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CHALLENGES AND PROSPECTS OF OUTSOURCING: THE CASE OF INTERNATIONAL LIVESTOCK RESEARCH INSTITUTE (ILRI) – ETHIOPIA

BY

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ENDORSEMENT PAGE

This is to certify that the thesis entitles "Challenges and Prospects of Outsourcing: The Case of International Livestock Research Institute (ILRI) – Ethiopia", submitted to St. Mary's University for the award of the Degree of Master of Business Administration (MBA) and is a record of bonafide research work carried out by Mr. Anteneh Kassahun, under my guidance and supervision.

Therefore, I hereby approve the submission of his research paper.

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DECLARATION

I hereby declare that this thesis entitled "*Challenges and Prospects of Outsourcing: The Case of International Livestock Research Institute (ILRI) – Ethiopia",* is carried out by myself under the guidance and supervision of Professor Goitom Abraham.

The thesis is original and has not been submitted for the award of any degree or diploma to any University or institutions.

      Researcher's Name   Date   Signature

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ACRONYMS/ABBREVIATIONS

ILRI: International Livestock Research Institute

INGO: International Non-Governmental Organization

SLA: Service Level Agreement

VFM: Value for Money

E&F: Engineering and Facility unit

HCC: Housing, Catering and Conference unit

SC: Supply Chain

P&OD: People and Organizational Development Unit

SDF: Staff Development Fund

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ABSTRACT

This research seeks to assess the challenges and prospects of outsourced support service in International Livestock Research Institute. To identify why the institute chooses to outsource, whether or not the outsourced Support service bring value for money and efficiency. This research thesis employed descriptive research approach with both qualitative and qualitative investigation to evaluate the challenges and prospects of outsourcing decisions. The data were collected using questionnaires from 43 permanent employees of International Livestock Research Institute that are based in Addis Ababa office. Moreover, interviews were conducted with the Supply Chain Manager and other two unit managers who supervise those outsourced services. The questionnaire was distributed to the employees on the basis of purposive and simple random sampling and the data collected were analyzed using SPSS Version 22 software and analyzed using descriptive statistical methods. The findings revealed that outsourcing at ILRI positively contributed to cost efficiency and positively contributed to improved productivity but at the same time the finding shows that there is inconsistency with service quality and a communication gape within outsourcing service provider employees. Finally, the researcher has forwarded some recommendations to solve the existing problems of the organization regarding outsourcing practice. If the organization could able to exercise recommendation, it is believed that the organization would be benefited in reducing the challenges of outsourcing in the organization. The research has a limitation as it was made in a limited scope within ILRI Addis and further studies were recommended. The research findings point out conclusions as to why organizations prefer outsourcing, weakness and risk of outsourcing services. These are why outsourcing, Competitive advantages, Organizational strategy, focus on core competency, Flexibility, Knowledge transfer, Value for money, Weaknesses of using an outsourced operation and Risks of using outsourced operations.

Keywords*- Outsourcing, Efficiency, Value for money, Service quality,*

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Outsourcing is the assignment of core services or operations of the organization to a provider that focuses in that area of service or operation (Carr and Nanni 2009). Outsourcing is not only consists of purchasing products or services from external sources, but also transfers the responsibility for business functions and often the associated knowledge (tacit and codified) to the external organization(McCarthy and Anagnostou (2004).

Outsourcing enables a company to focus on its core competencies, that is, to do what it excels in doing. It gives the company a competitive advantage. For example, an organization has an edge in producing new and innovative products. In such a case, the organization should focus more on designing and producing innovative products. However, the organization needs to perform several other functions, such as marketing and selling of products, which also require immense focus (Tribhuvan J. 2012).

Global sourcing is one of the most controversial subjects as the benefits of outsourcing are not properly understood by both companies and politicians. In the current phase of global economic recession, politicians condemn outsourcing as it sends both money and work out of the country thus affecting employment and people's income level. Even then, the global sourcing industry is on a growth run as there are sound business reasons in global sourcing. These reasons are explained as under: Lower salary and wages, Regulatory costs in business, Tax breaks and benefits, Improved performance, Faster turnaround time, Uncertainty over political/business climate, Proximity to key markets. (Tribhuvan J. 2012).

Outsourcing of support services is now becoming very common to see in most organization in Ethiopia, and it's well established also in International Livestock Research Institute (ILRI)

The International Livestock Research Institute (ILRI) is a non-profit-making and non-governmental organization with headquarters in Nairobi, Kenya, and a second principal campus in Addis Ababa, Ethiopia works to improve food security and reduce poverty in developing countries through research for better and more sustainable use of livestock. ILRI is a member of the CGIAR Consortium which works for a food-secure future.

To provide a ground to focus on the core activities and improve service qualities, the management of ILRI Ethiopia came to the decision to transfer some of the non-core functions to an external service provider back in 2013. In relation to this decision, ILRI outsourced four services namely: security service, cleaning service, custom clearing service and gardening /lawn service and issued a three year contract for all the four service providers. The security service has been outsourced to Agar Protection Service (APS), the cleaning service to Simba cleaning service, Custom clearing service to Zeryad group and the gardening service to MTA gardening service.

The service level agreement document includes the following points:

- Detailed terms of reference
- Award/contract amount
- Employee salaries(Including benefits)
- Condition of Suspension and termination
- Code of conduct and dispute settlement
- Duration of contract
- Commencement of the service

In addition to the above points the service level agreements also mention the obligation of the two parties.

Since these four services (Security service, Cleaning service, Custom clearing service and Gardening service) been outsourced back in 2013, no one was able to assess the challenges and success of these outsourced services. As a result, this research work attempts to evaluate the challenges of outsourced support services and deploy effective outsourcing management practices to improve the prospects of service delivery.

1.2 Statement of the problem

Organizations are established to accomplish specific objectives. The organization that wishes to achieve these objectives should follow different business strategies. Organizations have different reasons for outsourcing the parts of functions in their operation. In many cases, the aim is to outsource non-core activities in order to gain competitive advantages by transferring such functions to specialist companies with the required capabilities and the necessary experience thereby allowing time and space for the company to plan in the long term. Even though outsourcing

results several benefits for organization, it has also problems or risks if the process is not managed in the proper way.

Outsourcing is said to be a result oriented-relationship in which an organization transfers ownership of a business process to external service provider instead of performing the activity within. The route of outsourcing may be traced to 1776, when in 'The wealth of Nations', Adam Smith (1776) wrote the following; "If a foreign country can supply us with a commodity or a service cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage" .Outsourcing of support service helps the organization to meet its objectives by focusing on its core competencies. However, the result might be adverse if the outsourcing is done without proper analysis and in the end it will result poor service delivery, wastage of resources and lack of staff morale to mention some. Therefore, this paper assesses the challenges and success of outsourced support service delivery.

1.3 Research Questions

- What are the reasons for outsourcing the services?
- What is the effect of outsourcing toward support unit efficiency and value for money in ILRI?
- What are the perception of employee's and managers towards the level of outsourced services?
- What are the challenges or problems faced after outsourcing the services?
- What should be done to overcome problems or challenges and to maximize the prospects of outsourcing?

1.4 Objective of the study

1.4.1 General Objective

The main objective of the study is to identify/assess the challenges and prospectus of outsourced services in ILRI-Ethiopia.

1.4.2 Specific Objective

Specifically, the objectives of the study include the following:

- To explore the reasons of outsourcing services in ILRI-Ethiopia;

- Identify the benefits gained after outsourcing the services;

- Assess employee's perception towards the level of outsourced services; and

- To find out the main challenges of the organization in getting service from outsourced support service

1.5 Significance of the study

The purpose of the research is to conduct a study on the challenges and prospects of outsourcing in ILRI-Ethiopia. The research specifically examines the major outsourced services within ILRI-Ethiopia. It examines three major aspects of outsourcing by taking the three majors outsourced services in ILRI-Ethiopia:

- The need of outsourcing
- The benefits of outsourcing
- And the challenges of outsourcing

The research would therefore assist the service managers in IlRI-Ethiopia in capturing the effectiveness of outsourcing of major business activities in the organization which affects the organizations effectiveness as well as efficiency and performance.

In addition, the study creates an opportunity for the researcher to gain more knowledge in the practices of outsourcing. Moreover, the study will serve as a reference for other researchers who conduct further research in related issue

1.6 Scope/ Delimitation of the study

This study has been carried out at International Livestock Research Institute (ILRI) in Addis Ababa. The study basically focuses on assessment of the challenges and prospects of outsourcing in the organization. ILRI outsourced four services namely:

- Security service to Agar Protection Service (APS);
- Cleaning service to Simba cleaning service;
- Custom clearing service to Zeryad group and
- Gardening service to MTA gardening service

As a limitation, this study was only able to cover the outsourced services in ILRI Addis Ababa office. Giving the fact that some services are outsourced in the regional offices as well, this study was only able to cover the outsourced services in the central office, Addis Ababa.

1.7 Definition of Key Terms

Outsourcing: Sanders et al. (2007) broad specification of outsourcing, which indicates that "outsourcing involves choosing a third party or an outside supplier to perform a task, function, or process, in order to incur business-level benefits

Value for Money: A utility derived from every purchase or every sum of money spent. Value for money is based not only on the minimum purchase price (economy) but also on the maximum efficiency and effectiveness of the purchase.
http://www.businessdictionary.com/definition/value-for-money-VFM.html#ixzz46ltFBomJ
Service Quality: An overall judgment similar to attitude towards the service and generally accepted as an antecedent of overall customer satisfaction (Zeithaml and Bitner, 1996). Parasuraman et al. (1988) have defined service quality as the ability of the organization to meet or exceed customer expectations. It is the difference between customer expectations of service and perceived service (Zeithaml et al., 1990)

1.8 Organization of the Paper

This research paper has five chapters. The first chapter incorporates the introductory part under this chapter, background of the study, statement of the problem; research questions, objective, significance, scope and organization of the study are discussed. In the second chapter, literature review is presented. The third chapter covers research design and methodology. Data analysis has been presented in the fourth chapter. The fifth chapter contains summary of the findings, conclusions and recommendations.

CHAPTER TWO: REVIEW OF RELATED LITRATURE

2.1 Introduction

An organization like ILRI who works on research using donors fund is accountable for every expenditure made that should satisfy its donors. With the recent financial crisis that result budget crunch ILRI was forced to identify areas where it can save money. The inevitable result is a truncation of available services and a redefinition of what is acceptable and desirable in service quality.

The objective of this chapter is to analyze the published literature in the relevant topics of outsourcing and generally to identify gaps wherein this research may be located.

The literature for this study has been drawn from two main sources. The source consisted of academic and research articles published on this subject in various journals.

In this chapter, the literature on work done by various researchers in the field of outsourcing has been reviewed in detail. Studies and findings in relation to evolution of outsourcing, drivers of outsourcing, theoretical foundation of outsourcing, and the contributing factors have been referred at different points in the chapter. Since the aim of the study was to gain a comprehensive view of the challenges and prospects of outsourcing service and its challenges and issues, it attempts to covers all facets of the outsourcing industry including the drivers, factors and parameters of choosing to outsource. In the study the figures and data from various studies have been relied on to build assumptions on the current state

The prevalence of outsourcing is increasing worldwide. With an outsourcing strategy, an organization can gain a benefit of cost reduction.

There is much debate in management literature defining outsourcing (Gilley and Rasheed, 2000). Some definitions relate to sourcing activities that were previously conducted in-house. Momme, (2001), defines outsourcing as the process of establishing and managing a contractual relationship with an external supplier or service provider for the provision of capacity that has previously been provided in-house. The phenomenon, according to Halvey & Melby (2000) is also defined as a result oriented relationship in which a business organization transfers ownership of a business process to an external service provider rather than perform the activity in house. Lei and Hit (1995)

define outsourcing as 'reliance on external sources for manufacturing components and other value-adding activities'. Some focus on international sourcing of components, sub-systems and completed products (Feenstra and Hanson, 1996).

However, Perry (1997) focused on employment, defining outsourcing as: "another firm's employees carrying out tasks previously performed by one's own employees". Sharpe (1997) defined outsourcing as turning over to a service provider those activities outside the organization's defined core competencies. Deaver (1997) says "outsourcing is used to describe many different kinds of corporate action: thus, all sub-contracting relationships between firms, all foreign hiring of workers in non-traditional jobs such as contract workers, and temporary and part-time workers, etc".

Arguably, Gilley and Rasheed (2000) provide clarification for the definitional confusion, positioning outsourcing as procuring something that was either originally sourced internally or could have been sourced internally notwithstanding the decision to go outside. This includes arrangements and concepts which have been termed: strategic make-or-outsource decisions (Virolainen, 1998). Outsourcing as a key business strategy has been used by companies in various industries for many decades. Competitive pressures have forced companies to look objectively and critically at business processes. Companies have been outsourcing manufacturing operations, business services and even entire business lines successfully for a long time now. The idea of outsourcing has its roots in the competitive advantage theory propagated by Adam Smith in his book The Wealth of Nations'(1776). Over the years, the meaning of term outsourcing has undergone a sea change. What started off as the shifting of manufacturing of goods to locations or countries providing cheap labor during the industrial revolution, it has taken on a totally new connotation in today's scenario. Today, information technology has become the backbone of businesses and plays a key role in all types of business transactions. Tough outsourcing one company hands over part or whole of its business process to another company, making it responsible for the design and implementation as per the requirements and specifications of the outsourcing company.

The trend is for the global outsourcing relationships to function more and more as partnerships. Outsourcing providers are taking increasing responsibility in realms that have traditionally

remained in-house, such as corporate strategy, information management, business investment, and internal quality initiatives (Sinderman, 1995).

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; McIvor, 2008).

In the early stages of outsourcing, outsourcing activities were used in cases that the company was not able to perform due to lack of incompetence, capacity, financial sources, and technical failures. Bourdin distinguishes three stages of outsourcing development (Bourdin, 2003). The first stage, traditional outsourcing, appeared in 1970s and activities such as maintenance, security, catering, cleaning were mainly outsourced. The second stage, nearcore traditional outsourcing, expanded in the 1990s and developed basic principles of outsourcing – most companies focus on their core activities, the others non-core but critical are outsourced. The last stage – strategic outsourcing has been expanding for last 10 – 15 years. It represents a radical focus on core business activities and outsourcing of all the lowest value-added activities

The outsourcing of business processes that were typically performed in-house began in the early 1990s, and has since grown dramatically with the drive for reducing costs and improving performance. (Delloite)

Traditionally, outsourcing is an abbreviation for "outside resource using" outside means to create value from without, not within, the company (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 (Lee and Kim, 2010)

Harvard Business Review said outsourcing is the most important business concepts and management tools in the world since the last 75 years. With the pace of the new technological revolution, and the development trend of global economic integration, the global industrial chain detailed division of labor and resources optimization and integration has become increasingly obvious and gradually developed into a product of the deepening of division of international outsourcing.

2.2 Definition of outsourcing

Outsourcing is an umbrella term that includes a variety of sourcing options with different characteristics and for different business objectives. This research follows Sanders et al. (2007) broad specification of outsourcing, which indicates that "outsourcing involves choosing a third party or an outside supplier to perform a task, function, or process, in order to incur business-level benefits".

Outsourcing is the contracting out of a business function to an external supplier, involving the transfer of people, processes and assets. This contracting out can be undertaken at either an on-shore or off-shore location, and to one (single-sourced) or more (multi-sourced) outsourcing partners. (Delloite International)

Harrigan (1985) ―It is the make or buy decisions to obtain the necessary supplies of materials and services for the production of the goods and services‖.

Loh and Venkatraman (1992) ―External vendors provision of physical and/or human resources associated with the user organization's information technology infrastructure‖.

Gilley and Rasheed (2000) ―It is the substitution of activities performed in-house by acquiring them externally, although the firm has the necessary management and financial capabilities to develop them internally. It is also an abstention from performing activities in-house.

McCarthy and Anagnostou (2004) ―Not only consists of purchasing products or services from external sources, but also transfers the responsibility for business functions and often the associated knowledge (tacit and codified) to the external organization‖.

The review of the different definitions reveals that most authors agree that outsourcing means going outside the firm to acquire determined activities that are not processed internally. However, the definitions display some different partial aspects, since the propositions made by the authors are based on the purpose of their research. Thus, we can classify the definitions into three types:

1. Those that consider, outsourcing entails a stable, long-term collaboration agreement in which the supplier becomes a strategic partner and where there are exchange relations with independent firms (Quélin and Duhamel 2003)

2. Those definitions that consider that outsourcing is an action that transfers planning, responsibility, knowledge and administration of activities, all through contracts (Rothery and Roberson 1996; and McCarthy).

Based on all the above definitions, an integrated definition that encompasses all aspects of outsourcing and provides a frame of reference for this study can be suggested as follows:

3. Outsourcing is a strategic decision that entails the external contracting of determined non-strategic activities or business processes necessary for the manufacture of goods or the provision of services by means of agreements or contracts with higher capability firms to undertake those activities or business processes, with the aim of improving competitive advantage.

According to a study of performance measurement in the outsourcing decision by Chartered Institute of management Accountant (Vol 4, Issue 3), implementing a successful outsourcing strategy for a process involves analyzing a number of factors, including the contribution of the process to competitive advantage and the relative capability of the organization in the process. The section below provides an overview of the four stages involved.
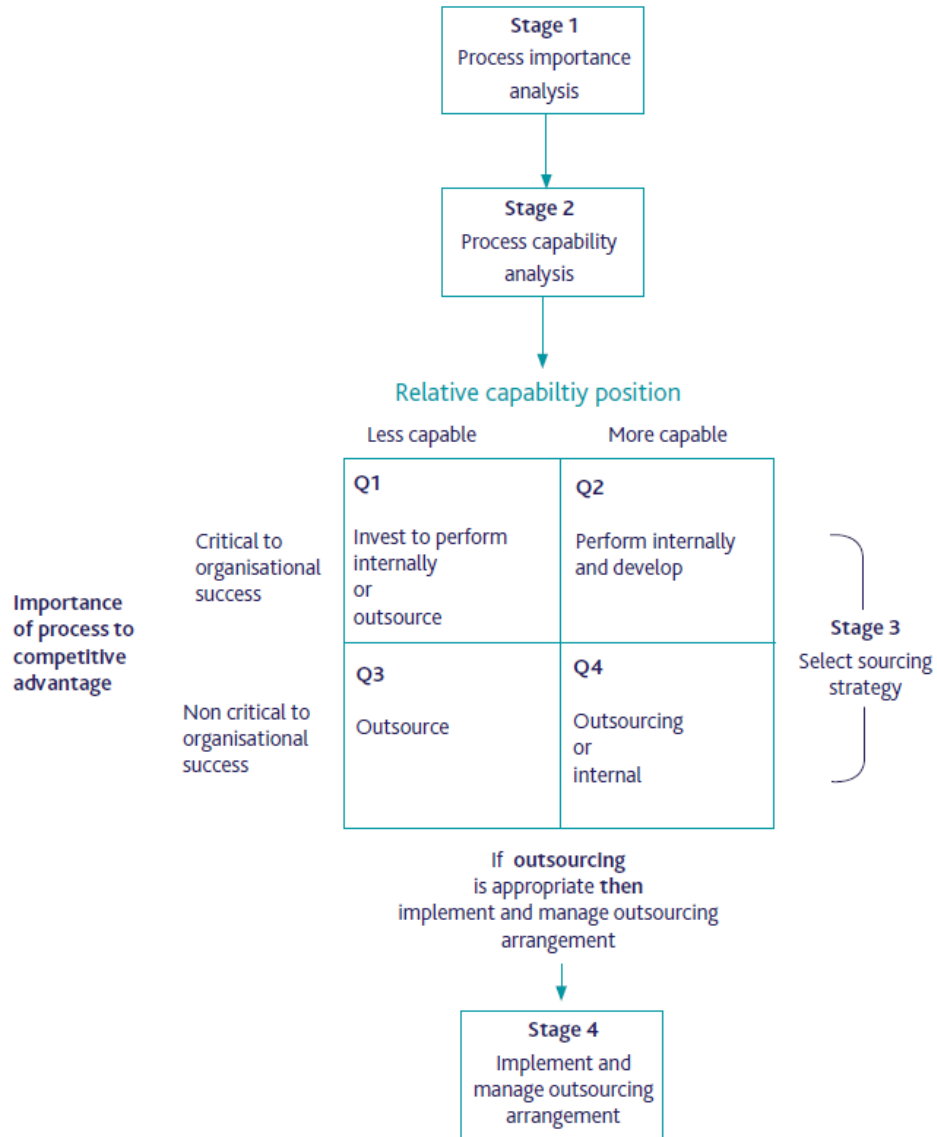
Figure 1 The Outsourcing Framework

Source: (Vol 4, Issue 3, Chartered Institute of Management Accountant)

Stage 1 – Process importance analysis

This involves determining the level of importance for processes that have to be performed to satisfy customer needs. Identifying which processes are critical for success involves understanding the major determinants of competitive advantage in the markets where the organization competes or wishes to compete. Critical processes are those that can be used to build sources of advantage that are difficult and costly for competitors to replicate. They are processes that will enable an organization to differentiate itself from its competitors. An understanding of critical processes is

therefore central to outsourcing evaluation. For example, where an organization possesses a superior capability in a critical process relative to competitors or suppliers, it should continue to perform that process internally. Additionally, the organization must have a clear understanding of how sustainable this position is over time. Similarly, processes that are not key influences on the organization's ability to achieve competitive advantage should be outsourced.

A useful technique for distinguishing between critical and non-critical process in the context of outsourcing is the critical success factor (CSF) methodology. The CSF method is useful in an outsourcing context as it can establish a direct link between outsourcing and the factors that influence business success. Table1summarizes the results of applying the CSF method to four business processes in the case study organization (mortgages, money transmission, foreign exchange and cheque clearing) to identify which were critical and non-critical.

	Critical - mortgage processing	Critical - money transmission via branch encounters	Non - critical - foreign exchange	Non - critical - cheque clearing
Process summary	• Mortgage processing is a significant proportion of FSO's portfolio. • Continued growth in mortgage business is placing strain on processing ability at branches and head office. • Current difficulties include: high dependence on mortgage services unit; disjointed work flows; reactive and crisis workload management in the mortgage centre; incomplete application with a high rework rate (60%). • **Therefore, considered 'critical'.**	• Considered a loss leader due to high volume of low value transactions and significant operating costs. • Currently each branch has a minimum of two teller positions. • 70% of existing customer base do not pay fees. • **Therefore, considered 'critical'.**	• Declining demand for foreign exchange services due to technology changes and increasing competition from foreign exchange specialists. • The offering of this service was not considered to be a source of competitive differentiation in the marketplace. • There were a number of specialist service providers available. • **Therefore, considered 'non-critical'.**	• Not perceived as an area of the business that could generate revenue for the company. • An area of the business where considerable improvements to quality and service could be realised with the introduction of new technology. • Initially, the company believed that more efficient external service providers in the supply market existed. • **Therefore, considered 'non-critical'.**

Table 1 Process assessment at the financial service organization
Source: (Vol 4, Issue 3, Chartered Institute of Management Accountant)

The International Livestock Research Institute (ILRI) has developed a ten year strategic objectives which outlines the institute critical success factors as stated below;

In 2012, ILRI developed a new strategy for the period 2013– 2022. Articulated in the tagline better lives through livestock, it incorporates several changes from the previous strategy, moving from a

focus on livestock as a pathway out of poverty to a broader agenda that addresses poverty and food security in ways that are environmentally sustainable, good for human health and nutrition, and equitable.

In addition to a vision, mission and three strategic objectives, the strategy identifies five areas where ILRI needs to excel to be able to deliver intended outcomes. These so-called critical success factors emerged from an analysis of both the external environment and ILRI's strengths and weaknesses. For each factor, a detailed operational plan will set out objectives, targets and measurable indicators and is the basis for regular monitoring, priority-setting and assessment of outcomes. This brief introduces each of the five critical success factors.

The five critical success factors are:

- get the science right,
- influence decision-makers,
- grow capacity,
- secure sustainable and appropriate funding,
- Ensure ILRI is fit for purpose.
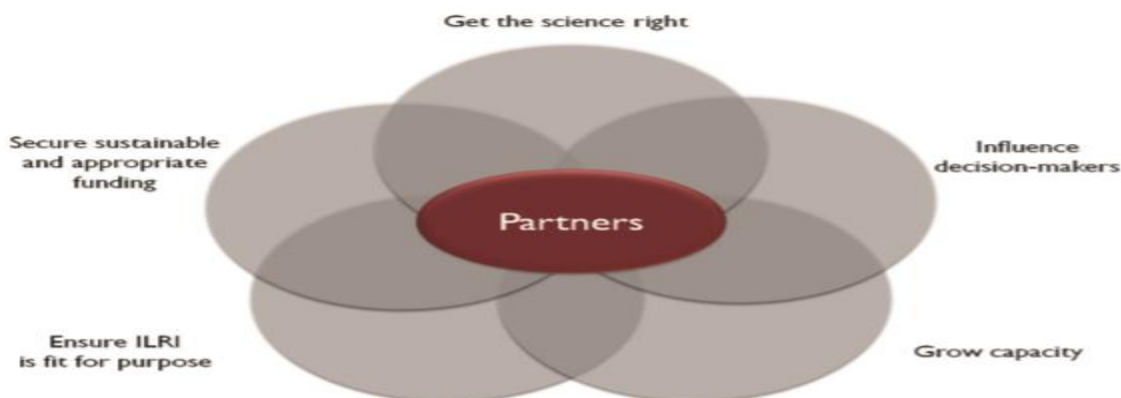
Figure 2 ILRI Critical Success Factor

Source: www.ilri.org\mission

Among the five critical success factor the whole support service fall under "Ensure ILRI is Fit for purpose" as described in the strategy document below.

Ensure ILRI is fit for purpose: The strategy presents new challenges that require ILRI to build on its excellent people, processes and infrastructure to design, carry out and deliver on its purpose. ILRI's business and performance culture must ensure that every part of the institute is aligned and optimized to support the strategic objectives. Ensuring ILRI is fit for purpose means that the organization is more effective in what it does (that it achieves its aims), efficient in how it operates (at least cost), represents excellent value for money to investors (in terms of returns and being the 'go to' place for livestock research for development), is known for being a reliable partner (in terms of relevant, high-quality and timely deliverables) and is a stimulating and rewarding place to work.

Making ILRI fit for purpose necessitates that ILRI attracts, motivates and empowers high-quality professionals to deliver in a performance culture, achieved through incentives, rewards, promotion and career development, staff diversity, work conditions and a supportive environment that enables people to grow. It also calls for a global institutional culture and environment that enable staff and the organization to learn, respond quickly to demands and perform to their best ability.

Source: www.ilri.org/mission

Stage 2 - Assessing process capability

A major part of outsourcing evaluation involves determining whether an organization can achieve superior performance levels internally in critical processes on an ongoing basis. This analysis is concerned with identifying the disparity between the sourcing organization and potential external sources.

Organizations considering outsourcing must evaluate their capabilities internally and in relation to both their suppliers and competitors. It is important to carry out this analysis from a process perspective, given that organizations are increasingly positioning themselves in specific parts of the industry chain to gain competitive advantage. This allows an organization to concentrate on

whether it will be detrimental to their competitive position to outsource research and development, design, engineering, manufacturing or assembly processes, both in the short and long term.

Determining the capability of the sourcing organization in relation to competitors or suppliers involves analyzing the following:

Cost analysis – part of this analysis involves comparing the costs of sourcing the process internally and from an external supplier. An assessment of the relative cost position of the sourcing organization in relation to suppliers in the processes should also be made.

Benchmarking – can assist in determining performance levels in the processes under scrutiny. It involves considering the cost position and a number of other dimensions such as quality, flexibility and service relative to competitors and suppliers. Table 2.2 summarizes the results.

	Critical - mortgage processing	Critical - money transmission via branch encounters	Non - critical - foreign exchange	Non - critical - cheque clearing

Capability analysis	• Several service providers with a lower cost base and comparable levels of service were considered. However, due to lower transaction volumes, scale economies could not be achieved and the existing IT legacy systems presented integration problems.
	• Services providers could only offer standardised products.
	• Decided to transfer non-business generating mortgage activities from the mortgage services unit to internal departments that possessed required capabilities.
		• Other mainstream financial service providers would be considered as competitors and thus were not benchmarked.
		• Investigated the possibility of providing banking facilities through the post office which would provide: extended reach; longer opening hours; brand enhancement; better use of staff time through focusing on sales and relationship management.
			• The external service providers were considered more capable for the following reasons:
			  - Considerably lower cost base than the bank.
			  - Comparable level of service.
				• External service providers could offer significant cost reductions.
				• However, external service providers appeared to only be offering labour arbitrage and were using inferior business processes.

Table 2 Process capability within the financial service organization

Source: (Vol 4, Issue 3, Chartered Institute of Management Accountant)

Stage 3 - Selecting the sourcing strategy

Stages one and two considered the importance level and capability of the organization in the processes under consideration for outsourcing. Based on these analyses, the organization should select the most appropriate sourcing strategy for both critical and non-critical processes in stage three. Figure 2.1 shows the four potential sourcing strategies for the process, which range from investing to keep the process in-house, to total outsourcing. The organization should choose the sourcing strategy that fully reflects its competitive position and its process capabilities.

Stage 4 - Implementing and managing the outsourcing arrangement

This stage sets out the issues that must be considered when implementing and managing the outsourcing relationship. The management of the outsourcing relationship is being increasingly considered in academic literature.

There are three sub stages in this process:

- negotiating and signing the outsourcing contract
- managing the outsourcing relationship
- Evaluating the relationship.

The first sub stage deals with contractual issues and addresses factors such as the service level agreement transfer of staff and assets, price and payment terms, liability and contract termination. In the second sub stage, the client establishes and manages the relationship with the supplier once the contract has been negotiated and drawn up. The people responsible for managing the relationship must have the necessary skills and experience to ensure the relationship meets the outsourcing strategy's objectives. The third sub stage, evaluating the relationship, will be ongoing. It will address several issues including supplier performance, relationship strength and dependency on the supplier.

This evaluation serves as a framework for action, which can involve maintaining the relationship at its current level, developing the relationship further or discontinuing or reducing its scope. If

the outsourcing framework logic is strictly adhered to, cost analysis in the outsourcing decision should involve comparing the costs of sourcing a process internally or from an external service provider. However, this is a major challenge for a number of reasons, as seen by the findings here. Unless the sourcing organization and the service provider have standardized processes, it is impossible to derive fully objective cost comparisons. Another limitation is the amount of cost data that service providers are willing to provide, due to the risks of competitors accessing such sensitive data.

As per the study of performance measurement in the outsourcing by Chartered Institute of Management Accountant, A central element of the outsourcing framework was to link the dimensions of process importance and performance capability to provide potential sourcing strategies. This linkage was considered a valuable discussion tool and provided a 'language' that could be understood in a practical context. In this way, the processes needing immediate attention could be prioritized through internal improvement or outsourcing. This linkage was also a valuable indicator of the likely impact of service provider failure where a process was considered suitable for outsourcing. The sustainability of any superior performance position in a process was a key part of the analysis, as the organization could consider the implications for its strategic development and resource allocation.

The experience of this supports the view that detailed contracts and collaboration are complementary in outsourcing arrangements (McIvor, 2008). A carefully drafted contract can complement the building of a collaborative and problem solving ethos in the relationship – it can be an impetus for action and improvement. In particular, the contract allows the buyer and supplier to establish expectations and commit to short term objectives. Rather than collaborating to achieve competitive advantage, used collaboration to build flexibility into the relationship.

2.3 Strategic Reasons for Outsourcing

According to Outsourcing Institute, UK, outsourcing may entail significant organizational upheaval, transfer of important assets, dislocation of people, and long-term contractual relationships with an outside partner. None of these make sense unless the benefits to be gained and the risks involved are clearly understood and managed from the outset. Outsourcing is a long-term strategic management tool.

Global operations and the goal of organizational growth naturally put pressure on organizations to invest in human capital (Hasan& Abdullah, 2008; Leeuwen&Foldvari, 2008; Potkány, 2008). However, this investment can be very costly. For example, Samsung, as a global organization, pays up to $50,000 per year for each staff member on international assignment, and has spent $100 million on training programs to support such assignments (Abdoolcarim, 1993).

Some of the reasons of outsourcing are listed below:

A. To acquire new skills: The skill sets of the in-house staff may prove to be inadequate to meet the new demands in business. The organizations can choose to outsource this function to a supplier who specializes in this field. This will not only solve the problem but yield very good results as well.

B. To acquire better management: An in-house function which is no longer effective or efficient due to poor management can be outsourced to a supplier who will give access to the best and most experienced experts in the functional area.

C. To focus on strategy: Managers spend a lot of time handling tactical issues in their functional areas. Outsourcing the tactical aspect of the manager's job will allow him to spend far more time on strategic issues.

D. To focus on core functions: The Company may want to focus all its energies and resources on the core functional areas and all other peripheral functions can be outsourced.

E. To avoid major investments: A company may find that a function is ineffective due to lack of investment into it. By outsourcing such a function the company can permanently avoid having to make that investment

F. To assist fast growth situations: In a company with a focus on market expansion the management team can be stretched to its limits handling the volume of the business. An outsourcer can take over certain functions and free the management team to focus on growth initiatives.

G. To handle overflow situations: When functions are overloaded it is cost effective to retain a supplier to which the excess work can be moved to.

H.   To improve flexibility: When functions experience extremely large swings, it is easier to eliminate the fixed cost borne of maintaining internal staff to supplier so that only payment needs to be made of the work done.

I.   To improve financial ratios: Companies driven by their performance ratios will outsource functions solely to improve their return on assets.

J.   To launch new strategic initiatives: In the event of reorganization of the company's management structure, outsourcing can be used to significantly alter the overall organizational structure.

K.   To improve overall performance: To create competitive pressure for in-house staff by inviting bids from suppliers with specific service levels and cost expectations.

L.   To reduce costs: Outsourcing is not all about reducing cost but suppliers can lower the costs, if it centralizes the work of several companies leading to economies of scale

M.   To enhance credibility: A company can enhance its credibility by contracting with highly reputable, recognizable outsourcing suppliers as well as known suppliers will assure certain level of quality and service.

N.   To jump to the outsourcing bandwagon: As more and more companies venture into outsourcing, the process itself is becoming a —business as usual‖ concept, hence lends credence to a company's decision to become part of the trend.

Gnuschke et al., (2004) have examined reasons why outsourcing is likely continue to increase in manufacturing sectors and expand significantly into service sectors and further question what factors are driving outsourcing of an organizations production and employment.

According to their findings (Gnuschke et al., 2004:4), "the decision to outsource is based upon the following factors:

- The demand of the customer
- The type of tale available
- Cost
- Productivity
- Political risk and
- Infrastructure delivery."

They further elaborate on the "push" factors in outsourcing that are cost driven and the "pull" factors that are provided by countries. These "pull" factors (Table 1.1) can be linked to Porters diamond model discussed in chapter two and would result in "significant cost savings by taking advantage of skilled, quality labor at a fraction of the cost associated with producing domestically" (Gnuschke et al., 2004:4).

Table 3 "Pull" Factors for Outsourcing

"Pull" Factors
• Widespread acceptance of English as a medium of education, business, and communication • A common accounting and legal system, with the latter based on either U.K or US common law structure. • General institutional compatibility and adaptability • Time differential determined by geographical location leading to a 24/7 capability and overnight turnaround time and • A steady and copious supply of technical graduates

 Source: Gnuschke et al., 2004:4

2.4 Outsourcing decision

One the most important questions to the firm's organizational strategy are what to produce internal and what to buy from external providers (outsource). Therefore, a definition of firm's boundaries and organizational strategy culminates in the make or-buy-decision.

2.5 Outsourcing process

Outsourcing as a process is usually assessed as a multistage process. Usually models consist of a three or four phases or steps of the outsourcing process. In first phase company should determine the potential objects of outsourcing. In second phase the transition should be planned and managed. And in final phase, the outsourcing process should be evaluated (SallaNiskanen, 2013)

Black Book Model of Successful Outsourcing
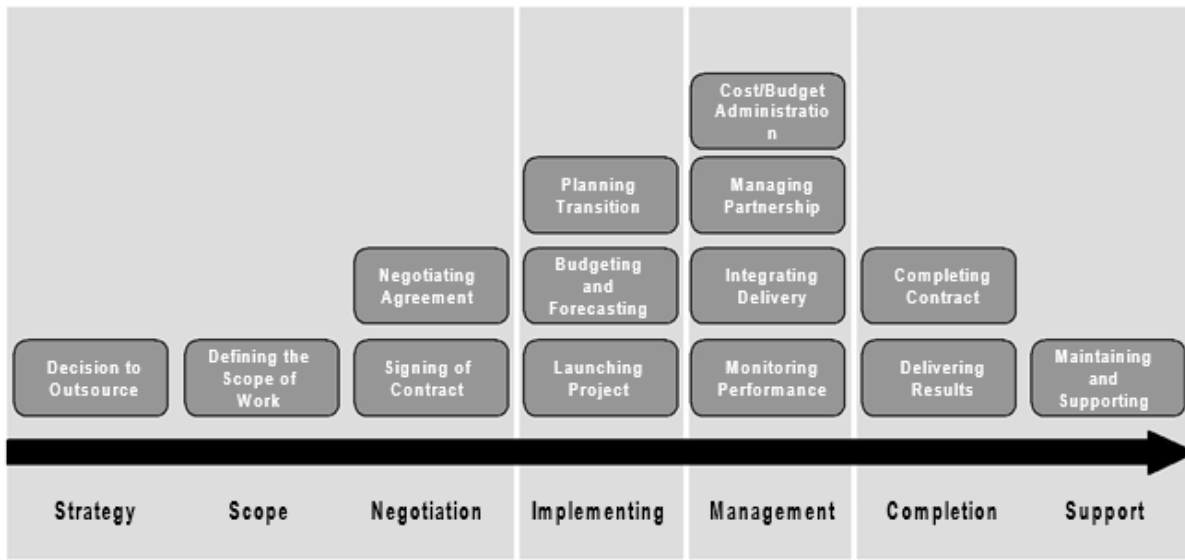
Figure 3 Black Book Model of Successful Outsourcing

Source: Wiley, 2005

According to Brown and Wilson, (2005) the processes illustrated in the above figure will form the part of any outsourcing engagement. The strategy phase is often the take-off point for any outsourcing initiative. The host/outsourcing organization determines the objectives, scope and feasibility of the outsourcing concept before furtherance in this initiative. In addition, the total time, budget and necessary resources are estimated. A Request for Information (RFI) might be drafted, floated and responses from interested service vendors might be obtained at this stage. This enables the host/outsourcing organization to gain more insight into various particulars of the outsourcing engagement. In the scoping phase, the baselines and service levels expected from the vendors are established. Further clear delineation is agreed on the functions that are to be outsourced and the functions that will remain in-house. A Request for Proposal (RFP) is drafted at this stage by the host/outsourcing organization. Only vendors who have qualified on the basis of merit of the RFI response are eligible for responding to the RFP. Responses of the RFP are analyzed and vendors are qualified. The next is the negotiation phase. Here, the host/outsourcing organization could develop a Request for Quotation (RFQ) wherein it attempts to understand the pricing model of the qualified vendor. The most common pricing models used are cost per full-time equivalent, time and material, price per unit, volume-based pricing, managed service fee, no

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cure – no pay, fixed price, etc. (Bartell, 1998). This ends the pre-contractual phase. Negotiations culminate in a contract signed between the host organization and the chosen vendor. Vendors may also be asked to demonstrate capabilities indicated in the response to the RFP/RFQ by executing a pilot project. The host organization then examines the services provided by the vendor during the pilot phase to assess the competence of the vendor to execute the proposed service. As discussed above, the nature of the outsourced work may involve only a single time engagement for non-continuous services indicating a one-time contract. For business processes that are continuous in nature, a multi-year renewable contract is signed. The implementation phase marks the transition of the in-house process to the outsourced vendor. This often involves a requirements assessment sub-phase, where the process is studied in detail by the vendor. The vendor can re-engineer the process to optimize the operations. After successful transition, the phase of continuous monitoring and management is carried out in the management phase. The host organization now has external organizations performing business processes and it has to seamlessly integrate its own processes with these and define suitable interfaces between the host organization and the service providers. Initiation and implementation of change management is one of the key elements of this phase for a successful outcome. This marks the end of the contractual phase and the beginning of the post-contractual phase. Management of end-of-life arrangements is executed in the completion phase. Contracts that come up for renewal are assessed in this phase. Host organizations make vital decisions on extension of the contract, amicable separation with the vendor consider engagement with another vendor or executing the function in-house. Renewal of a contract indicates the cyclical nature of the process.

2.6 Drivers of Outsourcing

In a market place wherein socio-techno-economic factors are rapidly changing, it is not possible for an organization to build competitiveness and sustain the same at all the stages of the value chain (Ramachandran and Voleti, 2004).The drivers for outsourcing can be internal or external to the firm and this has been the focus of study by some researchers in the past. The key drivers include financial reasons such as reducing costs, generating additional profits and reducing capital outlays with periodic payments. The technical reasons for outsourcing are quality improvement, gaining access to new talent and technology, easy availability of vendors with expertise, and economies of scale. The strategic reasons include refocus on innovation and core-

competencies, while among the tactical drivers the most prominent ones are shortage of skilled workers and cost-reduction opportunities (Ghodeswar and Vaidyanathan (2008).

Ghodeswar and Vaidyanathan (2008) have classified outsourcing drivers into four categories, viz. organizational, improvement, financial and cost, and revenue.

Organizational Drivers

To achieve a greater focus on core business and increasing flexibility to deal with ever changing business conditions. To gain access to products, services and emerging technologies by assigning operational issues to an outside expert

To have greater through on market positioning and new product development and redirect resources from non-core activities to greater focus in serving the customer

Improvement Drivers

To improve operating performance, quality, timeliness, and productivity by obtaining technologies, expertise, skills, and innovative ideas

To improve management and control of operational processes including risk management and improving the credibility and image by associating with superior providers.

To become more flexible, dynamic to meet the changing opportunities by eliminating the fixed cost of internal staff and moving the function to a supplier

Financial and Cost Drivers

To reduce investment in assets and invested capital funds in non-core business functions;

To reduce or control operating costs by moving into new geographical region and utilizing an outside provider's lower cost structure

To achieve cost reduction with enhanced performance by handling varying demand more efficiently through economies of scale

Revenue Drivers   to achieve aggressive growth objectives by gaining increased market access and leverage on the service provider's best processes, capacity and systems

To expand capacity to design, test and build new products and services. To stretch its limits in handling the increased volume of business and manage demand efficiently through outsider's automation, process maturity and the latest technology To focus on enablers of business growth and strategies to fulfill them

2.7 Levels of Outsourcing

According to (Brown and Wilson, 2005) there are three levels of outsourcing namely tactical, strategic and transformational.

Tactical Outsourcing: Tactical outsourcing involves taking the make-or-buy decision based on the cost factor. This traditional form of outsourcing is opted by organizations to resolve specific problems being experienced by a firm by following the existing rules, viz. a lack of financial resources, inadequate managerial competence or a desire to downsize, etc. Tactical outsourcing results in visible benefits in the form of enhanced cash savings, minimizing the need for future investments and resolving staffing issues. Tactical outsourcing can also extend to outsourcing peripheral activities enabling the management to acquire industry specific capabilities by partnering with a chosen vendor'(Hussey and Jenster, 2003).

This form of outsourcing is commonly used by large mature corporations to handle high volume repetitive tasks such as payroll transactions, administration and logistics.

Strategic Outsourcing is used as a means of realigning the organization processes resulting in freeing of the management staff to refocus on the core business functions. Strategic outsourcing relationships bring in long-term value resulting from best-in-class integrated service providers.

Transformational Outsourcing is commonly used to redefine the business (Linder, 2004). It enables an organization to build sustainable competitive advantage and generate higher value for an organization thus retaining the leadership position. Some of the issues addressed by transformational outsourcing are good governance, maturity of business process knowledge and adequately drafted and monitored SLAs.

The strategic and transformational outsourcing has a higher level of risk than the tactical form; however, they are commonly shared with the outsourcing partner.

2.8 Cost of Outrushing

In outsourcing initially there are costs of searching vendors. With regard to this, market participants don't have perfect information and perfect picture concerning their counterpart on the opposite side of the transaction: information about buyers, their preferences, and their budget

must be acquired. Dickstein and Flast (2009) the service provider or outsourcer may have a lack of management experience, due to this start-up, transition and management cost will increase.

Similarly knowledge about the potential sellers is scare. Particularly this is true for service outsourcing which is evaluated on the bases of past performance as judged by clients (Domberger, 1998).

Searching and selecting the service provider during outsourcing involves implicit and explicit cost. Some of the explicit costs are: writing specification, drafting contracts, consulting relevant end users, advertizing invitation to bid, evaluating the bid and closing the negotiations with the winning bidder. All these need considerable senior management time. Estimates of such transaction cost vary but the can be as high as five percent of the contract values (Domberger, 1998). On the other hand implicit costs are exists because of not possible to foresee all future contingencies. Dickstein and Flast (2009) service debasement or deterioration due to inexperience, task complexity, excessive numbers of customers are some of the cause of implicit cost. Depending on the nature of outsourced service or product involved, there may need revise the specification, increase or decrease the quantity stipulated in the contract, adjust the quality upward or dawn ward or review some other dimension. Such activities results cost escalation. In addition to cost increment, this kind of negotiation consumes valuable management time and difficult to resolve (Domberger, 1998).

Cost of Monitoring

As Domberger (1998), the ultimate goal of service provider is to make profit whereas the client seeks to obtain the best value for money from the contract. The interest of these two parties obviously diverges. The service provider stands to benefit from shrinking resources which results an incentive to reduce efforts, providing such action is not detected by the client or outsourcer. In order to minimize this incentive the client need to intensify the monitoring of the service provider performance. This makes the monitoring of contractors is inherently more costly than monitoring in-house service provider.

Loss of Control

Another important cost of outsourcing involves the perceived loss of control. Many managers adhere to the view that ownership means control. In outsourcing if complementary assets are independently owned, cost will higher and efficiency lower than if they are held under single ownership. According to Domberger (1998), this indicates loss of control through fragmented ownership implies higher cost or inefficiency. Alex Bank (2010) in addition to this due to lack of direct control on the human resource the vendor might hire under qualified or unqualified employees, depending on his discretion, which would successively, hampers the quality of service further.

The criticism of outsourcing does not end with loss of control, transaction cost and monitoring cost. It also negatively affects the outsourcer organizations by resulting loss of in-house skills, loss of corporate memory and loss of innovative capacity (Domberger, 1998). According to Dickstein and Flast (2009) loss of organizational competency happen when the services are more core than context, or when there are interdependence between outsourced and insourced services.

This is most keenly felt at the end of a contract, when the outsourcer realizes that they no longer perform the activities that were outsourced.

In addition to the points expressed above by different authors Wilson and Brown (2005) mentioned that no powerful tool is without challenges, and the same is true for outsourcing. With this regard, choosing the right partner, establishing effective governance for relationship and managing employee transition with sensitivity are the three most outsourcing challenges.

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

Introduction

This chapter presents the research methodology of the study. It describes and justifies the methods and processes that are going to be used in order to collect data to answer the research questions. This research paper follows descriptive research approach that involves mixed (Qualitative and Quantitative) investigation. It details out the research techniques to be used for data collection ensuring samples are representatives of the population. It does this within the context of an understanding of the nature of research and a critical examination of the options available, matching these to the needs of the subject area. This Chapter also presents the selection of study participants and the process to be used to collect data. Finally, highlights the data analysis steps to investigate the efficacy of the conceptual model.

3.1 Research Design

The primary aim of this study is to describe challenges and prospect of outsourcing. To achieve this objective, descriptive type of research design with a mixed approach was employed. Descriptive research type of research design help to portray accurately the characteristics of particular individual, situation or group (Crswell, 2003). So that, in this study descriptive research design was employed to describe outsourcing challenges and prospects.

3.2 Population and Sampling Techniques

3.2.1 Population

This study assesses outsourcing challenges and prospects in (ILRI). The employees of ILRI as a whole are taken as population. According to People and Organizational Development (P&OD) database of ILRI, there are currently 240 ILRI employees working in the organization. Due to limitedness in capacity, the study didn't address the entire population of permanent in ILRI, rather represent sample was taken. For this study the target population is the permanent employees of non-management staffs who are working in ILRI.

3.2.2 Sampling Techniques

For this study the researcher preferred to use a two stage sampling, purposive and simple random sampling. Purposive sampling technique was used to select individuals who have directly relation to the subject as well as the sample area of the organization.

The preliminary survey undertaken by the researcher collected from People and Organizational Development (P&OD) office of ILRI indicates that, currently there are 240 permanent employees working in ILRI Ethiopia. From these 240 employees, majority of them (175 employees) are located in the field offices. The rest 65 staffs get advantage of the outsourced services since they are permanently based in the central office. .

The study applied both purposive and simple random sampling method. To this effect, ILRI employees based in Addis Ababa central office were selected as a target area of the study. The sample size was determined by using Slovin's formula (Serkan, 1992) cited in Unam (2012 pp.52)

Therefore, $n = N/(1 + N(e)2)$

Where:

    n= sample size for the population

    N= total population

    E= margin of error (7%)

Applying 7% error margin, the sample size for the study are 50 members of the target population. Therefore, the study's size of 50 is fair enough to present the target population of the study area. The types of sampling that were used is first a purposive sampling; by taking only ILRI staff that works in the central office, and then a simple random sampling to frame the sample size.

3.3 Source of Data and Data Collection Tools Used

In this study both primary and secondary data sources were used to explore challenges and prospect of outsourcing in ILRI. Accordingly primary sources of data were collected from ILRI staff through questionnaire and from ILRI Unit Managers who are involved in selection of the service provider through key informant interview. Both the questionnaire and the interview were prepared in English because the target area population was professional employees who understand the subject matter. In addition to this Secondary data sources was collect from books, articles, website, annual reports of the organization, different books, regulations, directives and internet are used in securing secondary sources of data.

The researcher conducted key informant interviews from key institutional representatives who were selected in the course of the issue under this study. These key informants were select based

on their relative possession of knowledge and practices about the issue; the supply chain unit manager who took the lead on the outsourcing process and other two unit managers who currently supervise those outsourced services were selected for the informant interview.

3.4 Procedure of Data Collection

In this study data collection has been conducted by preparing both closed ended and open ended questionnaires to non-managerial staffs. The questionnaires were developed in English and distributed to ILRI staff based in Addis Ababa. The Procedures for Data collection in this study were developed by the researcher. These procedures are intended to help improve the usefulness, timeliness, accuracy, and comparability of performance data that represent employees in ILRI. These procedures describe processes that were result in high quality data. The questionnaire was contracted in a very short and clear manner using five point Likert scale and two open ended questions.

The questionnaires were arranged in a very simple and brief manner to encourage meaningful participation by the respondents. The layout of the questionnaire was kept as brief and short as possible with care taken to the actual wording and phrasing of the questions. The reason for the appearance and layout of the questionnaire are of great importance in any survey where the questionnaire is to be completed by the respondent John *et al*., (2007:128-42). The questionnaire section was based on non-comparative scale, on five point Likert scale ratings of individual factors. The respondents were asked to rank on a scale of 1-5 (where 1 indicates "Strongly Disagree" and 5 indicate "Strongly Agree"). Respondents were requested to specify their level of agreement in each statement on a five point Likert scale.

After the questionnaires were filled by the respondent data collection has been made by the researcher.

For the purpose of primary data collection, Key informant interview guide were also prepared to accomplish the interview. Note-taking and tape recording were used to capture the information obtained from key institutional representative informants.

The interview questions were prepared in English by experts for the consistency and validity of the information gathered. Tailor interviews based on respondents' unique knowledge or experience. The questionnaire was administered in English to ease the interview processes.

3.5 Reliability and Validly of Data Collection Tools Used

Test of validity and reliability discuss as follows

3.5.1 Validity

Validity often called construct validity refers to the extent to which a measure adequately represents the underling construct that it supposed to measure (Bahattacherjee, 2012) to make sure the study measure what its intended to measure different book and article reviewed, questioner distributed and interview conducted with senior Supply Chain manager and other unit managers who supervise those outsourced services.

3.5.2 Reliability Statics

Internal consistency of items incorporated in the instrument was checked by using Cronback Alpha mean of each variable was computed and then the reliability was checked based on the means. The following table shows the SPSS result on the Cronback Alpha.

Table 4 Reliability Table

Cronbach's Alpha	N of Items
0.915	17

Source: Own Survey,   July, 2016

As indicated in table 4 above, the Cronback Alpha test implies that the instrument's internal consistency as 91.5%

3.6 Methods of Data Analysis

The quantitative data, gathered through the survey questionnaire were analyzed by using descriptive statistics which incorporates the use of descriptive method and also frequency and percentages used. Descriptive analysis used to analyze the frequencies, on range of variables of respondent's perception and their level of agreement or disagreement with the given statement under each Likert type of questions, and inference of the quantitative data. The statistical package for Social Science Software (SPSS) version 22 was employed for doing the task of analysis. On the other hand, the qualitative data which were obtained through Key-Informant interview concurrently alongside with the quantitative data through thematic analysis technique.

In the data analysis step, the researcher coded and labeled the data by classifying it into Categories that summarize and give meaning. Powell and Renner (2003) suggest that there are two main approaches to categorizing data: present and emergent approaches.

The present approach entails the researcher beginning with a list of themes or categories from the extant literature, then searching the data for information matching those themes or categories. The emergent approaches mean the researcher will first read through all the data, and then will find the themes or categories related to the data. This research utilized both approaches. The researcher started with a list of themes or categories established through the literature review, and extend to new themes or categories after reading through all the data.

3.8   Ethical Considerations

The researcher maintained scientific objectivity throughout the study, recognizing the limitations of his competence. Every person involved in the study was entitled to the right of privacy and dignity of treatment, and no personal harm was caused to subjects in the research. Information obtained was held in strict confidentiality by the researcher. All assistance, collaboration of others and sources from which information was drawn is acknowledged. The following ethical considerations were at the base of this research (DEBORAH SMITH, January 2003)

a) Fairness.

b) Openness of intent.

c) Disclosure of methods.

d) Respect or the integrity of the individuals

e) Informed willingness on the part of the subjects to participate voluntarily in the research activity.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

Introduction

This chapter presents, analyzes and interprets the results of the research. It is divided into four sections. The first sections presents, analyzes and interprets the results about the background information. The second sections presents, analyzes and interprets the results about effect of outsourcing on cost efficiency. The third sections presents, analyzes and interprets the results about effect of outsourcing on productivity. The fourth sections presents analyzes and interprets the results about effect of outsourcing on profitability and value for money.

4.1 Demography

Respondents were asked about their gender, age, level of education and tenure with their organization. Findings are presented in table 5 followed with an analysis and interpretation

Table 5 Summary of Respondent's Gender, Age, Academic Qualification and Experience

Profile	Choice	Frequency	Percent
Gender of respondents	Male	23	53.5
	Female	20	46.5
	Total	43	100.0
Age range of respondents	25-35	20	46.5
	36-45	18	41.9
	>46	5	11.6
	Total	43	100.0
Level of education of respondents	Diploma	5	11.6
	1st Degree	23	53.5
	2nd Degree and above	15	34.9
	Total	43	100.0
Experience in ILRI	<2	5	11.6
	2-4	9	20.9
	5-7	6	14.0
	8-10	4	9.3
	10-20	16	37.2
	>20	3	7.0
	Total	43	100.0

(Source – Survey 2016)

Findings in Table 5 shows that most respondents 23(53.5%) were male compared to the female respondents 20(46.5%). This implies that there is more male staff members compared to the female staff members.

Findings in Table 5 show that a large proportion of respondents 20(46.5%) were in the age range of 25-35 years compared to the respondents in the age range of 36-45 years 18(41.9%) and over

46 years 5(11.6%), respectively. This implies that there is large proportion of staff members in the age range of 25-35 years.

Findings in Table 5show that a large proportion of respondents 23 (53.5%) had a 1st degree level of education compared to the respondents with 2nd Degree and above 15(34.9%) and with Diploma 5 (11.6%), respectively. This implies that there is large proportion of staff members with a first Degree level of education.

Findings in Table 5show that a large proportion of respondents 16(37%) have the experience working in ILRI for a period 10-20 years, compared to the respondents who worked for a period of 2-4 years (21%), to the respondents who worked for a period of 5-7 years 6(14%), to the respondents who worked for a period of 2 and less years 5(12%), to the respondents who worked for a period of 8-10 years 7(9%) and above 120 years 3(7%) respectively. This implies that most staff in ILRI worked between 10-20 years and the rest are more than 2 years in average.

Table 6 Involvement of staff in the process of outsourcing

Responsibilities in the outsourcing process	Frequency	Percent
Selection	3	7.0
Monitoring	4	9.3
No involvement	36	83.7
Total	43	100.0

Source – Survey 2016

Findings in table 6 show that a large proportion of respondents 36 (84%) didn't have any involvement in the process of outsourcing, compared to the 3(7%) who participated in the selection and the 4(9%) who participated in the monitoring of those outsourced services. This implies that there is large proportion of staff who receive the services and others few participation in the outsourcing process.

4.2. Analysis of data

4.2.1 Reasons of outsourcing services in ILRI-Ethiopia

The reasons for outsourcing the services

This section analyzes the reason behind why ILRI as an International organization decide to outsource major Support service instead of having its own crew.

The main reason gathered by interviewing 3 unit managers who were involved in the outsourcing decision and their response have been summarized in the following sub categories:

- **Budget Constraint**: all the three unit managers that have been interviewed, 100%, have mentioned that one of the main reasons for outsourcing the services were budget constraints. "The budget cut were seen as a challenge and as an opportunity. The opportunity to see where money can be saved and outsourcing seen as a best tool to mage support service with less cost" ""…Lower operational and labor costs are among the primary reasons why ILRI choose to outsource. When properly executed it has a defining impact on ILRI's expenditure recognition and can deliver significant savings" " …As the engineering and facility unit operational budget reduced from time to time and we are expected to maintain the same level of service provision operating with known fixed cost is very crucial and in this manner getting PPM, planned preventive maintenance service from the outsourced companies enable us to operate with more predictable budget…"

- **Flexibility:** Workforce flexibility was another significant issue cited by the unit managers as an outcome or reason of outsourcing support activities. For instance, outsourcing was seen as an effective way of managing staff shortages because outsourcing providers were able to offer staff and service, 24 hours per day, 365 day per year. The main advantage of this is getting them timely with less red tape process and shift work flexibility for all employees, which impacts on the degree of willingness to work as discussed by some interviewees: ". . . Mostly, outsourcing services is more helpful for organizations that have shift work, by using the outsourcing services; they may not worry about staff shortage and staff absenteeism. As usual, their internal employees have annual leave, sick leave, and guess what? Outsourcing providers can provide everyday service for organization or 365 days' service and I'm sure that the organization's operation would prefer not to be interrupted by staff shortage and staff absenteeism anymore.

Moreover, I am sure that flexible shift work could make their employees feel happy and relaxed, because they can choose a suitable shift to work that relates to their work life . . ."

Moreover, organizations can also reduce the entire burden that comes along with monitoring the employees and also the cost of recruiting and training new employees, employee welfare, and compensation for external employees because it is the outsourcing provider's responsibility to invest in those activities.

4.2.2 Benefits gained after outsourcing the services

Main benefits of outsourcing service delivery

Ranking - (5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree)

Mean – (**1-1.75**= Strongly Disagree, **1.76 – 2.51**= Disagree, **2.52 – 3.26**= Neutral, **3.27-4.00** = Agree, **4.02-5.00**= Strongly Agree)

This section elaborates the benefits and challenges employees and departments faced as a result of outsourcing Support operation. It also seeks to obtain information on the strengths, weakness, opportunities and support of outsourcing activities.

Table 7 Benefits and challenges of outsourcing

	Outsourcing has helped ILRI to increase productivity		Performance per employee in ILRI has increased due to outsourcing		Outsourcing has helped ILRI to improve capacity	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Disagree	2	4.7	3	7	2	4.7
Neutral	5	11.6	7	16.3	14	32.6
Agree	25	58.1	17	39.5	22	51.2
Strongly Agree	11	25.6	16	37.2	5	11.6
Total	43	100	43	100	43	100
N	43		43		43	
Mean	4.05		4.07		3.70	
St. Deviation	.754		.910		.741	

Source – Survey 2016

Contribution of outsourcing in increasing productivity: From table 7 above, findings show that most of the respondents 25(58%) agreed with the statement that outsourcing has helped ILRI to increase on its productivity compared to those who strongly agreed 11 (26%) while only 2(5%) disagree and 5(12%) were not sure/neutral. The average number of respondents strongly agreed that outsourcing increased productivity (mean - 4.05).And this implies that in most cases, outsourcing has helped to increase productivity at ILRI.

Contribution of outsourcing in increasing performance per employee: From table 7 above, findings show that most of the respondents 17(40%) agreed with the statement that performance per employee in this organization has increased due to outsourcing compared to those who strongly agreed 16 (37%), who opposed 3(7%) while only 7(16%) were not sure. The average number of respondents strongly agreed that outsourcing increased performance per employee

(mean - 4.07). And this implies that in most cases, performance per employee has increased due to outsourcing at ILRI.

Contribution of outsourcing in improving capacity: From table 7 above, findings show that half of the respondents 14 (51%) agreed with the statement that outsourcing has helped ILRI to improve capacity compare to those who strongly agreed 5(12%) and opposed2 (5%) while 14(33%) were not sure /neutral. The average number of respondents agreed that outsourcing helped to improve capacity (mean – 3.70). And this implies that in most cases, outsourcing has helped ILRI to improve capacity.

Table 8 Contribution of outsourcing in improving quality of services in ILRI

Outsourcing has helped ILRI in improving quality of service	Frequency	Percent	N	Mean	Std. Deviation
Disagree	3	7.0			
Neutral	10	23.3			
Agree	23	53.5	43	3.79	.804
Strongly Agree	7	16.3			
Total	43	100.0			

Source – Survey 2016

Contribution of outsourcing in improving quality of services in ILRI: From table 8 above, findings show that more respondents 23(54%) agreed with the statement that outsourcing has helped this organization to improve quality of its products/services compare to those who strongly agreed 7 (16%) and opposed 3(7%), while10 (23%) were not sure. The average number of respondents agreed that outsourcing helped to improve quality of services (mean – 3.79). And, this implies that in most cases, outsourcing has helped ILRI to improve quality of products/services in the organization.

Table 9 Outsourcing contribution to set employees priorities more clearly

Outsourcing helped ILRI staff to set their priorities more clearly	Frequency	Percent	N	Mean	Std. Deviation
Disagree	2	4.7			
Neutral	14	32.6			
Agree	20	46.5	43	3.74	.790
Strongly Agree	7	16.3			
Total	43	100.0			

Source – Survey 2016

Outsourcing contribution to set employees priorities more clearly: From table 9 above, findings show that most respondents 20 (46%) agreed with the statement that outsourcing has helped ILRI to help employees set their priorities more clearly compared to those who strongly agreed 7(16%), and opposed 2(5%) while 14 (33%) were not sure. The average number of respondents agreed that outsourcing helped employees at ILRI to set their priorities more clearly (mean – 3.74).   And, this implies that outsourcing has helped employees at ILRI to set their priorities more clearly.

Outsourcing contribution on efficiency and value for money

Mean – (**1-1.75**= Strongly Disagree, **1.76 – 2.51**= Disagree, **2.52 – 3.26**= Neutral, **3.27-4.00** = Agree, **4.02-5.00**= Strongly Agree)

Table 10 Contribution of outsourcing on service efficiency and value for money

	Outsourcing has helped ILRI to increase value of its products/services		Outsourced service brought best value for money as compared to in house	
	Frequency	**Percent**	**Frequency**	**Percent**
Strongly Disagree	2	4.7	1	2.3
Disagree	3	7.0	2	4.7
Neutral	8	18.6	6	14.0
Agree	23	53.5	17	39.5
Strongly Agree	7	16.3	17	39.5
Total	43	100.0	43	100.0
N	43		43	
Mean	3.70		4.09	
St. Deviation	.989		.971	

Source – Survey 2016

Contribution of outsourcing in increasing value of ILRI's products/services: From the above table 14, findings show that most respondents 23 (54%) agreed, and 7(16%) strongly agreed with the statement that outsourcing helped ILRI to increase value of its products/services, compared to those who disagreed 5(12%), while 8 (19%) were not sure. On average, respondents agreed that outsourcing helped ILRI to increase value of its products/services (mean – 3.70). This implies that most staff thinks that outsourcing helped ILRI to increase value of its products/services.

Contribution of outsourcing in brining best value for money as compared to in house, in ILRI: From the above table 14, findings show that most respondents 17 (40%) agreed, and also 17(40%) strongly agreed with the statement that outsourced service brings best value for money compared it to in house, compared to those who disagreed 3(7%), while 6 (14%) were not sure. On average, respondents strongly agreed that outsourcing brings best value for money as compared to in house (mean – 4.09). This implies that most staff thinks that outsourcing brings best value for money as compared to in house.

Table 11 Outsourcing contribution on cost and production cost

	Outsourcing has led to cost reduction in ILRI		Outsourcing has led ILRI to hire people to do its work more cheaper		Outsourcing has enabled ILRI to economize on production cost	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Strongly Disagree	2	4.7	2	4.7	1	2.3
Disagree	2	4.7	4	9.3		
Neutral	2	4.7	7	16.3	8	18.6
Agree	18	41.9	22	51.2	18	41.9
Strongly Agree	19	44.2	8	18.6	16	37.2
Total	43	100.0	43	100.0	43	100.0
N	43		43		43	
Mean	4.16		3.60		4.12	
St. Deviation	1.045		1.050		.879	

Source – Survey 2016

Outsourcing contribution in cost reduction, in ILRI: From the above table 15, findings show that most respondents 18(42%) agreed, and also 19(44%) strongly agreed with the statement that outsourcing has led to cost reduction in ILRI , compared to those who disagreed 2(5%), and strongly disagreed 2(5%), while 2(5%) were not sure. On average, respondents strongly agreed that outsourcing has led to cost reduction in ILRI (mean – 4.16). And overall, this implies that most staff thinks that outsourcing has led to cost reduction in ILRI.

Outsourcing contribution in hiring people to do ILRI's work cheaper: From the above table 15, findings show that most respondents 22(51%) agreed, and also 8(19%) strongly agreed with the statement that outsourcing has led ILRI to hire people to do its work cheaper, compared to those who disagreed 4(9%), and strongly disagreed 2(5%), while 7(16%) were not sure. On average, respondents agreed that outsourcing has led ILRI to hire people to do its work cheaper (mean – 3.60). This implies that most staff thinks that outsourcing has led ILRI to hire people to do its work cheaper.

Contribution of outsourcing in economizing production cost: From the above table 15, findings show that most respondents 18(42%) agreed, and also 16(37%) strongly agreed with the statement that outsourcing has enabled ILRI to economize production/running cost, compared to those who and strongly disagreed (2%), while 8(19%) were not sure. On average, respondents strongly agreed that outsourcing has enabled ILRI to economize production/running cost (mean – 4.12). This implies that most staff thinks that outsourcing has enabled ILRI to economize production/running cost.

Table 12 Outsourcing contribution on cost and efficiency

	Outsourcing Enabled ILRI to spend less		Outsourcing has helped ILRI to be more efficiency	
	Frequency	Percent	Frequency	Percent
Strongly Disagree	1	2.3	1	2.3
Disagree	3	7.0	4	9.3
Neutral	7	16.3	11	25.6
Agree	20	46.5	18	41.9
Strongly Agree	12	27.9	9	20.9
Total	43	100.0	43	100.0
N	43		43	
Mean	3.91		3.70	
St. Deviation	.971		.989	

Source – Survey 2016

Outsourcing Enabled ILRI to spend less: From table 16 above, findings show that most respondents 20 (47%) agreed and 12(28%) strongly agreed with the statement that outsourcing has enabled ILRI to spend less compared to those who disagreed 4(8), while 7 (16%) were not sure. On average, respondents agreed that outsourcing has enabled ILRI to spend less (mean – 3.91). This implies that most staff thinks that that outsourcing has enabled ILRI to spend less.

Outsourcing has helped ILRI to be more efficiency: From table 16 above, findings show that most respondents 18 (42%) agreed and 9(21%) strongly agreed with the statement that

outsourcing has helped ILRI to become more efficient compared to those who disagreed 5(11), while 11 (26%) were not sure. On average, respondents agreed that outsourcing has helped ILRI to become more efficient (mean – 3.70). This implies that most staff thinks that outsourcing has helped ILRI to become more efficient.

Value for Money

As narrated above in different tables, participants were asked question related to value for money and efficiency on the outsourced services ILRI is getting now and majority of the staff thinks that outsourcing brought value for money and efficiency in ILRI.

Out of the three unit managers whom an interview collected, all of them think that outsourcing brings a great value for money and efficiency on performance. Controlling budget is one of the main reasons the institute think outsourcing bring best value for money to the institute.

"…as compared to doing these services in house outsourcing is much cheaper …"

"…. The outsourced service has increased the level of responsiveness and improved work quality. In addition these service providers at least reduce the global cost, which is 50% more. Therefore employing an outsourced service provider has benefited the institute in much more than the Support areas namely service quality, response time and cost."

The finding shows that in terms of VFM ILRI achieved a huge financial benefit in cutting costs. The following two tables shows a certain area of service that compare ILRI in house cost against the service provider payment made to outsourced company. As per the table below ILRI annual cost for one security group leader and cleaning is 192,000 birr and 168,000 birr respectively while ILRI charged for the same service from the outsourced service providers i.e. Agar protection plc. For security service and Simba cleaning service plc for specialized skills service like cleaning pays almost three fold reductions for the same type and level of service. The main difference found in the global cost of ILRI staff which is mandatory for all ILRI staff to contribute to pension, SDF (staff development cost), Human resource department overhead cost, etc. which inflate the staff global cost and in many areas like cleaners and security there is a clear cost advantage ILRI gets by making those service contracted to the external service providers. In the same way, some specialized service like custom clearing is described in table 18 which shows there is a cost advantage in outsourcing the custom clearing service to external custom clearing agent than doing the job in house by having custom clearing person.

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Table 13 Comparison between ILRI and service providers' payment on security and cleaners

Positions/Services	Outsourced service providers fee (Annual fee in birr)	ILRI-Annual Global cost in birr	Difference in % increase	Remark
Security group leader	54,943.44	192,000.00	349%	Global cost include Offshore pension contribution, medical insurance, Salary, overhead to human resource department to cover the HR cost, transportation allowance, SDF
Cleaner	65,160.00	168,000.00	258%	

Source – Own analysis

Table 14 Custom clearing service comparison

Custom clearing service			
Outsourced service	In house by ILRI	Fee	Remark
1050 birr/document	Fee per transaction in birr for clearing agent at airport	450	Lump sum payment to clearing agent
	Transportation cost (minimum three trip between ILRI and Airport)	700	used 0.75USD/KM for transport charge per ILRI transport unit charge rate
	Staff time	681.81	Assumed it will take 8 hrs of staff time to clear one document
1050		1831.81	

Source – Own Analysis

4.2.3 Employee's perception towards the level of outsourced services

Employee's attitude towards the level of outsourced services

Out of the 43 staff/respondents who filled out the questioner, most of them think that proper communication on the outsourcing decisions to the concerned staff should have been done in a professional manner.

"When those services outsourced, it created frustration throughout staff, to avoid these organization should have worked closely together to maintain staff's motivation, confidence and give required recognitions"

"The outsourcing decision created frustration on ex-staff; the reasons behind outsourcing should have been discussed with ex-staff clearly"

Some of the respondents think that the advantage and disadvantage of outsourcing should have been deeply studied before getting to this decision.

Few of the respondents thinks that the decision/process taken by the management was very effective and the other few; ILRI should have outsourced only some of the services as a trail before making those whole decisions at once:

"The services should have been outsourced partially to see the effectiveness"

Out of the three unit managers who were interviewed, all the three thinks that the decision and the steps followed to be very professional and successful. "The best visible option was outsourcing". And the management team thinks that outsourcing brought:

- Motivation: the management thinks that outsourcing gives motivation to ILRI staffs to perform effectively as they see the institute determination to move to this direction if they fail to become effective and cost efficient.
- Knowledge gain: One of the advantages the outsourced service brings to ILRI staff is expert knowledge; as these services are provided by specialized company in specific field it bring the current state of technology in managing a given service.

Employee recommendations for creating a successful outsourcing partnership

- This section analyzes employee's recommendation to create a successful outsourcing partnership. Majority of the survey respondents believe that close follow-ups and monitoring of the outsourced service is important.

- "Monitoring and performance evaluation of the outsourced service", "Consistent integration with service providers to get efficient services", "Follow progress per cost, time and quality aspects"

- Some of the questionnaire respondents think that ILRI should exercise a good sourcing method while engaging external service providers/while outsourcing. "Implement a good sourcing mechanism to get the best service provider with lowest possible cost"

4.2.4 Challenges of Outsourcing

Table 15 Direct controlling of the outsourcing services in ILRI

ILRI losses direct controlling of the day today performance of the outsourced services	Frequency	Percent	N	Mean	Std. Deviation
Strongly Disagree	5	11.6			
Disagree	6	14.0			
Neutral	2	4.7	43	3.56	1.315
Agree	20	46.5			
Strongly Agree	10	23.3			
Total	43	100.0			

Source – Survey 2016

Direct controlling of the outsourcing services in ILRI: From table 10 above, findings show that most respondents 20 (46%) agreed with the statement that outsourcing has led ILRI losses direct controlling of the day to day activities and performance of the outsourced services, compared to those who strongly disagreed 5(12%), disagreed 6(14%); while 2 (5%) were not sure. The average number of respondents also agreed that ILRI losses direct controlling of the day to day activities and performance of the outsourced services (mean – 3.56). And, this

implies that most staff thinks that ILRI losses direct controlling of the day to day activities and performance of the outsourced services.

Table 16 Consistency of outsourcing service quality in ILRI

Outsourcing service quality in ILRI is inconsistent	Frequency	Percent	N	Mean	Std. Deviation
Strongly Disagree	2	4.7			
Disagree	2	4.7			
Neutral	6	14.0	43	3.84	.974
Agree	24	55.8			
Strongly Agree	9	20.9			
Total	43	100.0			

Source – Survey 2016

Consistency of outsourced service quality in ILRI: From table 11 above, findings show that most respondents 24 (56%) agreed, and 9(21%) strongly agreed with the statement that there is inconsistent service quality compared to those who disagreed 4(9%), while 6 (14%) were not sure. On average, respondents agreed that there is inconsistent service quality (mean – 3.56). This implies that most staff thinks that there is inconsistent service quality.

Table 17 Communication skill of outsourced service employees

Outsourced service employees communicate effectively	Frequency	Percent	N	Mean	Std. Deviation
Strongly Disagree	2	4.7			
Disagree	23	53.5			
Neutral	7	16.3	43	2.84	1.153
Agree	11	25.6			
Total	43	100.0			

Source – Survey 2016

Communication skill of outsourced service employees: From table 12 above, findings show that most respondents 23 (53%) disagreed, and 2(5%) strongly disagreed with the statement that employees of the outsourcing service providers communicate effectively, compared to those who agreed 11(26%), while 7 (16%) were not sure. This implies that most staff thinks that the employees of the outsourcing service provider's don't communicate effectively. But on average, respondents are neutral (mean – 2.84)

Table 18 Ethical behavior of outsourced service employees

Outsourced service employees show unethical behavior	Frequency	Percent	N	Mean	Std. Deviation
Strongly Disagree	21	48.8			
Disagree	12	27.9			
Neutral	4	9.3	43	1.88	1.074
Agree	6	14.0			
Total	43	100.0			

Source – Survey 2016

Ethical behavior of the outsourced service employees: From table 13 above, findings show that most respondents 21 (49%) strongly disagreed, and 12(28%) disagreed with the statement that employees of the outsourcing service providers are unethical (shows unethical behavior), compared to those who agreed 6(14%), while 4 (9%) were not sure. On average, respondents disagreed that employees of the outsourcing service providers are unethical (mean – 1.88). And, this implies that most staff thinks that the employees of the outsourcing service providers are ethical.

Challenges facing the management on outsourced services

The three managers mentioned a couple of challenges that the management is facing in connection to outsourcing services. All the three mentioned these two challenges in common:

- Monitoring – the outsourcing service providers require a very close monitoring and follow-ups. Even if ILRI's responsibility is to oversee in administering the services; in most cases, ILRI is expected to do a close (Day to day) follow-up on their performance.
- Staff selection – Since the outsourced staffs are directly selected by the outsourced company, sometimes it's hard to get the best labor quality in the market.

Managing of outsourcing service contracts

Majority of the respondents on the survey indicated that, a close monitoring is required in order to achieve efficiency and effectiveness of the outsourcing service. And in the other hand, the unit managers also clearly indicated that a close follow-up and a well elaborated service level agreement should be used while managing the outsourcing service providers. The supply chain manager indicated that "It starts from developing a clear ToR for the service which shows duties and responsibilities of the service providers, set a clear and SMART objectives to measure performance and establish a system that enable ILRI staff to comment on the service so that it can be used as an input during the performance review period" .

CHAPTER FIVE: FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter presents the findings, conclusions and recommendations. It is divided into three sections. The first section presents the findings. The second section presents the conclusions. The third section presents the recommendations.

5.1 Summary of Findings

- The findings revealed that outsourcing has helped ILRI to be more efficient, to spend less and to hire people to do its work cheaply.
- The findings established that outsourcing at ILRI contributed to better productivity, increased performance per employee, improved capacity and also improved quality of products/services.
- The findings showed that there is inconsistency with service quality and a communication gap with the outsourced service providers' employees.
- The finding also showed that ILRI losses direct controlling of the day to day monitoring of the outsourced services.

5.2 Conclusions

From the literatures and findings of the study the researcher had drawn conclusions. The purpose of this research was to assess the challenges and prospects of outsourcing in International Livestock Research Institute (ILRI), in Addis Ababa. The finding s confirms above 50% of the respondents has first degree and 35 % of them are second degree holder. From this we inferred that they can understand the questionnaires and respond fairly.

The findings revealed that the main reasons why ILRI outsourced the support services were mainly a budget constraint (100%, from interviewing the three unit managers). And as a second reason, flexibility; the fact that the outsourced staff would be available 24/7; operation would not to be interrupted by staff shortage and staff absenteeism. The other reasons for outsourcing the support services was to minimize the risk and budget that comes along with the employer employee relationship with the organization since all the responsibility rely on the outsourced service provider. Outsourcing allows firms to focus on their own core competences by relocating limited resources to strengthen their core product or service (Lee and Kim, 2010)

Outsourcing at ILRI positively contributed to cost efficiency in ILRI. The study established that outsourcing at ILRI somehow positively contributed to improved productivity. Majority of the employees think that outsourcing increased productivity (More than 80% of the respondents), improved capacity (more than 70%) and improve quality of services (Almost 70%) but at the same time the respondents response showed that there is inconsistency with the service quality (almost 75%) and that ILRI is losing direct controlling of the day to day monitoring of the outsourcing services (55% of the respondents). Majority of the respondents also mentioned that employees of the outsourced service providers are highly ethical (77%) but in some ways, they have some gaps with communication (57%).

Based on the research, the finding shows that ILRI is highly getting value for money by outsourcing the support services. Employees believe that ILRI is spending less or reducing costs because of outsourcing (85% of the respondents) and also getting the best value for money as compared to in house (almost 80% of the respondents). The cost benefit analysis conducted by the researcher also supports that ILRI is getting the best value for money; as analyzed in table 18 and 19 of the data interpretation section.

The finding also reflects the need to develop a detailed terms of reference for the service level agreement (SLA), for each outsourced contracts and implement them on the institute periodically review and monitor their performance.

5.3 Recommendations

- In order to get the full benefit from the outsourcing process, ILRI must make sure that the outsourcing provider is meeting the requirements in terms of qualifications, skills, and knowledge.
- Lack of attention to the outsourcing process, unable to meet business requirements and timeframes, and low service standards are all potential difficulties that could happen to any organization if clear and specific contracts are not created (Goody & Hall, 2007) suggest that the organization should consider the service agreement or contract in which it enters into with the outsourcing provider. From the results and data, the risk involved in an outsourcing relationship is increased through an unclear agreement or contract. The research finding mentions that most providers would only complete the tasks that appear in the contract agreement. This can lead to conflict and a lack of cooperation between the

provider and internal employees. Therefore, the practical recommendation is that the organization should clearly understand that nothing should be assumed and everything should be written in the service agreement. When making a service agreement or contract, organizations should be aware of including specific tasks into the service conditions.

- Organizations should establish and keep an eye on evaluation system as a follow up activity after implementing the outsourcing service, and need to evaluate how this outsourcing Support function process can be modeled to fit the overall business strategy and objectives so that focus is maintained and employees take the necessary ownership (Goody & Hall, 2007). The evaluation should involve checking on the outsourcing progress in all targeted categories, such as company experience, skill acquisition, timing, problems encountered, and references.

- The practical recommendation is that an organization should establish an "evaluation committee" to deal with the evaluation system; the evaluation committee should include a range of managers and employees from concerned area. There are several categories that the evaluation committee should monitor; it was suggested that the evaluation committee focus on key performance indicators. This evaluation should be done even after selecting and contract agreement with the service provider. The contract should clearly state key performance indicators and detailed Service level agreement where the evaluation committee need to seat with the service provider to review the performance of the service provider.

- ILRI somehow should be involved in the selection of staff under the outsourcing service provider; at least evaluate the finalists in order to get the best quality labor in the market. Moreover, ILRI need to ask for a track record and detailed references from outsourcing providers.

- Outsourcing at ILRI should be improved in order to improve on productivity.

- ILRI must conduct regular checks to establish whether the quality of work conforms to previously established parameters or consistent. The client must also monitor adherence to deadlines and demand accountability reports in case of non-compliance.

- Communication strategy should be given due importance right from the negotiation stage, with importance being placed on a foolproof communications system, consistent contact between client and service provider, regular feedback, clarity in instructions and the development of a reliable system for clarification of any points in question

5.4 Areas for further research

In view of the findings and limitations of this study, it's recommended that these areas be further investigated:

- Expand the scope to include how outsourcing of services at ILRI has influenced the quality of service and customer satisfaction in the regional offices of ILRI.

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APPENDIX I - Questionnaire

My name is Anteneh Kassahun. I am currently conducting a study entitled "**Challenges and Prospects of Outsourcing** in the case of ILRI- Ethiopia", for partial fulfilment of MA degree in Business Administration. The purpose of this questionnaire is purely for academic reasons and will not have any effect on your personal matters. It is to collect appropriate information which will help to identify the real practices, challenges and finally to recommend possible solutions for the identified challenges and prospects of outsourcing services carried out by ILRI.

To achieve this purpose, your cooperation in completing this questionnaire is highly appreciated. We make sure your response will be kept confidential, and will be used only for the intended study purpose. Accordingly, your response, and timely return is quite vital to determine the success of the research. Therefore, you are kindly requested to react to each of the questions carefully.

Please take as much time as necessary to complete these questions. Thank you for agreeing to participate in this study.

Instructions:

Writing your name is not necessary.

For close ended questions put "□"mark and for open ended questions write a brief answer in the space provided.

This questionnaire is separated into five sections, as follows:

Section 1: General/Demography Questions

Section 2: What are the challenges of outsourcing service delivery?

Section 3: Does outsourcing bring efficiency and value for money?

Section 4: What is the impact of outsourcing on organization employee?

Section 5: Recommendations for creating a successful outsourcing partnership?

Section 1: General/Demography Questions

This section is designed to provide background information about your experience, familiarization and understanding of outsourcing operations.

1. Sex: ☐Male ☐Female

2. Age (Years): ☐Below 25 ☐25-35 ☐36- 45 ☐above 46

3. How long have you worked in ILRI?

   ☐ Below 2 years   ☐ 2 – 4 years   ☐ 5 – 7 years

   ☐ 8 – 10 years   ☐ 10 – 20 years   ☐ more than 20 years

4. Level of education

   a) Secondary   b) Diplom☐   c) 1st Degree ☐   c) 2nd Degree and above ☐

5. What are your main tasks as a professional in this organization?

   _____

6. Have you been involved in outsourcing arrangements (yes/no)?

   ✓ If "yes", can you please explain?

   _____

7. What was/is your level of involvement with outsourcing of these arrangements?

   Fully involved ☐   Above average involvement ☐   Average involvement☐

   Less than average involvement ☐   Very little involvement ☐

8. What were your responsibilities while you were involved with the outsourcing of Support operations?

   Selection ☐   Monitoring ☐   No involvement ☐

   ✓ If "no", who do you think should be involved in outsourcing of Support arrangements?

   _____

Section 2: What are the main benefits and challenges of outsourcing service delivery?

This section contains questions that relate to benefits and challenges employees and departments faced as a result of outsourcing Support operation. It also seeks to obtain information about what you consider to be the strengths, weakness, opportunities and support of outsourcing activities.

Please read the statement and put "√" mark in the corresponding column (i.e. 5=strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=strongly Disagree)

No.	Statement	1	2	3	4	5
1.	In your opinion outsourcing has helped ILRI to increase productivity					
2.	In your opinion performance per employee in ILRI has increased due to outsourcing					
3.	In your opinion outsourcing has helped ILRI to improve capacity					
4.	In your opinion outsourcing has helped ILRI to improve quality of its products/services					
5.	In your opinion outsourcing has helped ILRI help employees set their priorities more clearly					
6	In your opinion ILRI losses direct controlling of the day to day activities and performance of the outsourced services					
7	In your opinion there is inconsistent service quality					
8	In your opinion the employees of the outsourcing service providers communicate effectively					
9	In your opinion the employees of the outsourcing service providers are unethical (shows unethical behavior)					

Section 3: Does outsourcing bring efficiency and value for money

This section asks questions that relate to the efficiency of outsourced service and whether the service brings value for money. ?

Please read the statement and put "√" mark in the corresponding column (i.e. 5=strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=strongly Disagree)

No.	Statement	1	2	3	4	5
1.	In your opinion outsourcing has helped ILRI to increase value of its products/services					
2.	In your opinion outsourcing has helped ILRI to increase its profits					
3.	In your opinion outsourced service bring best value for money as we compare it to in house.					
4.	In your opinion outsourcing has led to cost reduction in ILRI					
5.	In your opinion outsourcing has led ILRI to hire people to do its work more cheaper					
6.	In your opinion outsourcing has enabled ILRI to economize on production cost					
7.	In your opinion outsourcing has enabled ILRI to spend less					
8.	In your opinion outsourcing has helped ILRI to be more efficiency					

Section 4: What is the impact of outsourcing on organization employee?

This section asks questions related to employee attitude toward outsourced service and impact on them.

1. In your experience, what happens to staff after outsourcing support operations? What would you suggest might have been done differently to address these issues?

_____

2. In your experience, how do employee attitudes towards outsourced support function and their work behavior towards them? Can you provide any examples?

_____

Section 5: Recommendations for creating a successful outsourcing partnership

This section contains questions that relate to have a successful working partnership with the outsourced service providers

1. In your experience, what steps can staff from your unit take to ensure smooth working relation with the service provider?

   _____

2. In your experience, what the institute should do to ensure getting the best level of service from the outsourcing company.

   _____

APPENDIX 2 - Interview Questions

Q1. What are the main reasons that encouraged ILRI to outsource?

Q2. Do you think there could be another possibility better than this decision?

Q3. In your opinion, does outsourcing bring value for money to the institute?

Q4. What are the main challenges facing the management of outsourced service?

Q5. What are the impacts this service toward ILRI employees?

Q6. Do you think ILRI has a robust system in selection and evaluation of service providers during selection and during the performance period?

Q7. What could be done differently in managing these contracts?

Q8. Do you think outsourcing activity bring efficiency in terms of work quality and processing time?

Q9. Do you think there is a competent service provider in the market?

Q10. What are the lessons you learned concerning the best and worst practices of outsourcing?