



EFFECT OF PROCUREMENT OUTSOURCING ON PROJECT PERFORMANCE OF NON-GOVERNMENTAL ORGANIZATIONS IN KENYA; A CASE OF DEVELOPMENT ALTERNATIVE INC. (DAI)

MOHAMMED ABDILATIF

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Abdilatif, M., Jomo Kenyatta University of Agriculture & Technology (JKUAT), Kenya

Makori M., Jomo Kenyatta University of Agriculture & Technology (JKUAT), Kenya

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ABSTRACT

The need to respond to market changes on a daily basis and the difficulty of predicting the direction of such changes mean that organizations must focus on their core competences and capabilities. With the increasing globalization, outsourcing has become an important business approach, and a competitive advantage may be gained as products or services are produced more effectively and efficiently by outside suppliers. This study sought to establish the effect of procurement outsourcing on project performance of non-governmental organizations case study of Development Alternative Inc (DAI). The organization was chosen for study because its nearness to the researcher, accessibility and time limit. The study adopted descriptive research design. The study targeted 288 employees of Development Alternative Inc. The study sample of 87 respondents was from the population composed of DAI senior, middle and lower level management as well as the general staff. The primary data was collected through the use of questionnaires and secondary data was obtained from published documents such as journals, periodicals, magazines and reports to supplement the primary data. A pilot study was conducted to pretest the validity and reliability of instruments for data collection. The raw information was analyzed to yield qualitative and quantitative data. Quantitative data was analyzed with help of SPSS version 21 and MS excel. The variables were regressed and study findings showed that independent variables significantly and positively influenced project performance. Supplier competence was the most significant factor and had a positive significant relationship at 5% level of significance.

Key Words: Procurement, Outsourcing, Project Performance, Non-Governmental Organizations

INTRODUCTION

This chapter provides a basis for the study on the effect of procurement outsourcing in the performance of non-governmental organizations in Kenya with a case of Development Alternative inc. (DAI) as the study area. It provides the background and the setting required to put the research problem into proper context and understanding. This chapter includes the background of the study, the statement problem and purpose of the study, specific objectives and research questions, scope, significance and limitations of the study.

1.1 Background of the Study

The past several years have witnessed increasing media attention directed at the outsourcing of tasks critical to organizations. However, while prior research has shown that there are advantages to engaging in outsourcing, very little research has focused on the nuances of outsourcing arrangements, such as how activities are best divided up among outsourcing partners under one governance structure (Gowan & Richard, 2005). Exploring the structure of outsourcing arrangements like the division of responsibility and authority over performing sets of activities, between firms is important for several reasons. First, outsourcing rarely involves a focal firm completely relocating an entire process or set of activities from within its boundaries to a sole outsourcing partner, particularly when it comes to complex projects. Rather, it is frequently the case that complex activities are subdivided into discrete portions and distributed among multiple outsourcing partners, making these parties interdependent with each other and with the focal organization.

Coordination and control capabilities are further taxed when work is dispersed among multiple outsourcing partners. The greater the extent to which work is distributed among multiple outsourcing partners, the larger the amount of effort that is required by focal firms to integrate tasks performed by the different parties (Aron & Sing, 2005). The structure of outsourcing also influences the extent to which conflicts can be resolved by contracts or by existing routines within focal firms' established hierarchies. Greater diffusion of work among outsourcing partners increases the likelihood that extended inter-organizational negotiation will be necessary to resolve disagreements, thus hindering the performance of projects.

1.2 Statement of the problem

The need to respond to market changes on a daily basis and the difficulty of predicting the direction of such changes mean that organizations must focus on their core competences and capabilities (McIvor, 2008). With the increasing globalization, outsourcing has become an important business approach, and a competitive advantage may be gained as products or services are produced more effectively and efficiently by outside suppliers (Yang et al., 2007). Outsourcing allows firms to focus on their own core competences by relocating limited resources to strengthen their core product or service and to strategically use outside vendors to perform service activities that traditionally have been internal functions (Elmuti, 2004). Outsourcing can also involve the transfer of both people and physical assets to the supplier (Chase, Shanker & Aquilano, 2010).

Price Water Coopers (2000) conducted a survey in the United States among America's fastest growing companies, the conclusion arrived at

was that businesses that outsource were growing faster, were larger and made more profits than those that did not. The survey further revealed that, of the companies that outsourced, 70 percent claimed to save money and 25 percent had improved focus on core business. The goals of outsourcing often include reducing labor and overhead costs, maximizing profits, dominating a market, and gaining a competitive advantage. While this strategy looks quite promising, it is surprising to find that “more than one-fourth of outsourcing deals fail in the first year. According to Lacity & Willcocks (1998), success rate of IT outsourcing is only 56 per cent. Aron and Sing (2005) state that half of the organizations that shifted processes to external providers failed to generate the financial benefits they expected. PricewaterHouseCoopers (2005), noted that companies are outsourcing more and more while enjoying the benefits less and less and this was attributed to firms overestimating the profitability of their outsourcing ventures by not taking into account very influential transaction costs which decrease or even outweigh the benefits.

Various studies have been conducted on outsourcing, for instance, Kinyua (2000) concluded that companies need to conduct careful analysis before engaging in outsourcing to minimize risks. In addition, Kirui (2001) concludes in his study that outsourcing of non-core logistics activities is triggered by the need to eliminate duplication of roles, efforts, and the dysfunction existing within the organization. On other hand, Chanzu (2002) concluded that outsourcing is most prevalent in departments like human resource, finance, and information technology. Public entities in Kenya are governed by the Public Procurement and Disposal Act (2005) which emphasizes the need

to subject outsourcing contracts to a competitive process; this is a major factor which leads to ineffective performance of outsourcing contracts due to interferences both from internal and external forces. In addition, lack of expertise to manage outsourcing contracts by public entities is a major impediment in managing performance of outsourcing contracts.

Further, Kimaru (2014) did a study on outsourcing and operational performance of the Kenya national police service. Oyugi (2010) conducted a study on the effects of outsourcing on corporate performance at British American Tobacco Kenya Limited. However, despite its importance in project performance, there is no empirical evidence on how procurement outsourcing influences project performance. This study therefore seeks to establish the effect of procurement outsourcing on project performance in Development Alternative Inc.

1.3 Study Objectives

The general objective of the study was to establish the effect of procurement outsourcing on project performance of non-governmental organizations in Kenya.

1.3.1 Specific Objectives

The specific objectives of the study were to;

- I. Establish the effects of need identification on project performance of non-governmental organizations in Kenya
- II. Examine the effect of supplier selection on project performance of non-governmental organizations in Kenya
- III. Determine the effect of supplier competence on project performance of

non-governmental organizations in Kenya

- IV. Find out the effects of Service level agreements on project performance of non-governmental organizations in Kenya

1.4 Research Questions

The study was guided by the following research questions:

- I. Does need identification affect project performance of non-governmental organizations in Kenya?
- II. Does supplier selection affect project performance of non-governmental organizations in Kenya?
- III. Does supplier competence affect project performance of non-governmental organizations in Kenya?
- IV. Do Service level agreements affect project performance of non-governmental organizations in Kenya?

1.5 Significance of the Study

The research will provide extensive literature on the effect of procurement outsourcing on performance of non-governmental organizations in Kenya. Procurement managers will find the research useful given the current trend in which most of them are adopting various forms of outsourcing. The literature and findings of the study will provide useful insights on how best to align procurement outsourcing on project performance for optimal results in non-governmental organizations.

Academic researchers will benefit from this study in developing their theories by educating them on the effect of procurement outsourcing in the performance of non-governmental organizations. Researchers may also use the findings and recommendations of the research

for further investigation on this area. Scholars and students of procurement management and other related disciplines will also benefit from the study as it will provide information on the interrelationship between activity dispersion, supplier selection, and supplier competence and performance thus providing useful material in their management studies. This will expand their knowledge on practical procurement management issues relating to non-governmental organizations and in the identification of possible areas for further research especially those recommended for further research in this study.

Policy makers and stakeholders of non-governmental organizations are also expected to benefit from this study as an empirical source of information that will inform their management decisions towards improving the procurement outsourcing on performance of non-governmental organizations.

1.6 Scope of the Study

This study focused on the effect of procurement outsourcing in the performance of non-governmental organizations in Kenya. While the study recognizes that there may be other factors that influence the relationship between procurement outsourcing and performance, this study limited itself to effect of procurement outsourcing in the performance of non-governmental organizations in Kenya. The study targeted 288 staff according to the records available as per April, 2015 but a sample of 87 was used for this study. The study limited itself to variables under study which included need identification, supplier selection, and supplier competence and service level agreements on performance of non-governmental organizations in Kenya.

1.7 Limitations of the Study

The main limitation expected by this study is that a few of the employees and directors of the targeted organization considered some of the information sought as being sensitive and could reveal their procurement strategies to competitors. This limitation was managed by making clarifications and assurance that the purpose of the study would purely for academic purposes and not motivated by any other interests whatsoever. The study was also be limited by time and financial resources and to deal with this, the study had source for more financial resources using other alternative means. A work leave was sought from the employer so as to provide more time to focus on the study. The study further engaged research assistants to hand deliver and pick the questionnaires and as this would result to a high response rate. These few challenges and limitations encountered by the study would not to any significant extent impair the study given the measures taken to mitigate them. The target group that the study intended to focus on was quite busy carrying out their duties and was not available to fill the questionnaire promptly. The issue of unreturned questionnaires and uncooperative respondents may prove difficult for the researcher. Follow ups will also be made to facilitate the response rate. The organization's confidentiality policy may also restrict most of the respondents from answering some of the questionnaires since it is considered to be against the project confidentiality policy to expose the organization confidential matters. The suspicion normally associated with any kind of a research study. This study overcame this issue by assuring the respondent of utmost confidentiality and information provided would strictly be used for the academic purposes and would not jeopardize their positions in any way.

LITERATURE REVIEW

2.1 Introduction

This chapter aims at presenting various existing literature by other scholars and researchers on the effect of procurement outsourcing on the performance of non-governmental organizations in Kenya. The chapter will also present the conceptual framework that will guide the study and further analyze both empirical and theoretical literature to establish various relationships between the research variables and how they have been operationalized by other scholars and researchers.

2.2 Theoretical Review

According to Evenett and Hoekman, (2008), theories can be classified according to their scope, function, structure and levels. A theory is an accepted fact that attempt to provide a plausible or rational explanation of cause- and-effect (causal) relationship among a group of observed phenomenon (Kothari, 2004).The study is built upon certain theories that have much links with procurement outsourcing and performance of organizations. Some of the relevant theories discussed include; Risk Theory, Transaction Cost Economics Theory, and the Resource-Based Theory.

2.2.1 Risk Theory

Bauer (1967) explains that the risk theory analyses the risk a person subjectively associates with the consequences of a decision and impact of that decision on the intention to complete a transaction. This theory is based on the fact that as long as the perceived benefits outweigh the perceived risks, the person in charge will have a positive attitude towards a particular decision. Within the decision theory framework, the concept of risk-benefit analysis

compares the risks associated with and the benefits expected of a decision that is made, in order to achieve an optimal result. When the concept is applied to outsourcing, it means that the decision maker has to assess all the potential risks and benefits that may arise from the outsourcing process before deciding whether or not to outsource.

According to Pavlou (2001), the potential risk reduces individual intentions to conclude a deal. It is apparent that the individual perception towards outsourcing could either be positive or negative. Negative perceptions of outsourcing are often equated with risks of outsourcing, that is, the possibility of outsourcing failure (Aubert, Party and Rivard, 1998). On the contrary, there also exist outsourcing advantages, which may be summarized as outsourcing benefits (Dibbern et al., 2004). In this paper, therefore, the risk-benefit framework is also applied to examine outsourcing decisions since the framework is in line with decision theory regarding decisions that involve risk or uncertainty (Tamura, 2005). The above theory instigated the first study variable and objective to establish the effects of need identification on performance of non-governmental organizations in Kenya.

2.2.2 Supply Chain Operations Reference Theory

The Supply Chain Operations Reference model provides a unique framework that links performance metrics, processes, best practices, and people into a unified structure (Sulek et al, 2006). The framework supports communication between supply chain partners and enhances the effectiveness of supply chain management, technology, and related supply chain improvement activities. Business value, whether real or perceived, is derived from the predictability and sustainability of business

outcomes. It lives, healthy or sick, in those gaps between expected vs. perceived vs. actual performance (McManus, 2002). Value is articulated by measuring what is being managed. The SCOR model helps refine strategy, define structure (including human capital), manage processes, and measure performance (Larsson et al 2008). An organization's annual strategic priorities are manifest in SCOR's vertical process integration. Organizations that have applied SCOR to help with supply chain problem solving, process improvement, process redesign, or business process engineering, have demonstrated that SCOR is an effective enabler for aligning an organization's portfolio of improvement projects with strategic goals and objectives. SCOR processes extend from your supplier's supplier to your customer's customer. This includes all customer interactions from order entry through paid invoice; all product (physical material and service) transactions, including equipment, supplies, spare parts, software, etc.; and all market interactions, from understanding aggregate demand to the fulfillment of each order (Lee et al., 2003). The purpose of a process reference model, or business process framework, is the ability to describe your process architecture in a way that makes sense to key business partners. It is especially useful for describing value chains that cut across multiple departments and organizations, providing a common language for managing such processes.

According to Cooper, Lambert and Pagh (1997), SCM is "the performance of key business processes from end users to original suppliers that provides products, services and information that add value for customers and other stakeholders. The SCOR model (Supply chain council, 2003) divides supply chain

management into several main business processes and further even more sub-processes. While it accentuates on the process view of the supply chain and emphasizing proper selection of suppliers, this model also presents supplier and customers connections to illustrate the whole chain. That is the reason to include SCOR model in the second dimension of my theoretical construct. The above theory facilitates understanding of the second study variable and to determine the effects of supplier selection on performance of non-governmental organizations in Kenya.

2.2.3 Resource-Based Theory

The concept of core competences was developed on the basis of the resource-based theory (Prahalad and Hamel 1990). Authors argued that the core activities should remain in house. According to Levina and Ross (2003), vendor's competences are assumed to be one of the most important factors that influence success of an outsourcing arrangement. The core premise of the resource based theory (RVB) is that resources and capability can vary significantly across firms, and that these differences can be stable (Barney and Hesterly, 1996). The theory states that if resources and capabilities of a firm are mixed and deployed in a proper way, they can create a competitive advantage for the firm. This theory in outsourcing builds from a proposition that a firm that lacks valuable, rare, inimitable and organized resources and capabilities shall seek an external provider in order to overcome that weakness. The above theory instigated the third study variable and objective to examine the effects of supplier competence on performance of non-governmental organizations in Kenya.

2.2.4 Transaction Cost Economics (TCE)

According to transaction cost economics, a company will make the outsourcing decision on

the basis of reducing production and transaction costs. TCE theory indicates that firms outsource production in order to reduce costs and to achieve cost efficiency. Theory was developed by Williamson who identified two types of costs involved for any service i.e. production costs and coordination costs. Production cost is the cost incurred to make the product or to provide the service e.g. labor, material, and capital. Coordination costs include monitoring, controlling and managing the work internally. If the job is handed over to an external vendor, the coordination costs are called transaction costs. Williamson argues that externally outsourcing of services or production results in lower production costs than doing it internally due to economies of scale. But in such a case the transaction cost is high because vendors need to be managed and monitored. The above theory facilitated understanding of the fourth study variable and objective to establish the effects of service level agreements on performance of non-governmental organizations in Kenya.

2.3 Conceptual Framework

Miles & Huberman (1994) defined a conceptual framework as a visual or written product, one that explains, either graphically or in narrative form, the main things to be studied-the key factors, concepts, or variables-and the presumed relationships among them. A conceptual framework is a set of broad ideas and principles taken from relevant field of inquiry and used to structure a subsequent presentation (Frank & Wallen, 2000). According to Mugenda and Mugenda (2003), an independent variable is a property of phenomenon which influences or affects others while a dependent variable is one which is influenced by the independent variable. A conceptual framework is described as a set of broad ideas and principles taken from relevant

fields of enquiry and used to structure a subsequent presentation (Kothari,2003). Mathieson et al (2011) defined a conceptual framework as a virtual or written product, one that explains, either graphically or in narrative form, the main things to be studied- the key factors, concepts, or variables and the presumed relationships among them. It also shows the relationship variables that affect inventory management. The conceptual framework of procurement outsourcing on performance of non-governmental organization (DAI) in Kenya can be illustrated as shown in the figure 2.1;

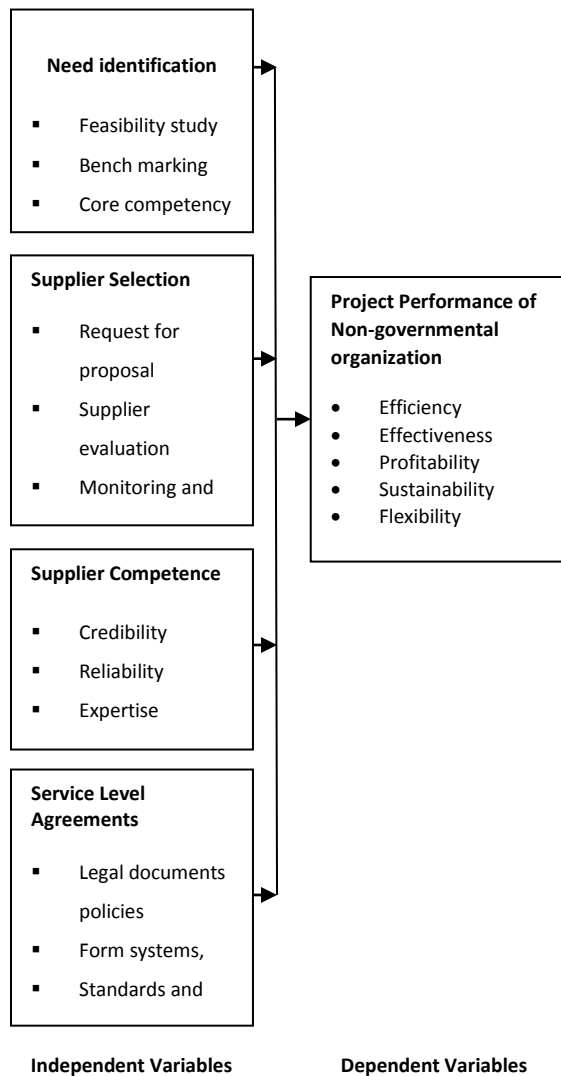


Figure 2.1: Conceptual framework for the study

2.3.1 Need Identification

Randall (1993), posits that a 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 study needs to be carried out to benchmark existing practices and identify the opportunities for improvement. Strategic assessments are business cases for the entire organization in terms of which areas are suitable for outsourcing and which are not.

According to Power (2006), defining the needs of an outsourcing project represents a seminal step in the outsourcing life cycle, as it is the statement of needs that gets transferred to the vendor, decides the outcomes of the efforts and sets the stage for evaluation of the outsourcing project. A disaster can occur due to expectation failures, such as expectation failures between the client and vendor due to lack of common understanding of needs, expectation failures between the product or service delivered and what was originally conceptualized and expectation failures between the stakeholders' expectations of the effort and what was delivered. For example, if the outsourcing project costs the organization more than it was costing when done in-house, there is a problem. The burden is on the client to state clearly the needs of the outsourcing project, as without this articulation confusion and ambiguity will plague the outsourcing relationship.

To be effective, needs definition must be conducted without undue influence from vendors. Buyer must be in-charge of defining own needs and getting them right. Vendors should not be allowed to define needs for the buyer for this will be dangerous and costly. Power, (2006) argue that buyers should not even talk to vendors before clearly articulating their needs and agreeing on them.

Johnson (1997), Greaver (1998), Lonsdale and Covx (1998), Jensen and Heinzl, (2001) and Momme (2001) agree that it is critical to carry out an analysis of the business and environment to identify the need for outsourcing. The need will set the framework and the priority for project and activities. Core competency should be identified and should not be outsourced. Accordingly, Franceschini et al.,(2003) have agreed with the above authors that business strategic analysis should be the first step in the outsourcing process.

2.3.2 Supplier Selection

Barthelemy, (2003) observes that right partners will eventually lead to closer ties and relationships. Elmuti, (2003) further emphasizes the importance to get the right people involved in managing outsourcing efforts and add that adequate training, infrastructure and facilities are essential. Therefore, there is a need to carry out a rigorous supplier selection process to ensure the right candidate is awarded the contract for the provision of the service or delivery of the project (Johnson, 1997; Greaver, 1998; Lonsdale & Covx, 1998; Jensen and Heinzl, 2001; and Momme, 2001). Requirements for selection should be clearly communicated through request for proposal (RFP), so that the initial responses of the vendors provide full and clear picture of their ability to meet the needs of the organizations. The vendor evaluation team should include key staff from senior management, legal staff with contract

expertise, technical staff, financial staff and end users.

Risks should be identified and mitigating factors put in place. Once this is done, contracts can be segmented into categories such as high, medium, or low risk and managed accordingly. High-risk contracts will be on a more continuous review cycle because they provide a mission-critical product or service or have a high shilling or transaction volume. Medium-risk contracts might be actively monitored and reviewed on a frequent but not continuous (perhaps quarterly) basis. Low-risk contracts may not be as actively monitored. Rather there might be a set of metrics that are tracked and review might be triggered by deviations to contracted service levels.

2.3.3 Supplier Competence

According to Elmuti (2003), a good partner is important ingredient for success. Essentially in Outsourcing agreements, the relationship between the institutions and their partners are based on trust and on contracts. So it is essential that the right partners are selected based on criteria like credibility, expertise, and reliability. Vendor evaluation and selection process should be documented and followed strictly. Criteria should include the vendor experience and skill levels of its staff, background and experience in industry, the Service Level Agreements (SLAs) it is expected to meet; its staffing plan and its cost control plan. Vendor response should include; a company profile including principal owners and the company's principal business, corporate goals, office location and service centers, financial statement reflecting stability and capability and previous experience related to the requirements of the project. The vendor should demonstrate existing technical and

management expertise within its organization and include a response to each of the minimum qualifications identified in the request for proposal. 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.

2.3.4 Service Level Agreements (SLAs)

Service level agreements (SLAs) are put in place detailing process maps, responsibilities and implementation of key performance indicators. Structures and reporting lines are defined and implemented. Besides, in an outsourcing agreement, regulatory controls such as legal documents policies, form systems, standards and procedures may establish the relationship between the two parties and specify boundaries (Teng & Jaramillo, 2005) yet they represent only incomplete contracting and hence cannot be exhaustive. Interpersonal and informal infrastructures are required to solve ambiguities and make the outcome more predictable. Social or informal control is based on norms, shared values, internalization and beliefs (Eisenhardt, 1985).

According to Power (2006), the SLAs should be clearly stated, easy to understand, easy to measure and based on firm's thorough benchmarking analysis. A common mistake made by organizations is to have ambiguous and incoherent SLAs that cannot be measured objectively. This makes them very difficult to implement and hence just useless. It is always a good idea to state the exact methods of computation for measuring the SLA so as to be clear. For instance, if an organization has an SLA

that relates to the downtime of a system, it should be able to precisely state how it expects this downtime to be calculated – per month, per week or per day. The point is that these specifics need to be clearly stated so that they can be measured and evaluated. Another error is to have one SLA too many.

2.4 Empirical Review

Because of resource limitations, few firms have the ability to apply world-class resources to all areas of competition. Thus, in order to gain competitive advantage they must select areas in which they will concentrate their resources (Hamel & Prahalad, 1994). By outsourcing to specialist organizations services not generated by core competences, companies can see an improvement in their organizational performance. Gilley and Rasheed, (2000) state that there are three reasons for this; Firstly, the acquisition of non-strategic services allows the organization to centre on what it really can do well, that is, on the services whose resources have a high strategic value. Such a focusing on services not included in the core competences can increase performance and allow the company to be more flexible. Secondly, increasing the outsourcing of nonstrategic services can improve both the quality and the service. Lastly, the outsourcing of services of low strategic value enables the company to reduce costs and improve its competitive position. Some research shows that companies that make alliances by trusting external sources have better results, reduce risks and improve the quality ratio while also increasing their capacity of innovation and flexibility (Espino-Rodriguez & Robaina, 2004). Kotabe et al., (2008) propose a dynamic perspective, which suggests an inverted U relationship between outsourcing and performance.

2.4.5 Procurement Outsourcing and performance of organizations

Rapid changes in the business environment require senior management to adopt strategies that focus on both current success and to invest in those activities that will promote a competitive advantage for future success. One widely recommended technique for improving one's competitive position is outsourcing. Many managers view outsourcing as the only way to keep a business competitive now and in future (Bolat and Yilmaz, 2009). Outsourcing activities or services to external organizations is not a new phenomenon. Organizations have always had to take decisions about what they make and what they buy (Delmotte, 2008). Outsourcing is made up of two words – 'out' and 'sourcing'. Sourcing refers to the act of transferring work, responsibilities and decision rights to someone else.

Outsourcing is the act of transferring the work to an external party. Whether or not to outsource is the decision of make or buy. Organizations are continuously faced with the decision of to expend resources to create an asset, resource, product or service internally or to buy it from an external party. If the organization chooses to buy, it is engaging in outsourcing. The transferring of an internal business function or functions, plus any associated assets, to an external supplier or service provider who offers a defined service for a specified period of time, at an agreed but probably qualified price (Heywood, 2001). Outsourcing is a form of predetermined external provision with another enterprise for the delivery of goods and/or services that could previously have been offered in-house.

When organizations deal with outsourcing projects, clearly defined boundaries become

instrumental to defining the "out." According to Boardman and Sauser (2008), the boundary separates the outside from the inside. Furthermore, boundaries also define the area of responsibility and the scope of interest, which is important for an outsourcing project, so there is no ambiguity about the responsibilities of the vendor and the client. Boundaries are unique for outsourcing projects because outsourcing occupies a unique position along the continuum of inside-outside relationships common to the operations of most businesses. Since outsourcing is by no means a perfect science, the boundary between what is sensible to outsource and what capability is better kept in-house is constantly being tested. In these circumstances, where outsourcing is a relatively new science and is nowhere close to being perfected, it is relatively easy to misjudge where the boundary should be drawn. In addition to knowing the boundaries of the outsourcing project, organizations should consider outsourcing as an arrangement in which they rely on intermediate markets to provide specialized capabilities as well as create value along their supply chain, and not just as a cost-saving technique (Holcomb & Hitt, 2007).

2.4 Empirical Review

2.4.1 Need identification

Various studies (Fearne and Hughes, 1999; Humphreys et al., 2001; Valsamakis and Sprague, 2001; Vereecke and Muylle, 2006; Bartlett et al., 2007; Ounna et al., 2007) have addressed the needs of close collaborative linkages through the entire procurement outsourcing. Srinivasan *et al.* (2011) examined the relationship between buyer-supplier partnership quality and organization performance, in the presence of supply and

demand risks and environmental uncertainty. According to Alfred Wong (2002), firms with a high supplier satisfaction and contribution achieve a higher level of customer satisfaction and organization performance outcomes than those that show weaker outsourcing value focus.

2.4.2. Supplier Selection

According to Yang et al, (2011) supplier selection regarding knowledge and inconsistent inputs are factors that inhibit the development of procurement outsourcing among organizations manufacturers in environmental and operational performance, such as environmental regulatory compliance, improved customer relations, assets recovery, cost containment, improved profitability and reduced inventory investment, thus affecting supply chain performance. According to Fraza (2000), organization performance is directly related to relationship on outsourcing, which includes suppliers and customer's selection. Strategic supplier selection partnerships and customer relationships are main components in the procurement outsourcing management practices (Li et al., 2005), leading to information sharing, which is one of the pillars in achieving a solid procurement outsourcing for effective performance of an organization. (Lalonde, 1998).

2.4.3 Supplier competence

According to Navon & Berkovich (2006), the main responsibility in any organization is to formulate master programme for the timely provision of materials, components and work-in-progress. Stevenson (2001) explained that supplier competence in terms of delivery of goods and services including materials and goods flowing in and out of a production facility

as well as its internal handling has become very important to an organization to acquire competitive advantages, as the company's struggle to deliver the right product at the correct place and time. The main aim is to actually promote, with low cost, a flow whose velocity allows the execution of manufacturing process with expected satisfaction level.

Bowersox & Closs (2002), articulated that improvement in continuity of supplies with reduced lead times, will lead to improvement in cooperation and will also enhance cooperation's and communications with reduced duplication of efforts, reduction in material costs and improvement in quality control, which are the main benefits of materials management Organizations which do not have effective supplier competence means in their processes, procedures, and plans experience lower performance and higher customer dissatisfaction and employee turnover (Andersen & Christensen, 2005). Measuring the performance of an organization depend on the supplier competence function yields benefits to organizations such as cost reduction, enhanced profitability, assumed supplies, quality improvements and competitive advantage as noted by (Basheka & Bisangabasaija, 2010).

2.4.4 Service Level Agreements (SLAs)

Empirical studies evaluate the impacts of service level agreements on the procurement outsourcing on organization performance of firms Capkon et al (2009) elaborate on the coherence of service level agreements and the organization performance in statistical analysis of US-based manufacturing firms between 1980 and 2005. Across a broad array of organizations a strong correlation between both the performance criteria is indicated. The result of

this analysis further more shows that compared to raw material and work in progress , finished good inventory shows the strongest link to service level agreements especially in procurement outsourcing..In another study, Zineldin (1995) described and empirically analyzed the major factors influencing the relationship between firms and their corporate customers in Sweden. Zineldin's study was based on 179 responses from small, medium, and large firms. Significant findings include the following. First, small and medium-sized firms have more stable relationships and contact with their firms than do larger firms. They also have relationships with fewer firms. Second, small firms are less satisfied with their relationship with their firms due to a lack of confidence and cooperation as a result of service level agreements made. In addition, small firms feel their Companies are less knowledgeable of their business. Third, the most important factors in the selection of a lead firm are confidence and trust, competitiveness on loans, and adaptations and speed of decisions. Personal contact with the firm and the level of firm technology, while important, are not sufficient reasons for choosing a firming partner in making service level agreements regarding procurement outsourcing.

2.4.5 Procurement Outsourcing and performance of organizations

A research has looked beyond the make-or-buy decision and focused on understanding how the structure of outsourcing arrangements affects overall project performance (Hui, Davis-Blake & Broschak,2008). Outsourcing work to contractors can speed the development of complex projects through the division of labor, reduce costs by having contractor employees perform work that is beyond the normal

capacity of a focal firm, and increase efficiency and effectiveness by allowing specialized contractor employees and a focal firm's employees to focus on activities related to their own core competencies. However, outsourcing activities also complicates a firm's ability to coordinate and control that work, potentially hindering overall project performance (Narayanan, Balasubramanian &Swaminathan, 2011).

2.5 Chapter summary

The major reasons for procurement outsourcing on performance of an organization from the literature review agree that need identification, supplier selection, supplier competence and service level agreements in procurement outsourcing has various benefits for better performance of an organization which include focusing on strategic issues as market forces are somehow driving firms to outsource everything but the core business (Gupta and Gupta, 1992). And outsourcing makes it easier for these firms to focus on their basic competences (Hayes, Hunton & Reck, 2000). Outsourcing liberates line managers who do not have to coordinate with a large outsourced activity department, thus simplifying the organization; Increasing Flexibility as Outsourcing additionally provides a large degree of flexibility in the utilization of resources and makes it easier to face business level volatility, as the provider is left to deal with fluctuations in outsourced activity workloads (Jurison, 1995).Improve the Quality of Delivered Services The provider can access more advanced technologies and count on more motivated staff and better management systems in order to be able to achieve a better service coordination or control, or, simply, is more strongly committed than the internal staff to make the alliance with the client work properly (Clark, Zmud&Mc Cray, 1995). Get Rid

of Routine Tasks Outsourcing very often serves to provide routine tasks which are very time-consuming in management (Lacity&Hirschheim, 1993). Also, if the outsourced function is seen as something difficult to manage, often regarded by the top management as a “headache,” outsourcing can remove or minimize a function that is considered clearly problematic (Jurison, 1995). Facilitate Access to Technology Outsourcing brings client firms advantages related to technology (Jurison, 1995), as these business organizations can have access to specialized, state-of-the-art technology which is supposedly supplied to them by the provider.

On the other hand, the efficient use of outsourcing will most probably reduce the need to make investments in mature technology, simultaneously increasing the availability of resources related to new technologies for the client (Clark et al., 1995). Reduce the Risk of obsolescence. It is precisely the fast pace of change in the field of technology that places firms in front of a dilemma: either making investments on new technologies very often or working with very mature technology. This problem can equally be minimized with technological outsourcing, since the technology accessed by the client is owned by the provider, which means that this risk is assumed by the latter and not by the former (Clark, et al., 1995). Firms can increase their level of flexibility through a process of continuous redesign of the contracts that will help them to cover their information requirements (Hayes, Hunton&Reck, 2000). Save on staff costs outsourcing paves the way to a more specialized outsourced activity management, as the provider firm finds itself in a better position to select, train and manage its staff; in this way, clients can have at their disposal high-level specialists without them having to be

permanent members of their staff (Alner, 2001). Clients have in mind a staff reduction which will mean significant cost savings. In these circumstances, the effort to retain a permanent workforce with a high-level, up-to-date training is likely to end up becoming too expensive for many companies (Olson, 2007).

2.6 Research Gap

The review of the relevant research in the procurement outsourcing performance of non-governmental organizations shows that scholars focus literature has identified the critical variables that have been linked to procurement outsourcing such as, supplier selection, service level agreements, supplier competence and need identification, (Alner, 2001; Olson, 2007; Bowersox & Closs (2002; Basheka & Bisangabasaija, 2010). Although a number of studies have found these variables to have significant impact on performance of organizations, several studies have argued that these variables only provide partial insight into enhancing performance and that alternative new variables should be brought into procurement outsourcing and performance dynamics (Hayes, Hunton&Reck, 2000; Olson, 2007).

Additionally, the above mentioned scholars have concentrated their studies in the developed countries and this leaves a gap for the researcher to carry out the same in a developing country like Kenya. In regard to procurement outsourcing and performance established that there is a positive relationship between the mentioned variables on performance of organizations. Further, not many studies were identified that examined the relationship between procurement outsourcing and performance of organization. Finally, the other gaps identified included; no records were

available to this study to show any research on procurement outsourcing and performance of non-governmental organizations in Kenya. This study therefore seeks to fill these gaps.

RESEARCH METHODOLOGY

3.1 Introduction

This Chapter specifies the nature of the research design and the population to be studied. The research design, target population, sampling techniques, data collection techniques and data analysis methods that will be followed in the research process.

3.2 Research design

Tull and Hawkins (1984) explained that a research design offers a guideline or specification of procedures for collecting and analyzing data necessarily to help solve the problem at hand. Research design has also been defined by Kothari (2004) as “The arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (p.3)”. Kombo & Tromp (2006) also observe that a design is used to structure the research to show how all of the major parts of the research project work together to address the central research questions.

In this study researcher will use descriptive case study design to investigate the effect of procurement outsourcing in the performance of non-governmental organizations, a case of DAI. Descriptive studies portray the variables by answering who, what, and how questions (Babbie, 2009). The study will be descriptive in nature as it is deemed appropriate because it involve use of written questionnaires

administered to respondents. Yin (2003) recommends descriptive design as it allows the researcher to describe, record, analyze and report conditions that exist or existed This will have the advantage of providing an in-depth investigation of the problem under study. The findings will be generalized to apply to the other non-governmental organizations in Kenya.

3.3 Target Population

A population is the totality of items or things under consideration. According to Rubin & Babbie, (2011) explained that it the theoretically specified aggregation of study elements. Population is also defined as the totality of items or things under consideration. It is a collection of all measurement of a particular type of interest to the decision maker (Gupta, 1999). According to Kasomo (2006), a population is any group of institutions, people or objectives that have at least one characteristic in common. Mugenda and Mugenda (2003) define a target population as that population to which a researcher wants to generalize the results of the findings. The target population will be focus on all senior level, middle level and lower level management of DAI who are currently 288 in number as shown in Table 3.1;

Table 3.1 Target Population

Category	Population	Percentage
Top Management	32	11
Middle-Level Management	40	14
Lower Level Management	65	23
General staff	151	52
Total	288	100

Source (DAI, 2015)

3.4 Sample and Sampling Technique

A sample size is a set of observations drawn from a population by a defined procedure (Creswell, 2003). The sample represents a subset of manageable size (Mugenda & Mugenda, 2003). The sample size depends on what one wants to know, the purpose of the inquiry, what is at stake, what will be useful, what will have credibility and what can be done with available time and resources (Kothari, 2004). According to Cooper and Schindler (2011), sampling is mainly understood as the systematic selection of a representative number of elements out of the specified targeted population. The ultimate test of a sample design is how well it represents the characteristics of the population it purports to represent (Kothari, 2011). Ader, Mellenbergh & Hand (2008) observed that, researchers rarely survey the entire population due to, among other reasons, the cost of census that can be too high. Also, many a times it is not possible to study an entire population and the limited time and resources within which to conduct the study. Therefore, the stated reason justifies the choice made by the researcher to use sampling in the research.

According to Mugenda & Mugenda (2003), for a small population of less than 1000 a sample size can be obtained by using 30% of that population. In this study, the sample size will be 87 respondents as shown in Table 3.2. The study will use the stratified simple random sampling design to select the sample that will represent the population. Random sampling refers to random selection of units from a group. According to Orodho (2005) in stratified random sampling, subjects are selected in such

a way that the sample gives equal representation from each stratum.

Table 3.2: Sample Population

Category	Population	Sample ratio (30%)	Sample size
Top Management	32	0.3	10
Middle-Level Management	40	0.3	12
Lower Level Management	65	0.3	20
General Staff	151	0.3	45
TOTAL	288	-	87

3.5 Data collection Instruments

According to Kasomo (2006), research instruments are ways of collecting information. The researcher will use multiple method approach which combines qualitative and quantitative data collection instruments in a single enquiry. The researcher will use questionnaires as a primary instrument to collect data. The study will determine the data collection approach largely by identifying the type of information needed (Cooper & Schindler, 2003). Cooper & Schindler contend that this is influenced by investigative questions that must be answered by the study and the desired data type for each question. The study will use questionnaire as the research instrument. This is because of their simplicity in the administration and scoring of items as well as data analysis (Gronhaug, 2005). The study will utilize quantitative and qualitative questionnaire that is developed for generating information on key variables of interest from the targeted respondents in this study through in-depth interview from respondents who are conversant with the subject through various interactions or experiences.

The Questionnaires will consist of both open ended and closed questions. Open ended questions will require the respondent to answer questions by narrating their experiences and giving their opinions and this will generate qualitative data while the closed questions will require multiple choices. Both of these types of questions will be administered to the respondents so as to gather information. The questionnaires will enable the researcher to collect data within a shorter time since most of the information will be easily described. The questionnaire will be used because it is deemed to be the method that collects a lot of information over a short period of time (Mugenda & Mugenda, 2003). The study will also undertake desk review of existing information about the study areas and collect secondary data which will be useful for this study. Secondary data will be gathered from existing credible and recognized source. The secondary data will comprise of materials that are desirable, current, accurate, sufficient and relevant and will be collected from library text books, internet and magazines and personnel file in the organization.

3.6 Data Collection Procedure

This will describe how the data will be obtained from the respondents. It will include questionnaire, cover letter and instruction sheets. The following methods will be used to collect primary data such as the questionnaires and interview methods. According to Hargie & Tourish (2009), the first phase is concerned with holding meetings with the senior management of the intended organization at the outset and securing their dedication to implement the findings of the study. In this study the researcher will meet the top level management to affirm their intention on carrying out the study on the organization and to clarify the

significant of the study and the commitment required from the management.

During the second phase, the researcher will brief the respondents before data collection. During the process, the purpose of the study and the scope of the study will be communicated to the internal publics of DAI. Importantly, the researcher will use the meeting to assure the respondents that their responses will be treated confidentially. In addition, an introductory letter will be attached to the questionnaires to emphasize on the earlier briefing on the scope and purpose of the study. This exercise will aim at building mutual trust between the researcher and the respondents.

3.7 Pilot Study

According to Burdens' & Abbott (2008), pilot study is as a small-scale version of the study used to establish procedures, materials and parameters to be used in the full study. According to (Cooper and Schindler, 2010), pilot test is conducted to detect weaknesses in design and instrumentation and to provide proxy data for selection of a probability sample. Pilot study is an activity that assists the researcher in determining if there are flaws, limitations, or other weaknesses within the interview design and allows him or her to make the necessary revisions prior to the implementation of the study (Bridget & Lewan, 2005).

The pilot study will involve pre-testing the questionnaires on 9 respondents of DAI. It is supported by (Neumann, 2006) who recommends that a pilot test of 10% of the sample size can be used. The respondents will conveniently be selected since statistical conditions are not necessary in the pilot study (Cooper & Schindler, 2008). The purpose will be

to refine the questionnaires so that respondents in major study have no problem in answering the questions. The results of pilot test will not be included in the actual study.

3.7.1 Validity of Instruments

This is the degree to which an instrument measures what it is supposed to measure (Kothari, 2004). A content validity test will be used to measure instrument validity. This type of validity measured the degree to which data collected using a particular instrument represented a specific domain of indicators or content of a particular concept (Mugenda and Mugenda, 1999). Validity is the degree to which the sample of the test item represent the content that is designed to measure, that is, the instrument measures the characteristics or trait that is intended to measure (Mugenda and &Mugenda, 2003).Data need not only to be reliable but also true and accurate. If a measurement is valid, it is also reliable (Joppe, 2000).

The research will purpose to ensure validity of research instruments by using simple language free from jargon that made it easy to be understood by the respondents. The researcher also intends to seek the opinion of individuals who could render intelligent judgment about their adequacy. The researcher will also engage her supervisor and other experts to ensure that the questions will test or measure what they are supposed to measure. The research will adopt content validity which refers to the extent to which a measuring instrument provides adequate coverage of the topic under study. The content validity formula by Amin (2005) will be used in line with other previous studies (Lefort & Urzua, 2008) ; The formula is; Content Validity Index = (No. of judges declaring item valid) / (Total no. of items). It is

recommended that instruments used in research should have CVI of about 0.78 or higher and three or more experts could be considered evidence of good content validity (Amin, 2005).

3.7.2 Reliability of Instruments

Reliability is the extents to which a research instrument yields findings that are consistent each time it is administered to same subjects (Mugenda and Mugenda, 2003).The measurement of reliability provides consistency in the measurement variables(Kumar,2000)). Internal consistency reliability is the most commonly used psychometric measure assessing survey instruments and scales (Zhang, 2000). Cronbach alpha is the basic formula for determining the reliability based on internal consistency (Kim & Cha, 2002). Reliability is increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures. In order to test the reliability of the instruments, internal consistency techniques will be applied using Cronbach's Alpha. The alpha value ranges between 0 and 1 with reliability increasing with the increase in value. Coefficient of 0.6-0.7 is a commonly recommended that indicates acceptable reliability and 0.8 or higher indicate good reliability (Mugenda, 2008).

3.8 Data analysis and Presentations

Kothari (2004) define data analysis as a mechanism for reducing and organizing data to produce findings that require interpretation by the researcher. The data to be collected will be quantitative and qualitative. Once the questionnaires are received they will be coded and edited for completeness and consistency. Data analysis entails editing, coding and tabulation of data collected into manageable

summaries (Kumar,2000). To ensure easy analysis, the questionnaire will be coded according to each variable of the study to ensure accuracy during analysis. Quantitative data will be analyzed by employing descriptive statistics and inferential analysis using statistical package for social science (SPSS) version 21 and excel. This technique gives simple summaries about the sample data and present quantitative descriptions in a manageable form, (Orodho,2003). Together with simple graphics analysis, descriptive statistics form the basis of virtually every quantitative analysis to data, (Kothari, 2005). The findings will also be presented using tables, charts and graphs for further analysis and to facilitate comparison. This will generate quantitative reports through tabulations, percentages, and measure of central tendency. Descriptive statistics such as measures of central tendency and dispersion along with percentages will be used to organize and summarize numerical data whose results are presented in tables, pie charts, column and bar graphs for easy interpretation of the findings (Zhang, 2000).

The study will adopt the inferential statistical analysis. The tests of significance to be used are multiple regression analysis expected to yield the coefficient of determination (R^2), t – tests, z – tests and p – values. The choice of this techniques has been guided by the variables, sample size and the research design and multiple regression model at 5% level of significance and 95% level of confidence to establish the strength and direction of the relationship between the independent variables (need identification, supplier competence, supplier selection and service level agreements) and the dependent variable (performance of non-governmental organization). The performance of non-governmental organization

(DAI) will be regressed against four variables namely need identification, supplier competence, supplier selection and service level agreements. The equation will be expressed as follows: $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$, Where; Y = performance of non-governmental organization (DAI), β_0 = constant (coefficient of intercept); X_1 = Supplier selection; X_2 = Supplier competence; X_3 = Need Identification; X_4 = Service level agreements; ϵ = error term; $\beta_1 \dots \beta_4$ = regression coefficient of four variables. Advantages associated with multiple regression analysis are that this process offers a more accurate explanation of the dependent variable in that more variables are included in the analysis, and that the effect of a particular independent variable is made more certain, since the possibility of distorting influences from other independent variables is removed (Sharp & Howard,2000).

DATA ANALYSIS, FINDINGS AND INTERPRETATIONS

4.1 Introduction

This chapter discusses the findings, presentation, interpretation and discussion of the findings obtained from the field. The chapter presents the background information of the respondents, findings of the analysis based on the objectives of the study. Descriptive and inferential statistics have been used to discuss the findings of the study.

4.2 Response Rate

The study targeted a sample size of 87 respondents from which 59 filled in and returned the questionnaires making a response rate of 67.82%. This response rate was satisfactory to make conclusions for the study as it acted as a representative. According to Mugenda&Mugenda (2003), a response rate of 50% is adequate for analysis and reporting; a

rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was good.

Table 4.1 Response Rate

	Questionnaires		Percentage
	Questionnaires Administered	Questionnaires filled & Returned	
Respondents	87	59	67.82

4.2.2 Pilot Test Results

A pilot study was carried out to determine reliability and validity of the research instruments. The pilot study involved sampling respondents in various strata in the organizations. Reliability analysis was subsequently done using Cronbach’s Alpha which measured the internal consistency by establishing that certain items within a scale measures the same construct. Cortina (2008) established the Alpha value threshold at 0.7 and above is regarded as most reliable, thus forming the study’s benchmark. Cronbach Alpha was established for every objective which formed a scale. Table 4.2 shows that Need identification had the highest reliability ($\alpha= 0.808$), followed by Supplier selection ($\alpha=0. 716$), Supplier competence ($\alpha=0. 715$) and Service level agreements($\alpha=0.712$). This illustrates that all the four variables were reliable as their reliability values exceeded the prescribed threshold of 0.7. This is shown in Table 4.2.

Table 4.2: Reliability test results

Scale	Cronbach's Alpha	Number of Items
Need identification	0.808	5
Supplier selection	0.716	5

Supplier competence	0.715	5
Service level agreements	0.712	5

4.2.3 Validity analysis

If a measurement is valid, it is also reliable (Joppe, 2000).The content validity formula by Amin (2005) was used in this study. The formula is; Content Validity Index = (No. of judges declaring item valid) / (Total no. of items). It is recommended that instruments used in research should have CVI of about 0.78 or higher and three or more experts could be considered evidence of good content validity (Amin, 2005). The results were as shown in Table 4.3;

Table 4.3; Content Validity Index

Variable	Valid items	Fraction	Comment
Need identification	7	0.7890	Accepted
Supplier selection	6	0.7895	Accepted
Supplier competence	6	0.7886	Accepted
Service level agreements	6	0.9486	Accepted
Overall	-	0.8290	Accepted

From the results in Table 4.3, illustrates that all the four variables were valid as their CVI values exceeded the prescribed threshold of 0.78. This infers that the instrument was reliable as emphasized by Amin (2005) as validity of test yielded an average index score of 82.90%. This implied the instrument was valid as emphasized by (Amin, 2005).

4.3 Demographic Information

Demographic information provides data regarding research participants and is necessary for the determination of whether the individuals in a particular study are a representative sample of the target population and testing appropriateness of the respondent in answering the questions for generalization purposes. The demographic information comprised of the gender, age, highest level of education and duration of service.

4.2.1 Gender of the respondent

The study sought to determine the gender of the respondent and therefore requested the respondent to indicate their gender. The study found that majority of the respondent as shown in Figure 2.1 by 53.7% were males whereas 46.3% of the respondent were females, this is an indication that both genders were involved in this study and thus the findings of the study did not suffer from gender biasness.

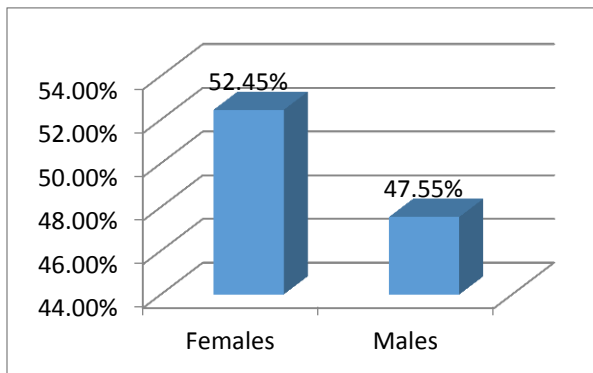


Figure 4. 1: Gender of the respondent

4.2.2 Age distribution

On respondent's age distribution, the study revealed that; most of the respondents as shown in Figure 4.2 by 44% were aged between 41 to 50 years, 15 % of the respondents 31 to

40 years, 30% of the respondents were aged below 30 years, whereas 11% of the respondents were aged above 50 years. This implies participants were well distributed in terms of their age.

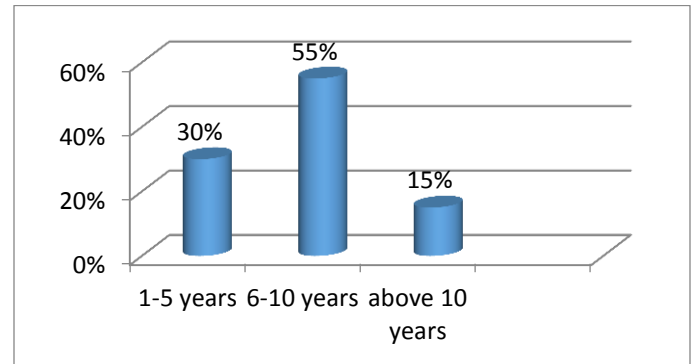


Figure 4. 2: Age distribution

4.2.3 Duration of service

On period of service, the study revealed that most of the respondents as shown in Figure 4.3 by 55% had worked with the organization for duration of 6-10 years, 30% had worked with the organization for a period less than 6 years and the same percentage worked for a period of 6 to 10 years and 15 % had worked with the organization for more than 10 years This implies that majority of the respondents had worked with the organisation for a considerable period of time and thus they were in a position to give credible information relating to this study.

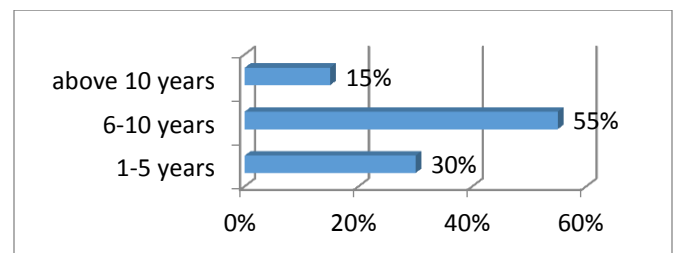


Figure 4.3: Duration of service

4.2.4 Level of education

The study requested the respondents to indicate their highest level of education achieved, from the research findings, the study revealed that most of the respondents as shown in Figure 4.4 by 40% of the respondents held diplomas, 35% of the respondents were holders of bachelor’s degrees, 15% of the respondents were holders of masters degrees whereas 5% of the respondents held doctor of philosophy, this implies that respondents were well educated which means that they were in a position to respond to research questions with ease.

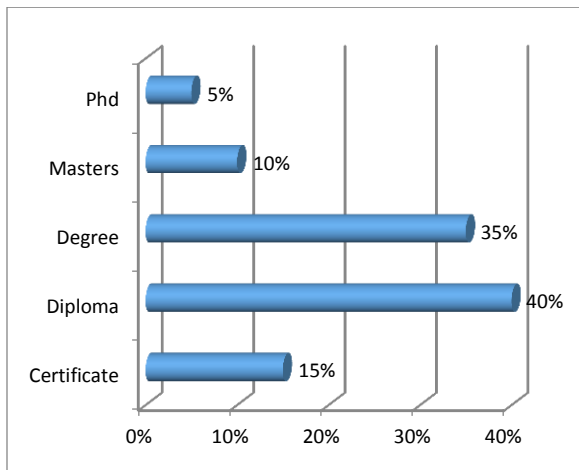


Figure 4.4: Level of education

4.4 Need identification

The study sought to investigate whether need identification affects performance of DAI. From the research findings, majority of the respondents as shown in Tale 4.4 illustrates that 84.75% were of the opinion that need identification affects performance of DAI whereas 15.25% of the respondents were of the contrary opinion. This implies that need identification performance of DAI.

Table 4.4: Effect of need identification on DAI Performance

Opinion	Frequency	Percentage
Yes	50	84.75
No	9	15.25
Total	59	100

The study sought to establish the extent to which respondents agreed with the statements relating to need identification affect Performance of the organization. A scale of 1-5 was used. The scores “Strongly disagree” and “Disagree” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale (1 ≤ Disagree ≤ 2.5). The scores of ‘Neutral’ were represented by a score equivalent to 2.6 to 3.5 on the Likert scale (2.6 ≤ Neutral ≤ 3.5). The score of “Agree” and “Strongly agree” were represented by a mean score equivalent to 3.6 to 5.0 on the Likert Scale (3.6 ≤ Agree ≤ 5.0). The results were presented in mean and standard deviation. The mean was generated from SPSS version 21 and is as illustrated in Table 4.5. From the research findings, majority of the employees agreed that; Organization carry out comprehensive feasibility study before outsourcing as shown by a mean of 4.10; Organization carry out strategic assessments before outsourcing as shown by a mean of 3.95; Statements of needs is done before organization outsource suppliers as shown by a mean of 4.25 and that Vendors do not determine the needs of the organization on outsourcing of the suppliers. as shown by a mean of 4.28. This is shown in Table 4.5.

The findings of this study are in agreements with the literature review by Randall (2003) that to quantify the benefits of outsourcing for an organization, a comprehensive feasibility study needs to be carried out to benchmark existing practices and identify the opportunities for improvement. Strategic assessments are business cases for the entire organization in terms of which areas are suitable for outsourcing and which are not as they affect organization performance.

Table 4.5: Elements relating to need identification on performance of the organization

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std deviation
Organization carry out comprehensive feasibility study before outsourcing Organization carry out strategic assessments before outsourcing Statements of needs is done before organization outsource	2	2	8	27	15	4.10	0.32
	3	6	4	26	15	3.95	0.36
	1	1	3	33	16	4.25	0.30

suppliers							
Vendors do not determine the needs of the organization on outsourcing of the suppliers.	0	2	7	26	19	4.28	0.27

4.5 Supplier Selection

The study sought to investigate whether supplier selection affects performance of DAI. From the research findings, majority of the respondents as shown in Tale 4.6 illustrates that 62.71% were of the opinion that supplier selection affects performance of DAI whereas 37.29% of the respondents were of the contrary opinion. This implies that need identification performance of DAI.

Table 4.6: Effect of supplier selection on DAI Performance

Opinion	Frequency	Percentage
Yes	37	62.71
No	22	37.29
Total	59	100

The study sought to establish the extent to which respondents agreed with the statements relating to supplier selection. A scale of 1-5 was used. The scores “Strongly disagree” and “Disagree” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale ($1 \leq \text{Disagree} \leq 2.5$). The scores of ‘Neutral’ were represented by a score equivalent to 2.6

to 3.5 on the Likert scale ($2.6 \leq \text{Neutral} \leq 3.5$). The score of “Agree” and “Strongly agree” were represented by a mean score equivalent to 3.6 to 5.0 on the Likert Scale ($3.6 \leq \text{Agree} \leq 5.0$). The results were presented in mean and standard deviation. The mean was generated from SPSS version 21 and is as illustrated in Table 4.7. From the research findings, majority of the respondents agreed that Our organization carries out rigorous analysis to identify the best suppliers as shown by a mean of 4.25; organization enters into a legal contract with the suppliers once they are selected as shown by a mean of 4.10 every job regarded as very significant in the broader scheme of things as shown by a mean of 4.16; organization makes a request for proposals before selecting suppliers as shown by a mean of 4.16 the study also established that organization carries out rigorous analysis to identify the best suppliers as shown by a mean of 4.28. The findings of the study are in agreement with literature review by Fraza (2000) observed that organization performance is directly related to relationship on outsourcing, which includes suppliers and customers selection. Strategic supplier selection partnerships and customer relationships are main components in the procurement outsourcing management practices (Li et al., 2005), leading to information sharing, which is one of the pillars in achieving a solid procurement outsourcing for effective performance of an organization. (Lalonde, 1998).

Table 4.7: Elements relating to supplier selection

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std deviation
Our organization carries out rigorous analysis to identify the best suppliers	3	2	3	34	17	4.25	0.28
Our organization enters into a legal contract with the suppliers once they are selected	5	3	6	30	15	4.10	0.29
Our organization makes a request for proposals before selecting suppliers	6	2	4	32	15	4.16	0.28
Our organization carries out rigorous analysis to identify the best suppliers	2	4	2	34	17	4.28	0.27

4.6 Supplier competence

The study sought to investigate whether supplier competence affects performance of DAI. From the research findings, majority of the respondents as shown in Tale 4.8 illustrates that 81.36% were of the opinion that supplier competence affects performance of DAI whereas 18.64% of the respondents were of the contrary opinion. This implies that need identification performance of DAI.

Table 4.8: Effect of supplier competence on DAI Performance

Opinion	Frequency	Percentage
Yes	48	81.36
No	11	18.64
Total	59	100

The study sought to establish the extent to which respondents agreed with the statements relating to supplier competence. A scale of 1-5 was used. The scores “Strongly disagree” and “Disagree” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale ($1 \leq \text{Disagree} \leq 2.5$). The scores of ‘Neutral’ were represented by a score equivalent to 2.6 to 3.5 on the Likert scale ($2.6 \leq \text{Neutral} \leq 3.5$). The score of “Agree” and “Strongly agree” were represented by a mean score equivalent to 3.6 to 5.0 on the Likert Scale ($3.6 \leq \text{Agree} \leq 5.0$). The results were presented in mean and standard deviation. The mean was generated from SPSS version 21 and is as illustrated in Table 4.9. From the research findings, majority of the respondents agreed that There is a clear demarcation between the core activities of the organization and the outsourced ones by a mean of 4.08, credibility of the supplier is first sought before our organization enters into contract with the supplier as shown by a mean of 4.19, The contracts are clearly negotiated with all the service level agreements put in place as shown by a mean of 4.13 and that suppliers are selected based on expertise, reliability and credibility as shown by a mean of 4.12. The above findings corroborates with literature review by Basheka & Bisangabasaija(2010) who states that the performance of an organization depend on the supplier competence function as it yields benefits to organizations such as cost reduction, enhanced profitability, assumed supplies, quality improvements and competitive advantage.

Table 4.9: Elements relating to supplier competence

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std deviation
There is a clear demarcation between the core activities of the organization and the outsourced ones	5	7	5	25	17	4.08	0.27
Credibility of the supplier is first sought before our organization enters into contract with the supplier.	4	3	4	38	10	4.19	0.28
The contracts are clearly negotiated with all the service level agreements put in place	5	3	4	35	11	4.13	0.29
Suppliers are selected based on expertise, reliability and credibility	3	6	3	33	14	4.12	0.28

4.7 Service level agreements

The study sought to investigate whether service level agreements affects performance of DAI. From the research findings, majority of the respondents as shown in Tale 4.10 illustrates that 76.27% were of the opinion that service level agreements affects performance of DAI whereas 23.73% of the respondents were of the contrary opinion. This implies that need identification performance of DAI.

Table 4.10: Effect of service level agreements on DAI Performance

Opinion	Frequency	Percentage
Yes	45	76.27
No	14	23.73
Total	59	100

The study sought to establish the extent to which respondents agreed with the statements relating to job service level agreements. A scale of 1-5 was used. The scores “Strongly disagree” and “Disagree” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale ($1 \leq \text{Disagree} \leq 2.5$). The scores of ‘Neutral’ were represented by a score equivalent to 2.6 to 3.5 on the Likert scale ($2.6 \leq \text{Neutral} \leq 3.5$). The score of “Agree” and “Strongly agree” were represented by a mean score equivalent to 3.6 to 5.0 on the Likert Scale ($3.6 \leq \text{Agree} \leq 5.0$). The results were presented in mean and standard deviation. The mean was generated from SPSS version 21 and is as illustrated in Table 4.11. From the research findings, majority of the respondents agreed that the Organization has structures and reporting lines that are well defined and implemented for outsourcing, as shown by a mean of 4.11. Outsourcing agreements, regulatory controls, legal documents, standards and procedures are clearly specified as shown by a mean of 3.96; SLAs are not ambiguous and incoherent for outsourcing as shown by a mean of 4.16. The findings of this study concurs with literature review by Teng & Jaramillo (2005) who states that outsourcing agreement, regulatory controls such as legal documents policies, form systems, standards and procedures which form basis of service level agreements may establish the relationship between the two parties and specify boundaries and represent complete contracting therefore affecting performance of an organization in the long run.

Table 4.11: Elements relating to service level agreements

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std deviation
Organization has structures and reporting lines that are well defined and implemented for outsourcing	3	5	7	29	15	4.11	0.28
Outsourcing agreements, regulatory controls, legal documents, standards and procedures are clearly specified	4	9	6	20	20	3.96	0.30
SLAs are not ambiguous and incoherent for outsourcing	3	3	7	30	16	4.19	0.27

4.8 Procurement outsourcing on Performance of DAI

The study sought to investigate whether procurement outsourcing affected performance of DAI. From the research findings, majority of the respondents as shown by 67.80% were of the agreed that procurement outsourcing affected performance of DAI whereas 32.20% of the respondents were of the contrary opinion. This implies that procurement outsourcing affected performance of DAI.

Table 4.12 Procurement outsourcing on performance of DAI

Opinion	Frequency	Percent
Yes	40	67.80
No	19	32.20
Total	59	100

The study sought to investigate rate performance of DAI. From the research findings, majority of the respondents as shown in Figure 4.6 by 30% indicated that that performance of

DAI was good. 25% stated it was excellent, 25% were of the opinion that it was fair and very poor whereas 15% and 5% of the respondents were of the opinion that it was very poor and poor. This implies that performance of DAI was good.

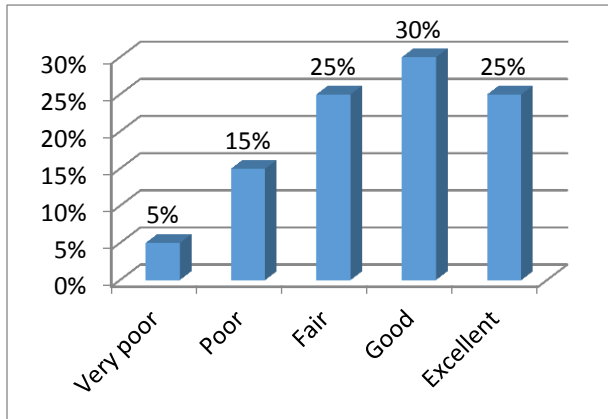


Figure 4.6: Outsourcing on Performance of DAI

The study sought to establish the extent to which respondents agreed with the statements relating to Performance of DAI. A scale of 1-5 was used. The scores “Strongly disagree” and “Disagree” were represented by mean score, equivalent to 1 to 2.5 on the continuous Likert scale ($1 \leq \text{Disagree} \leq 2.5$). The scores of ‘Neutral’ were represented by a score equivalent to 2.6 to 3.5 on the Likert scale ($2.6 \leq \text{Neutral} \leq 3.5$). The score of “Agree” and “Strongly agree” were represented by a mean score equivalent to 3.6 to 5.0 on the Likert Scale ($3.6 \leq \text{Agree} \leq 5.0$). The results were presented in mean and standard deviation. The mean was generated from SPSS version 21 and is as illustrated in Table 4.13. From the research findings the study established that, outsourcing provides a large degree of flexibility in the utilization of resources as shown by a mean of 4.05; outsourcing has reduced need to make investments in mature technology as shown by

a mean of 3.91, It has reduced the risk of obsolescence, as shown by a mean of 4.19. The findings of the study are in tandem with literature review by Hui, Davis-Blake & Broschak (2008) who observed the structure of outsourcing arrangements affects overall project performance of an organization. Outsourcing can speed the development of complex projects through the division of labor, reduce costs by having contractor employees perform work that is beyond the normal capacity of a focal firm, and increase efficiency and effectiveness by allowing specialized personnel to focus on activities related to their own core competencies. Outsourcing also facilitates an organization ability to coordinate and control activities potentially influencing the overall performance (Narayanan, Balasubramanian & Swaminathan, 2011).

Table 4.13: Elements relating to on Performance of DAI

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	Std deviation
Outsourcing provides a large degree of flexibility in the utilization of resources	5	6	8	27	13	4.05	0.27
Outsourcing has reduced need to make investments in mature technology	3	7	6	26	17	3.91	0.35
It has reduced the risk of obsolescence.	3	2	5	29	20	4.19	0.29

4.9 Regression Analysis

The study adopted a multiple regression analysis so as to establish the relationship of

independent variables and dependent variable that is Performance of DAI. The study applied SPSS version 21 to code, enter and compute the measurements of the multiple regression. According to Kothari (2004) regression analysis is a statistics process of estimating the relationship between variables. Regression analysis helps in generating equation that describes the statistics relationship between one or more predictor variables and the response variable (Gupta, 2007). Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in Table 4.14 the value of adjusted r squared was 0.596 an indication that there was variation of 59.6 percentage on performance of DAI due to changes in need identification, supplier selection, supplier competence and service level agreements at 95 percent confidence interval. This shows that 59.6 percent changes in performance of DAI could be accounted to need identification, supplier selection, supplier competence and service level agreements. R is the correlation coefficient which shows the relationship between the study variables and from the findings shown in the Table 4.14 is notable that there exists strong positive relationship between the study variables as shown by 0.799. Additionally, this therefore means that factors not studied in this research contribute 40.40% of performance of DAI and a further research should be conducted to investigate the other factors (40.40%) that affect performance of DAI

Table 4.14: Model summary

Model	R	R Square	Adjusted Square	Std. Error of the Estimate
	.799	0.638	0.596	.233

4.10 Analysis of Variance

From the ANOVA statics Table 4.15, the study established the regression model had a significance level of 0.1% which is an indication that the data was ideal for making a conclusion on the population parameters as the value of significance (p-value) was less than 5%. The calculated value was greater than the critical value (1.6454>1.3997) an indication that need identification, supplier selection, supplier competence and service level agreements all affects Performance of DAI. The significance value was less than 0.05 indicating that the model was significant.

Table 4.15: Analysis of Variance^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	2.9748	4	.7437	1.6454	.001 ^b
Residual	24.86	55	.4520		
Total	27.835	59			

- a. Dependent Variable: Performance of DAI
- b. Predictors: (Constant), Need identification, supplier selection, supplier competence and service level agreements

Critical value =1.3997

4.11 Regression Coefficients

The finding revealed that holding independent variables constant (need identification, supplier selection, supplier competence and service level agreements) to a constant zero, performance of DAI would be at 54.298, a unit increase in need identification would lead to increase in performance of DAI by a factor of 0.737, a unit increase in supplier selection would lead to increase performance of DAI by factor of 0.711, a unit increase in Supplier competence would lead to increase in performance of DAI by a factor of 0.739 and unit increase in service level agreements would lead to increase in

performance of DAI by a factor of 0.681. From the data in Table 4.16, it was established that regression equation was $Y = 54.298 + 0.737X_1 + 0.711 X_2 + 0.739 X_3 + 0.681 X_4$. Therefore, performance of DAI = 54.298 + (0.737 x need identification) + (0.711 x supplier selection) + (0.739 x supplier competence) + (0.681 x service level agreements). From the results of this study in Table 4.16, supplier competence contributed more to the performance of DAI. At 5% level of significance, need identification had a p-value of 0.003; supplier selection had a p-value of 0.004; supplier competence had a p-value of 0.001; service level agreements had a p-value of 0.005. Therefore, the most significant factor was supplier competence. The findings of this study corroborates with literature review by Ashford & Cummings, (2003) that an organization adopting the concept of procurement outsourcing facilitates the overall performance since outsourcing supplier selection, competence of suppliers and play critical role in facilitation of competitive advantage and reduced costs.

Table 4.16: Regression Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error			
1	Constant	54.298	.453	2.865	.006
	Need identification	.737	.060	.198	.003
	Supplier selection	.711	.068	.245	.004
	Supplier competence	.739	.075	.008	.001
	Service level agreements	.681	.064	.031	.005

a. Dependent Variable: Performance of DAI

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study sought to establish whether procurement outsourcing Kenya is affect project performance. The starting point was that procurement outsourcing affect performance of project performance of an organization (Chen, 1999). The study examined theoretical and empirically how various variables are considered when adopting procurement outsourcing in project performance of an organization. In assessing procurement outsourcing, the study focused on how select factors (need identification, supplier selection, supplier competence and service level agreements, relate to project performance of non-governmental organizations in Kenya. This chapter captures the summary of findings, from which conclusions were drawn and recommendations made.

5.2 Summary of the findings

5.2.1 Response rate

The study targeted a sample size of 87 respondents from which 59 filled in and returned the questionnaires making a response rate of 67.82%. This response rate was satisfactory to make conclusions for the study as it acted as a representative. Based on the assertion, the response rate was good (Mugenda & Mugenda, 2003).

5.2.2 Demographic Information

The study found that majority of the respondent by 53.7% were males whereas 46.3% of the respondent were females, this is an indication that both genders were involved in this study and thus the findings of the study did not suffer from gender biasness. On

respondent's age distribution, the study revealed that; most of the respondents by 44% were aged between 41 to 50 years, 15 % of the respondents 31 to 40 years, 30% of the respondents were aged below 30 years, whereas 11% of the respondents were aged above 50 years. This implies participants were well distributed in terms of their age. On period of service, the study revealed that most of the respondents by 55% had worked with the organization for duration of 6-10 years, 30% had worked with the organization for a period less than 6 years and the same percentage worked for a period of 6 to 10 years and 15 % had worked with the organization for more than 10 years. This implies that majority of the respondents had worked with the organisation for a considerable period of time and thus they were in a position to give credible information relating to this study. The study also established that the respondents highest level of education achieved, was represented by 40% of with diplomas, 35% of the respondents were holders of bachelor's degrees, 15% of the respondents were holders of masters degrees whereas 5% of the respondents held doctor of philosophy, this implies that respondents were well educated which means that they were in a position to respond to research questions with ease.

Objective One: To establish the effects of need identification on project performance of non-governmental organizations in Kenya

From the research findings, majority of the respondents (84.75%) were of the opinion that need identification affects performance of DAI whereas 15.25% of the respondents were of the contrary opinion. This implies that need identification performance of DAI. The study also find out that the organization carry out

comprehensive feasibility study before outsourcing with a a mean of 4.10; organization carry out strategic assessments before outsourcing by a mean of 3.95; Statements of needs is done before organization outsource suppliers by a mean of 4.25 and that vendors do not determine the needs of the organization on outsourcing of the suppliers by a mean of 4.28. The study also established that need identification positively (0.737) and significantly (0.003) influenced performance of DAI at 0.05 level of significance. The findings of this study are in agreements with the literature review by Randall (2003) that to quantify the benefits of outsourcing for an organization, a comprehensive feasibility study needs to be carried out to benchmark existing practices and identify the opportunities for improvement. Strategic assessments are business cases for the entire organization in terms of which areas are suitable for outsourcing and which are not as they affect organization performance.

Objective Two: To examine the effect of supplier selection on performance of non-governmental organizations in Kenya

From the results of the study, it was revealed that supplier selection affects performance of DAI. Majority of the respondents (62.71%) were of the opinion that supplier selection affects performance of DAI whereas 37.29% of the respondents were of the contrary opinion. It was also established that majority of the respondents agreed that the organization carries out rigorous analysis to identify the best suppliers by a mean of 4.25; organization enters into a legal contract with the suppliers once they are selected by a mean of 4.10 every job regarded as very significant in the broader scheme of things by a mean of 4.16;

organization makes a request for proposals before selecting suppliers by a mean of 4.16. The study also established that organization carries out rigorous analysis to identify the best suppliers by a mean of 4.28. Further, the study also established that supplier selection positively (0.711) and significantly (0.003) influenced performance of DAI at 0.05 level of significance. The findings of the study are in agreement with literature review by Frazz (2000) observed that organization performance is directly related to relationship on outsourcing, which includes suppliers and customers selection. Strategic supplier selection partnerships and customer relationships are main components in the procurement outsourcing management practices (Li et al., 2005), leading to information sharing, which is one of the pillars in achieving a solid procurement outsourcing for effective performance of an organization (Lalonde, 1998).

Objective Three: To determine the effect of supplier competence on project performance of non-governmental organizations in Kenya

The study established that supplier competence affects performance of DAI. From the research findings, majority of the respondents (81.36%) were of the opinion that supplier competence affects performance of DAI whereas 18.64% of the respondents were of the contrary opinion. This implies that need identification performance of DAI. It was also found out that majority of the respondents agreed that there was a clear demarcation between the core activities of the organization and the outsourced ones by a mean of 4.08, credibility of the supplier was first sought before the organization entered into contract with the supplier by a mean of 4.19, The contracts are

clearly negotiated with all the service level agreements put in place by a mean of 4.13 and that suppliers are selected based on expertise, reliability and credibility by a mean of 4.12. Additionally, the study also established that supplier competence positively (0.739) and significantly (0.001) influenced performance of DAI at 0.05 level of significance. The above findings corroborates with literature review by Basheka & Bisangabasaija(2010) who states that the performance of an organization depend on the supplier competence function as it yields benefits to organizations such as cost reduction, enhanced profitability, assumed supplies, quality improvements and competitive advantage.

Objective Four: To determine the effect of service level agreements on project performance of non-governmental organizations in Kenya

The study established that service level agreements affects performance of DAI. From the research findings, majority of the respondents (76.27%) indicated that that service level agreements affects performance of DAI whereas 23.73% of the respondents were of the contrary opinion. This implies that need identification performance of DAI. Further, from the research findings, majority of the respondents agreed that the organization has structures and reporting lines that are well defined and implemented for outsourcing, as by a mean of 4.11; outsourcing agreements, regulatory controls, legal documents, standards and procedures are clearly specified by a mean of 3.96; SLAs are not ambiguous and incoherent for outsourcing by a mean of 4.16. Additionally, the study also established that service level agreements positively (0.739) and significantly (0.001) influenced performance of DAI at 0.05

level of significance. The findings of this study concurs with literature review by Teng & Jaramillo (2005) who states that outsourcing agreement, regulatory controls such as legal documents policies, form systems, standards and procedures which form basis of service level agreements may establish the relationship between the two parties and specify boundaries and represent complete contracting therefore affecting performance of an organization in the long run.

5.2.3 Outsourcing on performance of the organization

The study sought to investigate whether procurement outsourcing affected performance of DAI. From the research findings, majority of the respondents (67.80%) were of the opinion that procurement outsourcing affected performance of DAI whereas 32.20% of the respondents were of the contrary opinion. This implies that procurement outsourcing affected performance of DAI. Further, majority of the respondents that is 30% indicated that that performance of DAI was good. 25% stated it was excellent, 25% were of the opinion that it was fair and very poor whereas 15% and 5% of the respondents were of the opinion that it was very poor and poor. This implies that performance of DAI was good. The study also established that outsourcing provides a large degree of flexibility in the utilization of resources by a mean of 4.05; outsourcing has reduced need to make investments in mature technology by a mean of 3.91, It has reduced the risk of obsolescence shown by a mean of 4.19. The findings of the study are in tandem with literature review by Hui, Davis-Blake & Broschak(2008) who observed the structure of outsourcing arrangements affects overall project performance of an organization. Outsourcing can speed the development of

complex projects through the division of labor, reduce costs by having contractor employees perform work that is beyond the normal capacity of a focal firm, and increase efficiency and effectiveness by allowing specialized personnel to focus on activities related to their own core competencies. Outsourcings also facilitate an organization ability to coordinate and control activities potentially influencing the overall performance (Narayanan, Balasubramanian & Swaminathan, 2011).

5.3 Conclusions

The study established that need identification affects performance of DAI. It also established that if the organization carry out comprehensive feasibility study before outsourcing, carry out strategic assessments before outsourcing, statements of needs is done before organization outsource suppliers and vendors should not determine the needs of the organization on outsourcing of the suppliers. The need identification can positively and significantly influence performance of DAI. Additionally, the study established that supplier selection affects performance of DAI. The organization carries out rigorous analysis to identify the best, enters into a legal contract with the suppliers once they are selected and also established that organization carries out rigorous analysis to identify the best suppliers. This enabled the organization to positively and significantly improve its performance.

Further, the study revealed that supplier competence affects performance of DAI. From the research findings, majority of the respondents agreed that there was a clear demarcation between the core activities of the organization and the outsourced; credibility of the supplier is first sought before organization enters into contract with the supplier; The

contracts are clearly negotiated with all the service level agreements put in place and that suppliers are selected based on expertise, reliability and credibility. The facilitated positively and significantly influenced performance of DAI.

Finally, the study revealed that service level agreements affects performance of DAI. The organization has structures and reporting lines that are well defined and implemented for outsourcing. The outsourcing agreements, regulatory controls, legal documents, standards and procedures are clearly specified and SLAs are not ambiguous and incoherent for outsourcing. This has positively and significantly influenced performance of DAI.

5.4 Recommendations

There is need to carry out a need identification before outsourcing as it affects performance of the organization. This can be carried out during comprehensive feasibility study before outsourcing, strategic assessments and statements of need should be done before organization outsource suppliers. The vendors should not determine the needs of the organization on outsourcing of the suppliers.

The organization should carry out rigorous analysis to identify the best , enters into a legal contract with the suppliers once they are selected and also established that organization carries out rigorous analysis to identify the best suppliers. This will enable the organization to positively and significantly improve its performance.

Further, there should be a clear demarcation between the core activities of the organization and the outsourced; credibility of the supplier should be first sought before organization enters into contract with the supplier. The contracts should be clearly negotiated with all the service level agreements put in place and that suppliers are selected based on expertise, reliability and credibility. The will facilitate positively and significantly performance of the organization.

Finally, on the service level agreements, the organization should have structures and reporting lines that are well defined and implemented for outsourcing. The outsourcing agreements, regulatory controls, legal documents, standards and procedures should be clearly specified not ambiguous and incoherent for outsourcing. This will positively and significantly influence performance of DAI.

5.5 Suggestions for further Research

Since this study was on the effects of procurement outsourcing on performance of non-governmental organizations with a case of DAI, the study recommends that;

- I. Similar study should be conducted in other organizations for comparison purposes and to allow for generalization of the findings of this study;
- II. Further study on other factors (22.90%) not studied in this study effects of procurement outsourcing on performance of non-governmental organizations in Kenya.

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