THE EFFECT OF HUMAN RESOURCE OUTSOURCING ON ORGANISATIONAL PERFORMANCE: A CASE STUDY OF POST BANK KENYA LTD

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DECLARATION

DECLARATIONBY THE STUDENT.

I the undersigned, declare that this research project is my original work and has not been presented for any award to any other College, Institution or University other than Murang'a University of Technology.

Sign……………….…………...Date: ....

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DECLARATION BY SUPERVISORS

This research has been submitted for examination with our approval as the university supervisors.

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DEDICATION

I thank God for the far I have come and what I have been able to achieve. I dedicate this work to my family and thank them for the financial and moral support so far. Last but not least I thank Murang'a University of Technology for the opportunity to pursue a career in Public Administration.

ABSTRACT

Outsourcing is the practice where the organization procures the service of external entity or personnel for non-core functions in order to minimise expenditure and improve professionalism. The concept of Human Resource Outsourcing facilitates a firm to rivet its attention to core business. Despite its importance, firms continue experiencing lose and closure of their businesses for incidence 3,2 and 1 commercial banks either went into receivership or closed several branches in the years 2014, 2015, and 2016 respectively. This has raised concern by various stakeholders. Globally studies have been carried out focusing on the relationship between human resource outsourcing and organizational performance; in tourism, education sector and in the manufacturing industries. In Kenya studies have been carried out on the relationship between outsourcing and organizational performance; in hotel industries, manufacturing and in the education sector. However, there is limited study on human resource outsourcing specifically on training, human resource information systems, recruitment and selection and payroll system in commercial banks which is the focus of this study. The main objective of the study was to establish the relationship between human resource outsourcing on organizational performance. The specific objectives were; to establish the relationship between training and organizational efficiency, to establish the effect of human resource management systems and organizational effectiveness, to determine the effect of recruitment and selection on organizational skilled manpower, and to investigate the effect of payroll on organizational competitive advantage. The study employed descriptive research design, the total population was 200 employees, sample size of 50 employees. The study adopted agency, social exchange and knowledge based theory of a firm theories. The response rate was 90% thus the reliability and validity of the study. The study revealed that human resource outsourcing affects organizational performance as indicated by $r = 0.935$ which confirms the significance of the interaction of variables. Training affects organizational skilled manpower by $r^2 = 0.606$, outsourcing recruitment affects organizational effectiveness by $r^2 = 0.360$, outsourcing payroll affects organizational competitive advantage by $r^2 = 0.440$, and outsourcing human resource information systems affects organization efficiency by $r^2 = 0.872$. The study concluded that human resource outsourcing has positive significant effect on organizational performance. The study recommended that for organization to improve its performance, it has to outsource its non-core functions; training, recruitment and selection, human resource information systems and payroll system. The study May be beneficial to commercial banks and policy makers who may be interested to expand their studies beyond the variables under review.

Table of Contents

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS AND   ACRONYMS

HR: Human Resource.

HRM: Human Resource Management.

HRO: Human Resource Outsourcing.

IT: Information Technology.

ISO: International Standardization of Organizations.

AT: Agency Theory.

PA: Performance Appraisal.

RPO: Recruitment process outsourcing.

SPSS: The Statistical Package for Social Sciences

HRIS   Human Resource Information System

KPO   Knowledge Process Outsourcing

BPO   Business Process Outsourcing

OPERATIONAL DEFINITION OF TERMS

Purchasing Refers to a process by which an enterprise or organization attempts to acquire materials, goods or services in order to attain their goals. In the process of purchasing the ownership and possession of goods was be transferred from seller to the buyer (Manasa & Reddy, 2009).

Outsourcing This is the act of one company contracting with another company to provide services that might otherwise be performed by in-house employees. (Hadfield, 2014) 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 centre services, e-mail services, and payroll..

Training It is teaching or developing in oneself or others, any skills and knowledge that relate to specific useful competencies. Training has specific goals of improving one's capability, capacity, productivity and performance (Jacoby & Jeff, 2004).

Payroll Payroll is the sum of all financial records of salaries for an employee, wages, bonuses and deductions. In accounting, payroll refers to the amount paid to employees for services they provided during a certain period of time (Steven M. Bragg, 2010)

Recruitment and selection The process of finding and hiring the best-qualified candidate (from within or outside of an organization) for a job opening, in a timely and cost effective manner. The recruitment process includes analysing the requirements of a job, attracting employees to that job, screening and selecting applicants, hiring, and integrating the new employee to the organization (Leavens and Chapman, 2009)

Organizational performance It comprises of 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: (a) financial performance, (b) product or service market, and (c) shareholder return.

CHAPTER ONE

1.0 Introduction

Human resource outsourcing is the seeking of external expertise and professionalism to functions and services that are not core to the organization. Organizational performance is the outcome of the services and or functions of the organizational goals and objectives.

1.1 Background of the study

1.1.1 Global Perspectives

Human resource Outsourcing is the process of an organization or person contracting another company or person to do a particular task for it, to gain some benefits out of it. (Hadfield, 2014). Outsourcing is the act of one company contracting with another to provide services that might otherwise be performed by in-house employees. 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.

It was established that human resource outsourcing improves performance. The decision to outsource is a major strategic activity of most companies, since it involves weighing the potential cost savings against the consequences of a loss in control over the products or services. Outsourcing is proactively integrating and coordinating common items and materials, processes, designs, technologies and supplies across worldwide purchasing, engineering and operating locations (Monczka, 2015). With growing scholarly and executive attention over the past couple of decades, outsourcing and supply chain management have been shown to play an important role in achieving competitiveness among companies all over the world. The progress from domestic purchasing to international purchasing and then finally to global outsourcing by different companies, can be visualized as growing interest of outsourcing.

1.1.2 Human resource outsourcing and organizational performance

For many developing countries outsourcing is the ultimate choice. Due to the costs of transport, local labour contract requirements and available low- cost sources, organizations today are surveying the world to develop strategies for manufacturing and supply chain

sourcing outside their home country (Harries 2012). As reported extensively in academic literature, companies have been forced by increasing global competition to devise and pursue international purchasing strategies that hinge on reducing prices and optimizing quality, fulfilment, production cycle times, responsiveness and financial conditions (Gianluca, 2013).

1.1.3 Training and efficiency

On the other hand, there are other firms in Kenya who adopt outsourcing training strategy. This is because there are so many low- cost sources available domestically, providing little economic motivation for companies to seek international suppliers. Outsourcing Training has emerged as one of the world's fastest growing business sectors with countries like India leading the pack by having between 5- 6% global market share of Ksh.1, 417 billion from outsourcing training and Ksh.3900 billion from IT outsourcing training in 2008 as asserted by (Kemibaro, 2010). The success of countries such as India, china and the Philippines in outsourcing training has led to many countries, including Kenya investigating substantial resources to develop their outsourcing potential. There is little mention on outsourcing training in Kenya which has formed a focus of the study.

1.1.4 Human resource information systems

Although Kenya already has a growing outsourcing sector with over 50 registered companies are operational, a boom is expected. The main reason is that in June 2009, the first of three high- speed undersea cables have become operational in Kenya. The first to go live is the SEACOM cable, followed by the TEAMS cable and EASSY cable which became operational in the second quarter of 2010 as stated by (Hillary 2015). The cables have given Kenya significantly faster, more reliable and less expensive telecommunications connectivity to the rest of the world. (Wanjiku, 2013), Suggests that the Internet costs have dropped by as much as 70% which means that a far larger number of Kenyans have been able to go online as it becomes much more affordable. Ultimately, all these factors have made Kenya much more competitive in offering services in the global marketplace, however there is no literature on outsourcing human resource information system activities in Kenya, therefore forming the focus of this study.

1.1.5 Recruitment, selection and skilled manpower

The undertaken literature survey reveals the significance of outsourcing recruitment and selection as a key competitive factor for companies seeking globalization. Such a strategy is a

purchasing management approach focusing on supplies from vendors in the world market, rather than limiting options exclusively to domestic sources (Petersen, 2011). Global outsourcing of recruitment and selection, which differs from international purchasing in scope and complexity, is seen as a corporate strategy aimed at the worldwide utilization of manpower (Arnold, 2014). Depending on the level of global activities, companies need to develop an outsourcing recruitment and selection based on the integration and coordination of suppliers (Arnold 2014). In the previous literature there is hardly mentioned outsourcing recruitment and selection which has informed the focus of this study.

1.1.6 Payroll and effectiveness

The on-going process of greater economic interdependence among countries known as economic globalization is reflected in the increasing amount of cross-border trade in goods and services (Fischer, 2014). For manufacturers, it has been vital to establish an efficient supply chain and make use of international resources to cut costs, improve quality and spur innovation. Along with the boom of globalization, outsourcing payroll is key for most successful demand- driven global value chain organizations (Rizza, 2012). It has been pointed out that multinational manufacturers from developed countries purchase the low- cost materials and products from developing countries. Undoubtedly, one of the purchasing bases for them is Kenya because of its abundant resources and cheap labour, however there has not been any mentioned outsourcing concerning payroll which has formed the focus of this study.

1.1.6 Post bank of Kenya

For commercial banks, it has been established an efficient outsourcing and make use of international resources to cut costs, improve quality and spur innovation. Outsourcing human resources is key for most successful commercial banks globally (Rizza, 2012). It has been established that multinational commercial firms from developed countries outsource the high-cost services from developing countries; however there has not been any mentioned outsourcing concerning human resources which has formed the focus of this study.

1.2 Statement of the problem

Business is highly dependent on the workforce. 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 will ever reach consumers. In recent years, organisations have outsourced an expanding variety of activities including HR functions in an attempt to

improve service and product quality, reduce production cycle times, lower costs, increase their focus on core competences, and in general, enhance organisational performance. Organisations appear to be focusing on a relatively narrow set of functions and are contracting with outside suppliers to perform the others (Bearden, 2013).; however there being many outsourcing activities in Kenya, there is hardly mentioned outsourcing of the training, recruitment and selection, human resource information systems, and payroll in commercial banks and specifically post bank of Kenya which is the focus of this study

1.3 Objectives of the study

1.3.1 Grand objective

To investigate the effects of human resource outsourcing on organizational performance: a case study of Post Bank

1.3.2 Specific objectives

1. To establish the relationship between training and organisational skilled manpower in Post Bank Ltd.
2. To establish the effect of Recruitment and selection on organisational competitive advantage in Post Bank Ltd
3. To investigate the effect of Human Resource Information System on organisational efficiency
4. To establish the effect of payroll on organisational cost effectiveness in Post Bank

1.4 Research questions

1. Does outsourcing Training programs in Post Bank affect the organization's skilled manpower?
2. Does Recruitment and Selection Outsourcing have any impact on organization's competitiveness?
3. Does HRIS outsourcing affect cost competitive advantage in Post Bank?
4. Does Payroll Outsourcing have any effect on organization's cost effectiveness

1.5 Significance of the study

The study findings may be beneficial to the owners of the companies. This is because they may be able to get adequate knowledge concerning effects of outsourcing and its benefits. The findings also will be significant to several stakeholders. It may enable the management to concentrate on the work they are highly skilled at and maximize the benefits of expertise. Hiring the professionals that do various tasks on a daily basis permits you to take care of

other things concerning your business. This is just one of the numerous advantages that a company enjoys when it hires a human resources outsourcing company.

It will also reduce stress on the organization in general. The management will also have a clear understanding of the role played by outsourcing activities in provision of the necessary services in the best way possible. It will also help organizations to estimate the relative cost of outsourcing to their companies.The study will also help outsourcing firms understand the main drivers of outsourcing decision in the manufacturing industry and how they can then respond to the available opportunities. This study will also serve as a resource base to other scholars and researchers interested in carrying out further research in this field subsequently.

1.6 Scope of the study

This study on the effect of outsourcing human resource functions on organisational performance at Post Bank Kenya Ltd Head Office covered human resource outsourcing approaches used with a view of identifying its effect on organisational performance. The vision of the organization is to increase productivity and workers commitment by assuring them to identify with the mission and the objectives of the organization thereby increase and improve operations. The research used questionnaires which was administered by the researcher to selected middle level managers and specific employees in the bank

1.7 Limitations of the study

Several constraints were encountered by the researcher in the study.

1. Lack of corporation from the respondents which lead to withholding of information.
   In such instances, the researcher clearly outlined the purpose of carrying out the research and the benefits that could be derived once the study was complete. The researcher also reassured them especially the management of confidentiality as a means of solving this problem.
2. It was also a challenge reaching some staffs since the senior managers are very busy and easy to reach but through constant requests and sourcing their direct contacts the researcher managed to secure appointments with them.

1.8 Conceptual framework

2.3 Conceptual Framework

A conceptual framework shows logical relationship between the variables identified in research problem which will be studied. The study will examine effect of human resource outsourcing on organizational performance. Specifically, the study focuses on four factors as independent variables and one dependent variable. Independent variables comprise of training, human resource information systems, recruitment and selection and payroll. The dependent variable is organizational performance as indicated by efficiency, effectiveness, skilled manpower and completive advantage as shown in

Human resource outsourcing
- Training
- Human resource information systems
- Recruitment and selection
- payroll

Organizational performance
- efficiency
- effectiveness
- Skilled manpower
- Competitive advantage
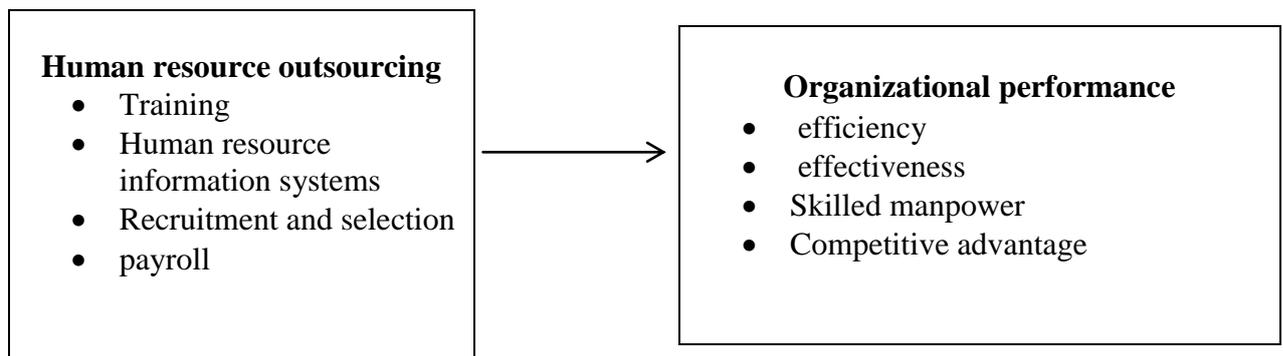
Independent variable   **Dependent variable**

Figure: 1.1 conceptual framework

Source: self-conceptualization 2017

CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

The outsourcing process is a complex structure consisting of numerous activities and sub-activities, carrying many managerial dilemmas. It is no wonder that many theories have been utilized to help the academics to understand the nature of those activities, and to help practitioners successfully manage the process. It is a common knowledge that each phenomenon can be described by several frameworks that are embedded in various theoretical approaches. From its occurrence, the HR outsourcing has been approached by different theories. This creates confusion among the researchers of the HR outsourcing phenomenon. Various authors identified significant number of theories that could explain the outsourcing phenomenon. Some of the theories have been discussed below.

2.1 Theoretical Literature Review

2.1.1 Agency Theory

This is one of the theories that have been highlighted by researchers as one of the most crucial theories in management.It explains the relationship between principals, such as a shareholders, and agents, such as a company's managers. In this relationship the principal delegates (or hires) an agent to perform work. Initially, this theory was developed as a way of establishing a good relationship between the management and the stakeholders (Jensen and meckling , 1976). Over time, the theory has spread to include the relationship between the inter-firm subjects. In that context we associate the agency theory to understanding the relationship between outsourcer and vendor. Sources of the agency problem, moral hazards and adverse selection should be resolved by monitoring and bonding (Al-Darrab, 2000). Consequently, the application of the theory in the outsourcing process research was in the Preparation Phase (when screening for vendors and defining its own attitude towards the type of the relationship). Naturally, the Managing relationship phase has been also explored, and to a very small extent the reconsideration phase (Andrews, 1980).

This Agency relation comes to being when one party contract another party to perform some aspect of work for a consideration and contractual arrangement is needed to manage the relations between the parties. The main focus in HR Outsourcing is the formation of an agency relationship in the context of a client contracting an outsource vendor for the provision of services.

The goal congruence of this theory is to attempt explaining what happens in that particular situation when these corporate parties in a venture share differing objectives and goals. In particular the question arises as to extent that the agent acts to ensure the achievement of the principal's goals and how the relationship is managed to achieve this. The theory looks at how two key aspects of this type of relationship can be resolved: 1) in what ways the desires or goals of the principal and agent differ and, 2) the difficulty that the principal has in confirming how the agent has performed (Eisenhardt, 1989)

The core idea is that each agent in a relationship has a tendency to place their own interest above that of the joint objectives or task. There is goal incongruence between a vendor of a service and the client such as we see in the purchase and supply of the outsource services. Put simplistically (as an example) the delivery of a service is measured within the vendor organization based on long term margin evolution whilst the client organization is more concerned with services delivered at an effective cost thus at a fundamental level the parties seem to pursue different objectives from the same contract. The point of the lack of assurance that the principal's goals are not maximized is central to the theory as is the differing perspective on risk. Briefly whilst the principal may be more or less neutral to the exchange the Agent on the other hand are assumed to be more risk adverse in its decisions towards the client firm due to the risk to personal wealth (or profit) resulting from the performance of the work.

Indeed as one of the key drivers of the HR outsourcing decision still tends to be concerned with delivering cost savings as the prime driver this sort of distinction is still very important. The issue as far as managing this situation is in the nature of the measurement problem (verification and information asymmetries) and the differing risk appetites of the parties. What the approach (Agency Theory) is concerned with is the monitoring and control processes that need to be in place, specifically contracting, and searching for the most (cost) efficient mechanisms that can be structured to control the relationship given assumptions about people behavior (bounded rationality, opportunism etc.) in order to perform to the clients requirement and organization. It is these two points that we now briefly consider.

2.1.2 Social exchange theory.

The social exchange theory explains interpersonal relationships by positing the economic cost benefit analysis as precondition for social engagement and exchange. The theory presupposes that the exchange of resources (material or social) is a basic form of human

interaction. Social exchange is an ongoing reciprocal process in which actions are contingent on rewarding reactions from others (Gottschalk and Solli-Saether, 2005).

It has been admitted that the information is not perfect and new economic models emerged to explain situations where two parties possess unequal or none quantity of information. One of the first works in the area was development of the search theory (Stigler, 1961). The identification of sellers and the discovery of their prices are only one sample of the vast role of the search for information in economic. Another key concept of the economy of information is the concept of signaling developed by (Spence, 1973). His essay is about markets in which signaling takes place and in which the primary signalers are relatively numerous and in the market sufficiently infrequently that they are not expected to invest in acquiring signaling reputation. Application of the economy of information in outsourcing is associated to activities of searching, selecting and contracting the vendor. However, the economics of information hasn't been used explicitly in the studies of the outsourcing process

Social exchange theory emphasizes the importance of interpersonal trust in alliances and information exchange (Gulati, 2000). A social exchange takes place within the employment relationship when a psychological contract is created containing the perceived commitments or promises that employees believe their organizations have made to them. The concept of "breach" described by (Morrison and Robinson, 2000) is "the cognition that one's organization has failed to meet one or more obligations within one's psychological contract in a manner commensurate with one's contributions." The possibility of a breach of contract may negatively impact employees' feelings, attitudes, and behaviors.

Employees develop a comparison level against which they compare the give/take ratio to determine the fairness and the value of an employment relationship. This level was vary with some relationships being more giving and others being more taking. An internal relationship offers greater possibility for reciprocation and was thus be viewed as more positive to the employee in most cases. An obvious exception could be in the case where an employee wishes to share information that was remain confidential and not be shared with the firm as may be the case when employees use Employee Assistance Programs. The exchange in this case is likely to be more valuable when conducted by an anonymous party external to the firm.

2.1.3 The Knowledge based theory of the firm

The economic change of material-based production to information-based production created a revaluation of the firm workers. Increasingly we find knowledge workers at the core of the organization functions: concept and technology designers, as well as finance and management people. Other individuals are considered to be in the firm's support team, as a consequence their responsibilities change permanently and they are defined by the tasks they perform at the moment. This way, a new differentiation in labour arises (Domberger J., 1998)

The knowledge-based view provides insight in understanding how individuals co-operate to produce goods and services. The knowledge-based view distinguishes two ways how knowledge is shared among partners. They are knowledge generation and knowledge application. The Knowledge-based view has been used in utilized in the outsourcing research to prove that knowledge sharing in the Managing relationship phase is positively related to the success of an Outsourcing arrangement (Dominguez R. , 2005). The capabilities of problem solving are considered to be intangible resources, and the knowledge resources are especially critical for the organization (Dominguez R. , 2005). Resources like knowledge, learning capacity, culture, team work and human capital, are pointed out to be the ones contributing the more to the sustained competitive advantage of the firm (Egger, 2001).

2.2.1 Training and its effect on performance

Training outsourcing is a constant transfer of the organization and implementation of one or more entire training processes to an external services provider, this is according to (IDC) India. Training outsourcing is of two types: Select training outsourcing - In this type selected training activities are outsourced, and Comprehensive total training- In this type, the entire training function is outsourced

Although delivery of training has long been outsourced by companies, it was revealed that the level of outsourcing is increasing rapidly, which is based on two facts: training boosts organisational competitive advantage, and outside training increase an organisation's performance. Driving the increase in outsourcing of training activities has been the rise in the number of training projects and the nature of those projects (Friedman 2015) and (Gainey and Klass, 2014), highlighted strategic importance of outsourced training in their study. The researchers apply to view of transaction cost economies, social exchange theory, the resource-based view to identify factors thought to impact client satisfaction with external training vendors. Findings show that socially-oriented trust and contractual specificity

mediate the relationship (Norman 2013). According to (Accenture 2015) report, high performance organisations, representing approximately 10% of the organisations surveyed, exceeded their peers in productivity (as measured by sales per employee) by 27% more than their competitors', revenue growth by 40% and net income growth by 50%.

Training is one of the most multidisciplinary functions in corporations. Corporate training is a complex and difficult operation. A small group of people are expected to build, deliver and manage a wide range of training – covering topics from field repair, sales skills, IT technology, new manager training, new hire training, all the way to executive education. Outsourcing of many functions is mandatory to deal with the wide range of training demands. Often a time, a company was needed to roll out a large program quickly and needs skilled trainers to deliver existing to deliver existing programs. Frequently, these functions are outsourced to seasoned training companies. This broad and constantly changing set of content forces training managers to constantly look for outsource providers for courses, seminars and events.

Post bank Kenya chooses to outsource training instead of hiring own instructional designers. According to the company's 2014 profile, outsourcing employee training and development makes both financial and business sense. The organisation spends 31% less in total annual training expenditures per learner than firms that run training internally. In terms of personnel involved to training activities, outsourcing firms have 26% fewer staff per 1000 learners than companies that manage all training internally. However there was no study on outsourcing training in the commercial banks in Kenya hence triggering need for the study in post bank of Kenya.

2.2.2 Recruitment and selection and its effect on performance

Outsourcing is relatively a new phenomenon which is becoming very popular in modern organizations. It was established that Outsourcing Recruitment process is mainly used to increase the efficiency of the organization through managerial time saving along with the cost (Corbett, 2014)recruitment process outsourcing is a form of business process outsourcing (BPO) where an employer transfers all or part of its recruitment processes to an external service providers. Recruitment and selection process outsourcing has a long history and is growing rapidly. A natural outgrowth of mass purchasing of recruiting services, recruiting process outsourcing (RPO) has matured in terms of size, scope and duration of contracts. RPO taps into two core reasons for outsourcing; gaining needed expertise and lowering costs

(Norman, 2013). The selection process consists of several critical steps in ensuring that the organization don't only attract the best capacity in the industry, but it provide them with most exciting and challenging environment to work in.It was established that Recruitment process outsourcing (RPO) lets Talent Acquisition easily scale recruiting capacity to meet demand, better understand recruitment costs, and resolve the tensions associated with peak, valley, and even equilibrium requisition demand cycles. RPO also provides fast-changing organizations with a scalable, more cost-effective way to manage recruitment resources (Prater, 2014).

Global and domestic regulatory changes place an intense pressure on financial institutions' capital requirements. As a result of the rising regulatory cost burdens they're facing, a growing number of banks and financial services companies are turning to recruitment process outsourcing to improve the quality of their hires, to elevate the success rate of the employee training programs and to increase employee retention rates. Partnering with a provider with proven expertise can enable banks and other financial companies to reach new heights of enterprise productivity and efficiency (Prater, 2014). Without forgetting that recruitment specialists have more advanced techniques, including multiple sourcing channels, web-sites and recruitment software which can easily find thousands of applicants, thereby increasing the probability that the best person for the job was be found (Maidment, 2014).

By moving the recruitment process to a recruitment agency a lot of time is saved by the managers in Post bank for more efficient planning. In order to increase the profitability, efficiency and performance of the organisation, Post bank Kenya is adopting new human resources practices such as hiring external agencies for recruitment which according to (Mansen, 2015) can prove to be helpful to organisations which do the same. To achieve high outputs along with efficiency, employee commitment and loyalty is very fundamental (Sharma and Punia, 2014).

Employee commitment is important for an organization and in this case the banking industry as committed employees relates with the culture, goals, values and objectives of the organisation of which the external recruitment agencies are not well aware of (Meyer and Allen , 2015), which is vital to an organisation's effectiveness and competitiveness in today's world. As far as outsourcing recruitment process is concerned, organisations should consider various aspects because employees' takes valuable knowledge when they leave an organisation along with the wastage of time and resources invested in them (Corbett, 2014).

There is no single study on outsourcing recruitment and selection in the commercial banks in Kenya and in particular post bank of Kenya which has necessitated the need for the study.

2.2.3 Human Resource Information Systems (HRIS) and its effect on performance

HRIS is a systematic way of storing data and information for each individual employee to aid planning, decision making and submitting of returns and reports to the external agencies. According to (Baum, 1990) he defined Human Resource Information System (HRIS) as a technology based system used to acquire, store, manipulate, analyze, retrieve and distribute pertinent information regarding organization of human resources. (Porter, 1990), suggested that management of human resource is most critical. Effective management of human resource in an organization set up requires timely and accurate information systems, on current employees and potential employees in labor market. With evolution of computer technology meeting these information requirements has been greatly enhanced through creation of Human Resource Information Systems.

It was found that increased complexity and turnover of information in the HR area is widely managed by external experts. Human Resource Information Systems (HRIS) together with other HR software plays a very important support role in managing people (Stone, 2016).The study confirms the fact that HRIS has become a very important mechanism that helps organizations improve productivity and retain a competitive advantage. Furthermore, he argues that HRIS can integrate vital HR information and organization strategy.

Constant updates in technology, in the present times , makes HRIS useless, hence requiring large expenditure to upgrade, modify and maintain it, of which any organizations may not have the specialized skills in-house to be able to handle these particular challenges. HRIS development requires professional expertise which many organizations lack. (Pritchard, 2014).

2.2.4 Payrolls and its effect on performance

In order for a company to run steadily and implement ambitious HR strategies, paying everyone in the organization and on time is a basic requirement. Payroll can prove to be costly and complex which requires companies to assess payroll- related processes in order to decide on the most relevant strategy and keep this critical function under control. Payroll processing involves perhaps the most transactional, routine activity involving HR and is the most frequently outsourced HRM activity (Norman, 2016). Rapid change in internet technology and its availability has enabled complex processes such as payroll to be

outsourced because the organization and the vendor are in touch. It was established that Payroll is one of the most vital activities for a company. An employee's salary is his single largest connect to an organization and a foundation of employee motivation. Payroll information is critical and highly sensitive. Any seasoned HR person knows that it can make or break an employee's relationship with his employer. Given this scenario, the time and effort needed to maintain payroll administration and data security, many corporations worldwide outsource payroll to specialists.

It was revealed that Outsourcing of HR administration and payroll in the Asia pacific region is estimated to be one of the fastest growing markets by the year 2015. In India too, more and more companies are realizing that payroll information important and needs a 24/7 dedicated resource to maintain the standards of confidentiality and service while delivering on employee expectations and cost effectiveness. However there is hardly any study concerning payroll outsourcing in Kenya and in commercial banks, specifically the post bank of Kenya which has triggered need for this study.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction.

The chapter entails the study design, target population under study i.e. Post bank, sampling design, research instruments, data collection and data analysis methods. This study was carried out in Nairobi.

3.2 Research design.

3.2.1 Qualitative research design.

Research design is a plan, structure and strategy of investigation to obtain answers to research questions and control variance. It is a program that guides the researcher in the process of collecting, analysing and interpreting an observation (Ogula, 2013).

The purpose of this study was to analyse the effects of HR outsourcing on performance. This study focused on the use of descriptive survey design method. According to (Kathari, 2015) descriptive research studies are those studies which are concerned with describing the characteristics of a particular individual, or a group. This is where a large amount of information and data was gathered via three data collection methods i.e. interviewing, questionnaires and secondary sources

3.3 Target population

Target population is the members of a real or hypothetical set of people, events or objects the researcher generalized the results of the research (Mugenda and Mugenda, 2003)**.** The questionnaires were sampled out to 50 respondents for the study, 20 to the people in the management and 30 to the employees. Systematic random sampling was used. This technique was preferred because all employees and those in the managerial positions had equal chances of being included in the study. The first respondent was picked randomly: skipped two and picked third one until the researcher got the targeted population.

3.4 Sampling frame

The sampling frame of the study includes a representative sample of the individuals living in the informational settlement. At least 30% of the total population is represented (Borg and

Gall, 2012). This percentage was to focus on the population composed of the managers of Post Bank.

Table 3.1: Sampling Table

Category	Population	Percentage	Sample Size
Directors	8	0.3	2
Managers	25	0.3	8
Supervisors	34	0.3	10
Junior staff	100	0.3	30
TOTAL	**167**	**0.3**	**50**

Source: Researcher 2017

3.5 Sample and Sampling technique

Sampling techniques are the approaches that researchers use to select respondents or organization of interest from a population for a study (Finn, 2012). Various ways of sampling include systematic, simple random, purposeful, convenient and snowballing among others. Purposive selection is the techniques of carefully selecting the sample to reflect the purpose of investigation. The objective of the investigation decides the sample members and the stratification of the sample is arbitrary as it selects only those variables that relates to the objective of the study (Creswell, 2011). The researcher used the purposive sampling technique to select the sample for management and the convenience sampling technique for supervisors.

3.6 Instruments

Data was collected using two methods in this project. One of them was primary data, which was collected through questionnaire. While the secondary data was collected through literature materials referred previously. The primary data was collected from the investigations carried out in Post Bank Kenya Ltd.

3.6.1 Questionnaires

The main instruments the researcher used to collect data from the field fit the purpose of the study (Carr and Kemmis, 2010). The method used in this study to gather data a set of questionnaires. Various types of questionnaires include: Rating scale. Open ended questions.

The close-ended questions, which included the dichotomous, multiple choice and rating scales has the advantage of being easier to administer to a large group of respondents and therefore saves time. It is easier to score, tabulate and analyse and it is more objectively and reliably scored. A major disadvantage is that it does not provide detail information about the problem and fails to yield information of sufficient depth. The opposite is true of open-ended questions (Robson, 2009).

3.7 Data Collection Procedure

Prior to the commencement of data collection, the study obtained all the necessary documents, including an introduction letter from the University. The research employed structured questionnaires and semi-structured interviews to solicit information from the employees and management respectively. Questionnaires were administered through the managers by the researcher to the employees who completed them during normal working hours. The management and employees constituted the study population.

3.8 Pilot Test

Pilot testing is a small scale trial, where a few examinees take the test and comment on the mechanics of the test. They point out any problems with the test instructions, instances where items are not clear and formatting and other typographical errors and/or issues. Basically pilot testing means finding out if your survey, key informant guide or questionnaire form worked in the real world by trying it out first on a few people. In the case of questionnaire as the method used, the study ran a pilot testing section with at least half the number of the sampled population to help ascertain and detect any bugs which may be present in the method of collection. This helped to make sure that everyone in the sample not only understood the questions, but understood them in the same way.

3.9 Data Analysis

After the administration of the questionnaires and the various responses gathered, the data was cleaned, edited for consistency and coded for reducing the answer to a series of code numbers to facilitate tabulation. The analysis of data was based on simple percentages which were converted into charts and tables. 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 used simple linear regression analysis test for hypothesis one to three since they are measuring significance and effects and not relationship between variables which makes use of correlation analysis.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.0 Introduction

This chapter covered the research finding and discussion which involved the analysis and presentation of the research data collected. Data presentation was through charts and tables. Each section discusses the data presented. The analyzed data helped the researcher to get facts on the issue under scrutiny. The researcher began with the presentation of return rate information of the respondent.

4.1 Response Rate

Out of the fifty copies of questionnaires issued, the researcher managed to get back forty five giving it a 90% of the total which the researcher considered as representative enough. According to (Gay, 2012) 50% of the accessible population is enough for a descriptive survey and therefore, these response return rates of 90% are good and thus, have helped increase the reliability of the study

Table 4.1: Response Rate

Response	Frequency	Percentage (%)
Responded	45	90%
Not-responded	5	10%
TOTAL	**50**	**100%**

Source: Researcher 2017

4.2 Demographic characteristics of the respondents

4.2.1 Gender

The respondents were asked to indicate their gender and the researcher found that the number of female respondents was higher than the number of male respondents. The number of

female respondents was 25 translating to 56%, while the number of male respondents was 20 translating to 44%.

Table4. 2: Gender

Gender	Response	Percentage (%)
Female	25	56%
Male	20	44%
TOTAL	**45**	**100%**

Source: Researcher 2017

4.2.2 Respondent category

Post Bank Kenya has three organizational levels, that is, the senior management level which was represented by 2 directors, the managers were represented by 8, 10 supervisors participated and 25 junior staff participated.

Table 4. 3: Respondents Category

Management level	Number of respondents	Percentage
Directors	2	4%
Managers	8	18%
Supervisors	10	22%
Junior staff	25	56%
Total	**45**	**100%**

Source: Researcher 2017

4.2.3 Duration of service

The study established that the majority of the respondents 82% had been working for a period of more than 1year, only 18% had been working for a period of less than 1year. The results of this study therefore show that higher percentage of the employees had enough knowledge of the organization's operations.

Table4. 4: Duration of Service

Duration of service	Number of respondents
Less than 1 years	8
1 - 5 years	15
5 years and above	22
Total	**45**

Source: Researcher 2017

4.3 Effect of Training on performance

Based on the results from the respondents, 71% of the respondents supported the outsourcing of training services from vendors, their reasons could be attributed from improved organizational performance and bringing in of new ideas from outside trainers. This could be connected to the findings by (Friedman, 2015)and (Gainey and Klass, 2014)who highlighted strategic importance of outsourced training in their study. They stated that training boosts organisational productivity and performance, and outside training providers increase an organisation's ability to train more people faster and more cost-effectively than in-house staff.While the remaining 29% of the respondents were against the outsourcing of training activities arguing that training in-house helps to improve employee performance and enhancing and promoting organizational culture. Since most of trainers sourced within the organization seem to have a good knowledge of the organizational structure and culture this helping in maintaining the strengths of the current processes.

Table4. 5: Effect of Training on performance

Respondents option	Number of respondents	Percentage
YES	32	71%
NO	13	29%
TOTAL	**45**	**100%**

Source: Researcher 2017

Figure4. 1: Effect of Training on performance

RESPONDENTS ON TRAINING

- YES: 71%
- NO: 29%

(Bar chart with y-axis ranging from 0% to 80% in 10% increments; YES bar at 71%, NO bar at 29%)
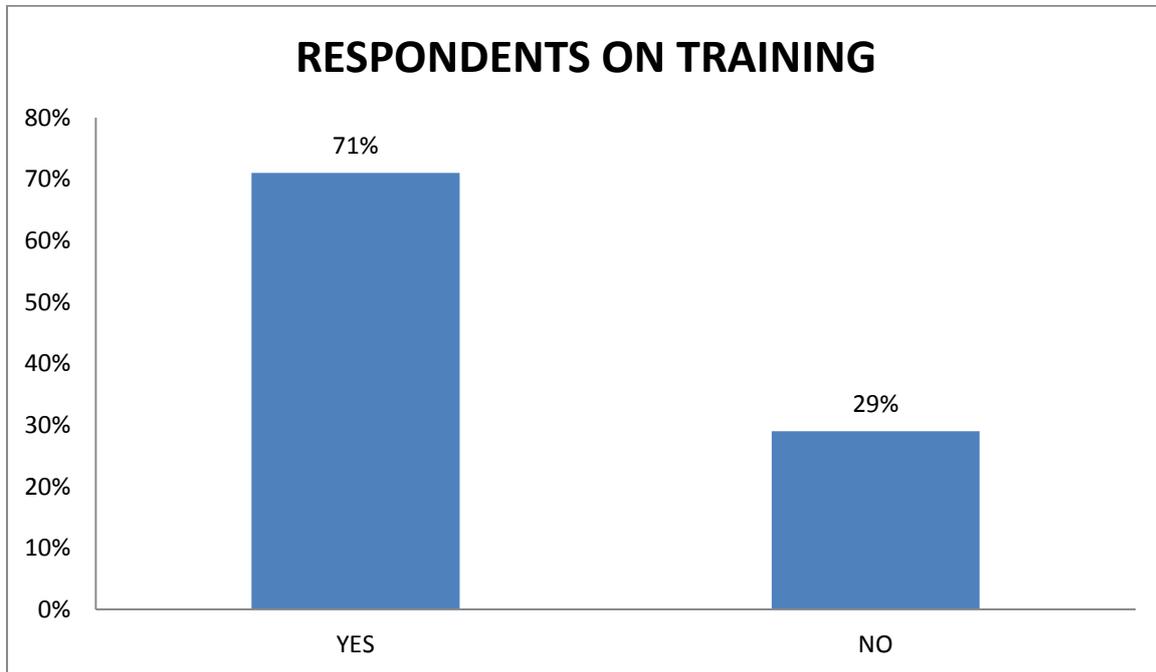
Source: Researcher 2017

4.4 Effect of Recruitment and selection on performance

The number of respondents who supported outsourcing online recruitment and selection was 60% basing their argument that recruitment is a non-core activity in an organization so undertaking it within the organization may be more costly thus leading to their concern that it should be outsourced outside the organization to experts and organizations performing recruitment as one of their core activity. Outsourcing Recruitment process is mainly used to increase the efficiency of the organization through managerial time saving along with the cost as stated by (Corbett, 2014).This further compliments the research done by (Norman, 2013)that states that Recruitment Processing Outsourcing taps into two core reasons for outsourcing; gaining needed expertise and lowering costs.The number of respondents who did not support outsourcing of online recruitment and selection were 40% basing their arguments that recruitment should be done within the organization because the managers or the senior management responsible for the recruitment are in a good position to understand the required type of individual for the gap within their organization, thus by conducting the interview themselves was be most favorable because from the applicants they was be able to select the best they think was best fit their requirements.

21

Table4. 6: Effect of Recruitment and selection on performance

Respondents option	Number of respondents	Percentage
YES	27	60%
NO	18	40%
TOTAL	**45**	**100%**

Source: Researcher 2017

Figure 4. 2: Effect of Recruitment and selection on performance

RECRUITMENT RESPONDENTS
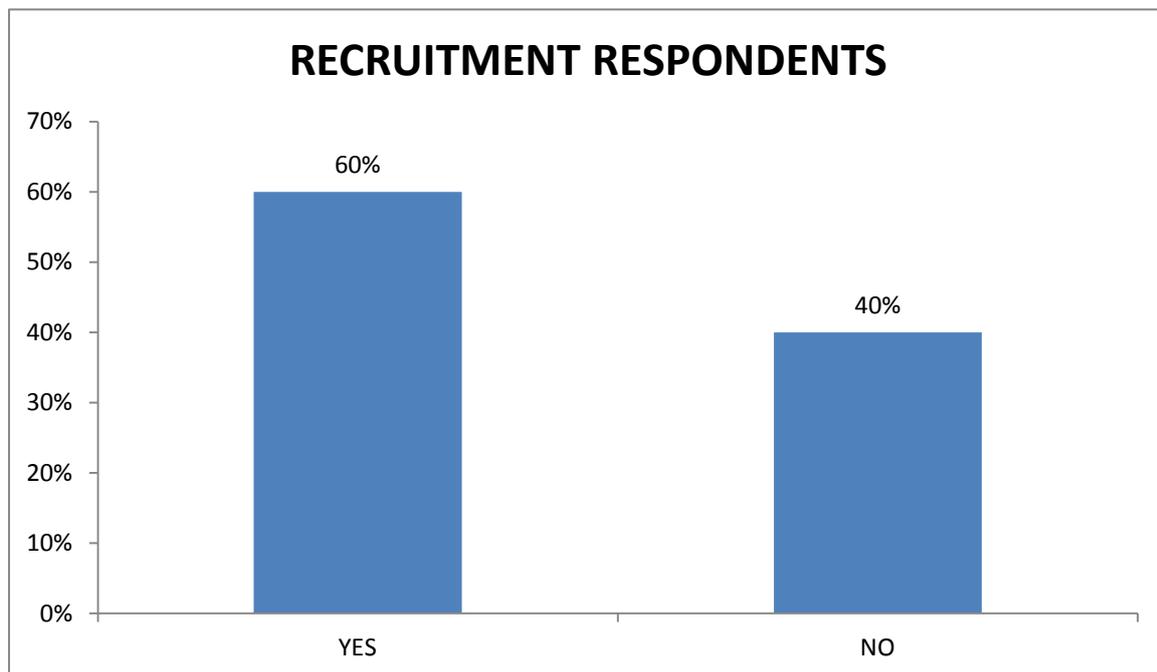
Source: Researcher 2017

4.5 Human Resource Information Systems and performance

The findings on outsourcing human resource information systems seemed to have a larger number respondents siding on the outsourcing of HRIS activities. The number of respondents who agreed on HRIS outsourcing is 77% of the respondents. They based their arguments on; the HRIS are complicated and require much expertise than know how. This requires outsourcing information technology experts who are conversant to the systems. They also argued that there is the need of having some parts of HRIS done in house and the other from outside. This involves like outsourcing the system and the installation crew then looking for an expert who was be working and maintaining the system within the organization. Which is in line with the findings of (Pritchad, 2014) which stated that

constant updates in technology, in the present times , makes HRIS useless, hence requiring large expenditure to upgrade, modify and maintain it, of which any organizations may not have the specialized skills in-house to be able to handle these particular challenges. HRIS development requires professional expertise which many organizations lack and which is where outsourcing comes in. The number of respondents who declined the outsourcing of HRIS is 10 equal to 23% of the respondents. Basing their argument on that HRIS is very a very confidential system within an organization. Outsourcing of experts to work on HRIS is risky in that it may lead to information espionage to the competitors and thus making an organization loose it competitive secrets to its competitors.

Table4. 7: Human Resource Information Systems and performance

Respondents option	Number of respondents	Percentage
YES	35	77%
NO	10	23%
TOTAL	**45**	**100%**

Source: Researcher 2017

Figure4. 3: Human Resource Information System
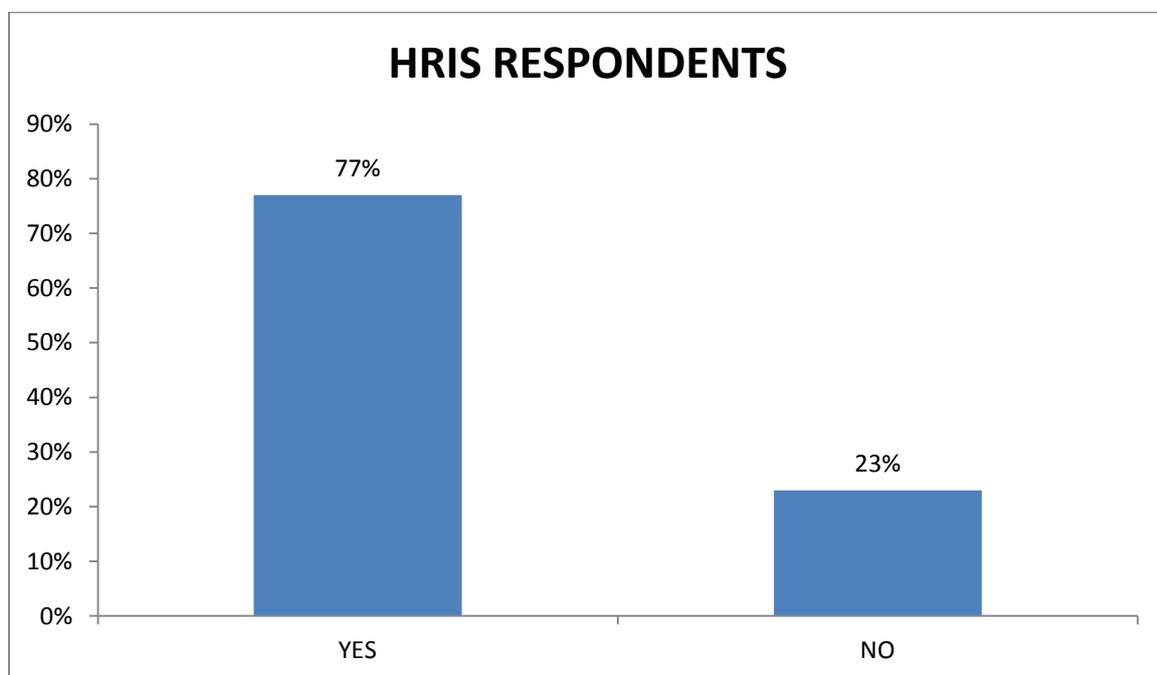
Source: Researcher 2017

4.6 Payroll and performance

Going by the results of the data collection it was found out that a majority of the respondents indeed acknowledged that payroll systems should be outsourced, giving them a percentage of 65% arguing that outsourcing this system to expert vendor was not only make up time to concentrate on other activities but it was also help the organization avoid penalties for errors, omissions or late payroll tax fillings which can be costly and report timely and accurately to the government. According to (Payroll outsourcing in Europe, 2012)findings, paying employees accurately and on time is more than a legal responsibility for a company. It is also a basic commitment to employees and a mandatory requirement for internal stability. This journal further stated Payroll processing involves perhaps the most transactional, routine activity involving HR and is the most frequently outsourced HRM activity so as to make up time to concentrate with other activities.

The other 35% who did not support payroll outsourcing based their argument on the fact that outsourcing payroll systems to an external provider was involve transmitting confidential employee information to the latter which was compromise security and confidentiality. They also stated inconsistencies in quality of work since the external vendors are motivated by profit and some of them provide outsourcing services to quite a number of companies making quality of services they give not their main concern as long as they deliver.

Table4. 8: Payroll and performance

Respondents option	Number of respondents	Percentage
YES	29	65%
NO	16	35%
TOTAL	**45**	**100%**

Source: Author 2017

Figure 4.4: Payroll and performance

PAYROLL RESPONDENTS

[Bar chart showing: YES 65%, NO 35%]
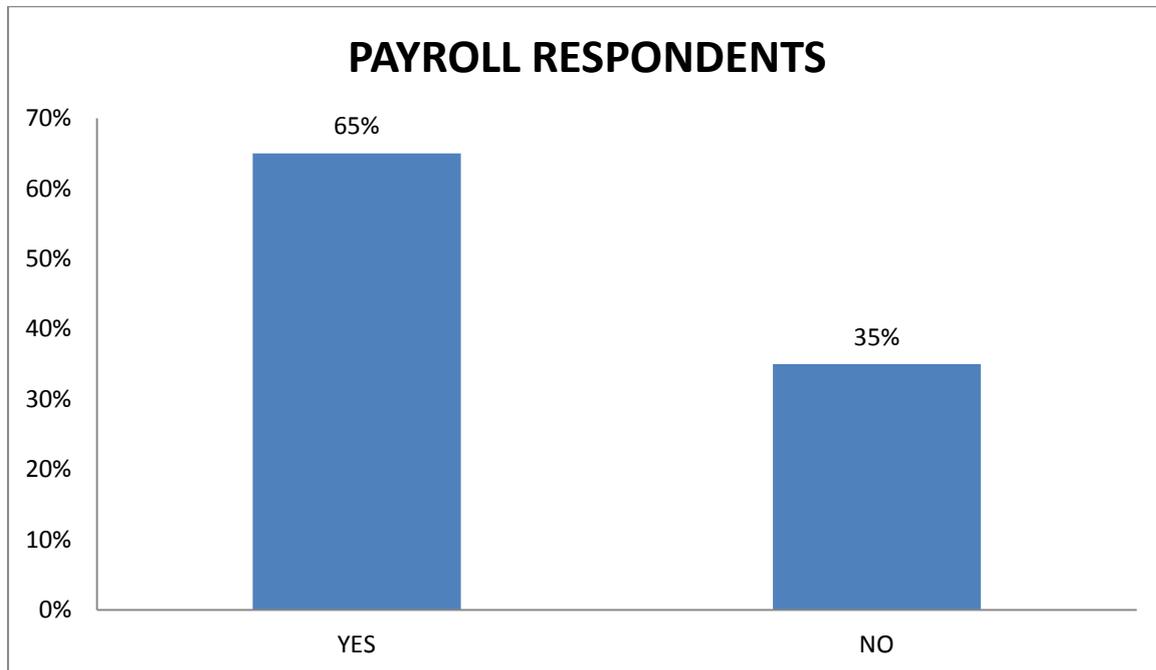
Source: Researcher 2017

4.7 Importance of Outsourcing

Outsourcing seemed to have a great importance as per the respondents in the questionnaire. To other people suggested even more activities which can be outsourced apart from the four variables; training, payroll processes, recruitment and Human Resource Information Systems. This suggests that outsourcing was almost unanimously accepted by most of employees due to its flexibility and associated advantages.

4.7.1 Cost Reduction and performance

The respondents were asked if outsourcing reduced on cost and 31% strongly agreed, 51% agreed, 11% were not sure, 7% disagreed. The majority being 80% agreed/strongly agreed that outsourcing reduced costs, both overhead and fixed costs. This is because an organization can employ the needed expertise from the vendor for a specific time it is needed but once their target is met, the contract is terminated and only employ the same when need arises. And also, organization pays a vendor a negotiated fixed amount fees and additional cost based on volume. Without forgetting that when an organization outsource services to a third party vendor, they are getting access to quality services that are offered at a much lower cost. This is in line with the findings of (Newton, 2012) where he stated that there are many reasons why companies outsource various jobs but, the most important advantage seems to be

the fact that it often saves money. He also found that many of the companies that provide outsourcing services are able to do their daily work for considerable less money, as they don't have to provide benefits to their workers and have fewer overhead expenses to worry about. Depending on location, it may also be more affordable to outsource to companies located in different countries.Only 31% disagreed. This is an indication that cost cutting is a factor influencing outsourcing decision in Post Bank Kenya.

Table4. 9: Cost Reduction respondents

Respondents option	Number of respondents	Percentage
STRONGLY AGREED	14	31%
AGREED	23	51%
NOT SURE	5	11%
DISAGREE	3	7%
STRONGLY DISAGREE	0	0
TOTAL	**45**	**100%**

Source: Researcher 2017

Figure 4.5: Cost reduction and performance

COST REDUCTION

- Strongly Agree
- Agree
- Not Sure
- Disagree

31%
51%
11%
7%
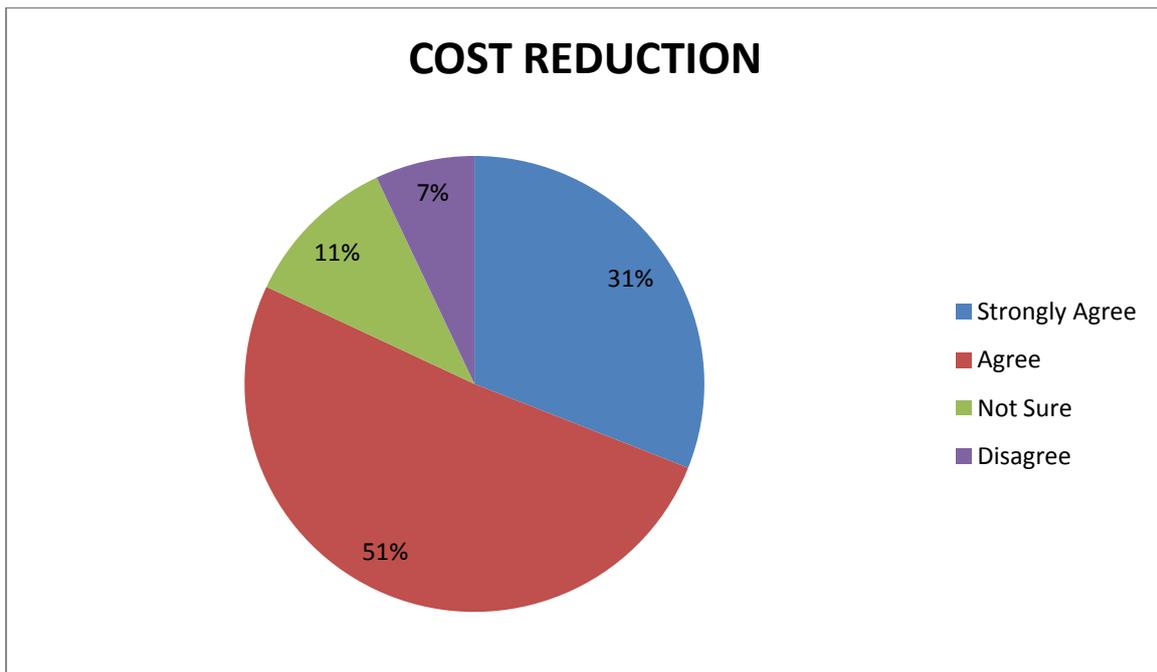
Source: Researcher 2017

4.7.2 Increased competitive advantage

60% of the total respondent argued that since international markets have become easier to access and more reliable, by using a well-managed outsourcing agreement, the organization can gain in markets that would otherwise be uneconomical. They also argued that HR outsourcing allows organizations to focus on their core business and can create a competitive advantage by reducing operational cost. Extensive research by (Elvis, 2012) reveals that outsourcing has become the preferred approach for improving quality and productivity in organizations as well as giving it a competitive advantage.He demonstrated that a competitive advantage can be achieved through outsourcing arrangements with the examples of the success of companies like Microsoft. The other 20% argued that to sometimes outsourcing may be costly in the long run.

Table4. 10: Increased competitive advantage

Respondents option	Number of respondents	Percentage
STRONGLY AGREE	17	39%
AGREE	9	21%
NOT SURE	9	20%
DISAGREE	5	10%
STRONGLY DISAGREE	5	10%
TOTAL	**45**	**100%**

Source: Researcher 2017

Figure 4.6: Increased competitive advantage
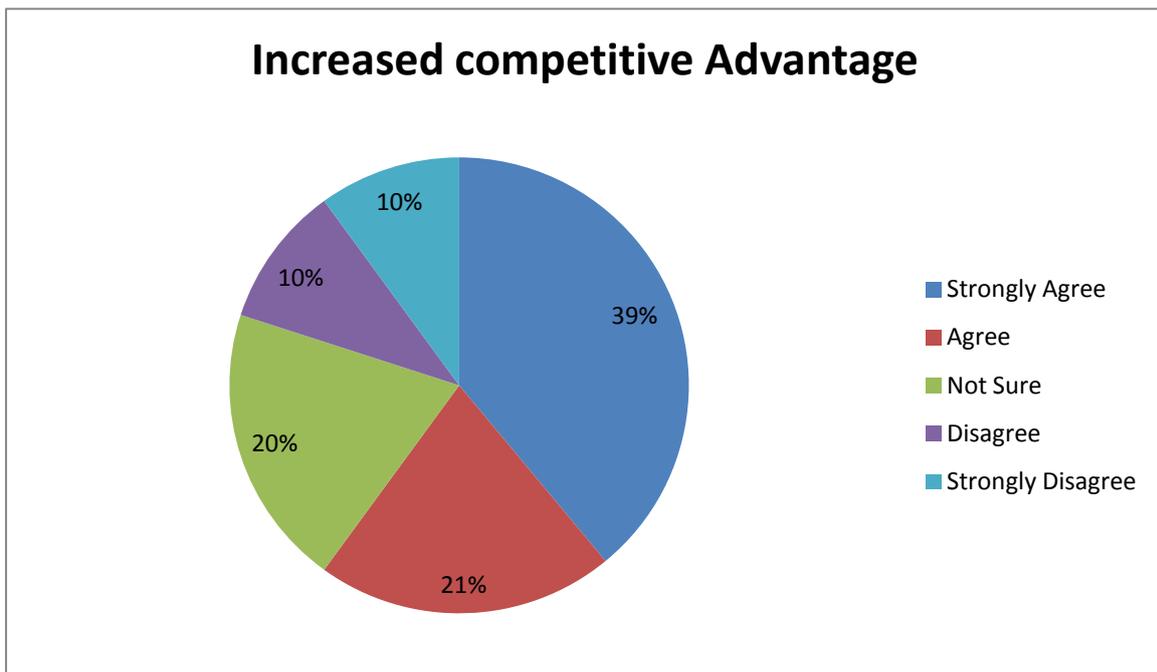
Source:Researcher 2017

4.7.3 Gaining expertise

From the respondents, 29% strongly agreed, 31% agreed, 16% not sure, 13% disagreed, 11% strongly disagreed. 60% of the total respondents strongly agreed/agreed on gaining expertise arguing that outsourcing Human Resource activities to external vendors is more likely to benefit from expertise because vendor firm are in a competitive environment looking forward to maximizing competitive services thus leading to introduction of expertise systems which was increase its competitive advantage and outstanding in the market. This is in line with (Kuada, 2015)who stated that outsourcing brings in the skills that the organization needs which allows the existing staff an opportunity to interact with them and in the process gain the expertise. The remaining 24% argued that, all HR activities should be done in house because it helps in increased employee's competency and skills of handling even more complex tasks beyond their levels. 16% were not sure of the same.

Table4. 11: Gaining Expertise

Respondents option	Number of respondents	Percentage
STRONGLY AGREE	13	29%
AGREE	14	31%
NOT SURE	7	16%
DISAGREE	6	13%
STRONGLY DISAGREE	5	11%
TOTAL	**45**	**100%**

Figure 4.7: Gaining Expertise

Gaining Expertise

- ■ Strongly Agree
- ■ Agree
- ■ Not sure
- ■ Disagree

13%

29%

16%

31%
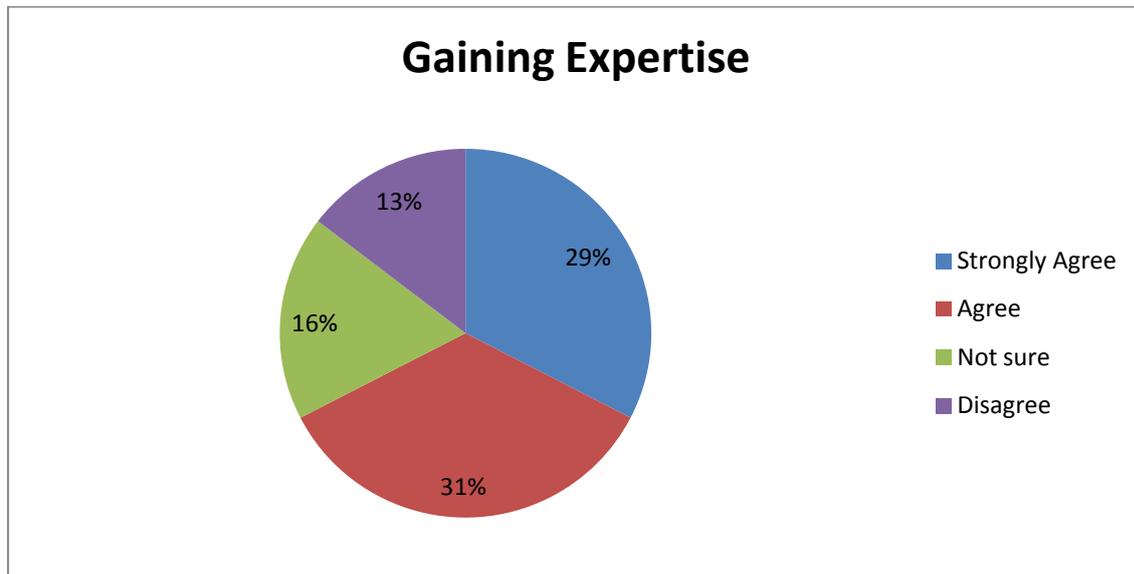
4.7.4 Focus on core activities

From the respondents, focus on core activities seemed to be one of the contributing advantages of outsourcing with the response being 80% strongly agree, 11% agree and 9% were not sure. 91% of respondents either agreed or strongly agreed arguing that the major aim of outsourcing is saving on time to focus on core activity. Human resource department may outsource functions because they are time consuming and service delivery is slow, allows the management to reduce work load and administrative overheads so that they can focus on broader strategic Human Resource issues. Workload increases with additional non-core functions and the quality of your core activities suffers as your business grows. Outsourcing in such scenario to a third party plays an important role by allowing your key resources to focus on primary business tasks. This is in line with the Agency Theory by (Eisenhardt, 2003) which states that outsourcing is concerned with is the monitoring and control processes that need to be in place, specifically contracting and searching for the most (cost) efficient mechanisms that can be structured to control the relationship given assumptions about people behavior (bounded rationality, opportunities etc.) in order to perform to the clients requirement and allow them time to focus on core activities for better productivity.

Table 4.12: Focus on core activities

Respondents option	Number of respondents	Percentage
STRONGLY AGREE	36	80%
AGREE	5	11%
NOT SURE	4	9 %
DISAGREE	0	0
STRONGLY DISAGREE	0	0
TOTAL	**45**	**100%**

Source: Researcher 2017

Figure 4.8: Focus on core activities
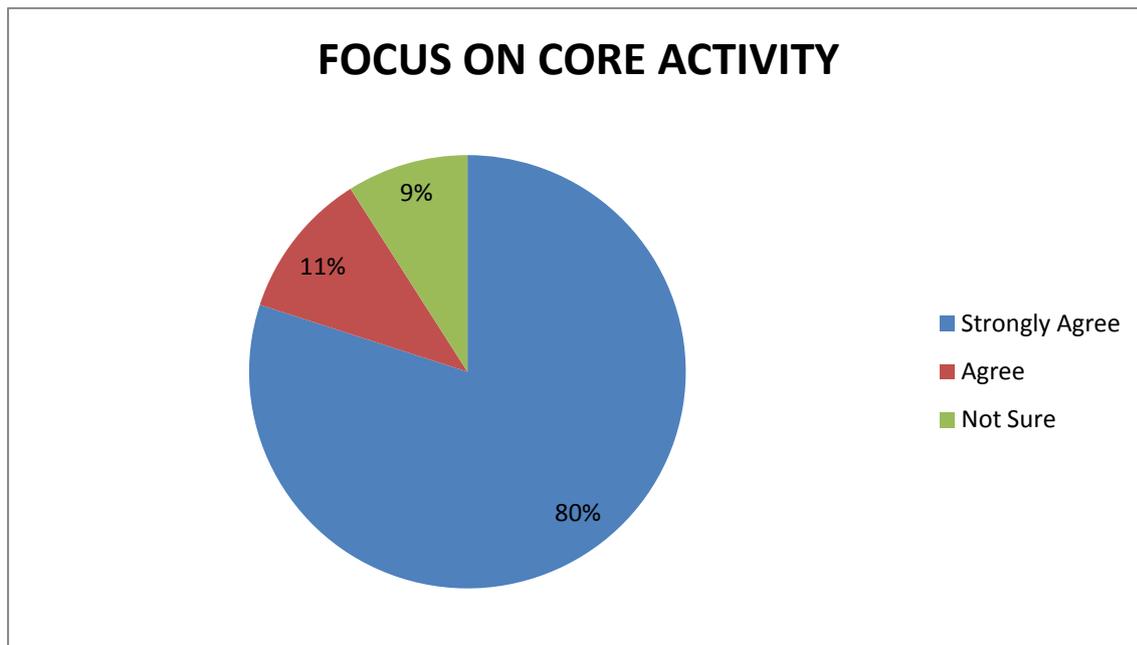
Source: Researcher 2017

4.8 Disadvantages of outsourcing

From the respondents it was established that outsourcing has some associated disadvantages. These are side effects experienced from outsourcing Human Resource functions. Bearing on point that HR department is an important department in an organization since it is the main resource in an organization to achieve its goals and objectives. Human resources make

important part of organizational raw materials and so it should be well handled. Some of common associated disadvantages of outsourcing include;

4.8.1 Loss of managerial control

As evident from the 64% of the respondents, outsourcing requires managers to relinquish control of certain functions to another company, and by signing the outsourcing contract; the managers are turning the management and control of the function over to another company. The management has the contract but not the managerial control. Therefore in areas where organization is vulnerable and potential for competitive advantage is high products and services should remain within company. Where organizations have less vulnerability may look for alternatives as external vendors or buy something in existence. Thus outsourcing leads to organization losing its management control because outsourcing calls for external maintenance and upkeep of the system. This is in line with (Asian journal of management Science and Economics, 2016)it states that while outsourcing can be a solution to many managerial headaches, it can also be the cause of some. Organizations that agree to outsource some of its operations to another company effectively put the other company in charge of the task for the duration of the contract.

Table4. 13: Loss of managerial control

Respondents option	Number of respondents	Percentage
YES	29	64%
NO	16	36%
TOTAL		**100%**

Source: Researcher 2017

Figure 4.9: Loss of Managerial control
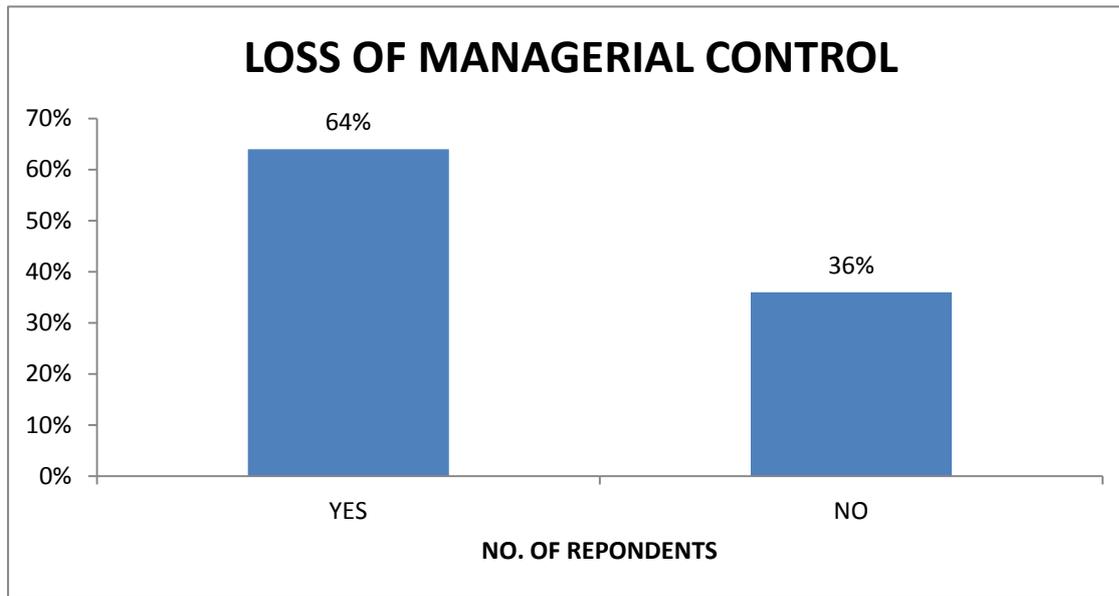
Source: Researcher 2017

4.8.2 Overdependence on vendor

As evident from the 71% of the total respondents, when outsourcing an activity, organization continues to have ultimate responsibility for services contracted out. Therefore if organization does not keep in house talent management flexibility may be limited and organization may suffer from dependence on vendor. It's possible for a vendor to develop such refined services by-pass the buyer and enter market as a vendor. (Edward, 2012) States that if a company resumes carrying out the outsourced activity themselves, it can take years to reach the level of performance they used to enjoy because of lack of expertise.

Table4. 14: Overdependence on vendor

Respondents option	Number of respondents	Percentage
YES	32	71%
NO	13	29%
TOTAL	**45**	**100%**

Figure 4.10 overdependence on Vendor
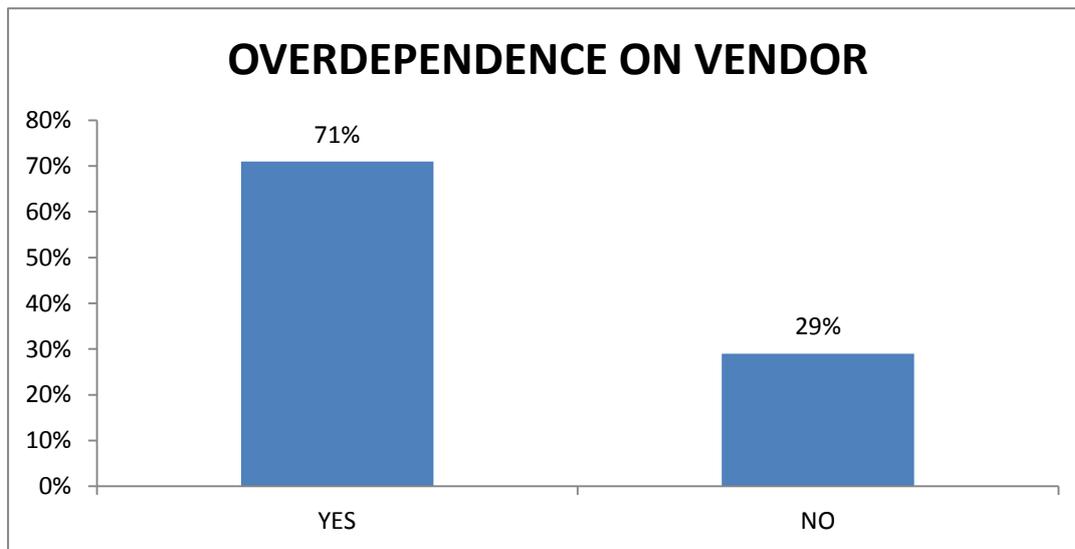
Source: Researcher 2017

4.8.3 Human Resource impact

From the total respondents 79% of them urged that outsourcing may often displace employees and reduce the number of staffs. This may result in resistance to outsourcing, loss of productivity or low morale among employees during and after transition, hence the need for the process to be managed well from the beginning. It's often middle management and low staff who frequently believe that their jobs are at risk who builds a strong case against outsourcing as seen by (Broedner, 2009) who found that outsourcing almost always means job elimination which can have a negative effect on morale, loyalty and productivity among the employees who remain.

Table4. 15: Human resource impact

Respondents option	Number of respondents	Percentage
YES	36	79%
NO	9	21%
TOTAL	**45**	**100%**

Source: Researcher 2017

Figure4.11: Human Resource Impact

HUMAN RESOURCE IMPACT

- 21% NO
- 79% YES
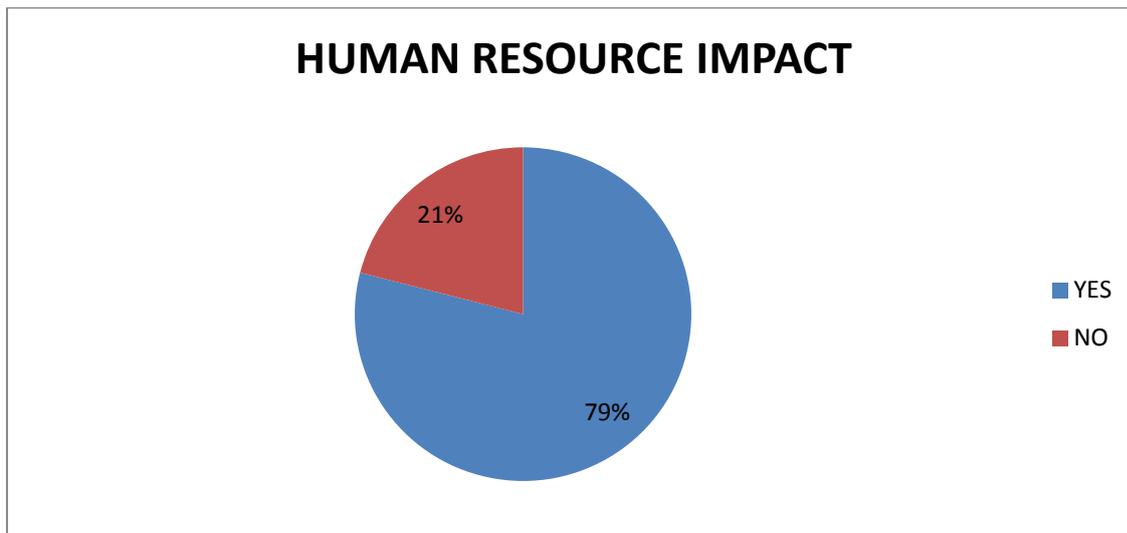
Source: Researcher 2017

4.8.4 Hidden Costs

60% of the total respondents argued that when an organization signs a contract with the outsourcing company it was cover the details of the service that they was be providing. Anything not covered in the contract was the basis for the organization to pay additional charges not planned for before which go against their aim of saving on cost. This is in line with (Kendall, 2013) who states that while outsourcing companies compete with each other on prices, they may subtly imply a certain package without actually stating the specifics. They may start billing an organization for 'additional charges' which an organization assumed would be fairly standard and already covered in the agreement contract. The hidden costs may include travel costs, license transfer fees, exchange rates and foreign taxes on products and services

Table4. 16: Hidden costs

Respondents option	Number of respondents	Percentage
YES	27	60%
NO	18	40%
TOTAL	**45**	**100%**

4.4.1 Correlations of the Study Variables

Correlation among the independent variables is illustrated by the matrix in table 4.17. Correlation is often used to explore the relationship among a group of variables (Pallant, 2010) in turn helping in testing for multicollinearity. That the correlation values are not close to 1 or -1 is an indication that the factors are sufficiently different measures of separate variables (Farndale, Hope-Hailey and Kelliher, 2010). It is also an indication that the variables are not multicollinear. Absence of multicollinearity allows the study to utilize all the independent variables. Table 4.17 shows that the lowest correlation in this study was between recruitment and performance (r=0.612, p<0.00). The highest correlation was between Human Resource Information Systems and performance (r=0.935, p<0.00). A correlation of above 0.90 is a strong indication that the variables may be measuring the same thing (Tabachnick and Fidell, 2013). The fact that only one variable was above 0.90 was a clear indication that the factors were sufficiently different measures of separate variables, and consequently, this study utilized all the variables.

From table 4.17, the combined correlation of four independent variables namely training, recruitment, payroll and human resource information systems and the dependent variable were computed to determine the strength and direction of the associations between variables. The findings in table 4.17 showed that all independent variables had strong positive relationship with the dependent variable. Training r = 0.784, recruitment r = 0.612, payroll r = 0.673, human resource information system r = 0.935. The performed test of significance, each independent variable yielded p-value of 0.000 at the level of significance 0.05 two tailed. Therefore there is strong positive correlation between the dependent variable and the independent variables. Therefore the study concluded, that from the independent variables investigated in the study, human resource information systems has the highest correlation to organizational performance, followed by training, then payroll is the third followed by recruitment being the last in that order. From the table below the study concluded that all the four independent variable are equally significant as all had significance level of 0.000, meaning they are all very significant and each influence organizational performance.

Table 4.17: Correlations between independent and dependent variables

		Performance	Training	Recruitment	Payroll	HRIS
Pearson Correlation	Performance	1.000	.784	.612	.673	.935
	Training	.784	1.000	.781	.858	.839
	Recruitment	.612	.781	1.000	.910	.655
	Payroll	.673	.858	.910	1.000	.720
	HRIS	.935	.839	.655	.720	1.000
Sig. (1-tailed)	Performance	.	.000	.000	.000	.000
	Training	.000	.	.000	.000	.000
	Recruitment	.000	.000	.	.000	.000
	Payroll	.000	.000	.000	.	.000
	HRIS	.000	.000	.000	.000	.
N	Performance	45	45	45	45	45
	Training	45	45	45	45	45
	Recruitment	45	45	45	45	45
	Payroll	45	45	45	45	45
	HRIS	45	45	45	45	45

Source: Researcher 2017

4.4.3 Multiple Regression for Factor of Employment for PLWDs

The multiple regression analysis in table 4.18 R value measures the goodness of prediction of the variances. In this case R value of 0.935 is a good predictor of the performance by the independent variables: training, recruitment, payroll and human resource information systems.On the other hand the R^2 is the coefficient of determination which is the dependent variable that can be explained by the independent variables. In this case the R^2 value of 0.862 means that 86.2% of the corresponding variation in the performance can be explained by the independent variables training, recruitment, payroll and human resource information systems. However, there are other variables not covered by the study which account for 13.8% of organizational performance. This outcome shows that organizational performance can be enhanced by the predictors; training, recruitment, payroll and human resource information systems, the more the value of the predictors, the more effective and efficient organizational performance. This is in line with (Kuada, 2015)who stated that outsourcing brings in the skills that the organization needs which allows the existing staff an opportunity to interact

with them and in the process gain the expertise which leads to better performance hence improve organizational productivity.

Table 4.18 model summary of factors affecting organizational performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.935[a]	.875	.862	.150	.875	70.000	4	40	.000

a. Predictor (constant), outsourcing

Source: Researcher 2017

Training is crucial in the acquisition of functional skills. For the individual, among other factors, knowledge, skills and competencies acquired through training are vital for effective labour market participation and improve productivity or service delivery. From table 4.19, it shows that 60.6% of the organizational performance is explained by the effect of training meaning that the more the employees are training the more efficient and effective they become hence leading to increased production.This was in line with the findings by (Friedman, 2015) and (Gainey and Klass 2014) who highlighted strategic importance of outsourced training in their study. They stated that training boosts organisational productivity and performance, and outside training providers increase an organisation's ability to train more people faster and more cost-effectively than in-house staff

Table 4.19: Model Summary of effect of outsourcing training on performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.784[a]	.615	.606	.254	.615	68.800	1	43	.000

a. Predictors: (Constant), Training

Source: Researcher 2017

For the organization to perform better and improve its market share, it must have in place competent employees with expertise in their functional areas. The only way to achieve that is through effective recruitment process. If the organization does not have well established recruitment department then this services should be outsourced. From the table below it apparent that 36% of the organizational performance is explained by the recruitment process, this means that effective recruitment process will bring on board the necessary skilled employees who can perform better in order for the organization to realize its goals and objectives. This was in tandem with Outsourcing Recruitment process is mainly used to

increase the efficiency of the organization through managerial time saving along with the cost as stated by (Corbett, 2014).This further compliments the research done by (Norman, 2013) that states that Recruitment Processing Outsourcing taps into two core reasons for outsourcing; gaining needed expertise and lowering costs

Table 4.20: Model Summary of effect of outsourcing recruitment on performance

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | |
					R Square Change	F Change	df1	df2	Sig. F Change
1	.612ᵃ	.375	.360	.323	.375	25.800	1	43	.000

Source: researcher

    a.   Predictors: (Constant), Recruitment

Source: Researcher 2017

Human resource information system is one of the key components in human resource management activities. For any organization to perform to its expectation, it must have in place human resource information systems that will enable easier tracking of employees' information. The table below shows that 87.2% of the organizational performance is explained by the human resource information system. This means that having in place effective human resource information systems will make the organization deliver its functions efficiently and effectively. Which is in line with the findings of (Pritchard, 2014)which stated that constant updates in technology, in the present times , makes HRIS useless, hence requiring large expenditure to upgrade, modify and maintain it, of which any organizations may not have the specialized skills in-house to be able to handle these particular challenges. HRIS development requires professional expertise which many organizations lack.

Table 4.21: Model Summary of effect of outsourcing HRIS on performance

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | |
					R Square Change	F Change	df1	df2	Sig. F Change
1	.935ᵃ	.875	.872	.145	.875	301.000	1	43	.000

a. Predictors: (Constant), HRIS

Source: Researcher 2017

For any organization to achieve its mandate, it must have people who are well remunerated and on time in order to boost their morale. One of the areas that have controversies is the preparation of payroll which is accurate and timely. It has been established that organizations that lack competent employees to work on payroll should outsource this service. In the table below, it shows that 44% of the organizational performance is explained by the outsourced payroll system. It means that if payroll is outsourced to competent institutions and individuals, productivity of the organization is bound to increase. This was in line with the earlier findings that outsourcing payroll to expert vendor was not only make up time to concentrate on other activities but it was also help the organization avoid penalties for errors, omissions or late payroll tax fillings which can be costly and report timely and accurately to the government. According to (Payroll outsourcing in Europe, 2012)findings, paying employees accurately and on time is more than a legal responsibility for a company

Table 4.22: Model Summary of effect of outsourcing payroll on performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.673[a]	.453	.440	.303	.453	35.629	1	43	.000

a. Predictors: (Constant),Payroll

Source: Researcher 2017

CHAPTER FIVE

SUMMARY OF FINDING, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter was consist of the summary of every specific objective of the study, the conclusions in every specific objective based on the major findings and also recommendations based on every specific objective as well as areas for further studies.

5.2 Summary of major findings

The study investigated the effect of outsourcing on organizational performance, the services outsourced and performance based on respondents from both employees and management staff. The corporate performance was based entirely on the data collected from employee respondents on important factors. The study employed descriptive research design, the questionnaire and interview guide were the main instruments for research. The data gathered was analyzed using SPSS version 21 package and presented in tables and chats.

Under objective 1 the findings showed that there was an agreement that training should be outsourced. This was urged that this brought in new ideas from outside trainers and also equipping employees with ultimate skills required for even more competitive work. This also helped to reduce errors and duplication problems it also helps in reducing resistance to change because it helps to equip employees with the much required skills for new system. A driving factor behind employee engagement is training and development, improving the performance of the staff, increasing staff retention and helping you to keep hold of competent employees.

For recruitment it was accepted by employees citing their reasons as; recruitment is not an all-time activity in an organization so undertaking it within the organization may result to be

41

more costly thus leading to their concern that it should be outsourced outside the organization by outsourcing to experts and organizations performing recruitment as one of their core activity.

For HRIS it was accepted by employees citing their reasons as; the HRIS are complicated and require much expertise than know how. This requires outsourcing information technology experts who are conversant to the systems. They also argued that there is the need of having some parts of HRIS done in house and the other from outside. This involves like outsourcing the system and the installation crew then looking for an expert who was be working and maintaining the system within the organization.

Payroll Outsourcing was also accepted by employees citing their reasons as: outsourcing this system to expert vendor makes up time to concentrate on other core activities; it was also help the organization avoid penalties for errors, omissions or late payroll tax fillings which can be costly and report timely and accurately to the government.

The researcher agrees with the above findings about outsourcing of training, recruitment processes, payroll systems and Human Resource Information Systems. This is in line with the Agency Theory by (Eisenhardt, 2003) which states that outsourcing is concerned with is the monitoring and control processes that need to be in place, specifically contracting and searching for the most (cost) efficient mechanisms that can be structured to control the relationship given assumptions about people behavior (bounded rationality, opportunities etc.) in order to perform to the clients requirement and organization. He also went on and concluded that the implications of agency theory led to the development of the assessment of several HRM activities with respect to their level of firm-customization (asset specificity), level of interdependence, and creation of organizational capital for the employee.

Under objective 2 the finding shows that there are some substantial problems in the current performances of HR functions. These problems showed in other words the reason why outsourcing should be incorporated within the organization. Some reasons like; cost effectiveness, reduced administrative costs, improved customer service, focus on core business, insufficient staff and redirecting HR focus towards strategy or planning.

Under objective 3 the findings shows that there are cost effectiveness derived from outsourcing HRIS. The researcher agrees with this as also explained by the approach

(Eisienhadrt, 2003) which states that outsourcing is concerned with the monitoring and control processes that need to be in place, specifically contracting and searching for the most (cost) efficient mechanisms that can be structured to control the relationship given assumptions about people behavior (bounded rationality, opportunities.) in order to perform to the clients requirement and organization.

Under objective 4 it was evident that outsourcing Payroll has diverse advantages as to why it should be incorporated in an organization. This includes some advantages like; increased return on investment where it is much beneficial to organization where it allows organization to benefit from vendors specialized capabilities which may be expensive to develop internally. Also limiting organization uncertainty where the organization transfers risks from one organization to another. The researcher agrees with these findings as stated by Social exchange theory emphasizes the importance of interpersonal trust in alliances and information exchange (Gulati, 200) and Evan, 2001). A social exchange takes place within the employment relationship when a psychological contract is created containing the perceived commitments or promises that employees believe their organizations have made to them.

5.3 Conclusions

Outsourcing has become a strategic human resource approach in our current competitive business environment. Companies involved in the practice need to stick to their core competencies and go for strategic outsourcing to reduce cost and become more effective in their customer service. A company's business success could be determined on how well it manages its outsourcing relationship. In general, organizations outsource to achieve cost reductions and/or to be able to focus on their core business. They also resort to outsourcing as a way to achieve more efficient, effective and competent functions in their processes.

One of the fastest growing changes currently adapted by organizations is to outsource non-essential but critical functions to a large scale service provider, which is commonly referred to as Business Process Outsourcing or BPO. As the trends in outsourcing are evaluated, it is realized that the benefits of outsourcing far outweigh its disadvantages. Even as profits from the organization activities and Return on Investments increase year after year, it cannot sorely be attributed to outsourcing. Other factors like commitment, team work, reward recognition and employee involvements all play a critical role in the overall performance of

the organizations. Institutions that integrate these factors with outsourcing achieve performance enhancement.

5.4 Recommendations

It was recommended that outside experts on training should be hired to conduct training to the employees and the managers of the company due to saving on money of the company and also time.

It was recommended that outsourcing recruitment and selection in an organization is the best for choosing high competent employees to work in an organization.

It was recommended that there is the need to outsource HRIS to outside experts conversant with the systems which can help in maintaining and controlling of the systems.

It was recommended that payroll outsourcing should be encouraged to an expert vendor with proven capabilities.

5.5 Areas for further research

The researcher discovered the areas which need to be researched further. The area on how to outsource human resource services in an organization. This is because many human resource managers don't know the best ways of outsourcing HR services which leads to making the mistakes by hiring the wrong people to do the job. The other area was on the factors leading to outsourcing HR activities. This area needs to be researched further because many HR managers in many organizations don't know what can lead them to outsource HR services.

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APPENDICES

Appendix i: Questionnaire

This questionnaire is intended for the collection of data that was help the researcher to investigate on the importance of Human Resource Outsourcing in an organization performance. The exercise is purely meant for academic purposes. Whatever information you provide was be kept confidential.

Please answer questions by a tick [√] in the appropriate box or by writing in the space provided.

SECTION 1

 GENERAL INFORMATION

1. **GENDER.**

MALE   [ ]

FEMALE   [ ]

2. **RESPONDENT CATEGORY**

SENIOR MANAGEMENT   [ ]

MIDDLE MANAGEMENT   [ ]

SUPERVISOR   [ ]

3. **YEARS OR EXPERIENCE**

Less than 1 Year   [ ]

1 – 5 Years   [ ]

Over 5 Years   [ ]

SECTION 2

RATING SCALE: The answers in the questionnaires should be rated using the following rating scale starting 1 to 5. Where 5: STRONGLY AGREE, **4:** AGREE, **3:** NOT SURE,

2: DISAGREE, **1:** STRONGLY DISAGREE respectively as evident in the answers.

1. **Are there any problems related to the current functioning of HR department.**

YES   [ ]   NO   [ ]

1   **What do you think was be the best way to solve the above problem?**

Developing a new system within the organization   5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

Outsourcing a new system   5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

Adopting a new system from another similar organization 5 [ ] 4 [ ]3 [ ]   2 [ ]   1 [ ]

Employing vendor services in contractual terms   5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

Give any other. ……………………………………………………………………

2   **What benefits do you get from the current HR system?**

Focus on core activity   5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

Cost reduction   5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

Expertise   5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

Increased competitive advantage   5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

Give any other benefit. ……………………………………………………………

3   **What are disadvantages of the current HR system**

      a. Loss of managerial control   YES [ ]   NO [ ]

      b. Human Resource Impact   YES [ ]   NO [ ]

      c. Hidden Costs   YES [ ]   NO [ ]

      d. Overdependence on Vendor   YES [ ]   NO [ ]

      e. Give any other disadvantage. …………………………………………………

SECTION 3

THIS PART WAS BE BEST SUIT AND FILLED BY THE TOP MANAGEMENT STAFF IN THE AUTHORITY OF STRATEGIC DECISION MAKING.

PART 1: Training

1. **Do you think training should be done through outsourcing trainers from outside the organization?**

YES   [ ]   NO   [ ]

Explain your reason.

……
……
……

PART 2: Recruitment and Selection

1. **Do you think that recruitment should be done through outsourcing employees' online recruitment and selection in your organization?**

YES   [ ]   NO   [ ]

Explain your reason…………………………………………………………………………

……
……

PART 3: Human Resource Information Systems (HRIS)

1. **Do you think there is any advantage outsourcing HRIS services from outside providers?**

YES   [ ]   NO   [ ]

Explain your reason. …………………………………………………………………………...

....
....
....

PART 4: Payroll

1. **Are there any advantages of outsourcing payroll services to an external provider?**

   YES   [ ]   NO [ ]

Explain your reason

....
....
....
....

SECTION 4

5   Do you think following activities should be outsourced in an organization?

Training and development programs   5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

HRIS program   5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

Recruitment processes.   5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

Payroll   5 [ ]   4[ ]   3 [ ]   2 [ ]   1 [ ]

6   Are the other general HR activities done as expected?

Strongly agree.   [ ]

Agree   [ ]

Not sure   [ ]

Disagree   [ ]

Strongly disagree   [ ]

7   Why did you decide to outsource the above HR activities?

Post effectiveness   5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

Reduced administrative cost   5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

Technological advances/expertise   5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

Focusing on core business   5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

Insufficient staff   5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

8   Explain the effectiveness of the above advantages.

………………………………………………………………………………………………………
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………………………………………………………………………………………………………
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………………………………………………………………………………………

9   Do you outsource from:

A company with compatible corporate culture   5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

A company with a proven track record   5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

A company with a lower transactional cost   5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

A company with a niche in a specific area   5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

A company with an advantage relative to its location 5 [ ]   4 [ ]   3 [ ]   2 [ ]   1 [ ]

Name any other

……

THANK YOU

Appendix ii: Letter of introduction

JAMES KIBE

MURANG'A UNIVERSITY OF TECHNOLOGY

P. O. BOX 75-10200

MURANG'A

TO:

THE HUMAN RESOURCE MANAGER,

POSTBANK KENYA,

P.O.BOX 30313,

NAIROBI

Dear Sir/ Madam

RE: RESEARCH STUDY

My name is James Kibe. I am a student at Murang'a University of Technology undertaking a
Master of Public Administration. As partial fulfilment of my degree requirement, I am
expected to write a research project on human resource outsourcing in relation to
organisational performance. I have selected your organization to undertake the study and I
am seeking your permission in administering questionnaires to some employees within your
company to derive data that was be useful in this research. I have selected your organization
because it is one of the pioneers of HR outsourcing for business growth and development.

Thank you

Yours Sincerely,

James Kibe Mwangi