



**SERVICE OUTSOURCING AND DELIVERY
EFFECTIVENESS:
The Case of Addis Ababa University**

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DECLARATION

I, GeneneAlemu, declare that this thesis entitled “**Outsourcing service and Delivery Effectiveness: The case of Addis Ababa university**” is my original work. I further confirm that this paper has never been submitted to any other university for any degree, diploma. Finally, I declare that all source materials used in this research has been dully recognized and acknowledged.

GeneneAlemu

Signature_____

Date_____

ACKNOWLEDGEMENT

I wish to thank everyone who has helped me in my educational career. First of all I wish to thank to God to give me the strength to finish this paper. Also wish to thank to my wife Nigst Nigusie and all my family and my friends for making me that I had time to focus on this paper.

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DEDICATION

My special dedication to my family for allowing me time to concentrate on my studies.
May this be an encouragement to you as you strive to achieve higher levels of education.
The Supreme God blesses you abundantly.

ACRONYMS

AAU	-	Addis Ababa University
HR	-	Human Resource
FGD	-	Focus Group Discussion
SLMs	-	Service Level Agreement
IT	-	Information Technology
HRM	-	Human Resource Management
PPAD	-	Procurement and Property Administration
FMD	-	Facility Management Department
P&SD	-	Peace and Security Department

ABSTRACT

This research titled “Outsourcing Services in Quality Delivery Effectiveness in AAU. The purpose of the study is to assess the effectiveness of services outsourcing and delivery in Public Sectors. Mostly public institutions outsourced their services which seems to be non-core activities, in order to concentrate to core activities pertaining to their institution and giving non-core activities to be performed by specialized suppliers/service providers, who will perform better and at low cost. Though Public sectors have outsourced their non-core activities to be performed by specialized suppliers/service providers but some of them have / have not performed as intended for the purposes of providing quality services and this has led a lot of problem to the institutions.

The objectives of the study were to identify the reasons for outsourcing, to examine the effectiveness of the outsourced services, to determine the challenges faced from outsourcing non-core business functions. and to identify that the outsourcer get the expected result or not. The methodology was based on Descriptive survey method with the procedures of quantitative and qualitative (mixed method) research designs to analyze the data collected from the selected campuses. The research employed the use of questionnaires which included both close and open end and the rating scale. The key factors that influenced the choice to outsource a function/activity by management were to allow staff to concentrate on the core activities and to reduce cost. It also emerge that, the key benefits gained from both security and cleaning functions was to focus on core functions, reduce cost, and increase flexibility. On the other hand the challenges faced while outsourcing those functions was the misalignment between the requirement of the AAU and the service provider, AAU did not set an evaluation criteria to measure and evaluate the performance of the service provider and the challenges related the required numbers and qualified manpower. So using the above issues Setting well formulated service level agreement (SLA) in which a company helps to evaluate the service of a vendor and efficient service can be easily differentiated from inefficient. Services with no reward system and low competency of the staff make the vender to provide inefficient services. In addition to that the university also must establish contract management team in each campus who control and report the service provided by the service providers. The study draws attention how effective are outsourced services, in the overall paradigm of quality services delivery in AAU.

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CHAPTER ONE

1. Introduction

An Organization is said to have outsourced their services when they hand over certain duties and function to an external party. (Gilley et al, 2004). This is usually necessary in instances where a specific company has no skills for performing or to focus on the firms core function within organization. Additionally, it can be done in order to minimize workload. Usually, the company that has provided the outsourcing service will be expected to look into matters surrounding the day to day administration of that work. For outsourcing of services for any company or organization, there is a need to establish long term relationships in order to maximize the benefits of this business approach.

Outsourcing is believable for a range of business functions such as security, janitor, marketing, information technology, recruitment etc. The world of business has evolved today and more entrepreneurs are looking for methods of maximizing profitability and competitiveness. The study has examined the effectiveness of outsourcing services in quality services delivery in Addis Ababa University.

1.1 .Background of the Study

Dominic (2014, p.19) outsourcing is contract typically involves a competitive bidding process in which requests for proposals are disseminated to eligible vendors. Proposals are then evaluated and a decision is made based on either a cost or 'best value' basis and contractor performance is then monitored Vis a Vis predetermined service goals.

The drive for greater efficiency and continuous cost reduction has forced many organizations to outsource activities which traditionally were carried out in-house. For this reason, organizations can focus on their core competencies, which contribute most to a sustainable competitive advantage (Gewald, 2010). The growth of outsourcing market is increasing in types that moves from activities that are noncore to the organization such as cleaning, catering and security, to include core areas of activity such as design, manufacture, marketing, distribution and information systems with almost the entire value chain open to the use of outside supply (McIvor, 2000).

Outsourcing, also referred to as contracting out, that refers to an institutions decision to contract with an external organization to provide a function or service. In the purest form the term refers to the shifting of the provision of a service from public to private sectors.

The global trend of outsourcing is growing fast in terms of complexity and market whereas the growth of outsourcing in Ethiopia is at its infant stage. It is dominated by non-core functions like Security and Janitorial service (Meresea, 2007).

Services most commonly outsourced by public institutions like AAU are security services, cleaning services etc. organization are focusing on outsourcing as a management strategy to delegate major non-core functions to specialized service providers.

Addis Ababa University, just like any other public institution has outsourced its non-core function for the aim of improving quality of the services offered and cost savings. This research intends to examine the effectiveness of the outsourcing of services in quality services delivery in AAU.

1.2. Background of the Organization

In Ethiopia, continuing education started with the introduction of evening programs in the early 1950's at the University College of Addis Ababa which was then the only institution of higher education. The university college began offering courses in law and engineering as early as the academic year of 1952/53. In the late 1950s, programs in social sciences such as History, Geography, etc. were included. In the beginning, in-service programs were in line with regular pre-service programs. Later on, when Addis Ababa University (which was then called Haile Selassie I University) was inaugurated in 1961/62 academic year, a separate department known as University Extension was established and started offering continuing education in the evening to adults at diploma and degree levels.

In addition to evening and weekend programs, continuing education has been offered in the form of the Summer In-service program particularly meant to upgrade the level of qualification of teachers and other education personnel working in the system of education of the country. The MA/SC level programs have now been added in addition to the first-degree level programs that have been conducted for many years now. One category of the provision of education which has relatively recently been added to the programs is the Distance Learning Program. This program which focused on graduate-level education was launched as of the 2013/14 academic year. The program is intended to focus on Addis Ababa and its surroundings at the beginning and widen its access to learners in the different corners of the country and abroad over time.

In general, the university begins with an overall capacity of 33 students in 1950, AAU now has 48,673 students (33,940 undergraduate, 13,000 master's and 1,733 PhD students) and 8,709 staff (3,110 academics, 4,346 support staff, and 1,253 health professionals). In its 14 campuses, the

university runs 70 undergraduate and 293 graduate programs (72 PhD and 221 masters), and various specializations in health sciences.

1.3. Statement of the Problem

Outsourcing is a newly emerging concept in Ethiopia, particularly, in its existence in the academic institutions. For the past few years, many organizations considers outsourcing with an assumption that if institution is unable to provide a service or product at less cost than, and of equal quality to, an external agent, then it should purchase the service or product from an external supplier. Organizations prefer to transfer non-core business functions to be performed by an external third party with the aim of reducing considerable transaction costs, improving quality of service delivery and to concentrate on their core competencies.

The outsourcing problems related to operational difficulties of service provider may deny specific technical expertise, capability and capacity for delivering the desired performance. Gilmer (1997) points out during implementation of outsourcing, services can be handover from the service users to service providers, which may result in decreased salaries or benefits.

Moreover, negative attitude, resisting to new changes and morale problem are real problems that will cause ineffectiveness to the clients (Siegel 2000; Mobley and Maurer 1998).

These are some of the reasons for outsourcing failure; selecting wrong service providers; writing a poor contract; overlooking personnel issue; losing control over the outsourcing activity; overlooking the hidden costs of outsourcing; and failing to plan an exit strategy. Most of the time, these outsourcing failures are rarely reported because firms are reluctant to publicize them.

It is obvious that outsourcing may bring many benefits to the organization with imposing some negative impacts. For successful performance of outsourced functions, it need to be carefully bid, contracted, and managed, with performance measures monitored regularly.

Despite the fact that the main objectives of outsourcing of services is to benefit on cost saving, getting quality services on time but some of the service providers have failed to achieve this, and public institution remain on confusion and breaching some of the contract which has entered with service providers due to the agreed objectives are not met which bring disadvantages to the public institutions.

By considering the above issues this thesis is trying to examine service outsourcing and service delivery effectiveness in AAU. In terms of the quality of service delivery by raising research questions as stated below.

1.4. Research Objective

1.4.1. General Objective

The general objective of this research was to assess the service outsourcing effectiveness of Addis Ababa University.

1.4.2. Specific Objective

The study tries to address more specific objectives as follows:

- To identifying the reasons for outsourcing parts of functions.
- To assess service outsourcing effectiveness in AAU.
- To determine the challenges faced during outsourcing the service in AAU.
- To identify whether procuring entity obtain expected outcomes from outsourced services or not.

1.5. Basic Research Questions

Hence, this study was primarily aimed to answer, what are the Practices and Challenge of outsourcing practices: The case of Addis Ababa University and more specifically to answer the following basic research questions.

1. What are the main reasons for outsourcing in AAU?
2. What is the effectiveness of outsourcing service delivery in AAU?
3. What key benefits and challenges from outsourcing in the university?
4. Does the University obtain expected outcomes from outsourced services?

1.6. Significance of the Study

The findings of this study will be important for different concerned partners that are found at various levels. They are:- higher officials who involve in the policy-making process, higher education administrators and other concerned bodies. The practice of outsourcing in Ethiopia and awareness

among the society is not well developed and research related to outsourcing focusing on Ethiopia is few. Accordingly,

- This research can serve as stepping stone for other research in a similar area .
- It may provide information to higher officials and policy-makers about the current practices of outsourcing and the areas to be considered in the process of making policy decisions.
- It is a good reference for all concerned bodies about the ongoing practices and challenges observed in outsourcing non-core activities and
- The study could also be used as a spring board for further research work on the area to assess a set of outsourcing practices that would be an effective guide in the measurement of effectiveness of outsourcing service delivery.

1.7. Scope of the Study

It is very important to delimit the scope of the study to a manageable size in order to investigate the issue thoroughly. This research confined only to Addis Ababa University for the purpose of in-depth analysis with the genuine investigation on the challenges and effectiveness of service outsourcing and delivery and the research covers main campus, and one AAU health science college that are operating in Addis Ababa University.

1.8. Operational Definitions of Key Terms

Business Process Outsourcing: - the delegation of one or more entire business process to an external service provider (Gewald and Dibbern, 2005).

Management Outsourcing:- An outsourcing solution in which the customer entrusts to an external services provider, the responsibility for operations and maintenance of one or more facilities (Borisova, 2011).

In-sourcing:-applying outsourcing's discipline to internal suppliers, often having them competes with external suppliers (Beaumont and Sohal, 2004).

Offshore Outsourcing:- the transfer of organizational activities carried out locally to product and service providers in other countries (Bojan and Lewandowski, 2010).

Out-tasking: -indicate work being done outside the organization, but the organization retaining full control over the operation over how it is to be done. The vendor has no discretion and performs a programmable task (Beaumont and Sohal, 2004).

1.9. Organization of the Paper

This study organized into five chapters. The first chapter being an introduction and background of the study, statement of the problem, objectives of the study, significance of the study, delimitation of the study. The second chapter discussed the review of related literature. The third chapter concerned with the research design and method of the study. Also reliability and validity of data, and tools for data collections was explained. The fourth chapter discussed the presentation, analysis, and interpretation of the data. The fifth chapter is about the summary, conclusions and recommendations of the study. Finally, references and a set of appendices included that contains the interview guide, FGD guide and observation checklist that used to collect primary data for this work and other supplementary documents of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2. Introduction

2.1. Definition and Types of Outsourcing

According to Tomas and Victor (2006, p.52), outsourcing is a strategic decision that allows the external contracting of non-strategic activities or business processes necessary for the manufacture of goods or the provision of services by means of agreements or contracts with higher capability and innovative firms to undertake those activities or business processes for quality services, with the aim of improving competitive advantage.

According to (Maku & Iravo, 2013) outsourcing has been utilized for a long time, but much of the outsourcing until the late 1990s was on information technology. The objective was often largely restricted to achieving operational efficiencies. Cox (2014) asserts that every firm engages in outsourcing to some extent. The decision regarding what functions to outsource and which ones to keep in-house depends on many factors from company to company such as the need to develop invest in resources, skills, and to stay abreast of the evolving technology in any area kept in-house. Heshmati (2003) in his recent survey points out that there is no general definition or measurement of outsourcing, he broadly describes it as “different corporate action related to all subcontracting relationships between firms and the hiring of workers in non-traditional jobs”. Companies must source out work because there are others who can do it cheaper, faster, and better. Ashley gave the definition of outsourcing as “the allocation of risk and responsibility for performing a function or service to another entity”. In brief, outsourcing can be defined as the process of delegation of operations or jobs to the third party, who can do it better, cheaper and faster. Depending on the level of control over the performance of the outsourced function, outsourcing can be separated into internal and external types. Internal outsourcing is “reallocation of functions in business system for saving control over its performance” and external outsourcing is “delegation of the performance of separate or mutually related functions to external outsourcer”. For example, divisions of joint activities of external outsourcing include center concept, cooperation, joint servicing, and participation in the capital, whereas divisions of joint activities of internal outsourcing include long-term partnership, short-term partnership, and single partnerships. Depending on the effective use of resources and

reallocation of risk and responsibility outsourcing is divided into partial and full outsourcing types. Partial or selective outsourcing is “the delegation of certain functions or business processes to the outsourcer, while the set of mutually related functions are performed by the organization itself” and full outsourcing refers to “the delegation of separate function to an outsourcing company with entrusting it with full responsibility for function’s performance”.

2.2. Outsourcing

Outsourcing has been defined as a management strategy by which major non-core functions are transferred to specialist, efficient, external providers (Lyson and Farrington, 2006). It is strategic in the sense that it involves top management of an organization and is a long-term decision, which affects the whole organization over a considerable period of time.

2.3. Definitions of Key Concepts

2.3.1. Effective Outsourcing

Effective outsourcing means clear definition of terms and conditions, understanding of obligation, and agreement on the specific business and performance objectives as the starting point (Trifkovic,2005)

2.3.2. Outsourced Service Provider

Means the supplier of goods or, services who may be related entity or independent third party.(Outsourcing Guidelines for Banks and Financial Institutions, 2008).

2.3.3. Quality

The term quality refers to totality or characteristics of goods and materials that satisfy the intended need at the lowest cost. It is fitness, merit and excellence (Doubler,1996).

2.4. Arguments on Outsourcing

Ender and Mooney (1994) identified that the greatest shortcomings of outsourcing are staff retrenchment and the resulting negative impact on institutional morale. Preferably, they devised a set of guidelines for mitigating these negative impacts of outsourcing. The guidelines are: outsourcing of management personnel only, downsizing the staff by attrition, involving employees in selecting the

contractor, and re-bidding the contract often. On the other hand, the increasing use of outsourcing over the last 20 years has been fuelled by arguments from management gurus and leading academics that an organization's competitive advantage stems from its ability to identify, concentrate on and develop its core competencies and activities, and outsource anything which is non-core (Handy, 1982; Kanter, 1989; Peters and Waterman, 1982; Prahalad and Hamel, 1990). However, there is some disagreement concerning whether outsourcing should only apply to the non-core activities of an organization or if it can also include core activities. For Prahalad and Hamel (1990), core competencies and activities are the secret to an organization's success and should not be outsourced. However, to complicate the picture, it is sometimes difficult to define what is or is not a core activity Mitzberg et al., (1998). Nevertheless, regardless of which activities it embraces, or how these are defined, there is a great deal of evidence to show that outsourcing is increasingly taking over from vertical integration as the preferred approach to organizing the provision of many goods, processes and services (Domberger,1998;Gay and Essinger,2000;Takac,1993).

2.5. Theories Related to Outsourcing

The outsourcing phenomenon has been grounded in many theories, some of them complementary and others contradictory Perunovic & Pedersen, (2007, p.1). Various authors have identified significant numbers of theories that could explain the outsourcing phenomenon; however, this study was founded on two important theories namely; the transaction cost economics theory and the core competences theory. These were explained in detail as elaborated on below.

a. The resource-based view: in outsourcing builds from a proposition that an organization that lacks valuable, rare, inimitable and organized resources and capabilities, shall seek for an external provider in order to overcome that weakness. According to Perunović and Pedersen, the most prominent use of the resource-based theory in the outsourcing process is the preparation phase for defining the decision making framework and in the vendor selection phase for selecting an appropriate vendor. Organizations will plug gaps in resources and capabilities in the most cost-effective manner to maintain a distinctive product and its competitive advantage.

b. core competency theory: Prahalad and Hamel (1990, p.79) the core competencies theory as the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams technologies. is that it should be kept in-house, but that other activities that the organization deals with, which are not counted to be core or critical to its function, should be

considered for outsourcing. According to Henry “a core competency can be thought of as a cluster of attributes that an organization possesses which in turn allows it to achieve competitive advantage”. If the organization is to focus on its core competencies as the basis of its sustainable competitive advantage, then activities that do not constitute a core competency for the firm can be given to outside firms who can provide these at lower cost.

c. Transaction cost theory: According to the TCE theory as advanced by Williamson (1998, P. 27). the Transaction Cost Economics (TCE) approach to the boundary of the firm begins with a core technology. It has been developed to facilitate an analysis of the comparative costs of planning, adapting, and monitoring task completion under alternative governance structures. The unit of analysis in transaction cost theory is a transaction, which by the words of Williamson “occurs when a good or service is transferred across a technologically separate interface”. Decision-makers must weigh up the production and transaction costs associated with executing a transaction within their firms in sourcing, versus the production and transaction costs associated with executing the transaction in the market outsourcing. Organizations can choose whether to buy from the market or to develop in house, the decision is based on the relative cost, which is combined from the costs of production and costs of the transaction.

2.6. Contract Administration

It concerned with the mechanics of the relationship between the customer and the service provider, the implementation of procedures defining the interface between them, and the smooth operation of routine administrative and clerical functions. The importance of contract administration to the success of the contract, and to the relationship between customer and provider, should not be underestimated. Gabbard,(2006) summarizes some key elements of contract administration that should be applied to ensure effective supplier performance of the contract requirements as:

- Effective written communication between purchaser and its suppliers.
- Early identification of performance problems.
- Immediate written response to any indications of performance schedule delays.
- Adherence to the contractual milestone schedule.

2.7. Types of Outsourcing Strategies

Brown and Wilson (2005) distinguished different categorizations of outsourcing as described below.

- Selective and Full outsourcing
- Tactical and Strategic Outsourcing
- Transformational outsourcing

2.7.1 Selective and full outsourcing

Outsourcing allows for an institution to concentrate on its core competencies as stated previously. Outsourcing can be classified into two categories depending on the type of human capital and the type of work function. The first type of outsourcing is called selective outsourcing and is classified as a tactical move to outsource unwanted functions within an organization. The second type of outsourcing is more extensive and is called strategic-shift outsourcing, which focuses on bringing in highly demanded specialists that are limited in supply. Selective outsourcing enables service provider companies to reduce costs while enabling the institution to put their attention elsewhere while strategic-shift outsourcing also conquers the same goals as selective outsourcing, but also seeks to create a mutually beneficial relationship due to the sheer size of the contract agreement and its implications for both parties. Outsourcing allows a business to focus on its primary mission, not on managing an auxiliary service that may compete with private-sector alternatives and not provide a real return for institutional dollars (Bartem and Sherry, 2001).

2.7.2 Tactical and Strategic Outsourcing

Tactical outsourcing is used by institutions to resolve specific problems being experienced by an institution, viz. a lack of financial resources to make capital investments, inadequate in house managerial competence, or a desire to downsize, etc. Tactical outsourcing is a form of traditional outsourcing and is based on cost comparison and the make-or-buy decision. It is resulted in visible benefits in the form of enhanced cost savings, minimizing the need for future investments and resolving staffing issues. It also involves the execution of a business process following the existing rules. Tactical outsourcing can also extend to outsourcing peripheral activities enabling the management to acquire industry-specific capabilities by partnering with a chosen vendor (Hussey and Jenster, 2003). This is a common method used by large mature corporations for handling high-volume repetitive tasks and used for processes such as payroll transactions, HR administration, and

procurement. Strategic outsourcing issued as part of the process of redefining the organization and results in freeing the management staff to refocus on the core business functions. Strategic outsourcing relationships build long-term value resulting from the client working with a fewer number of best-in-class integrated service providers.

2.7.3 Transformational Outsourcing

Transformational outsourcing is commonly used to redefine the business (Linder, 2004). It enables an institution to retain a leadership position, build a sustainable competitive advantage, and generate the highest value for an institution. Some issues addressed by transformational outsourcing are good governance, the maturity of business process knowledge and adequately drafted and monitored service level agreements (SLAs). The levels of risk in strategic and transformational outsourcing are higher than the tactical form; but are commonly shared with the outsourcing partner. Tested risk mitigation plans, high-security levels, mature project management skills, and proven business continuity plans need to be put in place before an arrangement can begin in this direction.

2.8. Strategic Assessment for Outsourcing

The majority of outsourcing failures can be traced back to organizations that short-change or eliminate the following critical strategic assessment, thereby failing to lay a solid foundation to make objective, data-driven outsourcing decisions. As stated by Power et al. (2006) the goals of conducting a strategic assessment are: To develop a clear vision of outsourcing, setting tangible goals and objectives, to determine how outsourcing fits into the overall business strategy, to select and engage executive sponsors for the outsourcing endeavor, to identify the key functions and processes suitable for outsourcing and to determine whether the engagement should be onshore, near-shore or offshore. In 2006, Power et al. also noted that, the goal of the strategic assessment is to examine the current and analyze the future strategic position of the organization to understand where outsourcing as a strategy fits in. It is during this stage that the organization needs to understand both the pros and cons of using outsourcing as a strategy. An analysis of the pros and cons; and the fit does outsourcing as a strategy fit the business needs will form the foundation of the outsourcing plan. Failure to lay this solid foundation in place will result in questionable outcomes in the future stages of the outsourcing life cycle. As a simple example, consider what would happen if you incorrectly analyze a particular function of your organization as being a candidate for outsourcing. Using this incorrect information,

you move through the needs analysis, vendors election, negotiating and contracting phases and then eventually turn this misinformation over to the vendor. You have just wasted enormous effort owing to an incorrect up-front assessment for which you will have to pay heavily. Eventually, you will have to bring this work back in-house and pay substantial costs for the error. The four major elements of the strategic assessment phase include:- business-value assessment, operational assessment, financial assessment, and risk assessment.

2.8.1. Business-Value Assessment

The business-value assessment involves three stages: analysis of the organization's core competencies, setting up an executive sponsor team to oversee the outsourcing project, ensuring that the outsourcing plan is aligned with the current and future overall business strategy.

Core competencies-during the business-value assessment, organizations must examine their business to decide what their core competencies are. Many organizations struggle to determine this true focus of their business capability objectively. Core competencies are the combinations of special skills, proprietary technologies, knowledge, information and unique operating processes and procedures that are integrated into the organization's products and services and are unique differentiators for the organization's customers (Ibid, 2006, p. 41).

Executive sponsor team- a core component of conducting a business-value assessment is to have the right team in place to conduct the assessment of the executive sponsor team. It is vital that organizations have a dedicated executive-level team that sponsors the outsourcing program. Strategic objectives, such as outsourcing initiatives, must be come from the top echelon of a company. Top management must articulate the goals and objectives of outsourcing initiative, and communicate how the process will benefit the company Yenus et al.(2005).Additionally; executive-level teams can make several critical contributions to the strategic assessment process Power et al. (2006). The goal is to get a wide perspective from multiple disciplines and identify critical success factors and problem areas that will be the foundations for compiling a comprehensive business case for outsourcing. As stated by Power et al. (2006) the outsourcing team will be responsible for the following areas: defining and documenting key business objectives and outcomes, identifying the products and services that are candidates for outsourcing, developing an understanding of the external marketplace, including the vendor's capabilities and how that can be used to help meet the organization's business objectives, clarifying roles and responsibilities, leading and managing change. This comprehensive

accountability means, in effect, that the outsourcing team is responsible for creating the outsourcing business case.

Alignment with the business strategy- the last component of the business-value assessment is to examine the organization's business strategy. This includes outlining its current business strategy and how this strategy may change in the future. When considering whether to outsource or not, it is important for the organization to outline its strategies, both current and future. The strategy also needs to consider the extent of the alignment between and shared knowledge about customers and core business process Gasvoda (2003).

2.8.2. Operational Assessment

In the operational assessment of your organization, you must determine its operational baseline, including its process capabilities. You will need to know whether your organization has mature process capabilities to support the proposed outsourcing initiatives. Similarly, you will need to know whether there are established methodologies to measure the performance of the proposed outsourcing initiative and benchmarking data in place to assess the maturity of the organization as well as the competitiveness of the vendor's proposal. It is during this phase that the organization must be able to answer the questions regarding the support ability of its operations, including: does the organization understand all the related internal and external dependencies across its entire business enterprise, as well as the internal and external impact associated with the proposed outsourcing initiative? Outsourcing normally involves moving one or more processes to an external vendor. It is hence important to know the nature of the processes before they are outsourced Power et al. (2006)

2.8.3. Financial Assessment

According to Power et al. (2006) probably the most talked about the reason for outsourcing is cost savings. Cost efficiency and improvement to the bottom line are important benefits of the outsourcing strategy. Much of this cost-saving is realized by moving from a fixed-cost model to one of a variable cost.

2.8.4. Risk Assessment

If there were no risks, there would be no need for managers. Risks and uncertainty are what management is all about. If everything were certain; and hence predictable, there would be nothing to

manage. Risk is always a factor in every project. Risk assessment takes an aggregate view of the organization and the proposed outsourcing initiative and identifies risk and associated risk mitigation strategies. When you consider that risk is associated with any project, you must segment the risk into different categories.

2.9. Reasons for Outsourcing

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

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

B. Focus on core functions: Successful outsourcing allows the organization to focus on house resources on tackling priorities. When an organization concentrates on carrying out its priorities, it can use its financial, human and management resources more effectively and efficiently. Outsourcing of some non-core functions provides organizations with the flexibility to redirect and focus their resources on activities critical to their mission (Choi, 2008). Sometimes the company may outsource those functions that are core function at the moment, but which are expected to become less important in the near future due to change in the nature of the business. Brown and Wilson (2005) also support this point; the company would keep only those core functions in the house when the staff can do better than the supplier.

In addition, a company could even outsource a function that is considered as a key to survival if it can find a supplier that can perform the function better. In sum a company need to keep its functions in house if the functions are core functions as well as there is no supplier that can do it better than the company itself.

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

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

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

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

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

G. Access to skills: Organizations may be faced with a shortage of skilled and experienced staff brought about by the change in the business operation setting , retirements, resignations, or recruitment problems. Existing staff may not always have the necessary skills to keep pace with rapidly evolving change and technology. When an organization is contemplating providing new services, outsourcing can ease the process of building the skills and resources required to respond to these new initiatives. In some cases, outsourcing to an external service provider may be the only practical way to access the skills necessary to properly deliver services. On top of these organizations also benefit from having their staff work with the service provider's specialists (Choi, 2008).

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

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

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

2.10. Drivers of Outsourcing

The key drivers include financial reasons such as reducing costs, generating additional profits, and reducing capital outlay with periodic payments (Bhattacharya, 2003) and also the technical reasons for outsourcing are quality improvement, gaining access to new talent and technology, the easy availability of vendors with expertise, and economies of scale. Among the tactical drivers the most prominent ones are a shortage of skilled workers and cost reduction opportunities. Strategic reasons include refocusing on innovation and core competencies. Leading organizations are shrinking their business cycles and tightening feedback loops (Brown and Wilson, 2005; Greaver II, 1999), and

increasing quality standards. According to Chamberland. D. (2003), drivers of outsourcing have been classified into three categories: organizational, improvement, financial and cost drivers as discussed below.

2.11. Assessing and Selecting Competent Service Providers

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

According to (Kurat, 2011) as quoted in Borisova (2011) there are additional criteria for the company to evaluate the service providers. This will help to perform at least a preliminary analysis of which company is dealing with (Kurat, 2011):

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

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

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

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

Contract terms-The terms of contract should offer flexibility to the client to modify the requirements or terminate the contract easily if required. The best development methodologies

for fast and frequent changes are agile-based.

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

2.12. Types of Business Functions those can be outsourced

The concept of outsourcing non-core functions of business has been used in one form or the other by the companies worldwide. Divesting a business process allows a company to focus on the core functions of its enterprise and alleviates the need to build skills in areas tangible to its business goals. Outsourcing enables organizations to consistently perform the outsourced business process more effectively than any of their competitors Ghodeswar and Vaidyanathan, (2008:23-38). Identifying non-core business functions is critical in determining the area that need to be outsourced. This is most often a tough job since most business functions are interconnected very closely. A set of functions that can be outsourced is different for each company and it is determined by the specificity of its activity Borisova (2011). First of all, it is necessary to identify what processes, forming the strengths of the company, better to keep at home and further develop to increase competitiveness, and what can be done by third parties on a much higher level of quality.

In practice, the most common form of implementation of the outsourcing is the transfer of the following options: accounting and tax calculation, payroll staff, legal service, human resource management, IT systems and database management, marketing communications and public relations, advertising services, translation services, project management from design to implementation, issues of economic, and informational, logistics management and supply chain, some types or stages of production (assembly and testing), cleaning/janitorial, and maintenance, transportation management, its maintenance and repair (aircraft and ships, roads, railways), physical security service and others.

2.13. The Need for Well-Formulated Contract

Outsourcing is required to comply with all federal, state, and local laws and regulations as well as an organization's own policies and procedures. Although it is easy to summarize the restrictions placed on outsourcing in once sentence, it is far more difficult defining such in terms of a contract and without proper contract management; an outsourcing initiative can turn into an ugly legal battle. Although legal action should only be taken as a last resort, it is important for an organization to be aware of the various governmental, environmental and organizational

liabilities that exist. Before any outsourcing initiative can begin, contracts are generally drawn up and agreed upon by each side. The main function of the contract is to identify a specific pricing structure and service level agreement (SLA), both of which are critical to any outsourcing initiative. In addition to the SLA, a contract will identify a governing law for the two parties in addition to establishing what regulatory laws and tax implications apply. In fact, identifying the tax implications of an outsourcing project at an early stage is crucial Thoms (2004).

2.14. Strategic Factors

Strategic factor as a major factor, make-versus buy decision is based on the performance capability of the supplier. The decision to outsource should involve evaluating of the supplier who is the most capable of performing the service at a best practice level than others. This requires an evaluation of potential outsource services in term of their contribution to a firm's core and noncore activities (Bowersonx and Closs, 1996).

2.15. The Outsourcing Process

It is essential that both the client and the external provider under consideration have a clear and shared understanding not only of specification but of goals and objectives and that this understanding is translated into a workable strategic plan (Baily et al, 2005). They clarified that, following careful and rigorous procedures necessary for appointed of an external provider need to be well-designed and mutual acceptable contract, and an open and continuous working relationship underpinned by senior management support from both organization. The principal benefit arising from the use of performance specification is, of course, that it can usually readily seen whether the contractor has provided the service as aAn outsourcing process has to consider various factors while approaching the strategic decision of outsourcing. Alteka (2006) and Baily et al (2008) demonstrated a number of factors as:

Understand your enterprise's key business drivers and rationale: The enterprise needs to understand what its core competences is and derive as to which capabilities should be kept in-house and what can be outsourced. Those function that are critical to the business, and to the technologies that support it now and will keep it competitive in the future, should stay in house and tasks that are necessary but not core can be considered for outsourcing.

2.16. Requirement for Successful Outsourcing

According to Randall (1993) successful outsourcing requires identification of a strong need for outsourcing. Organizations undergoing rapid change due to changing internal and external environments are likely to benefit if they embrace outsourcing as an operational strategy to reduce operation costs. He adds that companies facing significant capital and headcount constraints are also likely to benefit by outsourcing expensive assets and personnel services. Before committing to outsourcing companies need strong evidence that tangible benefits will be achieved. To quantify the benefits, a comprehensive feasibility needs to be carried out to benchmark existing practices and identify the opportunities for improvement. Randall (1993) is of the opinion that credibility of suppliers is critical for the success of outsourcing process. The credibility is determined by experience in required services, proven track record on implementation and operating similar contracts, financial strength and a multiyear commitment to the contract. In addition, management commitment must be sufficient to overcome the roadblocks that undoubtedly emerge. He finally recommend that for the outsourcing project to work there is need to have a senior manager who is committed to act as sponsor of the project and guide it from ideas to reality.

2.17. Outsourcing and Quality

Service quality is a measure of the extent to which the customer is experiencing the level of service that he or she is expecting. Thus, a very simple, yet effective, view of service quality is that it is the match between what the customer expects and what the customer experiences. Any mismatch from this can be called the 'service quality gap'. Note that the customer viewpoint is what the customer perceives or believes to be happening, not necessarily what is actually happening in terms of what the supplier is providing or thinks he or she is providing. Perceived quality is always a judgment that the customer makes, whatever the customer thinks is reality is reality, no matter what the supplier may believe to the contrary! This is another reason why careful measurement of customer service is necessary: to be able to demonstrate that certain agreed standards are being achieved(Baker, 2006).

2.18. Challenges of Outsourcing

Like any restructuring exercise and management decision making in business, there are risks associated with outsourcing that procurement managers or top management need to consider carefully (Procurement News December 17th, 2003) and these may be; the possibility of over depending on or

leveraged by suppliers which make switching costs to other suppliers in future prohibitively expensive. Over a long time, a supplier of outsourced service may become complacent or change ownership and also a risk fall in employ morale for fear of being redundant, confidentiality links of company matters and in some instances loss of intellectual property rights

.Eyaa 2006, says that, high prices being imposed on suppliers due to increasing trends in outsourcing, the demand for suppliers is so high and has pushed the rates being charged by the suppliers to be high. This later increases the costs yet outsourcing is all about helping firms cut costs. Too much expectancy from suppliers as Company employees tend to expect too much from supplier firms as far as service provision is concerned because they are specialists yet things can go wrong once in a while. Such issues should not be ignored.

2.19. Benefits of Outsourcing

2.19.1. Cost Saving

This is the lowering of the overall cost of the service to the business. This involves the score defining quality levels, repulsing, renegotiations, cost restructuring, access to lower cost economies through off showing cold labor arbitrage.

2.19.2. Specialization

Lysons and Gillingham (2009) say that, outsourcing allows an organization to concentrate on areas of business that derive competitive advantage and outsource non core activities to specialist with better skills and expertise.

2.19.3. Access to Innovation

There are opportunities to have access to capabilities of suppliers into products and services of the customer organization rather than attempt to replicate the capabilities of a supply network (www.pwc.com).

2.19.4. Disadvantages

Outsourcing has become an established management tool. Many libraries have begun to consider outsourcing as an alternative to delivery service and in many cases individual libraries have made

successful use of outsourcing. However, outsourcing presents both benefits and problems. If not done well, outsourcing can cause significant problems.

a) Loss of control: Loss of control over the outsourced operations is the most critical problem faced by the libraries, as staff has to renounce some control to vendors. Loss of control can take many forms and its implications differ according to the outsourced functions. Loss of control can be minimized in the following ways: retaining core functions in-house, linking outsourcing contract payments to specific deliverables; treating outsourcing companies as partners rather than vendors; ensuring that the outsourcing partner understands and supports the purpose and values of the library etc. Cubberley and Partners, (1999)

b) Staff morale: Outsourcing affects staff morale because the changes inevitably associated with outsourcing produce high levels of stress and transfer from one section to other sections affecting the work of staff. Therefore, librarians may use the counseling for staff, in order to rebuild trust, encouraging them to learn new technologies and create a positive work environment within the library.

i. More costly: Outsourcing does not automatically result in lower costs. It depends upon the library needs and terms of the contract. Outsourcing services may be more costly than in-house if they are done without proper planning. Librarians need to make proper comparison of cost a service or function whether it is provided by in-house staff or outsourced vendor.

c) Decline in quality: When a function is outsourced, there may be a risk that the new group doing the work will not maintain the same level of quality as previously established. Successful outsourcing depends on careful planning and attention given to details such as: how the quality of the level of service is to be maintained or enhanced. Service quality controls can include establishing: service standards and levels, performance measures, monitoring systems, rewards for exceptional performance, penalties for nonperformance, third-party quality inspection etc.

d) Less loyalty: Contract employees are not as loyal as internal staff. Confidential information of libraries cannot be shared with contract staff. They are not the regular staff of the organization and feeling unsafe which reduces their morale and feeling of belongingness.

2.20. Setting Service Level Agreement (SLA)

As explained by Thoms (2004) a well-defined and constructed SLA will aptly set expectations for both sides of an outsourcing relationship while offering targets for exactly measuring

performance to those objectives. There are many steps to establishing an SLA between the service provider and the procuring entity. The first involves negotiation whereby both parties will agree to the terms of service. Once established and agreed upon, the various methods of payment are also identified. Of the important aspects of any SLA are the methods by which a company will evaluate the service of a vendor. In other words, did the vendor perform the service in line with the agreement? Further Thoms (2004) added that when properly chosen and implemented, the SLA metrics: First measure the right performance characteristics to ensure that the client is receiving its required level of service and the service provider is achieving an acceptable level of quality. Second it can be easily collected with an appropriate level of detail but without costly overhead, and tie all commitments to reasonable, attainable performance levels so that quality service can be easily differentiated from none quality service, and finally giving the service provider a fair opportunity to satisfy its client.

2.21. Accountability for Delivering Services

Kitty Choi (2008) Procuring entity should note that they can outsource services but not the ultimate responsibilities. While an external service provider acts as the agent for delivering services, the outsourcing procuring entity remains accountable for the services. The private sector service provider is responsible for delivering the services in accordance with the contract terms, for compliance with the legislation, and for remunerating its staff. Nonetheless, the outsourcing procuring entity is ultimately responsible to the public for ensuring that the services are delivered at the specific time in accordance with the required standard and quantity, etc experience has shown that the public and politicians will always hold the Government responsible for public services irrespective of the mode of delivery. The wider risk that the public is deprived of the services stays with outsourcing procuring entity and cannot be transferred. In outsourcing projects, procuring entity should always establish sufficient control over the outsourced activities by putting in place appropriate measures to manage the regulatory and political/reputational risks and to safeguard the public interest.

2.22. Empirical Literature Review

This section enables other researcher's findings to explain in accordance with the problems. The study trying to explain that organization or companies have considered the adoption of outsourcing of

the services which they think they are non-core function to their firm. The following is the brief review of their studies and findings.

According to Meresa M. (2007) conducted a research on outsourcing in Ethiopia indicated that Ethiopian organizations are willing to outsource non-core business functions, such as maintenance, janitorial services, security services, and information technology services. Conversely, Accounting and Administration outsourcing service providers will face great challenges from Ethiopian organization to deliver their services. This is due to the organizations fear that it loss confidential information and control In addition to the organizations suspect that the external service providers are not loyal to them.

A.kwansi A. (2012) conducted an empirical study on effect of outsourcing on organizational performance the case of selected financial institutions in Ghana. The study discovered during the outsourcing period the performance of the service providers is not measured for that most of the outsourcers do not have performance measurement system. The coordination between in- house services and outsourced activities is not customary mostly. The organizations mostly oversight and control the activities of service providers or suppliers. In most cases no internal system is established in order to do things in a well coordinated and a professional manner. In outsourcing practice of the institutions, preparation and planning in outsourcing activities is not developed. As well as, market survey is not conducted to assess what the market provides.

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

Sang (2010) assessed outsourcing practices in Kenyan public universities to investigated the challenges and opportunities presented by outsourcing activities in the universities. The finding was that the universities involved in outsourcing had some general policy statements without known regulatory framework. He also identified Security and Cleaning as the major service activities currently practiced in public universities while catering was the least activity outsourced. The study

identified that the importance of outsourcing were cost reduction and improves efficiency. The major challenges of outsourcing at public Universities included negative attitude of staff, poor monitoring and evaluation, lack of cooperation by students to the outsourced staff and community interference. The study affirmed that if the university successfully outsources its functions, it requires proper evaluation, performance measurement, and planning. Though the study by Sang (2010) enumerated challenges in Business process outsourcing at Public Universities, the findings cannot be replicated to other organization due to unique and different nature of every organization.

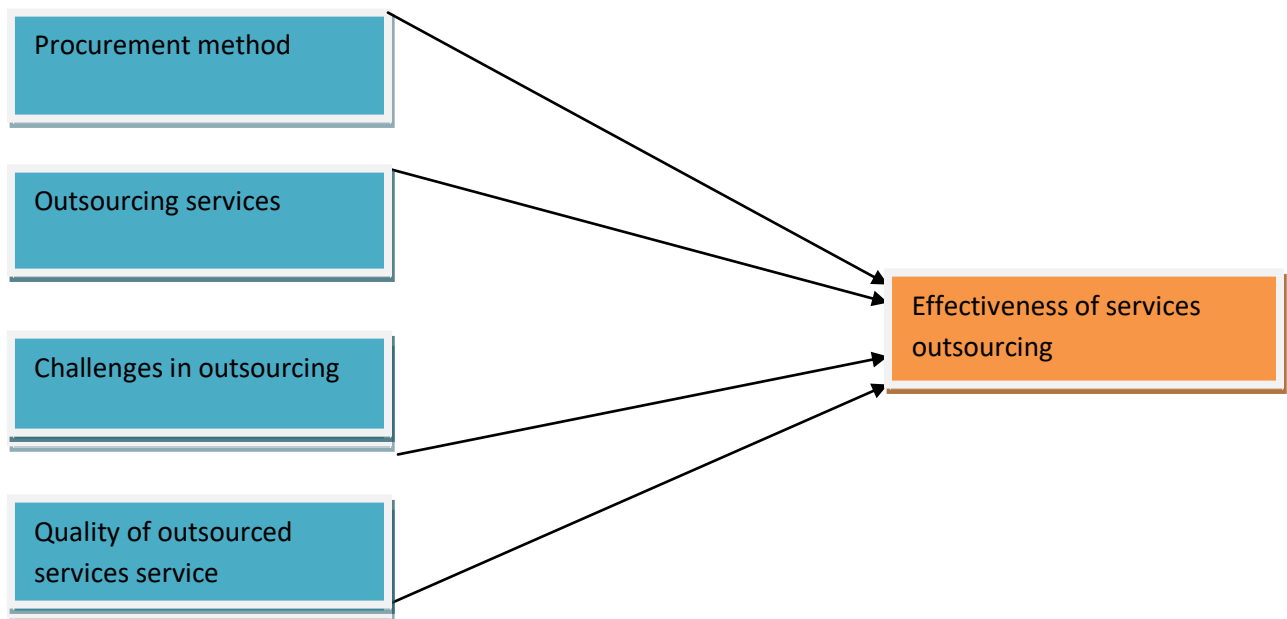
2.23. Research Gap

In Ethiopia, it was noted that despite the benefits that come with using agents, there were many challenges as well: there was lack of overall control by the outsourcer which may lead to project mismanagement and delays in delivery. There was also lack of clear knowledge about the objectives and core values of the procuring entity which made the agent front their company's core values. The outsourcing service providers led to low transparency and accountability and exposed the company to outsiders outsourcing service providers were discouraged privacy.

Despite all various literatures and previously studies about outsourcing of services it has been revealed that less emphasize is placed in outsourcing services in the way of bringing quality services delivery. This thing have brought to break some of the contract and outsourcing projects are not achieving their objectives of efficient services. Because of this the procuring entity faced a lot of disadvantage. Therefore the researcher aims at filling the existing gap by assessing the effectiveness of services outsourcing and delivery in the organization.

2.24. Conceptual Framework

According to the results of the literature review, a conceptual model for the study was adopted and modified. This model consisted of the following components of dependent and independent variables. In this study, outsourcing noncore business functions will treat as the independent variable while organizational performance, cost reduction, employee competence, innovativeness and focus on core competencies as the dependent variables. This is shown in Figure 4.4



CHAPTER THREE

3. THE RESEARCH DESIGN AND METHODOLOGY

3.1. The Research Method

Descriptive survey method will be employed in this study with the assumption that it could enable the researcher to reveal the practices and challenge of service outsourcing and delivery practices in Addis Ababa University. Moreover, this method is appropriate because it helps in obtaining large variety of data related to the problem under the study. To this end, the following procedures of quantitative and qualitative (mixed method) research designs employed to collect and analyze the data. Employing mixed approach enables the researcher to look from different perspectives and the context based practice from participants view. This method is chosen with the assumption that helps to have data as it exists and to gather information related to the problem under study.

3.2. Sources of Data

The researcher used both primary and secondary sources of data. As a primary data the researcher used both interview and questionnaires. An in-depth interview will be conducted to the university human resource management development director, facility management director, peace and security director and HR managers of outsourced service who are considered as contract administrator of both outsourced services and their ability to provide specific information on outsourcing delivery and the respective obstacles involved. In addition to this data was collected by distributing structured questionnaires i.e. open-ended and closed-ended questionnaires to employees who have an exposure to outsourcing functions. The questionnaire a liker scale ranking (5-point likert scale) where 5 stands for strongly agree 4 stands for agree 3 stands for neutral 2 stands for disagree and 1 stands for strongly disagree.

Other essential secondary sources included in this study: relevant books, academic journals, proceedings, books, articles contributed by deferent authors, internet based information which contains relevant information related to the subject under the study. Policy documents and the like will also be consulted thoroughly.

3.3. Sampling Frame

Since the study is concerned with service outsourcing and the service that have been delivering by the outsourcing staff employees and Addis Ababa University, the participants of the study are employees of the university and outsourcing staff. The study focuses on the population who are currently working in the selected departments and campuses of Addis Ababa University. Currently AAU has 14 campuses with 9962 employees. The sample frame is a population list from which the sample will draw. To make the study manageable, the sample was drawn from the four departments (PPAD, HRM, P&SD, FMD in the two campuses i.e. college of health science, Main campus), fourth year regular students of the two campuses, and HR manager of outsourced services providers. The two campuses of the selected departments have a total of 667 administrative staffs as well as HR manager of outsourced services. From those employees of the two campuses 37 of them are messengers, carpenters, welders, messengers, security workers, Forman's, and electricians who they are daily engaged in routine transactions and they do not have enough knowledge about the subject of the study so they are excluded from the study. Therefore, this study had targeted Administrative employees, Professionals of the two campuses, HR manager of outsourced service providers, and external customers.

3.4. Population and Sample Design

Descriptive type of research had applied to assess the effectiveness of service outsourcing and delivery in Addis Ababa University. Descriptive research design was used to describe independent and dependent variables and it is a scientific method of carrying out a systematic or formal inquiry in which data is collected and analyzed in order to describe the current conditions and terms concerning in a certain specific field Problem, (Mugenda, 2003).

The reason of the choice of these campus and college was that the cleaning and security service outsourcing has started and practiced in these campus and college earlier than the rest of the colleges and expected to have better information about the service delivery of the outsourced cleaning and security service in the University.

The researcher had focused on those who have practiced fully and expected to have viable information with regard to the status of before and after cleaning and security service outsourcing in

the University. These were facility team members, peace and security directors, procurement and property administration, human resource management department employees, regular fourth year undergraduate students council members the two campuses of the University, HR managers of outsourcing service providers, and external customers.

Table 3.1 Proportional sample for each department or Selected Area

No	List of Selected departments	Total No of employees in each departments	No of sample size in each departments	Proportional sample-main campus	Proportional sample-black lion hospital
1	Procurement and property administration	120	43	27	16
2	Facility management	310	139	70	59
3	Peace and security	122	41	24	17
4	Human resources management	70	22	13	9
5	Under graduate students council members of main campus and college of health science Black Lion Hospital	15	3	2	1
Total		630			

3.5. Sample Size

There are two ways of drawing up a sample (Ndunguru, et al 2005). These are, non random sampling (or judgmental sampling) in which judgment, experience, and other personality views govern the choice of elements in sample and random sampling (based on probability or chance laws) in which sample is picked up, such element in the sample has equal chance of being included. In this study the researcher used nonrandom sampling (judgmental/ purposive) technique to draw a sample for quantitative and qualitative data of facility management director, peace and security director, HR manager of the main campus, managing director and facility team leader of college of health science Black Lion Hospital, HR managers of outsourced service, employees of human resource management, facility management, peace and security, and under graduate student council members.

One of the formulas of sampling method to decide sample size from the population frame the required number of respondents was selected in order to make a sample. This formula was concerned with applying a normal approximation with a confidence level of 95% and a limit of tolerance level (error level) of 5%.

The sample size was determined by the **Slovin's formula (Serakan, 1992)**.

Therefore $n = \frac{N}{1 + Ne^2}$

Where:

N= the population size

n=the sample size

e = the margin of error

$$n = \frac{630}{1 + 630(0.05)^2}$$

$$n = 245$$

Therefore, the study's sample size of 245 was fair enough to represent the target population of the study area for employees. A sample size of (245) employees out of the six hundred (630) employees were population of the selected main campus and college of health science Black Lion Hospital departments of available employees. There fore, the study's sample size of 245 is fair enough to represent the target population of the study area.

The researcher deemed necessary to take independent sample for each Addis Ababa University departments to ensure equal representation because departments have different number of employees. There fore, the sample size for each department was calculated by using proportion. The study used proportionate sample allocation formulas oas to make each department sampled id entical with proportion of the population. There fore, proportional sample size from each department was calculated by using the following formula.

Using Bourley's 1994 population allocation formula in NzelibeandIlogu(1999, p.201) as stated below:

$$n_i = n(N_i)/N$$

Where:

n_i =sample size for individuals in Addis Ababa University in the selected departments

N_i =the total number of employees in each Addis Ababa University selected departments

N =the total number of employees in Addis Ababa University selected departments

n =the total sample

3.6. Data source and Type

The researcher was used both qualitative and quantitative data collection techniques. In order to present a wide range of information, quantitative data were collected by distributing questionnaires, and qualitative data were collected using interviews. Both techniques were used to enable the researcher to present numerical as well as qualitative information. The secondary data were used in this research. The secondary data were mostly employees and students' records and the contractual agreement document of the outsourced cleaning and security service and its contents between Addis Ababa University and the service provider.

3.7. Validity and Reliability

Checking the validity and reliability of data collecting instruments before providing to the actual study subject is the core to assure the quality of the data (Creswell.J. 2009). To ensure validity of instruments, initially the instrument will be prepared by the researcher with guidance from the advisor. The questionnaire will be developed with due care containing multiple questions, and discussion questions. Maximum effort will be applied to create logical link between the items in the questionnaire and the research questions as well as the objectives of the study.

3.8. Procedures of Data Collection

The modified questionnaires from the validity test were delivered personally to the respondents, in order to avoid possible problems with the distribution and collection, the questionnaire were distributed and collected by the researcher himself. Questionnaire distribution and collection were

done in the waiting area and as well as in the office of respondents. The interview was conducted in the respondents offices depending on the program held with the interviewee.

Patton(1990) Interviews were used to find out the perspectives inside someone's mind. Interview dates was scheduled before hand with the interviewee and was held face to face to help not to forget and to be able to recall all that were said in the interviews responses were recorded and summarized timely and promptly.

3.9. Data Analysis Methods

Both qualitative and quantitative technique used to analyze data. Data collected through interviews and questionnaires were analyzed. Discussions and explanations oriented tables, figures, and simple statistics like percentage used in the study.

3.10. Ethical Considerations

When conducting this study, the researcher followed some ethical guidelines. Thus, the first activity that the researcher did is to get permission from participants. Once permission is obtained, the participants feel safe and secure regarding the information they provided on the issue of investigation. In other words, the researcher assured participants that the information they provided would be used only for research purpose and free to talk. Moreover, to make participants feel more confident about the information they provided, each informant is pre-informed that her/his name not be used while reporting the results.

All participants also pre-informed to understand their rights to confidentiality and anonymity in the research process and the right to withdraw from the research at any time, without having to give their reasons.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF RESEARCH FINDINGS

4. Introduction

This chapter presents findings that were collected from different respondents at AAU. The findings are based on data collected through questionnaires, documentary review, interview and observation. In which (245) questionnaires were distributed and collected. Also some of the external customers, department heads, and HR managers of outsourcing service providers of AAU were interviewed.

The idea of conducting this study was to assess service outsourcing and delivery effectiveness in AAU. Respondent were selected as per researcher’s opinion and judgments.

4.1. Characteristics of Study Respondents.

All respondents from which primary data were collected are the permanent employees of the AAU, HR managers of the service providers, and customers who are also users of the services offered from Service providers. The staffs having an education background of less than Diploma, Diploma level, Bachelor degree, and Masters Degree.

Table 4.2: Education

	Frequency	Percent	Valid Percent	Cumulative Percent
diploma	63	47.0	47.0	47.0
degree	34	25.4	25.4	72.4
Valid masters	7	5.2	5.2	77.6
<diploma	30	22.4	22.4	100.0
Total	134	100.0	100.0	

Table 4.3: Number of Respondents

S/N	Location of Sample	Sample Size	Actual Respondents	% of Actual Respondents out of sample size
1	Addis Ababa University	245	134	53.8%
	TOTAL	245	134	53.8%

Table 4.4 Awareness with Outsourcing

	Frequency	Percent	Valid Percent	Cumulative Percent
yes	123	91.8	91.8	91.8
Valid No	11	8.2	8.2	100.0
Total	134	100.0	100.0	

4.4.1. Outsourced Services at AAU

The researcher wanted to know the outsourced services which are currently available, in order to arrive into those outsourced services, researcher started by asking if respondents are aware with the term Outsourcing, 245 questionnaires distributed present the result that 134 questionnaires collected, they are aware with outsourcing as per indicated to the table below.

Table 4.5. Outsourcing Improved Delivery of Services

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	19	14.2	14.2	14.2
Valid No	115	85.8	85.8	100.0
Total	134	100.0	100.0	

4.5.1 Strategies Used by Organization to Improve Outsourced Services

The researcher wanted to know the strategies used by organization to improve services offered by service provider. Usually and traditionally, the most important goal in outsourcing contract is improving the cost efficiency of an organization. Most of the organization wants to internalize value chain activity to minimize cost. During data collection researcher through interview question, wanted to know whether there were any strategies adopted by the organization during execution of outsourced services. all respondents agree positively, that there are strategies used by organization.

Further a researcher wanted the respondents to give some strategies adopted by organization named the following strategies:

- Conducting regular supervision.
- Meeting with service providers.
- Motivating service providers by payment to be done on time.

Table 4.6. Challenges in Outsourcing the Services

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	117	87.3	87.3	87.3
Valid No	17	12.7	12.7	100.0
Total	134	100.0	100.0	

The results obtained from the study shows that AAU is facing a lot of challenges during outsourcing their services that obstruct them to arrive into effectiveness quality services delivery. Table 4.6. Shows the responses from the respondents who were responding to the questionnaire designed specifically to assess the challenges faced in outsourcing services. There are number of challenges that have been mentioned by respondents here under:-

4.6.1. Inadequate Staff and Equipments

Most of the service providers specifically on cleaning services & gardening, and security services are not having permanent staffs. Though in a tender document they stipulate a number of staff they had but it is not true. A researcher has observed in security services the bidder who was given a contract in the year 2019/2020 stopped the security service before the contract was completed due to under capacity.

4.6.2. Lack Truthfulness from Service Providers

The researcher has revealed that most of the service providers are not as contract direct. The researcher revealed that, the man power of that agreed not fulfilled by the service providers, for the intention of minimizing cost and obtaining maximum profit. Most of the respondents argue this demotivate quality of service offered because is the client who knows his requirement but service provider tend to cheat on the number required.

4.6.3. Low Capability of Service Providers

Another problem that brings challenge is that, most of the service providers are not having sufficient starting capital. This lead serious problem to the workers when procuring entity fails to make monthly payment on time to the service provider. The workers remain unmotivated as a result of poor performance.

4.6.4. Delay in Payments.

Service provider declared that their services are being influenced the way payment is made by the client. Any delay of payment by the client to the service provider for two to three month may affect the entire operations and hence they fail to give out a quality services as required.

Table 4.7. Responses on the Decisions to Outsource

	Frequency	Percent	Valid Percent	Cumulative Percent
Tender board	24	17.9	17.9	17.9
Valid Procurement Management Unit	110	82.1	82.1	100.0
Total	134	100.0	100.0	

4.7.1. Making Decision to Outsource

The decision to outsource must be based on the client organization’s need, according to the literature review, before deciding whether to outsource or not an organization should review their core activities and concentrate on those activities which they believe that they do best. Researcher wanted to know the decision to make outsourcing services where it come from, either from top level or tender board. Out of forty seven (245) distributed questionnaires, 82.1%respondentsagreed the decision to outsource non core activities is done by top management 17.9%responds decision is made by tender board.

Table 4.8. Criteria used to decide to Outsource the Non- core Activities

	Frequency	Percent	Valid Percent	Cumulative Percent
i. i. Cost reduction, where other can do better and concentrate on core business	116	86.6	86.6	86.6
Valid ii. Experience, Capital of suppliers and low prices of suppliers	18	13.4	13.4	100.0
iii. Total	134	100.0	100.0	

Table 4.9.Reasons to Enforces to Outsource Non –core Activities

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid i. Improvement of quality, concentrate on core activities, cut cost of operation	121	90.3	90.3	90.3
ii. Allow the service provider to compete themselves	13	9.7	9.7	100.0
Total	134	100.0	100.0	

4.9.1. Factors influence to Outsource Services

According to the government reforms most of the institutions, agency, ministries started to outsource services with the aim of reducing cost, getting better services than previously which were performed in-house by in sourcing. There researcher was wanted to know the factors which influence AAU, adopting to outsource its activities. Both respondents have said the AAU has outsourced their services for the intention of improving of quality; concentrate on core activities cut cost of operation. Concerning of cut cost of operation the researcher revealed that it really AAU has succeeded to reduce the cost comparing if those activities could have been done in-house. The researcher has observed this from procurement contracts where service providers quoted their prices and the number of employees used in daily operations. Definitely the cost has been reduced.

Table 4.10. The Management Conduct meeting with Service Providers

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	119	88.8	88.8	88.8
No	15	11.2	11.2	100.0
Total	134	100.0	100.0	

According to the above table shows respondent’s comments on meeting that management conducted with the service providers that 88.8% respondents agreed that there were a meeting conducted to solve problems raised on the issue of outsourcing service delivery between service providers and AAU and 11.2.% respondents answered no meeting was conducted.

Table 4.11. Procurement Method was Used to Find out Service Provider Stated on the Law and Directive

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	21	15.7	15.7	15.7
Valid No	113	84.3	84.3	100.0
Total	134	100.0	100.0	

According to the above table shows respondent’s comments on procurement methods used, 84.3% respondents disagree and 15.7% respondents agreed with procurement.

Researcher observed procurement planning with indication of requirements and each procurement has been indicated its procurement method used during obtaining services.

Table 4.12. Criteria that are Used to Select the Service Providers in your Organization

	Frequency	Percent	Valid Percent	Cumulative Percent
i. Bid price, supplier experience and supplier capability	112	83.6	83.6	83.6
Valid ii. Technological capability, experience and supplier capability	22	16.4	16.4	100.0
Total	134	100.0	100.0	

providers but service providers themselves can compete on criteria set by procuring entity, therefore researcher introduced the question to know what criteria set by to select service providers, and the criteria will be as a base of choosing service provider according to the aspiration of procuring entity. Most of the respondents identified criteria used as bid price, supplier experience and supplier capability.

Table 4.13. Selected Service Provider has Failed to Provide a Service as Expected by the Organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	119	88.8	88.8	88.8
Valid No	15	11.2	11.2	100.0
Total	134	100.0	100.0	

A researcher wanted to know if service provider failed to provide the service in the past and currently. A researcher believes that, in any sector if there is failed to provide services to conduct detailed analysis to solve the problem from the root. The response from respondents was as indicated in the table above (88.8%) answered yes and 11.2% answered no, there is service delivery problem.

Table 4.14. Practice for Contract Management for the Outsourced Services

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	21	15.7	15.7	15.7
Valid No	113	84.3	84.3	100.0
Total	134	100.0	100.0	

Researcher wanted to know if there are contract management problems that had occurred in the past and currently. A researcher wants to know detailed information about contract management. The response from respondents was as indicated in the table above 84.3% answered no and 15.7% yes, this shows that the employees awareness on contract management were almost none.

Table 4.15. Any Dispute for any of the Outsourced Service you have ever Practices in your Organization

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	115	85.8	85.8	85.8
Valid No	19	14.2	14.2	100.0
Total	134	100.0	100.0	

In the first point services providers becoming reluctant on paying the correct value as per prevailing market value. The second points, the client sometimes received services with low

quality, the service provider's tried to employ few numbers of staff as required and paying them little amount of salaries as they stipulated when they applied for tender. In the third point the services providers becoming reluctant on paying the property when was stolen due to their negligence.

Table 4.16. Delays in Payments can Cause Service Provider to Under-Perform

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	118	88.1	88.1	88.1
Valid No	16	11.9	11.9	100.0
Total	134	100.0	100.0	

4.16.1. Delay in Payments

Service provider declared that their services are being influenced the way payment is made by the client. Any delay of payment by the client to the service provider for two to three month may affect the entire operations and hence they fail to give out a quality services as required. The researcher showed that 88.1% of the respondents agreed that delay in payments demotivate and or under-perform the service provider.

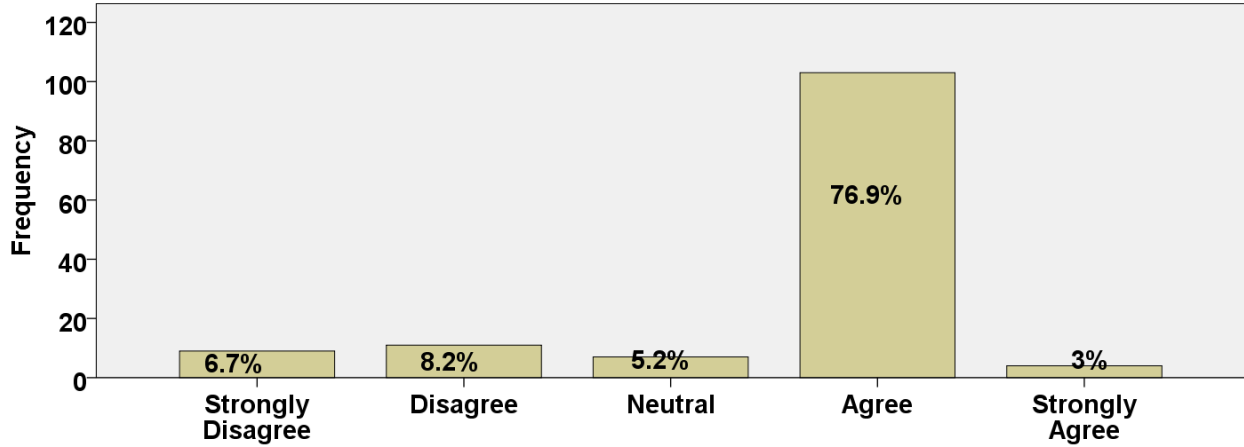
Table 4.17. There Is Effective Tender Board at Addis Ababa University

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	116	86.6	86.6	86.6
Valid No	18	13.4	13.4	100.0
Total	134	100.0	100.0	

4.17.1. Existence of Tender Board

Another area which researcher has shown interest is asses if Tender board is existing and function properly among forty seven 86.6% respondents who answered questionnaires have agree the Tender board is existing and it function according to the act establishes the Tender board.

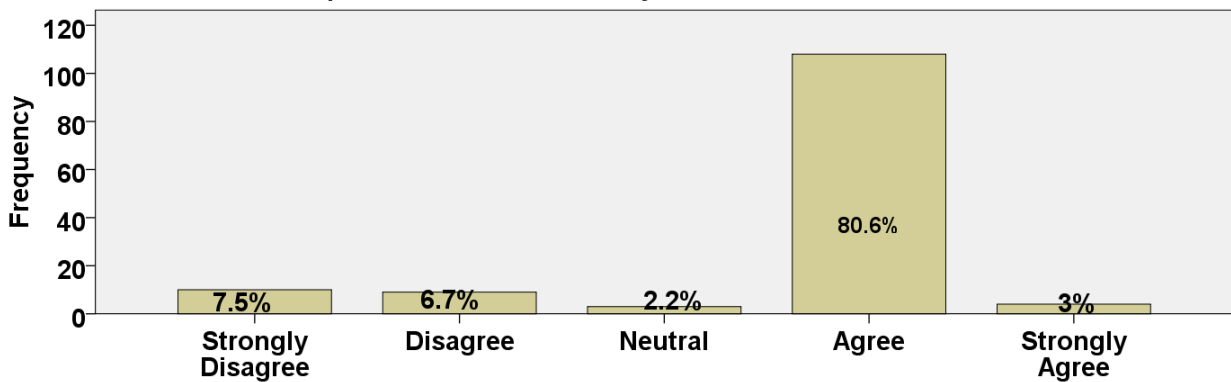
Fig. 4.5: University Employees' Feeling of Insecurity



Source: Field Survey, February 2020

In question 1 in appendix ii a researcher wanted to know if there are insecurity problems that had occurred in the past and currently between service provider and service user. A researcher believes that, in any sector if there is a feeling of insecurity specially by the side of employees of the service users always there is no efficiency. The response from respondents was as indicated in the table above 76.9% answered agree and 3% strongly agree, there is feeling of insecurity and 8.2%) answered No disagree.

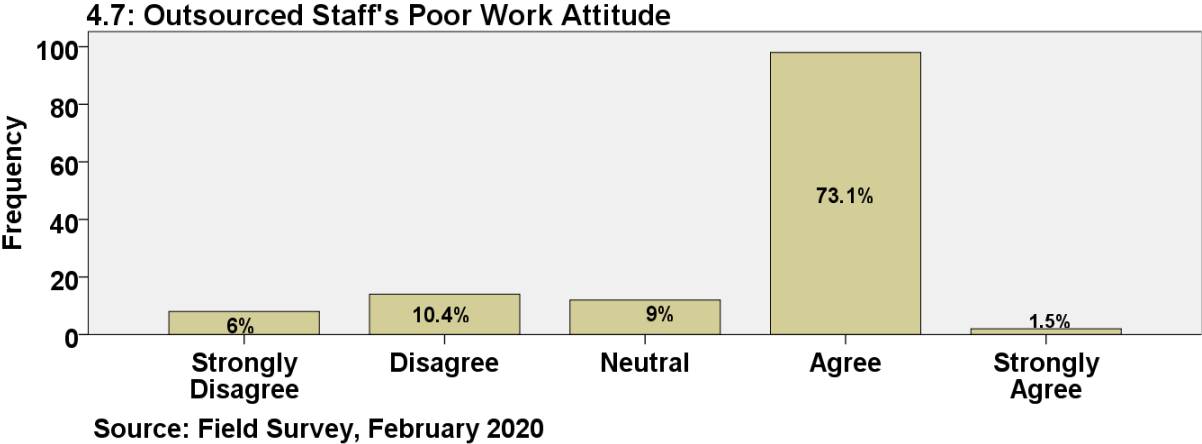
4.6: Lack of Competent Staff Provided by the Service Provider to Save Cost



Source: Field Survey, February 2020

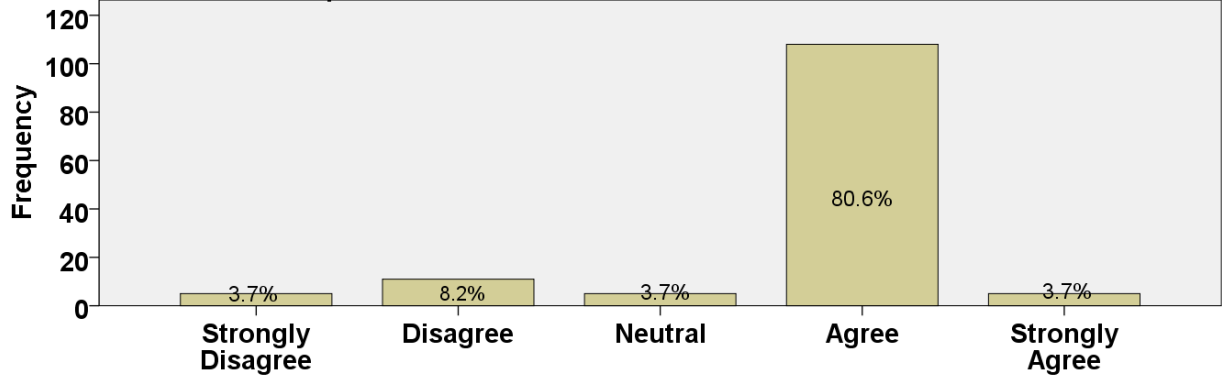
In question 2 in appendix ii a researcher wanted to know if there are lack of competent staff provided by service givers to save cost always there is no efficiency. The response from

respondents was as indicated in the table above 80.6% answered agree and 3% strongly agree, there is lack of competent staff and 6.7% answered disagree.



In question 3 in appendix ii a researcher wanted to know if there are poor work attitude that had occurred in the past and currently in outsourced staff. A researcher believes that, in any sector if there is poor work attitude always there is no efficiency and effectiveness. The response from respondents was as indicated in the table above (73.1%) answered agree and 1.5% strongly agree, there is poor work attitude and 10.4%) answered disagree.

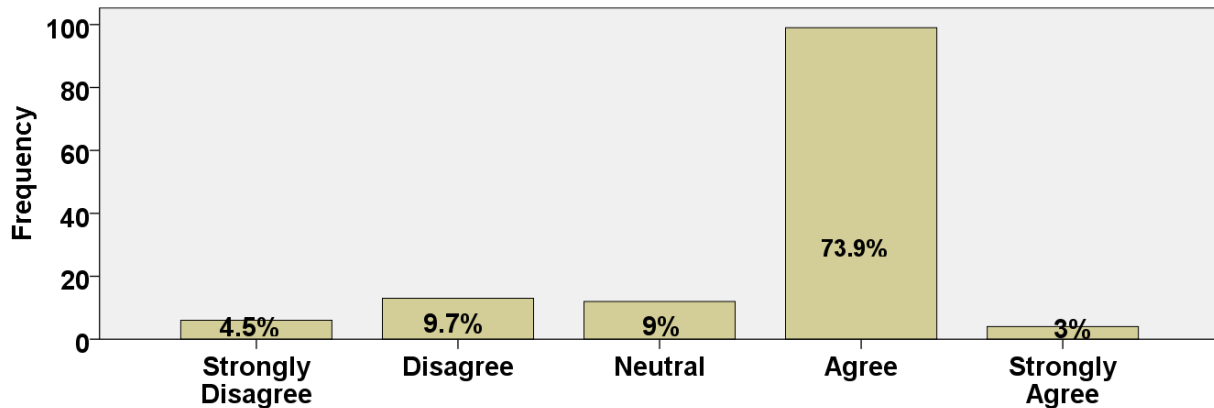
4.8: Lack of Cooperation of Between Service Providers and AAU Staff & Students



Source: Field Survey, February 2020

In question 4 in appendix ii a researcher wanted to know if there are lack of cooperation that had occurred in the past and currently between service provider and service user. A researcher believes that, in any sector if there is lack of cooperation always there is no effectiveness. The response from respondents was as indicated in the table above 80.6% answered agree and 8.2% disagree, there is lack of cooperation and 9%) answered No disputes.

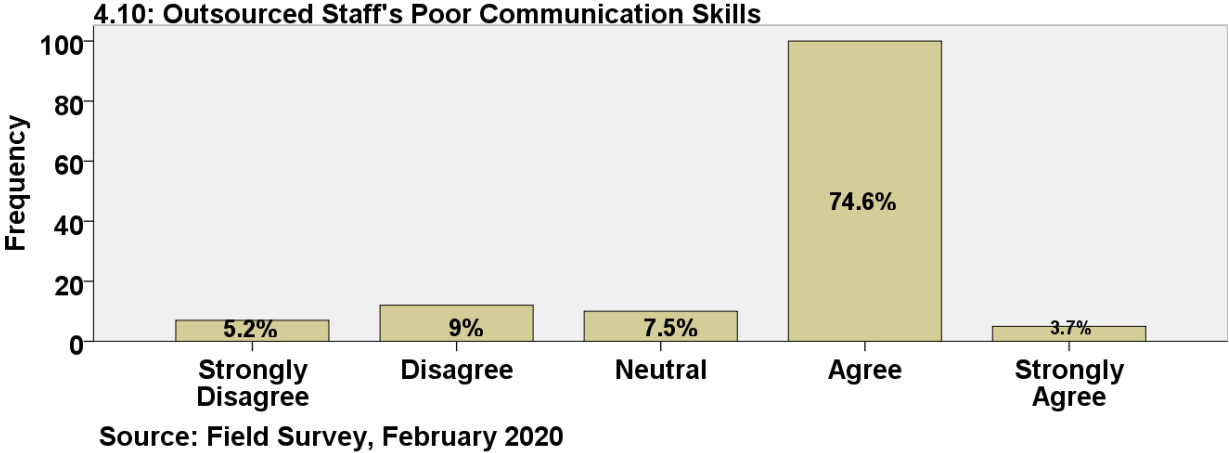
4.9: Poor Motivation of Outsourced Staff



Source: Field Survey, February 2020

In question 5 in appendix ii a researcher wanted to know if there are poor motivation that had occurred in the past and currently between service provider and service user. Researchers believe that, in any sector if there is poor motivation always there is no effectiveness.

The response from respondents was as indicated in the table above 73.9% answered agree and 9.7% disagree, there is poor motivation



In question 6 in appendix ii a researcher wanted to know if there are communication problems that had occurred in the past and currently between service provider and service user. A researcher believes that, in any sector if there is a communication problem always there is no efficiency. The response from respondents was as indicated in the table above (74.6%) answered agree and 3.7% strongly agree, there is poor communication and 9%) answered No disputes.

4.24. Analysis of Interview Questions

The second part of the questioning was centered on the opinions from the directors of the four departments of the University.

The aim was to consider opinions apart from employees that management actually sought in outsourcing. Therefore questions on reasons to outsource, benefits after outsource, major challenges faced and how to control quality of the outsourced service & evaluate the service providers. They confirmed that focusing on core functions, cost reduction and quality service as prime factors that influenced their choice of an outsourcing practice.

The interview response also confirmed that, there are benefits after outsourcing the cleaning and security services which are: -

- Increased efficiency: - after outsourcing those they bring years of experience in teaching learning practices. Thus, they can do other activities better with their knowledge and understanding of the domain. This increased in productivity and efficiency in the process thereby contributing to the bottom-line of AAU.
- Focus on core areas: - as they confirmed AAU benefits from Outsourcing because the management is free to lose energy to non-core activities and enable them to focus on building the core once.
- Access to skilled resources: - they confirmed that decrease recruiting and training expensive resources for the University.

On the other hand they also confirmed that there are some challenges and problems in the university. Problems related to contract administration, problem related to under-performance, Insecurity problem, Communication problem, Inputs to cleaning service is provided by the outsourcing company, which leads the company to abuse the internal controlling, High absence of employees by the security service provider company, The company do not have stable employees, b/c of the company perform many contract in Ethiopia and Employees work by half day shifts which decreases the trust among them.

4.25. Outsourced Activities

Addis Ababa University have outsourced its services which formally were done as in house operation, due to the policy of the government to reduce expenditure and involving private sectors in the growth of the public sector for the intention of increase efficiency and delivering quality services. AAU has outsourced the services like security services, cleaning services. All respondents awareness about outsourcing services as indicated in the table no 4.4 respondents equal to 91.8%, A researcher has observed that cost has been reduced due to the services performed by venders than it would be done in house.

4.25.1. Making Decision to Outsource

Any decision should be done under the concern and support of Management and supported so as to get best benefits of outsourcing in the organization. In case of AAU, any decision made get management consensus. As it indicated in the table no 4.7. Through researcher observation getting management support is not enough, but special team of people elected have to view how much the decision made have been implemented and general result found. As it was indicated by respondents, important factors which influence management to outsource some of the services is to require quality services, concentrate on core activities, and cut cost of operation, as it was shown in the table no 4.7. Researcher proved that the strategy to cut cost and concentrate on core function been truly realized.

4.25.2. Methods of Procurement

The purpose of effective procurement methods is to ensure that such goods and services are obtained efficiently, timely, economically and in compliance with the government procurement Act.

Depending on the procurement type, the research findings revealed that AAU uses the following methods of procurement for selecting service providers as discussed below:-

4.25.3. Competition Sealed Bids/ Tendering

This method involves the purchase procedure of competitive negotiation and used when price is not the only consideration. It is applicable when the purchase when it considers the nature, quantity and location of the service to be procured, the technical specification as deemed appropriate.

i . Request for Proposals

This is the two stages process; the first stage involves the selection of suppliers and provides a shortlist of the suppliers. The second stage involves only the short listed suppliers or service providers. Suppliers and Service Providers are invited to respond to request for proposal and the tender evaluated.

ii. Requesting Competitive Quotations

AAU usually request competitive quotations when an intended commitment to a single supplier is required. Quotations were requested from several firms and submitted in writing through well designed quotation forms explained all the details required by the company.

4.26. Criteria used to select the Service Providers

As it was presented in the data analysis 83.6% have shown awareness of basic criteria used to select service providers as it indicated in the table no 4.12, researcher failed to find a weak point on selecting service providers as are discussed below:

4.26.1. Price Consideration

price criteria is the one among essential factor in several times have to be considered in the evaluation because it has impact on the budget set up by procuring entity. As far as AAU is a business oriented public institution and price factor have considered, because of that the impact of price will affect both customers and Management. Because of that the selected service provider will base on the one who has offered lowest price.

4.26.2. Supplier Experience

The motive that AAU outsourcing its services is to be performed by private having specialized experts in a particular field , for the aim of improving the services delivery by providing quality services at lowest cost in order to reduce organization's' expenses. The researcher has observed in a tender documents and quotations prepared by AAU, it required Supplier or service providers shortlist to show their past experiences related to the field they applied for. The most experienced suppliers and who have good record, value for money, by delivered quality services at possible lowest cost were selected.

4.26.3 Supplier Capability

Supplier capability means the skill, ability to perform work and man power of the supplier concerning to the field specialized. In order to gain the quality service delivered the service provider is required to have a required number of staff, skills, and modern facilities. And also

researcher had question with currently existing service providers to justify this; both have agreed that selection is done fairly.

Despite the fact that service provider are selected properly, apart from their capability and experiences, but during their service delivery process they failed to show their competence. This indicated that employees of service provider had low competency specially employees of security service provider.

4.27. Contract Management Team

In any project there should be contract management team that is responsible for monitoring quality and achievement of a particular project is being achieved. Through documentary reviews there is no evidence contract management team which was formed at AAU but through interview some of the respondents said the ones used to deal with service providers and monitor their activities very close are sourcing director, and peace and security director.

For any contract it needs management support to form a contract management team to supervise the quality of services delivery. Respondents agreed that they are not satisfied with the service provided from services providers; a researcher has observed that there were a lack of monitoring and takes action by management team for improving the outsourcing service quality.

4.28. Chapter Summary

This chapter analyzed and discussed major findings as presented in chapter four and their relative implications on procuring entity, procurement professionals, procurement function, and on the county developmental objectives. It has been evident the aim of outsourcing services is to reduce operational cost and to increase efficiency but these objectives can be opposite if the outsourced services cannot be monitored effectively to bring a desired results. Finally, chapter six provides a organized summary of findings, analysis, and end up with indicative/suggestive recommendations

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5. Introduction

This chapter presents a summary of the findings associated with the service outsourcing and delivery effectiveness in AAU. In this chapter the researcher is going to give the conclusion and the recommendations will only base on the data analyzed during the study.

5.1. Summary of the Study

Procurement of goods, works, consultancy service and non consultancy services it took more of Government budgets. Therefore it need to be done with care in order to enable the institution to meet its objectives of delivering quality and desired services at minimal possible cost. Outsourcing of services took part with the aim of improving operational efficiency and expanding the role of private sector in the economy. Study was conducted to assess the effectiveness of services outsourcing and delivery.

In summary in order to make effective services outsourcing and delivering quality services the following should be observed (i) efficient competition (ii) Supervision and monitoring of service delivery (iii) Management of contract between Service providers and the client both parties should work together in order to disputes which might be between procuring entity and service provider (v) all procurement decisions made should be supported by management,(vi) Conducting performance measurements timely.

The researcher examined problems that hindering delivering of quality services for outsourced services at AAU such as (i) management has not appointed a contract management team especially to major project instead they appoint a single person as contract manager for supervision of day to day activities of services providers (ii) long procurement processing time especially the involvement of in provision Procurement any technical works that sometimes may lead service providers fail to make essential preparations while users are waiting for services (iii) There is no regular meeting conducted between procuring entity and service providers on contracts implementations.

5.2. Conclusion

To a great extent outsourcing of services is beneficial to AAU due to the benefit as it reduces cost that they would be incurred if those services would be done in-house. The researcher revealed that service outsourcing at AAU is not satisfactory and it needs special effort to be done in order to be improved. Even though procurement procedures are being followed on selecting suitable service providers, that is not enough, most of the service providers or supplier are very intelligent on knowing criteria used to select them and filling tender documents in the way they can persuade evaluation team to select them, experienced showed many service provider fail to perform expected services at early stage. In AAU, The Contract management team should be formed, equipped and be trained time to time to build their capacities so as to monitor and bring close relationship with supplier/service provider.

5.3. Recommendation

Recommendations of this study stretch out on the study objective and their findings. The following were recommended.

5.3.1. Contract Management Team

It is recommended to AAU that aspect of contract management team as far as contract management is concern is important and cannot be altered. AAU should ensure that the Procurement Staffs and some of the user departments who are frequently involved in procurement and contract issues must be powered enough to carry the contract management issues by providing training on contract preparation and contract management as a key success issue in attaining quality outsourced services.

5.3.2. Building Corporation between Client and Service Providers

AAU should establish a corporation and partnership with the service providers to establish tools to measure the performance where clients' requirements should be matched with the implementation process through identifying new skills, abilities and knowledge for each contract.

5.3.3. Post Qualification

Even if AAU use effectively procurement procedures on selecting service providers, using criteria like supplier experiences, price consideration, and supplier capability. They should conduct post qualifications in order to satisfy the information submitted regarding suppliers and service providers if they are genuine. And in the case where the services involve customers' satisfactions, it's advised to involve customers as part of too.

5.3.4. Areas for Further Studies

In accordance with the findings from this study, further studies can be carried out on contradictions of governing laws to the procurement practitioners in effective outsourcing. Another should be on impact of quality outsourcing services delivery in an organization performance and cost reduction.

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APPENDICES

I

Data Gathering Questionnaire for Addis Ababa University: For Employees

This questionnaire designed to collect and analyze data for the thesis on **services outsourcing and delivery in Public Sectors**. The researcher is **public Administration and Development management** student at Addis Ababa University.

Your participation is important. By completing this questionnaire you are providing the researcher with information that will fill the identified research gap and help the Company on its mission for outsourcing services. I would like to guarantee you that; the information that you provide will be treated with confidentiality and only be used for the purpose of this thesis.

Thank you.

1. Your department.....
 2. Your position.....
 3. Sex
 4. Age
 5. How many years are you working in Addis Ababa University?
1. Are you aware with outsourcing? **(Please tick (√)the appropriate answer)**
 - i. (i). Totally agree []
 - ii. (ii). Partially agree []
 - iii. (iii). Disagree []
 - iv. (iv). Strongly disagree []
 2. Which services do you get from outside providers
.....
.....
.....
 3. Has outsourcing improved delivery of services **(Please tick (√)the appropriate answer)**
 - i. Yes []
 - ii. No []

If the answer is Yes to what extent?

.....

.....

.....

4. Do you face any challenges in outsourcing your services? **(Please tick (√)the appropriate answer)**

- i. Yes []
- ii. No []

.....

.....

5. The decisions to outsource are made by **(Please tick (√)the appropriate answer)**

- i. (i). Tender board []
- ii. (ii). Procurement Management Unit []
- iii. (iii). Evaluation team []
- iv. (iv). User Department []
- v. (v). Top management []

6. The decision to outsource the non-core activities is mostly based on...

- i. Cost reduction, where other can do better and concentrate on core business
- ii. Experience, Capital of suppliers and low prices of suppliers
- iii. Pressure from top management, economic reform, economies of scale

7. Is there a person appointed by the management in a daily supervision of services providers in the University? **(Please tick (√)the appropriate answer)**

- i. Yes []
- ii. No []

8. Which reasons enforce your organization to outsource non-core activities?

(Please tick (√) the appropriate answer)

- i. Improvement of quality, concentrate on core activities, cut cost of operation
- ii. Allow the service provider to compete themselves

iii. iii. Increase wealth to service providers

9. Does the Management conduct a meeting with Service providers to ensure success in the operations; a meeting can be per month or quarterly. **(Please tick (√)the appropriate answer)**

i. Yes []

ii. No []

10. Is it really procurement method is used to find out service provider that stated on the law and directive?**(Please tick (√)the appropriate answer)**

i. Yes []

ii. No []

11. Which criteria are used to select the service providers in your organization?

(Please tick (√)the appropriate answer)

i. Bid price, supplier experience and supplier capability

ii. Technological capability, experience and supplier capability

iii. Knowledge, capital and cost Technological equipment and relationship

12. How has outsourcing helped you to concentrate on core activities?

.....
.....
.....

13. Has it happened to your organization, a selected service provider has failed to provide a service as expected by the company? **(Please tick (√)the appropriate answer)**

i. Yes []

ii. No []

14. What strategies are used by your organization to improve outsourced service?

.....
.....
.....

15. In your opinion, what do you consider the disadvantage of outsourcing to be?

.....
.....
.....

16. Do you practice for contract management for the outsourced services?

(Please tick (√)the appropriate answer)

i. Yes []

ii. No []

17. Is there any dispute for any of the outsourced service you have ever practices in your organization? **(Please tick (√)the appropriate answer)**

i. Yes []

ii. No []

If the answer is YES in above mention those disputes

.....
.....
.....

18. What benefits do you get from outsourcing as compared to in-house sourcing?

.....
.....
.....

19. Do you think, delays in payments can cause service provider to under-perform?

(Please tick (√)the appropriate answer)

i. Yes []

ii. No []

20. What should be done to both Management and Service providers to be in a satisfactory position, that means Management should get expected quality services and Service providers should perform suitably?

.....

.....

.....

21. Is there effective Tender Board at Addis Ababa University? **(Please tick (√)the Appropriate answer)**

i. Yes []

ii. No []

Please indicate your level of agreement on challenges **of outsourcing cleaning and security Service** by using the following rating scales;**1=strongly disagree 2=Disagree 3=Neutral 4=Agree 5=strongly Agree**

Please put √ Mark in the appropriate column

II

No	Employees' Opinions on the Challenges of Outsourcing in the Addis University	1	2	3	4	5
1	Creates a feeling of insecurity for university employees					
2	Lack of competent staff provided by the service provider to save cost					
3	Poor work attitude of outsourced staff					
4	Non-corporation of staff and students with outsourced staff					
5	Poor motivation of outsourced staff					
6	Poor communication skills of outsourced staff					

Appendix i: Data Gathering interview Questions for Addis Ababa University: External Customer

1. Are you aware with outsourcing of services?
2. What kind of service providers available at Addis Ababa University?
3. Are you satisfied with their services offered?

4. If the answer is No state how?
5. Do you think service providers selected and offering the services?
6. do they meet qualification needed by the customers?
7. Does the customers involved in the procurement process of selecting Service providers?
8. What benefits can be accrued for customers being involved in the process.
9. What are challenges faced by services providers which you think?
10. Is there quarrel happened between service providers and customers?
11. If the answer is Yes state those quarrels
12. What can be done to improve services offered?

Interview questions for HR Manager of the service provider

1. What benefits the University has achieved after your organization provide the janitorial and security services?
2. Do you think that the cleaning and security service qualities of AAU are improved after your organization provides the service?, How?
3. What are the major challenges or problems facing your organization in relation to the service you provide to the University?
 - i. From AAU side -
 - ii. From your side
 - iii. From Employees side
4. What are the causes of the problem encountered in your organization with related to the service provide to AAU?
5. What solutions were taken to solve the problems?
6. Do your organization has good relationship with AAU and manage the interaction in the Wright way?
7. How your organization monitors or controls the qualities of the service that provide to the University?
8. Do your organization providing the service as per service level agreement made with AAU? If not what is/ are the reason/s?
9. Is there any formal channel of communication with AAU to discuss the performance,

- service quality and problem you faced?
10. Did your organization give an induction or training for employee that helps to perform their job better?
 11. Do you think that your employees are skilled and perform their job as AAU expectation?
 12. Is your organization providing a better salary and benefit for employees than were provided by the University?

Interview questions for Procurement and Sourcing directors of main campus and managing director of black lion hospital in AAU.

1. What benefits the University has achieved after outsourcing the cleaning and security services?
2. Do you think that the cleaning and security service qualities of AAU are improved after outsourcing?, How?
3. What are the major challenges or problems facing the University in relation to the service outsourced?
 - i. From AAU side
 - ii. From the service provider side
 - iii. From Employees side
4. What are the causes of the problem encountered in your organization with related to the service provide to AAU?
5. What solutions were taken to solve the problems?
6. Do your organization has good relationship with the service provider?
7. How your organization monitors or controls the qualities of the service that provide by the service provider?
8. Does the AAU got the service as per service level agreement made with the service provider? If not, what is/ are the reason/s?