EFFECT OF OUTSOURCING ON THE EFFECTIVENESS OF AN ORGANIZATIONAL

(A CASE STUDY OF SEVEN-UP BOTTLING COMPANY ILORIN)

BY

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CERTIFICATION

This is to certify that this project has been read and approved as meeting part of the requirements for the award of National Diploma (ND) in Business Administration in the Department of Business Administration and Management, Institute of Finance and Management Studies (IFMS), Kwara State Polytechnic, Ilorin.

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DEDICATION

This project is specially dedicated to Almighty God who crown all human efforts with success and who spare my life throughout this course I also dedicate this project to my parents **MR. & MRS**.**LAARO**

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First and foremost, my gratitude goes to God Almighty, who has been so merciful and generous in my life.

I am highly indebted to my parents who have vowed to leave no stone unturned in their quest to give me formal education. May God bless them. Last but not the least, when a tedious job has been done, one has to refer back and think who and who contributed towards the success of the job. As a matter of fact, I must acknowledge my debt of gratitude to my project supervisor, **MR. ADAM MOHAMMED** without whose diligent guidance and advice this study would not have seen the light of the day.

I also wish to place on record the invaluable help and commitment rendered by my friends and well-wishers for the moral and financial support given to me throughout the course of my study.

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My prayer is that God will reward those that contributed immensely for me towards this project directly or indirectly.

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ABSTRACT

The rapid change and explosive growth has been the concern of numerous organizations. Outsourcing strategies adopted have contribution to the growth of the sector due to its relevance and potentials for the economy. This study to ascertain the significant effects of outsourcing strategies on the organizational productivity of 7up Bottling Company in Nigeria as regards cost reduction, customer relationship and corporate profitability. About 300 questionnaires were administered to 7up Bottling Company in Kwara state to get primary data that treated appropriate research questions and three hypotheses were tested accordingly. The study found that outsourcing so far has positive impact on the productivity of 7up Bottling Company and the results indicated that the industry has benefited from outsourcing its business process to reduce cost of operation. Also the study discovered that outsourcing of certain technical aspects of business that has to do with knowledge and professionalism enhance customers' relationship. The study recommends that 7up Company should sustain business relationships that would assists in transaction negotiation with outsourcing vendors to boost the profitability of firms.

Keywords: *Organization, Profitability, Business, 7Up Bottling Company*

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Workplace today is in a state of metamorphosis with contemporary issues such as customer satisfaction, competitive advantage, revenue and expenditures, organisational culture, technological advancement, global markets, diverse customer demands and need for effective workforce with a global mindset of penetrating every aspect of the organisation. Effective workforce is crucial as it is the organisation's primary player in accomplishing goals and delivering service. According to Burke & Cooper (2004), "a firm's human resource management (HRM) practices and the kind of workforce help attain organisational competitiveness." HRM is the organisational function that enhances creativity, innovation, speed, flexibility, and efficiency of the workforce to transform them into organisational assets.

Human resource management is now highly recognised as a strategic lever for the organisation in creating value. For a long time, different companies or organizations in the world are taking advantage of, and spending money and trusting external providers of human resource services in order to offer cost effectiveness and efficiency of internal human resource procedures. This is particularly important for organizations, which are considered as important players in the financial sector in any country because of the economic benefits they provide in their economic environment.

Outsourcing is defined as the procurement of products or services from sources that are external to the organization (Rundquist, 2006). Very simply outsourcing can be defined as phenomena in which a company delegates part of its in-house operations to a third party with the third party gaining full control over that operation/process (Ono & Stango, 2005). The clients inform their provider what they want, how they want the work performed and the control of the process is with the third party instead of the parent company. From the above, outsourcing in this study will essentially refer to a process in which an organization delegates in-house operations/processes/services to a third party. Organizational performance in this study will refer to cost efficiency, productivity and profitability.

According to Chaffey (2008), judgments of efficiency are based on some idea of ‘wastage’. In this study, cost efficiency will refer to Nigeria Manufacturing Industry’s total revenue or sales compared to the total costs and overhead costs incurred to provide outsource services to its clients. Productivity is the amount of output produced with a given amount of inputs (Houseman, 2006). In this study, therefore, productivity will refer to the extent to which an amount of output in Nigeria Manufacturing Industry is produced with a certain amount of input and the extent to which value is created in Nigeria Manufacturing Industry in comparison to the time required to create that value. Profitability refers to the efficiency of a company or industry at generating earnings (Houseman, 2006). It is the amount of output per unit of input (labor, equipment and capital) or the ability of a firm to generate net income on a consistent basis or a measure that indicates how well a firm is performing in terms of its ability to generate profit (Houseman, 2006). Thus, the last two definitions will be used in this study and will be expressed in terms of: "how much Manufacturing Industry makes with what they have got" and "how much it makes from what they take in" on a consistent basis.

The growing interest in outsourcing over the years from western and eastern countries to the African countries and especially in Nigeria - the context of this study - is due to the benefits associated with it. According to Al-Shalabi, Omat and Runquist (2007), given the diverse nature of business processes a firm has to manage today. It is nearly impossible for the firm to manage all of its processes by solely depending on its own expertise. Even if it is visible, the firm may lose its focus and efficiency. Bathelemy and Adsit (2003) also emphasize that outsourcing some or all of non-core business processes can enable a firm focus on its core activities or activities in which the firm is more competent, rather services that fall outside its expertise. He adds that it will not only improve function effectiveness and flexibility by accessing a support network with highly qualified and specialized workforce but also help firms control their costs and business risk.

1.2 Statement of Research Problem

Business is highly dependent upon the work force. An organization can have all the capital and resources in the world but without a workforce to have the ideas organized, produce and market a product, nothing would ever reach consumers (Turner and Turner 2005). Substantial uncertainty remains, as to how Outsourcing practices affect organizational outcomes, whether some practices have stronger effect than others, and whether complementary or synergies among such practices can further enhance organizational performance. Baid and Meshoulam, (2008); Jackson and Schuler, (2005); Lado and Wilson, 2004; Milgrom and Roberts, (2005); Wright and McMahan (2002). Similarly, many HR functions these days struggle to get beyond the role of administration and employee champion, and are seen as more reactive than as strategically proactive partners for the top management and that HR organizations also have the difficulty in providing how their activities and processes add value to the company (Smit, 2006).

However, extensive research reveals outsourcing have become the preferred approach for improving quality and productivity in organizations.

Outsourcing practices, which have been adopted by leading financial institutions and have impacted on the growing financial sector in Nigeria, has not been well documented. This study therefore seeks to bridge the gap by assessing the effects of outsourcing on the performance of organizations.

1.3 Research Questions

i. Does outsourcing have effect on cost efficiency in Nigerian Manufacturing companies?

ii. Does outsourcing have effect on productivity in manufacturing industry in Nigeria?

iii. Are there significant relationships between outsourcing and organizational productivity?

1.4 Objectives of the Study

The general objective of this study is to examine the effect of outsourcing on organizational productivity. Specific objectives are to:

i. Establish the effect of outsourcing on cost efficiency in Nigerian Manufacturing companies.

ii. Examine the effect of outsourcing on productivity in manufacturing industry in Nigeria.

iii. Examine the significant relationship between outsourcing and organizational productivity.

1.5 Research Hypotheses

The Research Hypotheses are indicated in their null and alternate forms.

Hoi: Outsourcing does not have effect on cost efficiency in Nigerian Manufacturing companies

Hoii: Outsourcing does not have effect on productivity in manufacturing industry in Nigeria

Hoiii: There are no significant relationships between outsourcing and organizational productivity

1.6 Significance of the Study

The study on the effects of outsourcing on performance is important because it will help companies engaged in the practice to assess the impact of outsourcing on their operations. As unemployment rate rises in Nigeria, it will provide government with more insight to reviewing policies of companies outsourcing their operations since it impacts on job creation which helps in the development of Nigeria. The research will further educate businesses about outsourcing ensuring that if the goal of an organization is to engage in this mode of operation all options are well analyzed. The study will also help organizations to estimate the relative cost of outsourcing to their companies.

It will again help management to use the appropriate ways to select vendors that are competent and qualified. The study also intends to provide the academic community with information that students studying in the related field could access for reference purposes.

1.7 Scope of the Study

The study is focused on the effect of outsourcing on organizational productivity. It is limited to some 7 Up Bottling .Company. The research work would cover an in-depth study of the industry selected output at the preceding period of production for period of five years covering 2014 to 2021, this period has been chosen carefully because it is believed that most industries started becoming more industrialized during this period.

1.8 Definition of Terms

Outsourcing: Outsourcing means using an external provider for services for a company that is not able to provide them for itself, or cannot provide them in a better and efficient way.

Performance: Performance refers to output and their outcomes obtained from process, production and services that permits evaluation and comparison relative goals or standards expressed both in monetary and non- monetary terms, in technical terms, a performance measure is a quantifiable expression of the amount, cost, or a result of activities that indicate how well or badly a firm is performing both financially and non-financially.

Resource Based View (RBV): This theory focuses on the resources and capabilities that a company has and only secondarily on the industries/markets in which it operates.

Transaction Cost Economics (TCE): Transaction costs are the costs incurred in the process of trading i.e. the process of selling and buying above the price of the product that is being traded.

Core Competence Theory: Is the shared knowledge of an organization, with regard to the means of combining different productive skills and the unification methods of various different technologies.

Agency Theory: This is a management and economic theory which explains relationships and self-interest in business organizations. It describes the relationship between principals/agents and delegation of control. In this theory, the principal determines the work whereas the agent performs or makes decisions on behalf of the principal.

Professional Service Outsourcing (PSO): Professional Services Outsourcing (PSO) is a key component of a total workforce strategy and is unique since it focuses on the client-provider relationship on the work product being delivered rather than practically any other element in the talent supply chain.

Manufacturing outsourcing: Outsource manufacturing entails hiring external people to join parts of, or build an entire product. It is usually cheaper to outsource production processes to companies that have a comparative advantage in that area than to produce them internally.

Operational Outsourcing Service: This type is basically related with the manufacturing industry due to operational tasks and steps required to be taken for the end result to be achieved properly. Some of these activities include equipment repairs and machine maintenance which is commonly outsourced to a 3rd party that specializes in such tasks.

Process-Specific Outsourcing: It is also known as Business process Outsourcing (BPO) which is a subgroup of outsourcing involving the undertaking of the operations and responsibilities of a particular business process to a third party service provider.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter is a review of existing literatures by other researchers which are relevant to the area of the research being conducted which is on the effect of outsourcing on organizational productivity. More specifically, it is a documentation of available knowledge on some issues concerning the dependent and independent variables being discussed in this research. It is made up of: the conceptual framework which includes definitions, concepts, and terminologies related to the research study, the theoretical framework which includes a review of various theories related to this research, and the empirical framework made up of the conclusions drawn by researchers in the area of interest concerning this research study.

2.1 Conceptual Framework

2.1.1 The Concept of Outsourcing

Outsourcing is the act of one company contracting with another company to provide services that might otherwise be performed by in-house employees. Outsourcing is defined as a contract service agreement in which an organization hires out all or part of its operations to an external company. The recipients for outsourced activities are generally in the same country. When a company on another continent is involved e.g. India, the correct term to use is offshore outsourcing. Near shore outsourcing refers to outsourced projects that are outside the country, but on the same continent e.g. a US company outsourcing activities to a company in Canada would be called near shore outsourcing. Feenstra (2005) described it as a “disintegration of production” or a “super specialization”. Dutta and Roy (2005), mentioned a phenomenon called “vertical fragmentations”. Lacey and Blumberg, (2005), defined 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 (Asher and Nandy 2007).

In the words, Bennedsen and Schultz, (2005) note that outsourcing decisions are influenced by the quality of information available, cost, profitability, strategic alliance, supplier quality, financial evaluation, risk and efficiency. Bennedsen and Schultz, (2005) also suggested that comprehensive use of outsourcing can provide organizational, technical behavioural benefits and provide greater visibility of both issues and processes of all the functions affected.

Mukherji et al 2007 discoverers that drivers of outsourcing decisions are both internal and external to the outsourcing organization as more processes are integrated with information systems. Often the tasks that are outsourced could be performed by the company itself, but in many cases there are financial advantages that come from outsourcing. Many large companies now outsource jobs such as call center services, e-mail services, and payroll. These jobs are handled by separate companies that specialize in each service, and are often located overseas. Outsourcing enables an organization to better marshal its own resources and those of its external agents who have the required expertise and specific resources/technologies to accomplish all the tasks involved (Wu et al. 2003). Effective use of outsourcing will, therefore, allow an organization to focus on a limited set of strategically important tasks and will in turn lead to continuous enhancement of its core competencies (Dess et al. 1995, Kotable 1990, Quinn 1992, Venkatraman 1989). Moreover, advances in business logistics and processes have encouraged companies to increase the outsourcing of non-core operations. This has led companies to develop new business strategies to manage goaloriented activities (Mowshowitz 1994) that depend heavily on outsourcing. Outsourcing has also resulted in a significant altering of organization configuration and boundaries, outsourcing can obviously help an enterprise achieve considerable benefits, but employing outsourcing without proper consideration of long-term performance may also jeopardize competitiveness.

2.1.2 Evolution of Outsourcing

Outsourcing dates far back to the 17th century when in Scotland the workers had an outsourced job to make America's covered wagon covers as the raw materials were being imported from India. Later on in the 1830's England's textile industry was highly acknowledged because they had become unbeatable to the Indian manufacturers since they could not complete a work that was outsourced to England (Bacon, 1999). Andrew and Erik (2007) made it known that that the word "outsource" first occurred in an article in the 1979 Journal of regal society of arts. The ancient Chinese empire and the Japanese also adopted outsourcing to their conquered nations. It may be surprising to realize that outsourcing existed since the early days of civilization but nobody heard about it that was because outsourcing was only adopted then by small scale industries and in just few specific regions like USA and Europe. These days, outsourcing has been made possible through globalization, explosive growth of internet and the development of information society in every region of the world has made outsourcing an integral part of the world economy.

2.1.3 Reasons for Outsourcing

Looking through past researches (Prasad and Prasad, 2007) posit that the drive for greater efficiencies and cost reductions has forced many organizations to increasingly specialize in a limited number of key areas. This has led organizations to outsource activities traditionally carried out in – house. Although the term outsourcing has become popular in recent years, organizations have always made decisions about determining their boundaries (Daniel, 2006).

Outsourcing has been a key strategy used by companies in many industries for decades. Automotive companies have been outsourcing manufacturing operations, business services and even entire lines of business since the early 1980s. More recently the contract manufacturing sector has developed with considerable outsourcing by electronic industry original equipment manufacturers (OEMs). Business processes such as information technology, logistics, human resources management, payroll, and certain elements of procurement have been outsourced. Across the globe competitive pressures aid need for quarter to quarter financial performance improvement are driving an increase in the magnitude of outsourcing across industries worldwide. Companies are establishing and executing outsourcing plans in order to match competitors in their outsourcing endeavors, improve non – competitive cost structures, focus on core competencies and reduce capital investment and overall fixed costs, achieve cost competitive growth in the supply base for goods, services and technologies in a company`s value chain, and establish a future sales footprint in a low – cost country by outsourcing simple goods or business processes. these factors are forcing companies to fully evaluate their outsourcing models to determine their validity in today`s highly competitive world.

2.1.4 Processes of Outsourcing

Effective outsourcing requires established processes to help determine what to outsource and why, how to find the suppliers that align best with future plans, how to establish relationships and define contracts, execute the transition plan and measure results, and also take corrective actions as necessary. Outsourcing takes place when an organization transfers the ownership of a business process to a vendor (Rothaermel, et al 2006). Outsourcing simply means to transfer work responsibilities and decision rights to someone outside the business. Outsourcing is considered as a strategic tool for the organization to employ to increase its competitiveness and performance in the marketplace. For effective outsourcing, the initiative must be evaluated in the context of the strategic posture of the organization. As provided by Mark, Kelvin and Carlo, (2006) the outsourcing process includes; Strategic assessment, Needs analysis, Vendor assessment, Contract and negotiation management, Continuance modification or exit strategies, Relationship management, Project initiation and transition. This strategic assessment is the focal activity in the first stage of the outsourcing process. During the strategic assessment stage, the organization makes a business case clearly identifying the intended benefits of employing outsourcing as a strategy. Doing this will require the organization to analyze its core competencies and identify areas that are suitable for outsourcing, put in place an executive team, and conduct operational, financial and risk assessments. Once a business case for outsourcing is presented and agreed upon, the business become ready to get into the act of outsourcing. After the strategic assessment, there might be many possible candidate areas or projects within the company that the organization think are ripe for outsourcing.

In the next step, selection begins and at this stage it would involve prioritizing organizational needs and defining, at an operational level, the one or more outsourcing projects that the organization would like to focus on. For each such project, the next stage is to conduct a thorough needs analysis. Needs analysis is akin to a strategic assessment made at the first stage, but it is more detailed and concentrated for the specific project. Here the organization looks at the peculiarities of the given project are and how it can best articulate the requirements, evaluate the requirements by mapping them to the broader business case prepared during the strategic assessment and prepare a proposal to articulate these needs to potential vendors.

The third stage is one of soliciting, evaluating and choosing the vendor for the outsourcing needs. The vendor selection and contracting phase provides a structured framework to guide the organization through critical vendor selection and contracting activities. Choosing the right vendor is much like choosing a good partner; the chances are that if you make the right decision from the onset you will have a potentially lasting relationship, while choosing the wrong vendor could damage and thwart a well-intentioned outsourcing project.

Once a vendor is chosen, the next steps are to engage in negotiations (and renegotiations) until an agreement is reached about the details of the outsourcing work. This is followed by the composition of the outsourcing contract – the legal document that codifies the nature and scope of the business relationship. During the negotiation and contract stage the focus is on securing a legally binding deal that is documented and not just verbally arranged, and which is best for all parties involved in the outsourcing relationship. Once all the business partners sign on the dotted lines, the organization is ready to begin the outsourcing project- the project initiation and transition phase.

The stages of project initiation and transition are the most seminal stages of the outsourcing relationship-this is where 'the rubber meets the road'. This is the stage where the client organization slowly starts to relinquish control of the work to the outsourcing vendor. The initial stages of the outsourcing relationship require diligent attention to deal with emergent issues and smooth out any problems that occur. This is the stage that marks the foundation of the continued relationship; hence it is important to address problems up front rather than letting issues escalate.

After the initial stages, the outsourcing relationship become routine enough for the organization to begin managing the day-to-day operations of the relationship, also called governance. The focus of this stage is to keep up to date with the outsourcing relationship. The salient activities in this stage include evaluation of the relationship, problem resolution, communications management, knowledge management and process management. While management of the relationship is a continuous process, occasionally the client organization may face events that require it to pause and evaluate the future of the relationship. Events could be items such as new strategic alliances, changes to the vendor's business or innovations in the marketplace. An organization must evaluate its current outsourcing contract to see if its best interest lies in continuing, modifying or exiting the relationship. Choosing any one of these alternatives will call for reconnecting to the first stage of the life cycle and reconducting a strategic assessment, to repeat the cycle.

2.1.5 Benefits of Outsourcing

Outsourcing offers many incentives that can contribute to the firm`s competitive advantage. With respect to cost, outsourcing may contribute to cost reduction by providing improved economies of scale, access to technologies, shared risk, and greater availability of time to devote to the development of core competencies (Ghodeswar and Vaidyanathan, 2008). These cost savings are likely to be especially in the delivery of administrative and transactional activities. In addition, by allowing the firm to purchase only the amount of consulting support needed, outsourcing can enhance flexibility as well as improve cost efficiency by turning some fixed costs into variable costs (Gill 2007).

Outsourcing also provide an opportunity to acquire specialized expertise and expert knowledge in areas where a firm`s internal staff is deficient (Shy and Stenbacka 2005). In similar manner, outsourcing helps to attain sustained competitive advantage by improving performance as well as freeing up of internal resources for core competencies. Outsourcing is becoming known as a stimulator for higher levels of innovation throughout business practices and technology; it enables companies to utilize their resources to better promote their competitive advantage. An increasing need for IT solutions have made the investment in outsourced – information management based systems the single biggest cost variable in the corporate budget; thereby, the choice of the outsourcing partner is vital (Brooks, 2006). On the average, executives spend only 20% of their time managing customer relations and promoting their business, the remaining 80% is spent managing the details of their business and business processes. Employing an IT service provider enables executives to gain control over their time, promoting opportunities to explore new revenue streams and customer focus (the Network Connection).”Executives view outsourcing not as an alternative but as a necessity. The ultimate goal of outsourcing is providing superior products and services to customer and client” (Bard, 2004).

The number of companies involved in outsourcing from low ends, high end jobs to offshore destinations has increased to a very large extent so also the number of companies providing outsourcing services causing variety. Since firms increase in their experience and understanding of outsourcing as years go by with more companies outsourcing, it makes things much clearer therefore reducing the various risk that could be involved in outsourcing. The following are the advantages of outsourcing:

I. **Increased Productivity-** Employment of a large number of skilled manpower at low cost would result to increased productivity and customer satisfaction. (Nonaka and Takeuchi 1995).

II. **Better Focus of Resources on Firm's Core Business-** Companies want to spotlight their core competencies; they avoid getting entangled and wasting time performing task disadvantageous to those competencies so therefore back offices are critical for the firm's everyday activities, the operation of the back office requires high maintenance and specialized concentration. By outsourcing back office operations to a specialized third party company, business can focus on their major activities. (Viming and Globerman 1999)

III. **Competitive Advantage-** in recent times, for a company to retain its customers, provision of high quality services is of great importance. The company should also provide the services at cheap prices. Outsourcing in this case can help the company maintain lower rates with better service solutions, thereby giving them a better market position and competitive advantage. Organizations "obtain sustained competitive advantage by implementing strategies that exploit their internal strengths, through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses" (Brooks 2006)

IV. **Cheaper World Class Technology-** The high risky cost of investing in new technology due to the rapid development of technology has made it a complex thing to keep up with latest innovations and solutions. Thus companies can outsource the technology part to companies that have the resources, expertise and desire to continuously update their technological solutions, to save the cost and reduce the risk itself bears. Outsourcing resolves the problem of an ever-changing technology world and enables the executive to focus on promoting his core competencies. Thomas and Thomas (2008).

(v) **Skilled Manpower-** A firm can employ skilled and trained manpower at low rates by outsourcing which ultimately leads to increased productivity and low cost. Outsourcing the company also helps utilize the kind of expertise that could not be produced internally. Internal operations can be reduced by outsourcing if not the company will maintain it internally with higher costs. (Farrell and Grant, 2005)

2.1.6 Drawbacks of Outsourcing

Despite the rising popularity of outsourcing organizational activities, the practice is not without pitfalls. Risk and pitfall typical in an outsourcing initiative, the following can be identified:

i. Displaced Employees

Thomas & Rick (2005) discovered that Outsourcing sometimes results in job losses, especially in cases where reducing head count is the objective. According to research, a large number of employees whose organizations outsource their business activities may have similar problems to those employees that have undergone downsizing, employees who are lucky to remain in the company after outsourcing believe that the possibilities of them staying in the company is low, because they could be the next in line to lose their jobs. Plans for redistribution of jobs should be implemented whenever possible, training and relocation of employees may be needed. Extreme caution must be exercised regarding displaced workers, company morale and public opinion. Contracts should include, whenever possible, the absorption of displaced workers by the vendor. The cost of displaced workers both qualitatively and quantitatively must be figured into the cost and analysis performed when outsourcing is considered as an option. Poor morale and stress are consequences of outsourcing. Organizations that outsource IT often must deal with unexpected cost such as lower productivity, added sick leave, and poor quality work. The cost of displaced workers and the effect on company morale may exceed the benefit of outsourcing project.

ii. Loss of Control

The contract agreed upon by the vendor and client, should be flexible enough to support contingencies and at the same time rigid enough to ensure that the outsourcing company's interests are protected because the contract is the key to loss of control. Without addressing issues in the service level agreement such as successful job completion rate, 24-hour response time and timely project completion and without clear guidelines, control cannot be maintained. Most control issues are as a result of lack of information. If a vendor and client do not communicate and establish a mutually beneficial partnership promoting each other's success, control problems increase.

iii. Loss of Business Knowledge

When knowledgeable staff people are eliminated or absorbed by a vendor, the accumulated know how and business knowledge goes with that staff member. Attempts in the future to return the process in-house will not have the benefit of key personnel with the needed knowledge on staff. Because knowledge is non-quantifiable, organizations fail to value this asset. The retention of corporate wisdom should be taken into account when considering the issue of outsourcing (Grossman, and Helpman, 2005).

iv. Risk and Reversibility

Contracts always require a company to commit to services for an extended period of time, if the outsourcer is not satisfied with the service, it could be difficult to break the contract. It will be costly to reverse the situation and return the services in-house.

v. Communication Problems

Communication failures are the biggest contributor to outsourcing project failures (IT convergence, 2003) language barriers are often present in the case of outsourcing, especially offshore outsourcing. The authors' personal experience contracting support personal experience contracting support personnel with outsourcers in partnership with various companies has resulted in difficulty understanding instructions due to language barriers.

vi. Timeliness

When considering timeliness in outsourcing, it is a challenge. Whenever additional levels are added to the infrastructure, time becomes an issue; a third party vendor adds an additional layer. If there is a delay in delivering reports at an appropriate time to the client, it's a big problem.

2.1.7 Organizational performance

Gamage (2014, P. 19) assert that, performance is measured by showing how efficient the organization is in use of resources to achieve its objectives or goals. It is the measure of fulfillment accomplished by individual, team, and organization. It consists of the actual output or results of an organization as evaluated or measured in comparison with its planned output (or goals and objectives). Performance measurementassess the parameters under which programs, investments, and acquisitions are meeting the targeted results (Perez & Machado, 2015, P. 20).

According to Trade (2000) most of performance measures can bring together into one group of the following five general categories. The first category is effectiveness: A process demonstrating the degree to which the process output integrates to requirements. The second category is efficiency: A measures pointing out the degree to which the process achieves the enforced output at minimal resource cost. The third is quality: The extent to which a product or service meets customer requirements and expectations. The fourth is timeliness: A measures of whether or not a unit of work was done exactly and on time. Criteria must be settled to describe what constitutes timeliness for a given group of work. The criterion is generally based on customer demands.

Productivity is the last category. It refers to the value added by the process divided by the cost of the labor and capital used. Kaplan and Norton (1996) utilized a balanced scorecard approach to measures organizational performance from different aspects such as customer, internal, innovation & learning and financial aspect. To measure organizational performance Tangen (2005, P. 8) has used seven aspects such as effectiveness, efficiency, quality, innovation, cost and productivity and Bolat and Yilmuz (2009) have added social and profitability aspect too. From the above literature, we can say that organization performance is a process of accomplishing the pre-established goals by rising efficiency quality, innovation, cost, productivity, and profitability from the customer aspect and also from the organizational perspective. In this research the organization performance will be presented by nonfinancial performance analysis to identify the strengths and weaknesses of the firm that result from the use of outsourcing strategy. Effect that outsourcing strategy has on organization performance can be measured by appraising the degree of achievement of the production, economic, customer satisfaction and other technological advantages of outsourcing contract. Customer satisfaction can be considered as the degree of acceptance or good condition between a customer need and outsourcing result.

However, Grover et al., (1996) recognized outsourcing success as the advantages from outsourcing acquired by the organization as a result of choosing outsourcing as a strategy. Outsourcing success can be measured by use of different items such as; access to skilled personnel, management of resources, cost reduction, customer satisfaction and increased access to key information technologies or innovation etc.

2.2 Theoretical Framework

The following theories are related to the concept of outsourcing which refers to a means by which a company establish contracts with another company to provide services that might otherwise be performed by in – house employees. The theories include:

2.2.1 Core Competencies Theory

A core competency is a concept in management theory originally advocated by CK Prahalad, and Gary Hamel, The concept of core competences has been developed on the basis of the resource-based theory. Prahalad and Hamel (1990) defined the core competencies as the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple streams technologies. The application of concept of core competences in outsourcing became very popular among scholars. The concept has been predominantly use to develop and test various outsourcing decision frameworks arguing that the core activities shall remain in house. Learning and communication premises of the concept made it also applicable in the Managing relationship and reconsideration phases. Vendor's competences are assumed to be one of the most important factors that influence success of an outsourcing arrangement (Levina and Ross, 2003; Feeney et al., 2005). Core competency is a specific factor that a business sees as being central to the way it, or its employees, works. It fulfills three key criteria:

i. It is not easy for competitors to imitate.
ii. It can be re-used widely for many products and markets.
iii. It must contribute to the end consumer's experienced benefits.

Some fast food companies in Nigeria have some products that are peculiar and associated best with their organization and this makes them to be regarded as leader in the area of such

Products offerings or delivery to customers. A core competency can take various forms, including technical/subject matter know-how, a reliable process and/or close relationships with customers and suppliers. It may also include product development or culture, such as employee dedication, best human resource management (HRM), good market coverage etc. Core competencies are particular strengths relative to other organizations in the industry which provide the fundamental basis for the provision of added value.

2.2.2 Agency Theory

Agency theory emanates from the problems of risk sharing between managers and brokers (Daily et al., 2003). This is a management and economic theory which explains relationships and self-interest in business organizations. It describes the relationship between managers/brokers and delegation of power. In this theory, the manager determines the work whereas the broker performs or makes decisions on behalf of the manager (Jensen & Meckling, 1976; Schroeder et al., 2011).

This theory summarizes and solves problems emanating from the relationship between a manager and a broker. Agency relationships are very common in financial management, due to the nature of the industry (David, 2009). The focus of the theory is to determine the most efficient contract putting in mind the risk and effort features of the manager and broker, information distortion and environmental uncertainty (Eisenhardt, 1989). Heath (2009) notes that AT creates an obligation to the principal and therein a moral duty to serve their interests in the best possible way.

2.3 Empirical Framework

In Nigeria, outsourcing represents major parts of business dealings of fast food companies, according to Oloketuyi (2006) fast food companies outsource power management, generator maintenance and raw materials because product range are large and barrier to entry is low in other to compete effectively, organizations considers cheap means of delegating responsibilities to the outsourcing vendor that will make them realize substantial profit. Fast food companies Outsourcing represents the 'fundamental decision to reject the internalization of an activity' (James 2001). A strategic decision is undertaken either to substitute external sourcing for internal activity or use externally provided activities to extend a firm's capabilities. Proximity between purchaser and provider of the outsourced activity may influence the outsourcing decision due to agglomeration or clustering effects – or what the urban economics literature calls "localization externalities" (Stephen 2001). These may affect the outsourcing decision by impacting on the costs of the outsourced activity, influencing the governance or management costs associated with outsourcing (Viming and

Globerman 1999) or by changing the risks associated with information asymmetry, bounded rationality and opportunism (Williamson 1975). In the particular context of the outsourcing adoption, where outcomes are uncertain and contracts are likely to be incomplete, the latter of these may be especially important. ‘Clustering of some firms may, for example, facilitate outsourcing possibilities, contacts and information that would not be readily available with dispersion. Locating in a central area may help to create and support networks of co-production or sub-contracting that can be vital to Research and development activities, through the resource savings that they provide. Such outsourcing economies may be crucial to small and medium-sized enterprises, it can save resources, and the patterns of trust and reciprocity that can develop from co-production may also provide for a stronger relationship between R&D and productive performance.

Charis (2006) cite that fast food companies outsourcing, the purchase of restaurant’s equipments, sub-assemblies, finished products or mobile transportation sales services from outside suppliers when internal production capacity is limited to maximize profit as projected. An enterprise will also outsource its business when it does not possess the crucial technology, but still wants to seize the business opportunities presented. (Chu 2005) conducted a survey in 11 industries on outsourcing expenses, expressed as a percentage ratio between outsourcing expenses and revenue. The survey found the population mean to be 54%, whilst the ratios for the lowest and highest industries were 27% and 83% respectively. We can conclude that industries spend about 50% of their revenue on outsourcing, a surprisingly large figure. This is also supported by (Chulli 2005), who suggests that outsourcing contributes a significant part of an organization.

A study on the effect of outsourcing on fast food industry performance also revealed that in food producing firms are facing increasing global competition, and simultaneous pressures on both the cost and quality of their products. Over the past two decades, food firms have responded to these pressures by investing in process and information technologies to streamline and automate operations. More recently, in an attempt to become stronger and responsive across the supply chain, businesses have begun to outsource core production processes and noncore support processes to focus on their core competencies for the purpose of increasing sales revenue.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The aim of this chapter is to identify and explain the procedures involved in sourcing and analysing data relevant to this study. Other issues addressed in this chapter include the research instrument, identification of research method, study population, sample size, research sample frame, sampling procedures, sources of data collection, validity, and reliability tests of research instruments for this research study. With data gathered, comprehensive first-hand information relating to the effects of outsourcing strategies on organizational performance of fast foods was obtained.

3.1 Research Design

This study adopts descriptive research design because this type of research design is purely on a theoretical basis where an individual collects data, analyses, prepares and then presents it in an understandable manner. It is the most generalized form of research design.

3.2 Population Of The Study

The population for this study comprises staff, Management staff and Customers of 7 UP Bottling Company, Ilorin. The staff is Three hundred (300), the management staff is Ten (10) while the customers are Three hundred and Ninety Eight (398), totaling Seven hundred and Eight (708).

3.3 Sample Size And Sampling Techniques

This research adopted simple random sampling techniques to determine the sample size. Based on this, the population of Seven hundred and Eight (708) was targeted. Thus, from the target population, the sample size was determined, using the formulae below:

$$n = \frac{N}{1+n\,(e)^2}$$

Where n = sample size

N = the target population (708)

e = margin of error (5%)

$$\therefore\ n = \frac{708}{1+708(0.05)^2}$$

$$= \frac{708}{1+1.77}$$

$$= \frac{708}{2.77}$$

$$= 255.59 = 256$$

3.4 Methods of Data Collection

The data used for this study was obtained from both primary and secondary sources from the 7up Bottling Company. The primary data was gathered using questionnaire structured on the basis of the research hypotheses, which was presented to respondents to express their views, opinions, and observations. Secondary data on the other hand refers to already published information. The secondary data used to conduct this study were sourced from textbooks, journals, articles, earlier publications, encyclopedia, and dictionaries.

Essentially, the secondary data was used to develop a proper conceptual and theoretical framework for this study, while testing research hypothesis and providing answers to the research questions was made possible by the primary data.

3.5 Instruments of Data Collection

The instrument of data collection for this research work was distributed through questionnaires.

3.6 Method of Data Analysis

The data was analysed using manual and electronic based methods through the data preparation grid and statistical package for the social sciences, (SPSS). The utilization of structured grids allows specific responses to be located with relative ease and facilitate the identification of emerging patterns (Munn and Drever, 1990). Also descriptive, statistical and content analyses techniques was used in the analysis of the data collected. The study used the descriptive analysis to achieve the mean, frequency distribution and percentage results of the research work. The study made use of statistical tools which include: analysis of variance (ANOVA), correlation efficient and regression analysis in testing hypotheses where applicable.

Other methods of data analysis considered in this study include parametric and non parametric measurement such as trend analysis and pictorial graphs. i.e (pie chart and histogram). The study made use of Simple linear regression analysis test for hypotheses 1 to 3 since they are measuring significance and effects and not relationship between variables which makes use of correlation analysis.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter deals with the data presentation, data analysis and interpretation. Where proper analysis and interpretation of data is done. As well as the percentage of the total number in the sample.

4.2 Presentation of Data

Table 1: Demographic Variable of the Respondents

Variable	Grouping	Frequency	Percentage
Gender	Male	148	57.8
	Female	108	42.2
	Total	**256**	**100.0**
Age	16-20 years	96	37.5
	21-30 years	74	28.9
	31-40 years	54	21.1
	41years and above	32	12.5
	Total	**256**	**100.0**
Educational Qualification	GCE/O Level	108	42.2
	OND/NCE	74	28.9
	HND/BSc	54	21.1
	MSC/MA	20	7.8
	Total	**256**	**100.0**
Occupation	Student	52	20.3

	Civil Service	76	29.7
	Self employed	62	24.2
	Others	66	25.8
	Total	**256**	**100.0**
Marital Status	**Single**	**165**	**64.5**
	Married	**91**	**35.5**
	Total	**256**	**100.0**

Source: Field Survey, 2024

Table one shows demographic information of the respondents. The gender distribution of the respondents showed that out of the 256 respondents who participated in the study, majority 148 of the respondents representing 57.8% were males, while the remaining 108 respondents representing 42.2% being females. Naturally, males and females have different attitudes and views toward events at the work place (Singer, 1996). In addition, distribution the age distribution of respondents who participated in the study. The purpose was to find out the average age of the employees who are actively involved in the operations within the organization. A close look at the Table shows that 96 respondents representing 37.5% fall within the age brackets 16-20 years; 74 representing 28.9% fall within the age brackets 21-30 years. 54 respondents representing 21.1% fall within 31-40 years while the remaining 32 representing 12.5% fall within the age brackets 40 years and above. The data shows that majority of the employees in the organization fall within 16-20years. Also the table shows the educational background of the respondents. The purpose was to find out the educational/academic qualifications of employees who participated in the study. The table shows responses elicited, 108 respondents representing 42.2% have obtained GCE/ O level school certificates; 74 representing 28.9% have obtained OND/NCE while 54 respondents representing 21.1% have obtained HND/BSC, the remaining 20 representing 7.8% have obtained MSC/MA degree. The data shows that majority of the employees have attained some level of education whose opinions and views are guided and well informed. Depicts the occupation of the respondents. The data gathered shows that 52 respondents representing 20.3% have were student; majority (76) representing 29.7% were civil service; 62 representing 24.2% were self employed while 66 representing 25.8% were others joys. Lastly the table shows the marital status of the respondents that 165 of the representing are single while the remaining 91 of the representing are married.

Analysis of research Question

Research Question One: Does outsourcing have effect on cost efficiency in Nigerian Manufacturing companies?

Table2: Outsourcing have effect on cost efficiency in Nigerian Manufacturing companies

S/N	**Items**	**Mean**	**Standard Deviation**	**Remark**
1.	Outsourcing of Business Operation Equipments	3.15	1.19353	**Agreed**
2.	Outsourcing of Organization’s Security Department	3.17	.72043	**Agreed**
3.	Outsourcing of Cleaners/Service Personnel.	2.85	.64822	**Agreed**
4.	Outsourcing the Supply of Raw Materials	3.14	.62117	**Agreed**
5.	Outsourcing of Front-Liners/Sales Officers	3.16	.41514	**Agreed**
	Average Mean	**3.094**		

Source: Field Survey, 2025

Table 2, shows the outsourcing have effect on cost efficiency in Nigerian Manufacturing companies. Item one shows that outsourcing of business operation equipment's with mean value of 3.15 while in item two, with mean value of 3.17 agree that outsourcing of organization's security department, item 3 show that outsourcing of cleaners/service personnel with mean value of 2.85 while in item four, with mean value of 3.14 supported that outsourcing the supply of raw materials. Lastly item five shows that outsourcing of front-liners/sales officers with mean value of 3.16. This implies that health and safety standards affects employee's productivity. The result in respect to average mean of 3.094 indicates that outsourcing have effect on cost efficiency in Nigerian manufacturing companies.

Research Question Two: Does outsourcing have effect on productivity in manufacturing industry in Nigeria?

Table 3: Outsourcings have effect on productivity in manufacturing industry in Nigeria

S/N	Items	Mean	Standard deviation	Remark
6.	Outsourcing of Production Staff	2.97	.81219	**Agreed**
7.	Advertising of the Organization and Its Products Is Outsourced	2.87	1.15680	**Agreed**
8.	Branding of the Company Image is Outsourced	2.77	1.10426	**Agreed**
9.	Research is carried out by our organization	2.82	.64822	**Agreed**
10.	Outsourcing of Public Relation functions.	2.97	.81219	**Agreed**
	Average Mean	**2.88**		

Source: Field Survey, 2025

Table 3 shows total data of outsourcing have effect on productivity in manufacturing industry in Nigeria. Item 1, with mean value of 2.95 outsourcing of production staff. Item 2 shows that advertising of the organization and its products is outsourced with mean value of 2.87 while in item 3, with mean value of 2.77 was adequate that branding of the company image is outsourced, item 4, with mean value of 2.82 agree that research is carried out by our organization, and in item 5, with mean value of 2.97 supported that outsourcing of public relation functions. This reflects that outsourcing have effect on productivity in manufacturing industry in Nigeria.

Research Question Three: Are there significant relationships between outsourcing and organizational productivity?

Table 4: relationships between outsourcing and organizational productivity

S/N	Items	Mean	Standard deviation	Remark
11.	The Packaging of Our Product/Packaging Materials Is Outsourced?	3.17	.41514	**Agreed**
12.	Management of Information and Communication Technology (ICT) By The Organization?	2.97	.81219	**Agreed**
13.	Outsourcing of Organizations Points Of Sales (POS) Terminals?	2.82	1.15680	**Agreed**
14.	Leasing of Cash Register Machines to other Organizations?	2.77	1.10426	**Agreed**
15.	Monitoring of Electronic Surveillance by the Organization.	3.15	1.19553	**Agreed**
	Average Mean	**2.97**		

Source: Field Survey, 2025

Table 4, shows the data of relationships between outsourcing and organizational productivity. Item 1 shows that packaging of our product/packaging materials is outsourced with mean value of 3.17, while item 2, with mean value of 2.97 agree that management of information and communication technology (ICT) by the organization, Furthermore Item 3 shows that outsourcing of organizations points of sales (POS) terminals with mean value of 2.82 in item 4, agree that leasing of cash register machines to other organizations with mean value of 2.77. Lastly item 5, with mean value of 3.15 was supported that monitoring of electronic surveillance by the organization. The result in respect to average mean of 2.97 indicates that relationships between outsourcing and organizational productivity**.**

Research Question Four: Are there significant relationships between outsourcing and organizational productivity?

Table 5: Relationships between outsourcing and organizational productivity

S/N	Items	Mean	Standard deviation	Remark
16.	Outsourcing of Business Processes to Reduce Cost of Operation	3.18	.73043	**Agreed**
17.	Outsourcing of Kitchen Operation to Professionals to Reduce Cost of Operations	2.85	.64822	**Agreed**
18.	Outsourcing of the Purchase of Raw Materials Reduces Our Cost of Operation	3.14	.64117	**Agreed**
19.	Outsourcing of Some Departmental Functions Reduces our Cost of Operation?	3.15	.62117	**Agreed**
20.	Outsourcing of Some of our Business Equipments Increases our Cash Flow	3.23	.8463	**Agreed**
	Average Mean	**3.08**		

Source: Field Survey, 2025

Table 5,also shows the relationships between outsourcing and organizational productivity. In item 1, show that outsourcing of business processes to reduce cost of operation with mean value of 3.18, while in item 2, with mean value of 3.85 realized adjudged that outsourcing of kitchen operation to professionals to reduce cost of operations, in item 3, mean value of 3.14 indicated that outsourcing of the purchase of raw materials reduces our cost of operation. While in item 4 with mean value of 3.15 realized that outsourcing of some departmental functions reduces our cost of operation and item 5, revealed mean value of 3.23 that outsourcing of some of our business equipment's increases our cash flow. In line with average mean value of 3.08, it was established that relationships between outsourcing and organizational productivity.

4.4 TESTING OF HYPOTHESES

Hoi: Outsourcing does not have effect on cost efficiency in Nigerian manufacturing companies.

Table 4.4.2 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.850[a]	.722	.719	.599

a. Predictors: (Constant), Outsourcing

The results from the model summary table above revealed that the extent to which the variance in sales turnover can be explained by business process outsourcing is 72.2% i.e (R-square = 0.722). The ANOVA table that follows shows the Fcal 233.248 at 0.05 significance level. Outsourcing significantly effect on cost efficiency in Nigerian manufacturing companies.

Table 4.4.3 ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	84.669	1	84.669	233.248	.000[a]
	Residual	32.643	255	.363		
	Total	117.312	256			

Source: SPSS Computation, 2025

. . . .
. . . .

a. Predictors: (Constant), Outsourcing

b. Dependent Variable: cost efficiency

Table 3 above shows that the analysis of variance for linear regression data produced F-ratio of 233.248 which is significant at 0.05. Therefore there exist a model fitness as the regression sum of square to total sum of square gives the precise estimate R^2-value=0.722 in the model summary above.

Table 4.4.4 Regression Coefficient[(a)]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	2.913	.817		3.566	.000
	BPO	.803	.059	.850	13.610	.000

Source: SPSS Computation, 2025

Dependent variable: cost efficiency

The coefficient table above shows the simple model that expresses how outsourcing have effect on cost efficiency in Nigerian manufacturing companies. The model is shown mathematically as follows; Y = a+bx where y is increase in cost efficiency and x is outsourcing, “a” is constant factor and “b” is the value of coefficient. From this table therefore, cost efficiency = 2.913 +0.803BPO. This means that for every 100% change in cost efficiency, outsourcing contributed 60.3%

Decision:

The significance level below 0.05 implies a statistical confidence of above 95%. This implies that outsourcing have effect on cost efficiency in Nigerian manufacturing companies. Thus, the decision would be to reject the null hypothesis (H_{01}), and accept the alternative hypothesis (H_{a1}).

Regression analysis for research hypothesis 2

H_{02}: Outsourcing does not have effect on productivity in manufacturing industry in Nigeria.

Table 4.4.5 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.764[a]	.584	.579	.627

Source: SPSS Computation, 2025

Predictors: (Constant), Outsourcing

Table 4 shows that outsourcing yields a coefficient of linear regression R^2 of 0.584 accounting for 58.4% of the variance in adoption of personnel outsourcing by the manufacturing industry in Nigeria. Table 5 that follow shows an F-ratio of 126.1 which is also significant at 0.05.The results from the model summary table above revealed that the extent to which the variance in personnel process outsourcing can be explained by profitability is 58.4% i.e (R-square = 0.584).

Table 4.4.6 ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	50.070	1	50.070	126.121	.000[a]
	Residual	35.736	255	.397		
	Total	85.806	256			

Source: SPSS Computation, 2025

a. Predictors: (Constant), Outsourcing

b. Dependent Variable: Profitability

The ANOVA table shows the F-calculated to be 126.121 at 0.05 significance level. The implication is that outsourcing significantly associated with profitability.

Table 4.4.7 Coefficients[(a)]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-.403	.504		-.780	.019
	PPO	.779	.041	.764	19.01	.000

Source: SPSS Computation, 2025

Dependent variable: Profitability

The coefficient table above shows the simple model that expresses the extent to which outsourcing affects profitability manufacturing industry in Nigeria. The model is shown mathematically as follows; Y = a+bx where y is profitability and x is outsourcing, ‘a’ is a constant factor and “b” is the value of coefficient. From this table therefore, profitability = -0.403 +0.779PPO. This means that for every 100% change in profitability, outsourcing is responsible for 77.9% of the change

Decision

The significance level below 0.05 implies a statistical confidence of above 95%. This implies that outsourcing effect on profitability manufacturing industry in Nigeria. Thus, the decision would be to reject the null hypothesis (H0), and accept the alternative hypothesis (H1).

H_{03}: There are no significant relationships between outsourcing and organizational productivity.

Table 4.4.8 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.725[a]	.525	.520	.656

Source: SPSS Computation, 2025

a. **Predictors: (Constant), Outsourcing**

The results from the model summary table above revealed that the extent to which outsourcing adopted by a firm increases the organizational productivity is 52.5% i.e (R square = 0.525). The ANOVA tables that follow show that the F-cal is 100.612 at 0.05 significance level. The implication is that Outsourcing adopted by a firm increases the organizational productivity of the companies.

Table 7

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	43.362	1	43.362	99.454	.000[a]
	Residual	39.219	255	.436		
	Total	82.581	256			

Source: SPSS Computation, 2025

a.Predictors: (Constant), Outsourcing

b. Dependent Variable: Organizational Productivity

The analysis of variance (Anova) table above tests whether the model is significantly better at predicting the outcome than using the mean as a 'best guess'. Specifically, the F-ratio (99.454) represents the ratio of the improvement in prediction that the results from fitting the model (labeled 'Regression' in the table), relative to the inaccuracy that still exists in the model (labeled 'Residual' in the table) which is significant at 5% level. And by dividing the regression sum of square value by the Total sum of square in the table returning the value of R^2=0.525, and the fact that the final model is significantly improve our ability to predict the outcome variable. However, the significant value of P (0.000) is smaller than (0.05) which means that the independent variable (outsourcing) is positively related with the dependent variable (organizational productivity). Hence, we posited that there is significant relationship between organizational productivity and outsourcing at 5% level of significant.

Coefficients[(a)]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-.513	.074		-6.932	.001
	Outsourcing	.789	.131	.725	6.023	.000

Source: SPSS Computation, 2025

Dependent variable: organizational productivity

The regression coefficient table above shows the simple model that expresses the extent to which outsourcing affects organizational productivity. The model is shown mathematically as follows; Y = a+bx where y is organizational productivity and x is outsourcing, 'a' is a constant factor and "b" is the value of coefficient. From this table therefore, organizational productivity= -0.403 +0.779KPO. This means that for every 100% increase in organizational productivity, outsourcing is responsible for 77.9% of the change. In addition to this, if peradventure the selected companies stop to outsource i.e. KPO=Branding=0; organizational productivity might reduce by 51.3% as shown in the constant of regression line above and this may cause a serious implication to the market share of the selected companies. Therefore, it is posited that there is significant relationship between outsourcing and organizational productivity

Decision

The significance level below 0.05 implies a statistical confidence of above 95%. This implies that There are significant relationship between outsourcing and organizational productivity. Thus, the decision would be to reject the null hypothesis (H_{03}), and accept the alternative hypothesis (H_{a3}).

4.3 DISCUSSION OF FINDINGS

The discussion of findings is based on major issues raised in the hypotheses of the study. All findings were held at a significant level $p < 0.05$

Hypothesis one

The result presented shows that the implementation of outsourcing have effect on cost efficiency in Nigerian manufacturing companies. The findings in hypothesis 1 has show that outsourcing adopted by these cost efficiency in Nigerian manufacturing has resulted in production cost reduction, competitive selling price and ultimately increased cost efficiency in Nigerian manufacturing. This findings further support resource-based thinking which stipulate that firms–specific resource endowments are determinants of competitive leverage (Rumelt, 1984; Werner felt, 1984).

Hypothesis two

The result of the test analysis on this hypothesis shows that outsourcing have effect on productivity in manufacturing industry in Nigeria because production process, constant innovation and concentration on core competence are the activities in which the organizations make use of outsourcing in order to increase their output and perform better competitively. Capability development and corporate/technology reputation was linked with the concept of competence trust (Berger, 1993). This was fully supported by the findings in hypothesis 2.

The above findings also aligns with the work of (Jones, 1995; Jones and Wicks, 1999) which postulates that competitive advantage accrue to firm that contract with their stakeholders on the basis of mutual trust and cooperation.

Hypothesis three

This hypothesis states that there is significant relationship between outsourcing and organizational productivity. After testing the null hypothesis, it was discovered that outsourcing has a positive and significant effects on organizational productivity resulting to high organizational performance. Organizations that integrate the voice of the environment and knowledge into their decision-making structure tend to accumulate short run economic gains. This result yields further support for instrumental stakeholder theory. Corporate and technology reputation represent an assessment of a firms relative standing by its relevant stakeholders.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 INTRODUCTION

This chapter gives an overview of the whole research work as this starts with the summary of the work from the first chapter to the last chapter, the findings that are to be looked at from the theoretical and the empirical point of view, the conclusion of this research work, recommendations that were proffered by the researcher as a way by which more research will have a benchmark or point of reference after this research work as to what is expected from them, suggestions were also made for further studies.

The purpose of this study is to examine the effects of outsourcing strategies on the organizational performance of Nigeria Bottling industry. In the course of this research work, three hypothesis were proposed and tested using regression analysis.

5.1 SUMMARY OF FINDINGS

The research work started with the background of this research topic which was explained to the best of the ability of the researcher. The research problem was stated in which four problems were stated in the area of effects of outsourcing strategies on the organizational performance of Nigeria 7up Company. The objectives of the study was drawn from the statement of the research problem was to ascertain whether business outsourcing assist fast foods entrepreneurs to reduce operation cost in their business, to find out if knowledge process outsourcing supports fast food companies to build customers relationship, to find out if outsourcing assist firms to increase sales turnover and to determine whether outsourcing strategies adopted by a firm assist Nigeria 7up to increase profitability.

In order for this study to be give full details, it was restricted to some specific variables that includes; cost of operation, customer relationship, sales turnover, and corporate profitability. The researcher laid empahasis on these variables in literature review. There was a brief introduction to the chapter and what it intends to deliver. Literature of other authors was reviewed as they relate to the research topic then the theories that are surrounding this research topic were brought to light in the theoretical framework, empirical framework and the gap in the literature reviewed.

In the course of this study, the researcher discovered that the role of outsourcing strategies adopted by firms in the 7up Bottling Company cannot be separated from the organizational performance. It has been proved by many researchers that the effects that outsourcing strategies on the performance of organizations cannot be over emphasized. Therefore for fast food companies to operate efficiently in the competitive industry, businesses should engage in outsourcing relationships that is well evaluated and scrutinized in order to operate with lower cost of doing business in Nigeria as a result of the complexity of the soft drinks business processes.

5.2 CONCLUSION

The success of Nigeria Bottling sector in today's global world cannot be over-emphasized. Businesses all over the world go as far as possible to acquire equipments and products that they perceive would aid their business transactions and performance. This study is an important study that helps to evaluate the effects of outsourcing strategies on organizational performance of Nigeria fast food companies. The study found that Nigeria fast food industry has adopted the usage of outsourcing strategies to reduce cost of business operations which is due to many factors that has to do with transferring of certain business process rights to specialized firms to avoid unwanted losses and increase revenue, according to findings many Nigeria businesses face the challenge of combining many business activities that they cannot manage alone on their own.

This study provides information for entrepreneurs to know the essence of outsourcing certain business functions so that result can be achieved with less stress. The study will also assist new entrants into the fast food industry to know that they cannot handle all services alone but delegate part of business responsibilities to another party via building and sustaining business relationships that is poised to make business process to be easy. Since the study will assist new entrants to enter into industry, it will also be an opportunity for outsourcing vendors to venture into the areas in which needs of fast food industry would be met.

5.3 RECOMMENDATIONS

Based on the findings of the study, the following recommendations can be summarized;

i. Since it has been reflected in this study that business process outsourcing assists 7up entrepreneurs to reduce cost of operation in business. Entrepreneurs should Endeavour to provide more frameworks for selecting outsourcing vendors that will benefit the organizations in the area of need to avoid financial crisis.

ii. It is recommended that 7up Company should find ways of understanding and sustaining customers' relationship to encourage more patronage by being efficient in terms of pricing and service quality because findings showed that Knowledge process outsourcing affects customers' relationship.

iii. Fast food companies should outsource only necessary aspects of business to avoid reduction in profit levels. The finding in the study has shown that the adoption of appropriate outsourcing strategies affects corporate profitability.

iv. Organizations should ensure information technology aspect of their business that they have no competence to manage should be outsource to reputable firms in other to compete efficiently in the competitive fast food industry and affect business performance positively.

5.4 LIMITATIONS OF THE STUDY

The following are the limitations to the study:

Time constraint: The time constraints made quite challenging in following up on respondents to collect questionnaire feedback for the necessary required data for analysis as well as meeting with supervisor for consultations.

Busy Schedule: Busy schedules of respondents at work coupled with their individual social responsibilities made it very challenging for them to respond to the questionnaires in time and to return them for the researcher to continue with data analysis. This further reduced the returns rate of questionnaire.

Financial constraint: Financing the research was very challenging because First Company as an organization was neither sponsoring the researcher’s education nor was it supporting the research financially. The financial challenges were compounded by some respondents demanding honorarium form researcher as motivation before they responded and returned the questionnaires.

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APPENDIX

QUESTIONNAIRE

SECTION A

1. Gender : male ( ) female( )
2. Age : 16-20 ( ) 21-30 ( ) 31-40 ( ) 41 years and above ( )
3. Educational qualification : GCE/SSCE ( ) OND/NCE ( )
   HND/BSC ( )
   MSC/MA ( )
4. Occupation : student ( ) civil servant ( ) self employed ( )
   Others ( )
5. Marital status : single ( ) married ( )

SECTION B

1. Outsourcing of Business Operation Equipments: Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree ( )
2. Outsourcing of Organization's Security Department Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree ( )
3. Outsourcing of Cleaners/Service Personnel Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree ( )
4. Outsourcing the Supply of Raw Materials Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree ( )
5. Outsourcing of Front-Liners/Sales Officers Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree ( )
6. Outsourcing of Production Staff Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree ( )
7. Advertising of the Organization and Its Products Is Outsourced Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree ( )

8. Branding of the Company Image is Outsourced Strongly Agree (   ) Agree (   ) Neutral (   ) Disagree (   ) Strongly Disagree (   )
9. Research is carried out by our organization Strongly Agree (   ) Agree (   ) Neutral (   ) Disagree (   ) Strongly Disagree (   )
10. Outsourcing of Public Relation functions. Strongly Agree (   ) Agree (   ) Neutral (   ) Disagree (   ) Strongly Disagree (   )
11. The Packaging of Our Product/Packaging Materials Is Outsourced Strongly Agree (   ) Agree (   ) Neutral (   ) Disagree (   ) Strongly Disagree (   )
12. Management of Information and Communication Technology (ICT) By The Organization. Strongly Agree (   ) Agree (   ) Neutral (   ) Disagree (   ) Strongly Disagree (   )
13. Outsourcing of Organizations Points Of Sales (POS) Terminals. Strongly Agree (   ) Agree (   ) Neutral (   ) Disagree (   ) Strongly Disagree (   )
14. Leasing of Cash Register Machines to other Organizations.
    Strongly Agree (   ) Agree (   ) Neutral (   ) Disagree (   ) Strongly Disagree (   )
15. Monitoring of Electronic Surveillance by the Organization.
    Strongly Agree (   ) Agree (   ) Neutral (   ) Disagree (   ) Strongly Disagree (   )
16. Outsourcing of Business Processes to Reduce Cost of Operation. Strongly Agree (   ) Agree (   ) Neutral (   ) Disagree (   ) Strongly Disagree (   )
17. Outsourcing of Kitchen Operation to Professionals to Reduce Cost of Operations Strongly Agree (   ) Agree (   ) Neutral (   ) Disagree (   ) Strongly Disagree (   )

18. Outsourcing of the Purchase of Raw Materials Reduces Our Cost of Operation Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree ( )
19. Outsourcing of Some Departmental Functions Reduces our Cost of Operation Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree ( )
20. Outsourcing of Some of our Business Equipments Increases our Cash Flow Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree ( )