structure and strategy that has given us a competitive edge in the globe.	3.22		.893	4
Our focus on core competencies has created competitive advantage.	3.52		.998	1

Source: Computation from survey data (2019)

The means for the focus on core competencies driven outsourcing dimension items construct ranged between 2.88 and 3.52 and the standard deviation ranged between 0.892 and 1.130 which show some level of variance. The statement which respondents agree with most was “our focus on core competencies has created competitive advantage” (Mean=3.52 and Standard deviation=.998). The statement indicating the least level of agreement was “ILRI uses outsourcing as a strategic tool to free up the company's resources so as to focus on its core competencies” (Mean= 2.88 and Standard deviation= .998). The grand mean for the perception of focus on core competencies driven outsourcing is 3.21, indicating that the majority of respondents towards neutral level of agreement with the statements specified in the study.

4.4.4 ILRI Employees Perception on Quality Driven Outsourcing

ILRI staffs members evaluated this dimension with six items using five point Likert scale (1=strongly disagree and 5= strongly agree Table 4.6 below presents the result: the mean score and standard deviation of each item of quality driven outsourcing dimension.

Table 4.6: Descriptive statistics for ILRI employees about quality driven outsourcing

Quality driven outsourcing dimension	Mean	Grand Mean	Std. Deviation	Rank Mean
ILRI has enabled quality product improvement.	3.27	3.06	1.002	2
There is less wastage in my organization because of outsourcing.	3.00		1.060	4
Outsourcing could be reduced repeats and reworks in ILRI.	3.38		1.075	1
Outsourcing practice enables higher reliability and service competence resources in ILRI.	2.86		1.020	6
Outsourcing practice enables more customer satisfaction.	3.01		1.060	3
Outsourcing practice has increased in product demand.	2.88		.946	5

Source: Computation from survey data (2019)

The means for the quality driven outsourcing dimension items construct ranged between 2.86 and 3.38 and the standard deviation ranged between 0.946 and 1.075 which show some level of variance. The statement which respondents agree with most was “outsourcing could be reduced repeats and reworks in ILRI” (Mean=3.38 and Standard deviation= 1.075). The statement indicating the least level of agreement was “outsourcing practice enables higher reliability and service competence resources in ILRI” (Mean= 3.15 and Standard deviation= 1.006). The grand mean for the perception of quality driven outsourcing is 3.06, indicating that the majority of respondents towards neutral level of agreement with the statements specified in the study.

4.4.5 Comparison of ILRI Employees Perception on Outsourcing Constructs

Table 4.7 below show the grand means of all items in the outsourcing constructs for of ILRI employees level of perception. According to the findings of the means cost driven outsourcing represented the highest overall mean score (mean= 3.59), meaning that ILRI employees have a tendency towards agree with statements relating the cost driven outsourcing construct compare to other constructs. Innovation driven outsourcing followed with overall mean score of 3.29. This was followed by focus on core competencies driven outsourcing dimension (mean= 3.21). The lowest level of agreement was with the outsourcing construct was quality driven outsourcing (mean= 3.06).

Table 4.7: Grand mean scores for the outsourcing constructs

Construct	Mean score	Rank
Cost driven outsourcing	3.59	1 st
Innovation driven outsourcing	3.29	2 nd
Focus on core competencies driven outsourcing	3.21	3 rd
Quality driven outsourcing	3.06	4 th

Source: Computation from survey data (2019)

4.4.6 The Level of Organizational Performance Of ILRI Employees

ILRI staffs members evaluated this dimension with nine items using five point Likert scale. Table 4.9 below presents the result: the mean score and standard deviation of each item of organizational performance.

The means for the organizational performance dimension items construct ranged between 2.88 and 3.54 and the standard deviation ranged between 0.551 and 1.058 which show some level of variance. The statement which respondents agree with most was “ILRI's influence on decision makers have increased in the past few years” (Mean=3.54 and Standard deviation= 0.551). The statement indicating the least level of agreement was “ILRI's capacity building in terms of skill, knowledge, tools and equipment has improved” (Mean= 2.88 and Standard deviation= .998). The grand mean for the perception of organizational performance is 2.98, indicating that the majority of respondents towards neutral level of agreement with the statements specified in the study.

Table 4.8: Descriptive statistics for attitude ILRI employees about organizational performance

Organizational performance dimension	Mean	Grand Mean	Std. Deviation	Rank Mean
ILRI's performance in terms of output of research has increased in the last five years.	3.26	3.28	.919	6
ILRI's capacity building in terms of skill, knowledge, tools and equipment has improved.	2.88		.998	9
Performance in terms of visibility of ILRI has increased in the last five years.	3.31		.929	5
Over the past few years ILRI increased its research outputs.	3.08		1.058	8
The fund ILRI gets from donors improved in the last five years.	3.22		.893	7
ILRI's capacity development showed enhancement in the last five years.	3.46		.959	2
Over the past few years ILRI has become fit for purpose to deliver its strategy objectives.	3.34		1.024	4
ILRI's influence on decision makers have increased in the past few years.	3.54		.551	1
Overall business practice of ILRI has improved in the past five years.	3.45		.969	3

Source: Computation from survey data (2019)

4.5 Correlation Analysis

Correlation analysis deals with relationships among variables and helps to gain insight into the direction and strength of relation between the variables. Correlation coefficients take values between -1 and 1 ranging from negatively correlated (-1) to uncorrelated (0) to positively correlated (+). The sign of the correlation coefficient defines the direction of the relationship. The absolute value indicates the strength of the correlation. Dancey and Reidy (2004) state that a correlation result which is 0 indicates zero correlation, a result which is between 0.1 and 0.3 indicates a weak correlation among variables, a result which is between 0.4 and 0.6 shows a moderate correlation, a result between 0.7 and 0.9 indicates a strong correlation among variables, while a result which is equal to 1 indicates perfect correlation.

Table 4.9: The relationship between independent variables and organizational performance

		Organizational performance
Cost driven outsourcing	Pearson Correlation	.302**
	Sig. (2-tailed)	.000
	N	186
Innovation driven outsourcing	Pearson Correlation	.022
	Sig. (2-tailed)	.769
	N	186
Focus on core competencies driven outsourcing	Pearson Correlation	.735**
	Sig. (2-tailed)	.000
	N	186
Quality driven outsourcing	Pearson Correlation	.233**
	Sig. (2-tailed)	.001
	N	186
Organizational performance	Pearson Correlation	1
	Sig. (2-tailed)	
	N	.302**

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

Source: Computation from survey data (2019)

As shown Table 4.10 above it is found to be significantly and positively correlated with cost driven outsourcing and organizational performance ($r = 0.302$, $p < 0.01$), quality driven outsourcing and organizational performance ($r = 0.233$, $p < 0.01$), and focus on core competencies driven outsourcing and organizational performance ($r = 0.735$, $p < 0.01$). On the contrary there are no significant relationship between innovation driven outsourcing and organizational performance, since ($r = 0.022$, $p > 0.01$). As shown in table 4.10, the magnitude of relationship

ranges from as weak correlation as of 0.022 i.e. innovation driven outsourcing as high as 0.735 between focus on core competencies driven outsourcing and organizational performance.

4.6 Regression Technique

4.6.1 Assumptions of Regressions Analysis

Multiple regression is a statistical technique that allows us to predict someone's score on one variable on the basis of their scores on several other variables. This part presents the test for the assumptions of classical linear regression model (CLRM) namely sample size, normality of the distribution, linear relationship, homoscedasticity (equal variance), no auto correlation and multicollinearity.

- **Sample size:** - Different authors tend to give different guidelines concerning the number of cases required for multiple regressions. Tabachnick and Fidell (2001) give a formula for calculating sample size requirements, taking into account the number of independent variables to use: $N > 50 + 8m$ (where m = number of independent variables). In this study four independent variables had existed and cases were 186. Therefore, the study satisfied sample size assumption.
- **Normality of the distribution:** Scores on each variable should be normally distributed. This can be checked by inspecting the histograms of scores on each variable. The residuals should be normally distributed about the predicted dependent variables scores (Pallant, 2005). In this case there is normally distributed as shown plot in appendix two.
- **Linear relationship:** The relationship between the two variables should be linear. This means that when we look at a scatter plot of scores we should see a straight line (roughly), not a curve. The residuals should have a straight line relationship with predicted dependent variables scores (Pallant, 2005). The plot in figure of the annex three plot shows that how the points are randomly and evenly dispersed throughout the plot. And, these patterns are indicatives of a situation in which the assumption of linearity.
- **Homoscedasticity (equal variance):** Using the plots of ZRESID against ZPRED, the researcher tried to check whether the graph looks like a random array of dots evenly

dispersed around zero because the testing for homoscedasticity lies with an assumption in regression analysis that the residuals at each level of the predictor variable(s) have similar variances. This is to mean that at each point along any predictor variable, the spread of residuals should be fairly constant. In figure appendix three shows that each of the four dimension against the organizational performance. The plot in the same figure of the annexed plot shows that how the points are randomly and evenly dispersed throughout the plot. And, these patterns are indicatives of a situation in which the assumption of linearity and homoscedasticity have been met in whole the four variables against organizational performance.

- **Multicollinearity:** This refers to the relationship among the independent variables. Multicollinearity in this study was tested using Variance Inflation Factor (VIF) value and tolerance value. If tolerance value closed to 1 and VIF value is around 1 and not more than 10, it can be concluded that there is not multicollinearity between independent variable in the regression model (Pallant, 2005). Below Table 4.12 shows there is no multicollinearity exist.
- **No auto correlation:** Regression analysis is based on uncorrelated error/residual terms for any two or more observation (Kothari, 2004). This assumption is tested for each regression procedure with the Durbin-Watson test, which test for correlation between variables residuals. The test statistic can vary between 0 and 4 with a value of 2 meaning that the residuals are uncorrelated (Field, 2009). A value greater than 2 indicates a negative correlation between adjacent residuals, whereas a value below 2 indicates a positive correlation. As a general rule, the residuals are independent (not correlated) if the Durbin-Watson statistic is approximately 2, and an acceptable range is 1.50 - 2.50 (Muluadam, 2015). In this study as Table 4.11 shows that the Durbin-waston value was 1.629, which is very close to 2, therefore it can be confirmed that the assumption of independent error has almost certainly been met.

4.6.2 Regression Analysis

The hypotheses in this study test the four dimensions of outsourcing as the independent variables to determine if there is an impact on organizational performance of ILRI. Multiple regression analysis was employed to test the impact of independent variables on organizational performance.

Table 4.10: Regression model summary and ANOVA table

Model Summary ^b						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
1	.764 ^a	.583	.574	.21117	1.629	
a. Predictors: (Constant), Quality driven outsourcing, Cost driven outsourcing, Innovation driven outsourcing, Focus on core competencies driven outsourcing						
b. Dependent Variable: Organizational performance						
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.303	4	2.826	63.366	.000 ^b
	Residual	8.071	181	.045		
	Total	19.374	185			
a. Dependent Variable: Organizational performance						
b. Predictors: (Constant), Quality driven outsourcing, Cost driven outsourcing, Innovation driven outsourcing, Focus on core competencies driven outsourcing						

As indicated in above Table 4.10 regression summary of the model the independent variables predict the dependent variable with adjusted R square =57.4%, the remaining 42.6% are other extraneous variables that can affect organizational performance.

Table 4.11, also show that the ANOVA test, it is noticed that F value of 63.366 is significant at 0.000 level. Therefore, from the result, it can be concluded that with 57.4 % of the variance (adjusted R-Square) in organizational performance is significant and the model appropriately measures the construct.

Table 4.11: Results of multiple regressions between independent variables and organizational performance

Model		Coefficients ^a						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.517	.237		2.186	.030		
	Cost driven outsourcing	.103	.039	.132	2.644	.009	.925	1.081
	Innovation driven outsourcing	.008	.045	.009	.188	.851	.970	1.031
	Focus on core competencies driven outsourcing	.619	.045	.689	13.850	.000	.931	1.074
	Quality driven outsourcing	.122	.037	.159	3.285	.001	.980	1.020

a. Dependent Variable: Organizational performance

In order to evaluating each of the independent variables that is comparing the contribution of each independent variable included in the model to the prediction of the dependent variable. This information is available in the output box labeled coefficients, which are presented above. To compare the different variables we use the standardized coefficients. Checking the value in the column marked Sig. will tell us whether this variable is making a statistically significant unique contribution to the equation. This is very dependent on which variables are included in the equation. If the Sig. value is less than .05, then the variable is making a significant unique contribution to the prediction of the dependent variable. If greater than .05, then we can conclude that that variable is not making a significant unique contribution to the prediction of the dependent variable (Pallant, 2005).

In this case, cost driven outsourcing, focus on core competencies driven outsourcing and quality driven outsourcing have a significant influence on organizational performance at 95% confidence level ($p < 0.05$), indicating that of these factors are important in determining the organizational performance of ILRI. However, innovation driven outsourcing has no a significance influence in organizational performance as $p > 0.05$.

To construct a regression equation we use the standardized coefficient values. This is where the actual prediction equation can be found. The regression equation for this research is presented below.

$$\text{Perf} = \alpha_1 + \beta_1\text{Cos} + \beta_2\text{Inv} + \beta_3 \text{Cmp} + \beta_4\text{Qul} + e$$

Where:

Perf= Organizational performance

Cos= Cost driven outsourcing

Inv= Innovation driven outsourcing

Cmp= Focus on core competencies driven outsourcing

Qul= Quality driven outsourcing

e = Error term

So equation comes as:

$$\text{Organizational performance} = 0.517 + 0.132\text{Cos} + 0.009\text{Inv} + 0.689\text{Cmp} + 0.159\text{Qul} + e$$

4.7 Hypothesis Testing

From the above analysis, the following hypothesis is tested as follow in summary Table 4.12:

Table 4.12: Summary of research hypothesis testing

Hypothesis	Results
H1: Cost driven outsourcing has significant and positive effect on organizational performance in ILRI.	Accepted (the outcome of the multiple regression supports the hypothesis; $\beta = 0.132$, $P < 0.05$)
H2: Innovation driven outsourcing has significant and positive effect on organizational performance in ILRI.	Not supported (the outcome of the multiple regression does not support the hypothesis; $\beta = 0.009$, $P > 0.05$)
H3: Focus on core competencies driven outsourcing has significant and positive effect on organizational performance in ILRI	Accepted (the outcome of the multiple regression supports the hypothesis; $\beta = 0.689$, $P < 0.05$)
H4: Quality driven outsourcing has significant and positive effect on organizational performance in ILRI.	Accepted (the outcome of the multiple regression supports the hypothesis; $\beta = 0.159$, $P < 0.05$)

4.8 Discussions

The findings of this study can be discussion following the hypothesized relationships for the variables indicated in the conceptual framework.

H1: There is a positive and significant relationship between cost driven outsourcing and organizational performance

The study found that cost was the most important driver for outsourcing in ILRI. Although more strategic reasons are now being fronted, the traditional cost reduction driver is still a basic one in many a manager's minds. This confirms the prior studies by Insinga and Werle (2000) that had placed cost reduction first on the rank of outsourcing drivers. Shekar (2008) points out that it is essential to recognize the multidimensional nature of the performance construct. According to Rothaermel et al. (2006), such measures could include traditional accounting measures such as sales growth, market share, and profitability. The findings from the study show that cost driven outsourcing has a significant positive effect on the firm's performance as shown as hypothesis 1, whether it is the short run as in reduced operational costs and increased profitability; or in the long run in terms of improved customer satisfaction. According to Cox, 2014, short term cost based performance is almost always certain in outsourcing, but better long term relationships may result in substantially improved terms and conditions, hence better long term performance. The findings above present a consistent affirmation that cost driven outsourcing leads to improved organizational performance.

H2: There is a positive and significant effect between innovation driven outsourcing and organizational performance

In the findings of this study, it was not revealed that a significant relationship between innovation driven outsourcing and organizational performance of ILRI. The finding has not confirmed the work of Gesing, et al. (2014) that partnering with strategic professional firms may improve project performance because such firms are generally organized for that purpose. This is as a result of the capabilities these specialist companies have developed over the years in their area of specialization as well as the learning curve associated with innovation.

Notwithstanding the above; this study found that organizational performance had not a strong dependence on innovation driven outsourcing. The study ascertained some of the challenges associated with outsourcing for innovation as loss of control over quality, risk of proprietary rights violation, higher bargaining power of suppliers and IT security risks. These concerns confirm Cox's (2014) viewpoint that outsourcing innovation still remains a grey area and that in

order to reap the benefits of outsourcing, organizations must plan these carefully. It is prudent therefore to ensure that the benefits outweigh the risks and that these risks are mitigated and managed wisely by use of constant monitoring and control.

H3: There is a positive and significant effect between focus on core competencies driven outsourcing and organizational performance

This study revealed the need to focus on core competencies as one of the reasons why the company incorporates outsourcing in its strategy. This affirms the findings from recent studies that companies are increasingly outsourcing for focus. This agrees with the assertion of Cox (2014) that it's increasingly becoming quite difficult for companies to remain competitive doing everything for themselves. The findings of this study indicate the need to let go of non-core functions so as to concentrate on building and sustaining a company's core competencies. This agrees with Contractor et al. (2010) that there is need for organizations to let go of non-core activities so as to focus on building their core competencies.

It was further revealed that outsourcing had generated some flexibility in the organization's structure and strategy that had in turn made the organization more competitive in the market place. This finding agrees with Cheng et al. (2014) that outsourcing some part of the supply chain makes firms flexible such that they can respond to the constantly changing business environments in which they operate.

The findings of this study show outsourcing can be used as a strategic tool to free up a company's resources so as to focus on its core competencies. This study confirmed that focusing on core competencies is a major contributor to improved organizational performance and it creates competitive advantage. The findings of this study agree with the prior studies that focus driven outsourcing leads to improved organizational performance.

H4: There is a positive and significant effect between quality driven outsourcing and organizational performance

The study found that organizational performance affected as a result of quality driven outsourcing to some extent. The growth in outsourcing practice has been contributed by the firms need for diverse and high quality services in order to survive and excel in the rapidly changing

external environment (Kok and Richardson, 2003). Nevertheless building strong outsourcing partnerships faces challenges as firms lack the know how to select their outsourcing vendors as well as poor management of outsourcing relationships (Parker & Russel, 2004). Quality can be described as fitness for use. Quality in outsourcing contract exists when the contract serves its intended function and meets the objective of both parties.

Outsourcing contract may be affected by organizational human and environmental factors. In order to build a satisfied relationship with service provider, firms need to equip themselves with the right knowledge and relationship management capabilities (Ren et al., 2010). Lee and Kim (1999) found that successful outsourcing contract quality is influenced by five factors which are: trust, business understanding, benefit and risk sharing, conflict and commitment, while Anderson and Narus (1990) found other factors such as communication, top management support and age of the relationship. Successful outsourcing contract enable firms to achieve organizational objective and build competitive advantage (Khong, 2005).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the researcher has provided the summary of findings and conclusions based on the objectives and the findings of the study. Then after, recommendations on this study and for further studies on the research topic have been provided accordingly.

5.2 Summary of Findings

The following are the findings of the study, which were obtained while answering the research questions:

One of the primary objectives of this study was to find out the level of outsourcing dimension such as cost driven outsourcing, innovation driven outsourcing, focus on core competencies driven outsourcing, and quality driven outsourcing as perceived by staff members of ILRI and also examine the level of organizational performance of ILRI staffs. This is given by the descriptive statistics of attitude towards different outsourcing dimension and organizational performance where respondents have shown their attitude towards outsourcing dimensions and organizational performance with the following results of grand means score.

- The grand mean for the cost driven outsourcing is 3.59, indicating that the majority of respondents are towards agree level agreement with the statements specified in the study.
- The grand mean for the perception of innovation driven outsourcing construct is 3.29, indicating that the majority of respondents towards neutral level of agreement with the statements specified in the study.
- The grand mean for the perception of focus on core competencies driven outsourcing is 3.21, indicating that the majority of respondents towards neutral level of agreement with the statements specified in the study.

- The grand mean for the perception of quality driven outsourcing is 3.06, indicating that the majority of respondents towards neutral level of agreement with the statements specified in the study.
- The grand mean for the perception of organizational performance is 3.28, indicating that the majority of respondents towards neutral level of agreement with the statements specified in the study.

The other objective of the study was to determine the effect of outsourcing on organizational performance of ILRI. Four hypotheses were formulated to test these relationships. The multiple regressions conducted to examine the four variables of outsourcing dimensions have effect on organizational performance of ILRI. The finding of the study reveals that three hypotheses have empirical support, whereas one hypothesis did not receive empirical support, which requires additional explanations. The results of the regression analysis are summarized below.

- Cost driven outsourcing has significant and positive effect on organizational performance of ILRI having a coefficient of 0.135. Since the t-significance test reveals the significance of the coefficient that is ($P < 0.05$). ***Thus, hypothesis H1 is accepted.***
- Innovation driven outsourcing has positive but not significant effect on organizational performance of ILRI with regression coefficient of 0.009. The significance test did not confirm the significance that is ($P > 0.05$). ***Thus, hypothesis H2 is not supported.***
- Focus on core competencies driven outsourcing has significant and positive effect on organizational performance of ILRI having a coefficient of 0.689. Since the t-significance test reveals the significance of the coefficient that is ($P < 0.05$). ***Thus, hypothesis H4 is accepted.***
- Quality driven outsourcing has significant and positive effect on organizational performance of ILRI and the regression coefficient is given by 0.159. The t-significance test conducted on the coefficient confirms the significance that is ($P < 0.05$). ***Thus, hypothesis H3 is accepted.***

5.3 Conclusions

This paper explored the influence of different outsourcing dimensions on organizational performance. The results from correlation and regression analysis indicated that three outsourcing dimensions have significant and positive influence on organizational performance of ILRI. On the other hand, innovation driven outsourcing appeared to have not significant relationship with organizational performance of ILRI. In this regard, it can be concluded about how each dimension of outsourcing influence organizational performance of ILRI as below.

The first hypothesis of the study states that there is a relationship between cost driven outsourcing and organizational performance of ILRI. The results show that there is a significant and positive effect between outsourcing and organizational performance with $\beta = 0.132$, $P < 0.05$ significant at 95% confidence interval. The result of this research is consistent with the previous studies that support the statement that organizational performance is influenced by cost driven outsourcing (Femi and Babatunde, 2013) and Ndinda (2016).

The second hypothesis states that the relationship between innovation driven outsourcing and organizational performance of ILRI. The hypothesis result not revealed though there is a positive relationship between innovation driven outsourcing and organizational performance so long as they are not significant effect between them with $\beta = 0.009$, $P > 0.05$ a significant at 95% confidence interval. The result of this study is inconsistent with the findings of the White and Bruton (2011) and Gesing, et al. (2014).

The third hypothesis of the study states that there is a positive effect relationship between focus on core competencies driven outsourcing and organizational performance. The results show that there is a positive effect and significant relationship between focus on core competencies driven outsourcing and organizational performance with $\beta = 0.689$, $P < 0.05$ significant at 95% confidence interval. The result of this research is consistent with the previous studies that support the statement that organizational performance is influenced by focus on core competencies driven outsourcing. According to Cox (2014) it is increasingly becoming quite difficult for companies to remain competitive doing everything for themselves. The findings of this study indicate the need to let go of non-core functions so as to concentrate on building and sustaining a

company's core competencies. Similarly Contractor et al. (2010) agree that there is need for organizations to let go of non-core activities so as to focus on building their core competencies.

Furthermore, according to the research findings, quality driven outsourcing has a positive and significant effect on organizational performance of ILRI. The finding is consistent with results obtained by (Kok and Richardson, 2003) and (Parker and Russel, 2004).

5.4 Recommendations

From the results of the research given the significantly positive relationships between outsourcing dimensions (cost driven outsourcing, focus on core competencies driven outsourcing and quality driven outsourcing) and organizational performance, therefore, in the light of this, the following recommendations have been given for enhance organizational performance .

- ILRI should adopt strategic outsourcing partnerships in order to continuously reduce operating costs for organizational performance. Managers should consider other factors too while evaluating the cost and benefit of outsourcing, so as to ensure that the maximum benefit is achieved from the strategy in terms of reduced costs and risks, enhance organizational performance. It is therefore imperative that cost driven outsourcing should not only generate short term results in term of reduced costs but also yield long term benefits such as operational efficiency and long term organizational performance.
- Even if innovation driven outsourcing has positive but not significant effect on organizational performance, ILRI should carefully consider their innovations driven outsourcing strategies. It is known that outsourcing for innovation has proved to be very risky because it poses challenges of proprietary rights violation and loss of quality control. The same is true ILRI's outsourcing goal is to achieve major reduction in operational costs especially considering it is a nonprofit organization relying on donor funds. The firm also aims at achieving great customer satisfaction by delivering efficient services and most importantly high-quality services to both their internal and external customers. They also aim at achieving reduced supervision time as this will enable the staff to concentrate more on the core business which is research. Therefore, ILRI should put service level agreement in place to ensure that knowledge is not dissipated or shared by the outsourcing partners.

- ILRI should clearly identify their core competencies from the non-core functions. Managers should review the potential benefit to be gained if the noncore functions are outsourced. Outsourcing strategy should be so structured that it enables the organization to concentrate its efforts on building its core competencies, so as to enhance organizational performance. Core competencies can never be outsourced. ILRI should outsource their noncore business to outside providers that can bring great competitiveness. This is because outsourcing gives organizational staff more time to concentrate on core competences to produce better quality products and enhance organizational performance.
- As long as quality driven outsourcing has a positive and significant effect on organizational performance of ILRI. ILRI should engage the service provider on the quality standards which are expected before entering in to the contract.
- Furthermore, the general recommendation will be ILRI should outsource with a clear picture in mind as to why want to outsource. When ILRI outsource they should have measurable indicators in form of Key Performance Indicators for the service provider.

5.5 Limitations and Directions for Future Researches

All researches face with limitations which also exist in this research. This research was based on a single nonprofit organization with its own peculiar characteristics. It is not clear to what extent the substantive results of this study can be generalized to other organizations. The second limitation concerned the independent dimensions. There are different factors that determine on organizational performance; nevertheless the study was conducted on only taken outsourcing dimensions.

Given the promising results that were obtained, coupled with the inherent limitations to the study just discussed above, there are many potential avenues of further research that can be explored. Among these future researches should apply the study's model on a larger population of other nonprofit organizations and comparison of the results. It is also possible that additional dimensions that could be dimensions other than outsourcing dimensions that might improve its predictive ability that is additional constructs that can be included in a comprehensive model.

REFERENCES

- Akewushola, S & Elegbede, W. (2012). *Outsourcing strategy and organizational performance: empirical evidence from Nigeria manufacturing sector (Unpublished Graduate Essay)*. Lagos State University.
- Anikin, B. & Rudaya, I. (2009). *Outsourcing and out staffing: high technologies of management*. Moscow: Infra-M;
- Behara, R., Copozzoli, E.& Gundersen, D. (1995). Trends in information systems: Outsourcing. *International Journal of Purchasing and Materials*, 31(1):46-51.
- Bhattacharjee, A. (2012). *Social science research: Principles, Methods, And Practices' Global Text* (2nd ed.). Florida: University of South Florida.
- Blumberg, D. (1998). Strategic assessment of outsourcing and downsizing in the service market. *Managing Service Quality*, 8 (1), 5-8
- Buchanan, L. (2014). Built to last forever. *Inc. Magazine*, 48–53.
- Calantone, R. & Stanko, M. (2007). Drivers of outsourced innovation: An exploratory study. *Journal of Product Innovation Management*, 24 (3), 230-241.
- Cameron, K. (1986). Effectiveness as paradox: Consensus and conflict in conceptions of organizational effectiveness. *Management Science*, 32(5): 539-553.
- Cheng, L., Cantor, D., Grimm, C. & Dresner, M. (2014). Supply chain drivers of organizational flexibility: A study of U.S. Manufacturing industries. *Journal of Supply chain management*, 50 (4), 62-75
- Contractor, F., Kumar, V., Kundu, S. & Pedersen, T. (2010). Re-conceptualizing the firm in a world of outsourcing and off-shoring: The organizational and geographical relocation of high-value company functions. *Journal of Management Studies*, 47(8), 1417-1433.
- Cox, A. (2014). The causes of major outsourcing failures. *IIAPS White Paper*, 1-7.
- Deckers, G. (2000). The new corporate architecture. *Academy of Management Executive*, 9(3).
- Espino, R. & Padron, R. (2006). A review of outsourcing from the resource-based view of the firm. *International Journal of Management Reviews*, 8 (1), 49-70.
- Fan, T. (2009). *A survey and analysis of outsourcing in East China*. Working paper, 5, Norwegian School of Economics and Business Administration, Bergen.
- Femi, R.& Babatunde, A. (2013). Outsourcing services as a strategic tool for organizational performance: An exploratory study of Nigerian food, beverage, and tobacco industry. *Journal of Management Policies and Practices*, 1(1), 01-20.
- Friedlander, F.& Pickle, H. (1968). Components of effectiveness in small organizations. *Administrative Science Quarterly*, 13(2), 289-304.

- Geoffrey, M., David, D., & David, F. (2005). *Essentials of research design and*
- Gesing, J., Antons, D., Piening, E., Rese, M. & Salge, T. (2014). Joining forces or going it alone? On the interplay among external collaboration partner types, Inter-firm governance modes, and internal R&D. *Journal of Product Innovation Management*, 10, 1111-1121. (Accessed on December, 2018)
- Grimpe, C. & Kaiser, U. (2010). Balancing internal and external knowledge acquisition: The gains and pains from R&D outsourcing. *Journal of Management Studies*, 47(8), 1483-1509.
- Hair, F., Wolfinbarger, F., Ortinaw, J., & Bush, P. (2010). *Essentials of marketing*
- Holcomb, T. & Hitt, M. (2007). Toward a model of strategic outsourcing. *Journal of Operations Management*, 25 (2), 464-481.
- Insinga, R. & Werle, W. (2000). Linking outsourcing to business strategy. *The Academy of Management Executive*, 14(4), 58-67.
- James, G.& Robert, I. (1997). Crossroads-organizational performance as a dependent variable. *Organization Science*, 8(6), 698-706.
- Jyoti, J.,Arora, H. & Kour, S.(2016). *Outsourcing and organizational performance: Role of cost leadership, differentiation and innovation strategies (Unpublished Graduate Essay)*. University of Jammu.
- Kakabadse, A. & Kakabadse, N. (2000). Sourcing: new face to economies of scale and the emergence of new organizational forms. *Knowledge and Process Management*, 7(2), 107-118.
- Kaleli, E. & David, K.(2013). Effects of outsourcing decision on organization performance in the manufacturing industry: Case of Unilever group limited in Kenya. *International Journal of Business & Law Research*, 2(4), 53-72.
- Klopach, L. (2000). *The upside of outsourcing*, Kiplinger's Personal Finance.
- Kothari, CR. (2004). *Research Methodology: Methods and Techniques* (2nd ed.).
- Kok, WK and Richardson ,S.(2003) Business Process re-engineering (BPR) in Malaysian banks and finance companies, *Managing Service Quality*, 13(1):54.
- Langlois, R. (1990). Creating external capabilities: Innovation and vertical disintegration in the microcomputer industry. *Business and Economic History*,19(1), 93-102.
- Lauri, R. (2009). Governance in business process outsourcing: Case study on call centre outsourcing. *Management Journal*, 26(1), 24-34.
- Leavy, B. (2004).Outsourcing strategies: opportunities and risks, *Strategy and leadership*, 32(6), 20-25.

- Lonsdale C. & Cox, A. (2000). *Outsourcing: A business guide to risk management tools and techniques*, Earlsgate Press.
- Love, J., Roper, S. & Vahter, P. (2013). Learning from openness: The dynamics of breadth in external innovation linkages. *Strategic Management Journal*.
- Lysons, S. & Gillingham, A. (2003). *Purchasing and supply chain management* (6th ed.). Prentice Hall Publishing.
- Mella, P. & Pellicelli, M. (2012). The strategies of outsourcing and Off-shoring. *American International Journal of Contemporary Research*, 2 (9), 116-132.
- methodology*. Canada: John Wiley & Sons, Inc.
- Mobarakeh Steel Company. *International Journal of Academic Research in Business and Social Sciences*, 3(12), 65-73.
- Mwelu, N., Moya, M., Muhwezi, M., Mugisha, D. & Watundu, S. (2014). Outsourcing practices and profitability levels of manufacturing firms in Uganda. *European Journal of Business and Management*, 6, 19.
- Ndungu, F. & Noor, S. (2016). Effects of outsourcing on organization performance in manufacturing sector in Kenya: a case of Del Monte Kenya limited. *European Journal of Logistics, Purchasing and Supply Chain Management*, 4(3), 32-58.
- Ndinda, C.M (2016)., The Impact of Strategic Outsourcing on Organizational Performance: A Case Study of Bidco Africa Limited, United States International University-Africa Digital Repository, <http://erepo.usiu.ac.ke/handle/11732/2545> , (Accessed December, 2018)
- Nordin, F. (2008). Linkages between service sourcing decisions and competitive advantage: a review, propositions, and illustrating cases. *International Journal of Production Economics*, 114 (1), 40-55.
- Nunnally, C. (1978). *Psychometric theory* (2nd ed.). New York: McGraw Hill.
- Parker, D. & Russel, K. (2004). Outsourcing and inter/intra supply chain dynamics; strategic management issues. *Journal of Supply Chain Management*, 40(3), 56-68.
- Peterson, W., Gijbbers, G. & Wilks, M. (2003). An organizational performance assessment system for agricultural research organizations: concepts, methods, and procedures. *ISNAR Research Management Guidelines*, 76 (Accessed December, 2018)
- Prahalad, C. & Hamel, G. (2003). The core competence of the corporation. *Harvard Business Review*, 3, 79-93.
- Priem, R. & Butler, J. (2001). Is the resourced-based view a useful perspective for strategic management research? *Academy of Management Review*, 26(1). (Accessed December, 2018)

- Quinn, J. (2000). *Intelligent Enterprise: A knowledge and service based paradigm for industry*, New York: Free Press, research (2nd ed.). New York: McGraw-Hill.
- Richard, B.(2009). Measuring organizational performance: Towards Methodological Best Practice. *Journal of Management*, 35(3), 718-801.
- Rothaermel, F., Hitt, M. & Jobe, L. (2006). Balancing Vertical integration and strategic outsourcing: Effects on product portfolio, product success and firm performance. *Strategic Management Journal*, 27, 1033–1056
- Saunders, C., Gebelt, M. & Hu, Q. (2007). Achieving Success in Information Systems Outsourcing. *California Management Review*, 39(2).
- Sekaran, U. (2000). *Research methods for business: A skill-building approach* (3rded.). New York: John Wiley & Sons, Inc.
- Shekar, S. (2008). Benchmarking knowledge gaps through role simulations for assessing outsourcing viability. *Benchmarking: An International Journal*, 15 (3), 225-241.
- Soltani, I.& Esmaeely, A. (2013). A survey on impact of outsourcing on effectiveness of structural dimensions of organization and productivity: A case study of Esfahan *strategic approach*. Mason, OH: South-Western Cengage Learning.
- Stroh, L.& Treehuboff, D. (2003). Outsourcing HR functions: when-and when not to go outside. *Journal of Leadership and Organizational Studies*, 10(1), 19-28.
- Tijun, F., Leif, k., Jiehong, K. & Dandan, L. (2009), A survey and analysis of outsourcing in East China.
- Wanjiru, J (2015)., Influence of Outsourcing on Performance: A Case of International Livestock Research Institute (ILRI: Nairobi) United States International University-Africa Digital Repository, <http://erepo.usiu.ac.ke/handle/11732/697>, (Accessed December, 2018)
- Welch, J. & Nayak, P. (1992). Strategic sourcing: a progressive approach to the make or buy decision. *Academy of Management Executive*, 6 (1), 23-30.
- White, M. & Bruton, G. (2011). *The management of technology and innovation: A*
- Yeboah, A. (2013). The relationship between outsourcing and organizational performance. *European Journal of Business and Management*, 5(2).

APPENDIX: ONE
QUESTIONNAIRE
Addis Ababa University
Graduate studies program
Questionnaire to be filled by ILRI staffs

SECTION 1: INTRODUCTION

Dear Participant:

I am a graduate student in the department of Masters of Business Administration, Addis Ababa University. Currently, I am undertaking a research entitled '*practices of outsourcing and its influence on performance in International Livestock Research Institute/ILRI-Addis Ababa*'. You are one of the respondents selected to participate on this study. Please assist me in giving correct and complete information to present a representative finding. Your participation is entirely voluntary and the questionnaire is completely anonymous.

Finally, I confirm you that the information that you share me will be kept confidential and only used for the academic purpose. No individual's responses will be identified as such and the identity of persons responding will not be published or released to anyone. All information will be used for academic purposes only. Thank you in advance for your kind cooperation and dedicating your time.

Sincerely,

Instruction

- No need of writing your name

SECTION 2: RESPONDENT’S DEMOGRAPHIC DATA

Please put a tick (√) mark corresponding to your response

1. Sex: Male Female
2. Age group: Less than 24 25-35 36-45 46-55
 More than 55
2. Level of education: Certificate College Diploma Degree MA/MSc PhD

SECTION 3: THE MAIN DRIVERS FOR OUTSOURCING STRATEGY DIMENSIONS

Please encircle among the choices that the degree to which you agree with the following statements concerning outsourcing dimensions.

Where, 1-Strongly disagree 2- disagree 3-Neutral 4-Agree and 5-Strongly Agree

S. No.	Cost driven outsourcing	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
1	Outsourcing reduces overhead and fixed costs.	1	2	3	4	5
2	The cost of outsourcing is lower than the cost of acquiring more resources to do work internally.	1	2	3	4	5
3	Outsourcing has reduced the risk of doing business.	1	2	3	4	5
4	Since my organization started outsourcing, I have seen a great improvement in efficiency.	1	2	3	4	5
5	Outsourcing has created better intellectual value for our organization in the long run.	1	2	3	4	5
	Innovation driven outsourcing	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
1	My organization develops new service every so often.	1	2	3	4	5
2	My organization need to deliver newer products and services to maintain its objectives.	1	2	3	4	5
3	ILRI is keen on new service and product development.	1	2	3	4	5
4	Sometimes innovation can be difficult due to lack of funds or in-house capacity in ILRI.	1	2	3	4	5
5	ILRI outsource some innovation to other companies that can do it better and faster.	1	2	3	4	5
6	Outsourcing has helped us to create and deliver value faster.	1	2	3	4	5
7	I am sure ILRI is innovated and remained competitive.	1	2	3	4	5
8	My organization has flexibility for innovation.	1	2	3	4	5

	Focus on core competencies driven outsourcing	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
1	ILRI needs to concentrate on its core functions to remain competitive.	1	2	3	4	5
2	ILRI uses outsourcing as a strategic tool to free up the company's resources so as to focus on its core competencies.	1	2	3	4	5
3	The best way to concentrate on core functions into outsource the non core functions.	1	2	3	4	5
4	Outsourcing has enabled ILRI to concentrate its efforts on building and expanding its best in world competencies.	1	2	3	4	5
5	Outsourcing has created flexibility in my organizational structure and strategy that has given us a competitive edge in the globe.	1	2	3	4	5
6	Our focus on core competencies has created competitive advantage.	1	2	3	4	5
	Quality driven outsourcing	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
1	ILRI has enabled quality product improvement.	1	2	3	4	5
2	There is less wastage in my organization because of outsourcing.	1	2	3	4	5
3	Outsourcing could be reduced repeats and reworks in ILRI.	1	2	3	4	5
4	Outsourcing practice enables higher reliability and service competence resources in ILRI.	1	2	3	4	5
5	Outsourcing practice enables more customer satisfaction.	1	2	3	4	5
6	Outsourcing practice has increased in product demand.	1	2	3	4	5

SECTION 3: PERFORMANCE DIMENSION

Please encircle among the choices that the degree to which you agree with the following statements concerning organizational performance.

S. No.	Organizational performance	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
1	Outsourcing enhances quality of service delivered.	1	2	3	4	5
2	Outsourcing enhances responsiveness to customer requests.	1	2	3	4	5
3	Outsourcing increases timeliness of service delivered (turn-around time)	1	2	3	4	5
4	Efficiency in outsourced standards leads to reduced fixed operating overheads	1	2	3	4	5
5	Efficiency in outsourced standards leads to decreased operating cost.	1	2	3	4	5
6	Efficient management of service providers results to savings on cost of service.	1	2	3	4	5
7	Outsourcing saves management time to concentrate on strategic issues	1	2	3	4	5
8	Outsourcing leads to reduced supervision time.	1	2	3	4	5
9	Outsourcing increases benefit in company operations.	1	2	3	4	5

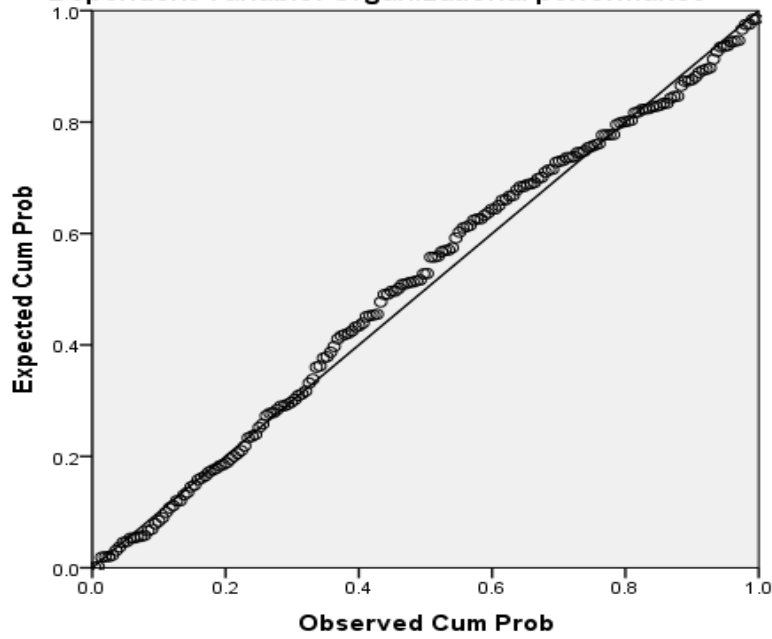
I thank you again very much and appreciate for the time you spent filling this questionnaire!

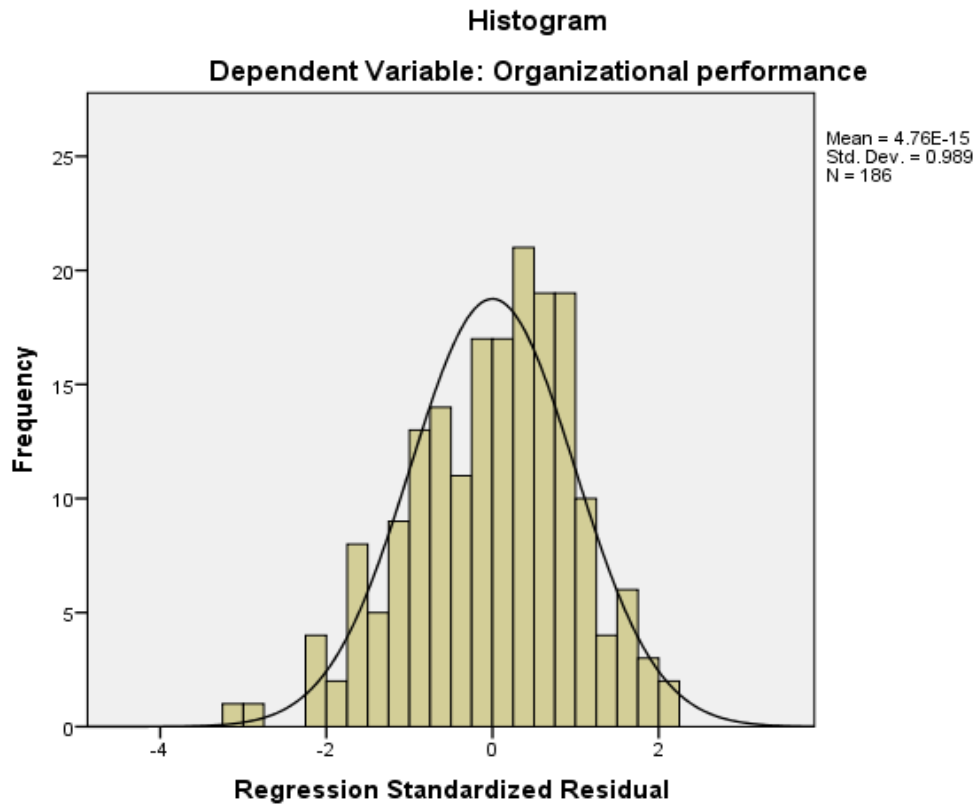
APPENDIX TWO

Normal P-Plot of Regression Standardized Residuals and histogram

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: Organizational performance





APPENDIX THREE

Scatter plot homoscedasticity and linearity test for outsourcing constructs and organizational performance

Scatterplot

Dependent Variable: Organizational performance

