

**OUTSOURCING HUMAN RESOURCE MANAGEMENT  
FUNCTIONS IN TANZANIA:  
A CASE STUDY OF PRECISION AIR, DAR ES SALAAM**

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FUNCTIONS IN TANZANIA:  
A CASE STUDY OF PRECISION AIR, DAR ES SALAAM**

**By**

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**A Dissertation Submitted in Partial Fulfilment of the Requirements for Award of  
the Degree of Master of Science in Human Resource Management (MSC HRM) of  
Mzumbe University**

**2015**

## CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled **Outsourcing Human Resource Management Functions In Tanzania: A Case Study of Precision Air, Dar es Salaam** in partial fulfillment of the requirements for award of the degree in Master of Science in Human Resource Management (MSC HRM)



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Lastly, I would like to thank all of the research participants in Precision who kindly and patiently got involved answering the questionnaires and the Management and other stakeholders who gave me their time in all interview sessions of this research. Best wish go to all of you.

## **DEDICATION**

This research work is dedicated to my wife Neema Nicodemus Lyimo, my parents Stephen Gachengo and Beatrice Wanjiru for the prayers and encouragement, also my child Katrina Wanjiru Gachengo, for being an inspiration to me. May the Lord, God Almighty bless you in abundance.

## **ABBREVIATIONS AND ACRONYMS**

<b>AIDS</b>	Acquired Immune Deficiency Syndrome
<b>CEO</b>	Chief Executive Officer
<b>HR</b>	Human Resource
<b>HRIS</b>	Human Resource Information Systems
<b>HRO</b>	Human Resources Outsourcing
<b>R&amp;D</b>	Research and Development
<b>SPSS</b>	Statistical Package for the Social Science

## **ABSTRACT**

Outsourcing of HR functions in organizations is still evolving in Tanzania and the rationale for outsourcing is essentially the same in both public and private sectors. Precision Air has adopted the outsourcing of its HR Functions in order to keep services at higher level and meet customers' maximum satisfaction and cut costs. However, the vital question of whether outsourcing affects airlines performance positively has not been solved. Challenges and implications of this outsourcing decision are not yet entirely understood. This study sought to find out the challenges of outsourcing human resource functions in Precision Air in Dares Salaam. The study had the objectives of bringing out the understanding of how outsourcing is executed at Precision Air, finding out the significance of outsourcing at Precision Air and determining the challenges facing Precision Air when performing outsourcing of HR functions. The study used case study research design for data collection. The Research was conducted at Precision Air Services Plc (operating as Precision Air) situated in Dar es Salaam region, Tanzania. The target population was 125 management level employees of Precision Air. A sample of 95 management level employees was selected. Data collection was through questionnaires and interviews. Qualitative data was grouped and analyzed qualitatively which involved descriptions and clarifications to the observed data. Quantitative data was tabulated and presented into percentages and frequency distributions. Presentation was through tables and figures. Study findings indicate that Precision Air has laid down procedures that must be followed in any outsourcing decision. Challenges faced by Precision Air in HR outsourcing included loss of organizational learning, loss of command on the outsourced activities and disintegration of internal competence. Other challenges included loss of control in decision making, motivation loss of employees in regard to the outsourced services and loss of employee loyalty. The study has the following policy implications. First, organisations should be aware of which HR functions to be outsourced. Secondly, an organization should have laid down procedures and steps in any HR outsourcing decision process. Finally, the organization needs to have a useful hierarchical categorization and logical framework on how to assess and analyse outsourcing.

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# **CHAPTER ONE**

## **INTRODUCTION**

This chapter covers the introductory part of the dissertation, where by statement of the problem, general and specific objectives, research questions, delimitation and limitation of the study and significance of the study are presented.

### **1.1 Background**

In recent years, outsourcing as an organisation strategy has brought vivid change of fortunes in many organizations. It can be deeply embedded in the history of the evolution of the modern business enterprise, which sprang up in the latter half of the 19th Century. Outsourcing became fashionable and of age in the 1990s and certainly became part of the organisation life by the turn of the 20<sup>th</sup> century (Peters & Waterman, 1982). Initially, outsourcing involved Information technology related issues, but gradually more and more organizations' realized that they could not be experts in more than one or two fields. Afterwards, it then gained greater push, when diverse organizations were considered to be underperforming, a development that became even more manifest with the onset of global recession (Kakabadse & Kakabadse, 2000).

In line to this, managers re-considered the concept that the organization needed to be vertically integrated and self-sufficient. Thus, outsourcing became the strategy that organization opted as a core strategy in reason that the approach turn out to be a strategic manner to bring predictability and reliability in the delivery of services as well as giving them a competitive advantage (Peters & Waterman, 1982). Kong (2007) explained that due to constant changing practice in business and economic activities organisation were forced to adopt new strategy. For example, most industries transformed from manual processes to complicated, automated and computerized technologies and came up with sophisticated products that required operators with special skills in regards to this the evolution of outsourcing as an organisation strategy became manifest (Sullivan, 2006;

Thapanachai, 2004).

According to Francis and Keegan (2006) outsourcing became one of the approaches used by management to meet organization's demands and objectives including cost reduction, increasing flexibility and focusing on core activities. Traditionally, headcount and cost reductions were the primary drivers of outsourcing initiatives. Today, however, outsourcing is a more strategic decision, focusing on core competencies. Hansen (2009) stated that some common reasons for outsourcing in the 21st century include improving organisation focus, gaining access to world-class capabilities, freeing internal resources cash and personnel for other purposes, for instance R&D, requiring specific expertise for functions that are either time-consuming or are currently out of control, sharing risks and costs with a partner.

Lohuman (2007) explained that the trend toward using outsourcing as part of an effective organisation strategy continues to the present. Still in his explanation Lohuman (2007) showed that the vast continent of Africa has much to offer in terms of service capability. While its colonial past has embedded a cultural familiarity to certain European countries that is today proving valuable, it's also the language capability, cost – competitiveness, and convenient time zone location, that is causing companies around the world to take a second look at this still relatively untapped continent. Gartner (2008) explained that Outsourcing in Africa has taken a right track where most organizations' are embracing the strategy despite civil wars, malnutrition, and the anguish of the AIDS epidemic. Africa remains the untapped region left with a large supply of underemployed labour. Due to this outsourcing in Africa has taken a new shift for example; South Africa and Ghana are the leading in the adoption of outsourcing.

Kobayashi-Hillary (2007) showed that the probabilities that Africa one day will obtain a fair-minded share of outsourcing jobs are improving. But there is a menace that the region will fall further behind schedule because of the challenges of poor governances.

Lawler & Mohrman (2003) explained that African leaders have been relaxed to realize

that they must persuade foreign organizations with special services, training programs for employees, and even subsidized offices. Asian countries attract many jobs by generating business parks, with more trustworthy services, including ultra-reliable communications networks, offered at reasonable prices. But also with this countries in the Eastern and Central Africa haven't been left behind, for example Statistics shows that Kenya, Tanzania and Uganda in the East Africa has in a form adopted to the strategy so that there organisation can be competitive.

In Tanzania, outsourcing started to emerge in the late 1990s and became identified as a method of spinning off unnecessary work in order to focus the organisation on its primary goals. Processes and functions identified as not core to the organisation started to be outsourced to other organisation or to an outside service provider that specialized in providing those products or services , and thus enabling the outsourcing organisation to be able to concentrate its resources on the core business (Sumari et al, 2013). Previously, services like security, cleanliness, advertisement, information technology systems, transportation and catering services are functions were acquired through outsourcing with outside service providers in Tanzania but the trend in the market has changed and more functions like recruitment, training, payroll management, government, legal and tax matters are outsourced (Sumari et al, 2013). But there are still challenges in the senses that most Tanzania policies adopted make it difficult for businesses, thus affecting the form of doing businesses. Competitors like Asian countries have fashioned a more competitive workforce by reforming their secondary schools and universities to train graduates with skills demanded by multinational corporations and with this Tanzania still have not taken the great opportunity that comes with investing in outsourcing.

However, outsourcing of HR function in organizations is still evolving in Tanzania and the rationale for outsourcing is essentially the same in both public and private sectors. The common financial driver of outsourcing of HR functions in most organizations is to save money, avoid huge capital and to turn a fixed cost (Rothman, 2003). According to

Mugwe (2012), Precision Air which is a fast growing private Tanzanian airline that operates in partnership with Kenya Airways, has its strategies to expand wings afar East Africa and Africa. It has adopted the outsourcing of its HR Functions in order to keep services at higher level and meet customers' maximum satisfaction and cut costs. The decision to outsource its HR functions was take to take initiative after the carrier experienced financial losses. The airline embarked on pruning of non-profitable routes, termination of expensive fleet, staff retrenchment and elimination of internal inefficiencies. But it should be appreciated that various researchers have undertaken various studies although none of them have examined in detail the challenges of outsourcing HR functions in the airline industry. At Precision Air, outsourcing is still rudimentary and most of the departments rely on internal facilities and expertise and hence the need to explore on the challenges of outsourcing HR Functions in order to see whether its having a negative effect on service delivery

## **1.2 Statement of the Problem**

With the increasing competition from new entrant in the market, organization have to be competitive enough and one way of attaining this desired state is through outsourcing. An increasingly common way for organizations to try and increase their flexibility and generate high value is through outsourcing. This situation requires precise identification of the line of business one wishes to follow making sure a competitive advantage and a careful analysis of its weak and strong points.

Airlines companies are facing an increasing pressure of customers' requirements in services customization, quality improvement, and demand awareness. In order to sustain the industry under these pressures, Airlines companies are striving to develop strategic partnerships with suppliers and collaborate with them in core and non-core process outsourcing.

However, the fundamental question whether outsourcing affects positively Airlines performance has not been solved. Challenges implications of this outsourcing decision

are not yet fully understood. Furthermore, the scant research that has studied the challenges outcomes of outsourcing is inconclusive. Up to date there are limited number of studies that have examined the challenges and the economic implications of outsourcing (Li Wang et al 2008). In Tanzania Context, there are very few published researches on outsourcing practices. For example Sumari et al (2013) carried the study that examined the relationships between outsourcing strategies and organisational performances. He also established that few studies have been carried out on this issue.

At Precision Air outsourcing is still a big thing and most of the departments rely on external facilities and expertise and hence the need to explore on the challenges of outsourcing in order to see whether it can have an impact on efficiency of service delivery. Therefore, this research seeks to look at the in-depth of the challenges of outsourcing human resources function at Precision Air in Dare salaam.

### **1.3 General Objectives**

The objective of this study was to find out the challenges of outsourcing Human Resource functions in Precision Air in Dares Salaam.

### **1.4 Specific Objectives**

The specific objectives of this study were to:

- i. Bring the understanding of how outsourcing is performed at Precision Air.
- ii. Find out the importance of outsourcing at Precision Air.
- iii. Determine the challenges facing Precision Air when performing outsourcing of HR functions.

### **1.5 Research questions**

- (i) What are procedures used by Precision Air in outsourcing HR functions?
- (ii) What are the benefits experienced by Precision Air through outsourcing HR

functions?

- (iii) What are challenges encountered by Precision Air when outsourcing HR functions?

### **1.6 Significances of the study**

This study would be of great significance in several ways:

- (i) It would benefit the organization management teams in identifying the challenges of outsourcing HR Functions and how they can counter the challenges.
- (ii) It would also show the benefits of applying effective decision making in outsourcing HR function so that they could improve productivity.
- (iii) To the government and policy makers at various levels of management would gain value added information on adapting outsourcing HR functions in response to changing competitive environment.
- (iv) The study would be useful to the government of Tanzania in policymaking regarding regulatory requirements of the outsourcing firms.
- (v) To the academicians: the study would provide useful basis upon which further studies on outsourcing HR functions can be researched.
- (vi) The findings would contribute to proficient addition of existing knowledge in outsourcing HR function by helping to understand the current challenges for adopting these strategies and their effects.

### **1.7 Delimitations of the Study**

The area where this research was carried out is Precision Air in Dar es Salaam. The study involved Precision Air staff as respondents. The area was suggested because it had variety of units with different characteristics which enabled the researcher to get reliable information about the topic. This study focused on investigating the challenge of outsourcing HR functions in Precision Air.

### **1.8 Limitation of the Study**

The study was constrained by some limitations. The first such limitation was getting consent from Precision Air to conduct the study in their company and to questions their employees. There were also challenges to arranging and conducting the four interviews that were included in the study. There was reluctance on the part of the respondents to agree to participate. However, the researcher dealt with this challenge by showing the respondents the contributed the study would make academically and in informing practice. This enabled the researcher to get the consent required.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter explores the available literature on outsourcing, definition of outsourcing, benefits, and reasons for outsourcing, opportunities in outsourcing and the gaps that exist in the field of outsourcing. The chapter also define strategy and explore the link between strategy and outsourcing as well as defining outsourcing as a strategy. Challenges of

outsourcing are also discussed in the chapter.

## **2.2 Concept of Outsourcing**

Outsourcing is endorsed as one of the furthestmost powerful developments in human resources management. The rationale for outsourcing HR functions comprises financial savings, an increased capacity to focus on strategic issues, access to technology and specialized expertise, and an ability to demand measurable and improved service levels (McCauley, 2000).

Outsourcing is the procurement of products or services from sources that are outdoors to the organization (William, 1999). According to Tamkin & Reilly (1996) states that outsourcing encompasses the transfer of the management day to day execution of an entire business function to an external service provider. Harrison and Kelly (1993) defines outsourcing as one form of subcontracting in that the practice is whereby work previously performed in-house is contracted out.

The trend of outsourcing is increasing in today's business scenario. Organizations have always outsourced goods and services with outside companies. There are many motives to make about the services. Currently, the concept of outsourcing assists a firm to rivet its attention to core business and is also used to minimize the involvedness to cope with human resource activities more accurately. Organization ought to reflect on outsourcing when it is believed that certain support functions can help to reduce workload fluctuation, improve flexibility, enhance capabilities to adapt to changing technology and other changing opportunities like technology and cost reduction better by an outside organization. In general, outsourcing can be defined as an organization delegating their non-core functions to an external organization that provides a particular service, function or product (Lawler & Mohrman, 2003).

Dessler (2008) stated that outsourcing is an approach by which an organization contracts

out foremost functions to expert and competent service providers, who become esteemed business partners. Organizations often hire contractors for specific types of work, or to level-off peaks in their workload, and forms long-term relationships with firms whose capabilities complement or supplement their own. But outsourcing is a strategic decisions process that can have a positive or negative repercussion to entire organization if not structured properly. Because of the repercussion that can occur, there is an importance in considering the whole outsourcing process that involves a number of vital elements. The preliminary point in the assessment process encompasses analyzing whether outsourcing an activity is suitable for the organization. This includes considering issues such as the capability of the organization in the activity relative to competitors, the importance of the activity to competitive advantage, the ability of providers to provide the activity and the effect upon employee morale. When organisation, has reached to an agreement to outsource a number of important factors should be considered such as type of suppliers, negotiation mechanism and the transitioning of assets to the supplier. It's important to consider the maintenance of the relationship with the providers so as to ensure that outsourcing meets its intended objectives.

In outsourcing, human resource functions that are not core competencies are most likely to be being contracted out. However, According to Lawler et al (2004) HR professionals must redefine their role and acquire new competencies so that their function can't be redundant and obsolete because if HR must excel in providing high value- added strategic services. Outsourcing allows firms to focus on their own core competences by reassigning limited resources to strengthen their core product or service (McIvor, 2005) and to strategically use outside professionals to perform service activities that traditionally have been in-house functions (Bustinza et al., 2010). According to Wild *et al* (1990) outsourcing some core functions may be good strategy. For instance, some organizations outsource customer service, specifically because it is so imperative. Outsourcing can also involve the transfer of both people and physical assets to the supplier (Lee & Daekwan, 2010). The traditional outsourcing emphasis on planned

benefits like cost reduction for example, cheaper labour cost in low-cost countries like china, India and Africa , have more recently been replaced by productivity, flexibility, speed and innovation in developing business applications, and access to new technologies and skills (Elmuti, 2004).

### **2.2.1 Methods of Outsourcing**

In practice, there are two major approaches to outsourcing each with different objectives and involving different levels of value. First is the Traditional Method which focuses on cost reduction, imposing control and aligning with fundamentally uncharged business processes. It focuses on avoiding doing internally what others could do more efficiently and effectively externally. It is about leveraging economies of scale, skill and technology access to cut costs and deliver enhanced properly managed service levels (McIvor, 2005). Second approach is the transformational method that targets and enables paradigm changes. While the other approaches, traditional method consists of doing the same thing better and cheaper. According to McIvor (2005) explains that the transformational method helps to create a new business model and a new management approach. It draws the attention of management from the non-core areas of the business to the core areas of the organization.

### **2.3 Human Resource Outsourcing**

Organizations outsource HR functions for various reasons depending on their relative importance to the overall business strategies (Stroh and Treehuboff, 2003). According to Taylor (2007), human resource outsourcing is advancing in both, popularity and worldwide approval. The reason behind the advancement is because of its effective way, to minimize costs. More often organizations comprehend that Human resources outsourcing is a crucial mechanism to bring down costs and deliver an additional competitive advantage to the organization. Thus most all organizations are in realization of the prerequisite for human resources outsourcing. The best and competent skills and

knowledge is at the door step at a lower costs thus shoring up cost-effectiveness. If an organization has to survive in this competitive world, it has to increase productivity and be competitive (Lohr, 2007).

Jarilo (1998) claimed that vertical integration has remained the principal philosophy of many big organizations and generally they assumed that one should inaugurate control over all activities subsidizing to the value chain of a given product, but due to globalization the trend has recently begun to change in indulgence of variants of subcontracting and strategic networks which essentially constitute an different market based organization form. Torrington (2005) observes that managers are keen to focus all their energies on the core business activities, by which they mean those activities which are the source of competitive advantage and which determine the success or failure of the organization.

On the issue of Human resources outsourcing, organization should be clear on the type of activities it anticipates. There is an added advantage for the organization to lay down the current job roles and requirements so as to set up a benchmark. By this organization is in good terms to be able to assess the effects of outsourcing in the long run. Communication on the anticipations should be very clear. Kamath (2007) stated that Human resources can be comparatively outsourced for developing organization and translate it into immediate cost savings. Sullivan (2004) explained that the savings can be transferred into the organization for growth. While there is an ongoing cry in regards to Human resource Outsourcing, it should be acknowledged that organization will gain competitive advantage in this process. By this organization attain this competitive advantage through outsourcing by improvement of quality and productivity. Torrington (2005) noted that it needs to be well-known that sometimes outsourcing does not give positive results all the time, especially on-going human resource functions that are better performed by the in-house in the organization.

### **2.3.1 Human Resource Functions Outsourced**

In outsourcing HR functions, the foremost issue is to make pronouncement of which HR activities should be outsourced and which ought to be performed in-house. HR outsourcing is the contracting out of parts or the whole of the functions of HR to external providers, rather than performing all the HR functions in-house (Adler, 2003). Many organizations for instance outsource management of their pension systems, while keeping other human resource function activities in-house. Most HR managers are nowadays shifting to HR outsourcing as a way of meeting the competition demands due to globalization (Cook, 1999). Gurchiek (2005) in his study explained that nearly all organisations have outsourced parts of their HR functions and over half of these organisations have planned to outsource even more functions for example IBM outsourced its entire HR department, which was called Workforce Solutions, a profit centre that produced gains in flexibility, accountability, competitiveness, and profitability. In the process of making decision to outsource, organizations have to give great attention to the challenges of outsourcing of the human resource activities. Due to this organization are advised to make a distinction between core and noncore activities. Klaas et al (1999) claimed that most of the time Hr. Practioner simply outsource noncore activities such as payroll and benefits administration to external providers. But according to Ceridian (2008) explained that the human resources outsourcing (HRO) market comprehends a broad spectrum of HR processes, transactions and systems.

Traditionally, the majority of organisations focused on discrete aspects of HR, such as payroll and pensions. Gradually, as the market has evolved, HR decision makers have gained confidence and have begun to extend the reach of HRO touching traditional “no-go” areas of recruitment processes, absence and leave management. Norman (2009) stated that HR activities that were possibly to be outsourced included training and development, recruitment and selection, outplacement, health and safety, quality initiatives, job evaluation, and reward strategies and systems, these were considered to be the noncore activities. Another reason was that most organizations lacked the expertise or competent to handle them internally. Shaw and Fairhurst (1997), in their findings found

that training and development along with facilities management were the most possible areas to be outsourced, while industrial relations expertise was the least likely area (Cooke et al, 2005).

A study by Lever (1997) indicated that 75% and 65% of the organizations surveyed outsourced benefits administration and training respectively. Payroll at 62% was the next popular function to be outsourced, followed by recruitment at 50%. Other outsourced functions comprised of HR information systems (30%) and compensation (17%). None of the respondents outsourced strategic HR functions. A survey by Smith *et al.* (2006) showed that 68% of the organizations outsourced recruitment, 61% human resource information, 56% training and 49% benefits administration.

According to Finn (1999) advocated that a simple distinction can be made between HR core and noncore activities. Finn (1999) stated that before the activities which were outsourced were HR policies, and line management responsibilities for example appraisal and discipline, while the latest consist of professional activities for instance recruitment and outplacement, routine personnel administration including payroll and pension and professional HR advice for example legal advice related to employment regulations. Ulrich (1998) explained further by proposing that core activities include transformational work which creates unique value for employees. Noncore activities would be transactional work that is routine and standard and can be easily duplicated and replicated (Ulrich, 1998). But what is deliberated to be core and non-core activities differs between organizations. Che-Ha (2009) advised that the decision as to which HR functions ought to be outsourced mostly is driven by the organization's business strategy in place.

### **2.3.2 Benefits of Human Resource Outsourcing**

According to Thompson & Strickland (2004) stated the following advantages of outsourcing as organisation being able to concentrate on its core business, access to skilled manpower at affordable prices, increased productivity and ability to access world

class technology at lower rates. The utmost obvious reason behind outsourcing human resource function is to provide very effective means of reducing costs by contracting with a third-party who can make available better services and high quality at a lower cost. By reducing costs through outsourcing, by this the organisation is able to gain the ability to improve operating efficiency and improve profitability. Johnson and Scholes (2004) explained that through Outsourcing HR activities organisation is able to reduce costs where it is not experienced and it also allows an organisation to concentrate on its core business, leverage its key resources. Organisation is better able to build and develop its own competitively valuable competencies and capabilities when it concentrates its full resources and energies on performing those activities internally that it can perform better than outsiders (Thompson et al, 2007). Outsourcing of human resource functions can be followed with the following benefits.

#### **2.3.2.1 Cost Effectiveness**

Hansen (2009) claimed that though asset costs are increasing due to the effect of the global financial crisis, organizations cannot increase their manufacturing cost due to the high level of competition in today's markets. It is essential for organizations therefore to search for strategies which lower asset costs. It is to this that outsourcing has come out to be seen as a cost saving strategy (Stroh & Treehuboff 2003), with organizations outsourcing their non-core competencies whilst still maintaining customer service, and thereby gaining a competitive advantage (Thompson et al 2005). Jeffay et al (1997) suggest that outsourcing human resource functions can maintain a better-quality and thus offer at a cheaper cost human resource service. The cost of outsourcing human resources functions can amount to less than the cost to recruit, interview, hire and train human resources staff members to perform the same functions. Due restricted budgets often leave the organisation no choice but to outsource human resources functions. However, companies that begin outsourcing human resource functions later add staff to ensure quality control of provider services. Calculating cost savings over time can justify continued human resources outsourcing as a standard practice (Wirtz et

al, 2008).

### **2.3.2.2 Strategic Human Resource**

Organizations increasingly recognize the strategic significance of the human resource function (Gubbins et al 2006). As human resource management perspectives change from operational and administrative, to strategic, human resource becomes more affiliated with organizational goals and strategy. This change has improved the focus of outsourcing the human resource function, and it is steadily building momentum in many organizations (Raman et al 2007). Hence, outsourcing the function is seen as a significant part of contemporary human resource strategy (Lohr, 2007). It has been advocated that by specifically detaching the human resource management function, organizations can gain an edge over competitors (Beardwell & Claydon, 2007). For instance, in a study by Gilley et al (2004) outsourcing the Hr function had an impact on organizational performance. Precisely, the research showed that outsourcing both training and payroll led to a higher tendency for organizational innovation.

Moreover, outsourcing the training activity led to high stakeholder performance and an increased ability to add value to the stakeholder. Moreover, outsourcing the training activity also led to improved supplier– customer relations, because employees were well trained by expert professionals. According to Kosnik et al (2006) explained that research has supported that outsourcing human resource activities can encourage the human resource function to become more strategic by spending less time on meeting cost objectives and addressing developmental goals in terms of specific human resource knowledge and more time on strategic planning. Currently, it seems the most common outsourcing human resource functions are recruitment, payroll, training and development, benefit administration and legal compliance, and the administration or transaction process of human resource. However, human resource outsourcing is no longer strictly about recruitment, payroll, training and development, and legal compliance (Stopper, 2005). Therefore, it appears that outsourcing as an Hr strategy is increasing in popularity.

### **2.3.2.3 Focus on Core Competencies**

Many organizations make a decision to outsource some organizational activities. This is because they want to focus on their core competencies, and see low value in developing in-house activities outside of this core (Cooper, 2007). Definitely, outsourcing human resource functions can reduce the work load of existing human resource staff, thereby allowing the organization to primarily focus on strategic decision making and developing core competencies (Hansen, 2009). Cook (1999) supports the view that outsourcing human resource functions can allow managers to pay attention to their core business rather than spend valuable time on human resource activities that are becoming increasingly more complex and advanced. Datar (2003) suggests that some internal activities of the human resource function are not core business and could be either permanently or temporarily outsourced. For example, recruitment is the utmost common human resource process to be outsourced. Such a strategy also allows the organization to focus on and invest in core competencies. Maidment (2003) explained that the increased complexity and turnover of information in the human resource area is also widely managed by external experts. Human Resource Information Systems (HRIS) and other human resource software play an important support role in managing people (Stone, 2006).

Stone confirms that HRO has become a substantial mechanism that helps organizations develop productivity and retain a competitive advantage. Moreover, he argues that HRIS can integrate vital human resource information and organization strategy. However, constant updates in technology often make HRIS useless and hence require large expenditure to maintain, upgrade and modify. Organizations may not have the specialized skills in-house to be able to handle these challenges. Developing HRIS requires professional expertise which many organizations lack (Pritchard 1984). Greer et al (1999) therefore suggest that outsourcing HRIS to a provider is a cost-effective strategy. Therefore, there are a variety of factors that motivate the trend towards human

resource outsourcing, including a focus on cost saving, and the need to concentrate on core competencies (Reilly, 2006). However, the focus on human resource as a value-adding function at the strategic level is seen as a significant driver for outsourcing human resource activities.

#### **2.3.2.4 Efficiency**

Hiring an outsource provider to handle your human resources functions can improve efficient handling of employment matters. Start-up organizations, in particular, benefit from the level of expertise afforded by outsource providers. The major advantage of HR outsourcing includes efficient handling of compensation and benefits administration that requires extensive knowledge of laws and regulations pertaining to employment and taxation. HR outsource providers can also grip recruiting functions, workplace investigations and occupational safety reporting in a more efficient manner than the employer itself. Outsourcing of HR department can also help the employees. Because they specialize in human resources, these outsourcing organizations often know how to get employees the best human resource services around, including health benefits and great retirement plans (Heywood, 2001). They may also be able to offer rewards programs for much less than you might otherwise pay. Also, if you or your employees have need of any kind of human resource support in issues like worker's compensation, these providers have years of expertise that is available to you (Bhagria,2010). Another benefit about human resource outsourcing is that it is not an all or nothing situation. You can easily outsource only your payroll and attendance, for example, while dealing with compliance and taxing yourself (Ivancevich, 2007).

#### **2.3.2.5 Service Delivery**

This appears to encourage the measurement of value of human resource which comes about through the need for service level agreements and key performance indicators with a greater focus on customer satisfaction. Outsourcing has been introduced as a vehicle for effecting changes that would be hard to implement

internally, it also enables flexibility in that supply can be readily turned on and off (Quinn 1992). It offers an improved method of capacity management of services and technology where the risk in providing the excess capacity is borne by the supplier. Enhance capacity innovation where Companies increasingly use external knowledge service providers to supplement limited in-house capacity for product innovation. It also helps in controlling the hassle factors. There are loads of hassle factors like keeping track of all people, managing technology budgets, managing service level agreements etc., all these core competencies of business are really required, but these factors can easily be taken care by outsourcing human resource company, to give employers ease from managing such complex functionalities (Beardwell & Claydon, 2007). Human Resource services outsourcing guarantees efficiency in service provision. It is concerned with how resources (money, time, equipment, and personnel) are used to get the desired result, one is said to be efficient if the minimum cost is spent to obtain the desired goals (Jarilo, 1998).

## **2.4 Theoretical Review**

### **2.4.1 The Resource-based Value Theory**

The Resource-based theory points out the important question in regards to why organizations are not the same and how they achieve and sustain a competitive advantage by arraying their resources. Penrose (1959) argued that it is the heterogeneity, not the homogeneity, of the productive services available from its resources that give each firm its unique character and the concept of organization's resources heterogeneity is the source of the resource based value theory. Wernerfelt (1984) states that the implication of the resource perspective as a new direction in the field of strategic management and broadly recognized with the path-breaking. Wernerfelt also proposed that assessing organizations in terms of their resources could lead to insights that differ from traditional perspectives and thus firms may opt to outsource resources that are not core to them.

### **2.4.2 Transaction Cost Theory**

Transaction cost theory has been the most developed theory of outsourcing. The theory is observed to provide the paramount decision making tools to help organizations to decide to outsource and to prepare themselves for forthcoming outsourcing engagements.

According to Sanders et al (2007) claimed that outsourcing concept has been deliberated in various contexts such as make-or-buy. Transaction cost theory is widely used in considering the outsourcing option in any kind of a task or a function (Wang, 2002). Rindfleisch & Heide (1997) explained that transaction cost theory examines the efficiency of choosing between different governance structures such as contracting out or vertical integration. This is when a task is performed within the organisation it is termed as vertical integration or in-house, whereas the function performed outside the organisation is known as contracting out (outsourcing). This theory suggests that the outsourcing or in-house which in regards minimizes the sum of production and transaction costs is the more desired.

Organisation that intends to select outsource should consider and compare the highest economies of scale that will bring forth reduction in costs. Williamson (1985) stated that transaction cost theory defines transaction costs as those of managing the development process between the parties (i.e., outsourcer and outsourcee). He also states that if the transaction costs of contracting out to an outsourcee be greater than the production cost advantages then organizations should implement the marketing function in-house. Transaction costs can be high due to three explanations: safeguarding, adaptation and measurement problems.

Pearce and Robinson (1997) perceives transaction costs as including all search and information costs as well as the costs of setting up contracts and monitoring and enforcing contractual performance. He defines transaction costs as those costs associated with an economic exchange that vary independent of the competitive market

price of the goods or services exchanged. Hart (1998) states that there are a number of costs to writing a contract between principal and agent which include the cost of thinking about and providing for all the different eventualities that may occur during the course of the contract, the cost of negotiating with others and the cost of writing the contract.

## **2.5 Empirical Studies**

A challenge is an obstacle which averts a given policy mechanism being implemented, or limits the way in which it can be implemented. In the extreme, such barriers may lead to certain policy instruments being ignored, and the causing strategies being much less effective. Even though the many cost and effort advantage, the possible difficulties connected with outsourcing have led many organizations' to decline to make use of external service providers. One of the key points of view for outsourcing is that when experts perform task they are able to do it better, where better is well-defined as more service for less cost. Organizations disembarking upon outsourcing contracts are likely to find the actual costs higher than expected costs (Wendy, 1997).

In the study carried out by Guterl (1996) showed that Outsourcing of Hr Functions usually reduces organisation's control over how certain services are delivered thus in return it may raise the organisation's liability exposure. Also according to Lynch et al (1994) explained that loss of control to third-party provider(s) appears to be the most commonly cited reservation that inhibits firms from using contract logistics. Thus most organisation get the challenge of having control of service thus creating fear of loss of control in the management though the process is cheaper.

According to Haizer & Render (2008), explained that some of the drawbacks of outsourcing include loss of control, increase in transportation costs depending with the distance from the service provider to a client organisation and thus creating future competition. Another challenge of outsourcing faced is vendors not providing quality services as agreed, other been decreased organisation loyalty and lack of confidentiality

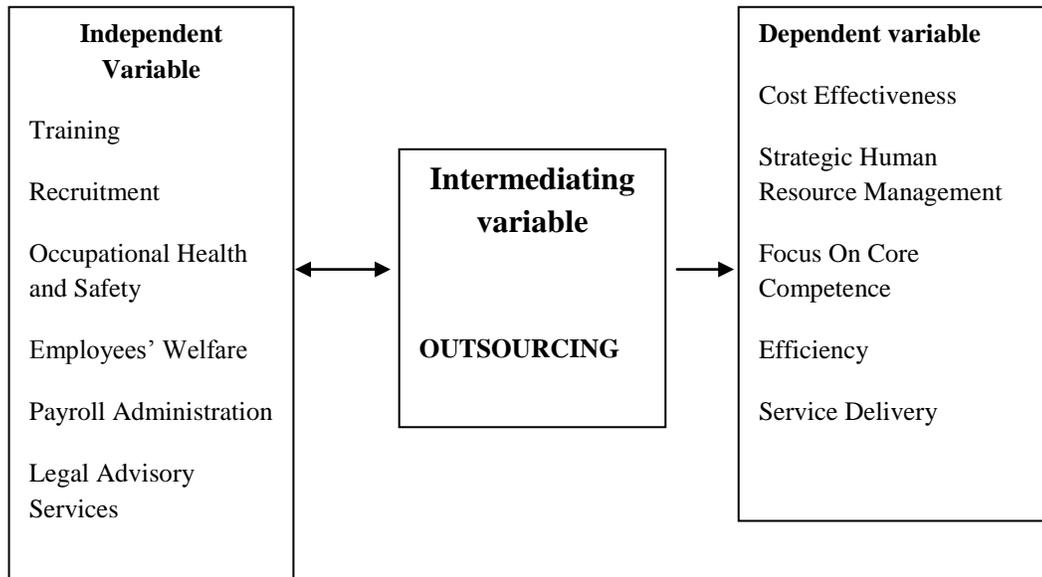
on organisation matters (Gitaari, 2011). This challenge has brought many organisations to reconsider the outsourcing as strategies to enhancing competition. Piachaud (2002) explained that any firm that outsourced its logistics activities to a third- party logistics service provider runs the risk of becoming over dependent on the provider. Byrne (1993) adds that the lack of advanced information technology linking manufacturer, carrier, warehouse, and customer operations has often instigated hindrance to contract logistics management.

Hendry (1995) presents an argument of the significance of the informal, human links within an organization and argues outsourcing intensely alters the informal structure of an organization within which humans operate. This commotion is awkward itself since outsourcing will reduce the degree of collective understanding between various groups and hence their ability to communicate. organisation can often be attracted to outsourcing as a means to relieve intensifying competitive pressure however if they fail to consider long-term implications they might unwillingly mortgage their future opportunities for short term advantage like prematurely existing a market, hasty and near sighted outsourcing may result in the loss or unintended transfer of critical learning opportunities (Thompson et al., 2007). According to Ariba (2005) explained that the availability of skilled personnel remains a major challenge. When embarking on any outsourcing tasks, most organisations are forced to either recruit professionals in that field or train staff on those areas.

## **2.6 Conceptual Framework**

A conceptual framework is an assemblage set of research concepts cum (combined with) variables together with their logical relationships often represented in the form of; diagrams, charts, pictographs, flow-charts, organ gram or mathematical equations. Conceptual research framework unveils studies phenomenon of concepts cum variables into simple set of relations that can be easily understood, modelled and studied (Ndunguru 2007:47).

Further a conceptual framework is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Reicher & Rainey cited in Kombo 2006:49).



**Figure 2.1: Conceptual Framework**

**Source: Researchers construct 201**

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Overview**

This chapter covers research methodology under the headings; the research design, study population, sample size and sampling procedures, research instrument, instrument validity, instrument reliability, data collection procedures and data analysis techniques, ethical consideration.

#### **3.2 Research design**

For any study, there must be an approach to guide it. The study used case study research

design for data collection. This part was a blue print for the data collection, measurement and analysis. Generally, research design reflects the framework that specifies the types of information to be collected, sources of data and data collection procedures (Kothari, 2004).

A case study research design places emphasis on a full contextual analysis of a fewer events or conditions and their interrelations. According to Ndunguru (2007) case study is a unity design because case study allows the application of more than one method of data collection so as to reach a wide range of conclusion.

Case study design is taken to be appropriate as it consumes less time and money. For a case study design, a single well designed case study can provide a major challenge to theory and provide a source of new hypothesis and constructs simultaneously. The study applied both quantitative and qualitative approach in order to get insight understanding of the problem and give room for flexibility of the natural settings.

Saunders et al (2004) indicate that despite the unscientific feeling a case study has, it can be a very worthwhile way of exploring the existing theory. A simple well, constructed case study can enable one to challenge an existing theory and also provide a source of new hypotheses. It also focuses on the particular cases and be able to provide some generalization.

Conclusions and lessons to be drawn from the study in Precision Air can be used for making inferences to other studies elsewhere in Tanzania. A case study allowed the investigation to maintain the holistic and meaningful characteristics of real life events of Precision Air staff.

A case study takes place at a particular time in particular places with particular people. This method is appropriate because it allows an in-depth understanding of the study (Kombo and Tromp, 2006). It is a method that narrows down a very broad field of

research; it drills down rather than casts wide.

### **3.3 Area of Study**

Babbie (2004) define area of study as the place where the study will be conducted. It is the place where the researcher will go for data collection about the topic under study. The area where the research was carried out is in Precision Air Services Plc (operating as Precision Air) located in Dar es Salaam region, Tanzania. The area was selected because it had variety of units with diverse characteristics which enabled the researcher to get reliable information about the topic under study. Therefore the researcher involved all Precision Air departments.

The management of the group is under the Group Managing Director & CEO and is organized in the following functions, Managing Directors Office, Finance, Commercial Strategy and Network planning, Human Resources and Administration, Operations, Information Systems, Technical and Engineering and Ground Handling.

The Precision Air is a public listed Tanzanian airline, which is a leader in providing scheduled flight services to over 17 destinations within and outside Tanzania from its main hub Dar es Salaam. The principal activities of the Company are regional and domestic carriage of passengers and cargo by air.

### **3.4 Study Population**

According to Kombo and Tromp (2006), a population is a group of individuals, objects or items from which samples are taken for measurement. Burns (2002) defines target population as the entire group of people, objects or events which of all have at least one characteristic in common and must be defined specifically and unambiguously also this is supported by Msabila et al. (2013) as complete set of elements (person or objectives) that possess some of the common characteristics defined by the sampling criteria established by the researcher, also they define target population as the population for whom the

findings will be generalized or for which information is desired.

For the purpose of this study, the study population was 125 employees of Precision Air. Due to the nature of the study, the researcher aimed to find out the challenges encountered by outsourcing HR functions at Precision Air. Therefore for the purpose of this study the managerial staff in the various departments / sections played a great role in enabling the researcher to get enough information about the topic under study. The target population was therefore the 125 management level employees of Precision Air.

### **3.5 Sample and Sampling techniques**

A researcher does a study about people, things and organizations. Firstly, the researcher studies a whole population and secondly, the researcher study only a partition of the whole population called sample. The process of selecting or deciding which partition of the population to study is called sampling.

#### **3.5.1 Sample size**

Cherry (2012) defines a sample as a subset of a population that is used to represent the entire group as a whole. When doing research, it is often impossible to survey every member of a particular population because the total number of people is simply too large. In order to make inferences about characteristics of a population, researchers can use a sample.

Kothari (2008) notes the sample size should be neither too large nor too small. This study sample was determined by the following formula (Thomas, 2011);

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

Where;

N is the size of population,

n is the sample size and

e is the significance level required. The significance level is usually 0.05 or 5%.

This led to a sample of 95 management level employees. The sample size selected from this formula reduced the probability of missing a perception with a 5 percent incidence. The research chose this sample size of employees because it was possible to get accurate data from the sample size.

### **Why sample size in this study**

Sampling was done to minimize cost and time that would be spent. Moreover sampling brought about greater accuracy of results and quality of the study as well as to increase speed in data collection.

**Table 3.1: Sample Size**

Categories	Sample size
Head Administrators	10
Administrators	20
Sectional Heads	15
Supervisors	20
Others and external stakeholder	30
<b>Total</b>	<b>95</b>

**Source: Research Data (2014)**

### **3.5.2 Sampling Techniques**

Both quasi-simple random and purposive sampling procedures were used. Administrators, sectional heads and supervisors were selected randomly to avoid having some bias. A list of the administrators, sectional heads and supervisors was sought from the HR department. From the list, simple random sampling was applied but consideration

was given to the proportion of each category in the target population. The administrators and supervisors were 21% of the target population each while sectional heads were 15%. This was commensurate with their proportion in the target population. The Managers of organizations providing outsourced service to Precision Air and head administrators were selected purposively. This was due to their low proportion in the target population and the reasoning by the researcher that these had the required information on policy and regulations that guide the implementation of outsourcing strategy.

### **Purposive/ Judgmental sampling Techniques**

The process involves nothing but purposely handpicking individuals from the population based on the authorities or the researchers' knowledge and judgment (Msabila & Nalaila, 2013). Purposive sampling is considered desirable when the universe happens to be small and a known characteristic of it is to be studied others and external, stakeholders intensively. Judgemental sampling was applied to select the head administrators and managers in firms that provided outsourced services to Precision Air. In this method the researcher picked the sample which is appropriate for information needed. Researcher decided to use purposive sampling because the head administrators and managers of firms providing outsourced services to Precision Air were thought to provide in-depth information about outsourcing in the study.

### **3.6 Data collection methods**

Several methods were used in collecting data for research purpose. The methods that were used included questionnaire and interview for primary data, and analysis of documents and materials for secondary data. Primary data is that which is collected afresh and for the first time, and thus happen to be original in character while secondary data on the other hand, are those which have already been collected by someone else and which have already been passed through the statistical process.

#### **3.6.1 Primary Data**

## **Questionnaire**

The researcher agrees with Kothari (2009) that questionnaire method is simple to use, free from bias of interviewer, less expensive and does not amount to much pressure much on respondents hence it makes them more comfortable. Through the administering of a questionnaire, large amounts of information can be collected from a large number of people in a short period of time and in a relatively cost effective way and also can be carried out by the researcher or by any number of people with limited affect to its validity and reliability.

The questionnaire was designed in closed and open ended format so as to avoid any possibility of limit respondents in giving their views. It was designed and then administered in order to gather pieces of information related to the challenges of outsourcing HR function in Precision Air. Two sections of questionnaires were designed and distributed to respondents in order to seek for information regarding the topic under study. Section one was designed to obtain demographic variables. Section two consisted of questions on the challenges of outsourcing HR function in Precision Air.

The questionnaire was administered through drop and pick method. The respondents were employees in various departments /division at Precision Air. This method was used in order to get more information within a short time while giving respondents enough time to provide needed information. Questionnaire is attached in (appendix I).

## **Interview Schedules**

Semi-structured interview schedules were used in the data collection where two head administrators and 2 external stakeholders were interviewed in order to get their familiarities and feelings about the challenges of outsourcing HR Functions. These were selected purposively with the standard being selecting the respondents who were thought to have in-depth knowledge about the study area. Interviews allowed flexibility in data collection since the researcher was able to modify difficult questions for more clarity and

even ask some more questions depending on the context. Semi structured interview was designed for the purpose of getting intended information in a more systematic way. Interview guide is attached in (appendix II).

### **3.6.2 Secondary Data**

According to Kothari (2004) secondary data are those data which have already been collected by someone else and which have already been passed through the statistical process. In this case the researcher examined various documents from various documented reports, books, journal, articles brochures, thesis, and research reports. The main sources were the Mzumbe University Library, Documentation Centre, and National Library. Another main source was the internet search engines such as Google Finder and the national web sites like the TzOnline.

#### **Documentary sources**

This method involved reviewing various literatures related to challenges of outsourcing and human resource outsourcing. It helped to find out what was not mentioned but it had been recorded in files. Various documents were consulted by referring to the files to collect relevant and required information. This is because the documentation can help to access more information of various forms.

### **3.7 Validation and Reliability of research instruments**

#### **Validity**

Validity and reliability are two important aspects in research and these were considered in the study. Validity is the quality that an instrument used in research is accurate, correct, true, meaningful and right (Nyenzi, 2010).

An instrument is valid if it measures what is supposed to measure. There were several things that were done to ensure validity of the instrument employed in the study and these

included related literature reviewed to get the theoretical knowledge about the content or subject and definitions of concepts that are used before designing the instrument for the particular study as Muijs (2004).

### **Reliability**

Reliability refers to consistency of result that an instrument will give when applied repeatedly in the investigation (Saunders et al, 2000). These two qualities are important in research as they have a great influence on the nature of results and hence conclusions that can be made regarding the research findings. The instruments for this study were subjected to test for validity and reliability to determine whether they needed improvement or not.

In ensuring that the instrument that was used to measure about challenges of outsourcing HR functions was reliable each challenges was facet or dimension in the second part of the survey instrument consisted of two or more related items. When those facets are measured with several items, the individual error is eliminated and the reliability of the instrument increases (Muijs, 2004). Similarly, Borg and Gall (1989) recommends that there should be several items in a survey or test to make it possible for researchers to estimate an individual's score. This was done to increase the reliability of the survey instrument.

### **3.8 Data Analysis Plan**

Data analysis contains a number of closely related operations which are performed with purpose of summarizing and organizing data in such a manner that they answer research questions (Kothari, 2004).

The data, after collection, was analyzed in accordance with the objectives of the study to help the researcher identify the developing themes. The researcher sought to find out the challenges of outsourcing human resource function in Precision Air in Tanzania.

Data collected through various methods was synchronized and organized according to the research questions and coded on broad sheet of paper. They were then presented in tabular forms, with frequencies and percentages being calculated for drawing up conclusions on particular observations. Non quantifiable data was subjected to content analysis and interpretation, and open-ended responses were organized either under their relevant subheadings or in tables to facilitate comprehension (Msabila & Nalaila, 2013).

In this study the researcher applied both qualitative and quantitative data analysis methods. In qualitative analysis data that was obtained was analyzed into meaningful information. Data was grouped and analyzed qualitatively which involved descriptions and explanations to the observed data. Quantitative analysis was the type of data that was obtained from respondents and presented in numerical basis. Data obtained from respondents were quantified numerically so as to be in a meaning full way, quantitative data was tabulated and presented into percentages and amount. Also quantitative techniques were used by using the SPSS version software.

### **3.9 Data Presentation**

Data was presented in a way that resembled to the problem being studied. For the sake of understanding, the researcher started the presentation of data with the simplest issues in order to make the audience understand the issues being studied. Also the most important findings were presented first and the minor followed.

### **3.10 Ethical Considerations**

In the consideration of the importance of being ethical, the researcher adhered to the following:

- Researchers secured research clearance from Mzumbe University, whereby researcher's introduction letter, which explained the purpose of the study, was granted before field visit.

- Researcher requested permission from the manager of Precision Air before conducting the study.
- The respondents consent was paramount and informed of the purpose of the study before data collection process.
- Neither the real names of the respondents nor the organizations were included in the report. This ensured confidentiality (anonymity was also applied in report writing)
- The researcher also informed the respondents about their freedom to withdraw from the study once they felt like they wanted to do so.

## **CHAPTER FOUR**

### **PRESENTATION OF FINDINGS**

#### **4.1 Introduction**

This chapter presents the analysis of data and presentation of research findings. The study sought to find out the challenges of outsourcing human resources functions in Precision Air, Dar es Salaam. In this chapter, response rates are presented first. The demographic information of the respondents is then presented. Lastly, the chapter presents the results that are relevant with the study.

#### **4.2 Response Rate**

To attain the objectives of the study, data was collected using a questionnaire and interviews to the different cadres of staff at Precision Air in Dar es Salaam. A sample of 95 Precision Air employees and other respondents representing other stakeholders was selected to respond to the questionnaires (appendix 1). Of the 95 sampled, 59 responded which was a response rate of 62%. This response rate was considered adequate since a response rate of 60% is considered good for paper based surveys (Babbie, 2011). For the interviews, the four interviews that were scheduled were successful (appendix ii). These were conducted in Dar es Salaam in the offices of Precision air and two were conducted within Dar es Salaam in the offices of one of the outsourcing partners of precision Air. Interview respondents from Precision Air are indicated as Respondent A and B while those of the Precision Air Partners are indicated as C and D.

### 4.3 Gender of Respondents

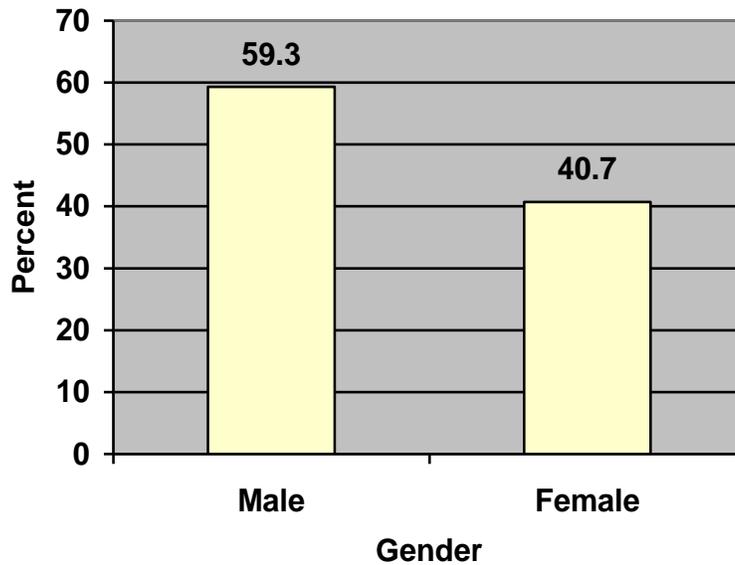
The first demographic characteristic to be investigated in the study was gender of the respondents. This was to establish whether the study was representative in relation to gender. Results are presented in Table 4.1. Study results reveal that male respondents were 59.3% compared to female respondents who were 40.7%. This compared well with the distribution of employees as indicated by respondent B who observed that male were around 60% while female were around 40%. This sample was therefore representative of the population of employees at Precision Air.

**Table 4.1: Gender of respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	35	59.3	59.3	59.3
Female	24	40.7	40.7	100.0
Total	59	100.0	100.0	

**Source:** Field data (2015)

The findings on gender are also presented in Figure 4.1.



**Figure 4.1: Gender of respondents**

**Source:** Field data (2015)

#### 4.4 Age of respondents

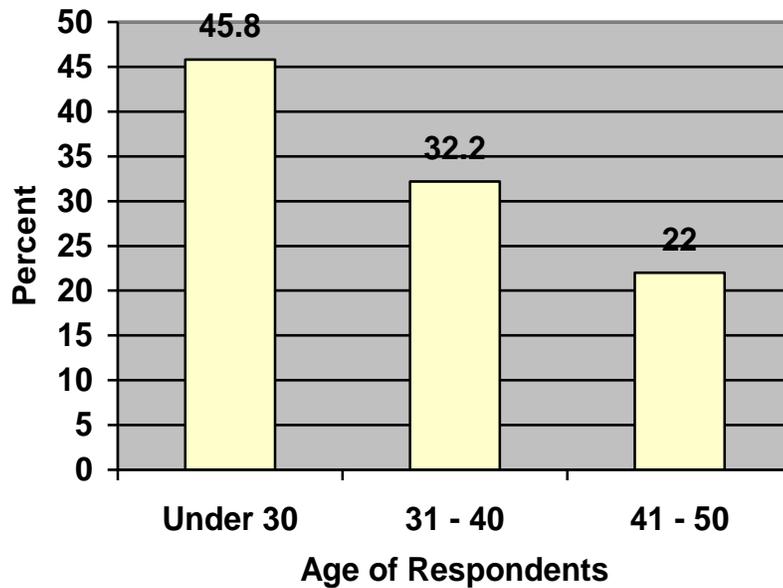
The age of the respondents was also established from the survey with findings being as indicated in Table 4.2. The results (Table 4.2) indicate that those respondents that were under 30 years were 45.8% while there was no respondent who was above 50 years. This finding reveals that most of the employees at Precision Air are youthful.

**Table 4.2: Age of respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Under 30	27	45.8	45.8	45.8
Valid 31 - 40	19	32.2	32.2	78.0
41 - 50	13	22.0	22.0	100.0
Total	59	100.0	100.0	

**Source:** Field data (2015)

Further, the results about gender of the respondents were also presented in a bar chart which is in Figure 4.2.



**Figure 4.2: Age of respondents**

Source: Field data (2015)

#### **4.5 Highest education qualification of respondents**

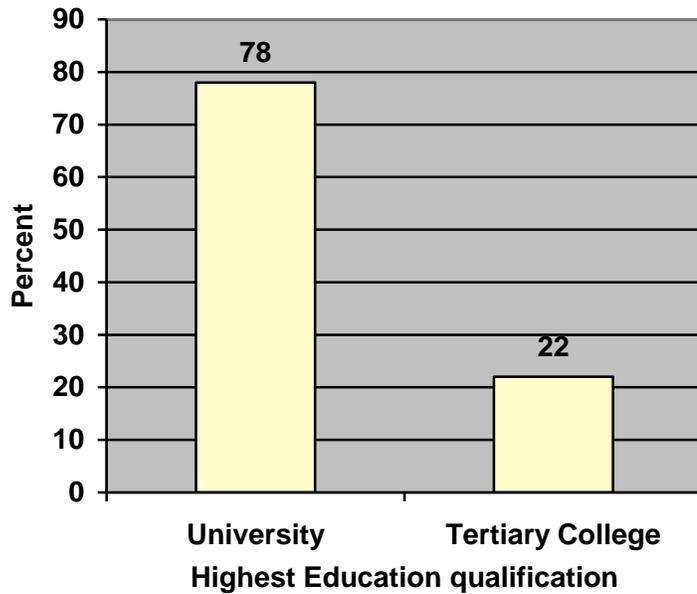
The study also investigated the highest educational qualifications attained by the respondents. This was to establish the educational competence of the employees in handling administrative and technical issues in the company. The investigation was also aimed at establishing whether the respondents competently understood the questions and could provide competent answers. Results (Table 4.3) reveal that 78% of the respondents had university education with 22% indicating that they had tertiary college level of education. This portrayed a workforce that has attained above average education.

**Table 4.3: Highest education qualifications of respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid University	46	78.0	100.0	100.0
Tertiary college	13	22.0		
Total	59	100.0		

Source: Field data (2015)

Figure 4.3 also presents the highest education qualifications attained by the respondents.



**Figure 4.3: Highest education qualifications attained by the respondents**

Source: Field data (2015)

#### 4.6 Length of continuous service with Precision Air

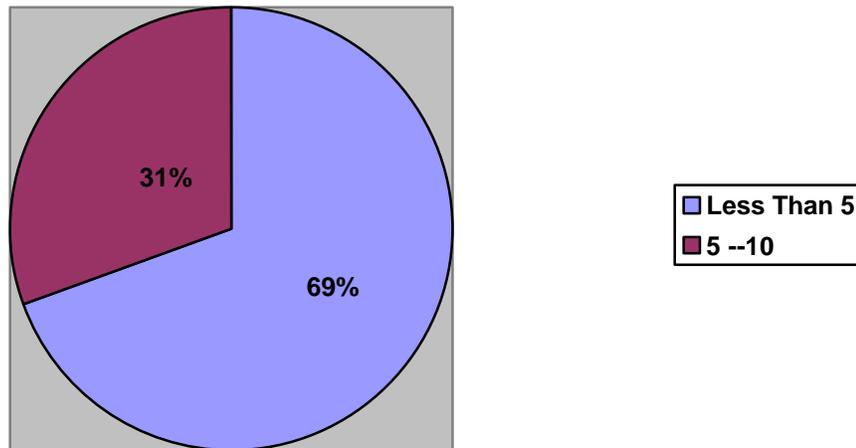
The number of years the respondents had been serving Precision Air was investigated. This involved indicating classes of different year's gaps that the respondents were either employees or vendors providing services for Precision Air. Study results revealed that 69.5% had been serving Precision Air for less than 5 years while 30.5% had been serving the company for between 5 and 10 years. Though this was enough time to have knowledge about outsourcing challenges affecting the company, it indicated that there were no employees or vendors who had been serving the company for long years.

**Table 4.4: Length of continuous service with Precision Air**

	Frequency	Percent	Valid Percent	Cumulative Percent
Less than 5	41	69.5	69.5	69.5
Valid 5 – 10	18	30.5	30.5	100.0
Total	<b>59</b>	<b>100.0</b>	<b>100.0</b>	

Source: Field data, 2015

The findings on number of years the respondents had served at Precision Air are also presented in Figure 4.4.



**Figure 4.4: Length of continuous service with Precision Air**

**Source:** Field data (2015)

#### **4.7 HR Functions Outsourced at Precision Air**

The study sought to find out the HR functions that were outsourced at Precision Air. Various Functions were listed and respondents were required to indicate the level of outsourcing for those services. Rating was on a scale of 1 – 5 (1 = not outsourced; 2 = lowly outsourced; 3 = moderately outsourced; 4 = adequately outsourced; 5 = fully outsourced). Mean scores were used to analyze the responses with findings being as presented in Table 4.5. The higher the mean score, the more the service is outsourced and the lower the mean score, the lower the service is outsourced. Findings in Table 4.5 indicate that Hr functions that were adequately outsourced were cleaning services (4.59), Job evaluation (4.44) and retirement benefits administration (4.42). On the other hand, Hr functions that were very lowly outsourced included reward strategies and systems (1.51) and payroll administration (1.83). The findings indicate that Precision Air outsourced non core services such as cleaning services while jobs that were not regularly performed like job evaluation and retirement benefits administration were largely outsourced at Precision Air. However, analysis of the study findings reveal that HR functions that related to

rewards and payroll administration were scarcely outsourced. This finding indicates that Precision Air considered these functions to be important in their operations and hence opted to handle them in-house. These results agree with findings by Lawler and Mohrman (2003) who indicated that in outsourcing engagements, organizations delegate their non-core functions to an external organization that provides a particular service, function or product. This can be seen in the current study where cleaning services, job evaluation and retirement benefits administration had been outsourced at Precision Air. This further agrees with findings by Adler (2003) who established that many organizations outsource management of their pension systems, while keeping other human resource function activities in-house.

The current findings however, disagreed with the results by Ceridian (2008) who indicated that many organizations that engaged in HR outsourcing outsourced noncore HR activities such as payroll and benefits administration to external providers. In the current study on Precision Air, the study established that the company did not engage in outsourcing of payroll administration. The study also did not concur with findings by Lever (1997) whose study indicated that 62% of the companies studied engaged in outsourcing of payroll administration. This shows that Precision Air considered payroll administration important its service delivery. However, the reason why the company had not outsourced payroll administration may be that they had not made full advantage of outsourcing. This together with other non-core activities such as training, transport, occupation health and safety and some areas in recruitment and selection can provide benefits to the organization if they are outsourced.

**Table 4.5: HR Functions Outsourced at Precision Air**

<b>Hr functions</b>	<b>Mean score</b>
Recruitment and Selection	2.00
Training and Development	2.47
Occupation health and safety	2.14
Job evaluation	4.44
Cleaning	4.59
Reward strategies and system	1.51
Risk management	3.92

Performance management	2.39
Payroll administration	1.83
Human Resource Information Systems (HRIS) development	3.54
Employee assistance/counselling	3.10
Retirement benefits administration	4.42

**Source:** Field data, 2015

Respondents were asked to indicate the services that could be outsourced that were done in-house at Precision Air. The services that were mostly mentioned by the respondents included transport, job evaluation, training and development and human resource information systems. Those who indicated that the services can be done in-house were 36% while those who indicated that the outsourced services cannot be done in-house were 64%. This indicates that Precision Air was justified in outsourcing those services. Respondents who indicated that the services outsourced could not be done internally indicated that the company lacked efficiency, human resource and competence in offering the services. However, analysis of the findings indicated that there are other HR functions at Precision Air which could be outsourced to improve their performance and overall efficiency of the company. This agrees with the observation of McCauley (2000) that outsourcing is endorsed as one of the furthestmost powerful developments in human resources management. McCauley had further perceived that the motivation for outsourcing HR functions encompasses financial savings, an increased capacity to focus on strategic issues, access to technology and specialized expertise, and an ability to demand measurable and improved service levels. This was the same observation made by 64% of the respondents who observed that outsourcing of more Hr functions at Precision Air was important to enable the company to save on costs and also focus on its core operating areas.

From the interviews, respondents basically indicated that the need to outsource was based on the need for efficiency, specialized service and improvement in innovation in core activities of the airline. From the interview responses, it was evident that the airline wanted to outsource all non core activities and focus on its core activities. This was seen

as a way of reorganizing itself to achieve efficiency and cost savings. The respondents from Precision Air indicated that services provided by outside vendors were of better quality and lower costs than what the company used to provide in-house. Respondent A indicated that *'outsourcing generates time and resources for tactical and strategic HR contributions and allows a stronger focus on core activities'*.

Respondent C indicated that *'two key trends that have been predicted to exert significant impact on human resource management in organizations in general and the role of HR departments in particular are devolvement of HR responsibilities to line managers and outsourcing of HR activities to external providers'*. This statement was reinforced by the sentiment of Respondent D who observed that *'it is difficult to estimate correctly the exact extent to which HR outsourcing is occurring and at which pace it is spreading but very few would disagree that it is an important trend that can transform fundamentally how HR work is organized'*.

Reasons for outsourcing HR functions at Precision Air were indicated by Respondent A to be that *'Human resource management consultants potentially provide specialist HRM expertise to counter-balance any gaps in the firm's HRM knowledge base'*. However, Respondent A indicated that the company was challenged in establishing what services to provide in-house and what to outsource. This was a decision that had to be made to ensure that the outsourcing did not bring unwanted side effects to the organization. Further, Respondent B indicated that the organization always considered how the outsourcing would affect the company strategy and employees. Moreover, the outsourcing by Precision Air had met the set down expectations and resulted to improvement in quality of service and cost savings. Moreover, due to the few number of HR functions that had been outsourced, the researcher makes the observation that more benefits could have accrued to Precision Air if they had outsourced various other HR functions that the company was doing in-house.

The analysis of the findings from Respondent A, B and D indicate that Precision Air was driven to outsource some HR functions to enable the airline to be efficient, focus on its

core business of air transport services and save costs due to the reduced Hr functions being done in-house. These findings agree with the analysis of Dessler (2008) who established that organizations seek to outsource some of their functions to outside vendors to get expert and competent service providers, reduce the workload needed to be done in-house and enable the firm to focus on core activities which provides the organization with strategic benefits.

However, the study results established that before any outsourcing decision is made, the organization considers critically the decision to provide the service in-house or outsource. Further, any outsourcing must be followed by a service level agreement that binds the vendor on the standard of quality to be providing. Specifically, Respondent A indicated that the organization considers;

*the degree to which the activity contributes to the overall profitability of the firm, the degree to which the activity is integrated within the firm and the degree to which the activity enables the firm to differentiate itself from its competitors in the process of making the outsource decision.*

This indicates that Precision Air performs due diligence on every function that is a candidate of outsourcing before making the decision of whether to outsource or to perform the activity in-house. This finding agrees with results by Dessler (2008) who intimated that the organization needs to have a logical framework to assess any outsourcing decision due to the repercussions that can occur. These repercussions can be legal costs, higher costs that anticipated or lower quality of services being provided by outside vendors. Dessler further indicated that the preliminary point in the assessment process encompasses analyzing whether outsourcing an activity is suitable for the organization. This includes considering issues such as the capability of the organization in the activity relative to competitors, the importance of the activity to competitive advantage, the ability of providers to provide the activity and the effect upon employee morale. When organisation, has reached to an agreement to outsource a number of important factors should be considered such as type of suppliers, negotiation mechanism

and the transitioning of assets to the supplier. This was the similar process that was reported to be applied by Precision Air before any outsourcing agreement was reached. Moreover, the analysis of the study results indicated that effect of the outsourcing decision on the company as a whole was the most important consideration by Precision Air.

#### 4.8 Challenges of HR Outsourcing

The main objective of this study was to establish the challenges encountered by Precision Air in HR outsourcing. To accomplish this objective, respondents were asked to indicate how often the external provider communicated through email or phone calls to the company on the progress of any work allocated to them. Results presented in Table 4.6 reveal that 51% of the respondents indicated that the external providers seldom communicated to Precision Air on the progress being made on the outsourced service. Those who indicated that communication was very regular were 8.5%. Communication in any outsourcing engagement is important as it ensures that the firm making the outsourcing is aware of everything that is going on in the function that they have outsourced. Che-Ha (2009) advised that constant communication between the partners in the outsourcing engagement should be advocated for to ensure that each partners is aware of what is going on in the function in question. Though communication is not a key factor in the service delivery, both partners should keep in regular contact to ensure that they are both satisfied with the service provision. Further, communication enables prompt management of challenges and problems that may arise in the outsourcing engagement.

**Table 4.6: Incidence of communication by external provider**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Extremely regular	19	32.2	38.8	38.8
	Very regular	5	8.5	10.2	49.0
	Seldom	25	42.4	51.0	100.0
	Total	49	83.1	100.0	
Missing	System	10	16.9		
Total		59	100.0		

**Source:** Field data, 2015

Further, the study enquired on the quality of services provided by external providers on the outsourced services. Respondents had the option to rate the services as extremely good, very good, average or poor. Findings in Table 4.7 reveal that 66.1% rated the services provided as very good with 33.9% rating the services as average. These results indicate that Precision Air was generally satisfied with the services provided by vendors in the outsourced functions. This was despite the fact that the vendors maintained communication poorly with Precision Air. Analysis of results on satisfaction with outsourced services indicates that Precision Air had achieved the aims that outsourcing of HR functions had anticipated. This result agrees with findings by Johnson and Scholes (2004) who explained that through outsourcing HR activities, an organisation is able to reduce costs where it is not experienced and it also allows an organisation to concentrate on its core business leveraging its key resources. This seems to have been the benefit that Precision Air had reaped through HR outsourcing.

**Table 4.7: Rating the quality of service rendered by external providers**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid    Very good	39	66.1	100.0	100.0
Average	20	33.9		
Total	59	100.0		

**Source:** Field data, 2015

From the interviews, Respondent B indicated that;

*I have business partners who work with the business, but they actually need to be brought into the bosom of the rest of HR to understand what is going on across the whole HR remit, so they can make the right decisions, provide the right context and right information. Otherwise the communication becomes very weak, the service become linear, you get the tensions between the HR people that are working on the front-line and the people that are trying to produce corporate solutions that are cost effective that meet overall businesses needs.*

The above response from respondent B indicates that communication was important in the outsourcing partnership and lack of effective communication between Precision Air

and vendors was jeopardizing coordination between the outsourced services and the operations of Precision Air that were done in-house.

Lastly on challenges, respondents were requested to indicate the extent to which each of the listed challenges of outsourcing affected Precision Air. The ratings that were used ranged from one to five where one represented 'not a challenge' while five represented 'big challenge'. The responses were analysed through mean scores. High mean scores (towards 5) indicated that being a big challenge while lower mean scores (towards 1) indicated that not being a challenge. Results presented in Table 4.8 indicate that the major challenges to outsourcing by Precision Air were loss of organizational learning (4.19) and loss of command on the outsourced activities (4.14). This finding agrees with the results by Guterl (1996) which established that outsourcing of HR functions usually reduces organisation's control over how certain services are delivered thus in return it may raise the organisation's liability exposure. The findings were also in agreement with Haizer and Render (2008) who revealed that some of the drawbacks of outsourcing include loss of control on the outsourced function by the organization. Other major challenges included disintegration of internal competence (3.94), loss of control in decision making (3.91), motivation loss of employees in regard to the outsourced services (3.89) and loss of employee loyalty (3.86). These results partly agrees with the finding by Gitaari (2011) that firms which outsourced Hr functions faced the challenge of dwindling employee loyalty.

The study however established that low quality of service delivery (1.89), hidden costs (2.14), low performance rates (2.27) and declining rate of innovation (2.32) were not major challenges that Precision Air faced as a result of HR outsourcing. These findings disagreed with Gitaari's (2011) results which revealed that a major challenge of outsourcing is vendors not providing quality services as agreed. On the contrary, the respondents indicated that services provided by Precision Air vendors were of high quality.

**Table 4.8: Challenges to HR outsourcing**

<b>Challenges</b>	<b>Mean score</b>
Loss of control in decision making	3.91
Low quality of Service Delivery	1.89
Leak of confidential information by third party	2.71
Logistics providers to competitors	2.74
Loss of organizational learning	4.19
Selecting the right outsourcing partners	2.98
Motivation loss of employees in regard to the outsourced services	3.89
Low performance rates	2.27
Over reliance on the third party logistics providers	3.10
Loss of command on the outsourced activities	4.14
High transaction costs	2.78
Hidden costs	2.14
Declining rate of innovation	2.32
Disintegration of internal competence	3.94
Potential security problems	3.18
Deciding what to outsource and what not to	2.57
Loss of employee loyalty	3.86

**Source:** Field data, 2015

#### **4.9 Ways of mitigating challenges**

The study lastly sought to establish any measures taken by Precision Air to mitigate the challenges encountered while outsourcing HR activities. In this question, they were expected to indicate whether they used the listed mitigating measures. Results are presented in Table 4.9. The results (Table 4.9) reveal that the most practiced mitigating measures were partnering with service providers (83.1%), performance appraisal for the service providers (65.3%) and having a fully equipped department to deal with outsourcing (65.3%). However the measure least practiced was having a subsidiary company that is in the business of outsourcing (38.8%). These findings reveal that apart from outsourcing their HR functions, Precision Air undertook mitigating measures to ensure that standard of service delivery were high. These findings are in concurrence with Ariba (2005) who explained that though outsourcing had various benefits from the organizations, the outsourcing organization needed to ensure that the risks associated with outsourcing are properly managed so as to reap the projected benefits. Various methods were put forward by Ariba which included entering into contractual service level agreements, partnering with vendors and providing a reward system for vendors.

**Table 4.9: Ways of mitigating challenges**

Mitigating measures	Yes	No
Partnership with service providers	83.1	16.9
Having a fully equipped department to deal with outsourcing	65.3	34.7
Having a subsidiary company that is in the business of outsourcing	38.8	62.2
Performing part of the outsourcing activities in-house e. g. recruitment and selection of Pilots	61.0	39.0
Performance appraisal for the service providers	65.3	34.7
Insurance	55.1	44.9

Source: Field data, 2015

To support the view of managing challenges to outsourcing, Respondent B indicated that;

*HR outsourcing fundamentally requires an in-depth understanding of the core competences on which the firm builds its present and future competitive advantage. Hence the decision whether to outsource a particular business process or not entails a thorough analysis and knowledge of the strategic risks involved in losing key skills and competences on which competitive advantage of the organization ultimately depends. Hence, by definition, outsourcing should generally focus on areas far removed from core competences. As outsourcing decisions get closer to the core competences, the strategic risk increases and more analysis need to be done before the outsourcing decision is made.*

This finding reveals that Precision Air thinks about the challenges even before engaging in the outsourcing decisions and takes precautionary measures. The precautionary measures taken by Precision Air are assumed to work after considering the study findings that indicated that services provided by vendors were of high quality.

## **CHAPTER FIVE**

### **DISCUSSION OF THE FINDINGS**

#### **5.1 Introduction**

This part provides a discussion of the main findings from the study. The discussion compares the results of the study with the literature and previous empirical findings. This is done according to the major findings that sought to answer the research questions.

#### **5.2 Discussion of Findings**

### **5.2.1 Procedures used by Precision Air in outsourcing HR functions**

The study established that Precision Air has a laid down procedure that needs to be followed in any outsourcing decision. The procedure may be flexed to fit the specific service being outsourced. However, the cost-benefit analysis, effects of the outsourcing on the company's strategies and employees and the performance of the vendor are of key importance in the decision making. Further, the study established that service level agreements between Precision Air and vendors were always put in place to guide the outsourcing agreement and the service level expected. This finding agrees with the results from a study by Kamath (2007) which indicated that organizations should do an analysis on the activities to be outsourced and be clear on the type of activities it anticipates. This finding also concurs with observation by Torrington (2005) who noted that the organization must have a logical way of assessing the outsourcing decision before the outsourcing is adopted.

On reasons for outsourcing, the study established that the organization needed to focus on core activities, experience efficiency and have better services from vendors. Respondents also observed that the organization lacked the resources and competence to provide the outsourced services. This agrees with the finding by Fairhurst (1997) who observed that most organizations lacked the expertise or competence to handle some services internally thus floating such activities for outsourcing.

The Hr functions mostly outsourced included cleaning, retirement benefits administration, job evaluation and risk management. Key activities not outsourced include pay and rewards management. This finding agrees with the results from a study by Che-Ha (2009) which revealed that only non-core activities should be outsourced with core and secretive services being left to be carried in-house by the organization. Further Che-Ha observed that the decision as to which HR functions ought to be outsourced mostly is driven by the organization's business strategy in place and the key personnel leading the HR function. This was the same finding established in the current study.

### **5.2.2 Benefits experienced by Precision Air through outsourcing HR functions**

The study established that Precision Air had received several benefits from outsourcing. The benefits included focussing on its core activities, cost savings and high quality service. This concurs with observation by Thompson and Strickland (2004) who stated that the advantages of outsourcing include an organisation being able to concentrate on its core business, access to skilled manpower at affordable prices, increased productivity and ability to access world class technology at lower rates. The findings also concur with the results by Johnson and Scholes (2004) who explained that through outsourcing HR activities, an organisation is able to reduce costs where it is not experienced and it also allows an organisation to concentrate on its core business and leverage its key resources. The study findings also agree with results by Wirtz et al. (2008). Wirtz et al. established that cost savings over time justifies continued human resources outsourcing as a standard practice.

### **5.2.3 Challenges encountered by Precision Air when outsourcing HR functions**

The major challenges to outsourcing by Precision Air were loss of organizational learning (4.19) and loss of command on the outsourced activities (4.14). Other major challenges included disintegration of internal competence (3.94), loss of control in decision making (3.91), motivation loss of employees in regard to the outsourced services (3.89) and loss of employee loyalty (3.86). The study however established that low quality of service delivery (1.89), hidden costs (2.14), low performance rates (2.27) and declining rate of innovation (2.32) were not major challenges that Precision Air faced as a result of HR outsourcing. These findings agree with Hendry (1995) who presented an argument of the significance of the informal, human links within an organization and argues outsourcing intensely alters the informal structure of an organization within which humans operate. The study findings also concurs with Haizer & Render (2008) who explained that some of the drawbacks of outsourcing include loss of control and lack of decision making on the outsourced service thus making the organization over reliant on the vendor. The current study also established that loss of control over the outsourced service was a key

challenge encountered by Precision Air.

However, the current study established that vendors contracted to provide outsourced Hr functions provided quality service. This disagrees with the finding by Gitaari (2011) whose study established that vendors not providing quality services as agreed were one of the key challenges faced by outsourcing organizations.

## **CHAPTER SIX**

### **SUMMARY, CONCLUSIONS AND POLICY IMPLICATIONS**

#### **6.1 Summary of Major findings**

The study had three specific objectives: To establish the procedures used by Precision Air in outsourcing HR functions; determine the benefits experienced by Precision Air through outsourcing HR functions and; find out the challenges encountered by Precision Air when outsourcing HR functions.

Precision Air has laid down procedures that must be followed in any outsourcing decision. The procedures may be change to suit unique services outsourcing. However,

there are major steps in any outsourcing decision which include establishing the services to outsource, a cost-benefit analysis, analyzing effects of the outsourcing on the company's strategies and employees, selecting the vendor and establishing service level agreements with the selected vendor.

The study established that Precision Air had encountered several benefits from outsourcing. The benefits included ability to focus on its core activities by outsourcing non core activities and savings on costs. Further the study established that the services provided by the vendors were of high quality.

Challenges encountered by Precision Air in HR outsourcing included loss of organizational learning, loss of command on the outsourced activities and disintegration of internal competence. Other included loss of control in decision making, motivation loss of employees in regard to the outsourced services and loss of employee loyalty.

## **6.2 Conclusion**

The study makes the following conclusions. First, the top HR functions outsourced were cleaning, job evaluation, risk management and retirement benefits administration. The survey results also provided information pertaining to the motivations associated with the identified outsourced HR functions with variations for different HR functions.

Second, three benefits of outsourcing experienced by Precision Air were ability to focus on core activities of the business, improvement quality and efficiency and concentrate on the strategic HR role.

Lastly, the study concludes that outsourcing at Precision Air has not been without its challenges. Key challenges encountered by Precision Air included loss in organization

learning in regard to the outsourced activities, lack of full control on the carrying out of the outsourced service and the negative effects on employees due to the outsourced services.

### **6.3 Policy Implications**

The study has the following policy implications;

First, companies should be aware of which HR functions are frequently outsourced. This study guides them on the conditions in which HR outsourcing is most desired, such as the reasons for engaging with HR outsourcing and the reasons for not outsourcing HR functions. From this information, companies should be attentive to the potential HR functions to be outsourced.

Secondly, the findings from this study have practical implications concerning the procedures and steps that should be taken before making an outsourcing decision. A rigorous procedure should be put in place in the organization to ensure that the steps to reach the effective decision are in place. The steps should include doing a cost-benefit approach of outsourcing and finding the right vendor to provide the service. The organization should also be continually involved in monitoring the quality of the services being provided.

Finally, the study establishes that human resource management outsourcing is a potentially useful approach for handling many activities. Effective outsourcing requires the knowledge of what can and cannot be outsourced. The organization needs to have a useful hierarchical categorization of a variety of HR activities that managers may consider outsourcing at some point in time. Further the study implies that once a company has determined which activities can be outsourced, the advantages and disadvantages of outsourcing these particular activities must be weighed. It is possible that an activity originally thought to possess great potential for outsourcing may no longer seem viable if the anticipated disadvantages associated with outsourcing this

activity outweigh the possible benefits. If, after close examination of the advantages and disadvantages, the outsourcing of this particular HR activity appears to be a fruitful venture. Then, outsourcing should be considered.

#### **6.4 Limitations of the study**

The current study faces some limitations that could have affected the findings. The first such limitation was getting consent from Precision Air to conduct the study in their company and to question their employees. There were also challenges to arranging and conducting the four interviews that were included in the study. There was reluctance on the part of the respondents to agree to participate. However, the researcher dealt with this challenge by showing the respondents the contribution the study would make academically and in informing practice. This enabled the researcher to get the consent required.

Another limitation came from the limited time and budget constraints that the researcher faced during the study period. However, the researcher was able to apportion the limited time and finances to the exercise. The researcher also requested leave from work for a period of three weeks to complete the study.

Lastly, the study findings were limited in their generalization since this study was a case study. Generalizing the findings to other companies which have different environments and context from Precision Air may not be possible.

#### **6.5 Areas for further research**

The current study sought to find out the challenges to HR outsourcing at Precision Air. The study was conducted in Dar es Salaam at Precision Air. The study was a case study and the challenges that may face Precision Air may be different from other challenges that other companies face.

A study is recommended to be carried out in other companies from other industries such as banking, manufacturing and agriculture and establishes what the challenges they face

in HR outsourcing are. This is because organisation differs in many areas for example in resources, thus challenges experienced or encountered can be different from each other.

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## APPENDICES

### *Appendix i*

#### **QUESTIONNAIRE**

##### **Questionnaires for Precision Air Staff**

Dear respondent,

My name is Samuel Gachengo, a student at Mzumbe University. I am doing a research about; **Outsourcing Human Resources Functions In Tanzania a Case of Precision Air, Dar es Salaam**. Kindly assist by answering correctly to the questions below. Your response will remain confidential and it is only for academic purpose.

**PART A: Demographic and Respondents Profile**

1. Gender:     Male           ( )  
                   Female       ( )
2. What is your age bracket? (Tick as applicable)
  - a) Under 30 years ( )    b) 31 – 40 years       ( )
  - c) 41 – 50 years ( )    d) Over 50 years       ( )
3. What is your highest level of education qualification?
  - a) University ( )    b) Tertiary College   ( )
  - c) Secondary ( )    d) Others               ( )
4. Length of continuous service with Precision Air?
  - a) Less than five years       ( )
  - b) 5-10 years                   ( )
  - c) Over 10 years               ( )

**PART B: REASONS FOR OUTSOURCING**

5. To what extent does your company outsource the following services? Where 1 means not outsourced while 5 means fully outsourced.

- 1 = not outsourced
- 2 = lowly outsourced
- 3 = moderately outsourced
- 4 = adequately outsourced
- 5 = fully outsourced

<b>HR FUNCTIONS</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Recruitment and Selection					
Training and Development					
Occupation health and safety					
Job evaluation					
Cleaning Services					
Reward strategies and system					
Risk management					
Performance management					
Payroll administration					

Human Resource Information Systems (HRIS) development					
Employee assistance/counselling					
Retirement benefits administration					

Others specify.....

6 a) Can the services outsourced be performed in-house?

Yes ( ) No ( )

b) If yes, which ones?.....

c) If no, why?.....

**PART C: CHALLENGES OF OUTSOURCING AND WAYS OF MITIGATING THESE CHALLENGES**

7. How often does the external provider communicate (via email or phone calls) to your company on the progress of any work allocated to them?

Extremely Regular ( ) Very Regular ( ) Seldom ( )

8. How do you rate the quality of service rendered by the external provider?

Excellent ( ) Very good ( ) Average ( ) Poor ( )

9. Please indicate the extent to which each of the following challenges of outsourcing affect your organization. (Where 1 means not a challenge and 5 being a big challenge)

Challenges	1	2	3	4	5
Loss of control in decision making					
Low quality of Service Delivery					
Leak of confidential information by third party					
logistics providers to competitors					
Loss of organizational learning					
Selecting the right outsourcing partners					
Motivation loss of employees in regard to the outsourced services					
Low performance rates					
Over reliance on the third party logistics providers					
Loss of command on the outsourced activities.					
High transaction costs					
Hidden costs					
Declining rate of innovation					

Disintegration of internal competence					
Potential security problems					
Deciding what to outsource and what not to					
Loss of employee loyalty					

Others please specify.....

10. Does your company contribute to the challenges faced above?

Yes ( ) No ( )

b) If yes what are the causes of these challenges/difficulties?.....

.....

11. Does your company have any ways of mitigating the above challenges?

Yes ( ) No ( )

b). Please indicate whether your company uses the following ways of mitigating the challenges.

	YES	NO
Partnership with service providers		
Having a fully equipped department to deal with outsourcing		
Having a subsidiary company that is in the business of outsourcing		
Performing part of the outsourcing activities in-house e. g recruitment and selection of Pilots		
Performance appraisal for the service providers		
Insurance		

Others please specify.....

**Thank you very much for your cooperation and assistance in answering these questions.**

## **Appendix ii**

### **INTERVIEW QUESTIONS**

1. Does your organization currently outsource one or more of its HR functions?
2. What are the obstacles that your organization faces when it decides to outsource its HR functions?
3. What are the Challenges do you experience while performing Outsourcing the Hr Functions?
4. What are your organization's reasons for outsourcing its HR functions?
5. As a direct result of outsourcing its HR functions, does your organization achieve cost savings, incur cost increases, or did costs remain about the same?
6. Overall, to what extent has outsourcing HR functions met the expectations of the organization?