

Outsourcing advantages

Outsourcing helps to avoid the costs associated with bureaucracy typically associated with production inside the firm (D'Aveni and Ravenscraft, 1994; Jensen and Meckling, 1976). Finally, outsourcing opens up the possibility of obtaining rents from relations with suppliers (Dyer and Singh, 1998; Linder, 2004). While firms may now have the opportunity to outsource, outsourcing initiatives do not necessarily fulfill all their expectations. Writing a poor contract and losing control over the outsourced activity has the largest impact on the (negative) outcome of outsourcing efforts (Barthelemy, 2003).

Impact of outsourcing on business performance

An outsourcing project can have both positive and negative impacts on business performance. The outcome ultimately depends on the way the company goes about the outsourcing project and what support the project receives from top-level management. Furthermore, the phase the company is at in the outsourcing project can have a direct impact on business performance. For example, just before or just after signing the contract the benefits reported by companies are not actual but projected benefits, which could lead the company into many problems if they do not consider this (Barthelemy, 2003). The impact of outsourcing can be divided into reasons and challenges of outsourcing.

The expected benefits of outsourcing

The rapid growth of outsourcing suggests that both public and private organizations expect benefits from outsourcing. Naturally, different organizations in different circumstances will expect different benefits. For example, all organizations may expect costs savings even though in government outsourcing, the typical cost savings are only about half of what the private sector achieves (Kakabadse and Kakabadse, 2000). The expected benefits of outsourcing may include realizing the same or better service at a lower overall cost, increased flexibility and/or quality, access to the latest technology and best talent, and the ability to re-focus scarce resources onto core functions. For the political organization, additional expected benefits may include better accountability and management, and a better political posture. There also appears to be an expected benefit of mimicking competitors or "getting rid" of troublesome functions (Willcocks and Currie, 1997).

Potential risks of outsourcing

As with any process, there is a negative side to

outsourcing. However, many of the disadvantages of outsourcing are the flipside of the advantages or gains and may arise mainly due to poor outsourcing decisions and management. Embleton and Wright (1998) and Lankford and Parsa (1999) add that determining core competencies, which is key to the outsourcing decision, can be difficult, and a mistaken decision, very costly. They go on to point out that despite the sound financial appeal, outsourcing is also a subject that is still fraught with emotional overtones. The fear of losing control, for example, is a major emotional stumbling block to outsourcing. Companies are also averse to the idea of provider dependency. According to Greaver (1999), outsourcing problems can generally be divided into people, process, technology and other problem areas. People problems can have many causes, from the loss of key people to poor performance to people not getting along well together. Process problems generally result from how the operations are set up; how decision rights, responsibilities, and authorities are distributed; and how the activities are defined. Technology problems generally relate to the acquisition, implementation, and maintenance of equipment or systems. These problems can have their root causes in either party and addressing the problems is a shared responsibility.

MATERIALS AND METHODS

Data source, data type and sampling design

Source and type of data

This study was conducted on selected universities in Ethiopia, namely, Adigrat University (ADU), Axum University (AXU), Debre Birhan University (DBU) and Samara University (SU). Among these universities, the first three outsourced some of their non-core services whereas SU is yet to decide on outsourcing of its non-core services. The first three universities were chosen considering some factors such as their experience, similarity of the year of operation with SU, their distance from the center.

In the study, primary data, as well as secondary data were used. The sources of data were students, staffs, directors and vice presidents of the universities. Primary data was collected from students, academic and support staffs, directors and vice presidents of each university. Questionnaires were developed for all respondents, whereas interviews were used in addition to questionnaires. Questionnaires consisting of both closed and open-ended questions for (the vice presidents, procurement directors and staffs, finance directors and staffs, human resource management directors and staffs, estate and facility management directors and staffs, and student service directors) were used. Data was collected about the personal characteristic of the respondent, the level of satisfaction obtained from the various services given by the universities which are considered in this study.

Secondary data was collected from the published and unpublished documents, contract agreements, and procedural manuals.

Sampling technique and sampling design

Two-stage cluster sampling was used to select sample students. In