

EFFECT OF PROCUREMENT OUTSOURCING ON PERFORMANCE OF STATE CORPORATIONS IN KENYA

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To cite this article:

Ondemo, B. & Nyang'au, S. (2018). Effect of Procurement Outsourcing on Performance of State Corporations in Kenya, *Journal of International Business, Innovation and Strategic Management*, 1(5), 1 -17

Abstract: The aim of the study was to find out the effect of procurement outsourcing on performance of state corporations in Kenya. This study was guided by 4 objectives namely: to evaluate the effect of inbound logistics outsourcing, outbound Logistics, Logistics Outsourcing and third Party Logistics Outsourcing on performance of state corporations in Kenya. Based on this, the current study is anchored on transaction cost economics theory, resource based view, SCOR model and the Principal Agent theory. To satisfy the objectives, descriptive research design was adopted. The study population was 152 state corporations in Kenya. A total of 64 state corporations were randomly sampled. Primary data was collected from the Head of procurement and operations managers of state corporations using structured questionnaire. Data analysis was done using Statistical Package for Social Sciences (SPSS) version 22.0 with the main analysis tools being frequencies, mean and standard deviation and multivariate linear regression. Correlation results showed that inbound logistics outsourcing, outbound Logistics, Logistics Outsourcing and Third Party Logistics Outsourcing have a positive and significant effect on the performance of state corporations in Kenya. The study concluded that inbound logistic outsourcing; outbound outsourcing, logistic outsourcing significantly and Third Party Logistics Outsourcing positively and significantly affects the performance of state corporations in Kenya. The study recommends the state corporations in Kenya to ensure there are offloading facilities. There is also need for state Corporations to train their staff on handling delicate inputs. The study recommends the state corporations to ensure there are appropriate storage facilities for outbound goods as well as handling facilities for goods in store. There is also need for state corporations to ensure their routes are optimized. The study further recommends the state Corporations to ensure they have fleet tracking tools so as to increase vehicle visibility.

Key Words: *Inbound Logistics Outsourcing, Outbound Logistics, Logistics Outsourcing, Third Party Logistics Outsourcing, Performance*

Introduction

Organizations are facing turbulent times due to changes in economic conditions, globalization and rapidly advancing technological advances (Stewart, 2007). In the modern world, all firms are subjected to globalization hence the need to focus on core processes so that they would remain competitive, (Quandt, 2012). To cope with these changes, organizations are seeking solutions and one of the most publicized strategies in recent times is outsourcing. Outsourcing is a complex term as it embodies several descriptions and generally refers to the relocation of jobs (Cubides, 2006). Essentially, outsourcing is the transfer of services or functions previously performed within the organization to a provider outside of the organization and are increasingly key components in many business strategies (Hern & Burke, 2006). Dwindling resources and market competitiveness have forced organizations to scrutinize their methods of producing goods and services and make changes in their processes in order to maximize economic returns. To be able to survive and be profitable in current globalization era, organizations have pursued continuous improvement, leaned up production, re-engineered business processes, and integrated supply chains, (Brannemo, 2006). Over the past decades there is a growing realization of the important contribution of sourcing strategy on organizational performance (Cousins *et al.*, 2012).

According to Porter's studies, the tasks assigned to outsourcing concentrated on the following areas: information technology, human resources, Logistics, customer care and marketing and sales (Porter, 2010). Many factors influence using outsourcing encouragement or dealing with some trouble. The amount of money that businesses spend on outsourcing continues to grow (Tate & Ellram 2009). The maturing Information Technology Outsourcing (ITO) and BPO markets offer back office executives tremendous opportunities to drive business value (Lacity, Wilcocks & Rottman, 2008). In the past decade there has been a move by world corporations towards outsourcing. According to Quinn (2004) the greatest risk today is not to outsource. Without outsourcing, companies can't keep up "He continues to say that the most successful companies use outsourcing for innovation. He cites Dell computer and Cisco systems as leaders in their fields who rely on their suppliers to do the development work. Dell for example concentrates "on the few things it does best in the world" and outsource the rest. Dell's core competency is a responsive customer support system; the company relies on its upstream customers to do everything else.

Statement of the Problem

Performance of the public sector has faced challenges both worldwide and in Kenya (Ndubai, 2016; Kyalo, 2015). Specifically, only a few commercially oriented corporations have reported profits or surplus making and this is an economic problem that policy makers are still grappling with (Linyiru, 2015). The problem of poor performance of commercial parastatals represents a drain on the exchequer and also results into non-delivery on intended services. Statistics indicate that in the year 2010 eleven (11) commercial State Corporations made losses, compared to twelve (12) in 2011 and sixteen (16) in 2009. This represents 21%, 23% and 31% respectively of all commercial oriented Government Owned Entities. The pattern of stock of publicly guaranteed debt to State Corporations in Kenya has indicated an upward trend since the year 2007 (Presidential Taskforce Report, 2015). Some of the well-known cases of gross underperformance is exhibited by enterprises such as Uchumi Supermarket, Rift Valley Railways, National Bank of Kenya and Post Bank (Auditor General Report, 2014).

This poor performance affects service delivery. The quality assessment and service delivery improvement strategy report by the Kenya School of Government (2015) revealed low employee performance and productivity which had led to decline in the customer satisfaction level in the Kenyan Public Sector from 73% in the year 2012/2013 to 65% in the year 2014/2015. According to the Kenyan overall Citizen Satisfaction Index (CSI), the satisfaction level of citizens in the urban centers with the public service delivery in Kenya was 59.4%. Part of this poor performance has been linked to the procurement practices such as procurement outsourcing. It is estimated that inefficiencies in the procurement processes in the public sector cost Kenya about KShs. 30 Billion annually (TI, 2015). In most state corporations in Kenya, poor procurement practices such as procurement outsourcing, lengthened disposal cycles (Susan & Namusonge, 2014). While outsourcing can result in lowered costs and competitive advantage, poorly made outsourcing decisions can lead to a variety of problems such as increased costs, brand damage, disrupted service, loss of operational knowledge and even business failure (Selvaggio, 2014). This study sought to link the poor performance of state corporations to procurement outsourcing as arguments by Selvaggio (2014) links procurement outsourcing to lowered costs and competitive advantage.

Research Objectives

- i. To examine the effect of inbound outsourcing on performance of state corporations in Kenya
- ii. To determine the effect of outbound outsourcing on performance of state corporations in Kenya
- iii. To find out the effect of logistics outsourcing on performance of state corporations in Kenya
- iv. To establish the effect of Third Party Logistics Outsourcing on performance of state corporations in Kenya

Theoretical Review

Transaction Cost Theory

The theory of TCE is attributed to Oliver Williamson working on works first originated by Ronald Coase (Emmanuel, 2013). The theory of transaction cost economics seeks to examine the logic of the existence of firms. The theory in addressing this question indicates that the firms exist with a view of minimizing transaction costs of individual transactions that would take place in a market between a buyer and a seller (Maami, 2011). The processes of individual transactions are better structured within organizations because of limitations of human cognitive capabilities, costs associated with individual transactions as well as failure to take hold of basic assumptions associated with efficient markets such as rational actors, perfect information, homogeneous goods, and the absence of liquidity constraints (Kamuri, 2015).

The theory also seeks to examine the circumstances when it is beneficial to undertake a particular process within the organization and circumstances making it ideal to outsource a given process to outside Organisation (Maami, 2011). In addressing these two questions, the theory of transactional costs sees the organizations and the markets as different possible forms of organizing and coordinating economic transactions. When external transaction costs are higher than the organization's internal bureaucratic costs, the organization will grow. This growth will be due to the ability to cheaply produce a given item or undertake certain processes cheaply than if the activities were undertaken from outside the organization (Ochola, 2013).

However, if the organization's internal bureaucratic costs of producing an item or undertaking a given process are higher than the external market, then the organization must outsource or it will perish. Transaction cost economics theory (TCE) has been the most used theory of adopting BPO and is perceived to offer the best decision making tools to help firms decide whether to outsource and to prepare themselves for impending outsourcing arrangements (Ichoho, 2013). TCE argues that all functions where benefits to the company are higher than the transaction costs should be outsourced. Benefits include increased revenues and reduced costs of production. The relevance of the theory to the study is based on the argument that better procurement outsourcing leads to cost cutting especially when the outsourced activities would otherwise have been expensive to manage in-house. The accurate identification of the activities and processes to be outsourced as indicated in the theory of cost economics would lead to cost reduction thus improving the cost efficiency of the state corporations in Kenya.

Resource-Based View (RBV)

The RBV provides some useful insights to avoid these limits of “over-rationality” typical of the TCE. In particular, considering the antecedents for outsourcing, the RBV approach shows that the decision to outsource is taken according to a firm’s capabilities compared with those of its suppliers. Espino-Rodríguez and Padròn-Robaina (2006) divided this perspective into two categories: A focus on “the propensity” to outsource; and the “relation” between the decision to outsource and organizational performance. Combining the TCE and RBV, Mayer and Salomon (2006) found that “contractual hazards” provided firms with an incentive to internalize, independently of firms’ capabilities. However, in the presence of weak technological capabilities, it is more likely that firms will outsource. Therefore, RBV complements TCE in the treatment of outsourcing by focusing on the positive aspects of in-house strategic activities (Espino Rodríguez & Padròn-Robaina, 2006) and resources (Prahalad & Hamel, 1990).

The aim of this study is to show which the main variables that have effect on business performance related to outsourcing. In such a sense, outsourcing cannot be approached as a simple “make or buy” decision, but, instead, it should be considered as a corporate strategy, put in place by top management to improve the performance of firms (Marchegiani, Pirolo, Peruffo & Giustiniano, 2010). Despite that this point is still debated, researches rooted on the examination of core competencies, mostly adopting the RBV perspective (Espino-Rodríguez & Padròn-Robaina, 2006), showing that outsourcing is not merely a means of cost reduction, but it also implies a transfer of intellectual capital. From this perspective, the development and maintenance of competencies might be necessary to achieve a competitive edge against competitors and drain resources, allowing top management to improve performance. The relevance of the theory to this study lies in the argument that for the sustainable competitive advantages firms are forced to acquire the resources they don’t have. The argument here fits with the need and factors that lead to procurement outsourcing decisions in firms, whether they are cost reduction, new product/services introduction, focus on core competencies or labour flexibility and how they improve organizational performance.

Supply Chain Operations Reference (SCOR)

The SCOR model, developed by the SCC in 1996 is the most commonly cited SCM framework. The SCOR model provides a unique framework that links business processes, metrics, best practices and technology features into a unified structure to support communication among supply chain partners and to improve the effectiveness of supply chain management and related supply chain improvement activities. SCOR is used to identify measure, reorganize and improve supply chain processes through a cyclical process that includes: capturing the configuration of a supply chain; measuring the performance of the supply chain and comparing against internal and external industry goals; re-aligning supply chain processes and best practices to fulfill unachieved or changing business objectives (Lockamy& McCormack, 2004).

When it was originally developed in 1996, the SCOR model had four core business processes. These processes were plan, source, make, and deliver. They served as the foundation of the SCOR model. The source, makes, and deliver processes of the SCOR model create a continuous chain of activity throughout a company's internal operations and, potentially, across the whole inter-organizational supply chain (Lockamy& McCormack, 2004). This model is relevant for the study in the outline of specific primary supply chain activities of inbound and outbound processes. The model posits that handling of inbound logistics which involve relationships with suppliers and include all the activities required to receive, store, and disseminate inputs and outbound Logistics which include all the activities required to collect, store, and distribute the output as well as marketing and sales leads to an improvement in performance of organizations.

Conceptual Framework

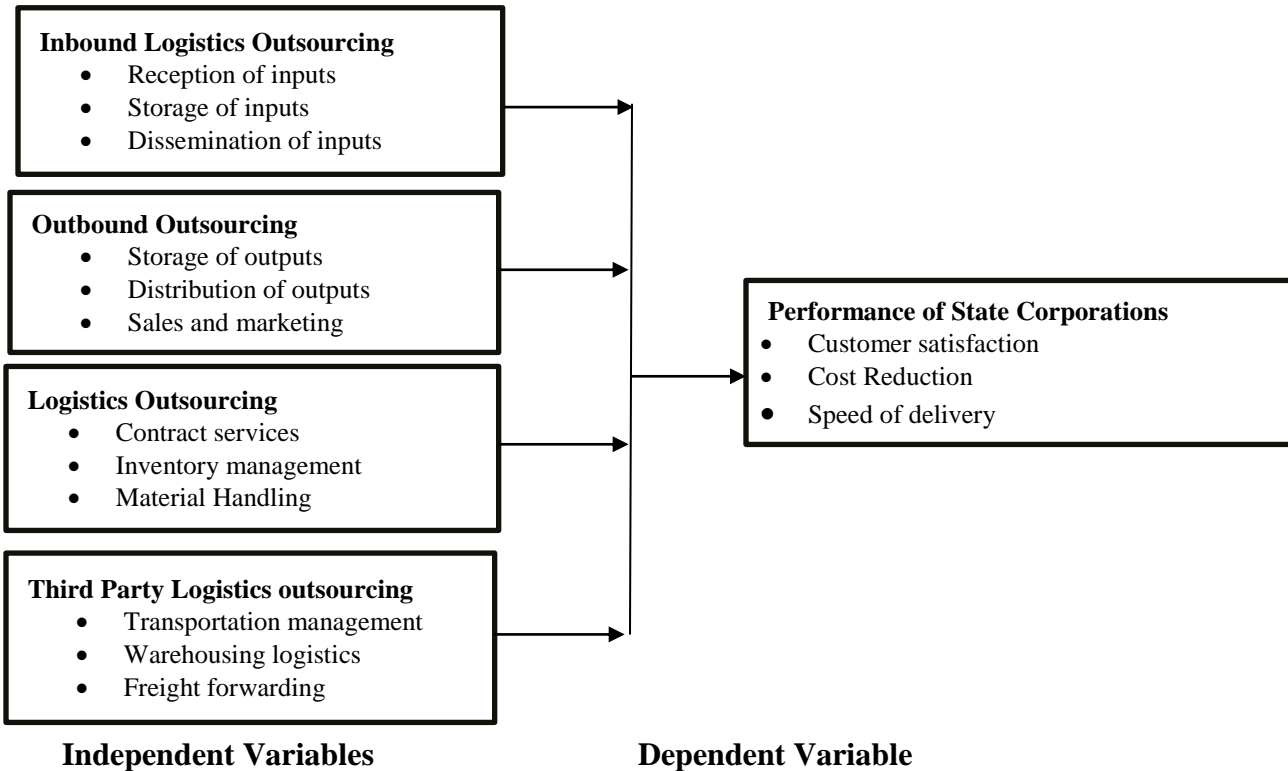


Figure 1 Conceptual Framework

Research Methodology

The study used a descriptive survey design. The target population of the study comprised of 152 state corporations, (Presidential Task Force report, 2016). The state corporations are grouped in 8 groups in accordance with their mandate. The unit of analysis was the state corporations while the unit of observation was the head of procurement and operations managers in the state corporations. The study used Nassiuma (2000) formula to establish a sample size of 64 state corporations. The study used stratified random sampling to select a sample of 64 state corporations. Two respondents (head of procurement and head of operations) were sampled from each state corporation. Therefore, a total of 128 respondents were targeted by the study from 64 state corporations. The study used questionnaire to collect primary data. A drop and pick method was used to collect data. The study conducted a pilot study in order to establish the validity and reliability of data collection instruments. 12 respondents participated in the pilot who makes up 10% of the target population according to the threshold by Mugenda (2008) of between 1% and 10%. Descriptive and inferential statistics was used to analyze the primary data.

Descriptive statistics includes mean, frequencies and standard deviation while inferential statistics includes correlation and regression analysis. To determine the extent to which establish the effect of procurement outsourcing practices on performance of state Corporations in Kenya, the following regression equation was adopted: $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$ Where; Y= Performance of State corporations in Kenya, β_0 = Constant Term, β_{1-4} = Beta coefficients, X_1 = Inbound Logistics Outsourcing, X_2 = Outbound outsourcing, X_3 = Logistics Outsourcing, X_4 = 3PL Outsourcing and ϵ = Error Term. The findings of the study were presented using charts and tables.

Results

The total number of questionnaires that were administered was 128. A total of 104 questionnaires were duly filled and returned. This represented an overall successful response rate of 81.25%. According to Kothari (2004), a response rate of 50% or more was adequate for a descriptive study. Therefore a response rate of 81.25% is good for the study.

Demographic Characteristics

This section of the study presents the results on the respondents' Level of Education and work experience.

Table 1 Demographic Characteristics

Demographic Characteristic	Category	Percentage
Respondents' Level of Education	Doctorate Degree	11%
	Masters Degree	26%
	Bachelors Degree	63%
Respondents Work Experience	Below 5 years	7.7%
	Between 6-10 Years	21.1%
	Between 11-15 Years	27.9%
	Between 16-20 years	23.1%
	More than 20 years	20.2%

Inbound Logistics Outsourcing

The study sought to examine the effect of inbound logistics outsourcing on the performance of state corporations in Kenya. The findings of the study revealed that 26.9% of the respondents indicated that they agree to a very great extent with the statement that the organization has offloading facilities, those who agreed to a great extent were 17.4%, majority 41.3% of them agreed to a moderate extent while those who agreed to a small extent were 6.7% and 7.7% of the respondents indicated not at all. The results also showed that 32.7% of the respondents indicated that they agree to a very great extent with the statement that the organization trains staff on handling delicate inputs, those who agreed to a great extent were 26.9%, those who moderately agreed were 35.6% while those who agreed to a small extent were 1.9% and those who indicated not at all were 2.9%.

Moreover, the findings of the study revealed that 29.8% of the respondents indicated that they agree to a very great extent with the statement that the organization keeps accurate records of inputs received, those who agreed to a great extent were 30.8%, those who moderately agreed were 16.3% while those who agreed to a small extent were 15.4% and those who indicated not at all were 7.7%. Further, the results of the study showed that 69.2% of the respondents indicated that they agree to a very great extent with the statement that the organization has enough storage facilities, those who agreed to a great extent were 13.5%, those who moderately agreed were 7.7% while those who indicated not at all were 9.6%. Furthermore, the findings of the study revealed that 15.4% of the respondents indicated that they agree to a very great extent with the statement that the organization have better storage conditions.

Those who agreed to a great extent were 27.9%, those who moderately agreed were 27.9% while those who agreed to a small extent were 11.5% and those who indicated not at all were 17.3%. The findings of the study also showed that 47.1% of the respondents indicated that they agree to a very great extent with the statement that the organization has reduced damage to inputs that are in store, those who agreed to a great extent were 15.4%, those who moderately agreed were 30.8% while those who agreed to a small extent were 1.9% and those who indicated not at all were 4.8%. In addition, the results of the study showed that 18.3% of the respondents agreed to a very great extent that the organization has proper distribution channels, those who agreed to a great extent were 26.9% while those who moderately agreed were 37.5% while those who agreed to a small extent were 17.3%. The results of the study revealed that 23.1% of the respondents agreed to a very great extent with the statement that the organization has optimized distribution means, those who agreed to a great extent were 33.7% while those moderately agreed were 43.2%.

Table 2 Inbound Logistics Outsourcing

Statements	Not at all	Small extent	Moderate extent	Great extent	Very great extent	Mean	Std Dev
The organization has offloading facilities	7.7%	6.7%	41.3%	17.4%	26.9%	3.49	1.18
The organization trains staff on handling delicate inputs	2.9%	1.9%	35.6%	26.9%	32.7%	3.85	1.00
The organization keeps accurate records of inputs received	7.7%	15.4%	16.3%	30.8%	29.8%	3.60	1.27
The organization has enough storage facilities	9.6%	0.0%	7.7%	13.5%	69.2%	4.33	1.24
The organization have better storage conditions	17.3%	11.5%	27.9%	27.9%	15.4%	3.13	1.30
The organization has reduced damage to inputs that are in store	4.8%	1.9%	30.8%	15.4%	47.1%	3.98	1.14
The organization has proper distribution channels	0.0%	17.3%	37.5%	26.9%	18.3%	3.46	0.98
The organization has optimized distribution means	0.0%	0.0%	43.2%	33.7%	23.1%	3.80	0.79
The organization has expansive coverage of inputs during dissemination	1.9%	7.7%	21.2%	29.8%	39.4%	3.97	1.05
Average						3.73	1.11

Outbound Outsourcing

The study sought to determine the effect of outbound outsourcing on the performance of state corporations in Kenya. The findings of the study revealed that 36.5% of the respondents indicated that they agree to a very great extent with the statement that the organization has appropriate storage facilities for outbound goods, those who agreed to a great extent were 24%, majority 33.7% of them agreed to a moderate extent while those who agreed to a small extent were 4.8% and 1% of the respondents indicated not at all. The results also showed that 43.3% of the respondents indicated that they agree to a very great extent with the statement that the organization has handling facilities for goods in store, those who agreed to a great extent were 21.2%, those who moderately agreed were 21.2% while those who agreed to a small extent were 4.8% and those who indicated not at all were 9.5%.

Moreover, the findings of the study revealed that 36.5% of the respondents indicated that they agree to a very great extent with the statement that the organization records output of goods from the store, those who agreed to a great extent were 19.2%, those who moderately agreed were 21.2% while those who agreed to a small extent were 14.4% and those who indicated not at all were 8.7%. Further, the results of the study showed that 15.4% of the respondents indicated that they agree to a very great extent with the statement that the organization has enough storage facilities, those who agreed to a great extent were 25%, those who moderately agreed were 28.8% while those who indicated small extent and not at all were both 15.4%. Furthermore, the findings of the study revealed that 21.2% of the respondents indicated that they agree to a very great extent with the statement that the organization has optimized distribution channels, those who agreed to a great extent were 36.5%, those who moderately agreed were 37.5% while those who agreed to a small extent were 2.9% and those who indicated not at all were 1.9%.

The findings of the study also showed that 30.8% of the respondents indicated that they agree to a very great extent with the statement that the organization has wide network for outbound goods distribution, those who agreed to a great extent were 35.6%, those who moderately agreed were 32.6% while those who agreed to a small extent were 1%. In addition, the results of the study showed that 31.7% of the respondents agreed to a very great extent that the organization trains the sales agents on marketing, those who agreed to a great extent were 27.9% while those who moderately agreed were 30.8% while those who agreed to a small extent were 8.6% and those who indicated not at all were 1%. Finally, the findings of the study showed that 16.4% of the respondents agreed to a very great extent with the statement that the organization carries out intense marketing strategies, those who agreed to a great extent were 59.6%, those who moderately agreed were 12.5% while those who agreed to a smaller extent were 9.6% and those who indicated not at all were 1.9%.

Table 3 Outbound Outsourcing

Statements	Not at all	Small extent	Moderate extent	Great extent	Very great extent	Mean	Std Dev
The organization has appropriate storage facilities for outbound goods	1.0%	4.8%	33.7%	24.0%	36.5%	3.90	0.99
The organization has handling facilities for goods in store	9.5%	4.8%	21.2%	21.2%	43.3%	3.84	1.30
The organization records output of goods from the store	8.7%	14.4%	21.2%	19.2%	36.5%	3.61	1.34
The organization has proper distribution of outputs	15.4%	15.4%	28.8%	25.0%	15.4%	3.10	1.28
The organization has optimized distribution channels	1.9%	2.9%	37.5%	36.5%	21.2%	3.72	0.90
The organization has wide network for outbound goods distribution	0.0%	1.0%	32.6%	35.6%	30.8%	3.96	0.82
The organization trains the sales agents on marketing	1.0%	8.6%	30.8%	27.9%	31.7%	3.81	1.02
The organization carries out intense marketing strategies	1.9%	9.6%	12.5%	59.6%	16.4%	3.79	0.90
Average						3.72	1.07

Logistic Outsourcing

The study sought to determine the effect of logistics outsourcing on the performance of state corporations in Kenya. The findings of the study revealed that 37.5% of the respondents indicated that they agree to a very great extent with the statement that the organization has proper inventory flow of goods, those who agreed to a great extent were 26.9%, majority 25% of them agreed to a moderate extent while those who agreed to a small extent were 7.7% and 2.9% of the respondents indicated not at all. The results also showed that 35.6% of the respondents indicated that they agree to a very great extent with the statement that the organization ensures that inventory accuracy is achieved, those who agreed to a great extent were 40.4%, those who moderately agreed were 11.5% while those who agreed to a small extent were 7.7% and those who indicated not at all were 4.8%. Moreover, the findings of the study revealed that 32.7% of the respondents indicated that they agree to a very great extent with the statement that the organization has good inventory turns / proper space utilization, those who agreed to a great extent were 15.4%, those who moderately agreed were 34.6% while those who agreed to a small extent were 6.7% and those who indicated not at all were 10.6%.

Further, the results of the study showed that 21.2% of the respondents indicated that they agree to a very great extent with the statement that good housekeeping practices have been achieved by the organization, those who agreed to a great extent were 39.4%, those who moderately agreed were 27.9% while those who agreed to a small extent were 8.7% and those who indicated not at all were 2.8%. Furthermore, the findings of the study revealed that 17.3% of the respondents indicated that they agree to a very great extent with the statement that proper receipt procedures have been undertaken by staff in the organization, those who agreed to a great extent

were 32.7%, those who moderately agreed were 27.9% while those who agreed to a small extent were 17.3% and those who indicated not at all were 4.8%.

The findings of the study also showed that 29.8% of the respondents indicated that they agree to a very great extent with the statement that the organization ensures that there are less damages to commodities due to proper storage, those who agreed to a great extent were 36.6%, those who moderately agreed were 27.9% while those who agreed to a small extent were 3.8% and those who indicated not at all were 1.9%. In addition, the results of the study showed that 30.8% of the respondents agreed to a very great extent that there are proper contract outsourcing strategy set by the government corporations, those who agreed to a great extent were 45.2% while those who moderately agreed were 13.5% while those who agreed to a small extent were 6.7% and those who indicated not at all were 3.8%. The results of the study revealed that 22.1% of the respondents agreed to a very great extent with the statement that the corporation ensures that there is compliance with the contract outsourcing strategy, those who agreed to a great extent were 34.6% those moderately agreed were 30.8% while those who agreed to a small extent were 9.6% and those who indicated not at all were 2.9%. Finally, the findings of the study showed that majority 21.2% of the respondents agreed to a very great extent with the statement that the corporation ensures that contract outsourcing has been clearly understood by the key stakeholders, those who agreed to a great extent were 43.3% while those who moderately agreed were 35.5%.

Table 4 Logistic Outsourcing

Statements	Not at all	Small extent	Moderate extent	Great extent	Very great extent	Mean	Std Dev
The organization has proper inventory flow of goods	2.9%	7.7%	25.0%	26.9%	37.5%	3.88	1.09
The organization ensures that inventory accuracy is achieved	4.8%	7.7%	11.5%	40.4%	35.6%	3.94	1.10
The organization has good inventory turns / proper space utilization	10.6%	6.7%	34.6%	15.4%	32.7%	3.53	1.30
Good housekeeping practices have been achieved by the organization	2.8%	8.7%	27.9%	39.4%	21.2%	3.67	1.00
Proper receipt procedures have been undertaken by staff in the organization	4.8%	17.3%	27.9%	32.7%	17.3%	3.40	1.11
The organization ensures that there are less damages to commodities due to proper storage	1.9%	3.8%	27.9%	36.6%	29.8%	3.88	0.95
There are proper contract outsourcing strategy set by the government corporations	3.8%	6.7%	13.5%	45.2%	30.8%	3.92	1.03
The corporation ensures that there is compliance with the contract outsourcing strategy	2.9%	9.6%	30.8%	34.6%	22.1%	3.63	1.02
The corporation ensures that contract outsourcing has been clearly understood by the key stakeholders	0.0%	0.0%	35.5%	43.3%	21.2%	3.86	0.74
Average						3.75	1.04

Third party logistics outsourcing

The study sought to determine the effect of Third party logistics outsourcing on the performance of state corporations in Kenya. The results of the study were as shown in table 4.6. The findings of the study revealed that 41.3% of the respondents indicated that they agree to a very great extent with the statement that Vehicle scheduling has improved at the corporation, those who agreed to a great extent were 25.1%, 26.9% of them agreed to a moderate extent while those who agreed to a small extent were 3.8% and 2.9% of the respondents indicated not at all.

The results also showed that 46.2% of the respondents indicated that they agree to a very great extent with the statement that route optimization has been achieved at the corporation, those who agreed to a great extent were 33.7%, those who moderately agreed were 13.5% while those who agreed to a small extent were 6.6%. Moreover, the findings of the study revealed that 47.2% of the respondents indicated that they agree to a very great extent with the statement that fleet tracking tools have increased vehicle visibility at the corporation, those who agreed to a great extent were 22.1%, those who moderately agreed were 24% while those who agreed to a small extent were 2.9% and those who indicated not at all were 3.8%. Further, the results of the study showed that 28.9% of the respondents indicated that they agree to a very great extent with the statement that good housekeeping practices have been achieved by the corporation, those who agreed to a great extent were 22.1%, those who moderately agreed were 31.7% while those who agreed to a small extent were 11.5% and those who indicated not at all were 5.8%.

Furthermore, the findings of the study revealed that 17.3% of the respondents indicated that they agree to a very great extent with the statement that proper receipt of goods procedures have been undertaken by staff, those who agreed to a great extent were 15.4%, those who moderately agreed were 40.4% while those who agreed to a small extent were 17.3% and those who indicated not at all were 9.6%. The findings of the study also showed that 28.8% of the respondents indicated that they agree to a very great extent with the statement that less damages to commodities due to proper storage, those who agreed to a great extent were 26.9%, those who moderately agreed were 33.7% while those who agreed to a small extent were 4.8% and those who indicated not at all were 5.8%.

In addition, the results of the study showed that 41.4% of the respondents agreed to a very great extent that staff welfare has been achieved due to implementation of health and safety standards, those who agreed to a great extent were 37.5% while those who moderately agreed were 14.4% while those who agreed to a small extent were 6.7%. The results of the study revealed that 29.8% of the respondents agreed to a very great extent with the statement that the corporation has better handling of goods in freight, those who agreed to a great extent were 21.2% those moderately agreed were 30.8% while those who agreed to a small extent were 11.5% and those who indicated not at all were 6.7%. Finally, the findings of the study showed that majority 44.2% of the respondents agreed to a very great extent with the statement that the corporation has improved storage and shipping of inputs, those who agreed to a great extent were 34.6% while those who moderately agreed were 21.2%.

Table 5 Third party logistics outsourcing

Statements	Not at all	Small extent	Moderate extent	Great extent	Very great extent	Mean	Std Dev
Vehicle scheduling has improved at the corporation	2.9%	3.8%	26.9%	25.1%	41.3%	3.98	1.05
Route optimization has been achieved at the corporation	0.0%	6.6%	13.5%	33.7%	46.2%	4.19	0.91
Fleet tracking tools have increased vehicle visibility at the corporation	3.8%	2.9%	24.0%	22.1%	47.2%	4.06	1.09
Good housekeeping practices have been achieved by the corporation	5.8%	11.5%	31.7%	22.1%	28.9%	3.57	1.19
Proper receipt of goods procedures have been undertaken by staff	9.6%	17.3%	40.4%	15.4%	17.3%	3.13	1.18
Less damages to commodities due to proper storage	5.8%	4.8%	33.7%	26.9%	28.8%	3.68	1.12
Staff welfare has been achieved due to implementation of health and safety standards	0.0%	6.7%	14.4%	37.5%	41.4%	4.13	0.90
The corporation has better handling of goods in freight	6.7%	11.5%	30.8%	21.2%	29.8%	3.56	1.22
The corporation has improved storage and shipping of inputs.	0.0%	0.0%	21.2%	34.6%	44.2%	4.23	0.78
Average						3.84	1.05

Organization Performance

The study sought to determine extent to which the respondents agree with the statements concerning their organizations' performance in relation to the outsourced practices that have been adopted. The results of the study showed that the 25.1% of the respondents agreed to a very great extent with the statement that there is an improvement in the quality (product/services) at the corporation, 26.9% of them agreed to a great extent, those who moderately agreed were 41.3% while those who indicated that they agree to a small extent were 6.7%. The results also showed that 41.3% of the respondents indicated that they agree to a very great extent with the statement that there is a decrease in operating costs, those who indicated great extent were 40.4%, those who moderately agreed were 6.7% while those who indicated small extent were 8.7% and those who indicated not at all were 2.9%. The findings are consistent with the argument by Ndubai (2016) that poor service delivery has been witnessed in the public sectors both worldwide and in Kenya.

The results also showed that majority 54.8% of the respondents agreed to a very great extent with the statement that there is faster response to customer demands/customer satisfaction, those who agreed to a great extent were 27.9% while those who moderately agreed were 17.3%. Moreover, the results of the study revealed that 41.3% of the respondents agreed to a very great extent that there is an increase in productivity, those who agreed to a great extent were 20.3%, those who moderately agreed were 29.8% while those who agreed to a small extent were 1.9% and those who indicated not at all were 6.7%. The findings justify the statement of the problem as argued by Linyiru (2015) that there has been poor performance in the public sector. Additionally, the results of the study revealed that 27.9% of the respondents agreed to a very great extent with the statement that there is an increase in the efficiency in service provision, those who agreed to a great extent were 25%, those who moderately agreed were 23.1% while those who agreed to a small extent were 19.2% and those who indicated not at all were 4.8%. The results also showed that 26.9% of the respondents agreed to a very great extent that there is an increase in revenue, those who agreed to a great extent was 31.8% while those who moderately agreed were 41.3%.

Further, the results of the study revealed that 31.7% of the respondents agreed to a very great extent that the effectiveness in providing services has improved, those who agreed to a great extent were 40.4% while those who moderately agreed were 27.9%. Finally, the findings of the study showed that 36.5% of the respondents agreed to a very great extent that there is an improvement in the financial performance, those who indicated great extent were 46.2%, those who moderately agreed were 4.8% while those who agree to a small extent were 10.6% and those who indicated not at all were 1.9%.

Table 6 Organization Performance

Statements	Not at all	Small extent	Moderate extent	Great extent	Very great extent	Mean	Std Dev
There is an improvement in the quality (product/services) at the corporation	0.0%	6.7%	41.3%	26.9%	25.1%	3.70	0.92
There is a decrease in operating costs	2.9%	8.7%	6.7%	40.4%	41.3%	4.09	1.04
There is faster response to customer demands/customer satisfaction	0.0%	0.0%	17.3%	27.9%	54.8%	4.38	0.77
There is an increase in productivity	6.7%	1.9%	29.8%	20.3%	41.3%	3.88	1.18
There is an increase in the efficiency in service provision	4.8%	19.2%	23.1%	25.0%	27.9%	3.52	1.22
There is an increase in revenue	0.0%	0.0%	41.3%	31.8%	26.9%	3.86	0.82
Effectiveness in providing services has improved	0.0%	0.0%	27.9%	40.4%	31.7%	4.04	0.77
There is an improvement in the financial performance	1.9%	10.6%	4.8%	46.2%	36.5%	4.05	1.01
Average						3.94	0.97

To establish the cost efficiency of the public sector state corporations, data on the reliance on government transfers was used. The trend findings presented revealed that the state corporations' trends of the central government transfers to Parastatals as a percentage of tax revenue have been increasing since the year 2000. However, the trend is unsteady. This indicates that management of funds is not efficient and that is why more funds are demanded from the central government yearly.

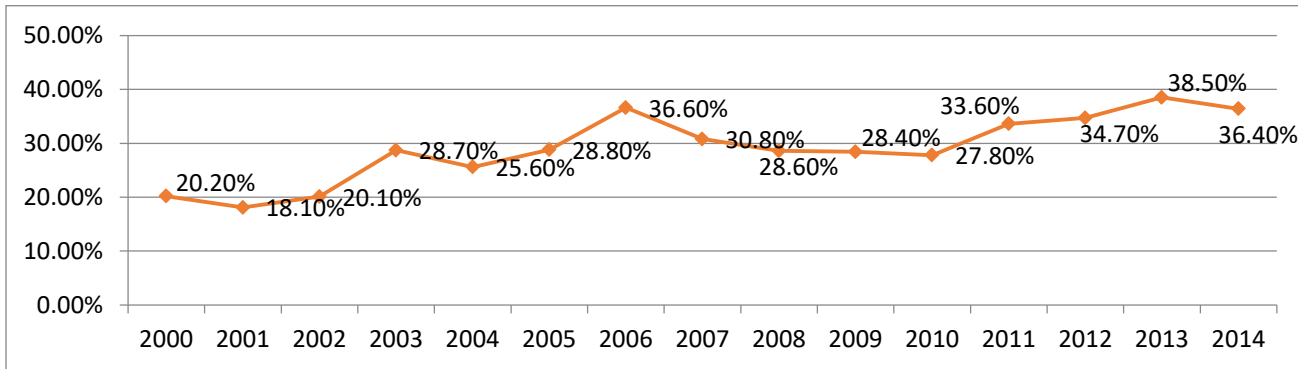


Figure 2 Central Government Transfers to Parastatals (% of Tax)

Source: Presidential Taskforce Report (2015)

The study also sought to establish the internal income generated by the state Parastatals from their investments. This indicated an increasing steady trend which reveals that since 2009, government state corporations have been recording a steady return from investments. However, the amount generated has remained below 1 Billion Kenya shillings. This indicates a need for improvement.

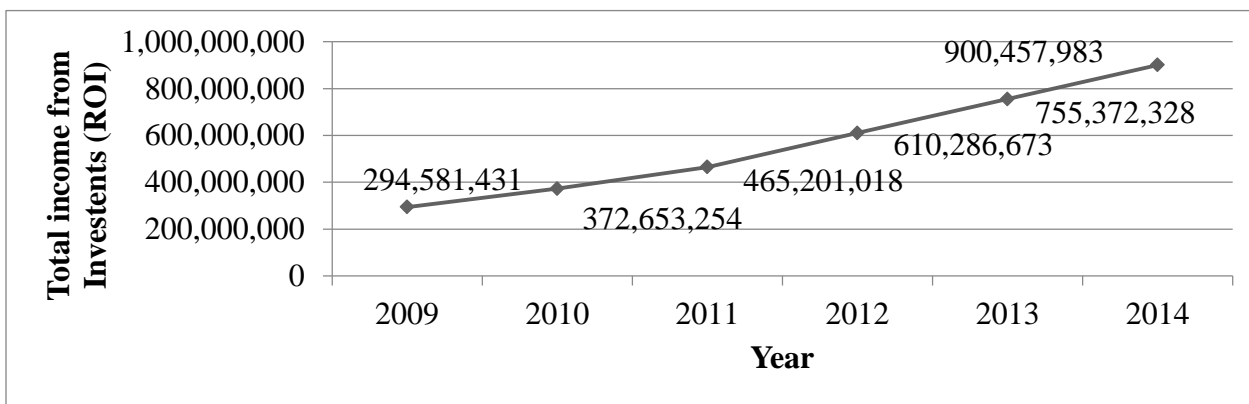


Figure 3 Total Income from Investments (ROI)

The study also sought to establish the customer satisfaction rate of citizens. All State Corporations in Kenya are required to identify their customers and develop a customer service charter for service delivery. Based on this, a survey is conducted to establish the customer satisfaction levels within the public service on a scale of 0% to 100%. The figures in Figure 4.7 generated from the presidential taskforce report 2015, revealed that customer satisfaction rating of the public services in Kenya has been unsteady and has remained below 50%. This justifies the statement of the problem that performance of state corporations in the public sector is below average.

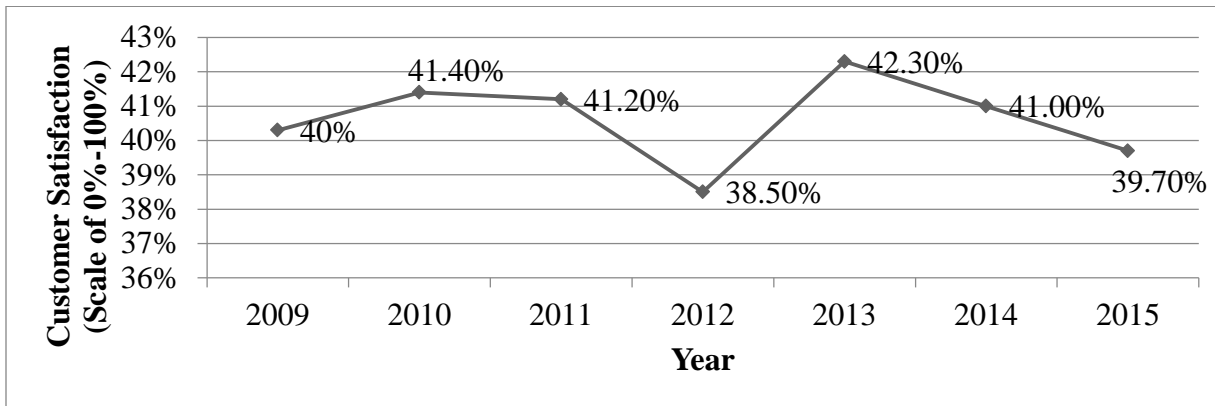


Figure 4 Customer Satisfaction Rate (Scale of 0% - 100%)
Source: Presidential Taskforce Report (2015)

Correlation Results

The study conducted correlation tests to establish the effect of procurement outsourcing on performance of state Corporations in Kenya. The findings of the study revealed that there was a positive and significant correlation between Inbound Logistics Outsourcing and the performance of state Corporations in Kenya as shown by a Pearson coefficient of 0.412 and significance level of 0.000. This implies that the availability of offloading facilities, training of staff on handling delicate inputs, reduced damage to inputs that are in store, proper distribution channels, optimization of the distribution means and expansive coverage of inputs during dissemination leads to a positive and significant effect in the performance of state Corporations in Kenya. The study findings are consistent with the results of a study by Heo, Kim and Kim (2007) which revealed that acknowledged that studies focusing on inbound logistics in the automobile industry had been limited because of the relatively small portion of logistics cost.

The results of the study indicated that Outbound Outsourcing had a positive and significant association with the performance of state Corporations in Kenya as shown by a Pearson coefficient of 0.573 and significance level of 0.000. This implies that availability of appropriate storage facilities for outbound goods, availability of handling facilities for goods in store, recording of output of goods from the store, carrying out intense marketing strategies leads to a positive and significant effect in the performance of state Corporations in Kenya. The study findings are consistent with the findings of a study by Kwateng, Manso and Osei-Mensah (2014)

which revealed that there was not much significant change in the supply chain performance measure of outbound logistics activities for the services of DHL to GGBL.

Furthermore, the results of the study showed that there was a positive and significant correlation between Logistic Outsourcing and the performance of state Corporations in Kenya as shown by a Pearson coefficient of 0.623 and significance level of 0.000. This implies that proper inventory flow of goods, ensuring that inventory accuracy is achieved, ensuring that there are less damages to commodities due to proper storage, compliance with the contract outsourcing strategy and ensuring that contract outsourcing has been clearly understood by the key stakeholders leads to a positive and significant effect in the performance of state Corporations in Kenya. The study findings agree with the results of a study by Mulam, (2012) which revealed that the outsourcing practices being adopted by the firms resulted in increased productivity, organizational effectiveness, increased profits, continuous improvement, improved quality and improved quality of work life.

Lastly, the results showed that there was a positive and significant correlation between Third party logistics outsourcing and the performance of state Corporations in Kenya as shown by a person correlation value of 0.525 and a significance level of 0.000. This implies that improved vehicle scheduling at the corporation, route optimization, adoption of fleet tracking tools to increase vehicle visibility, achieving of good housekeeping practices, undertaking of proper receipt of goods procedures by staff, less damages to commodities due to proper storage, implementation of health and safety standards so as to achieve staff welfare, better handling of goods in freight and improved storage and shipping of inputs leads to a positive and significant effect in the performance of state Corporations in Kenya. The findings are consistent with the results of a study by Soodyall (2013) which indicated that participants were in a better position than before they had outsourced logistics.

Table 7 Correlation Results

Correlations		Inbound Logistics Outsourcing	Outbound Outsourcing	Logistic Outsourcing	Third party logistics outsourcing	Organization Performance
Inbound Logistics Outsourcing	Pearson Correlation	1				
Outbound Outsourcing	Pearson Correlation	.279**	1			
Logistic Outsourcing	Pearson Correlation	.290**	.378**	1		
Third party logistics outsourcing	Pearson Correlation	0.032	.605**	.359**	1	
Organization Performance	Pearson Correlation	.412**	.573**	.623**	.525**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	
	N	104	104	104	104	104

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

Regression Results

The study used a multivariate regression model to establish the effect of procurement outsourcing on performance of state Corporations in Kenya. The results of the study showed that Inbound Logistics Outsourcing, Outbound Outsourcing, Logistic Outsourcing and Third party logistics outsourcing all accounts for 58.9% of the variation in the performance of State Corporations in Kenya. This is shown by a by an R-square value of 0.589. The regression results show that R was 0.768 which shows that the correlation between the independent variables and the dependent variable was positive.

Table 8 Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.768	0.589	0.573	0.1824

Predictors: (Constant), Third party logistics outsourcing, Inbound Logistics Outsourcing, Logistic Outsourcing, Outbound Outsourcing

The results of the study also showed that the overall regression model linking Inbound Logistics Outsourcing, Outbound Outsourcing, Logistic Outsourcing and Third party logistics outsourcing with the Performance of State Corporations in Kenya was significant as indicated by a significant F (4, 99) statistic as indicated by (0.000) significance level which was less than 0.05 at 5% level of significance. F calculated is 35.532 while F critical is 2.463. F calculated is greater than the F critical (35.532>2.363), this showed that the overall model was statistically significant at 5% significance level. The results of the study are as shown in table 9.

Table 9 Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.726	4	1.182	35.532	.000
	Residual	3.292	99	0.033		
	Total	8.018	103			

Dependent Variable: Organization Performance

Predictors: (Constant), Third party logistics outsourcing, Inbound Logistics Outsourcing, Logistic Outsourcing, Outbound Outsourcing

The summary of the findings regression analysis are as shown in table 4.10. The results of the study indicated that Inbound Logistics Outsourcing had a positive and significant effect in performance of state Corporations in Kenya ($\beta=0.168$, Sig=0.001). This implies that the availability of offloading facilities, training of staff on handling delicate inputs, better storage conditions, reduced damage to inputs that are in store, proper distribution channels, optimization of the distribution means and expansive coverage of inputs during dissemination leads to 0.168 unit increase in performance of state Corporations in Kenya. The findings agree with the findings of a study by Ndubi, Iravo and Ochiri (2016) which revealed that lead time, shipping lead time, customs brokerage TAT time and Receipt and Inspection of goods velocity have a high impact on inbound logistics performance of the organization.

Moreover, the findings of the study also indicate that outbound outsourcing had a positive and significant effect in the performance of state corporations in Kenya ($\beta = 0.167$, Sig = 0.017). This implies that the availability of appropriate storage facilities for outbound goods and presence of a wide network for outbound goods distribution, training the sales agents on marketing, carrying out intense marketing strategies leads to 0.167 unit increase in performance of state Corporations in Kenya. The findings agree with the findings of a study by Ji, Li, Lan, Dan-Feng and Jin (2016) which revealed that outbound open innovation has a positive effect on innovation performance and that both enterprise competence and knowledge spillovers moderate the relationship between outbound open innovation and innovation performance.

In addition, the findings of the study also revealed that that logistic outsourcing had a positive and significant effect in the performance of state Corporations in Kenya ($\beta = 0.270$, Sig = 0.000). This implies that proper inventory flow of goods, ensuring that inventory accuracy is achieved, good inventory turns / proper space utilization, ensuring that there are less damages to commodities due to proper storage, proper contract outsourcing strategy set by the government corporations, compliance with the contract outsourcing strategy and ensuring that contract outsourcing has been clearly understood by the key stakeholders leads to 0.270 unit increase in the performance of state Corporations in Kenya. The findings agree with the findings of a study by Brewer, Ashenbaum and Ogden (2013) which concluded that the motives, and thus the focus, of outsourcing is crucial to the performance outcomes.

Finally, the findings of the study also showed that Third party logistics outsourcing had a positive and significant effect in the performance of state Corporations in Kenya ($\beta = 0.192$, Sig = 0.004). This implies that improved vehicle scheduling at the corporation, route optimization, less damages to commodities due to proper storage, implementation of health and safety standards so as to achieve staff welfare, better handling of goods in freight and improved storage and shipping of inputs leads to 0.192 unit increases in the performance of state Corporations in Kenya. The findings agree with the findings of a study by Tahir, TabassumArshad and Ahmad (2013) which revealed that current logistics outsourcing situation in the country was found to be uneven with majority of companies majorly concerned in textile manufacturing and not in knowledge of the newer logistics outsourcing 4PL.

Table 10 Regression Coefficients

Predictor Variables	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	0.942	0.262		3.595	0.001
Inbound Logistics Outsourcing	0.168	0.051	0.233	3.314	0.001
Outbound Outsourcing	0.167	0.069	0.21	2.438	0.017
Logistic Outsourcing	0.270	0.051	0.386	5.293	0.000
Third party logistics outsourcing	0.192	0.064	0.252	2.990	0.004

Dependent Variable: Organization Performance

Conclusion

The study concluded that availability of offloading facilities, training of staff on handling delicate inputs, keeping accurate records of inputs received, availability of enough storage facilities, better storage conditions, reduced damage to inputs that are in store, proper distribution channels, optimization of the distribution means and expansive coverage of inputs during dissemination positively influences the performance of state corporations in Kenya. The study established that an increase in availability of appropriate storage facilities for outbound goods, availability of handling facilities for goods in store, recording of output of goods from the store, availability of proper distribution of outputs, availability of optimized distribution channels, and presence of a wide network for outbound goods distribution, training the sales agents on marketing, carrying out intense marketing strategies positively influences the performance of state corporations in Kenya.

Further, the study established that proper inventory flow of goods, ensuring that inventory accuracy is achieved, good inventory turns / proper space utilization, achieving of good housekeeping practices at the organization, undertaking of proper receipt procedures by staff in the organization, compliance with the contract outsourcing strategy and ensuring that contract outsourcing has been clearly understood by the key stakeholders positively influences the performance of state corporations in Kenya. The study established that improved vehicle scheduling at the corporation, route optimization, adoption of fleet tracking tools to increase vehicle visibility, achieving of good housekeeping practices, undertaking of proper receipt of goods procedures by staff, less damages to commodities due to proper storage, implementation of health and safety standards so as to achieve staff welfare, better handling of goods in freight and improved storage and shipping of inputs positively influences the performance of state corporations in Kenya.

Recommendations of the Study

The study recommends the state corporations in Kenya to ensure there are offloading facilities. The study also recommends the State Corporations to ensure there is reduced damage to inputs that are in store. Moreover, there is need for state corporations to ensure there are proper distribution channels so as to optimize the distribution means. The state corporations should have expansive coverage of inputs during dissemination. The study recommends the state corporations to ensure there are appropriate storage facilities for outbound goods as well as handling facilities for goods in store. Additionally, the study recommends the state corporations in Kenya to train their sales agents on marketing. The study recommends the state corporations in Kenya to ensure they have a proper inventory flow of goods. There is also need for state corporations in Kenya to ensure their inventory is accurate. The state corporations in Kenya should ensure they are compliant with the contract outsourcing strategy by ensuring that contract outsourcing has been clearly understood by the key stakeholders. The study recommends the state Corporations to ensure they have improved vehicle scheduling. There is also need for state corporations to ensure their routes are optimized. Finally, the study recommends the state corporations to ensure that the goods in freight are handled better and improved storage and shipping of inputs.

Conflict of Interest

No potential conflict of interest was reported by the authors.

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