



**RESEARCH ARTICLE** ↓

**Outsourcing and Organizational Performance of Selected Manufacturing Firms in Enugu State, Nigeria**

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**Abstract**

This study examined the effect of outsourcing on the organizational performance of selected manufacturing firms in Enugu State, Nigeria. The objectives of the study were to determine the effect of human resource outsourcing the on-service delivery of selected manufacturing firms, to determine the impact of business process outsourcing on the product quality of the selected manufacturing firms, and to examine the effect of knowledge process outsourcing on the efficiency of the selected manufacturing firms. The study adopted a survey research design. Data were obtained from a primary source through a structured questionnaire. The data were analyzed using the Spearman Rank Order Correlation Coefficient which was found to be high,  $r = 0.988$  showing that there is consistency in the items of the survey. Descriptive and inferential analyses were used to analyze the quantitative data. Simple regression techniques were used in testing the hypotheses. The findings reveal that: Human resource outsourcing had a positive and significant effect on service delivery ( $r = .0.956$ ,  $t = 34.019$ ;  $p < 0.05$ ) of the manufacturing firms in Enugu State, Nigeria. Business process outsourcing positively and significantly affected product quality ( $r = 0.884$ ;  $t = 19.876$ ;  $p < 0.05$ ) of the selected manufacturing firms in Enugu State, Nigeria. Knowledge process outsourcing positively and significantly affected the efficiency ( $r = 0.908$ ;  $t = 22.727$ ;  $p < 0.05$ ) of the manufacturing firms in Enugu State. This study, therefore, recommends that manufacturing firms should fully engage in human resource outsourcing to attract the best experts who can help in achieving organizational goals.

**Keywords:** Enugu State; Manufacturing Firms; Outsourcing; Organizational Performance

## Introduction

The need to actualize set organizational goals has compelled organizations to consciously and continuously devise strategies to improve performance. Virtually every organization strives to reach higher organizational goals. Continuous performance improvement is the key to the growth and development of organizations (Gavrea, Ilies, & Stegorean, 2011). Nowadays, the management of organizations has been under rising pressure to fulfill the ever-increasing needs of different stakeholders. The efficient and effective management of limited resources is very essential. These circumstances are forcing the management of organizations to adopt strategies to surmount threats emanating from rivalry and unfavorable business environments. The striving to remain competitive in a challenging business environment has made firms focus on their core competencies to gain a competitive advantage over their competitors, however with the increased movement towards a single globalized economy; this desire is even more prevalent for businesses today. In a bid to actualize set organizational goals, management devices strategies to improve performance (Dominguez, 2006).

One avenue that firms have pursued to improve their performance and thus enhance their competitive position in this new business environment has been to increase the role of outsourcing in their operations, which has been found to provide a competitive advantage and heightened performance to these firms (Akwushola & Elegbede, 2013). Organizations are increasingly turning to outsourcing strategies in an attempt to enhance their competitiveness and organizational performance. Outsourcing is a common practice among both private and public organizations and is a major element in business strategy. It is the subcontracting of some functions of an organization to another to execute such functions that were previously performed in-house. A firm transfers its non-core functions to a more efficient, effective, and professional service provider to concentrate on its core business functions.

In other words, outsourcing is defined as the procurement of products or services from sources that are external to the organization (Rundquist, 2016). According to Ono and Stango (2005), it can further be defined as a phenomenon in which a company delegates part of its in-house operations to a third party with the third party gaining full control over that operation/process. The clients inform their provider what they want, and how they want the work performed and the control of the process is with the third party instead of the parent company. According to Akinbola, Ogunnaike and Ojo (2013) companies feel they will be able to focus on their core activity by outsourcing functions like promotions, payroll management, bonus, salary disbursement, provident fund, gratuity, recruitment, Flexi-staffing, IT work, new product introduction, security and training to HR consultants. All these are in a bid to provide high service quality, improve skills and experience and offer innovativeness that would consequently spur performance. There is a need to have a comprehensive understanding of how outsourcing strategies affect the organizational performance of manufacturing firms in Enugu State, Nigeria, hence the need for this research.

## Statement of the Problem

The worldwide trend in globalization has led many organizations to outsource their non-core activities to service providers and focus on their core competencies. It is being argued that due to the diverse nature of the contemporary business environment, it is nearly impossible for an organization to manage all of its business activities by solely depending on its expertise. The output of the manufacturing industry is very important in the evaluation of the development of nations and equally essential for a successful transformation of most nations. The economic output of manufacturing firms in Nigeria over the past few decades has been on the decline. The Nigerian manufacturing industry has been operating in an unfriendly business environment which has led to the closure of several firms.

Over the past decades, it has been known that the practice of outsourcing enables manufacturing companies to concentrate on their core competencies to reap the benefit of efficiency and effectiveness via cost savings, minimized capital investment, reduced risk of technological changes, improved product quality, increased productivity, enhanced operational efficiency, higher customer satisfaction, and profitability. However, most manufacturing firms have not given adequate attention to specific outsourcing strategies such as human resource outsourcing, business process outsourcing and knowledge process outsourcing as means of improving performance in manufacturing firms and these have contributed to poor service delivery, the decline in product quality and low

profitability and if these problems are not well addressed will ultimately lead to loss of jobs, low GDP and non-realization of firm's goals. Therefore, this study set out to examine if the adoption of outsourcing strategies could help boost the performance of some manufacturing firms in Enugu State, Nigeria.

### **Objectives of the Study**

The broad objective of this study was to determine the effect of outsourcing on the performance of Selected Manufacturing Firms in Enugu State, Nigeria. The specific objectives include to:

- I. Determine the effect of Human Resource Outsourcing (HRO) on service delivery of selected manufacturing firms in Enugu State, Nigeria.
- II. Determine the impact of Business process outsourcing (BPO) on the product quality of selected manufacturing firms in Enugu State, Nigeria.
- III. Examine the effect of Knowledge Process Outsourcing (KPO) on the efficiency of selected manufacturing firms in Enugu State, Nigeria.

### **Hypotheses of the study**

- I. Human resource outsourcing has a significant effect on the service delivery of selected manufacturing firms in Enugu State, Nigeria.
- II. Business process outsourcing has a significant impact on the product quality of selected manufacturing firms in Enugu State Nigeria.
- III. Knowledge process outsourcing has a significant effect on the efficiency of selected manufacturing firms in Enugu State, Nigeria.

### **Review of Related Literature**

#### **Conceptual Review**

#### **Outsourcing**

Kirkegaard (2005) affirms that outsourcing as a strategy of a firm has been in existence since the industrial revolution and portrays an essential part of firms' work for the reduction of cost and attainment of efficient labour division and sustenance of competitiveness. Throughout the past two decades, outsourcing obtained a foreign dimension and has been often adopted as a strategy in the field of rendering services. Although it has until recently been majorly linked with the production of goods. Corbett (2001) stresses that the manufacturers of goods were among the earliest who outsourced constituent parts to suppliers. In addition, the concept of outsourcing was used to explain connections among firms and providers of different services such as cleaning, catering, protection of property, maintenance of equipment, etc. According to Arnold (2005) outsourcing is an abbreviation for outside resource use. Outsourcing is a contractual arrangement in which the internal activities of a company are contracted to a different company. It entails contracting a business process (e.g., payroll processing) and operational and non-core duties such as facility management to another party.

Sako (2016), defined outsourcing as the process of one company contracting with another company to provide services that might otherwise be performed by in-house employees. Outsourcing involves the transfer of services or functions previously performed within the organization to a provider outside of the organization. Kiemen (2014), defined outsourcing as a strategy for managing a firm's complexity by outsourcing part of its activities to another firm, thereby maintaining its core competencies. In his research work, he recognized the problem of poor-quality relationships in existence between organizations and suppliers in the nation of Slovenia. Accordingly, he stressed that before making decisions on outsourcing, the management of firms should first, conduct a thorough evaluation of the total effects of outsourcing. Outsourcing is further defined as moving a business function to a self-reliant party, that is an unaffiliated firm that may be located within a nation or across national borders (Abdelsalam, Sadek, & Gamal, 2013). Outsourcing is defined as the transfer of activities, processes, tasks, or functions that were previously performed in-house to an outside service provider which is known as 'onshore' on a national level, 'nearshore' on a continental level, and 'offshore' on a transcontinental level (Timoschenko & Rogan, 2015).

## Reasons for Outsourcing

Kuada, Hinson, and Ofori (2009) stress that outsourcing is recognized as one of the tools for maintaining efficiencies and competitive advantages of business organizations in the entire world. Outsourcing permits organizations to buy the services and business functions they require and when they are required. This is achieved by ensuring efficiency through downsizing, restructuring, and reengineering activities (Giustiano, Marchegiani, Peruffo, & Pirolo, 2015). The business environment of today is very challenging. And to remain competitive in the international market, companies have to devise strategies to attain efficiency and utilize their capabilities. One of the workable solutions they can use is outsourcing which at present, is recognized to be among the best strategies for improving management (Bacea & Borza, 2015). Similarly, when the business environment is featured by an intense competitive force, then companies concentrate on their core competencies, that is, they focus on what they can do best. Thus, companies have to outsource their non-core activities to other companies (Inegbedion, 2016). Zafar and Aasim (2013) assert that outsourcing has become unavoidable and most business organizations are outsourcing to optimize inadequate in-house resources. Outsourcing has been in existence for many years and it has been noted that companies are outsourcing to utilize production to reap the economy of scale and minimize the cost of production.

Outsourcing is applied among other reasons to enhance the entire organizational performance. Narayanan (2009) stresses that the essence of outsourcing is not to merely lower the cost of production but to gain and sustain competitive advantage as a fundamental goal of an organization. This decision is made to satisfy the needs of customers since today they have a demand for high-quality products at low prices. Isaksson and Lantz (2015), assert that the rationale behind outsourcing has been that of cost savings, enhanced responsiveness to business environment changes, minimized risk of changes in technology, declined capital investment of the firm, increased rivalry among rivals guaranteeing better quality of products in the future. It is much cheaper to outsource production processes to firms that possess a comparative advantage in such areas rather than producing them within the firm. Also, firms outsource manufacturing and services transformation to ensure consistency in production cycles and to leverage the specialization of other firms.

## The Benefits of Outsourcing

Outsourcing enhances the improvement of the quality of organizations' products (Ziad, Ali, & Bahjat, 2016). Outsourcing enables organizations to have sufficient time to focus on their core functions and to outsource their non-core functions leading to the production of quality products to the satisfaction of customers. Thus, channeling the expertise of firms on a certain product in addition to the proficient contributions of external service providers results in a better quality of the product. Outsourcing as a business strategy was advocated in the 1990s by the idea of Peter Drucker themed: 'Do what you do best and outsource the rest.' Accordingly, Drucker advocates that a firm should sub-contract the areas of its non-core competencies. The rationale for his advocacy was to derive the benefit of the knowledge of a specialist provider and to reap the economies of scale to enhance performance and accomplish the service required. Thus, Outsourcing provides access to the capabilities and expertise of the outsourcer. It allows firms to minimize the cost of acquiring labour. Thus, it minimizes capital operating expenses and risk. The need to hire and train specialized staff is minimized. Outsourcing providers like the Flatworld Solution offer resourcing needs with a variety of highly skilled quality resources (Inegbedion, 2016; Zoberis, 2017).

The outsourcing process can be conducted outside or inside the premises of the outsourcing organization. Outsourcing can be executed domestically or conducted in another country which is known as off-shoring (Mella & Pellicelli, 2012). Outsourcing enhances the competitiveness of a firm. It enables a firm to concentrate on activities that yield higher competitive advantages (Bacea & Borza, 2015). The performance of business activities by specialized suppliers results in efficiency. Efficiency and productivity are enhanced when the non-core activities of the business are outsourced and performed by other firms who are specialists in such non-core activities of a company.

Mella and Pellicelli (2012), stress that outsourcing is the provision of components, materials, and services into a group of competencies of research and development and planning. That, outsourcing is a solution for process complexity. They recognized that products are becoming more complex due to innovation. For instance, automobile manufacturers likely outsourced their production as a means of managing the complexity of their products.

Production specialization has been very imperative in facilitating outsourcing by splitting the complexity of the production into parts that can easily be managed. Outsourcing provides opportunities for provoking entrepreneurial activity, especially in customer service, facility management, healthcare, transport, construction, etc. Thus, outsourcing provides additional revenue for businesses (Isaksson & Lantz, 2015). Outsourcing is a means to fight extravagant business and distribution of scarce resources at a lower cost (Stojanov, 2017).

### **Outsourcing Strategies**

Timoschenko and Rogen (2015), classify outsourcing strategies into Business Process Outsourcing (BPO), Information Technology Outsourcing (ITO), Knowledge Process Outsourcing (KPO), and Human Resource Outsourcing (HRO).

### **Human Resource Outsourcing (HRO)**

To avoid the high cost of employing talented workers for the performance of all activities, organizations outsource some of their HR functions to an outside service provider. Human Resource Outsourcing refers to the transfer of duties for the management and the execution of the processes of HR to an external party (Bhushan, Gujarathi, Kaur & Seetharaman, 2018). The commonly outsourced HR functions include recruitment and selection, industrial relations, remuneration, and occupational safety. Others include payroll, HR planning and development, training, and compensation (Sriwongwana, 2009). Outsourcing some HR functions offer organizations benefits such as reduced cost of operation, capacity to concentrate on core business, enhanced service delivery, and access to external expertise. The functions of HR include activities such as payroll processing, employee administration and benefits, logistics and receivable management, telemarketing, fixed assets administration, and database management (Kodwani, 2007).

### **Business Process Outsourcing (BPO)**

Business Process Outsourcing (BPO) entails the subcontracting of precise business activities to a third-party service supplier. It is a decision to subcontract a non-core business process (Goel, 2012). It is the transfer of a firm's non-core functions to an external service provider that uses information technology for the delivery of service (Errighi, Bodwell, & Khatiwada, 2016). BPO refers to the supply of business processes by an outside service provider. This includes functions such as marketing, financial accounting, change management, management accounting, securities processing, payments, account payables, financial and economic analysis, etc. (Kalinzi, 2016; And one & Paveloia, 2010). The essence of BPO is to enable firms to invest additional money, time, and human resources in core functions and develop strategies that facilitate the growth of firms.

### **Knowledge Process Outsourcing (KPO)**

Knowledge Process refers to the strong value-added chain of processes in which the attainment of goals and objectives is highly a function of the skills, field knowledge, and proficiency of people executing the function (Rastogi, Singh & Virmani, 2015). KPO is the outsourcing of knowledge-intensive business activity to a professional service provider. This entails the creation, accumulation, and provision of the service which can be on a short, mid, or long term. Knowledge creation entails intellectual functions like analysis, design, pattern identification, evaluation, and judgments. Knowledge process functions include engineering processes, legal processes, product development, market research, and analytics. The major triggers of KPO growth are: the rise of big data, increased fluctuating business environment, advanced technology, and outsourcing maturity of firms (Timoshenko & Rogen, 2015). KPO is the transfer of highly variable and complex functions that necessitate sophisticated decision-making to a third party (Abdelsalam, Sadek, & Gamal, 2013). It entails a high-end process such as investment research, legal and insurance claims processing, clinical trials, patent filing, valuation research, investment research, and medical diagnostics. Knowledge Process Outsourcing is highly valuable, especially in an intensely competitive environment and companies sustain competitive advantage over suppliers by following the niche of services (Zafar & Aasim, 2013).

## **Performance Service Delivery**

Heising (1995), defines service delivery as a deliberate obligatory decision by elected or appointed officials to serve or deliver goods and services to the recipient. Johnston et al (2008) opined that service delivery activities carried out by organizations are oriented towards meeting customer needs and expectations thus being customer-oriented activities. The ultimate test of service delivery operations is at the point of delivery to the customer. The key aspects of this task include managing service processes, managing people - staff and customers, resource allocation and utilization, and managing networks, technology, and information. Gronross (2001) states that service delivery is a state when the supplier of a service is seen to be available, delivers on time, is reliable, and sufficient, the product has value for money and the supplier is dependable. Oboth (2001), service is a system or arrangement that supplies public needs, whereas delivery is a periodic performance of supplying organizational needs.

## **Efficiency**

Farrell (1957) defined efficiency as the ability of a firm's production to attain the optimum level of output from a given bundle of inputs. Many scholars used productivity and efficiency interchangeably and consider both as the measure of performance of a given firm. Efficiency is a widely used concept in economics. Economic (or overall) efficiency is expressed as a combination of technical and allocation efficiencies. Technical efficiency is the ability of the manager to obtain maximal output from a given set of inputs while allocation efficiency measures the ability of the manager to use inputs in optimal proportions, given their input prices and technology (Begum et al. 2009; Coelli et al. 2005). An inefficient firm is wasting inputs because it does not produce the maximum attainable output, given the number of inputs used, and hence the possibility of reducing average costs. Irrespective of whether a developed or developing economy is under consideration, findings from the study of technical efficiency have far-reaching policy implications.

## **Product Quality**

Quality is connected with the capacity of the product to meet the specific needs of customers (Suchanek, Richter, & Kralova, 2014). Product quality emphasizes the production of products for the satisfaction of customers' needs. Quality is an essential part of the manufacture of products that are superior to those of rivals. Thus, a focus on quality is generally seen as a very important part of manufacturing strategy in many companies which facilitates the sustenance of competitive advantage (Dunk, 2007).

## **Organizational Performance and Outsourcing**

Ion (2016) asserts that performance refers to the total effects of work. Both inputs and outputs must be considered. The meeting of organizational set objectives and the fulfillment of customer satisfaction results in performance achievement. Thus, organizational performance refers to every effort that results in the attainment of strategic objectives. Organizations grow and develop through performance. Thus, all organizations concentrate on unceasing performance and Profit is a major indicator of the performance of many organizations (Gavrea, Ilies, & Stegerea, 2011). Organizational performance refers to an organization's ability to utilize efficiently the accessible resources to attain the desired performance by a firm's set objectives and ensure the stakeholders' satisfaction (Hashem, 2015). Concentration on core business activities, cost savings, increase in sales, and minimization in tax paid are profitable measures (Agburu, Anza, and Iyortsun 2017). In considering the importance of outsourcing to organizational performance, it has been noted that organizational performance is enhanced when outsourcing is adopted as an organizational strategy (Dominguez, 2006).

A need to improve the financial performance of an organization can trigger firms to outsource. As a result, through outsourcing, cost minimization is achieved which in turn results in the actualization of economic-related objectives thereby enhancing organizational performance (Isaksson & Lantz, 2015). Furthermore, the high cost that would have been transferred to consumers as expensive prices for products is avoided, thereby, allowing consumers to purchase products at cheaper prices (Dominguez, 2006). This implies that outsourcing enables firms to possess the competitive advantage to compete favorably based on the price factor. Agburu et al. (2017) affirm that outsourcing

minimizes a lot of costs. For instance, the huge cost of replacing outdated technology is avoided, thereby, making outsourcing, a good business. Therefore, the effective execution of an outsourcing strategy has been noted to enhance financial performance, and increase the productivity, and profitability of organizations.

### **Theoretical Framework**

Kuada, Hinson, and Ofori (2009) have identified some theories that anchored the latest studies on outsourcing. These include Transaction Cost Economics, Resource Based Theories of firms and Agency Theories, Relational theory, Social View Theory, and Core Competency Theory.

### **Core Competency Theory**

1990, Prof Gary Hamel and Prof CK Prahalad advanced the concept of core competencies for the attainment of competitive advantage and business excellence. In their book 'Competing for the Future Hamel and Prahalad (1990) state that, core competencies refer to technologies and a bunch of skills that are hard or cannot be easily copied or acquired by other organizations. Core competencies include unique skills such as technical know-how, good/close association with suppliers and customers, a trustworthy process, employee commitment, superior market coverage, etc. This confers an organization with an undefeated competitive advantage.

### **Empirical Review**

Jiang, Frazier, and Prater (2006) surveyed to investigate the effect of outsourcing on the performance of companies. Data were obtained from a sample of 51 firms in the USA. They discovered that the cost-efficiency of firms is improved by outs outsourcing.

Bolat and Yilmaz (2009) surveyed to investigate the connection between the outsourcing process and organizational performance. This survey was conducted on 80 hotels in Turkey. The survey revealed that outsourcing has a positive impact on organizational performance.

Yeboah (2013) studied the relationship between outsourcing and organizational performance, and SPSS was applied to correlate variables. Data were obtained from the economy of Ghana a population of 50 companies in the banking and insurance sectors. The researcher found that there is a significant correlation between outsourcing and quality, and between outsourcing and competitive advantage. However, there is no correlation between outsourcing and organizational productivity. This study, however, has failed to consider the effect outsourcing strategy has on organizational profitability.

Somuyuwu, Odepidan and Dosunmu (2016) conducted a study on the analysis of outsourcing logistics services and customer satisfaction in manufacturing companies in South Western Nigeria. The data collected was analyzed using regression analysis and the analysis reveals that outsourcing has a significant effect on customer satisfaction and the logistics activities of the companies.

In a study to examine the effect of outsourcing on the organizational performance of the manufacturing sector in Kenya, Kamanga and Ismail (2016) adopted a descriptive research design in their study and a census survey method was used by the researchers in sample selection. With the regression and correlation analysis, the researchers found that technology adaption, quality, and cost have a significant positive relationship with organizational performance.

Agburu et al. (2017) on the effect of outsourcing strategy on the performance of Small and Medium Enterprises (SMEs) in Benue State, Nigeria, the researchers adopted a survey research design. The primary data were obtained using a stratified random sampling technique and multiple regression techniques were used to analyze the variables. The researchers discovered that, over the years, the practice of outsourcing has increased profitability. Their study revealed that outsourcing strategies such as back-office activities, primary activities, and support activities have a significant effect on the profitability of the SMEs, they found that outsourcing of accounting activities has no significant effect on the profitability of SMEs. This study is, however, restricted to SMEs in Nigeria.

## Methodology

A survey research design was adopted for this study. The survey research design helps in the collection of primary data with the use of a well-structured questionnaire. This assisted the researcher to obtain data for the test of hypotheses. The study was conducted in Enugu, Enugu State. The firms under study include:

Aqua Rapha Investment Nigeria Limited, Seven-Up Bottling Company Plc, Coca-Cola Bottling Company, Nigerian Breweries Plc, and Juhel Nigeria Ltd. They are located at the 9<sup>th</sup>-mile corner Ngwo and Emene all in Enugu State, Nigeria. The population of the study consists of all the management staff of the selected manufacturing companies in Enugu State, Nigeria chosen for the study. The entire population was used as the sample size which comprises of 127 first, middle, and top management staff of the selected organizations. The census survey method was used by the researcher as the sample. The Census survey method is applied since the population is small. The questionnaire was designed in an opened ended question. In order to obtain responses from respondents, the researcher made use of a 5-point Likert scale system. They were: strongly agree, agree, indifferent, disagree, and strongly disagree. The copies of the questionnaire distributed were completed and returned using the Spearman Rank Order Correlation Coefficient which was found to be high,  $r = 0.988$  showing that there is consistency in the items of the survey. Tables and percentages were applied for data analysis. With the aid of Microsoft Statistical Package for Social Science (SPSS) version 24. A sample regression analysis was used in testing the hypotheses. All the hypotheses were tested at 5% error.

## Data Presentation and Analysis

**Table 1: Distribution and Return of Questionnaire**

<i>Name of Organization</i>	<i>Copies</i>	<i>Copies returned</i>	<i>Percentage returned</i>	<i>Percentage not returned</i>
<i>Aqua Rapha Investment Nigeria Limited</i>	12	10	83.3	16.7
<i>Seven-up Bottling company</i>	18	15	83.3	16.7
<i>Coca-Cola Hellenic Bottling Company</i>	22	19	86.4	13.6
<i>Juhel Nigeria Limited</i>	34	32	94.1	15.9
<i>Nigeria Brewery Plc</i>	41	37	90.2	9.8
<b>Total Population</b>	<b>127</b>	<b>112</b>	<b>88.2</b>	<b>11.8</b>

**Source: Field Survey, 2022**

Table 1 shows that 127 copies of questionnaire were administered to respondents. Out of which 112 copies representing 88.2 percent were correctly filled and returned. 15 copies were not returned, this represented 11.8 percent. Thus, the 112 copies that were returned were used for the analyses.

## Analysis of Human Resource Outsourcing on Service Delivery

**Table 2: Respondents' responses on Human Resource Outsourcing and Service Delivery**

<i>Statement: Do you Agree That;</i>	<i>SA</i>	<i>A</i>	<i>U</i>	<i>D</i>	<i>SD</i>
<b>Human Resource Outsourcing</b>					
<i>Our organization outsource some aspect of human resource that enhance performance</i>	70 (62.50%)	26 (23.21%)	6 (5.36%)	4 (3.57%)	6 (5.36%)
<i>Our organization outsource training activities in order to get the best</i>	64 (57.14%)	37 (33.04%)	4 (3.57%)	3 (2.68%)	4 (3.57%)
<i>Our organization outsource training and selection from experts</i>	81 (72.32%)	20 (17.86%)	3 (2.68%)	4 (3.57%)	4 (3.57%)
<b>Service Delivery</b>					
<i>Our customer orders are delivered speedily</i>	73 (65.17%)	23 (20.54%)	7 (6.25%)	6 (5.36%)	3 (2.68%)
<i>Our customer is happy with our services</i>	69 (61.61%)	32 (28.57%)	3 (2.68%)	5 (4.46%)	3 (2.68%)
<i>We successfully meet work target</i>	70 (62.50%)	26 (23.21%)	6 (5.36%)	4 (3.57%)	6 (5.36%)

**Source: Field Survey, 2022**

Item 1 of table 2 indicates that 70 (62.5%) respondents strongly agreed that our organization outsource some aspect of human resource that enhance performance; 26 (23.21%) respondents agreed to the statement; 6 (5.36%) of the respondent were indifferent, 4(3.36%) disagree while 6 (5.36%) respondents disagreed. Therefore, our organization outsource some aspect of human resource that enhance performance

Item 2 of table 2 Indicates that 64 (57.14%) of the respondents strongly agreed with the Statement that our organization outsource training activities in order to get the best, 37 (33.04%) of the respondents agreed with the statement, 4 (3.57%) were undecided, 3 (2.68%) disagree with statement while 4 (3.57%) of the respondents strongly disagreed with the statement.

Item 3 of table 2 shows that 81 (72.32%) strongly agreed that our organization outsource training and selection from experts, 20 (17.86%) agreed, 3 (2.557%) were undecided, 4 (3.57%) disagreed to the statement while 4 (3.57%) strongly disagree with statement.

Item 4 of the table 2 shows that 73 (65.17%) of the respondents strongly agreed that our customer orders are delivered speedily, 23 (20.54%) agreed, 7 (6.25%) were undecided, 6 (5.36%) of the respondents disagree while 3 (2.68%) strongly disagreed to the statement

Item 5 of table 2 shows that 69 (61.61%) strongly agreed our customer are happy with our services with, 32 (28.57%) agreed, 3 (2.68%) were indifference, 5 (4.46%) disagreed to the statement while 3 (2.68%) strongly disagree with statement.

Item 6 of the table 2 shows that 70 (62.5%) of the respondents strongly agreed that we successfully meet work target, 26 (23.21%) agreed, 6 (5.36%) were undecided, 3 (2.68%) of the respondents disagree while 6 (5.36%) strongly disagreed to the statement

**Table 3: Respondents' Responses on Business Process Outsourcing and Product Quality**

<b>Statement: Do you Agree That:</b>	<b>SA</b>	<b>A</b>	<b>U</b>	<b>D</b>	<b>SD</b>
<b>Business process outsourcing</b>					
<i>Our organization ensures that our information technology is handled by experts?</i>	60 (53.57%)	40 (35.71%)	4 (3.57%)	3 (2.68%)	5 (4.46%)
<i>Our organization outsource our marketing activities to marketing experts who boost sales?</i>	52 (46.43%)	45 (40.18%)	6 (5.38%)	5 (4.46%)	4 (3.57%)
<i>Our organization effectively practice business process?</i>	49 (43.75%)	48 (42.86%)	5 (4.46%)	7 (6.25%)	3 (2.68%)
<b>Product Quality</b>					
<i>Our product quality is in conformity with Standard organization of Nigeria?</i>	39 (34.82%)	58 (51.79%)	6 (5.36%)	5 (4.46%)	4 (3.57%)
<i>Our customer enjoys durable product?</i>	47 (41.96%)	48 (42.86%)	4 (4.46%)	6 (5.38%)	7 (6.25)
<i>Our products are perceived generally to have good quality?</i>	62 (55.36%)	32 (28.57%)	5 (4.46%)	8 (7.14%)	5 (4.46%)

**Source: Field Survey, 2022**

Item 1 of table 3 indicates that 60 (53.57%) respondents strongly agreed that our organization ensure that our information technology is handle by experts; 40 (35.71%) respondents agreed to the statement; 4 (3.57%) of the respondent were undecided, 3 (2.68%) disagreed, while 5 (4.46%) respondents strongly disagreed. Therefore, our organization ensure that our information technology is handle by experts

Item 2 of table 3 Indicates that 52 (46.43%) of the respondents strongly agreed with the Statement that our organization outsource our marketing activities to marketing experts who boost sales, 45 (40.18%) of the respondents agreed with the statement, 6(5.38%) were undecided, 5(4.46%) disagree with statement while 4 (3.57%) of the respondents strongly disagreed with the statement.

Item 3 of table 3 shows that 49 (43.75%) strongly agreed that our organization effectively practice business process, 48 (42.86%) agreed, 5 (4.46%) were indifference, 7 (6.25%) disagreed to the statement while 3 (2.68%) strongly disagree with statement.

Item 4 of the table 3 shows that 39 (34.82%) of the respondents strongly agreed that our customer orders are delivered speedily, 58 (51.79%) agreed, 6 (5.38%) were undecided, 5 (4.46%) of the respondents disagree while 4 (3.57%) strongly disagreed to the statement

Item 5 of table 3 shows that 47 (41.96%) strongly agreed our customer enjoy durable product, 48 (42.86%) agreed, 4 (3.57%) were indifference, 6 (5.36%) disagreed to the statement while 7 (6.25%) strongly disagree with statement.

Item 6 of the table 3 shows that 62 (55.36%) of the respondents strongly agreed that our products are perceived generally to have good quality, 32 (28.57%) agreed, 5 (4.46%) were undecided, 8 (7.14%) of the respondents disagree while 5 (4.46%) strongly disagreed to the statement.

**Table 4: Respondents' Responses on Knowledge Process Outsourcing and Efficiency**

<b>Statement: Do you Agree That:</b>	<b>SA</b>	<b>A</b>	<b>U</b>	<b>D</b>	<b>SD</b>
<b>Knowledge process outsourcing</b>					
<i>Our organization ensure that there is value added in our activities</i>	54 (48.21%)	43 (38.39%)	6 (5.36%)	4 (3.57%)	5 (4.46%)
<i>Our organization outsource knowledge intensive business activities professional</i>	61 (54.46%)	37 (33.04)	5 (4.46%)	5 (4.46%)	4 (3.57%)
<i>Knowledge process outsourcing ensure proficiency of service</i>	49 (43.75%)	52 (46.43%)	3 (2.68%)	6 (5.36%)	2 (1.79%)
<b>Efficiency</b>					
<i>Our organization effectively use our resource well</i>	63 (56.25%)	32 (28.57%)	6 (5.36%)	4 (3.57%)	7 (6.25%)
<i>Our organization provide service on time</i>	54 (48.21%)	49 (43.75%)	3 (2.68%)	2 (1.79%)	4 (3.57%)
<i>Our organization meet customer expectance at right time</i>	73 (65.18%)	23 (20.54%)	6 (5.36%)	5 (4.46%)	5 (4.46%)

**Source: Field Survey, 2022**

Item 1 of table 4 indicates that 54 (48.21%) respondents strongly agreed that Our organization ensure that there is value added in our activities; 43 (38.39%) respondents agreed to the statement; 6 (5.36%) of the respondent were indifferent, 4 (3.57%) disagree while 5 (4.46%) respondents strongly disagreed. Therefore, our organization ensure that there is value added in our activities

Item 2 of table 4 Indicates that 61 (54.46%) of the respondents strongly agreed with the Statement that our organization outsource knowledge intensive business activities professional 37 (33.04%) of the respondents agreed with the statement, 5 (4.46%) were undecided, 5 (4.46%) disagree with statement while 4 (3.57%) of the respondents strongly disagreed with the statement.

Item 3 of table 4 shows that 49 (43.75%) strongly agreed that Knowledge process outsourcing ensure proficiency of service, 52 (46.43%) agreed, 3 (2.68%) were indifference, 6 (5.36%) disagreed to the statement while 2 (1.79%) strongly disagree with statement.

Item 4 of the table 4 shows that 63 (56.25%) of the respondents strongly agreed that our organization effectively use our resource well, 32 (28.57%) agreed, 6 (5.38%) were undecided, 4 (3.57%) of the respondents disagree while 7 (6.25%) strongly disagreed to the statement

Item 5 of table 4 shows that 54 (48.21%) strongly agreed that our organization provide service on time, 49 (43.75%) agreed, 3 (2.68%) were indifference, 2 (1.79%) disagreed to the statement while 4 (3.57%) strongly disagree with statement.

Item 6 of the table 4 shows that 73 (65.18%) of the respondents strongly agreed that our organization meet customer expectance at right time, 23 (20.54%) agreed, 6(5.36%) were undecided, 5 (4.46%) of the respondents disagree while 5 (4.46%) strongly disagreed to the statement

### Test of Hypotheses

Three hypotheses were proposed in section one of this study to seek explanations on the effect of outsourcing on organizational performance of selected manufacturing firms in Enugu State Nigeria. To test the hypotheses, simple regression statistical technique was used. All analyses were carried out via the aid of Microsoft's Statistical Package for Social Sciences (SPSS) version 24.

### Test of Hypothesis One

**Ho<sub>1</sub>:** Human resource outsourcing has no significant effect on service delivery of the selected manufacturing firms in Enugu State Nigeria

**Ha<sub>1</sub>:** Human resource outsourcing has significant effect on the service delivery of the selected manufacturing firms in Enugu State Nigeria.

**Table 5a: Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.956 <sup>a</sup>	.913	.912	.37167	.579

a. Predictors: (Constant), Human resource outsourcing

b. Dependent Variable: Service delivery

**Table 5b: ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	159.868	1	159.868	1157.322	.000 <sup>b</sup>
	Residual	15.195	110	.138		
	Total	175.063	111			

a. Dependent Variable: Service delivery

b. Predictors: (Constant), Human resource outsourcing

**Table 5c: Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.008	.064		-.117	.907
	Human resource outsourcing	1.096	.032	.956	34.019	.000

a. Dependent Variable: Service delivery

R = 0.956

R<sup>2</sup> = 0.913

F = 1157.322

T = 34.019

DW = 0.579

### Interpretation

The regression sum of squares (159.686) is greater than the residual sum of squares (15.195), which indicates that more of the variation in the dependent variable is not explained by the model. The significance value of the F statistics (0.000) is less than 0.05, which means that the variation explained by the model is not due to chance.

R, the correlation coefficient which has a value of 0.956, indicates that there is positive relationship between human resource outsourcing and service delivery. R square, the coefficient of determination, shows that 91.3% of the service delivery is explained by the model.

With the linear regression model, the error of estimate is low, with a value of about .37167. The Durbin Watson statistics of 0.579, which is not more than 2, indicates there is no autocorrelation. The human resource outsourcing coefficient of 0.956 indicates a positive significance between human resource outsourcing and service delivery, which is statistically significant (With t = 34.019). Therefore, the null hypothesis should be rejected and the

alternative hypothesis accordingly accepted. Thus, Human resource outsourcing has positive and significant effect on the service delivery of the Manufacturing firms in Enugu State, Nigeria.

### Test of Hypothesis Two

**Ho<sub>2</sub>:** Business process outsourcing has no significant effect on the product quality of the selected manufacturing firms in Enugu State Nigeria.

**Ha<sub>2</sub>:** Business process outsourcing has significant effect on the product quality of the selected manufacturing firms in Enugu State Nigeria.

**Table 6a: Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.884 <sup>a</sup>	.782	.780	.56279	.397

a. Predictors: (Constant), Business process outsourcing

b. Dependent Variable: Product quality

**Table 6b: ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	125.123	1	125.123	395.036	.000 <sup>b</sup>
	Residual	34.841	110	.317		
	Total	159.964	111			

a. Dependent Variable: Product quality

b. Predictors: (Constant), Business process outsourcing

**Table 6c: Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.234	.103		2.277	.025
	Business process outsourcing	.989	.050	.884	19.876	.000

a. Dependent Variable: Product quality

R = 0.884

R<sup>2</sup> = 0.782

F = 395.036

T = 19.876

DW = 0.397

### Interpretation

The regression sum of squares (125.123) is greater than the residual sum of squares (34.841), which indicates that more of the variation in the dependent variable is not explained by the model. The significance value of the F statistics (0.000) is less than 0.05, which means that the variation explained by the model is not due to chance.

R, the correlation coefficient which has a value of 0.884, indicates that there is positive relationship between business process outsourcing and product quality. R square, the coefficient of determination, shows that 78.2% of the product quality is explained by the model.

With the linear regression model, the error of estimate is low, with a value of about .56279. The Durbin Watson statistics of 0.397, which is not more than 2, indicates there is no autocorrelation. The business process outsourcing

coefficient of 0.884 indicates a positive significance between business process outsourcing and product quality, which is statistically significant (With  $t = 19.876$ ). Therefore, the null hypothesis should be rejected and the alternative hypothesis accordingly accepted. Thus, Business process outsourcing has significant effect on the product quality of the manufacturing firms in Nigeria.

### Test of Hypothesis Three

**Ho<sub>3</sub>:** Knowledge process outsourcing has no significant effect on the efficiency of the selected manufacturing firms in Enugu State Nigeria.

**Ha<sub>3</sub>:** Knowledge process outsourcing has significant effect on the efficiency of the selected manufacturing firms in Enugu State Nigeria

**Table 7a: Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.908 <sup>a</sup>	.824	.823	.50529	.722

a. Predictors: (Constant), Knowledge process outsourcing

b. Dependent Variable: Efficiency

**Table 7b: ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	131.880	1	131.880	516.536	.000 <sup>b</sup>
	Residual	28.085	110	.255		
	Total	159.964	111			

a. Dependent Variable: Efficiency

b. Predictors: (Constant), Knowledge process outsourcing

**Table 7c: Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.169	.106		-1.598	.113
	Knowledge process outsourcing	1.090	.048	.908	22.727	.000

a. Dependent Variable: Efficiency

R = 0.908

R<sup>2</sup> = 0.824

F = 516.536

T = 22.727

DW = 0.772

### Interpretation

The regression sum of squares (131.880) is greater than the residual sum of squares (28.085), which indicates that more of the variation in the dependent variable is not explained by the model. The significance value of the F statistics (0.000) is less than 0.05, which means that the variation explained by the model is not due to chance.

R, the correlation coefficient which has a value of 0.908, indicates that there is positive relationship between Knowledge process outsourcing and efficiency. R square, the coefficient of determination, shows that 82.4% of the efficiency is explained by the model.

With the linear regression model, the error of estimate is low, with a value of about .50529. The Durbin Watson statistics of 0.772, which is not more than 2, indicates there is no autocorrelation.

The Knowledge process outsourcing coefficient of 0.908 indicates a positive significance between Knowledge process outsourcing and efficiency, which is statistically significant (With  $t = 22.727$ ). Therefore, the null hypothesis should be rejected and the alternative hypothesis accordingly accepted. Thus, Knowledge process outsourcing has significant effect on the efficiency of the manufacturing firms in Nigeria.

### Discussion of Findings

The first hypothesis sought to examine the effect of human resource outsourcing on service delivery of the selected manufacturing firms in Enugu State Nigeria. The hypothesis was tested using regression analysis. The result revealed that human resource outsourcing has positive and significant effect on the service delivery of the selected manufacturing firms. Thus, the alternative hypothesis that, human resource outsourcing has positive and significant effect on service delivery was upheld. This finding is in conformity to the submission of Bolat and Yilmaz (2009) examined the effect of outsourcing strategies on performances on Turkish firms and concluded that outsourcing has a positive impact on organizational performance. Likewise, Akewushola and Elegbede (2013) who investigated the axiomatic relationship between outsourcing and organizational performance of manufacturing firm in Nigeria and revealed that outsourcing helped the firm to actualize improved service quality.

The second hypothesis sought to examine the impact of business process outsourcing on quality of products. Thus, it was hypothesized that business process outsourcing has significant effect on product quality. This hypothesis was tested using regression analysis. The analysis revealed that business process outsourcing has a positive and significant effect on product quality of the selected manufacturing firms in Enugu State Nigeria. Thus, the alternate hypothesis was accepted. This finding is in accordance with the finding of Alwanga (2015) who examined business process outsourcing and performance among telecommunication firms in Kenya and found that, business process outsourcing has positive effect on the performance of the firms. Likewise, Chanvarasuth (2008) submits that business process outsourcing has positive impact on product quality of the firms. A similar result was obtained by Ohnemus (2018), who investigated German manufacturing firms.

Hypothesis three investigated the effect of knowledge process outsourcing on efficiency of the selected manufacturing firms in Enugu State Nigeria. It was found that knowledge process outsourcing has significant and positive effect on efficiency of the firms. This finding supports the earlier submission of Alwanga (2015), who found that outsourcing does affect the output of telecommunication firms in Kenya. However, the finding of this study contradicts the earlier submission of Isaksson and Lantz (2015), who examine the impact of outsourcing strategies on financial performance of micro manufacturing firms in Sweden and found that, outsourcing strategies have no significant effect.

### Summary of findings

The findings at the end of this research include the following;

- I. Human resource outsourcing had positive and significant effect on service delivery ( $r = 0.956$ ,  $t = 34.019$ ;  $p < 0.05$ ) of the manufacturing firms in Enugu State Nigeria.
- II. Business process outsourcing positively and significantly affected product quality ( $r = 0.884$ ,  $t = 19.876$ ;  $p < 0.05$ ) of the manufacturing firms in Enugu State Nigeria.
- III. Knowledge process outsourcing positively and significantly affected efficiency ( $r = 0.908$ ;  $t = 22.727$ ;  $p < 0.05$ ) of the manufacturing firms in Enugu State Nigeria.

## **Conclusion**

The main objective of this study was to examine the effect of outsourcing on the organizational performance of selected manufacturing firms in Enugu State, Nigeria. In accordance with the findings of this research, it concludes that, like other companies operating in different sectors of an economy, the manufacturing firms outsource. They have been adopting outsourcing strategies such as human resource outsourcing, business process outsourcing, and knowledge process outsourcing. These outsourcing strategies have over the years improved the performance of firms in terms of their service delivery, productivity, product quality and overall efficiency.

## **Recommendations**

Based on the findings and conclusion above, the following recommendations are hereby made:

- I. The study recommends that manufacturing firms should fully engage in human resource outsourcing in order to attract the best experts who can help in achieving organizational goal.
- II. This study recommends that, manufacturing firms should engage in business process outsourcing given the fact that, it enhances their product quality and thus, improves the organizational performance.
- III. The study also recommends that; manufacturing firms should outsource their knowledge processes as it increases efficiency.

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