



**Addis Ababa University College of Social Sciences Faculty of  
Business & Economics Master of Business Administration  
(extension)**

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Effect of outsourcing on organizational performance on selected organizations  
in Ethiopia

**A Thesis Submitted in Partial Fulfillment of the Requirements for the Degree of Master  
of Art in Business Administration**

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## **Declaration**

I, the under signee declare that this thesis is my original work, prepared under the guidance of Yohannes Workaferahu (PhD). All source of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been summited either in part or in full to any other higher learning institution for the purpose of earning any degree.

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## **Endorsement**

This thesis” Effect of outsourcing on organizational performance on selected organizations in Ethiopia.” has been submitted to Addis Ababa University, College of Business and Economics, MBA Program for examination with my approval as a university Advisor.

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## Abstract

*The study sought to understand the effect of outsourcing on organizational performance on selected organizations in Ethiopia. Descriptive and inferential research design Technique is implemented on this research. Qualitative data is obtained from interview and the quantitative data is obtained from statistical results of distributed questionnaires. A sample size of 152 is drawn from population size of 250. The researcher used a simple random and purposive sampling technique to collect data. The Cronbach alpha test was used to test the reliability of the instruments. To estimate the relationship between outsourcing and organizational performance Pearson correlation and multiple linear regression analysis were employed. Descriptive statistics, correlation analysis and regression analysis were used to analyze the data collected from respondents. From the correlation matrix there is a significantly positive relationship between the dependent variable Performance and the independent variables (Facility management outsourcing, Human- resource outsourcing and Information technology outsourcing). Further the result also shows that the independent variables (Information Technology outsourcing, Human resource Outsourcing and Facility management outsourcing) have a significant influence on organizational performance. According to the conducted descriptive analysis, the independent variables have effect on organizational performance with regard to reducing operational cost, reducing administrative burden, increasing focus on core activities of the organization, delivering work within the required time frame work and in meeting customer requirements. However, lack of positive competitors and lack of clear legal framework is the main challenge for the organizations. The study recommends that Organization in Ethiopia should be encouraged to implement outsourcing so that they can focus on their core functions, reduce cost and increase focus on core activities ultimately increase the performance of organization. Government should state a clear legal frame work and more vendors should be encouraged to enter the outsourcing industry.*

**Key Words:** *Outsourcing, Information Technology outsourcing, Human resource Outsourcing Facility management outsourcing and Performance*

## Acronyms

**ANOVA:** Analysis of variance

**HR:** Human Resource

**ICT:** Information Communication Technology

**IT:** Information Technology

**MOFEC:** Ministry of Finance and Economic Cooperation

**SPSS:** Statistical Package for Social Science.

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## Chapter one

### 1.1 Introduction

#### Background of the study

Outsourcing is a strategy in which products, services, resources and business process are acquired from an external service provider. organizations search ways to improve their performance by outsourcing activities not considered as core competency of the business. The outsourcing of a number of services and products starting from cleaning, logistics and compound maintenance among others has become a significant force in outsourcing trend services, yet there exist some questions about the degree to which outsourcing results in a positive outcome and the conditions supporting it.

According to ISO 37500 (2014), “outsourcing may be a business model for the delivery of a product or service to a client by a provider, as an alternate to the provision of these products or services within the client organization, where the outsourcing process is predicated on a sourcing decision (make or buy). Resources are often transferred to the provider, the provider is liable for delivering outsourced services for an agreed period of your time, the services are often transferred from an existing provider to a different, the client is in charge of the outsourced services and therefore the provider is liable for performing them. This International Standard starts with the precondition that a corporation has already established a sourcing strategy and concluded that outsourcing could be a beneficial “.

Its during the industrial revolution when companies where more concerned in increasing their market share and profit so that they can increase their competitive advantage. Its during 1950 and 1960 where diversification was the main issues of the existing companies in order to gain a reduced input cost. In the 1970 companies that compete globally fail to quickly adapt to changes due to this diversification which resulted in enlarged organizational form. To increase their adjustability and innovatively, several giant firms launched a new initiative of concentrating on their main business functions, which needs defining of important functions and make a decision on which could be contracted out (Fischli, 1996 as cited in (Beebe & Meyers, 1999)).

Outsourcing was identified as a business strategy around 1989 (Mullin, 1996). Organization outsources most of the function for which they had no internal competency. Outsourcing support services is the next stage.

In the 1990s, as companies started focusing much on cost-cutting initiatives, they began to outsource those functions necessary to run a corporation but not related specifically to the core business (Beebe & Meyers, 1999).

Outsourcing is a strategic decision in which a business owner makes a choice of what process or activity to do it self and what process or activity it should buy from others. Therefor With outsourcing a business makes a choice not to do a process itself but to delegate a business process or activity for an external provider or supplier. In doing so it gets somebody else to own, manage, deliver or administer its business process or activity hopefully to the agreed standard. Outsourcing is pretty common in business this day's most business-like Cleaning, Security, Catering, Delivery, Recruitment, Administration or in the IT business getting external expertise for example to manage service, implement system or install an infrastructure is mostly outsourced.

Outsourcing has become a strategic approach in our current competitive business environment. Companies involved in the practice need to stick to their core competencies and go for strategic outsourcing to reduce cost and become more effective in their customer service. A company's business success could be determined on how well it manages its outsourcing relationship. In general, organizations outsource to achieve cost reductions and/or to be able to focus on their core business. They also resort to outsourcing as a way to achieve more efficient, effective and competent functions in their processes (Betelhem, 2017).

### **Background of the organizations**

Among the major organizations in Ethiopia that implement outsourcing. In this study the researcher selected Ministry of finance, Dashen bank and Techno brain group. Ministry of finance is a government owned organization with the responsibility of formulating development policies, planning and budgeting for development, mobilizing and administering external capital, and putting in place a new, reliable, effective, and accountable public finance and property administration and control system. The organization outsource Information technology systems like system development and implementation, training on system .data

center installation and movable and immovable facility management services on and off for the past eight years.

Dashen bank is a privately owned organization with the business purpose of rendering commercial banking activities at national and international level. For over 10 years the organization outsource its non-core activities to a third party. These activities are information technology activities like maintenances, support, and software development. Facility management activities like security and cleaning.

Techno brain group is another organization that implement outsourcing strategy. It's a privately owned international organization established in 1997. The organization provide technology to governmental organizations, ministry offices and private sectors. Techno brain Ethiopia outsources few Information technology activities like data center installations. Human resource activities like recruitment, payroll and performance management...etc. Facility management activities like security, delivery, cleaning, catering and driving services for the past 5 years.

## **1.2. Statement of the problem**

Outsourcing is one of the most prevalent trends in today's world business environment even though it is a new practice in Ethiopia. Outsourcing represents a commercial relationship between two separate entities which may have different norms in terms of speed, style, decision making and organizational structure.

Outsourcing should ideally reduce on the pressure of hiring and maintaining high-skilled human resource, to address the underperformance of employees, to deal with high staff turnovers, the lack of innovation among the employees and for the institution to concentrate on its core competences as well as a means to reduce costs among other reasons and should be great value to organizations such as achieving best practice and improving the quality of the service as well as help senior managers focusing more clearly on the core competences of the organization.

In line with the above established merits of outsourcing, several organizations have ventured into outsourcing. However, despite the outsourcing they have been carrying out over the years, some organizations still suffer in terms of their goal achievement; some have experienced low productivity both in terms of quality and quantity, their profitability has not been stable, and their capacities are grossly underutilized.

Based on research findings over the years also, researchers have theorized reasons and areas of outsourcing and its strategies. For instance, (Prahalad & Hamel, 1990) advocated the theory of core competencies which insists on outsourcing of non-core areas as a best practice in utilizing of resources; yet, organizations are seen outsourcing even their primary operations which is seen as their area of competence. Also, some look at the cost of operation thereby outsourcing to minimize cost ( Busi & McIvor, 2008)yet some organizations give out some operations that they can carry out in a cheaper way.

Despite the ideal expectations, it appears that outsourcing still faces operational challenges. This is probably due to factors like: poor management of outsourcing contracts and resorting to outsourcing without a critical analysis of the same (Dominic, 2014) . Further, the author argues that organizations resort to outsourcing mainly because it is the common trend without assessing the cost benefit analysis that private and government institutions seem to blindly embrace the practice of outsourcing without a critical analysis of the same simply because it is working elsewhere.

According to (Quinn, 2000), come up with the statement saying that by allowing outside services provider to perform some of their functions, organizations may increase their organizational performance by focusing more attentively on the things they do best or core activities. However, (Bettis et al as cited in (Kayumba, 2019) argue that outsourcing may reduce organizational innovation, may switch knowledge to the outside service provider, and may reduce control over organization's functions or activities. By doing so, outsourcing may destroy long-run competitive advantage. Also, studies carried out by (Deloitte, 2014)revealed that most of large organizations that had outsourced failed to attain the expected cost saving. The author continued by saying that even though outsourcing boost improved quality and minimize costs, it led to the loss of jobs and talented in-house workers.

Organizations in Ethiopia have shared the above reasons to outsource parts of functions in their operation. In many cases, the aim is to outsource non-core activities in order to gain competitive advantages by transferring such functions to specialist companies with the required capabilities and the necessary experience thereby allowing time and space for the company to plan in the long term.

Research on outsourcing in Ethiopia has been done focusing on specific types of outsourcing functions and its effect on the performance of the organization. To the best of the researcher's knowledge, to date, there is no formal study that has examined the effects of outsourcing on

the performance of organization by focusing on the three outsourced function together (Facility management outsourcing. Human resource outsourcing and information technology outsourcing) that are commonly outsourced in Ethiopia. The selected organizations (Ministry of Finance, Techno Brain Group and Dashen Bank) have considered outsourcing one or more of their non-core functions (Facility management outsourcing. Human resource outsourcing and information technology outsourcing) as strategic option to reduce burdens thereby resulting in improved performance.

### **1.3. Objective**

#### **General objective**

The study's overarching objective is to analyze the effects of outsourcing on organizational performance. (Techno Brain Group, Ministry of Finance and Dashen Bank) in Ethiopia. These organizations implemented outsourcing to one or more of their business processes.

#### **Specific objective**

The specific objective of the study is

1. To identify the kind of outsourcing implemented by the selected organizations
2. To identify how outsourcing Information Technology functions affects performance of the selected organizations?
3. To identify how outsourcing of Human resource functions affects performance of the selected organizations
4. To identify how outsourcing of facility management functions affects performance of the selected organizations

### **1.4. Research Question**

1. Which outsourcing function is implemented by the selected organizations?
2. How Information Technology functions affects performance of the selected organizations?
3. How outsourcing of Human resource functions affects performance of the selected organizations
4. How outsourcing of facility management outsourcing affects performance of the selected organizations

### **1.5. Scope of the study**

The researcher focused only on three organizations in Addis Ababa Ethiopia one from government sector and two from private sector. The organizations are selected on the basis of availability of data and nearness to the researcher considering time restraints and accessibility.

### **1.6 Limitation of the study**

The study focuses on aspects of outsourcing such as Information technology outsourcing, Human Resource outsourcing and Facility management outsourcing. The study also considers organization performance which will be measured by efficiency and effectiveness.

### **1.7 Significance of the study**

The study will be relevant to organizations and managements when making strategic decisions regarding improving the performance of their organizations to consider outsourcing activities and process.

The result obtained from the study could also be helpful in recognizing outsourcing activity which most affect organizational performance.

It will also be an input for further related researches who are interested in studying effects of outsourcing on organizational performance in Ethiopian

#### **Definition of Key Terms**

**Outsourcing:** Outsourcing is a strategy in which products, services, resources and business process are acquired from an external service provider

**Organizational Performance:** actual output or results of an organization as evaluated or measured in comparison with its planned output or goals and objectives.

**Efficiency:** Ability to achieve with less time and effort.

**Effectiveness:** The capability of producing a desired result.

## **1.8 Organization of the Study**

The study will be organized in five chapters. Chapter one contains Background of the study back ground of the organization, statement of the problem, the scope of the study, and objective of the study, the research question, the significance of the study and the limitation of the study are included. Chapter two is literature review to review existing and current related studies of the subject. Chapter three is the Methodology in this chapter methodology used for the study that is mode of data collection and analysis procedure, population size, sample size, sampling techniques, research instruments, sources and types of data will be discussed. In Chapter Four which is findings and results in this chapter Discussion on the findings and results of the data analyzed will be included. The last one is Chapter five Conclusion and recommendation in this chapter Conclusion and recommendation based on the result of the study is discussed.

## Chapter Two

### Literature review

#### Introduction

This section discusses the researcher's review of literature on outsourcing and organizational performance. It will concentrate on existing theories in the field of outsourcing, and also a conceptual review of outsourcing, organizational performance and research gaps from the related empirical literature review.

#### Theoretical Framework

#### Out sourcing Theories

##### *Transaction cost of economy*

This theory holds an assumption that business outsourcing is implemented in order to lower the transaction costs. The approach seeks to identify the environmental factors that together with a set of related human factors explain how companies can organize transactions to reduce the costs associated with these transactions (Agburu et al,2017).

According to Williamson (as cited in (Bamanyisa, 2018) Transaction costs include the costs of looking for the right provider/associate /client, introducing a potentially "counterfeit" agreement, and the expense of regulating and executing the contract enforcement. As per (Vaxevanou & Konstantopoulos, 2014), Transaction cost of economy theory is the most practiced theory by organizations. According to the author its assumed that the theory assists them in making the right decision, it helps them in selecting activities that should be outsourced, in getting ready for themselves for changes arising from outsourcing and in analyzing and selecting of outsourcing contract which is most times complex.

This theory asserts that, an organization may outsource even when it has the with or by means of which to execute the activity itself if and only if the sum cost carrying out the activity by an outside vendor including contract processing cost is lower than the cost of carrying out the activity in house. This theory is quite relevant in explaining the outsourcing of primary activities which are seen as being part of the organizations primary (core) operation as captured in their mission statement. The Transaction cost economics theory was relevant to this study because it had been the most utilized theory of outsourcing. It was

perceived to provide the best decision-making tools to help organizations decide to outsource and prepare themselves for forthcoming outsourcing arrangements.

### *Resource Based Theory*

The resource-based view which views the firm as a bundle of assets and resources that if employed in distinctive ways can create competitive advantage. A major concern of this theory is how an organization's capabilities develop and affect its competitive position and performance. According to (Betelhem, 2017) ,proponents of the resource-based view argue that heterogeneity in an organization's knowledge-based resources and capabilities explain differences in performance and the sustainability of a competitive advantage. Therefore, the outsourcing decision is influenced by the ability of an organization to invest in developing a capability and sustaining a superior performance position in the capability relative to competitors. Processes in which the organization lacks the necessary resources or capabilities internally can be outsourced. Organizations can access complementary capabilities from external providers where they can gain no advantage from performing such processes internally.

Perunovic and Pedersen (as cited in (Betelhem, 2017)) described the resource-based view as the type of outsourcing that is built on the idea that an entity that does not have valuable and organized resources and capabilities would need an external provider that can assist the focal organization in overcoming its weaknesses.

This theory states that resources acquired from market through outsourcing might not be strategic as they can easily be implemented by competing firms (Zack & Singh, 2010). Grant (as cited in Zack & Singh, 2010) stated that "To fully exploit a firm's existing unique resources, the external acquisition of complementary resources may be necessary". Further, (Vaxevanou & Konstantopoulos, 2014) states that in resource based theory resources and capabilities of a firm must be mixed ignored to gain a competitive advantage .According to the Authors the theory is mainly helpful in the initial stage of selecting the right service provider and in selecting which resource to outsource and which resource to create internally.

### *Core competency Theory*

The main idea of this theory is enhancing the core competence of the company in order to develop sustainable competitive advantage, which outsourcing is positioned to achieve (Jae, et al. 2006). The resource-based view suggests that, valuable firm resources are usually scarce, imperfectly imitable, and lacking in direct substitutes. It is about producing the most value from one's existing capabilities and resources by combining these with others' sources of advantage and, in this, ensuring complementarities is paramount. A core competency can take various forms, including technical or subject matter know-how, a reliable process and or close relationships with customers and suppliers (Jae, et al. 2006). It may also include product development or culture, such as employee dedication, best human resource management, good market coverage etc. Core competencies are particular strengths relative to other organizations in the industry which provide the fundamental basis for the provision of added value

As per (Vaxevanou & Konstantopoulos, 2014) the main factor that determines the success of an agreement is exploring the supplier core competency. As the Authors said this theory is a continuation of resource-based theory. Core Competencies is integration of different technologies as well as management of task, delivering value and commitment to work with in the organization's horizon (Prahalad & Hamel, 1990). The Authors states that "core competence does not decrease with utilization. Unlike physical resources, which break down extra minutes and competence are upgraded as they are connected and shared".

The core competences theory is relevant to this study because it is one of the most powerful frameworks to explain why companies turn to outsourcing and it also proved that organizations decided to outsource functions so they can be able to concentrate on their core competencies for improved service delivery

## Organizational Performance

Organizational Performance as defined by (Bamanyisa,2018) is "the completion of a set of an organization's operations or programs as measured against their previously planned results, targets, and desired outcomes."On the other hand, (Masawanga, 2015) states that in an organization performance is esteemed to be the satisfaction of a commitment, in a way that delivers the executant from all liabilities under the agreement. On further note the author explain that performance can be implied as the achievement of a given task estimated against preset known principles of precision, culmination, cost, and speed.

Trade (cited in Kayumba, 2019) explains that in general evaluation of performance can be grouped into five major categories. The primary group is effectiveness: A procedure illustrating the extent in which result of the process is consolidated to the prerequisite. The secondary group is efficiency: An evaluation indicating out the extent to which the procedure accomplishes the imposed result at minimal operational expense. Quality is the third group: The degree to which an output or function meets client prerequisite and demand. Timeliness is the fourth group: evaluation of whether or not a single task was accomplished precisely and according to schedule. standard must be decided to depict what is included in swiftness for a bunch of work. Overall, the standard is on the basis of client requirement. The last group is Productivity. It includes the amount added by a system evaluated over the manpower and capital expenses associated.

Seven aspects such as effectiveness, efficiency, quality, innovation, cost and productivity is also used to measure organizational performance by ( Tangen , 2004).Further (Kamanga & Ismail, 2016) also states that the performance of an organization is evaluated by considering the level of productivity of its vital, financial outcome and other innovational advantages of externalizing agreements and firms overall performance can be taken as a measurement for the success of outsourcing

In this paper the researcher makes an effort to measure the performance of an organization with regard to efficiency, operating expenses, output of the employee, capability to provide a result within a specified time interval and with creativity. On the other hand, Effectiveness was measured by the amount of attention on the major functions of organizations, boost a standardized product and exposure to non-used innovation or exterior expertise.

## Reason for Outsourcing

In order to increase their core competitive positions in global market organizations look for options to cut costs and deliver quality service or products by relying on outside service providers for activities that are complimentary to their core activities (Li et al., 2006 as cited in Khak & Rashidi, 2012).

Sriwongwana( 2009) explains that Outsourcing help organization reach their goal by minimizing cost and focusing on their core competence. He stated that organizations look for options to lower their asset cost therefor outsourcing is seen as cost saving strategy.

Further (Betelhem, 2017) also, explains the predominant reason given for engaging in outsourcing is the cost savings, which are realized in several ways. First, cost savings can come from the simple move from fixed to variable cost models. In the fixed cost model, you own all the resources and have to pay for their acquisition, upkeep and maintenance. These costs are fixed and occur no matter if you use the resource or not. Second, cost savings can come from the company doing the outsourced work. Third, other cost savings could result from beneficial tax treaties and other foreign-trade agreements, wherein governments may encourage multinational and international corporations to open up businesses in the developing countries by giving tax concessions and other setup benefits.

The other reason for outsourcing is focusing on their core competence because organizations see no value in developing activities other than their core functions. A company has very small number of functions that are keys to survival. To give more attention to this core functions company distribute non-core functions among a group of suppliers who are capable of performing them well enough that company management will not have bother any of the details associated running them (Betelhem, 2017). Outsourcing of some non-core functions provides organizations with the flexibility to redirect and focus their resources on activities critical to their mission. When organization concentrates on carrying out its priorities, it can use its financial, human and management resources more effectively and efficiently (Choi, 2008). Outsourcing not only involves the transfer of work, but also the transfer of decision rights (Betelhem, 2017) . By transferring decision rights, the organization is reducing its need to focus high levels of resources on the effort of decision making. The vendor takes on the responsibility for decision making and is held accountable for the decision outcomes about achieving project goals. Transferring decision rights and accountability allows the client to pay more attention to its core competencies. Without engaging in outsourcing, the

organization will perhaps not focus on areas in which it should invest manager attention and efforts.

Another reason to outsourcing is the need to quickly access to new technologies, quality service and products and to gain access to specialized experts that meet the required standards that is too complex for the organization to engage on ( Belcourt, 2006) . According to (Abebe , 2015), Organization may face with a shortage of skilled and experienced staff brought about by the change in the business operation setting, retirements, resignations, or recruitment problems. Existing staff may not always have the necessary skills to keep pace with rapidly evolving change and technology. When an organization is contemplating providing new services, outsourcing can ease the process of building the skills and resources required to respond to these new initiatives. In some cases, outsourcing to an external service provider may be the only practical way to access the skills necessary to properly deliver services. On top of this organizations also benefit from having their staff work with the service provider's specialists (Choi, 2008).

### **Advantage and Disadvantage of Outsourcing**

As a strategic decisions outsourcing has got its own benefit and risks. In his study (Tayauova, 2012) states that Outsourcing can help organizations in focusing on their core functions, cost saving, getting access to experts, in improving performance and flexibility. As per his study by outsourcing its non-core activities organization can focus on its core functions and achieve a great competitive advantage. The Author explains that Outsourcing can reduce cost in that it minimizes unjustified cost of resources that is either human or material resources that are need for certain period of time only. According to him, Companies that outsource can get exposure to greatly experienced professionals that might not be within easy reach to the costumers firm and utilize the providers' financing , transformation, and expertise potential .

Tayauova(2012) states outsourcing can enhance organizational performance due to economics of scale. According to his study, large scale can give an assortment of capacities and openings which will assist with sparing the best accessible specialist, who might not have any desire to work in a less animating customer condition. Furthermore, with specialist co-ops the degree of operational experience is relied upon to be higher, on account of the more prominent grouping of staff on undertakings when contrasted with inside activity. The Auhtor Additionaliy Mentions that outsourcing offers Flexiablity to the changing business environment.

There are associated risks and disadvantage that might occur due to outsourcing. The first disadvantage is hidden-cost and reallocation of existing team from organizations with outsourcing experience show that outsourcing isn't as savvy and issue free as it may seem ( Belcourt, 2006). In outsourcing employees are moved to the outsourcing firm, moved inside to different capacities, outplaced, and additionally offered willful retirements. In spite of every one of these choices, redundancies and cutbacks of staff do happen ( Belcourt, 2006).

The second disadvantage with outsourcing is quality of service according to (Tayauova, 2012) .The author explains that the motivation to outsourcing is the requirement for standardized results or outputs from a vendor with in the internal work force. As a result, vendors must be selected in a particular mode to assure that there is no negative influence on the organization's overall functions and performance. If not, organizations may fail to keep its unique values that its known for.

Third disadvantage is confidentiality and security. As per ( Belcourt, 2006) the vendors might be potential competitors if companies don't put key strategic terms in the agreement that limit the replication of certain upper hands, for example, propriety technology or spreading the outsourcing among numerous vendors. Another disadvantage according to (Tayauova, 2012)is reduced flexibility. The Author mentions that Organization will sign a deal with the vendor outlining the specifics of the management services that they will provide. Anything that wasn't contained in the contract will result in the company having to pay additional fees.

### **Information Technology outsourcing and organizational performance**

IT Outsourcing is the contracting of various information systems functions such as managing of data centers, operations, hardware support, software maintenance, network, and even application development to outside service provider (Kichane et al , 2003). In other words, the service provider or vendor will be responsible for the effective operations of the IT portfolio outsourced to them. Similarly, (Kern & Willcocks, 1999) defined it as “a decision taken by a corporation to contract out or sell the organization's ICT resources, personnel's, and/or functions to outside supplier, who in return yield and run resources, activities and for financial outcome with in the negotiated or scheduled time frame.” Further (Loh & Venkatraman, 1992) defines IT outsourcing because the notable benefaction by outside sellers with in the materialistic or manpower related to the entire or particular components of the computer technology ground work in the client firm. the foremost commonly Outsourced It services by organizations are information Processing, connecting many small

parts of a system of an organization into one, defining the overall structure of the system of an organization, strategizing, telecom infrastructure and building of a system (Kern & Willcocks, 1999).

### **Human Resource Outsourcing and organizational performance**

Human Resource Outsourcing consistent with (Tremblay et al, 2008) is “the contracting out of part or whole HR activities to an outdoor supplier, to internal procurement whereas the activity is performed by the employees of the organization”. Human resource outsourcing is related to important organizational outcomes as per (Bogner and Bansa, cited in Alzhrani 2020). Also, Kuo (cited in Alzhrani, 2020) supported that outsourcing brings about increased effectiveness and efficiency in business processes through aggregate use of employees’ insights and experiences for better visioning of routine business practices. Organizations increase their profitability and effectiveness through their human resources so they make sure to assign the right people to the right position (Alzhrani, 2020). Human Resource Outsourcing market is growing very rapidly. Experts believe that in present times HRO is undergoing a transition phase (Kodwani, 2007). It is moving out from the realm of bigger companies to small and mid-sized organizations. There has also been a transition in its user acceptance, where it is moving from a corporate domain Government sector. All this reflects on the growth of this sector.

In Ethiopia the common Human resource function that are outsourced are payroll which is the most transactional, routine activity involving HR and is the most frequently outsourced HRM activity, employee benefits administration, recruitment which is the process of distinguishing, screening, shortlisting and contracting of the potential human assets for the reason of filling up the positions inside the organizations, training and development, compensation and salary service, organizational design and development.

As per (Mersea , 2007) outsourcing the different function of human resource give organizations various advantage. Some of the advantages of HRO are avoiding large losses with regard to insurance, avoids the significant fixed cost associated with having an in-house staff that evaluates medical claims and pay doctors, with regard to outsourcing recruitment activity there is no payment for the recruiting suppliers until the companies get the right candidate. In contrast, an in-house recruiter is a fixed cost who will be paid even if this person cannot find any prospective employees. The supplier has a strong incentive to find

good candidates, since otherwise they will not be paid. Alternatively, an in-house recruiter has no incentive.

### **Facility Management Outsourcing and organizational performance**

Facility Management covers all non-core activities of an organization. These perhaps will incorporate housekeeping, kitchen administrations, security and building arrangement, or interior design and cultivating administrations. (Kurdia et.al,2011).In his paper (Nakanjako, 2015) groups facility management in to two parts transportable and non-transportable. Non-transportable utility administration involves outsourcing tasks such as act as gatekeeper's renovation of office construction, janitor services, and office redevelopment, among many others, and transportable utility management involves outsourcing services such as monitoring or keeping a firm's portable facilities such as car fleet. Facility management outsourcing is a viable option to any organization because it takes away attention from dealing with other aspects of the business that have nothing to do with the core business functions of a company. Studies have been conducted analyze the effect of facility management outsourcing on the performance of an organization in which most of the studies have found evidence of expenditure reductions, and some have demonstrated that expenditure has increased or that the magnitude of savings has been overstated (Nakanjako, 2015). Outsourcing facility management services was also found to have saved time, allowing employee productivity. According to (Kumar et al ,2010) observed that employee productivity usually involved the amount of time taken to deliver output when outsourcing vs using in-house resources as well as greater control over the amount of time the organizations would have used to employ or recruit workers and actual or perceived risks of recruiting and laying off some staff were transferred to either the labor hire agency or the worker.

### **2.3. Empirical Framework**

In this part of the literature the researcher discusses different studies on the relation between outsourcing and organizational performance.

A research conducted by (Nakanjako, 2015) in national planning authority of Uganda shows that there is a positive relationship between IT outsourcing and Human resource outsourcing with organizational performance .However the study did not found established relationship between Facility management outsourcing and institutional performance .As per the study , outsourcing Information Technology functions and Human resource functions were most

likely to enhance performance at National planning authority unlike facility management services outsourcing.

As per the study of (Agoti, 2014) on Humanitarian organizations Information technology outsourcing has a crucial impact on the organization's performance. According to the author implementation of ICT outsourcing by the organizations has improved their performance.

The result from a research on hotel industries that outsourced their human resource activities also states "There are Strong theoretical rationales for expecting higher quality training from the expert training staffs of specialized vendors to supply increased innovation, improved employee morale, and better relationships with customers and suppliers. Thus, practitioners should believe that such performance relationships exist and will be more likely to justify their investments in outsourced training and payroll activities" (Ko, 2019).

A research conducted by (Betlehem, 2017) on commercial bank of Ethiopia suggests that outsourcing facility management service assisted the bank in focusing on its main and strategic functions, saving management time and ease expanding of its branches. In accordance with ( Vetráková, Hitka, & Potkány, 2013) ,Facility management is recent because it provides a reduction in operating costs enable performance enhancement of employees and thus contributes to increase the profitability of the enterprise. The most common forms of application of facility management in the enterprise is a partial or complete outsourcing. On the other hand on his study of the outsourcing of the cleaning service at Addis Ababa university (Arega, 2018) found that outsourcing negatively affected AAUs main performance indicators like cost reduction ,improvement aesthetic value of facility and increased customer satisfaction and the results has indicated that the employees have perceived that AAU hasn't benefited as expected from outsourcing of cleaning service which is one of the facility management service outsourced by the organization.

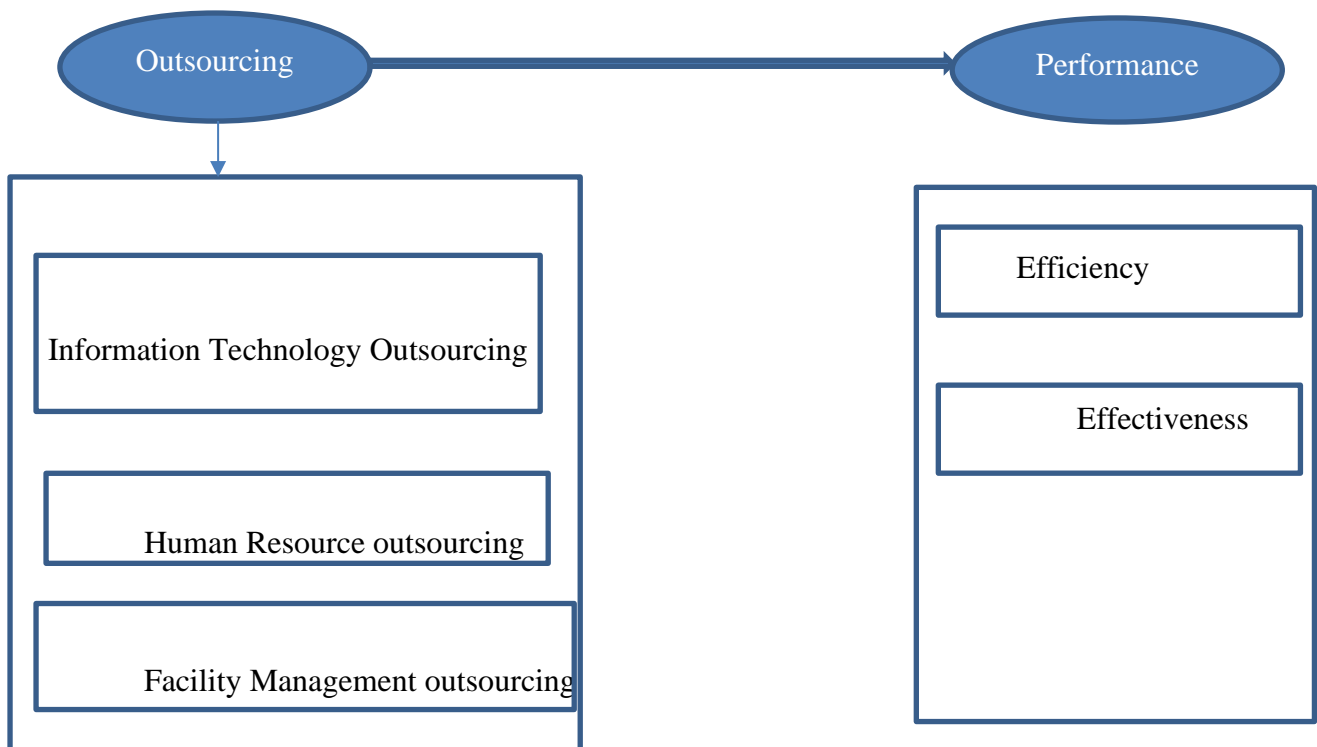
A study conducted by ( Khak & Rashidi, 2012) shows that outsourcing in general has a positive effect on organizational performance. further the result of the study shows that outsourcing activities lead to reduced cost, improved quality, increased in flexibility, financial and non-financial performances and services.

A study on organizations in Rwanda shows that there is a relationship between outsourcing activities and cost efficiency as well as the influence of outsourcing on productivity of organizations (Kayumba, 2019).

## 2.4 Conceptual Framework

In this research the researcher investigates the relationship between the dependent and independent variable. The regressor variable is outsourcing and the predicted variable is performance of the organizations (Ministry of Finance, Techno Brain Group and Dashen Bank) measured by efficiency and effectiveness.

The figure below shows the proposed conceptual framework adopted and modified from literatures



### **Research Gap**

There are a number of studies conducted on the effects of outsourcing on organizations making it one of the most studied topics. Even with all the research, countless management texts, Outsourcing strategy is a significant source of worry for managers, according to applicable publications and academic journals (Kiptum, 2014) .In this regard, this study makes an effort to establish the effect of outsourcing on the performance of selected organizations of Ethiopia.

Research on outsourcing in Ethiopia has been done focusing on specific types of outsourcing functions and its effect on the performance of the organization. To the best of the researcher's knowledge, to date, there is no formal study that has examined the effects of outsourcing on the performance of organization by focusing on the three outsourced function together (Facility management outsourcing. Human resource outsourcing and information technology outsourcing) that are commonly outsourced in Ethiopia. The selected organizations (Ministry of Finance, Techno Brain Group and Dashen Bank) have considered outsourcing one or more of their non-core functions (Facility management outsourcing. Human resource outsourcing and information technology outsourcing) as strategic option to reduce burdens thereby resulting in improved performance.

## Chapter Three

### Research Methodology

#### 3.1 Introduction

This chapter contains the research design; sources of data the target population sampling technique and method of data analysis. Both primary and secondary sources were employed to achieve the objective. Classical regression model assumptions diagnostic tests were carried out and finally regression was used to explain the variables of the study.

#### 3.2 Research Design

This study applies descriptive research that is aimed at describing the extent to which outsourced activities within the organization affect the performance of the organization. Descriptive research is selected as the nature of the study requires exploring the research problem and describing the state of the issue as it exists at present (Kothari 2004). The main characteristic of descriptive research is that the researcher has no control over the variables; it requires report what has happened or what is happening.

The study applies a survey using a structured questionnaire for it easily allowed the researcher to collect quantitative data in a highly economical way and Primary data is collected from Directors and managers using an interview. The qualitative data is analyzed using descriptive, correlational, and regression analysis. annual reports and other related literature are used as secondary data to guide the theoretical foundation of the study.

Therefor the Research design in this study is Descriptive and inferential study that analyzes the relationship and effect of outsourcing practice on performance of selected organizations (Ministry of finance, Techno brain group and Dashen Bank. Data will be collected using an interview and questionnaires from managers and employees respectively.

#### 3.3 Population

The population is the entire set of cases from which researcher sample is drawn of the study is managers of the outsourcing organization, employees of the outsourcer Managers and administration staff. The target population of the study in this research is the population that is assumed to have direct or indirect participation in implementation and utilization of outsourcing strategy. From Ministry of finance the researcher selected the project office and procurement and inventory directorate. From Dashen bank main office Procurement and

Supply chain management directorate and Human resource directorate. From Techno brain group project management office and main office. Over all the researcher took population of study 250 employees.

### 3.4 Sampling

The researcher used purposive or judgmental sampling technique and simple random sampling technique. The motivation behind using purposive sampling is to find out whether outsourcing met the goal set by the managers initially and not all the employees of the organization have the experience or knowledge on the outsourced activities and some of them will not practice outsourcing at all. Since, one of the basic advantages of purposive sampling technique is that it enables the researcher to neglect the non-significant representatives of the population.

Employees of the outsourcing organizations are selected by simple random sampling. Their respective managers are selected by purposive sampling technique. The sample size was determined by using calculator.net sample size calculator with 95% confidence level and 5% margin of error the sample size is then 152.

$$n = \frac{N}{1 + (N * e^2)}$$

Where; N= population size

N= 250

e= Tolerance at desired level of confidence, take 0.05 at 95 confidence level

n= sample size.

How the formula is used is shown below

$$n = \frac{250}{1 + (250 * 0.05 * 0.05)} = \mathbf{152}$$

### **3.5 Data source and Type**

The researcher used both primary and secondary data source. Primary data source is data directly collected by the researcher. Its original and reliable data source. In this study Questionnaire is distributed for employees and Managers of the organizations. The questionnaire is prepared in English since the target populations are professionals and can easily understand the subject of the study.

The researcher also collected data from secondary data source. Secondary data source is data source collected by someone else. For example, Publications like books and internet. In this study the researcher gathers data from website of the organizations and previous related works on outsourcing and organizational performance.

The questionnaire used to collect data is shown as Appendix A. Another data collection conducted through interview; the questions used for interview is attached as Appendix B

### **3.6 Data Collection Procedures**

In this study descriptive method is involved in summarizing, describing and analyzing quantitative information in meaningful ways to analyze outsourcing and organizational performance in selected organization in Ethiopia. With this regard questionnaire and interview is used as a data collection tool. The surveyed were given the survey questions and given a two-week period to complete it.

In order to increase the comeback rate, the questionnaire is issued to the servayee in time that is suitable for them and close follow up is applied so as to induce a reliable result. To effectively perform interviews, the analyzer schedules meeting with the interviewees.

### **3.7 Data Analysis**

The researcher used both qualitative and quantitative Method to analyze the data collected. Qualitative data is obtained from the documentation and interview and the quantitative data is obtained from statistical results of the distributed questionnaires and conducted interview.

The Researcher using statistical software tool called statistical package for social sciences (SPSS20) for correlational analysis which looks for the existence of a relationship between the study variables outsourcing and organizational performance and Regression analysis to look for the numerical impact of each explanatory variables (Outsourcing) to the regressand variable (organizational performance).

### 3.9 Reliability

Reliability measures how consistently an instrument measures a characteristic. There are different Reliability measurement tools but for this study Cronbach's Alpha is used which is mostly used instrument in reliability analysis. The Cronbach's  $\alpha$  result is a number between 0 and 1. An acceptable reliability score is one that is 0.7 and higher.

**Table 3.1: Reliability Test**

Outsourcing activity	Cronbach's Alpha	No of items
IT outsourcing	0.876	5
HR outsourcing	0.908	5
Facility outsourcing	0.729	4

### 3.10 Validity

Validity of the questionnaire in this study is established by conducting both face validity, content validity and construct validity. The questionnaire is checked by the researcher to ensure clarity and to avoid confusing questions. It is also checked by the respondents during the pilot study. Content and construct validity of the questionnaire is checked through opinions of experts in the field of study especially the researcher's supervisor to ensure that the questionnaire has captured all aspects of the topics under investigation. Each question or item on the questionnaire is checked and found logically linked with objectives. The coverages of issues are adequate and balanced.

### 3.11 Assumption

It is assumed that each respondent will be volunteered to answer the questionnaire and conduct interview, beside they will answer the survey questions truthfully and honestly. Furthermore, we will assume that the sample population of 152 accurately represents study area population.

### **3.12 Ethical consideration**

To maintain the broadly agreed norms of ethical research the following issues are carefully considered.

- Approval from top management of the organization has to be obtained
- Clearly communicate the approach of the research
- Participation in the research is totally voluntary
- All information obtained in the process of the research will be maintained confidentially
- The data will be used solely for the purpose of the research.

## Chapter Four

### DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

This chapter summarizes the findings and outcomes of the Survey and the interview that was carried. The study reviewed the effect of outsourcing on organizational performance and obtained responses to the research questions using various analytical methods. sample size for the study was 152, and of the 152-questionnaire administered, 117 have been given back, 10 have been turned down leading to inadequate data, and 35 have not been returned. The response rate was considered Adequate for the analysis of the study.

#### 4.1. Descriptive Analysis

##### 4.1.1. Personal Background of Respondent

##### 4.1.1.1. Level of Employment

The respondents were asked to state their position in their organization and the result is shown in the table below. From the figure majority of the respondents are Functional consultants (14%) followed by Technical consultant respondents (13.1%), Lead Trainers (9.3%), Assistant Trainer (7.5%), Procurement officers (7.5%), Technical consultants (7.5%), Human resource officers (5.6%), Officers (4.7%), Training coordinator (2.8%), Assistant coordinator (2.8%), change management (2.8%), Team lead (2.8%), Techno functional consultant (1.9%), Database Administrator (1.9%), Finance expert (0.9%), Network team lead (0.9%), Network Administrator (0.9%) and Office administrator (0.9%).

**Table 4.1: Level of Employment**

**Level of Employment**

	Frequency	Percent	Valid Percent	Cumulative Percent
	15	14.0	14.0	14.0
Assistant coordinator	3	2.8	2.8	16.8
Assistant trainer	8	7.5	7.5	24.3
Change management	3	2.8	2.8	27.1
Database Administrator	2	1.9	1.9	29.0
Finance expert	1	.9	.9	29.9
Functional consultant	15	14.0	14.0	43.9
HR officer	6	5.6	5.6	49.5
It technician	5	4.7	4.7	54.2
Lead trainer	10	9.3	9.3	63.6
Network admin	1	.9	.9	64.5
Network team lead	1	.9	.9	65.4
Office Administrator	1	.9	.9	66.4
Officer	5	4.7	4.7	71.0
Procurment officer	8	7.5	7.5	78.5
Project coordinator	1	.9	.9	79.4
Team lead	3	2.8	2.8	82.2
Technical consultant	14	13.1	13.1	95.3
Techno functional	2	1.9	1.9	97.2
Training coordinator	3	2.8	2.8	100.0
Total	107	100.0	100.0	

#### 4..2. Period of Employment

It was crucial to consider how long the participants was in their roles at their Firm. This would be to guide the research in determining their direct experience and accuracy with the organizational structures.

In the table below shows that 69.2% of the respondents held their position at their organization for more than four years and the rest 30.8% worked for less than four years. This indicate that majority of the respondents are familiar for Outsourcing strategy implemented in their organization.

**Table 4.2 : Period of Employment**

##### Period of Employment

	Frequency	Percent	Valid Percent	Cumulative Percent
less than four years	33	30.8	30.8	30.8
greater than four years	74	69.2	69.2	100.0
Total	107	100.0	100.0	

#### 4.1.3. Participation in Outsourcing Activities

This is important to make sure that the respondents got the experience and knowledge on outsourcing activities in their organization.

The study finding in the table below shows that majority of the respondents (96.3%) had participated in outsourcing activities and the rest 3.7% of the respondents had not participated in outsourcing activities

**Table 4.1.3: Participation In Outsourcing Activities**  
**Participation In Outsourcing Activities**

	Frequency	Percent	Valid Percent	Cumulative Percent
yes	103	96.3	96.3	96.3
Valid No	4	3.7	3.7	100.0
Total	107	100.0	100.0	

**4.1.4. Outsourced activities**

For this research outsourcing focused on three main functions of outsourcing such as outsourcing of Information systems, outsourcing human capital, and outsourcing facility management are all examples of outsourcing. With the intent of knowing the extent to which these activities are outsourced with in the selected organizations.

**Descriptive findings on outsourced activities**

Statements of different type were provided to the respondents to find out the degree to which outsourcing in the selected organizations is implemented.

To achieve the best outcomes to every independent statement, a Likert - type scale has been used as follows: (1 = Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5 = Strongly Agree) Table 4.4 summarizes the results

**Table 4.4: Outsourced Functions**

**Descriptive Statistics**

Statement	Mean	Std. Deviation	N
The organization outsources data processing services.	3.04	1.544	107
Programming is a common outsourced service within the organization.	3.16	1.466	107
The company outsources system integration services.	3.17	1.454	107
The organization staffs projects with outsourced human resource.	3.12	1.501	107
The organization outsources welfare services to improve the wellbeing of the staff	2.42	1.441	107
The organization outsources services to maintain its facilities both movable and immovable	3.21	1.433	107
The Organization heavily relies on outsourcing facility management services	3.61	1.617	107

**From Table 4.4** The organization outsources data processing services. Had a mean score of 3.04 with standard deviation (SD) of 1.544. Programming is a common outsourced service within the organization with mean score of 3.16 and a standard deviation (SD) of 1.466. The company outsources system integration services. Has got a mean score of 3.17 with a standard deviation of 1.454. The organization staff's projects with outsourced human resource. a mean of 3.12 and standard deviation (SD) of 1.501. The organization outsources welfare services to improve the wellbeing of the staff a mean of 2.42 and a standard deviation (SD)of 1.441. The organization outsources services to maintain its facilities both movable and immovable with a mean of 3.21 and standard deviation (SD) of 1.433. The Organization heavily relies on outsourcing facility management services t had a mean score of 3.61 and a standard deviation (SD) of 1.617.

#### 4.1.5. Outsourcing Effect on Organizational Performance

The objective of this study was to establish how outsourcing affected organizational performance in selected organization in Ethiopia. This was further broken down into three specific objectives to establish the extent to which outsourcing (i) IT functions, (ii) Human resource functions and; (iii) Facility management services affected institutional performance at the selected organizations (Ministry of Finance and Economic commission, Techno brain and Dashen bank Results were calculated using the SPSS to get the mean and standard deviation and the Likert scale of (1 = Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5 = Strongly Agree) was also used to determine this effect.

#### Outsourcing IT functions and Organization Performance

The study sought to establish how outsourcing Information Technology functions has affected organizational performance at the selected organizations in Ethiopia (Ministry of Finance and Economic commission, Techno brain and Dashen bank).

Results were calculated using the SPSS to get the mean and standard deviation and the Likert scale of (1 = Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5 = Strongly Agree) was also used to determine this effect.

**Table 4.5 Outsourcing IT functions**

Statement	Mean	St. Deviation	N
certain overhead costs are converted into wavering costs when IT activities are outsourced,	2.91	.853	107
Employees are motivated to strive for innovations due to outsourcing information technology	3.15	.799	107
Information technology Outsourcing assists the company to reshape its procedures in the direction of creativity.	2.99	.805	107
The outsourcing of IT functions has resulted a more systematic company setting.	3.26	.757	107

information technology outsourcing strengthens exchange of information and the company's ability to use emerging innovations.	3.22	.744	107
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**From Table 4.5** certain overhead costs are converted into wavering costs when IT activities are outsourced with a mean score of 2.91 and a Standard deviation (SD) of 0.853. Employees are motivated to strive for innovations due to outsourcing information technology also had a mean of 3.15 with Standard deviation (SD) of 0.799. Also The outsourcing of IT functions has resulted a more systematic company setting with a mean score of 3.26 and Standard deviation (SD) of 0.757, Outsourcing assists the company to reshape its procedures in the direction of creativity. with a mean of 2.99 and Standard deviation (SD) of 0.805. Outsourcing strengthens exchange of information and the company's ability to use emerging innovations. with a mean of 3.22 with Standard deviation (SD) of 0.744.

### **Outsourcing Human resource functions and Organization Performance**

The study sought to establish how outsourcing Human resource functions have affected organizational performance at the selected organizations in Ethiopia (Ministry of Finance and Economic commission, Techno brain and Dashen bank).

Results were calculated using the SPSS to get the mean and standard deviation and the Likert scale of (1 = Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5 = Strongly Agree) was also used to determine this effect.

**Table 4.6 Outsourcing Human resource functions**

<b>Statements</b>	<b>Mean</b>	<b>Std Deviation</b>	<b>N</b>
Human resource tasks outsourcing has brought more professionals to the company's labor pool.	<b>2.50</b>	<b>0.805</b>	<b>107</b>
Human resource Outsourcing results in facilitating growth.	<b>2.64</b>	<b>0.662</b>	<b>107</b>
One of the most significant reasons for outsourcing Human resource at the	<b>3.54</b>	<b>0.743</b>	<b>107</b>

organization is to improve service provision			
The organization's operational costs have been significantly reduced due to outsourcing its Human resource.	<b>3.65</b>	<b>0.646</b>	<b>107</b>
Due to Human resource outsourcing, there is a positive change in the performance of the organization.	<b>2.65</b>	<b>0.631</b>	<b>107</b>

**From table 4.6** Human resource tasks outsourcing has brought more professionals to the company's labor pool with mean score of 2.50 and a Standard deviation (SD) of 0.805. Outsourcing results in facilitating growth. With a mean score of 2.64 and Standard deviation (SD) of 0.662 as shown in table 4.6. One of the most significant reasons for outsourcing at the organization is to improve service provision and had a mean score of 3.54 with Standard deviation (SD) of 0.743. The organization's operational costs have been significantly reduced due to outsourcing. With mean score of 3.65 and standard deviation (SD) of 0.646. Due to outsourcing, there is a positive change in the performance of the organization had a mean of 2.65 with standard deviation of 0.631.

### **Outsourcing Facility management services and Organization Performance**

The study sought to establish how outsourcing Facility management services functions has affected organizational performance at the selected organizations in Ethiopia (Ministry of Finance, Techno brain and Dashen bank)

Results were calculated using the SPSS to get the mean and standard deviation and the Likert scale of (1 = Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5 = Strongly Agree) was also used to determine this effect.

Table 4.7 Outsourcing Facility management service and Organization Performance

<b>Statement</b>	<b>Mean</b>	<b>Std Deviation</b>	<b>N</b>
The organization has been able to focus on its main operations as a result of facility management services outsourcing.	3.47	0.611	107
Facility management outsourcing has resulted in	3.54	0.501	107

better resource utilization.			
Facility management service enhanced employees time management skill	2.91	0.680	107
Operation cost has been minimized due to outsourcing of facility management service in the organization	2.09	0.864	107

**From Table 4.7** The organization has been able to focus on its main operations as a result of facility management services outsourcing. had a mean score of 3.47 with a Standard Deviation (SD) of 0. 611. Outsourcing has resulted in better resource utilization. with Mean score of 3.54 and a standard deviation (SD) of 0. 501. Also the outsourcing of facility management service enhanced employees time management skill had a mean score of 2.91 and Standard deviation (SD) of 0.680. Operation cost has been reduced due to outsourcing of facility management service with a mean score of 3.09 and standard deviation of 0.864.

### Organizational Performance

As earlier noted, there are factors or determinants of performance in organization and most studies grouped them into two categories, namely efficiency and effectiveness. To ascertain the performance at the organizations, the respondents were given various statements to rate (1 = Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5 = Strongly Agree) was also used to determine this effect. The results are detailed in Table 4.8 below.

**Table 4.8 Organizational Performance**  
**Descriptive statistics**

Statement	Mean	Std. Deviation	N
for the past four years there has been a positive change in resource management.	2.45	.518	107
Reduction in expenditure has been observed for the past four years in the organization	3.00	.752	107
The time frame to deliver a service has shown a positive change in the	3.02	.727	107

organization			
Employees has shown more responsibility in satisfying client demand	3.71	.659	107
for the last four years employees has been quickly receptive to clients' needs	2.99	.707	107
Service delivery has been improved in the past four years	2.93	.490	107
Work load and return has increased in the past four years	3.33	.579	107
There has been a positive change in quality of work for the past four years	3.04	.433	107

**From table4.8** an improvement in resource management at the Organization for the past four years had a mean score of 2.45 with a standard deviation (SD) 0.518 and Reduction in expenditure has been observed for the past four years in the organization of 3.00 and a standard deviation of (SD) of 0.752. Also the time frame to deliver a service has shown a positive change in the organization with a mean score of 3.02 and standard deviation of 0.727. Employees at the Organization are always showing commitment to satisfy client needs had a mean score of 3.71 and a standard deviation of 0.659. Employees has shown more responsibility in satisfying client demand with a mean score of 2.99 and a standard deviation of 0.707. Further, Service delivery has been improved in the past four years had a score of 2.93 and a standard deviation (SD) of 0.490. Work load and return has increased in the past four years score mean of 3.33 with a standard deviation (SD) of 0.579. There has been a positive change in quality of work for the past four years with a mean 3.04 with a standard deviation (SD) 0.433.

## 4.2 Diagnostic Tests of Assumptions of Classical Linear Regression Model

Based on the response the researcher got from the research questions the data was further analyzed using multiple regression models. The results are summarized below

### Linearity

The relationship between dependent and independent variables of a multiple regression can only be described accurately if there is linearity between them ( Osborne & Waters , 2002). In social science there exists an instance of non-linear relationship between variables therefore it's important to test Linearity ( Osborne & Waters , 2002). Therefore, multiple linear regression assumes that there is a linear relationship between the dependent and independent variables. This assumption can best be tested with scatter plots.

Since we can easily depict a straight line across the dependent and independent variables. In this study linearity was observed between the independent variables and dependent variable (Performance).

### Multicollinearity Test

Linear regression assumes that there is little correlation or no correlation between the independent variables. Multicollinearity occurs when there is high correlation between the independent variables. This assumption can be tested with different statistical methods Correlation matrixes, tolerance and Variance Inflation Factor (VIF). To test the presence of such association, pair-wise correlation, variance inflation factor (VIF) value, and tolerance level have been estimated and presented in this study.

From **Table 4.9** the assumption test shows Tolerance value of all variables was above 0.1 and the VIF values for all variables became less than the tolerable value, i.e., 10 which indicates that this model is free from multicollinearity.

**Table 4.9**

**Coefficients<sup>a</sup>**

Model	Collinearity		
	Statistics		
	Tolerance	VIF	
1	Itoutsrc	.306	3.264
	Hroutsrc	.296	3.384
	Facilityoutsrc	.687	1.455

a. Dependent Variable: Performance

**Normality**

The linear regression model assumes the variables to be multivariate normal. This assumption can be tested either by Kurtosis or skewness test. There are several kinds of tests to the researcher in order to test this assumption these are visual inspection of data plots Skewness, Kurtosis, P-P plots and Kolmogorov-Smirnov tests provide inferential statistics on normality ( Osborne & Waters , 2002).In this study P-P plots is used to check for normality of the data

**Homoscedasticity**

This assumption of linear regression denotes that the variance of the error is constant. When there is a difference in the error term of each observation of the independent variable it indicates heteroscedasticity. This assumption can be tested by visual observation of a scatter plot of the standardized residuals (errors) by the regression standardized predicted value ( Osborne & Waters , 2002).In this study the scatter plot shows that there is no heteroscedasticity.

**Autocorrelation Test**

The linear regression model assumes that the residuals of the variables are independent from each other. Linear regression analysis requires that there is little or no autocorrelation in the data. The Durbin Watson test is used to check the presence of autocorrelation. Durbin Watson statistics acceptable range is between 1.5 and 2.5. If the Durbin-Watson statistic is approximately 2 it means that there is no autocorrelation. In this study the result of the Durbin-Watson statistics is within the acceptable range

### Correlation analysis

Here the researcher measures the strength of the linear relationship between the variables. The correlation coefficient  $r$  is used to indicate the strength of the measures. The correlation coefficient ( $r$ ) lies between the value  $-1$  and  $1$ . when the correlation coefficient ( $r$ ) is  $-1$  it means there is a strong negative relationship between the variables and when correlation coefficient ( $r$ ) is  $1$  it indicates a strong positive relationship among the variables. the following table is used as guide line regarding correlation analysis.

**Table 4.10 correlation coefficient and their Descriptive adjective**

Correlation coefficient( $r$ )	Descriptive adjective
$r=0$	No relation
$r=1$	Strong positive relation
$r=-1$	Strong negative relation
$0 < r < 0.3$	Weak positive relation
$-0.3 < r < 0$	Weak negative relation
$0.3 < r < 0.7$	Moderate Positive relation
$-0.7 < r < -0.3$	Moderate negative relation
$0.7 < r < 1$	Strong Positive relation
$-0.7 < r < -1$	Strong negative relation

*Source* (Ratner, 2009)

**Table 4.11 Correlation between Outsourcing and Performance**

**Correlations**

		Performance	Itoutsrc	Hroutsrc	Facilityoutsrc
Performance	Pearson Correlation	1			
	N	107			
Itoutsrc	Pearson Correlation	.491**	1		
	Sig. (2-tailed)	.000			
	N	107	107		
Hroutsrc	Pearson Correlation	.686**	.314**	1	
	Sig. (2-tailed)	.000	.015		
	N	107	107	107	
Facilityoutsrc	Pearson Correlation	.609**	.169*	.215*	1
	Sig. (2-tailed)	.008	.000	.003	
	N	107	107	107	107

\* Correlation is significant at the 0.05 level (2-tailed).

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

From the above table of correlation matrix there is a positive relationship between the dependent variable Performance and the independent variables (Facility management outsourcing, Human- resource outsourcing and Information technology outsourcing). Facility management outsourcing had a strong correlation with correlation coefficient (r) of 0.609 with statistically significant value of (P) 0.008 ( $P=0.008 < 0.05$ ), Human resource outsourcing with a strong correlation coefficient (r) of 0.686 with statistically significant value (P) of .000 ( $P=.000 < 0.05$ ) also had a Moderate positive correlation and Information technology with correlation coefficient (r) of 0.491 and statistically significant value of (P) .000 ( $P=.000 < 0.05$ ) also had a moderate positive relation with organizational performance.

**Tolerance and VIF  
Coefficients<sup>a</sup>**

**Table 4.12 Model Summary**

Model	Collinearity Statistics		
	Tolerance	VIF	
	1		
	Itoutsrc	.306	3.264
	Hroutsrc	.296	3.384
	Facilityoutsrc	.687	1.455

a. Dependent Variable: Performance

**Regression model analysis**

Regression analysis is model that is used in measuring the relationship between a dependent and independent variable. The model evaluates how the amount of change in one variable impacts the other variable.

In the model summary table below, the multiple correlation coefficients R, indicates there is a positive relationship ( $R=0.612$ ) between the dependent variable (Performance) and the independent variables, Facility management outsourcing, Information technology outsourcing and Human- resource outsources.

From the results displayed in table 4.12, it can be observed that the R square was 0.547, which implies that the independent variables (Facility management outsourcing, Information technology outsourcing and Human resource outsourcing) had 54.7% determination of organizational performance in the selected organization. 45.3% of the organizations performance is determined by factors beyond the scope of this study.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.612 <sup>a</sup>	.547	.510	.490429

a. Predictors: (Constant), Facilityoutsrc, Itoutsrc, Hroutsrc

b. Dependent Variable: Performance

#### ANOVA<sup>a</sup>

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.165	3	.722	9.950	.000 <sup>b</sup>
	Residual	7.469	103	.073		
	Total	9.634	106			

a. Dependent Variable: Performance

b. Predictors: (Constant), Facilityoutsrc, Itoutsrc, Hroutsrc

Table 4.13 ANOVA

The results in table 4.13 shows that outsourcing activities (Facility management outsourcing, Information technology outsourcing and Human resource outsourcing) had a significant influence on the performance of the selected organization (p=0.000).

## Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.332	.331		1.005	.317
1 Itoutsrc	.233	.074	.524	3.165	.002
Hroutsrc	.227	.080	.481	2.851	.003
Facilityoutsrc	.218	.067	.298	3.241	.002

Dependent Variable: Performance

Table 4.14 Coefficients

The Results from the coefficient **Table 4.14** show that the regression constant was 0.332, with a standard error of 0.331. It can also be shown that the coefficient attributed to outsourcing Information technology was 0.233 with a standard error of 0.074. The coefficient attributed to outsourcing Human resource functions was 0.227 with a standard error of 0.080 while the coefficient associated with outsourcing facility management was 0.218 with a standard error of 0.067. The findings of the study further show that the independent variables (Facility management outsourcing, Information technology outsourcing and Human resource outsourcing) have statistically significant relationship with the dependent variable performance. The findings further show that the p-value associated with Facility management outsourcing was statistically significant ( $p=0.02 < 0.05$ ). The p-value associated with outsourcing Human resource Functions was also statistically significant ( $p=0.003 < 0.05$ ). The p-value associated with outsourcing Information technology functions was also statistically significant ( $p=0.002 < 0.05$ ).

With the dependent variable being organizational performance (Y), the independent variables were outsourcing Information technology (X1), outsourcing Human resource Functions (X2) and outsourcing Facility management (X3)). The regression equation obtained from the coefficient table was therefore:

$$Y = 0.332 + (0.233) X1 + (0.227) X2 + (0.216) X3$$

The fact that three coefficients were positive is an indication of positive slope. The findings show that increase in outsourcing functions (Information technology, Human resource and Facility management) would lead to increase organizational performance.

Furthermore, a unit increases in outsourcing Information technology functions would lead to 0.233 increases in Organizational performance. A unit increase in outsourcing Human resource functions would lead to 0.227 increases in Organizational performance. A unit increase in outsourcing Facility management functions would lead to 0.216 increases in organizational performance.

### **Summary of findings from interview**

To gather more information about outsourcing and organizational performance in Ethiopia, interview questions were forwarded to managers and key users including project managers of the selected organizations. Accordingly, the interviewee's response to the questions is summarized briefly as follows. However, most interview responses are presented and analyzed in the questionnaire analysis part as a supportive response.

#### **1. Can you please briefly explain functions that your organization Usually Outsource?**

The response of the interviewees varies from organization to organization the organization Dashen bank outsource facility management services and information technology services however, information technology functions are more of a service level agreement with the vendors. Facility management services outsourced by the company include activities like security service, courier service and Janitorial service. On the other hand, Ministry of Finance and Economic Cooperation outsources facility management services like delivery and catering. Information technology function such as implementing an ERP system called IFMIS and infrastructures and training related to the system. It's a Financial management system that is implemented over 156 federal offices since the implementation needed a large number of manpower and resource otherwise it would cost a large amount of money and affect the main activity of the organization it outsourced its overall implementation and Techno brain group outsource all the three-function human resource service, facility management service and few information technology function like programing to foreign vendors.

**2. Can you please briefly explain why your organization outsources these services? And/or functions?**

The reasons for outsourcing over the years are seen as to pave way for an organization's concentration on their core competencies thereby experiencing effectiveness and efficiency through cost savings, reduced capital investment within the organization, improved responsiveness to changes in the business environment, increased competition among suppliers ensuring higher quality goods and services in the future, reduced risk of changing technology, with that regard the response from the interviewees aligns with the above point that organization outsource the above listed functions mostly to focus on core activities of their organization, reduce cost, reduce administrative burdens and the need for expertise.

**3. Can you please explain ways in which outsourcing been effective your organization?**

According to the interviewees outsourcing activities has been effective with regard to meeting the objective which is hiring of expertise, reducing cost and reducing administrative burdens and focusing on core activity of their organization. According to them outsourcing there non-core activities led to improved competitive advantage by reducing business cost. By minimizing costs, the organizations achieved their economic related goals and this enhanced

performance of their organization. overall, the interviewees state that implementing outsourcing strategy enhanced their effectiveness and efficiency in cutting cost, improved quality, increase in profit, improve capacity and, lower innovation costs and risks.

**4. Can you please explain ways that outsourcing affected operational costs of your organization?**

As per the interviewees, outsourcing reduced their cost up to 50% of their operational costs within their organization while others mention outsourcing led to transformation of fixed cost into variable cost. Further the interviewees from Dashen bank and Techno brain explains that outsourcing has reduced the cost the organization spend on education, health insurance and other incentives provided for their permanent employees and their family. Therefore, by implementing outsourcing strategy the organization are free from any cost related to the employees of the vendor that work on the outsourced activity.

**5. Can you please explain ways that outsourcing affect innovation and productivity of the employees of your organization?**

According to the interviewee's response, since it reduces administrative burdens, outsourcing gave room for more new ways to do their core activities. They also said that outsourcing led to increase in information sharing, it also led organization to standardize their overall work structure. Further the interviewees said, Outsourcing also gave them exposure to meet expertise on specific tasks enable them increase their knowledge and experience

**6. Are there any drawbacks to the existing outsourcing trend? If so, what are the constraints, and how, in your opinion, can these constraints be overcome?**

According to the interviewees the fact that outsourcing is a growing business and its limitation to few activities only is one drawback they face. Due to this reason even though there are activities within the selected organization that need to be outsourced but due to this limitation the organization are restricted to outsource only few of their non-core activities.

As per the interviewees another limitation is outsourcing companies may lack quality services due to the existence of only few positive competitors. This might narrow the choice of the organization. Another limitation mentioned by the interviewees is the absence of legal framework that clearly states on the regulation organizational.

Lack of belongingness is also a common challenge according to the interviewees this impact the quality-of-service providers.

**7. Can you please explain if there is an enhancement in the company's performance?**

As per the interviewees outsourcing enhanced the performance of their organization. It introduced more resource to there working environment this assist the organization in reducing time in which task is accomplished. As more resource is added tasks can be distributed proportionally and work load decreases. Outsourcing is of a great advantage for the organization in reducing operational costs and in cutting down employee benefits given by the organizations these benefits are health insurance benefits, Loans, paid time offs.... etc. As per the interviewees outsourcing their non-core activities made the organization focus on their main functions this enable them to enhance their competitive value and create room for innovation. According to the interviewees reducing administrative burden is also another improvement due to outsourcing.

**8. Can you please explain any performance indicators at your organization?**

According to the interviewee's organizations used annual reports to indicate performance of their organization and since outsourcing is based on a set of agreement or contracts organizations evaluate performance based on it. Another indicator of performance discussed by the interviewees is increased in response to client needs, increase in work out put and reduced timeframe work. The interviewees explains that outsourcing has helped their organization delivery of work within the scheduled time

## **Discussion**

According to the study, outsourcing has a positive impact on the performance of the selected organizations in Ethiopia. This agrees with the study of ( Khak & Rashidi, 2012) which states that outsourcing has a positive effect on the performance on an organization. According to the study result of ( Khak & Rashidi, 2012) outsourcing activities lead to reduced cost, improved quality, increased in flexibility, financial and non-financial performances and services.

From the finding of the study Information technology outsourcing is positively and significantly related to organizational performance this in line with the study of (Agoti, 2014) on humanitarian organizations which stated implementation of ICT outsourcing increased the performance the organizations.

The result of the study also states that there is a positive relationship between organizational performance and outsourcing Human resource this in line with the study of (Ko, 2019) which studied the performance of hotel industries that outsource their human resource function.

Further, the finding of the study also states that Facility management outsourcing is also positively and significantly correlated with organization performance. This means outsourcing facility management of an organization influences the performance of the organization positively. This result is in consistent with the study of ( Vetráková, Hitka, & Potkány, 2013) which studied.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

The overall purpose of the research is to the effects of outsourcing on organizational performance of selected organizations (Techno Brain Group, Ministry of Finance and Dashen Bank) in Ethiopia. These organizations implemented outsourcing to one or more of their business processes the results were linked to the analysis objectives and inquiries, as well as the researcher's final discussion of the findings and propositions based on the findings purpose of the study and the constraints of the study.

#### 5.1 Summary

In this study the total sample was 152 and out of the 152 samples 107 of them was used for analysis with a response rate of 70.39%.

From the study on background of respondents level of employment of the respondents was Functional consultants(14%), Technical consultant respondents(13.1%), Lead Trainers(9.3%), Assistant Trainer(7.5%), Procurement officers(7.5%), Technical consultants(7.5%), Human resource officers(5.6%), Officers(4.7%), Training coordinator(2.8%), Assistant coordinator(2.8%), change management(2.8%), Team lead(2.8%), Technofunctional consultant(1.9%), Database Administrator (1.9%), Finance expert(0.9%), Network team lead (0.9%), Network Administrator (0.9%) and Office administrator (0.9%).

According to the finding 69.2% of the respondents held their position at their organization for more than four years and the rest 30.8% worked for less than four years.

With regard to participation in outsourcing 96.3% had participated in outsourcing activities and the rest 3.7% did not.

The finding of the study further shows that the independent variable outsourcing has Statistically significant positive relationship with the dependent variable performance with a correlation coefficient (R) of 0.612.

The study also shows that the independent variables Information technology outsourcing, Human resource outsourcing and facility management outsourcing have a positive relationship with the dependent variable performance .with correlation coefficient (r) of 0.497 and (p, .000) <0.05 for information technology outsourcing , correlation coefficient (r)

of 0.686 and  $p(0.000) < 0.05$  for Human resource outsourcing and Facility management outsourcing with correlation coefficient ( $r$ ) of 0.609 and  $p(0.008) < 0.05$ .

The value of R Square ( $R^2 = 0.547$ ) which indicate the independent variables (Facility management outsourcing, Information technology outsourcing and Human resource outsourcing) had 54.7% determination of organizational performance in the selected organizations.

Correspondingly based on ANOVA model fit the value of  $R$  and  $R^2$  found from the model summary is statistically significant at ( $F=9.950$ ) and ( $P=0.000$ ) and it can be said that there is a relationship between the predictors independent variables and organizational performance.

The coefficients of the independent variable indicates that information technology has more impact on organizational performance with  $B=0.233$  followed by Human resource outsourcing with  $B=0.227$  and Facility management with  $B=0.216$ .

## **5.2 Conclusion**

The study's primary goal is to examine the effects of outsourcing on organizational performance in Ethiopia (Techno Brain Group, Ministry of Finance and Dashen Bank) in Ethiopia. Based on the findings presented in the previous section, the following conclusions are drawn:

Based on the correlation test result the three outsourcing activities Information technology outsourcing, Human resource outsourcing and Facility management outsourcing are positively and significantly correlated with Organizational performance.

According to the study result the independent variable (Information technology outsourcing, Human resource outsourcing and Facility management outsourcing) have a Positive significant impact on organizational performance.

Further the study shows that based on the coefficient ( $B$ ) value of the independent variable's information technology has more impact on organizational performance, followed by Human resource outsourcing and Facility management outsourcing.

Based on the conducted descriptive analysis, the independent variables have effects on organizational performance with regard to reducing operational cost, reducing administrative burden, increasing focus on core activities of the organization, delivering work within the

required time frame work and meeting customer requirements. However, lack of positive competitors and lack of clear legal framework is also a challenge for the organization.

### **5.3.Recommendation**

As per the results and findings on the study further recommendations are given below

- Organization in Ethiopia should be encouraged to implement outsourcing so that they can focus on their core functions. This increase performance and deliver quality of service.
- More competitive vendors should enter the market of outsourcing this increase quality of service from the vendor's side and give organization more outsourcing options.
- outsourcing companies (Vendors) are limited with few services only they should widen their scope as there is more demand to outsource by client organizations
- Clear Legal frame work that governs both the vendors and client should be stated.
- Lack of belongingness is a common challenge in outsourcing so organization that outsource should create a work environment that welcomes employees of the vendors. this improves organizational performance.

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## **Appendix A: Questionnaire**

### **PART A: INTRODUCTION**

Dear Sir/Madam

My name is Mekdelawit Yosef a Post graduate student of MBA (Masters of Business Administration) at Addis Ababa University Faculty of Economics and Business Administration. As part of requirements for the award, I am conducting an academic study on “Outsourcing and organizational performance on selected organizations in Ethiopia)”

You have been chosen to help in data gathering so that I can better understand and interpret concept, and I respectfully request that you agree to be one of my participants.

At no point during this research will your name be mentioned, and all data is used purely for academic purpose. If you have any additional information, please contact me at the following address.

Addresses:

Tel +251 928413454 or Email: [mekdelawityosef@gmail.com](mailto:mekdelawityosef@gmail.com)

## PART B: BACKGROUND INFORMATION

1. What is your Position you hold at the organization?  
\_\_\_\_\_
2. How long have you been in the above position?
  - a. Less than 5 years
  - b. 5 years and more
3. Did you ever take part in outsourcing activity at the organization?
  - a. Yes
  - b. No

## PART C: OUTSOURCED ACTIVITIES/ FUNCTIONS

To what extent do you agree with the following statements in relation to outsourcing in your organization

1 = Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5 = Strongly Agree

Statement	1	2	3	4	5
The organization outsources processing of information services.					
coding is a prevalent outsourced service in the company.					
The company outsources system integration services.					
The organization does projects with human resource of outsourced service providers					
The organization outsources charitable services to secure the safety of its employees					
To sustain mobile and stationary facilities the organization outsources activities					
The organization is highly dependent on outsourced facility management					

**OUTSOURCING EFFECT ON INSTITUTIONAL PERFORMANCE.**

**OUTSOURCING IT FUNCTIONS.**

To what extent do you agree with the following statements in relation to outsourcing information technology service and organizational performance

1 = Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5 = Strongly Agree

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
certain overhead costs are converted into wavering costs when IT activities are outsourced.					
Employees are motivated to strive for innovations due to outsourcing information technology					
Outsourcing assists the company to reshape its procedures in the direction of creativity.					
The outsourcing of IT functions has resulted a more systematic company setting					
Outsourcing strengthens exchange of information and the company’s ability to use emerging innovations.					

**OUTSOURCING HUMAN RESOURCE FUNCTIONS**

To what extent do you agree with the following statements in relation to outsourcing human resource functions and organizational performance in your organization.

1 = Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5 = Strongly Agree

<b>Statements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Human resource tasks outsourcing has brought more professionals to the company’s labor pool					
Outsourcing results in facilitating growth.					

One of the most significant reasons for outsourcing at the organization is to improve service provision.					
The organization operational costs have been significantly reduced due to outsourcing.					
Due to outsourcing, there is a positive change in the performance of the organization					

### **OUTSOURCING FACILITY MANAGEMENT SERVICES**

To what extent do you agree with the following statements in relation to outsourcing facility management service in your organization

1 = Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5 = Strongly Agree

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The organization has been able to focus on its main operations as a result of facility management services outsourcing.					
Outsourcing has resulted in better resource utilization.					
Facility management service enhanced employees time management skill					
Operation cost has been minimized due to outsourcing of facility management service in the organization					

## ORGANIZATIONAL PERFORMANCE

To what extent do you agree with the following statements in relation to outsourcing and organizational performance.

1 = Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree and 5 = Strongly Agree

Statement	1	2	3	4	5
for the past four years there has been a positive change in resource management.					
Reduction in expenditure has been observed for the past four years in the organization					
The time frame to deliver a service has shown a positive change in the organization					
Employees has shown more responsibility in satisfying client demand					
for the last four years employees has been quickly receptive to clients' needs					
Service delivery has been improved in the past four years					
Work load and return has increased in the past four years					
There has been a positive change in quality of work for the past four years					

## Appendix B: INTERVIEW

**Dear Sir/Madam**

My name is Mekdelawit Yosef a Post graduate student of MBA (Masters of Business Administration) at Addis Ababa University Faculty of Economics and Business Administration. As part of requirements for the award, I am conducting an academic study on “Outsourcing and organizational performance on selected organizations in Ethiopia”

You have been chosen to help in data gathering so that I can better understand and interpret concept, and I respectfully request that you agree to be one of my participants. At no point during this research will your name be mentioned, and all data is used purely for academic purpose.

If you have any additional information, please contact me at the following address.

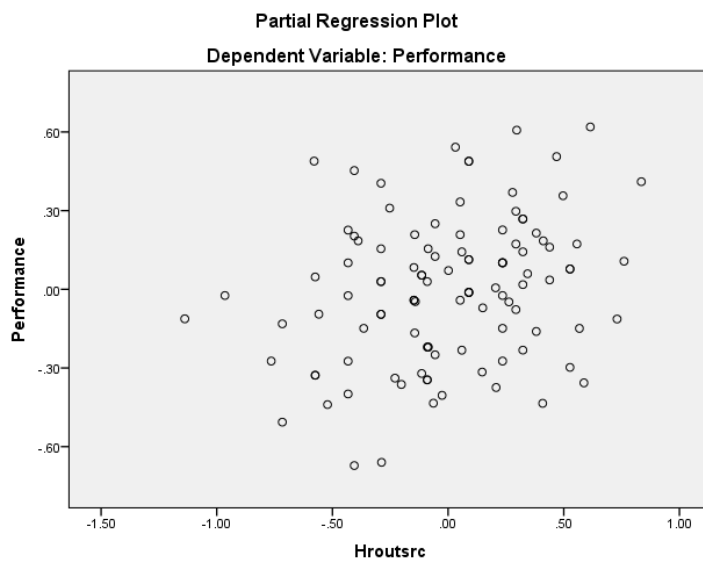
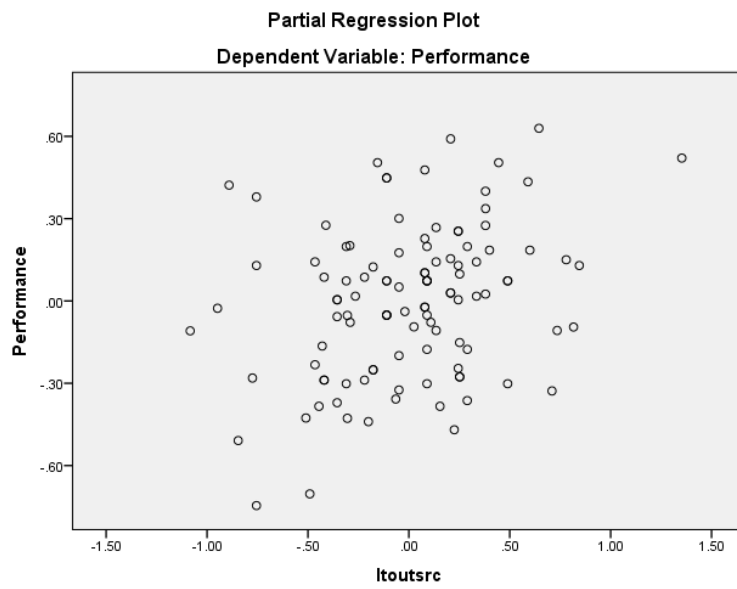
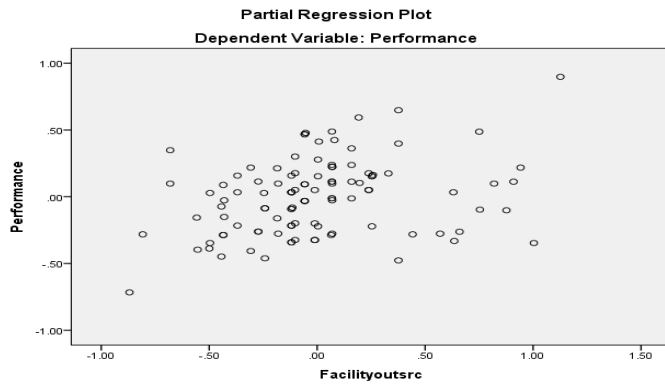
Addresses:

Tel +251 928413454 or Email: [mekdelawityosef@gmail.com](mailto:mekdelawityosef@gmail.com)

1. Can you please briefly explain functions that your organization Usually Outsource?
2. Can you please briefly explain why your organization outsources these services? And/ or functions?
- 3 Can you please explain ways in which outsourcing been effective your organization?
4. Can you please explain ways that outsourcing affected operational costs of your organization?
5. Can you please explain ways that outsourcing affect innovation and productivity of the employees of your Organization?
6. Are there any drawbacks to the existing outsourcing trend? If so, what are the constraints, and how, in your opinion, can these constraints be overcome?
7. Can you please explain if there is an enhancement in the company’s performance?
8. Can you please explain any performance indicators at your organization?

# Classical liner regression assumptions

## Linearity



## Multicollinearity

### Coefficients<sup>a</sup>

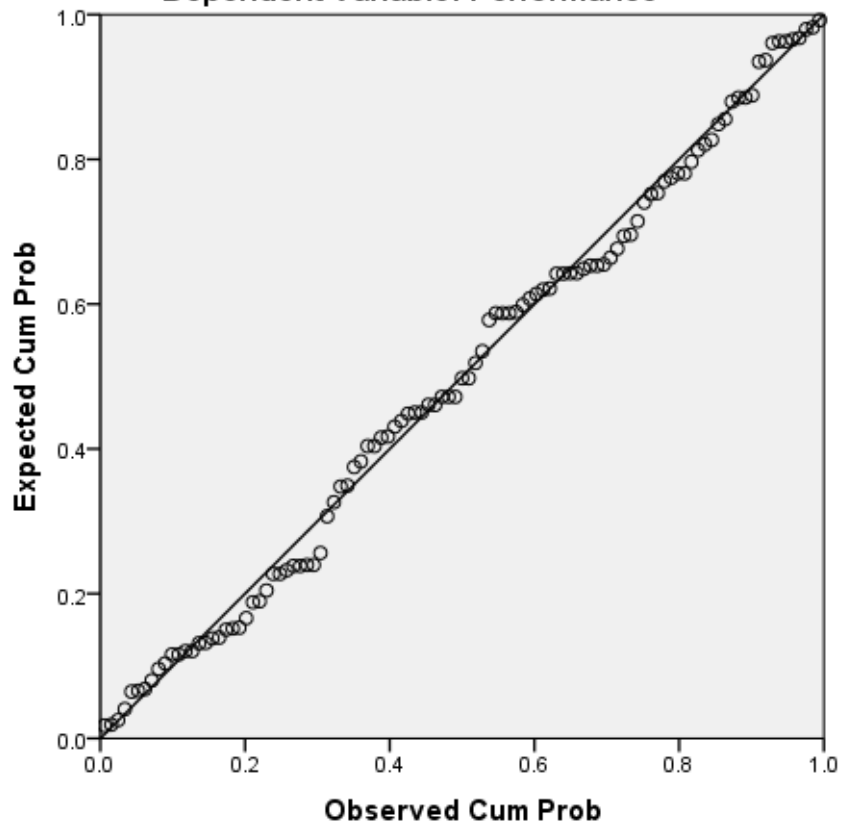
Model	Collinearity Statistics		
	Tolerance	VIF	
1	Itoutsrc	.306	3.264
	Hroutsrc	.296	3.384
	Facilityoutsrc	.687	1.455

a. Dependent Variable: Performance

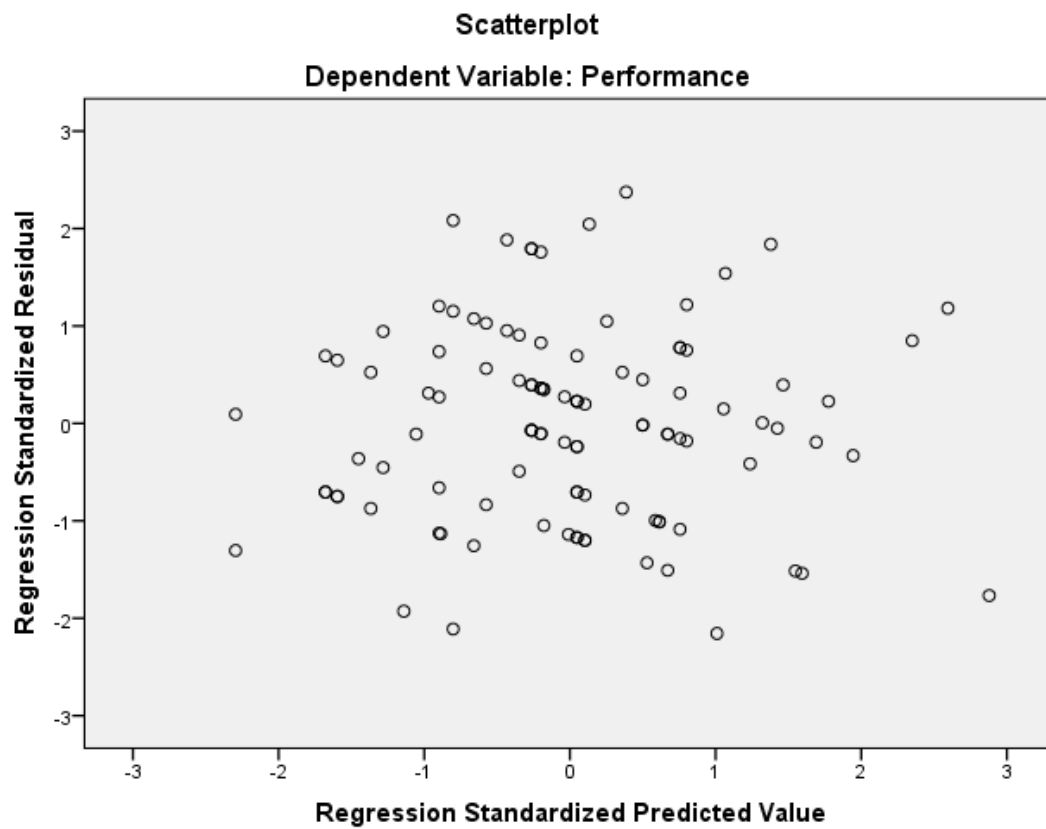
## Normality

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: Performance



## Homoscedasticity



## Autocorrelation

### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.612 <sup>a</sup>	.547	.510	.46929	2.233

a. Predictors: (Constant), Facilityoutsr, Itoutsr, Hroutr

b. Dependent Variable: Performance

