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EFFECTS OF OUTSOURCING OF NON-CORE SERVICES ON ORGANIZATIONAL PERFORMANCE: A CASE STUDY OF PUBLIC PROCUREMENT OVERSIGHT AUTHORITY

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ABSTRACT
The growth in outsourcing over the last two decades has been unprecedented and today many firms use outsourcing. The study sought to analyze the effects outsourcing of noncore services on organizational performance. The purpose of this study was to assess the effects of outsourcing of noncore services on organization performance of the Public Procurement Oversight Authority (PPOA). The objectives of this study are; to identify how outsourcing of noncore services affects the performance of PPOA; to identify the benefits of outsourcing of noncore services at PPOA; and to find out the problems of carrying out outsourcing of noncore services at PPOA. The research study employed the use stratified random sampling technique where the respondents stratified into two strata: managers and other junior employees' stratum. Stratified random was used because the population was heterogeneous. The study population consisted of staff at PPOA. A sample of 40% comprising managers and other junior staff was surveyed.. The study established that supplier selection process, relationship management, contract management and organizational resources are essential element in outsourcing of noncore services that influences organizational performance at PPOA. The study concluded that outsourcing of noncore services significantly impacted on the organizational performance at PPOA. The establishment and management of a contractual relationship with external supplier have influenced organizational performance at PPOA. The study recommends that Public Procurement Oversight Authority management should create a crucial distinction to using outsourcing as an effective strategy and determine which activities are best suited for outsourcing.
Keywords: Outsourcing, supplier selection processes, buyer-supplier relationships, organizational resources, contract management and Organizational performance,

INTRODUCTION
Since the Industrial Revolution, companies have grappled with how they can exploit their competitive advantage to increase their markets and their profits. The model for most the 20th century was a large integrated company that can "own, manage, and directly control" its assets. In the 1950s and 1960s, the rallying cry was diversification to broaden corporate bases and take advantage of economies of scale (Handfield, 2006). In the recent years, there has been a significant shift in the balance of power between the consumers and the organizations providing those products or services. Business the world over is struggling for competitiveness in a rapid globalizing economy. The heat of competition is being felt in all areas of the economy. Due to the competitive pressure, corporations started outsourcing non-core operations to outsiders who are experts in doing that job with efficiency, effectiveness and at reduced cost (Sople, 2004).An increasing number of business functions are being outsourced. To meet competitive challenges, corporations are outsourcing to highly specialized firms that can use their expertise to increase the efficiency of an outsourced function. The increase in outsourcing has resulted in lower staffing levels, reduced costs, and more flexibility.
Since Kenya's independence, the public procurement system has progressively evolved and transformed itself into an effective and efficient instrument for achieving value for money. Treasury Circulars were first used to regulate the procurement system in Central Government from 1969; and then the Supplies Manual of 1978; before the promulgation of the Exchequer and Audit (Public Procurement) Regulations,

2001. These are splendid regulatory and reform initiatives undertaken by the government. The procurement is itself a core function of the public financial management system and service delivery. Good public procurement systems are central to the effectiveness of the development and recurrent expenditures of any country.

PPOA is a government institution created by the Public Procurement and Disposal Act, 2005. Public institutions in Kenya are facing a number of problems as far as their performance is concerned. Outsourcing as a key business strategy has been used by companies in various industries for many decades. There are various issues in preparedness of the organizations to accept outsourcing (Aydin *et al.*, 2010) and these needs to be taken into consideration for desired success. Various risks emerging from Information System (IS) outsourcing have been reported which including security issues, loss of innovation, long-term degradation in Information System efficiency, overdependence on information system outsourcing vendor, switching costs and so on (Aundle & Mathew, 2009). PPOA outsources various noncore services which are geared towards improving their performance and this is expected into organizational performance. However, this is still unclear as to whether it is being achieved in a desired manner. This made the researcher to develop the idea to conduct this study to investigate on the relationship between Outsourcing of noncore services and Organizational Performance focusing on Public Procurement Oversight Authority.

Objectives of the Study

The objective of this study was to assess the effects of outsourcing of noncore services on Organizational performance a case of the Public Procurement Oversight Authority (PPOA).

Theoretical Framework

There are several theories that describe the relationship between outsourcing of noncore activities and organizational performance. However in view of this research, three theories will be discussed and these include Resource Based View (RBV), Transaction Cost Economics (TCE) and Core Competencies Approach. RBV understands the firm's resources as the foundation for its strategy. Focusing on internal resources and competencies to develop organizational capabilities in order to achieve a distinctive competence are central to this theory. A firm's competence can be described as "a competitively valuable activity that a company performs better than its rivals (and which) represents competitively superior resource strength" (Thompson et al. 2005).

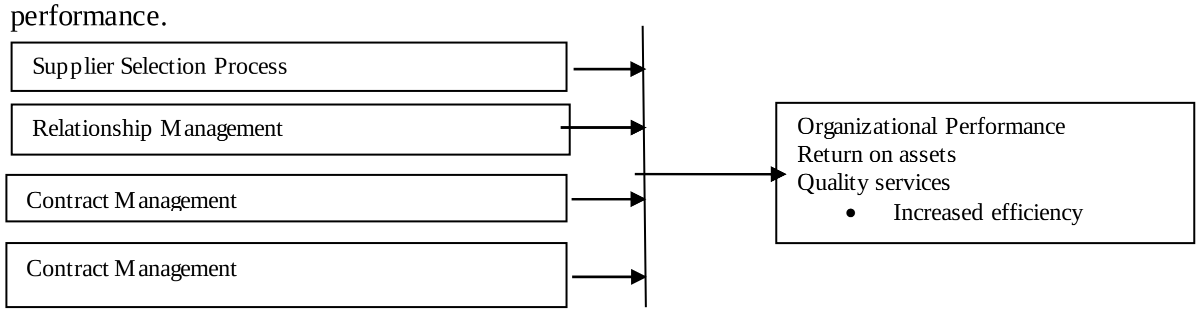
The resource-based view states that a firm will earn abnormal profits due to their lower cost gained by superior productive resources (Lonsdale, 1999). Furthermore, companies can also earn abnormal profits through superior productive capabilities or through product differentiation, enabling the company to provide valued uniqueness and functionality for its customers and charge a premium. However, in order to sustain a competitive advantage in the resource-based view, the company should install protection around its resource position to avoid substitutions and imitations. From an outsourcing perspective, another condition to gain abnormal profit is to retain the valuable resources within the firm's boundaries. Williamson (2008) stated that it would be easier for a firm to do so if the resource is 'firm-specific', i.e. that its value diminished outside the firm. Therefore, the resource-based view proposed that if the firm outsourced certain resources, it will loss control over its strategic core. In other words, the company's competitive position depends on its ability to gain and defend advantageous positions concerning resources important to production and distribution (Barney, 2009).

Introduced by Coase in the 1930s and further developed by Williamson in the mid 1970s, Transaction Cost Economics (TCE) states that the firm's economic activity depends on the balance of production economics against transaction cost. Transactions as the basic unit of analysis are seen as the exchanges of goods or services between economic actors, who are technologically separate units, inside and/or outside the organization (Williamson, 2008). The success of a firm in the view of that theory depends upon an effective management of transactions. The transaction cost approach provides, among other benefits, a generic framework for analyzing outsourcing options. According to this theory, the choice lies between using an outsourcing provider or providing services in-house. Two different types of costs have to be considered when making the decision between in-house production and outsourcing provider: production and transaction costs. On one hand, smaller production cost can be achieved by the decision to outsource, primarily due to the economies of scale that a provider might have (Cheon *et al.*, 1995). On the other hand, outsourcing leads to higher transaction costs arising from negotiating, monitoring and enforcing contracts. In order to evaluate the decision whether to outsource or not, factors which influence the magnitude of transaction costs should be assessed.

Pralahad and Hamel (1990) heralded the adage that the source of competitive advantage lies in 'core competencies', the set of capabilities that distinguish a firm from its competition, and urged that corporate strategy be aimed at cultivating and harnessing those core competencies. The essence of the core competency theory is that it should be kept in-house, but that other activities that the organization deals with, which are not counted to be core or critical to its function, should be considered for outsourcing (Prahalad & Hamel, 2003). Arnold (2000) classified firms' activities into four levels starting from the core towards the periphery; core activities, being connected with a firm's existence; core close activities that have a direct link to the core; supporting activities; and disposable activities that are characterized of general availability. The focal point of the outsourcing decision becomes on sourcing capabilities that supplement existing ones within a firm (Holcomb & Hitt, 2007).

Conceptual Framework

In this study, supplier selection process, relationship management, contract management and organizational resources were independents variables while the dependent variable was organizational performance.



Independent Variables **Dependent Variable**

Figure 1 Conceptual Framework

Supplier selection is an important purchasing activity for many firms. Today's consumers demand cheaper, high quality products, on-time delivery and excellent after-sale services. Hence, companies are under intense pressure to cut product and material costs while maintaining a high level of quality and after-sale services. Achieving this starts with supplier selection. Therefore, an efficient supplier selection process needs to be in place and of paramount importance for successful supply chain managements (Sonmez, 2006).

Goolsby and Whitlow (2004) Ineffective relationship management is the reasons outsourcing arrangements fall apart or do not achieve full potential. Indeed, experienced outsourcing professionals-buyers and providers alike agree that there is a significant amount of value at stake when it comes to how they manage their relationships. As business organizations are moving to become agile and responsive to a dynamically changing business environment, firms increasingly employ outsourcing relation to support their strategic decisions.

Outsourcing business operations and processes usually inevitable in instances where a specific firm has no knowledge or skills for performing the task within the organization. Besides, company can also outsourced in order to minimize workload, attain financial economies, increase ability to focus on core competencies and strategic issues, access to technology and specialized expertise, ability to demand measurable and improved service levels, and achieve competitive advantage (Greer *et al*, 1999). The traditional outsourcing service emphasis on tactical benefits like cost reduction (for example, cheaper labor cost in low-cost countries), have more recently been replaced by productivity, flexibility, speed, and innovation in developing business applications, and access to new technologies and skills .The choice of what functions to outsource and which to keep in-house is based on the need to develop skills, invest in resources, and stay abreast of evolving technology in any areas kept in-house (Harris, 2003).

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Richard *et al.,* (2009) organizational performance encompasses three specific areas of firm outcomes: financial performance (profits, return on assets ,return on investment and so on); (b) product market performance (sales, market share and so on); and (c) shareholder return(total shareholder return, economic value added). Gilley and Rasheed (2000) proposed that organizational performance in service organizations improves for three reasons. First, an increased focus on a firm's core competencies is an important benefit associated with outsourcing. The evolving literature on core competencies has been concerned with the "make-or-buy" decision that every firm faces.

When the service organization focuses on its core competences, especially for the remaining employees, some positive improvements may emerge. Focusing on core competences ensures that the job becomes more meaningful for the employees. Thanks to the new sources created, the service organization may find new sources for wages and out-of-wage incentive programs. It can give more importance to the training of its employees and search for possibilities to develop them. Furthermore, it is seen that through such kinds of applications, leaner organizational structures are emerging; employees are delegated and their jobs are enriched (Gilley & Rasheed, 2000).

The knowledge of the vendor can be transferred to the outsourcing firm, satisfying customer requirements with their skills, processes, or technology. For all of the above reasons, the outsourced service quality and the perception of that service are better than when performed in-house (Espino-Rodriguez & Gil-Padilla, 2005). Moreover, as a result of the activities contracted out to the vendor, since the service organization spends more time on its other remaining services, an increase in the quality of the services performed could be observed. At this point, Elmuti (2003) provided support for empirical evidence of an outsourcing – quality relationship. He found that outsourcing accounted for about 31 per cent of the variance in quality.

RESEARCH METHODOLOGY

Research Design

The study adopted a survey design to collect descriptive data at a particular time from a sample selected from the larger population. In this case, a cross sectional survey was carried to ascertain the relationship between outsourced services and their effect on performance. The target population for this study was seventy five (75) employees of PPOA who are the main users of the outsourced services. The study adopted a stratified random sampling to select a sample of 75 respondents. The strata were based on categories of management level. The justification of this procedure is that stratified sampling is normally used in research studies where sampling frame is heterogeneous.

Data Collection Instruments

This study was facilitated by the use of primary data. This primary data was collected using both structured and unstructured questionnaires. The questionnaire was designed in a way that captures all the four independent variables and the dependent variable. The questionnaire mainly applied the close-ended and Likert type questions for ease response from the participants. Response rate was 100%.

Data Processing and Analysis

The collected data was well examined and checked for completeness and comprehensibility. The data was then be summarized, coded and tabulated. Data presentation was done by the use of pie charts, bar charts and graphs, percentages and frequency tables. The data was then be analyzed using descriptive which included frequency, percentages, means and standard deviations. For qualitative data, was analyzed through content analysis is the process of analyzing verbal or written communications in a systematic way to measure variables qualitatively. A multiple regression model was applied to determine effects of outsourcing of noncore services on organizational performance a case of the Public Procurement Oversight Authority (PPOA). The multiple regressions to be used in this model was, $Y = \alpha + \beta_1$ Supplier Selection Process + β_2 Relationship Management + β_3 Contract Management+ β_4

Organizational Resources+ ε, Where: Y= Organizational Performance, α =Constant Term, β= Beta coefficients

RESULTS AND DISCUSSION

Effects of outsourcing of noncore services on organizational performance

Organizational Performance

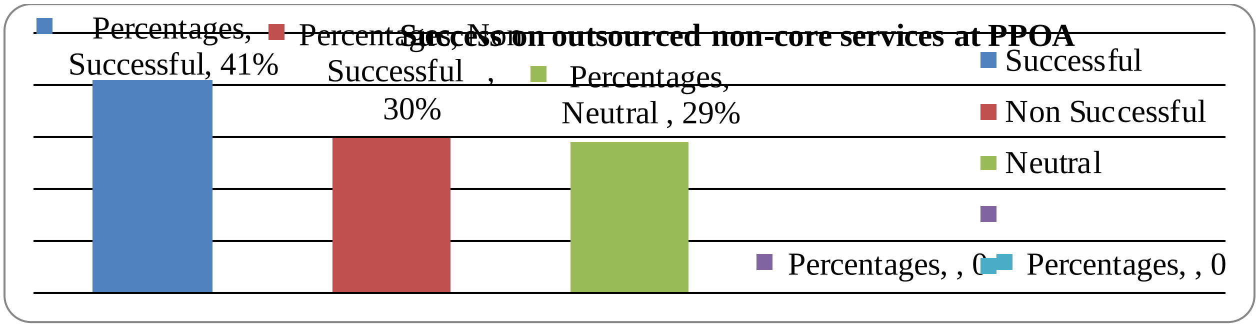


Figure 2: Success on outsourced non-core services at PPOA

The study sought to know the respondents views on the success of the outsourced non-core services at PPOA. From the findings, majority 41% of the respondents indicated that there was a successful outsourcing of non-core services at PPOA, 30% said the outsourcing was not successful while 29% of the respondents were neutral on whether the outsourced non-core services at PPOA was successful. The respondents furthers stated that non-core operations places a huge strain on PPOA management. The organization's management transits its non-core functions into other management model to maintain control, while they manage day-to-day operations eliminating risk and providing extensive cost savings. This implies that at PPOA management decide what is and is not a core activity thus retain what is core and outsource what is non-core activity. This is in line with Aydin et al. (2010), who stated that there are various issues in preparedness of the organizations to accept outsourcing and these needs to be taken into consideration for desired success.

Effects of Outsourced Services

Table 1: Extent to which the outsourced services Led Results

Construct	Mean	Standard deviation
Cost Saving	4.72	0.69
Customer Satisfaction	4.62	0.63
Cycle time on service delivery	4.66	0.51
Improved Quality of Service	4.86	0.71

The study sought to know that respondent's opinion on the extent to which the outsourced services may have resulted into the given constructs. From the findings, majority of the respondents indicated that outsourced services resulted very much into the improved quality of service, cost saving, cycle time on service delivery and customer satisfaction as indicated by a mean of 4.86, 4.72, 4.66 and 4.62 with standard deviation of 0.71, 0.69, 0.63 and 0.51. This implies that the Public Procurement Oversight Authority management has created a crucial distinction to using outsourcing as an effective strategy and has determined which activities are best suited for outsourcing. This is in line with Sople, (2004) due to the competitive pressure, corporations started outsourcing non-core operations to outsiders who are experts in doing that job with efficiency, effectiveness and at reduced cost.

Supplier Selection Process

Supplier Selection Process in Outsourced Services

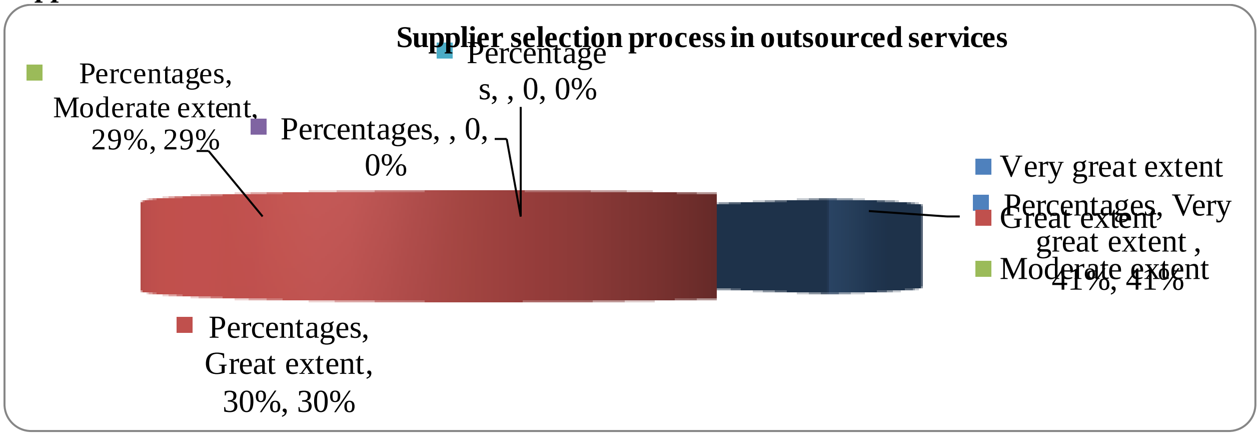


Figure 2 :Supplier Selection Process in Outsourced Services

Figure 2 shows the extent to which respondents agreed on supplier selection process in outsourced services. From the findings, 41% of the respondents indicated that supplier selection process in outsourced services is easily to manage when the company is starting out and would rather put the hiring dollars into technical and product to a very great extent, 30% of the respondents indicated to a great extent while 29% of the respondents indicated to a moderate extent. This implies that as supplier selection is an important purchasing activity, the procurement managers in PPOA play a role of identifying, evaluating and contracting with suppliers. This is in line with Mwikali and Kavale (2012) who stated that supplier selection plays a major role in successful purchasing and starts with the identification of key supplier evaluation categories. After that each evaluation category should be weighted according to the importance and the same should be done to the subcategories.

Service that affect the performance of the PPOA

Table 2: Service that affect the performance of the PPOA

Statement for Supplier Selection Process in outsourced services	Mean	Standard deviation
Vender search takes a long time	4.66	0.58
Analyze business requirements before outsourcing	4.51	0.46
Selection of appropriate procurement method	4.43	0.42
Much time is spent on evaluation of proposal	4.76	0.61
Much time is spent on contract negotiation	4.20	0.38
Much time is spent on contract negotiation	4.56	0.52

The study sought to know the extent to which the respondents agreed with the given facets of the services that affect the performance of the PPOA. From the findings, majority of the respondents indicated that the much time spent on evaluation of proposal and contract negotiation, vender search taking a long time and the analyzing of business that is required before outsourcing affect the performance of the PPOA as indicated by a mean of 4.76, 4.66, 4.56 and 4.51 with standard deviation of 0.61, 0.58, 0.52 and 0.46. Most of the respondents agreed that selection of appropriate procurement method and much time spent on contract negotiation affect the performance of the PPOA as indicated by a mean of 4.43 and 4.20 with standard deviation of 0.42 and 0.38. This implies that the facets of the services mentioned above make supplier selection a fertile topic for operations and management sciences in PPOA. This is in line with Sonmez (2006) who stated that an efficient supplier selection process needs to be in place and of paramount importance for successful supply chain managements.

Supplier Relationship Management

Table 3: Buyer – Supplier Relationship management

	Frequency	Percentages
Very great extent	58	78
Great extent	17	22
Total	75	100

The study sought to know the extent to which buyer – supplier relationship management in outsourced services affects the performance of PPOA. From the findings, majority 78% of the respondents indicated that the buyer – supplier relationship management in outsourced services affects the performance of PPOA to a very great extent while 22% of the respondents indicate to a great extent. This implies that to develop and subsequently maintain a positive buyer – supplier relationship, procurement manager should build a successful partnership for improved performance of PPOA. This is in line with Goolsby and Whitlow (2004) who stated that ineffective relationship management is the reasons outsourcing arrangements fall apart or do not achieve full potential. Indeed, experienced outsourcing professionals-buyers and providers alike agree that there is a significant amount of value at stake when it comes to how they manage their relationships.

Supplier relationship management in outsourced services at PPOA

Table 4 Buyer - Supplier relationship management in outsourced services at PPOA

Statement for relationship management in services outsourced	Mean	Standard deviation
Service provider have professionals	4.57	0.51
Service providers have necessary tools/equipment	4.60	0.55
Service providers respond to issues immediately	4.61	0.63
Services have greatly improved at PPOA	4.11	0.34
Management spends much time on outsourced services	4.47	0.49

From the findings, majority of the respondents indicated that service providers have necessary equipment, respond to issues immediately and have professionals thus influencing the performance of PPOA as indicated by a mean of 4.61, 4.60 and 4.57 with standard deviation of 0.63, 0.55 and 0.51. Most of the respondents indicated that management spends much time on outsourced services and services have greatly improved at PPOA as indicated by a mean of 4.47 and 4.11 with standard deviation of 0.49 and 0.34. This implies that outsourcing practices put more emphasis on managing the outsourcing relationship and on nurturing a high level of trust and commitment during the course of the relationship. This is in line with Goolsby and Whitlow (2004) who stated that as organizations outsource more and more of their operations, the skill sets that manage the relationship between the service recipient and the service provider become new strategic asset.

Issues are considered to manage buyer - supplier relationship

Table 4. Extent to which the given issues are considered to manage buyer - supplier relationship

	Mean	Standard deviation
The difficulties associated with implementing defense-in-depth	4.75	0.75
Hiring and training of highly skilled professionals	4.69	0.70
How to retain those individuals, costs, increasing threat from outsiders	4.68	0.71
Legal considerations, control and peace of mind	4.60	0.63

The study sought to know the extent to which organization consider the given when deciding on how to manage buyer - supplier relationship in outsourced services. From the findings, majority of the respondents indicated that the difficulties associated with implementing defense-in-depth, hiring and training of highly skilled professionals, how to retain those individuals, costs, increasing threat from outsiders and legal considerations, control and peace of mind are considered to a very great extent in order to manage buyer - supplier relationship as indicated by a mean of 4.75, 4.69, 4.68 and 4.60 with standard deviation of 0.75, 0.70, 0.71 and 0.53. This implies that a supplier who is treated equitably and professionally is likely to communicate his positive experiences with the organization thus maintaining good relations with a supplier should be treated importantly. This concurred with Goolsby (2002), who stated that an outsourcing relationship would fail to achieve both parties' desired results if it is not organized and managed well from the outset. Thus, greater understanding of how to manage outsourcing relationships that create and sustain strategic value for the client firm is required.

Organizational Resources

From the findings, all the respondents indicated that on the extent to which the organizational resources affect outsourcing of noncore services and performance in PPOA to a very great extent. Respondents stated that the benefit of outsourcing are substantial and include reduced costs, experienced services and expertise. This implies that outsourcing allows PPOA to refocus their resources on their core business. This is in line with Corbett (1999), who stated that outsourcing business operations and processes usually inevitable in instances where a specific firm has no knowledge or skills for performing the task within the organization.

Extent to which Organizational resources in noncore services affected performance

Table 6: Organizational resources affect outsourcing of noncore services and performance

Statements	Mean	Standard deviation
The institution benefited the transfer of technology from the outsourced firms.	4.11	0.44
There is reduction in wage bill as a result of outsourcing of non-core activities hence increased in savings.	4.77	0.79
Organization use of information technology (IT) tools and strategies, such as Enterprise resource planning (ERP) software and e-procurement that streamlined operations and lead to better service delivery	4.56	0.66

The study sought to know the extent to which the respondents agreed with the given statements on the organizational resources effects on outsourcing of noncore services and performance. From the findings, majority of the respondents strongly agreed that there has been reduction in wage bill as a result of outsourcing of non-core activities hence increased in savings and that organization use of information technology (IT) tools and strategies, such as Enterprise resource planning (ERP) software and e-procurement that streamlined operations has lead to better service delivery as indicated by a mean of 4.77 and 4.56 with standard deviation of 0.79 and 0.66. The study further found that most of the respondents agreed that the institution benefited the transfer of technology from the outsourced firms as indicated by a mean of 4.11 with a standard deviation of 0.44. This implies that PPOA has made a choice of what functions to outsource and which to keep in-house based on the need to develop skills, invest in resources, and stay abreast of evolving technology in any areas kept in-house. This is in line with Greer *et al* (1999), who stated that organization outsource in order to minimize workload, attain financial economies, increase ability to focus on core competencies and strategic issues, access to technology and specialized expertise, ability to demand measurable and improved service levels, and achieve competitive advantage

The services that is outsourced

The study sought to know the non-core services that should be outsourced. From the findings, respondents indicated that the non-core services that should be outsourced included security services such as installing of CCTV, cleaning services, stationery supplies, transport services and consultants' services. The respondents explained that this reduced cost of operations, improved efficiency and lead to quality services and hence increased performance. This implies that PPOA greatly outsourced non-core business activities. This concurred with Harris, (2003), who stated that the choice of what functions to outsource and which to keep in-house is based on the need to develop skills, invest in resources, and stay abreast of evolving technology in any areas kept in-house.

Contract Management

Table 7: Extent to which contract management affect outsourcing of noncore services and performance

	Frequency	Percentages
Very great extent	38	51
Great Extent	37	49
Total	75	100

The study sought to know the extent to which contract management affect outsourcing of noncore services and performance in the organization. From the findings, 51% the respondents indicated that contract management affect outsourcing of noncore services and performance to a very great extent while 49% indicated to a great extent. This implies that managing the outsourcing well is critical and the contractor does a better job and faster while maintaining service levels and meeting requirements. This is in line with Lacity and Willcocks (2001), who stated that the preparation and management of outsourcing contracts involves a large number of aspects that require attention from the outsourcing organization and suppliers.

Contract Managements on the performance of PPOA

Table 8 Effects of Contract Managements on the performance of PPOA

Contract Management	Agree	Strongly agree
PPOA Management and Service provider agreed level of service	4. 71	0.83
Incentives provided by Service providers	4.11	0.36
PPOA Management spend much time in contract management	4.58	0.53
PPOA Management and Service provider is strong and flexible to facilitate change	4.66	0.67
Improvement of price, quality or service is sought and built into the contract terms	4.41	0.36

The study sought to know the extent to which respondents agreed with the given statements that relate to the Contract Managements on the Performance of PPOA. From the findings, majority of the respondents strongly agreed that PPOA Management and service provider agreed level of service, are strong and flexible to facilitate change and that PPOA Management spend much time in contract management as indicated by a mean of 4.71, 4.66 and 4.58 with standard deviation of 0.83, 0.67 and 0.53. Most of the respondents agreed that improvement of price, quality or service is sought and built into the contract terms and that incentives were provided by service providers as indicated by a mean of 4.41 and 4.11 with standard deviation of 0.36 and 0.34. This implies that everyone agrees that good and robust contract management is critically important to the successful delivery of outsourced services and to the good health of an outsourcing relationship. This is in line with Kakabadse and Kakabadse (2000), who stated that from a strategic perspective, a sourcing decision can be made by taking into account both the scope and the purpose of outsourcing.

Correlations Analysis

Table 9 : Correlation of the study variables

		Organizational Performance	Relationship Management	Contract Management	Shared goals and objectives	Organizational Resources
Supplier Selection Process	Pearson Correlation	.768(*)	1			
	Sig. (2-tailed)	0.02	0.01			
	N	75	75			
Relationship Management	Pearson	.630(*)	.516(*)	1		
	Sig. (2-tailed)	0.04	0.14	0.04		
	N	75	75	75		
Contract Management	Pearson Correlation	.835(*)	.690	.437	1	
	Sig. (2-tailed)	0.01	0.01	0.01	0.01	
	N	75	75	75	75	
Organizational Resources	Pearson Correlation	.739(*)	.581	.469	.531	1
	Sig. (2-tailed)	0.03	0.03	0.03	0.03	0.03
	N	75	75	75	75	75

** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2-tailed).

The study conducted a Pearson Correlation analysis for all the study variables and noted that there existed a very strong positive correlation between factors of outsourcing of noncore services influencing organizational performance at 95% confidence level. From Table 9 above, the study shows that there was a strong positive correlation between supplier selection process and organizational performance having scored a correlation coefficient of 0.768 and a 95% precision level. The correlation was statistically significant since it had a P- Value < 0.02 which was less than 0.005 hence statistically significant. The strength of association between relationship management and organizational performance was strong and positive having scored a correlation coefficient of 0.630 and a 95% precision level. The correlation was statistically significant since it had a P- Value of 0.04. which was less than 0.005.

There also existed a strong positive correlation between contract management and organizational performance with a correlation coefficient of 0.835 and a significance level of 0.01. This correlation was statistically significant since its P- Value was less than 0.005. The study found that there was there existed a strong correlation between organizational resources and organizational performance having scored a correlation coefficient of 0.739 with a P-Value of 0.03 and a 95% confidence level. The correlation was statistically significant since it had a P- Value of less than 0.05.

Regression Analysis

The study sought to determine the effects of outsourcing of noncore services on organizational performance a case of the Public Procurement Oversight Authority.

$Y = \alpha 0 + \beta_1$ Supplier Selection Process + β_2 Relationship Management + β_3 Contract Management+ β_4 Organizational Resources+ ε

Model Summary

A model summary was generated using SPSS version 21 to calculate R, R Squared and adjusted R Squared as captured in Table 10

Table 10: Model Summary

Model	R	R Squared	Adjusted R Squared	Std. Error of the Estimate
1	.79(a)	.624	.619	0.29

a Predictors: (Constant) Supplier Selection Process, Relationship Management, Contract Management and Organizational Resources

Dependent: Organizational Performance

The model column of multiple models was reduced to a single regression by SPSS command and with a model indicating 1 implied that the there was one linear model being used to determine the effects of outsourcing of noncore services on organizational performance. R is the correlation between the observed and predicted values of dependent variable. This implies that there was association of 0.79 between outsourcing of noncore services and organizational performance. R-Squared is the proportion of the variance in the dependent variable of organizational performance that was explained by variations in the supplier selection process, relationship management, contract management and organizational resources**.** This implied that there was a variance of 62.4% between variables in general. However this does not reflect the extent to which outsourcing of noncore services influences organizational performance. Adjusted R^2 is called the coefficient of determination which indicates how on organizational performance varies with variation in effects of supplier selection process, relationship management, contract management and organizational resources. The study established that there existed a significance positive variation between outsourcing of noncore services and organizational performance as r= 0.619, P=0.01 < 0.05.

Table 11. ANOVA (b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.518	14	.537	3.172	0.01(a)
	Residual	29.951	61	. 491		
	Total	41.569	75			

a. Predictors: (Constant) Supplier Selection Process, Relationship Management, Contract Management and Organizational Resources
b. Dependent: Organizational Performance

The study established that there existed a significant goodness of fit between variable as F=3.172, P=0.01< 0.05.The calculated F=3.984 far exceeds the F-critical of 3.172.This implies there the level of significance variation between outsourcing of noncore services and organizational performance at 95% confidence level.

Coefficients Estimate of the Variance

Table 12: Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.000	.467		4.120	0.01
	Supplier Selection Process	0.838	.335	0.715	3.634	0.02
	Relationship Management	0.749	126	0.612	3.613	0.01
	Contract Management	0. 678	.102	.545	2.506	0.03
	Organizational Resources	0.567	.131	.359	5.469	0.04

a. Predictors: (Constant) Supplier Selection Process, Relationship Management, Contract Management and Organizational Resources

b. Dependent: Organizational Performance

$Y = 7.000 + 0.838SSP + 0.749RM + 0.678CM + 0.567OR + \varepsilon$

From the above regression model, it was found that organizational performance status in PPOA would be at 7.000 holding supplier selection process, relationship management, contract management and organizational resources constant at zero (0). The study established that there existed a significant positive relationship between supplier selection process and organizational performance as $r= 0.838$, $t=3.634$, $P= 0.02<0.05$.

Researcher had investigated the influence of relationship management factors on organizational performance in outsourcing of noncore services; the evidence provided by the coefficients table shows that relationship management in outsourcing of noncore services promote organizational performance as $r=0.749$, $t=3.613$, $P=0.01<0.05$. The study found that contract management in outsourcing of noncore services had significant positive impact on organizational performance at PPOA as $r= 0.678$, $t=2.506$, $P= 0.03<0.05$. The study found that a unit increase in organizational resources in outsourcing of noncore services had a significant positive impact on organizational performance as $r=0.567$, $t=5.469$, $P= 0.04<0.05$. This clearly indicated that there existed a positive relationship between effects of outsourcing of noncore services and organizational resources at PPOA. It was evident supplier selection process, relationship management, contract management and organizational resources are essential element in outsourcing of noncore services that influences organizational performance at PPOA. This implies that outsourcing of noncore services significantly impacted on the organizational performance at PPOA. The findings were in line with Momme (2001), who stated that outsourcing is the process of establishing and managing a contractual relationship with an external supplier concerning provision of capacity that has previously been provided in-house.

CONCLUSION

In the light of the findings, the study concludes that outsourced services at PPOA have contributed towards the organizational performance. The outsourced security, cleaning and sanitation services contribute positively towards the performance of the organization. The study concluded that due to the competitive pressure, corporations started outsourcing non-core operations to outsiders who are experts in doing that job with efficiency, effectiveness and at reduced cost. The facets of the services mentioned above make supplier selection a fertile topic for operations and management sciences thus an efficient supplier selection process needs to be in place and of paramount importance for successful supply chain managements. The study concluded that organization outsource in order to minimize workload, attain financial economies, increase ability to focus on core competencies and strategic issues, access to technology and specialized expertise, ability to demand measurable and improved service levels, and achieve competitive advantage. Managing the outsourcing is critical and the contractor does a better job and faster while maintaining service levels and meeting requirements. Preparation and management of outsourcing contracts involves a large number of aspects that require attention from the outsourcing organization and suppliers. The study concluded that outsourcing of noncore services significantly impacted on the organizational performance at PPOA. The establishment and management of a contractual relationship with external supplier have influenced organizational performance at PPOA.

RECOMMENDATION

The study recommends that Public Procurement Oversight Authority management should create a crucial distinction to adoption of outsourcing as an effective strategy and determine which activities are best suited for outsourcing. Since supplier selection is an important purchasing activity, the procurement managers in PPOA should play this vital role of identifying, evaluating and contracting with suppliers. For successful purchasing, identification of key supplier evaluation categories should be prioritized. After that each evaluation category should be weighted according to the importance and the same should be done to the subcategories.

Outsourcing practices put more emphasis on managing the outsourcing relationship and on nurturing a high level of trust and commitment during the course of the relationship. A supplier who is treated equitably and professionally is likely to communicate his positive experiences with the organization thus maintaining good relations with a supplier should be treated importantly. The study recommends that to develop and subsequently maintain a positive buyer – supplier relationship, procurement manager should build a successful partnership for improved performance of PPOA. Procurement manager should regularly address compliance, conduct and strategic financing concerns with their supply chain partners.

PPOA management should make choice on what functions to outsource and which to keep in-house based on the need to develop skills, invest in resources, and stay abreast of evolving technology in any areas kept in-house.

The study recommends that since outsourcing relationship would fail to achieve both parties' desired results if it is not organized and managed well from the outset, a greater understanding of how to manage outsourcing relationships that create and sustain strategic value for the client firm is required

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