

**AN ASSESSMENT OF EFFECTIVENESS OF OUTSOURCING  
SERVICES IN QUALITY SERVICE DELIVERY IN PUBLIC  
SECTOR :A CASE OF TANZANIA ELECTRIC SUPPLY  
COMPANY LIMITED, TANGA.**

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SERVICES IN QUALITY SERVICE DELIVERY IN PUBLIC  
SECTOR :A CASE OF TANZANIA ELECTRIC SUPPLY  
COMPANY LIMITED, TANGA.**

**By  
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**A Dissertation Submitted to Mzumbe University, Tanga Campus in Partial  
Fulfillment of the Requirements for the Award of the Degree of Master of  
Business Administration in Corporate Management (MBA-CM) of Mzumbe  
University**

**2014**

**CERTIFICATION**

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University a Dissertation titled *Assessment of Effectiveness of Outsourcing Services in Quality Service Delivery in Public Sector* in partial fulfilment of the requirements for the Degree of Master of Business Administration in Corporate Management (MBA-CM) of Mzumbe University.

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**CHAIRPERSON, FACULTY/DIRECTORATE BOARD**

## DECLARATION

I, **Zua Mgweno** hereby declare that this dissertation is my own original work and that it has not been presented and will not be presented to any other University or College for a similar or any other Degree award.

Signature \_\_\_\_\_

**Zua Mgweno**

Date \_\_\_\_/\_\_\_\_/\_\_\_\_

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I wish to state hereby that all deficiencies, faults and errors that may be contained in this document are absolutely my individual responsibility.

## **DEDICATION**

My special dedication to my family for allowing me time to concentrate on my studies and denying them Fatherly love. May this be an encouragement to you as you strive to achieve higher levels of education. The Supreme God blesses you abundantly.

## **ABBREVIATION AND ACRONYMS**

CPSP	-	Certified Procurement and Supplies Profession
CSP	-	Certified Supplies Profession
GPSA	-	Government Procurement and Supplies Agency
KPLC	-	Kenya Power Limited Company
MCC	-	Millennium Challenge Corporation
PE	-	Procuring Entity
PMU	-	Procurement Management Unit
PPA	-	Public Procurement Act
PPRA	-	Public Procurement Regulatory Authority
PSPTB	-	Procurement and Supplies Professionals and Technicians Board
REA	-	Rural Energy Agency
TANESCO	-	Tanzania Electric Supply Tanzania Limited
TEMESA	-	Tanzania Electrical and Mechanical Services Agency

## ABSTRACT

This research titled “**Assessment of the effectiveness of outsourcing services in quality service delivery in Public Sectors.**” The study was carried out at Tanzania Electric Supply Company Limited, Tanga Region. The purpose of the study is to assess the effectiveness of outsourcing services in quality service delivery in Public Sectors. Mostly public institutions outsourced their services which seems to be noncore activities, in order to concentrate to core activities pertaining to their institution and giving non core activities to be performed by specialized suppliers/service providers, who will perform better and at low cost. Though Public sectors have outsourced their non core activities to be performed by specialized suppliers/service providers but some of them have / have not performed as intended for the purposes of providing quality services and this has led a lot of problem to the institutions. Government and other stakeholder put emphasis the effective usage of government fund for the purpose of maintaining or providing quality services to the general public and value for money spend.

The idea behind public sector reform at 1990’s was to ensure government resources are used prudently while the Government and public sector concentrate more on provision of core services and enlighten their burden. This study draws attention to two significant areas; how effective are outsourced services, in the overall paradigm of quality services delivery in public sector but on the other hand, it underpins the primary objective of the government to ensure quality delivering of outsourced services through stringent mechanism of evaluation and systematic performance measures.

The researcher really hopes that output from this study shall be of practical use to TANESCO, Tanga Region.

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## CHAPTER ONE

### AN OVERVIEW OF THE STUDY

#### 1.0 Introduction.

An Organization is said to have outsourced their services when they hand over certain duties and function to an external party. (Gilley et al, 2004). This is usually necessary in instances where a specific company has no skills for performing the task within organization. Additionally, it can be done in order to minimize workload. Usually, the company that has provided the outsourcing service will be expected to look into matters surrounding the day to day administration of that work. For outsourcing of services (jobs) for any company or organization, there is a need to establish long term relationships in order to maximize the benefits of this business approach.

Outsourcing is believable for a range of business functions such as marketing, information technology, distribution, manufacturing, recruitment etc. The world of business has evolved today and more entrepreneurs are looking for methods of maximizing profitability. **The study has assessed the effectiveness of outsourcing services in quality services delivery in Public Sectors. TANESCO Tanga is taken as a Case of Public sector**

#### 1.1 Background to the Research Problem.

Outsourcing is a form of privatization in which an entity contracts with an external organization to provide a service (Claire, 2009). A variety of service delivery techniques can be used to maximize efficiency and increase service quality. Outsourcing is the most used type of privatization, Tanzania government has made public sector reform for the aim of improving both operational efficiency of enterprises that currently in the parastatal sector and their contributions to the national economy and also increase and encourage a wider participation of the people in the running and management of the economy.

Stevenson (2007) perceive outsourcing as a growing aspect of supply chain management whilst Lyson and Farrington (2006) and Jacob (2009) perceives it is an management strategy by which non-core functions are transferred to specialist, efficient external providers. The two attribute the development of outsourcing as a reaction to over diversifications of the 1970's and early 1980's this diversifications led many enterprises to review their core activities and concentrate on their core activities, for the purpose of reducing burden and other unnecessary cost to the government. Identifying a function as a potential outsourcing target, then braking that function into its components allows decision makers to determine which activities are strategic or critical and should remain in house and which can be outsourced.

Outsourcing, also referred to as contracting out, that refers to an institutions decision to contract with an external organization to provide a function or service. In the purest form the term refers to the shifting of the provision of a service from public to private sectors. TANESCO, Tanga has taken as a Case of Public sector.

Reasons why organizations decide to outsource vary greatly, outsourcing may be used to gain competitive and has been adopted widely. Companies and public institutions are increasingly seeking outside firms to perform activities previously conducted in house, in order to achieve time, progress and cost advantage. The act of outsourcing makes sense for the firm that lacks the necessary economies of scale, skills or technology to perform certain functions quickly and efficiently (Jacob, 2009).

Services most commonly outsourced by utility companies like TANESCO are security services, cleaning services, LUKU Vending, construction of electric lines, medical services, various consultancy services etc. organization are focusing on outsourcing as a management strategy to delegate major non-core functions to specialized service providers.

Outsourcing represents a significant shift in the way organizations manage and delegates their business support activities (Lutta, 2003).

Tanzania Electric Supply Company Limited, just like any other public institution has outsourced its non core function for the aim of improving quality of the services offered and cost savings. This research intends to assess the effectiveness of the outsourcing of services in quality services delivery in public sectors. TANESCO Tanga is taken as a Case of Public sector.

## **1.2 Statement of Research Problem.**

Outsourcing of services has become popular to public organization since public reform took place in 1992 with aim of improving operational efficiency of enterprises and reduce the burden of loss-making parastatal enterprises on the government budget and lastly expanding the role of the private sector in the economy, permitting the government to concentrate public resources on its role as provider of basic services, such as health, education, and social and economic infrastructure and increase and encourage a wider participation of the people in the running and management of the economy. According to Burt et al, 2003 there are so many reasons that justify many organizations to outsource variety of jobs and services to third party providers, but most prominent advantage are often to save money and get better services from external supplier or external service providers gives internal staff more time which leads them together with the organization to concentrate more tightly on core activity it help organization freeing its internal resources for other purpose, reduces operating cost and improve service level.

Despite the fact that the main objectives of outsourcing of services is to benefit on cost saving, getting quality services on time but some of the service providers have failed to achieve this, and public institution remain on confusion and breaching some of the contract which has entered with service providers due to the agreed objectives are not met which bring disadvantages to the public institutions.

In this study the researcher, wants to assess the effectiveness of the outsourcing services in quality service delivery in Public sector.

### **1.3 Objectives of the Study.**

#### **1.3.1 General Objectives.**

The main objective of this study aimed at assessing the effectiveness of outsourcing services in quality service delivery in public sector.

#### **1.3.2 Specific Research Objectives.**

Specifically, the study intends to achieve the following objectives.

- (i) To identify the existing services outsourcing practices at Tanesco
- (ii) To examine if procedures are strictly followed to get service provider
- (iii) To assess challenges encountered in outsourcing services
- (iv) To identify whether procuring entity obtain expected outcomes from outsourced services.

### **1.4 Research Questions.**

#### **1.4.1 General Research Question.**

In order to achieve on research objectives, the researcher formulated research questions. Additionally, the researcher decided to divide research questions into general and specific research questions. Therefore general research question the researcher interested on is to answer the question of “What is the effectiveness of outsourcing services in ensuring quality services delivery in Public sectors”.

#### **1.4.2 Specific Research Questions.**

- (i) What are the existing services outsourcing in Tanzania Electric Supply Company Limited, Tanga.
- (ii) Does the public sector follow the tendering procedures as stipulated in PPA Act 9 of 2011?
- (iii) What are the challenges faced outsourcing services at Tanesco, Tanga?
- (iv) Does procuring entities obtain expected outcomes from outsourced services?

### **1.5 Significance of the Study.**

- (i). The study provides useful information that will enhance good performance in outsourcing for the Public Institution and be able to manage the service outsourcing contract relationship.
- (ii). The identified problems and solution given to them will become a useful and guidelines source of information to public institution.
- (iii). The findings through this study serve as a guide for future reference for students doing the same subject matter and hence use the same issues raised in the study.

### **1.6 Limitation and Delimitation of the Study.**

During his study the researcher met with the following limitations, time constrains, insufficient funds, confidential matters of which the authorities will not be ready to release and poor response on delivering accurate data.

Due to time limitations, insufficient funds, poor response on delivering accurate data and lack of cooperation the researcher has concentrated his researcher at Tanga Urban, despite the fact that there are other TANESCO Tanga Districts.

### **1.7. Organization of the study.**

The research paper has been divided into six chapters. The first chapter being an introduction part which comprises, an overview of the study, background of the research problem, statement of research problem, research objectives, and significance of the research. Chapter two concerned with critical review of the literature, it explain how other scholars have written about outsourcing of services. Chapter three is about research design such as type of design, study area, study populations sample size. Also reliability and validity of data, and tools for data collections was explained.

Chapter four is about presentation and analysis of research findings while chapter five trying to discuss the research findings and lastly is chapter six is about summary, conclusions and recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction.**

This part reviewed the literature available concerning with the factors affecting the quality of outsourcing services. This part also defined the key concepts, concept of core and non-core services, process of outsourcing, methods of outsourcing, criteria used to identify critical and non critical activities, reason for outsourcing, benefits of outsourcing, problems of outsourcing, and manage of services outsourcing contract. The literature review aimed to establish a gap between what has been explained by authors and what is practically happening in public institution.

#### **2.1 Definitions of Key Concepts.**

##### **2.1.1 Procurement.**

Means any license, permit, or other concession or authority issued by a public body or entered into between a public body and a supplier, contractor or consultant, resulting from procurement proceedings for carrying out construction or other related works or for the supply of any goods or services (PPA, 2011)

##### **2.1.2 Effective Outsourcing.**

Effective outsourcing means clear definition of terms and conditions, understanding of obligation, and agreement on the specific business and performance objectives as the starting point (Trifkovic, 2005)

##### **2.1.3 Outsourcing.**

Outsourcing has been defined as a management strategy by which major non-core functions are transferred to specialist, efficient, external providers (Lyson and Farrington, 2006). It is strategic in the sense that it involves top management of an organization and is a long-term decision, which affects the whole organization over a considerable period of time.

#### **2.1.4 Outsourced Service Provider.**

Means the supplier of goods or, services who may be related entity or independent third party. (Outsourcing Guidelines for Banks and Financial Institutions, 2008).

#### **2.1.5 Service Contract Management.**

Contract management means the process that enables both parties to a contract to meet their obligations in order to deliver the objectives required from the contract. It continues throughout the life and it involves building a good working relationship between customer and service provider, managing proactively to anticipate future needs and reacting to situation that arise (Contract Management Guidelines, 2002).

#### **2.1.6 Strategic Outsourcing.**

Strategic outsourcing ensures that the motive for outsourcing shifts from a mere cost-reduction to co-creating future value by synergizing technical and business roadmap. It involve someone to understand his enterprise's key business drivers and rationale, i.e. what should be kept in-house and what can be outsourced, maintain close relationships with various end user communities, work out the outlines of partnership with the outsourcers and addressing the return on investment proposition (Alteka, 2006).

#### **2.1.7 Post Qualification.**

Means a formal procedure applied after tenders have been evaluated prior to award of contract, to determine whether or not the lowest evaluated tenderer has experience, capability and resources to carry out the contract effectively. (PPA, 2011)

#### **2.1.8 Quality.**

The term quality refers to totality or characteristics of goods and materials that satisfy the intended need at the lowest cost. It is fitness, merit and excellence. (Doubler, 1996)

### **2.1.9 Contract Management.**

Contract management is the process that ensures both contracting parties meet obligations in order to deliver the objectives required from the contract. The key focus of contract management is to obtain the services as agreed in the contract and achieve value for money. (A general guide to outsourcing, 2006)

### **2.2 The Concept of Core and Non-core Services.**

According to McIvor, (2000) core activity is defined as an activity central to the company successfully serving the needs of potential customers in each market. The activity is perceived by the customers as adding value and therefore being a major determinant of competitive advantage”. On the other hand Hassanain, (2005) defines core activities as “those that are essential for achieving the objectives of the organization”. Non-core activities can be described as “support services which are not part of core and are routinely performed” (Hassanain, 2005). Non-core activities could also be defined as “activities that are not critical to competitive advantage” (Lonsdale, 1999).

Research carried out by McIvor (2003) found that there exists inconsistencies and lack of clarity in the way in which the personnel within organizations interpreted the core competence of the organizations of the organizations. Hamel and Prahalad, (1994) declare that it is dangerous for organizations to measure their competitiveness through price factor only as this will lead to the erosion of their core competencies. Core competencies are the activities that offer long term competitive advantage where as non- core activities are those which are not critical to the organizations’ competitive edge (Quinn and Hilmer, 1994). However, McIvor (2003) emphasizes that the competency that an organization possesses may not be competitive in the future if service providers are capable or the demands from customers changed.

### **2.3 Theoretical Basis of the Study (Outsourcing).**

Outsourcing simply means going outside your organization to get a job done. It is often viewed as involving the contracting out of a business function- commonly one previously performed in-house –to an external provider (Overby, 2007). In this

sense, two organizations may enter into a contractual agreement involving an exchange of services and payments. Outsourcing is a management strategy by which an organization delegate's major non-core functions to specialized, efficient, external providers (Lysons and Farrington, 2006).

Chase et al, (2004) define outsourcing as “an act of moving some of a firm internal activities and decision responsibilities to outside providers” in the same vein, outsourcing is described as “the process by which a user employs the supplier, under a contract, to perform a function, which had previously been carried out in-house, and transfer to that supplier assets, including people and management responsibility”. Eyaa, (2006) defined outsourcing as a decision by firms to have an external supplier to take over an activity that would have otherwise been performed in- house by organizations employees. Usually organizations look for the best service providers to whom to outsource their work this gives them a chance to get their work done by experts which means good quality work leading to a good company name.

Lysons and Gillingham, 2003 states that outsourcing is the strategic use of resources to perform activities traditionally handled by internal staff and their resources. It is a management strategy by an organization outsources non-core functions to specialized and efficient service providers to help the organizations perform best where it is best capable.

### **2.3.1 Types of Outsourcing.**

There are different types of outsourcing as categorized by different authors. According to Lyson and Farrington, (2006) categorized three types of outsourcing namely as:

- (i) Body shop outsourcing is a situation where management uses outsourcing as a means of meeting short-term requirements such as a shortage of in-house skills to meet a temporary demand.
- (ii) Project management outsourcing, is employed for part of a particular project, such as developing a new IT project, training in new skills, management consultancy.

- (iii) Total outsourcing is where the outsourcing supplier is given full responsibility for a selected area, such as catering, security.

### **2.3.2 Reasons for Outsourcing.**

There are many factors that may influence an organization make outsourcing decision as cited by different authors. According to Baily et al, 2005 and Lyson and Farrington, (2006), the main factors for outsourcing are as follows:

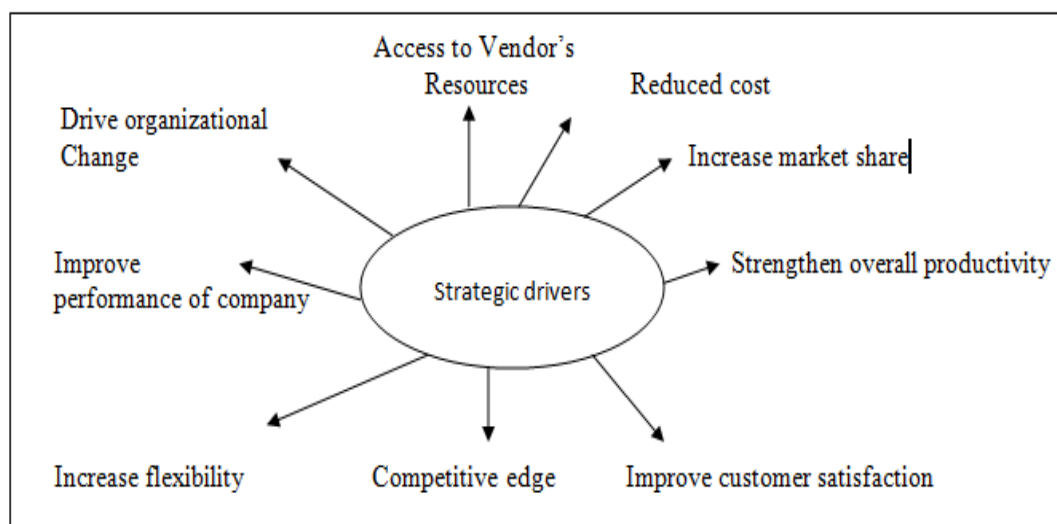
- (i) External supplier has better capability, many organization do outsourcing for the purpose of increasing quality service because the external provider perform better than the internal.
- (ii) External suppliers have greater or more appropriate capacity than internal supplier particularly in financial resources and therefore do the job easier and deliver on time.
- (iii) Outsourcings do play in freeing the resource for other purpose. It entails an organisation to stop allocating resources to a certain activity and entrusting that activity to third party.
- (iv) The resources like financial material human physical become free and available for other important activities.
- (v) Reduction in operation costs, most organisation turn to outsourcing with the view of reducing the costs associated with the service being provided.
- (vi) Infusion of cash by selling assets to provider, by outsourcing non-core activities the organisation may increase the revenue by selling some of the assets to service provider.
- (vii) Reducing, or spreading, an approach to risk management for some types of risks to partner with an outsourcer who is better able to provide the mitigation.
- (viii) Lack of internal resource, the organisation may seek for outsourcing because of lack internal resources like human and financial resources.
- (ix) Desire to focus more tightly on core business, the idea goes back to the basic idea of division of labour and specialization in that organisation can do better if it can concentrates on only few activities.

- (x) Economies of scale, the organization may enjoy from economies of scale through reduction in the costs of making and selling products that are made possible because a business in very large.
- (xi) Cooperation; Cooperation between companies can lead to conflict. In order to avoid such conflict, those activities that are produced by both organizations should be subject to total outsourcing.
- (xii) Catalyst for change. An organization can use an outsourcing agreement as a catalyst for major step change that cannot be achieved alone. The outsourcer becomes a Change agent in the process.
- (xiii) Enhance capacity for innovation. Companies increasingly use external knowledge service providers to supplement limited in-house capacity for product innovation

According to Altekar, (2006) the primary reason for outsourcing by enterprises is the cost factor that is significantly less than in sourcing what with the managing of the personnel, infrastructure and the technology.

**Figure 2.1: Reason for why Organizations Decide to Outsource**

**Figure 1.0 Reason for why Organizations Decide to Outsource**



*Source: Adopted from Altekar, (2006)*

## **2.4 Strategic Outsourcing.**

As organizations evolved developed greater capabilities, the sourcing requirements changed (Sanders et al, 2007). Heok, (1999) emphasized the correct balance between in-sourcing and outsourcing differs between industries and organizations within industries (Blumberg, 1998). It has been argued that outsourcing decisions are rarely considered strategically (Lonsdale and Cox, 1998; Barragan et al, 2003 whereby most organizations are keen to outsource merely to reduce costs. (McIvor et al., 1997; Ngwenyama and Bryson, 1997; Canez et al, 2000). Hence outsourcing should not only be viewed as a cost cutting exercise, it has a strategic agenda as the organization tries to acquire the optimum size to fit new environments (Rothery and Robertson, 1995). Through strategic sourcing, organizations can lower their long term capital investments and their key competencies significantly (Quinn and Hilmer, 1994). Outsourcing has emerged as an important business approach whereby competitive advantage may be gained as services are produced more effectively and efficiently by service providers (Yang et al, 2007). Furthermore, sourcing decisions based on cost only will lead to the deterioration of the organization itself (Welch and Nayak, 1992)

### **2.4.1 Decision Making in Outsourcing.**

The key issues in the sourcing decision are either in-sourcing or outsourcing (McIvor, 2000). An organization's sourcing strategy needs to be consistent with competitive conditions and the development of competitive advantage (Quinn and Hilmer, 1994; Harrigan, 1986). This is because outsourcing decision can impact on flexibility, customer service and the core competencies of the organization (McIvor, 2000).

Before deciding whether to outsource or not an organization should review their core activities and concentrate on those activities which they believe that they do best. According to Lyson and Farrington, (2006) demonstrate that, activities most easily outsourced are those that are:

- (i) Those that involve intensive resource especially those with high labor and capital costs.
- (ii) Relative discrete.

- (iii) Require specialist competences.
- (iv) Characterized by fluctuating work patterns in loading and throughput.
- (v) Subject to quickly changing markets, for which is costly to recruit, train and retain staff.
- (vi) Subject to rapidly changing technology, requiring expensive investment.

#### **2.4.2 What not to Outsource.**

Moving to a less integrated but more focused organization is crucial for competitive success (Quinn et al, 1990). Fill and Visser, (2000) are of the opinion that deciding what to outsource lies with those elements that distinguish the organizations, especially in value and quality. Any activities that bring competitive advantage, are thus critical to the organization should be kept in-house. On the other hand, organizations will outsource their expertise on those commodity-like and matured activities that have minimal or no impact on the competitive strategy (Sislan and Satir, 2000).

Outsourcing strategy does not include every aspect of services delivered; therefore care should be taken in deciding the type of service to be contracted out. (Rothery and Robinson, 2005). As quoted by Lyson and Farrington, 2006 some of services to be outsourced need careful consideration and they demonstrated some of those services as:

- (i) Management of strategic planning
- (ii) Management of finances
- (iii) Management of management consultancy
- (iv) Control of supplies
- (v) Quality and environment management
- (vi) Supervision of the meeting of regulatory requirement such as product liability, misleading advertising, quality environmental regulations, staff health and safety, public safety, product/service safety.

## **2.5 Management Support.**

Peter Jeans, (2008) suggest that when it comes to outsourcing, it should be supported by all departments of the organization so as to get the best of the benefits of outsourcing in the organization. To achieve success, we always have to stand together to share ideas for better organizational performance. Garry Petty, (2009) says that any activity in the company done without management consent is a manifestation of failure in that activity. This shows how much important management support and involvement is all company activities outsourcing inclusive.

### **2.5.1 Strategic Factors.**

Strategic factor as a major factor, make-versus buy decision is based on the performance capability of the supplier. The decision to outsource should involve evaluating of the supplier who is the most capable of performing the service at a best practice level than others. This requires an evaluation of potential outsource services in term of their contribution to a firm's core and noncore activities (Bowersox and Closs, 1996).

### **2.5.2 The Outsourcing Process.**

It is essential that both the client and the external provider under consideration have a clear and shared understanding not only of specification but of goals and objectives and that this understanding is translated into a workable strategic plan (Baily et al, 2005). They clarified that, following careful and rigorous procedures necessary for appointed of an external provider need to be well-designed and mutual acceptable contract, and an open and continuous working relationship underpinned by senior management support from both organization. The principal benefit arising from the use of performance specification is, of course, that it can usually readily seen whether the contractor has provided the service as agreed.

An outsourcing process has to consider various factors while approaching the strategic decision of outsourcing. Alteka, (2006) and Baily et al, (2008) demonstrated a number of factors as:



Where the outsourcing risks are high and profit impacts are low, In this case, firms may try to source alternate partners for assuring supply.

Maintain close relationships with various end user communities. This help in understanding the requirement of the actual user and by developing an in-the-trenches application, and what technological capabilities are required to achieve this, the enterprise's business goals can be attained easily.

Work out the outlines of partnership with the outsourcers: The nature of outsourcing relationships and the contracts that define them depend a lot on what the enterprise needs to achieve. An enterprise needs to outline the working relationship with its partners about what it is looking at.

Derive the Return on Investment: After looking at all the possibilities, the most critical part of the strategy is to address the return on investment proposition. For the kind of investments undergone, an enterprise needs to identify the methodologies and arrive at a value- added model that significantly enhances its profit.

Internal assessment of external supply market: This is based on looking the external market of supplying the service versus internal capability  
Supplier selection: The service providers should be selected through competitive methods basing on the lowest evaluated supplier ie in term of price quoted, competent of the supplier, suppliers' capability and financial resources.

Supplier management: The need for co-operative and non- adversarial relations with the supplier is paramount. The buying organization public authorities should endeavor to maintain open communication and joint and mutual beneficial approach to problem solving.

## **2.6 Selection of Procurement Method.**

Section 64 (1) of the public procurement act no 9 of 2011 states that; Procuring entity engaging in the procurement of goods, works, services, non consultancy services or

disposal by tender shall apply competitive tendering, using the methods prescribed in the regulations depending on the type and value of the procurement or disposal and, in any case, the successful tenderer shall be the tenderer evaluated to have the capacity and capability to supply the goods, to provide the services or to undertake the assignment or the highest evaluated offer in case of services for revenue collection or disposal of public assets.

The above statement could be supported by regulation no.79 of the Public Procurement Regulation of 2013 which states that; Except as otherwise provided for by these Regulations, a procuring entity engaging in procurement of goods, works, services, non-consultant services or public private partnership, and disposal of public assets by tender shall do so by means of competitive tendering.

#### **2.6.1 Requirement for Successful Outsourcing.**

According to Randall, (1993) successful outsourcing requires identification of a strong need for outsourcing. Organizations undergoing rapid change due to changing internal and external environments are likely to benefit if they embrace outsourcing as an operational strategy to reduce operation costs. He adds that companies facing significant capital and headcount constraints are also likely to benefit by outsourcing expensive assets and personnel services. Before committing to outsourcing companies need strong evidence that tangible benefits will be achieved. To quantify the benefits, a comprehensive feasibility needs to be carried out to benchmark existing practices and identify the opportunities for improvement. Randall, (1993) is of the opinion that credibility of suppliers is critical for the success of outsourcing process. The credibility is determined by experience in required services, proven track record on implementation and operating similar contracts, financial strength and a multiyear commitment to the contract. In addition, management commitment must be sufficient to overcome the roadblocks that undoubtedly emerge. He finally recommend that for the outsourcing project to work there is need to have a senior manager who is committed to act as sponsor of the project and guide it from ideas to reality.

## **2.7 Benefits of Outsourcing.**

### **2.7.1 Cost Saving.**

This is the lowering of the overall cost of the service to the business. This involves the score defining quality levels, repulsing, renegotiations, cost restructuring, access to lower cost economies through off showing cold labour arbitrage.

### **2.7.2 Specialization.**

Lysons and Gillingham, (2009) say that, outsourcing allows an organization to concentrate on areas of business that derive competitive advantage and outsource non core activities to specialist with better skills and expertise.

### **2.7.3 Access to Innovation.**

There are opportunities to have access to capabilities of suppliers into products and services of the customer organization rather than attempt to replicate the capabilities of a supply network ([www.pwc.com](http://www.pwc.com)).

## **2.8 How Outsourcing Can Improve Organizational Effectiveness.**

Outsourcing can occur in a number of ways. For instance, some companies may choose to transfer all activities and functions conducted by their employees to an external party. The overall effect of this is that a mother company may not have need for the former employees and may be forced to release them. In other instances, outsourcing can occur by separating a certain department within a company is now the outsourcing partner and through this, number of resources will also be transferred to the new outsourcing company. In other situations companies may choose to outsource by taking all the resources and their employees to a certain outsourcing providers. While all these methods are possible within a business environment, the most common method is the first one as mentioned above. It is essential to understand the form of outsourcing applicable to a certain company because that then determines the kind of problems that might arise in terms of organizational effectiveness. However, in order to apply the assertions to all institutions, it is necessary to look at outsourcing in general rather than in under each of these forms.

Outsourcing can improve organizational effectiveness when applied as an organizational strategy. Usually, companies may choose to outsource with certain business objective in mind. The first objective amongst this is the need to improve financial performance. Usually, such companies are aware that outsourcing companies may offer them an opportunity to work cheaply through efficient technology and economies of scale. This is the reason behind the high cost of saving strategies are normally enjoyed from outsourcing. By minimizing costs, companies can achieve their economic related goals and this enhances their organizational effectiveness.

The second objective is that companies get chances of improving their operational flexibility. Usually, when a company controls all its business functions, then chances are that it may not respond to certain business conditions e.g infrastructural changes. However when a business has outsourced its functions, then it can always request reductions or increases in these business functions. The overall result of this is that companies gain operational flexibility and therefore enhance their organizational effectiveness.

### **2.8.1 Challenges of Outsourcing.**

Like any restructuring exercise and management decision making in business, there are risks associated with outsourcing that procurement managers or top management need to consider carefully (Procurement News December 17<sup>th</sup>, 2003) and these may be; the possibility of over depending on or leveraged by suppliers which make switching costs to other suppliers in future prohibitively expensive. Over a long time, a supplier of outsourced service may become complacent or change ownership and also a risk fall in employ morale for fear of being redundant, confidentiality links of company matters and in some instances loss of intellectual property rights.

Eyaa, 2006, says that, high prices being imposed on suppliers due to increasing trends in outsourcing, the demand for suppliers is so high and has pushed the rates being charged by the suppliers to be high. This later increases the costs yet outsourcing is all about helping firms cut costs. Too much expectancy from suppliers as Company employees tend to expect too much from supplier firms as far as service

provision is concerned because they are specialists yet things can go wrong once in a while. Such issues should not be ignored

According to Manzi, 2005, there is a possibility that vital company information may be at a risk of being linked to the company's competitors which is dangerous since some suppliers may be spies to the company.

### **2.8.2 Accountability for Delivering Services.**

Kitty Choi (2008) Procuring entity should note that they can outsource services but not the ultimate responsibilities. While an external service provider acts as the agent for delivering services, the outsourcing procuring entity remains accountable for the services. The private sector service provider is responsible for delivering the services in accordance with the contract terms, for compliance with the legislation, and for remunerating its staff. Nonetheless, the outsourcing procuring entity is ultimately responsible to the public for ensuring that the services are delivered at the specific time in accordance with the required standard and quantity, etc experience has shown that the public and politicians will always hold the Government responsible for public services irrespective of the mode of delivery. The wider risk that the public is deprived of the services stays with outsourcing procuring entity and cannot be transferred. In outsourcing projects, procuring entity should always establish sufficient control over the outsourced activities by putting in place appropriate measures to manage the regulatory and political/reputational risks and to safeguard the public interest.

#### **Measurements of service quality.**

Providing high-quality service is a major concern for nearly any business. Quality of service can be a major factor when customers decide which business to use to solve their needs. Customers have certain expectations about the level of satisfaction they'll get from businesses they are participating and it's difficult to improve your quality of service if you don't have any input from your customers about how to improve. Thus, gathering customer feedback and using it to measure service quality should be a significant part of nearly any business's game plan. According to Q Insights 2007, Measurement instruments for service quality are as follows:

- i. **Tangibles;** Appearance of physical facilities, equipments, personnel, and communication materials
- ii. **Reliability;** Ability to perform the promised service dependably and accurately
- iii. **Responsiveness;** Willingness to help customers and provide prompt services.
- iv. **Assurance;** Knowledge and courtesy of employees and their ability to convey trust and confidence.
- v. **Empathy;** The caring individualized attention the firm provides to their customers.

### **2.8.3 Quality Management.**

Quality management is continuous process of ensuring quality throughout the life of an outsourcing project. The approach should be defined and the procedures put in place as part of the planning process. Quality in any project is achieved when all deliverables are produced:

- (i). According to specifications and standards
- (ii). Meeting user's needs and expectations
- (iii). In a manner that is perceived by the procuring entity as a successful.

### **2.8.4 Manage the Relationship.**

Management of the relationship between the parties affected by the outsourcing contract is critical. Procuring entity should resource this appropriately to ensure success. The three key parties to any outsourcing are:

#### **2.8.4.1 Procuring Entity.**

Its primary responsibility is to monitor whether the service provider delivers the output and outcomes in accordance with the contract. The procuring entity does not become involved in the daily operational issues unless the delivery of the service is threatened. The procuring entity also manages the expectations of users and collects their feedback on how services are performed.

#### **2.8.4.2 Service Provider.**

Its primary responsibility is to fulfill its contractual obligations by delivering the service to the users in accordance with the contract. The service provider must report on its service delivery to the department. This reporting aids both parties in continually re-examining the success and viability of the outsourcing relationship.

#### **2.8.4.3 Users.**

If the users of the service are government staff, their responsibility is to use the service so as to generate or add value to their institution's operations. As a secondary responsibility, they should provide feedback and communicate issues to both the service provider and the institution's contact managers.

All three parties should manage their responsibilities following best practice principles for outsourcing contract to be successful according to. These include:

##### **(i) Promoting the Change.**

The service and procuring entity must work together to communicate the nature of the services available to government staff and/or the community. For example, the procuring needs to communicate the agreed service level standards to the users so that they understand the limits of the procuring entity's relationship with the service provider and what they as users can expect.

##### **(ii) Managing Expectations.**

To avoid any dispute that may arise during the contract period, both the service provider and the procuring entity must manage each other's expectations. The procuring entity must explain to the service provider how the institution's works and how to work effectively within its environment. The service provider on the other hand must reveal to the procuring entity how is going to meet the contract's requirements. Both parties should work out an arrangement that is conducive to the operations of both parties within the scope allowed for in the contract requirement. For example, the service provider should know the likely turnaround time to obtain approval from senior management of the procuring entity so that it may manage its own supply chain and resources effectively. If procuring entity manages the service provider's expectations properly the relationship between parties will be preserved

and the service provider will be able to manage the supply of the service more effectively.

**(iii) Knowing the Business.**

The service provider must know the procuring entity's business and future strategy for the outsourced service. It must understand exactly what the procuring entity wants and needs.

**(iv) Keeping to defined Roles.**

The procuring entity should not be involved in the day-to-day delivery of the service. Under an outsourcing contract, its role is to manage the service delivery relationship, not the services themselves. It should become involved only when service standards are not achieved or are threatened. Correspondingly, the service provider should act within the scope of its service specifications.

**(v) Achieving and Maintaining a Partnership.**

While a well-drafted contract lays the foundation for success, it is no substitute for maintaining a partnering relationship between the contracting parties. The objective of a partnering relationship is to ensure that both parties are distracted from achieving the desired outcomes and spend time and energy in unproductive arguments and exchanges, or worse.

**(vi) Processing of Payments Must be Accurate, Timely and Auditable.**

The service provider must produce accurate reporting that meets the procuring entity's needs. All invoices must be accurate, clear and auditable. The procuring entity should provide sufficient resources to audit and process invoices promptly.

**(vii) Innovating and Improving.**

The parties should work together to innovate and continuously improve the service quality, and to find more effective ways to satisfy user needs. Many contractors appear keen to be given flexibility in choosing the method by which they provide a service.

**(viii) Good faith.**

An outsourcing contract requires considerable commitment in resources and time to work effectively. Both parties need to enforce the contracted terms of the relationship diplomatically. The parties need to keep in mind that a possible disengagement from a contract is costly and may involve damaging publicity.

**2.8.6 Monitor service delivery**

Kitty Choi (2008) Monitoring service delivery is vital to successful contract management. Data derived from the monitoring process will be used by procuring entity to determine whether there are any issues to be addressed; to grant contracted rewards to the service provider for exceeding service levels; to take remedial action for under-performance, also help the procuring entity decide its future action when the contract finishes.

**2.8.6.1 Performance Monitoring.**

According to Choi (2008), when providing a service, the service provider is best placed to collect data for reporting its service delivery to the procuring entity. Procuring entity should consider that service delivery is to be self assessed by service providers, supplemented by sample checking and/ or physical spot checks by the procuring entity, a mechanism to monitor complaints and feedback from the users and the public. Where procuring entity's staffs are deployed to monitor and inspect performance of the contractors/service providers, procuring entity should ensure that scope and extent of inspections are clearly laid out and followed by responsible staff in practice. Where similar contracts are let in different areas/ districts, consistent approaches should be followed. If sub-contractors are involved, their performance should also be monitored. Also, inspections should be conducted using a risk management approach in the light of complaints received, contactors' operating hours and past records. Special attention should be paid to the performance of dominant contactors/ service providers. Inspections records and enforceable actions taken should be properly documented.

### **2.8.6.2 Quality assurance.**

The procuring entity should hold formal and regular review meetings with the service provider at a senior level. (Choi, 2008). These may be held as regularly as necessary. Quarterly or half yearly is often the case. Review meetings should:

- (i) Review the strategy and plans
- (ii) Assess actual performance against agreed service levels and against the findings of the review conducted before deciding whether to renew the outsourcing contact.
- (iii) Conduct benchmark reviews against other similar arrangements, using actual performance data.
- (iv) Endorse requests for any contract variations
- (v) Approve budget projections.

### **2.8.6.3 Under-performance.**

If the service is not delivered in accordance with agreed service levels, the immediate step will be to resolve the issues directly with the service provider. As a general rule, if the procuring entity is unhappy with the performance of the service provider it should raise the issue as early as possible. Both parties to the contract should work together to raise the service to the expected level or to resolve any misunderstanding or over-expectation. If a service problem exists, it is common for an agreed action plan addressing the problems to be prepared and service provider to commit to measurable improvements within a specified period of time.

### **2.8.7 Contract Administration.**

It concerned with the mechanics of the relationship between the customer and the service provider, the implementation of procedures defining the interface between them, and the smooth operation of routine administrative and clerical functions. The importance of contract administration to the success of the contract, and to the relationship between customer and provider, should not be underestimated. Gabbard, (2006) summarizes some key elements of contract administration that should be applied to ensure effective supplier performance of the contract requirements as:

- (i) Effective written communication between purchaser and its suppliers

- (ii) Early identification of performance problems
- (iii) Immediate written response to any indications of performance/schedule delays
- (iv) Adherence to the contractual milestone schedule.

## **2.9 Contract Management Team.**

In any contract management activity there should be a contract management team which will act on behalf of organization to ensure that what was bought is what is being delivered by a service provider. ITC (2000: Module 9) In addition to contract managers themselves, the core team could comprise senior representatives from those functions with the greatest impact on the contract. These representatives should be able to make decisions that take the interests of those not directly represented into account. The core team member should attend all contract review meetings and directly assist the contract manager with decision making.

Most of the contract management team members will need to know the full details of the contract. They should, however, be aware of the key provisions of the contract. These key provisions should be kept in mind the time when certain contract management activities are required and how they should be conducted.

The key provisions that may be worth highlighting are:

- (i). Obligations of the buying organization.
- (ii). Payment terms including any incentives and, if relevant, the work that the supplier has to complete in relation to each stage.
- (iii). The rights and liabilities of the parties in the event that something goes wrong.
- (iv). Dispute resolution procedure.
- (v). Who can terminate the contract and under what circumstances can the contract be terminated.
- (vi). Contract duration and options for extension.
- (vii). Pricing basis and contract price schedules.
- (viii). Performance guarantees/service level agreement.

The contract manager should appoint the contract management team together with the relevant functional managers once the contract has been awarded. In order to do that a contract manager needs to have a very good idea of what functions need to be represented on the contract management team and what skilled and competence will be required. It is advised that, if applicable, the contract management team could also include a representative (s) of the end users of the service being supplied. The role of each member of the team will be defined in contract management plan.

## **2.10 Conclusion.**

Organizations always want to let specialists in a particular area accomplish a certain task for them. This implies that business can benefit from the practice of outsourcing. Outsourcing is growing at an exponential rate and could deliver desired benefits if proper choices are made at the inception of the contract. When organizations choose to outsource, they should give to monitor performance, renegotiation, or terminate the contract with the service providers. The outsourcing client must also ensure that their employees are informed about the progress of discussions regarding outsourcing their department and properly treated when contract come into effect.

## **2.11 Empirical Studies.**

### **2.11.1 Empirical Review.**

This section intends to explain other researcher's findings in relation to the problems. Many researchers have been carried out concerning the study, identifying or trying to explain why organization or companies have considered the adoption of outsourcing of the activities which they think they are non-core function to their organization. The following is the brief review of their studies and their findings.

### **2.11.2 Abroad Cases.**

Studies have been done on the subject of outsourcing in general in Kenya. Kamuri, (2011) analyzed challenges facing the implementation of outsourcing strategy at KNH and his findings revealed that security was the most preferred activity to be outsourced at the hospital on priority while estate management, locum, records

management was the least preferred, with security scoring 100% while the rest received 5% respectively. The study revealed that 70% of those interviewed expected service delivery to improve, reduction of cost, focus on core business, access to specialized skills, reduction of risk each scored 45%, 40%, 25%, 20% respectively.

At the same time improved customer satisfaction and increased competitive advantage scored 10% each, while reduction of waste, reduction of corruption and improved corporate image all scored 5%.

Kamau, (2010) looked at employees' perception on outsourcing in KPLC in general and found out that only 47% trusted the work done by service providers while 53% of staff interviewed did not. On the knowledge of services out sourced by KPLC, the results were: accounting 12.5%, Logistics 18.8%, Information and technology 12.5%. Additionally, the study found out that professionalism, competence, experience and qualification were important criteria during selection process.

Kathuni, (2009) studied call centre outsourcing practices by Zain (Kenya) Limited and found out that outsourcing this activity, the organization laid off 79 members of staff who were employed in call centre. This confirms fears normally raised by employees during outsourcing. The study also confirmed that outsource was required to meet 99% of the set standards set by the outsourcer. The findings also revealed that reduction of overhead cost was primary factor in the outsourcing. The findings confirm challenges and reasons expressed by (Pearce and Robinson, 2009).

Maina (2009) studied outsourcing services in the Mobile Phone industry in Kenya and found out that major reasons for outsourcing were search for local expertise, market knowledge, language issues, cost effectiveness, focus on core business, market dynamics, effective coverage, special expertise, head count issues, market unique and acceptability. Other findings were that data base management and marketing were the least outsourced in Nokia Kenya sensitivity.

### **2.11.3 Tanzania Cases.**

Msangi, 2007 found the most factors which can influence an organization decide outsourcing in Tanzania are to improve the quality of service delivered to the customers, having more resources which the organization to utilize them for core activities, and cutting down the operation costs.

Kisoli, (2004) outlined the problems relating to outsourcing as Lack of cooperation between council staff and agent in revenue collection and failure of agent to comply with the agreed contract.

In the study conducted by Violeta and Robertas (2010) the main argument for contracting as greater efficiency and better quality of services, cost savings, reduction of government monopoly in service provision and increasing business opportunities for the private sector flexibility of public institutions in delivering services to citizens, ability of public institution to concentrate on its main activities, and solution of staff problem due to “greying of the workforce

Njau, 2005 maintains that contract will be achieved only if the terms are clear, accurate, thorough and unambiguous. He elaborated that specification must be clearly expressed in ordinary language and should avoid restriction. He further argued that for effective outsourcing monitoring and evaluation are very crucial aspect which should be a continuous process and not an end. This is due to the fact that it ensures that all standard are met in accordance with the agreed contract.

On the other hand the economic reasoning behind outsourcing is that, it encourages economic development because private sector is given more business, i.e. public funds are spend to pay the contracted private sector firms, which encourages the growth of economy.

### **2.11.4. Research Gap.**

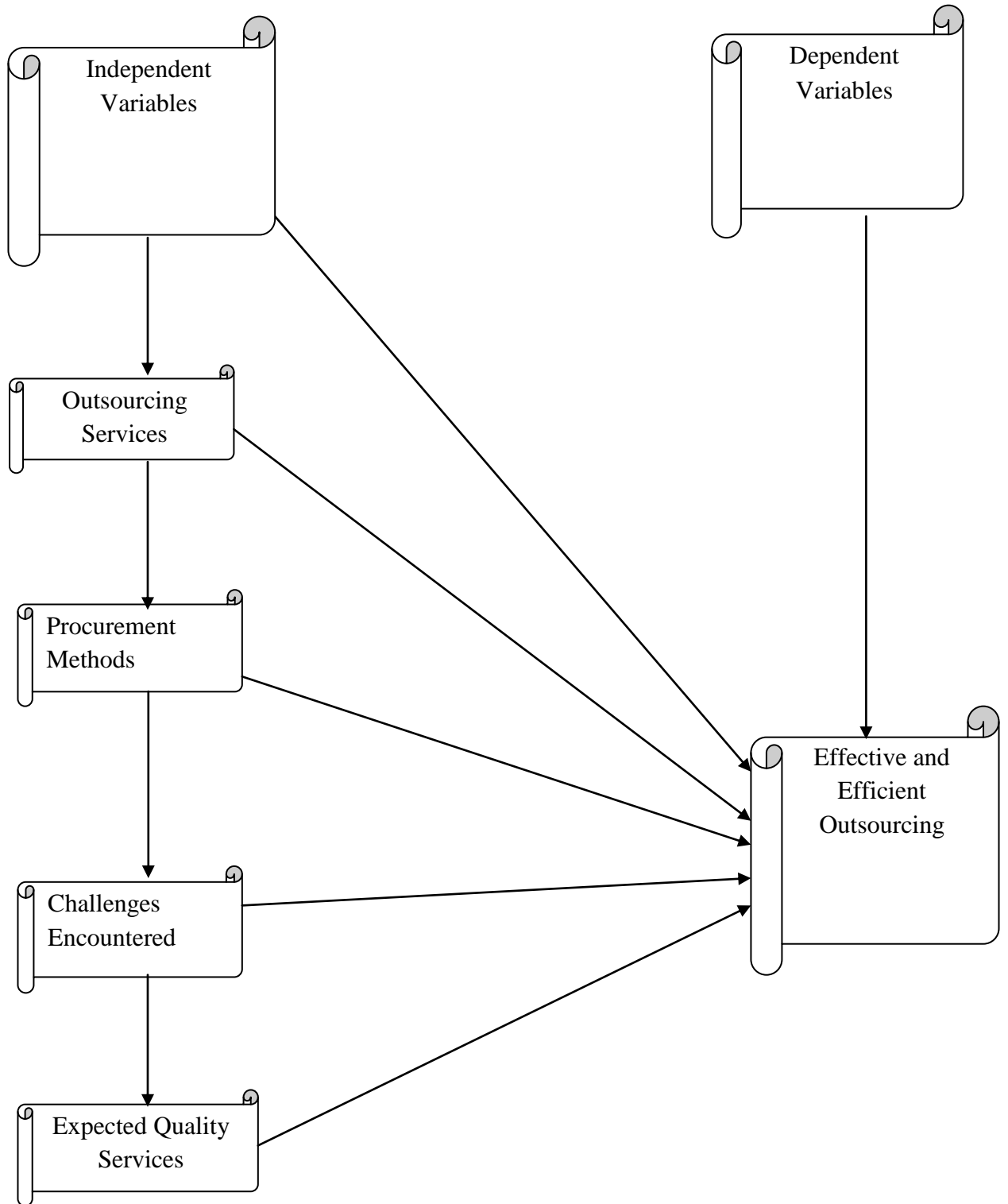
On reviewing various literatures and previously studies about outsourcing of services it has been revealed that less emphasizes is placed in outsourcing services in the way of bringing quality services delivery. This thing have brought to break some of the

contract and outsourcing projects are not achieving their objectives of efficient services and obtaining value for money. Therefore the researcher aims at filling the existing gap by assessing the effectiveness of outsourcing services in quality service delivery in Public sectors.

### **2.12 Conceptual Framework.**

Conceptual frameworks, according to educational researcher Smyth, (2004) are structured from a set of broad ideas and theories that help a researcher to properly identify the problem they are looking at, frame questions and find suitable literature.

**Figure 2.3: Conceptual Frameworks: Problem Modeling**



Source: Researcher 2014

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction.**

This chapter gives details about the methodology used to conduct this study. It presents research paradigm, design (strategy), types of measurement, data collection methods, sample and sample size, sampling procedures, area of study, reliability and validity, data management and analysis of data.

#### **3.1 Study Area.**

The research was carried out at TANESCO, Tanga. The choice of a particular place based on the accessibility of both information and permission of conducting research at a particular place. Also limited time and fund forced a research to concentrate into Tanga Urban.

#### **3.2 Research Design.**

Churchill, (2002) defined research design as the frame work or plan for the study used as guide in collecting and analyzing data. Therefore the type of research design that will be used is the case study which is TANESCO, Tanga. This is due to lack of enough money and time which has constrained the researcher to use other type of research design.

#### **3.3 Research Paradigm/Concept.**

Research paradigm/concept is defined as an approach through which research is undertaken (Churchill, et al 1984). As per (Churchill, et al 1984) There are two paradigms of doing research namely positivism and phenomenological approach. The researcher is going to use phenomenological approach for qualitative research.

### **3.3.1. Phenomenology.**

This is based on social science approach that, it is a function of particular set of circumstances and individuals understanding of the questions concerned with the study. (Churchill, et al 1984).

### **3.4 Study Populations.**

Study population is the totality of objects under investigation (Kamuzora and Adam, 2008). Therefore in this study the population comprised Tanesco Tanga Region Staffs which are 116 employees.

#### **3.4.1 Sample Size.**

This is the exact numbers of items/respondents selected from a population to constitute a sample (Kamuzora, 2008). The sample size of this study was 47 respondents who selected judgmentally. From Management team 7 (i.e. Top Management) Technical Staffs staff 20 and Non Technical staffs, 20 from different departments.

### **3.5 Sampling Techniques.**

There are two ways of drawing up a sample (Ndunguru, et al 2005). These are, Non random sampling (or judgmental sampling) in which judgment, experience, and other personality views govern the choice of elements in sample and random sampling (based on probability or chance laws) in which sample is picked up, such element in the sample has equal chance of being included. In this study the researcher used non random sampling (judgmental/ purposive) technique to draw a sample, this has enabled a researcher to select the right respondent who produced the best answer to research questions and meet the study objectives.

### **3.6 Reliability and Validity of Data.**

The **reliability** of measuring instrument is defined as the ability of the instrument to measure what is supposed to be measured. According to Kothari, (1990) a measuring instrument is reliable if it provides consistent results. The information that was

collected from different sources has guided the researcher as evidence when drawing the conclusion of the problem

Therefore this study is valid and reliable as valid methodology was employed as well as the data & information will be collected from reliable sources.

**Validity** refers to the quality that a procedure or an instrument used in the research is accurate, true, meaningful and right (Enon, 1998). A measurement is valid when it measures what is supposed to measure; so if whatever we use in the study enables to get what we want to get, there is validity. A researcher has tried his level best to make sure that the method of data collection; sampling and methodology of the study will be proper and related to the study.

### **3.7 Data Collection methods and Instruments.**

To meet the objectives of this study both primary and secondary data collected from relevant sources. Primary data included questionnaire, interview, and participation, whilst secondary data emanated from internal documents available at TANESCO. Assessing the effectiveness of the outsourcing services in quality services delivery in public sector.

#### **3.7.1 Questionnaire Administration.**

Both open ended and closed-ended questionnaire included in this study. Questionnaires were useful tool in collecting data on the assessment of the effectiveness of outsourcing of services in quality services delivery in public sector. In open – ended questionnaire the respondents were required to fill in empty spaces and be able to express their opinion and feelings. For closed questions the respondents were required to tick or encircle to the appropriate answer.

#### **3.7.2 Interview.**

Interview refers to the act of perceiving as conducted between two people- one who asking set of questions called the interviewer and the other who is to answer the questions called interviewee (Ndunguru, et al 2005). The researcher interviewed employees, customers and service providers.

### **3.7.3 Documentary Review.**

In this study, documentary analysis was chosen as another major source of data collection. The usefulness of documents is based on their stability, in that they reviewed repeatedly to validate information obtained from other sources. In this study, key documents related to outsourcing matters were generally scrutinized.

### **3.7.4 Data Process and Analysis.**

Both qualitative and quantitative technique used to analyze data. Data collected through interviews and questionnaires were analyzed. Discussions and explanations oriented tables, pie chart, and simple statistics like percentage used in study.

## **CHAPTER FOUR**

### **PRESENTATION AND ANALYSIS OF RESEARCH FINDINGS**

#### **4.0 Introduction.**

This chapter presents findings that were collected from different respondents at Tanzania Electric Supply Company Limited, Tanga Region. The findings are based on data collected through questionnaires, documentary review, interview and observation. In which forty seven (47) questionnaires were distributed and collected. Also some of the customers of TANESCO were interviewed.

The idea of conducting this study was to assess the effectiveness of outsourcing services in quality services delivery in public sectors. Respondent were selected as per researcher's opinion and judgements.

#### **4.1 General information about TANESCO.**

Tanzania Electric Supply Company Limited (TANESCO) is a parastatal organization under the Ministry of Energy and Minerals. The Company generates, transmits, distributes and sells electricity to Tanzania Mainland and sells bulk power to the Zanzibar Electricity Corporation (ZECO) which in turn sells it to the public in islands Unguja and Pemba. TANESCO owns most of the electricity generating, transmitting and distributing facilities in Tanzania Mainland and Islands of Zanzibar, which has an estimated population of 51 million people by 2014 (World Population Review). TANESCO mainly id divided into three important divisions;

##### **Generation Division.**

TANESCO's Generation division is responsible for all power generation functions owned by TANESCO. Other sources of generation are from independent power producers (IPPs) which feed the National grid and isolated areas as well.

TANESCO's generation system consists mainly of Hydro and Thermal based generation. Hydro contributes 57 % of total power generation from January 2013 up to December 2012. Gas and Thermal contributed the remaining amount.

### **Transmission Networks Division.**

TANESCO owns interconnection power grid made up of generation system transmission and distribution system. Transmission system comprises of forty three (43) substations interconnected by transmission lines. Transmission lines comprise of 2732.36 km of system voltages 220kV, 1556.5km of 132kV; and 580 km of 66kV, totaling 4868.86km by the end of May, 2014.

### **Marketing and Customer Service Division.**

The marketing and Customers Services Division section at TANESCO is entrusted with the responsibility to develop insight into customer needs and deliver promotion campaigns that will elicit customer interest and favorable action towards TANESCO services. It is estimated that over 80% of all TANESCO revenue is earned from only 1,700 Large Power Users (LPUs) who forms 0.24% of all customers countrywide. LPUs are those customers that consume over 7,500kWh per month. Ironically, the biggest non technical losses also originate from this group of customers which is only 0.24% of total customers. Management of LPUs is therefore of paramount importance to TANESCO.

One of the major roles of the operations function is to ensure the availability of distribution materials of the right quality to enable smooth distribution of electricity to customers. The section also carries out survey for the purpose of mapping out distribution networks. To ensure continued and uninterrupted distribution services, the operations section has also been entrusted with the responsibility for overseeing maintenance of electricity distribution network.

The Distribution function also draws specifications of various distribution materials to as to ensure materials procured conform to the required standards.

#### **4.1.1 Vision and Mission.**

##### **(i) Vision.**

To be an efficient and commercially focused utility supporting the development of Tanzania

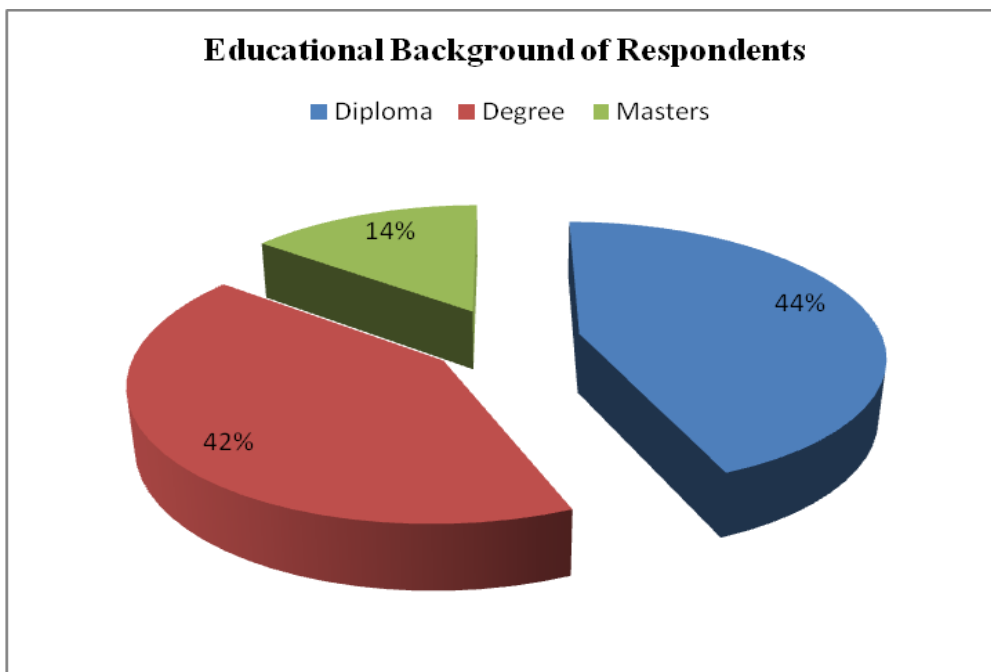
**(ii) Mission.**

To generate, transmit and supply electricity in the most effective, competitive and sustainable manner possible

**4.1.2 Characteristics of Study Respondents.**

All respondents from which primary data were collected are the permanent employees of the TANESCO, Tanga who have been working for more than 3 years in their respective positions and customers who are also users of the services offered from Service providers. The staffs having an education background of Diploma level, Bachelor degree and Masters Degree.

**Figure 4.1: Showing Educational Background of Respondents**



**Source: Researcher's Analysis 2014**

The general objective of the study was assessing the effectiveness of the outsourcing services in quality services delivery in public sector. Under this objective, four specific objectives were developed which include:

- (i). To identify the existing services outsourcing practices at TANESCO Tanga.
- (ii). To examine if procedures followed to get service provider
- (iii). To assess challenges encountered in outsourcing services

- (iv). To identify whether procuring entity obtain expected outcomes from outsourced services.

Basing on these objectives, the researcher managed to collect data from various respondents as shown below.

**Table 4.1: Actual Number of Respondents who participated in answering Researchers Question**

S/N	Location of Sample	Sample Size	Actual Respondents	% of Actual Respondents out of sample size
1	Tanga Region	47	47	100
	TOTAL	47	47	100

**Source: Researcher's Analysis, 2014**

## **4.2 Selected Cases In TANESCO, Tanga Which Deals With Outsourcing of Services.**

### **4.2.1 The existing services outsourcing practices at TANESCO.**

The first objective of the study was to examine existing services outsourcing practices at TANESCO particularly Tanga Region. As per this objective the researcher wanted to identify all activities that are undertaken by TANESCO from initial decision appraising, factors influencing organization to outsource as explained bellow:-

#### **4.2.2.1 Outsourced Services at TANESCO-Tanga.**

The researcher wanted to know the outsourced services which are currently available, in order to arrive into those outsourced services, researcher started by asking if respondents are aware with the term Outsourcing, in question number four (4) of the questionnaire in appendix one, fourth seven (47) questionnaires distributed present the result that all the employees have agreed that, they are aware with outsourcing as per indicated to the table below:

**Table 4.2: Shows Awareness of the Respondents from Outsourcing**

<b>Role</b>	<b>Respondents</b>	<b>Response in percentage</b>
Totally agree	47	100%
Partially agree	0	0
Partially disagree	0	0
Totally disagree	0	0
<b>Total</b>	<b>47</b>	<b>100%</b>

**Source: Researcher's Analysis, 2014**

In the question five (5) again researcher wanted to know those services in which respondents get from outside providers by realizing the respondents are aware with the term “Outsourcing” the mentioned services in which Tanga Region has outsourced to the service providers are Cleaning and gardening services, security services, motor vehicle repair and maintenances services, food and beverage services, consultancy services, line contractions and provision of medical services.

#### **4.2.2 Making Decision to Outsource.**

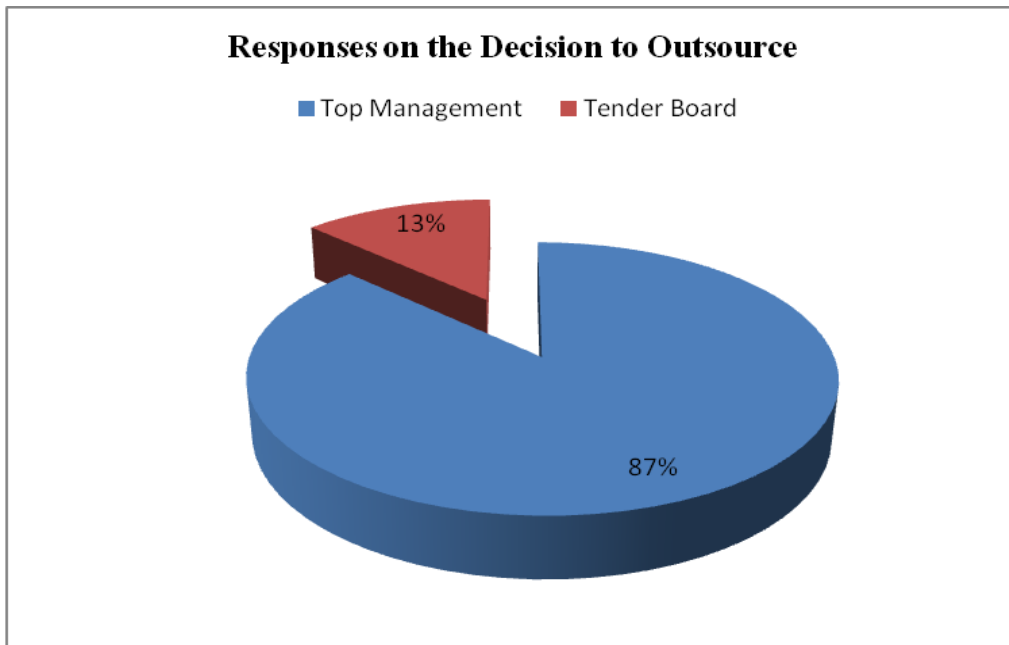
The decision to outsource must be based on the client organization's need, according to the literature review, before deciding whether to outsource or not an organization should review their core activities and concentrate on those activities which they believe that they do best. Researcher wanted to know in question 10 of the appendix I of the questionnaire, the decision to make outsourcing services where it come from, either from top level or tender board. Out of forty seven (47) distributed questionnaires, 41 respondents equal to 87.2% agreed the decision to outsource non core activities is done by top management and 6 respondents equal to 12.8% responds decision is made by tender board. As far as Tanga is where TANESCO North Zone office is located, all decision made is communicated to all regions under this Zone as they have to follow any decision made from Zonal Office.

**Table 4.3: Responses on the Decision to Outsource**

S/N	Role	Respondents	Percentage
1.	Top Management	41	87.2%
2.	Tender Board	6	12.8%
	<b>Total</b>	<b>47</b>	<b>100%</b>

Source: Researcher's Analysis, 2014

**Figure 4.2: Response on Decision to Outsource**



Source: Researcher's Analysis, 2014

#### **4.2.2.1 Factors influence to Outsource Services.**

According to the government reforms most of the institutions, agency, ministries and parastatal organization started to outsource services with the aim of reducing cost, getting better services than previously which were performed in-house by in sourcing. There researcher was wanted to know the factors which influence TANESCO, adopting to outsource its activities. Both respondents have said the TANESCO has outsourced their services for the intention of improving of quality; concentrate on core activities cut cost of operation. Concerning of cut cost of

operation the researcher revealed that it really TANESCO, Tanga has succeeded to reduce the cost comparing if those activities could have been done in-house.

The researcher has observed this from procurement contracts where service providers quoted their prices and the number of employees used in daily operations. Definitely the cost has been reduced to greater level.

The following is the table which shows the number of respondents. The forty seven (47) were distributed to TANESCO Tanga Staff.

**Table: 4.4: Factors influence to Outsource Services**

S/N	Role	Respondents	Response in percentage
1	Improvement of quality, concentrate on core activities, cut cost of operation.	47	100%
2	Allow the service provider to compete themselves	0	0
3	Increase wealth to service provider	0	0
4	<b>Total</b>	47	100%

**Source: Researcher's Analysis, 2014**

### **4.3 Method used to find Service Provider.**

The second objective of the study, the researcher wanted to know, if the procurement procedures, according to PPA 2011 and its regulations of 2013 are followed by TANESCO, Tanga. Even though there is no common agreed method used, but the researcher was interested to know if the procurement methods are used.

Based on respondents' statements, TANESCO, Tanga as public procuring entity, use procurement methods as stipulated in Public Procurement Act 2011 and its regulations of 2013 as per nature, value of the service to be outsourced.

#### **4.3.1 The Commonly Methods used to Find Out Service Provider.**

- (i) Competitive tendering
- (ii) Competitive quotation

(iii) Shortlisted supplier/ service provider from GPSA

Respondents said tendering method is the best way of achieving value for money and getting competent service provider. See table below

**Table 4.5: Respondents Comment on Methods of Procurement used.**

S/N	Respondents	Yes	No	% (Yes)	% (No)	Total	
						Number	%
1.	Top Management	7	-	100%	-	7	100%
2.	Technical Staff	18	2	90%	10%	20	100%
3.	Non Technical Staff	19	1	95%	5%	20	100%
4	<b>Total</b>	44	3	93.6%	6.4%	47	100%

**Source: Researcher's Analysis, 2014**

According to the above table shows respondent's comments on procurement methods used, i.e. if Public Procurement Act 2011 and its Regulation of 2013 strictly used to find out service provider. 100% of the respondents from Top Management agreed on that TANESCO Tanga conducts the procurement proceedings as per PPA 2011 and its regulations of 2013. 91% of Technical Staff have agreed that guidelines as stated by the procurement act 2011 are strictly followed but 9% equal to two (2) respondents out of twenty two (22) respondents disagree. 93.6% of Non Technical Staff which is equal to fourteen (14) respondents which is equal to fourteen (14) out of fifteen (15) respondents agreed but 6.4% equal to one (respondent) is not aware with procurement methods and public procurement act of 2011.

Also researcher has observed that tender boards are insisting compliances of the public procurement act on the procurement of goods, works, consultancy services and non-consultancy services as well as disposal of public assets should stick on procurement procedures. Researcher observed procurement planning with indication of requirements and each procurement has been indicated its procurement method that will be used during obtaining the goods, works or services.

Generally procurement methods according the public procurement of 2011 and its regulations of 2013 are strictly observed.

#### 4.3.2. Criteria used to select the Service Providers.

Most of the procuring entity use effectively procurement method on selecting service providers but service providers themselves can compete on criteria set by procuring entity, therefore researcher introduced the question to know what criteria set by to select service providers, and the criteria will be as a base of choosing service provider according to the aspiration of procuring entity. The question number eleven (11) was asked on criteria used. Most of the respondents identified criteria used as bid price, supplier experience and supplier capability.

The forty seven two (47) questionnaires distributed to the entire staff of TANESCO Tanga excluding customers have shown awareness of criteria's used.

**Table 4.6: Criteria used to find Out Service Provider.**

<b>Role</b>	<b>Respondents</b>	<b>Response in Percentage</b>
Price, Experience and Supplier capability.	47	100%
Technology, Experience and Price.	0	0%
Technology and Relationship	0	0%
Total	47	100%

**Source: Researcher's Analysis, 2014**

The researcher has interviewed customers to see if they are being involved in the whole procurement process of finding out because are the one who receive some of those services. Twelve (12) customers who were interviewed replied customers are not involved in the selection of service provider. But the researcher wanted to know benefits which will be building up from customers being involved. Mentioned benefits that will be accrued such as:

- (i) Interest of customers will be achieved.
- (ii) To get service providers with acceptable qualification from both management and customers.

- (iii) Will reduce opposition happen between customers and service providers.

**4.3.3 Education and Training of Procurement practitioners.**

The researcher was interested to know the education background of the staffs who are dealing with procurement to assess their professionalism in the category of procurement. The interview and observation which was made the researcher found that among six employees who formed PMU five of them had Advanced diploma/ Bachelor degree in the field of procurement and supplies, CPSP but one of them had MBA in corporate management. Therefore according to the researcher’s view compliances of public procurement act of 2011 and its regulation are strictly followed in the day to day activities.

**4.3.5 Existence of Tender Board.**

Another area which researcher has shown interest is asses if Tender board is existing and function properly among forty seven (47) respondents who answered questionnaires have agree the Tender board is existing and it function according to the act establishes the Tender board.

**Table 4.7: Showing presence of Tender Board**

S/N	Presence of Tender Board	Respondent	Percentage
1	Yes	47	100%
2	No	-	0
3	Total	47	100%

**Source: Researcher’s Analysis, 2014**

Therefore, there is evidence that TANESCO, Tanga use procurement method in the procurement practices.

**4.4 The Challenges Encountered In Outsourcing Services.**

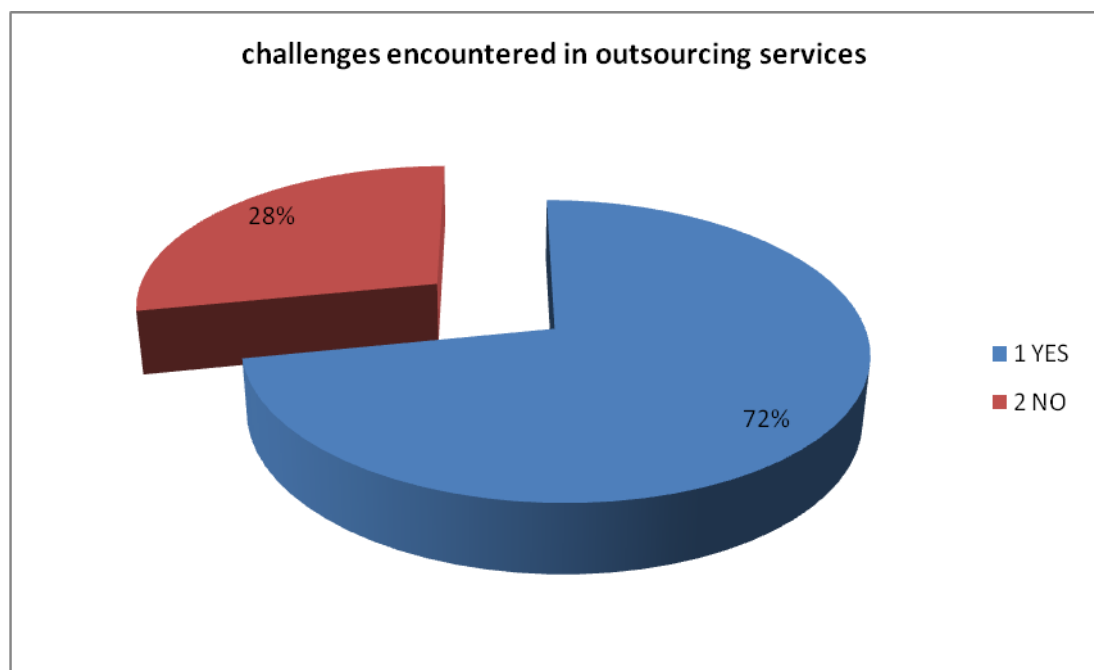
The third objectives of this thesis were to identify the challenges that are being faced by TANESCO, Tanga in carrying out outsourcing. The aim was to evaluate what challenges are being encountered. Most of the respondents have agreed that there are challenges that are being faced by TANESCO, Tanga.

**Table 4.8: Table Showing Challenges Encountered In Outsourcing Services**

S/N	Challenges encountered in outsourcing services	Respondents	Percentage
1	YES	34	72.4%
2	NO	13	27.6%
	Total	47	100%

Source: Researcher’s Analysis, 2014

**Figure 4.3: Response on Challenges Encountered in Outsourcing Services**



Source: Researcher Analysis 2014

The results obtained from the study shows that TANESCO; Tanga is facing a lot of challenges during outsourcing their services that obstruct them to arrive into effectiveness quality services delivery. **Table 4.8.** Shows the responses from the respondents who were responding to the questionnaire designed specifically to assess the challenges faced in outsourcing services. There are number of challenges that have been mentioned by respondents here under:-

#### **4.4.1 Inadequate Staff and Equipments.**

Most of the service providers specifically on cleaning services & gardening, and security services are not having permanent staffs. Though in a tender document they

stipulate a number of staff they had, and their qualification but it is not true. A researcher has observed in cleaning services the bidder who was given a contract in the year 2012/2013 when his contract was completed and a new firm was entered into new contract for the year 2013/2014 all the staff of outgoing firm were absorbed into a new firm whom was given a contract for 2012/2013. Also the equipments and machines used are in sufficient number and not in standard quality needed.

#### **4.4.2 Getting Services with Less Experience.**

Quality services offered can be achieved only if the service provider being selected is experienced enough to the work assigned for. Most of the respondents show a doubt on the new method of selecting bidders which was adopted by GPSA of common used items that means all procuring entity should comply with shortlisted of suppliers given from GPSA. This method shows there are weakness that a service provider may not have adequate experience but procuring are forced to select them, as a result of inefficiency in perform duties.

#### **4.4.3 Lack Truthful from Service Providers.**

The researcher has revealed that most of the service providers are not as contract direct. The researcher revealed that, the contract need 24 person in the cleaning services and 22 in security services, but the required number are not fulfilled by service providers, for the intention of minimizing cost and obtaining maximum profit. Most of the respondents argue this de-motivate quality of service offered because is the client who knows his requirement but service provider tend to cheat on the number required.

#### **4.4.4 Low Capability of Service Providers.**

Another problem that brings challenge is that, most of the service providers are not having sufficient starting capital. This lead serious problem to the workers when procuring entity fails to make monthly payment on time to the service provider. The workers remain unmotivated as a result of poor performance.

#### **4.5 Challenges Encountered to Service Providers.**

Apart from the challenges face TANESCO. A management in outsourcing services activities also a researcher wanted to know the challenges faced by services provider that makes them sometimes fail to deliver quality services as needed. The researcher got opportunity to interview some of the supervisors of the service offered, Security and cleaning services. The following are challenges that were mentioned by supervisors:

##### **4.5.1 Number of people to be served.**

During buying of tender documents for services, normally procuring entity mentioned estimated number of people to be served as well as number of offices to be served by them. This problem seemed to affect serious service providers of Food and beverages. In the side of food and beverages, the number of people who get services doesn't corresponding to the number mentioned in the contract.

##### **4.5.2 Delay in Payments.**

Service provider declared that their services are being influenced the way payment is made by the client. Any delay of payment by the client to the service provider for two to three month may affect the entire operations and hence they fail to give out a quality services as required.

#### **4.6 Strategies Used by Organization to Improve Outsourced Services.**

The researcher wanted to know the strategies used by organization to improve services offered by service provider. Usually and traditionally, the most important goal in outsourcing contract is improving the cost efficiency of an organization. Most of the organization wants to internalize value chain activity to minimize cost. During data collection researcher through question nineteen (19) of the questionnaire, wanted to know whether there were any strategies adopted by the organization during execution of outsourced services. Out of forty seven (47) respondents thirty five (35) (74.5%) agree positively, that there are strategies used by organization, respondents (12) (25.7%) said no.

Further a researcher wanted the respondents to give some strategies adopted by organization named the following strategies:

- (i) Appointing qualified project manager for supervision and follow-up.
- (ii) Conducting regular supervision.
- (iii) Meeting with service providers.
- (iv) Motivating service providers by payment to be done on time.

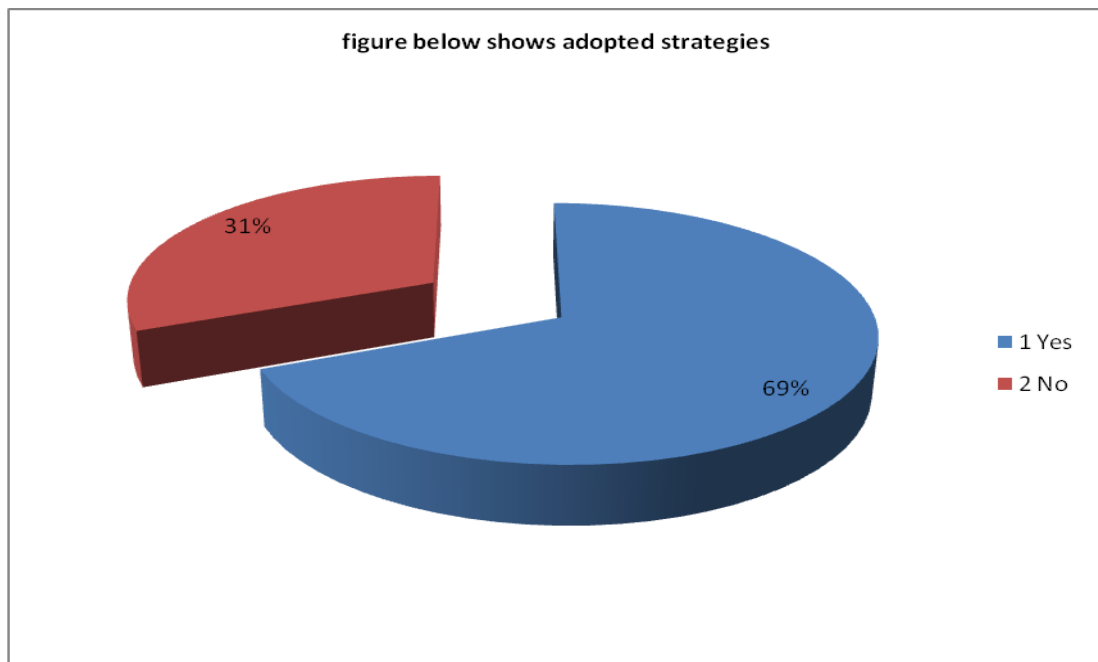
**Table 4.9: Showing Adopted Strategies**

S/N	Strategies adopted	Respondents	Percentage
1	Yes	6	69%
2	No	2	31%
	<b>Total</b>	<b>8</b>	<b>100%</b>

**Source: Researcher' Analysis, 2014**

During the research the researcher interviewed eight (8) people on the issues related to strategies as far as quality service delivered. Out of eight (8) interviewed, six (6) responded positively on the interview and remaining two (2) did not have support on the matters of adopted strategies.

**Figure 4.4: Showing Adopted Strategies**



**Source: Researcher's Analysis, 2014**

Generally the results show that there are strategies adopted on improving outsourced services to ensure quality service delivery.

#### **4.7 Quality of Outsourced Services.**

This was fourth objectives, a researcher wanted to know if expected quality services is being obtained. Most of the respondents replied negatively that expected quality is not obtained as desired. Forty seven (47) distributed questionnaires, Thirty five (35) equal to 75% replied No expected quality is not yet achieved, Eight (12) respondents equal to 25% replied Yes expected quality is being achieved. See the table 4.10

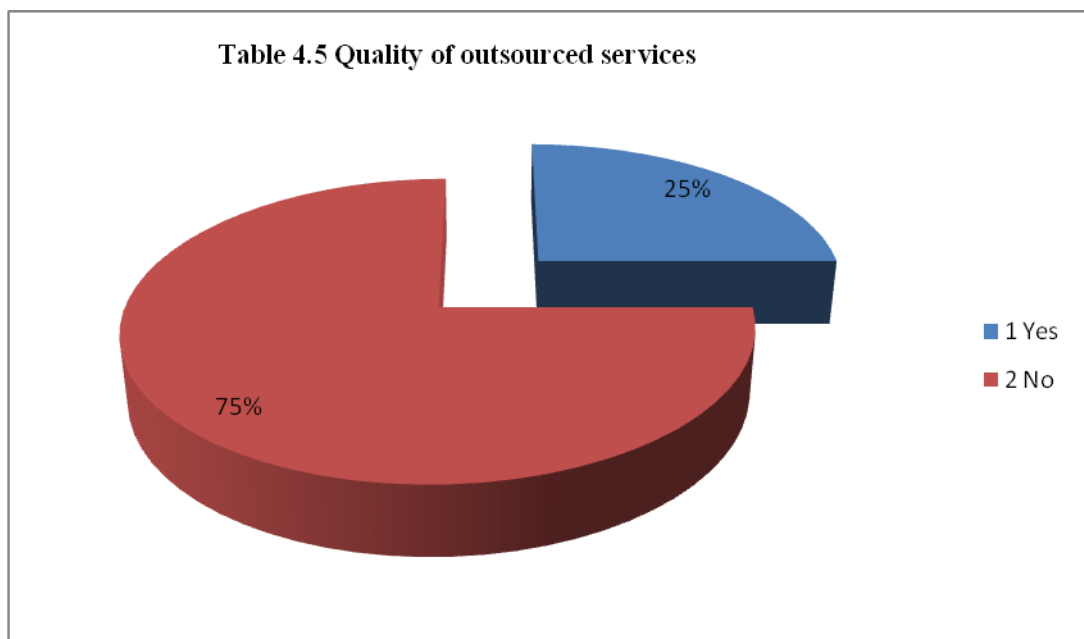
**Table 4.10: Quality of Outsourced Services**

S/N	Satisfaction of services from service provider	Respondents	Percentage
1	Yes	12	25%
2	No	35	75%
3	Total	47	100%

**Source: Researcher's Analysis, 2014**

The results show that 35 equal to 75% respondents, quality offered is not satisfactory while 12 respondents equal to 25% agreed that expected quality is being obtained or achieved. The researcher is agreed that there is difficult of measuring service quality due to unique natures of services but employees and customers as end users can measure on how they perceive and how well a service provider performs vis-à-vis end user's perceptions about how the provider should perform.

**Figure 4.5: Showing Quality of Outsourced Services**



**Source: Researcher's Analysis, 2014**

The respondents were asked to give explanations, but the researcher was interested with the respondents who are not satisfied with the services offered. Some of the respondents said quality offered by many service providers especially of Cleaning and gardening services are not as per their expectations.

The researcher has observed that the area to be cleaned and gardened is large compared to the number of employees, machines and equipments deployed to perform the assignment.

In security services, stealing of equipments has increased, in the year 2012/2013 the defective transformer was stolen in the Stock Yard, and in the year 2012-2014 various motor vehicle equipments were stolen as well as the properties of TANESCO Employees was stolen by unidentified people. Due to these occurred events a researcher has observed a security has been strengthening, in every corner there is security guard.

#### **4.7.1 Contract Management Team.**

Question (12) (14) and (22) was designed to find out whether the organizations do form contract management team and if there is serious supervision of service providers. The response from respondents was shown in the table below; (30) (63.8%) answered YES and 17 (36.2%) answered NO. The researcher believes that quality service is the result of good management system and under this; researcher observed that respondents agreed that there is Contract management teams.

**Table 4.11 Availability of Contract management team.**

<b>S/N</b>	<b>Contract Management team</b>	<b>Respondents</b>	<b>Percentage</b>
1	YES	30	63.8%
2	NO	17	36.2%
	Total	47	100%

**Source: Researcher's Analysis, 2014**

Through documentary reviews and interviews the researcher found that TANESCO Tanga, teams are formed to every contract but they are not communicated to other internal stakeholders/end users.

**Figure 4.6: Availability of Contract Management Team**



**Source: Researcher' Analysis, 2014**

The record shows contract management teams were in every contract at TANESCO and regular meeting are being conducted for close monitoring and supervisions of these contracts and there is evidence that the evidence that contract management team is being formed to monitor the services provided by service provider.

#### **4.7.2 Appointment of Contract Manager/Contract Supervisor.**

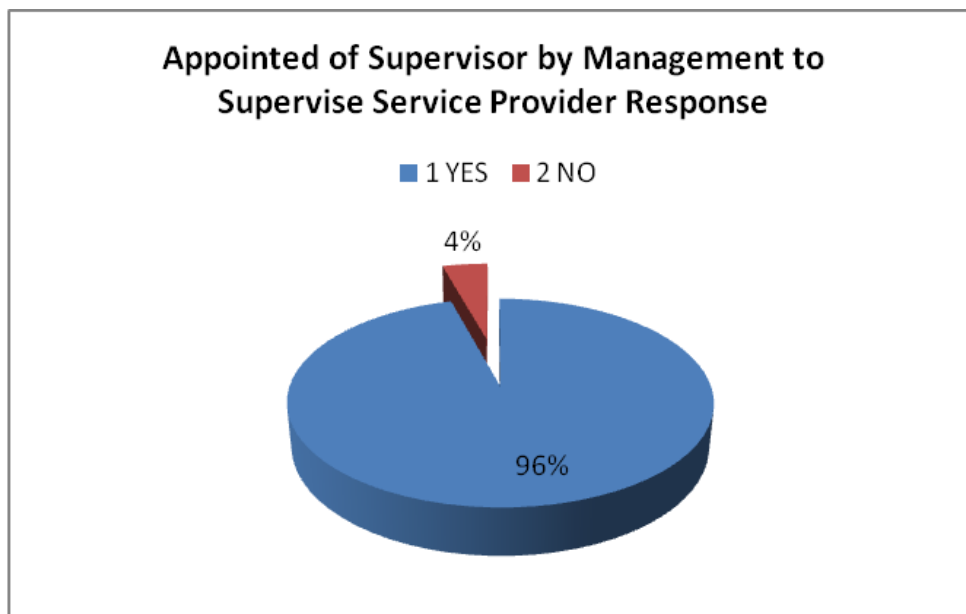
The researcher found that, there is evidence which shows that TANESCO, Tanga appoints a contract manager or supervisor in managing its contracts for service provider. The researcher obtained letter of appointment from the Accounting officer going to the appointed staff. Table below shows that among the fort seven (47) respondents from the Tanga Staffs who responded to the questionnaire, 45 (95.7%) agree, and 2 (4.3%) disagree and there is no respondent who does not respond. The percentage number of agree is greater than the total number of disagreed whether the company appointed a contract manager/supervisor in managing its outsourcing activities.

**Table 4.12: Appointed of Supervisor by Management to Supervise Service Provider**

S/N	Appointed Supervisor	Response	Percentage
1	YES	45	95.7%
2	NO	2	4.3%
3	Non respond	0	0%
4	Total	47	100%

Source: Researcher’s Analysis, 2014

**Figure 4.7: Appointed of Supervisor by Management to Supervise Service Provide**



Source: Researcher’s Analysis, 2014

#### 4.7.3 Managing Expectation of Service Deliveries.

Managing of delivery of service was another area the research showed interest on and essence was to find out how TANESCO, Tanga manages their expectation of getting quality service delivery in relation of making service providers to perform sufficiently.

To avoid any dispute that may rise during the contract period, both the service provider and the procuring entity must manages each other's expectation.

When an organization has awarded a contract, it must keep an eye on whether the service is being delivered to the requirements and specifications. This is done through checking the agreed standards of deliveries and ensuring that the cost of the service delivery is not high that expected, and service provider must reveal to the procuring entity how is going to meet contract's requirement.

This aspect of managing expectation of service delivery was pinned in question (26) of the questionnaire and research interviewed various staff of TANESCO Tanga how they manage expectation of service delivery. Out of (47) all respondents answered this question.

Among the answered given on how to manage their expectation on service deliveries:

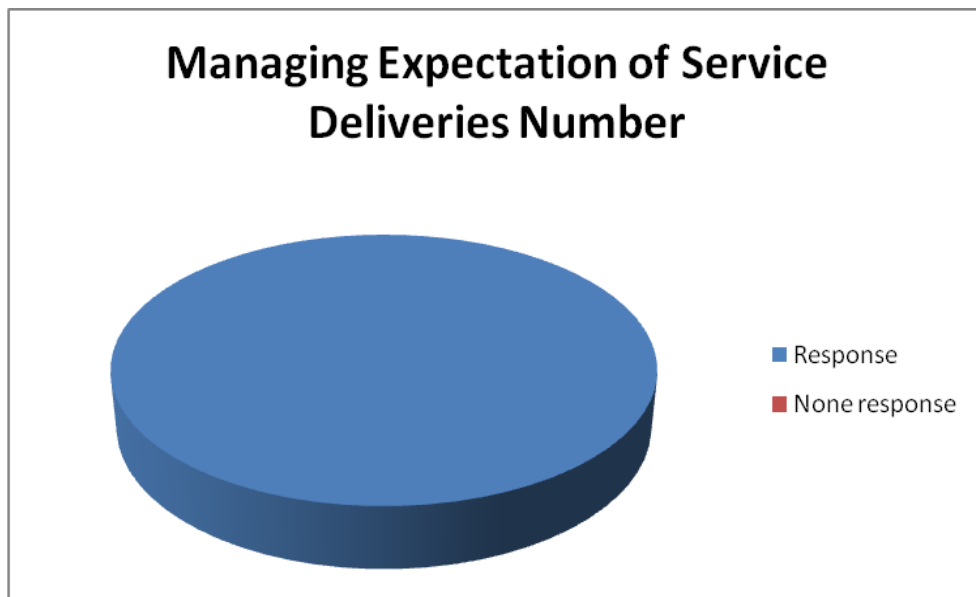
- (i) To abide to the terms and conditions as stipulated to the contracts
- (ii) By consistently manage the Buyer and service provider's relationship.
- (iii) To make sure payment to the service provider is made on time as per contract
- (iv) Matching what was bought during procurement process and what is being delivered.
- (v) By ensuring that all materials and equipment are available during service rendering.

**Table 4.13: Managing Expectation of Service Deliveries**

<b>Respondents</b>	<b>Number</b>	<b>Percentage</b>
Response	47	100%
None response	0	0%
Total	47	100%

**Source: Researcher's Analysis, 2014**

**Figure 4.8: Showing how Service Deliveries Expectation Is Being Managed**



**Source: Researcher's Analysis, 2014**

#### **4.7.4 Experienced Disputes Due to Outsourced Services.**

In question 22 and question 8 in appendix ii a researcher wanted to know if there are disputes that had occurred in the past and currently between service provider and management or employees. A researcher believe that, in any sector if there is disputes always there is no efficiency and if there is service offered will be not be provided in a desired quality. The response from respondents was as indicated in the table: (15) (32%) answered Yes, there is disputes and (32) (68%) answered No disputes.

**Table 4.14: Presence of Occurred Disputes**

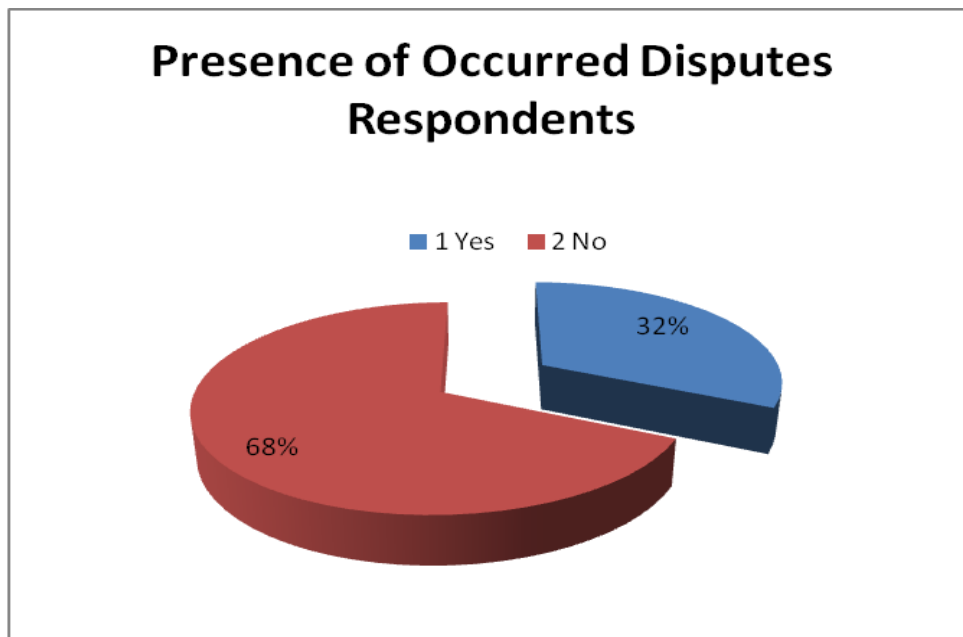
S/N	Experienced Disputes	Respondents	Percentage
1	Yes	15	32%
2	No	32	68%
3	Total	47	100%

**Source: Researcher' Analysis 2014**

But the researcher was interested to know what kind of disputes that had happened; the following shows how they respond

- (i). Getting services at higher prices.
- (ii). Obtaining goods at low quality compared to the expectations.
- (iii). Determination of cost of lost of properties arising from theft

**Figure 4.9: Response on occurred disputes**



**Source: Researcher's Analysis, 2014**

In the first point services providers becoming reluctant on paying the correct value as per prevailing market value.

The second points, the client sometimes received services with low quality, the service provider's tried to employ few numbers of staff as required and paying them little amount of salaries as they stipulated when they applied for tender.

In the third point the services providers becoming reluctant on paying the property when was stolen due to their negligence, they wanted the depreciation value to be included, something which is not agreed.

## **CHAPTER FIVE**

### **DISCUSSION OF RESEARCH FINDINGS**

#### **5.0 Introduction.**

This chapter presents a thorough discussion and interpretation of the major findings in accordance with the study objectives and corresponding study variables. Data collected were processed using Microsoft Excel tool and the analysis is therefore done in relations with major findings.

Following is the discussion detail of the research report on the assessment of effectiveness of outsourcing of services in quality service delivery in public sectors.

The study aimed at assessing the effectiveness of the outsourcing services in quality services delivery in public sectors, for the purpose of outsourced services adding value to the entity by providing quality services in timely fashion which could not be acquired if would be done in- house operation, if outsourced services fail to deliver a desired services, the problem will be put forward and find a good solutions.

In order to assess the effectiveness of the outsourcing services in quality services delivery in public sectors including TANESCO, particularly Tanga Region.

#### **5.1 Outsourced Activities.**

TANESCO, Tanga have outsourced its services which formally were done as in house operation, due to the policy of the government to reduce expenditure and involving private sectors in the growth of the public sector for the intention of increase efficiency and delivering quality services. TANESCO, Tanga, has outsourced the services like security services, cleaning services, LUKU Vending, construction of electric lines, medical services, various consultancy services, services and maintenance and repairs of motor vehicles. All respondents have shown awareness about outsourcing services as it is indicated in the table no 4.2, 22 respondents equal to 100%, A researcher has observed to a great extend a cost has been reduced in a great percentage than it would be done in house.

### **5.1.1 Making Decision to Outsource.**

Any decision made should be done under the concern of Management and decision reached should be supported by Management so as to get best of the benefits of outsourcing in the organization, as it is said by Garry Petty 2009 “that any activity in the company done without management consent is a manifestation of failure in that activity. This shows how much important management support and involvement is all company activities outsourcing inclusive. In case of TANESCO, Tanga any decision made get management consensus. As it indicated in the table no 4.3. Through researcher observation getting management support is not enough to reach into successful peak, but special team of people elected have to view how much the decision made have been implemented and general result found. As it was indicated by respondents, the most prominent factors which influence management to outsource some of the services is to acquire quality services, concentrate on core activities, and cut cost of operation, as it was shown in the table no 4.4. Researcher proved that the strategy to cut cost been truly realized.

### **5.1.2 Methods of Procurement.**

The purpose of effective procurement methods is to ensure that such goods and services are obtained efficiently, timely, economically and in compliance with the Public Procurement Act.

Depending on the procurement type, the research findings revealed that TANESCO, Tanga use the following methods of procurement that are used for selecting service providers as discussed below:-

### **5.1.3 Competition Sealed Bids/ Tendering.**

This involves the purchase procedure of competitive negotiation. This method is used when price is not the only consideration. It is applicable especially when include the purchase is significantly and when it considers the nature, quantity and location of the works to be procured, the technical specification, plans drawings and design as deemed appropriate. The policy of TANESCO is centralization

procurement, something needed in bulk are to be procured by tender, are procured at TANESCO Head Office in Dar es salaam.

The research findings shows that suppliers/service providers are made aware of the competitive tendering opportunities by the TANESCO through the following;-

**(i) Requesting Competitive Quotations.**

TANESCO usually request competitive quotations when an intended commitment to a single supplier is required. Quotations are normally requested from several firms or organizations and submitted in writing through well designed quotation forms explained all the details required by the company.

**(ii) Invitation to Bid.**

Invitation to bid is used for procurement of goods, services and works by using standard tendering documents produced by PPRA or min competition forms from GPSA.

**(iii) Request for Proposals.**

This is the two stages process; the first stage involves the selection of suppliers and provides a shortlist of the suppliers. The second stage involves only the short listed suppliers or service providers. Suppliers and Service Providers are invited to respond to request for proposal (RFP) and the tender evaluated.

**5.1.4 Frame Work Agreements.**

This procedure revealed to be applicable for purchase of common used items such as stationeries and provision of minor services. It means a contractual arrangement which allows a procuring entity to procure goods, services or works that are needed continuously or repeatedly at an agreed price over an agreed period of time, through placement of a number of orders.

It was observed that the PMU on behalf of the user department made orders of (call-off) to the goods, works or services if and when required. In case of presence of more

than one supplier of the goods, works or services ordered a min- competition is usually held to identify the best supplier. The researcher has observed documents used for min-competition of finding service providers for stationeries and office equipment in the year 2011/2012 and 2012/2013.

## **5.2 Criteria used to select the Service Providers.**

As it was presented in the data analysis both respondents equal to 100% have shown awareness of basic criteria used to select service providers as it indicated in the table no 4.6 forty seven (47) respondents equal to 100% have shown the awareness of criteria's used to find out service providers, researcher failed to find a weak point on selecting service providers as are discussed below:

### **5.2.1 Price Consideration.**

In the evaluation price criteria is the one among essential factor in several times have to be considered because it has impact on the budget set up by procuring entity. As far as TANESCO, Tanga is a business oriented social utility, price factor have to be considered effectively because price impact will affect both customers and Management. According to the Public Procurement Act, No 9 2011 if the Supplier or service providers will have the same qualification, the selected service provider will base on the one who has offered lowest price.

### **5.2.2 Supplier Experience.**

The motive behind TANESCO on outsourcing its services is to be performed by private sectors that have specialized in a particular field of expert, for the aim of improving the services delivery by offering quality services and at lowest cost in order to reduce company's' expenses. The researcher has observed in a tender documents and quotations produced by TANESCO Tanga, it require Supplier or service providers shortlisted to show their past experiences related to the field that they applied for. The most experienced supplier and who have good record is normally selected in order achieve value for money, by delivering quality services at possible lowest cost.

Researcher has observed that post qualification are conducted strongly, documents shows in the year 2011/2012 up to 2013/2014 post qualification was conducted for finding suitable service providers.

### **5.2.3 Supplier Capability.**

This stage aiming to identify the skill, ability to perform work and man power of the supplier concerning to the field specialized. In order to achieve the quality service delivered by service provider the service provider is required to have a required number of human resource staff, skills, and modern facilities. And also researcher had interrogation with currently existing service providers to justify this; both have agreed that selection is done fairly.

Researcher has revealed that, despite the fact that service provider are selected through strong selection, apart from their capability and experiences they have, but during their operation process they failed to show their competence. This is happened mostly on security services in this ending year 2012/2013 has failed to protect a motor vehicle, motorcycles and bicycles of customers who parked close to office blocks as well as for the stolen defective transformers which was stolen to unknown person at Kange Yard, Tanga.

### **5.3 Education Background of Procurement Practitioners.**

In the same way of assessing quality service delivery by service providers, the researcher examined education level of those who engage in sourcing service providers if they are professional wise. Among five 6 people interviewed, findings showed five of them had Advanced diploma/ Bachelor degree in the field of procurement and supplies, CSP/CPSP but one of them had MBA in Corporate Management. Also findings revealed that majority of them have attended various workshops within the country and outside the country for capacity building, therefore problem of sourcing unqualified service providers didn't exist here.

#### **5.4 Tender Board.**

Here a researcher was wanted to know the existence of tender board with the compliances with the laws. The results shows that in TANESCO, Tanga there is a tender board of the people with the similar standing, and they are really abided with the laws according to PP Act No. 9 of 2011) therefore outsourcing activities are done according to the rules and regulation stipulated in the act. It is evidently all outsourced services are done according to the stipulated rules and regulations.

#### **5.5 Strategies to Improve Services Outsourced.**

Apart from challenges that have been experienced as it was analyzed in chapter four to both procuring entity and service providers. The respondents have declared that there are strategies that are being taken to improve outsourced services. A researcher has revealed that meeting are normally done with service providers when contract award are released, therefore management is sitting with service providers to discuss the matters available in the contract. There is some document of evidence that a researcher got to witness that, there is meeting conducted with service providers.

Another strategy is to increase the capabilities of Project Managers for suitable supervisions of services through training and exposure. This helps them during supervision and follows up specifically during contract implementation.

#### **5.6 Contract Management Team.**

In any project there should be contract management team that is responsible for monitoring quality and achievement of a particular project is being achieved.

Through documentary reviews there is no evidence contract management team which was formed at TANESCO, Tanga but through interview some of the respondents said the ones used to deal with service providers and monitor their activities very close are Principal Engineer, Quantity Surveyors, Regional Human Resources Officer, Regional Security Officer and Supplies Officers.

For any contract it needs management support to form a team to supervise in order to have quality delivery services. Respondents declare that they are not really satisfied with the service offered from services providers; a researcher has seen it as a lack of management team to monitoring and takes immediate action for the aim of improving the quality of service from service providers.

### **5.7 Appointment of Contract Manager/Contract Supervisor.**

Provisions of services is not like deliveries of supplies, they differ in a sense that in services nothing is tangible and there for management of its deliveries depends much on clients satisfaction and service level agreement between two parties in the contract. This is a challenge to most of the procuring entity and even the service providers themselves. Normally services requires continuous management support, because tend to be operational in nature.

The research found that, there is strong evidence which shows that TANESCO, particularly Tanga Region have appointed a contract managers/supervisors to monitor and be close with the outsourced services to supervise the daily operation and quality service delivery. This achievement leads to disputes between service provider, client and even customers as it was explained in chapter four, disputes would not occur if there would be supervision of day to day activities. Furthermore researcher declares some of the failing and disputes occurred outside the ability of supervision, like forces of market competition, changes of government laws and taxes.

### **5.8 Chapter Summary.**

This chapter analysed and discussed major findings as presented in chapter four and their relative implications on procuring entity, procurement professionals, procurement function, and on the county developmental objectives. It has been evident the aim of outsourcing services is to reduce operational cost and to increase efficiency but these objectives can be opposite if the outsourced services cannot be monitored effectively to bring a desired results. Finally, chapter six provides a organized summary of findings, analysis, and end up with indicative/suggestive recommendations.

## **CHAPTER SIX**

### **SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS**

#### **6.0 Introduction.**

This chapter presents a summary of the findings associated with the assessment of the effectiveness of outsourcing services in quality service delivery in Public sector. In this chapter the researcher is going to give the conclusion and the recommendations will only base on the data analyzed during the course of study.

#### **6.1 Summary of the Study.**

Procurement of goods, works, consultancy service and non consultancy services it took more than 70% of Government budgets (PPRA, 2010). Therefore it need to be done with care in order to enable Government to meet its objectives of providing quality and desired services to its people at minimal possible cost. Outsourcing of services took part after public sector reform in 1992 with the aim of improving operational efficiency and expanding the role of private sector in the economy, permitting the Government to concentrate public resources on its role as provider of basic services. Study was conducted to assess the effectiveness of outsourcing services in quality service delivery.

In summary in order to make effective outsourcing of services for delivering quality services the following should be observed (i) efficient competition (ii) Supervision and monitoring of service delivery (iii) Management of contract between Service providers and the client (PE) (iv) both parties should work together in order to disputes which might be between procuring entity and service provider (v) all procurement decisions made should be supported by management,(vi) Conducting performance measurements timely.

The researcher examined problems that hindering delivering of quality services for outsourced services at TANESCO, Tanga such as (i) management has not appointed a contract management team especially to major project of REA and MCC instead they appoint a single person as contract manager for supervision of day to day activities of services providers (ii) long procurement processing time especially the involvement of TEMESA in provision Procurement of maintenance and repair of motor vehicles, plant and equipment, and the installation of electrical, refrigeration, air conditioning and electronics services, in buildings that sometimes may lead service providers fail to make essential preparations while users are waiting for services (iii) There is no regular meeting conducted between procuring entity and service providers on contracts implementations.

## **6.2. Conclusion.**

To a great extent outsourcing of services is beneficial to TANESCO, Tanga due to the benefit as it reduces cost that they would be incurred if those services would be done in-house. The researcher revealed that service outsourcing at TANESCO is not satisfactory and it needs special effort to be done in order to be improved. Even though procurement procedures are being followed on selecting suitable service providers, that is not enough, most of the service providers or supplier are very intelligent on knowing criteria used to select them and filling tender documents in the way they can persuade evaluation team to select them, experienced showed many service provider fail to perform expected services at early stage. In Tanga Region, The contractor for construction and commissioning of medium lines did not submit the project on time though was selected as evaluated lowest bidder and experienced than others. Contract management team should be formed, equipped and be trained time to time to build their capacities so as to monitor and bring close relationship with supplier/service provider.

## **6.3. Recommendation.**

Recommendations of this study stretch out on the study objective and their findings. The following were recommended.

### **6.3.1 Contract Management Team.**

It is recommended to TANESCO that aspect of contract management team as far as contract management is concern is important and cannot be altered. TANESCO, Tanga should ensure that the Procurement Staffs and some of the user departments who are frequently involved in procurement and contract issues must be powered enough to carry the contract management issues by providing training on contract preparation and contract management as a key success issue in attaining quality outsourced services.

### **6.3.2 Building Capacities to Contract Managers.**

Another area of emphasis TANESCO be considerate is to ensure there is a contract manager to each outsourcing should be knowledgeable enough with skills on how to manage the contracts. . This will help to have close supervision and monitoring for the outsourced services. It will also ensure that the service outsourcing is delivered as per agreed terms and conditions. A contract manager should understand a complete business goal of the contract, the specific performance criteria agreed to, an individual roles, responsibilities, authority, and reporting structure. According to the Public Procurement Regulation 243 of 2013 of in the case of contracts for non-consultant services or works, a procuring entity shall monitor the service provider or contractor's performance against the statement of requirements or schedule of works stated in the contract, by means of daily, weekly or monthly reports from the procuring entity's supervisor responsible for the services or works.

### **6.3.3. Building Corporation between Client and Service Providers**

TANESCO should establish a corporation and partnership with the service providers to establish tools to measure the performance where clients' requirements should be matched with the implementation process through identifying new skills, abilities and knowledge for each contract.

### **6.3.4 Conducting due diligence / Post Qualification**

Even if TANESCO use effectively procurement procedures on selecting service providers, using criteria like supplier experiences, price consideration, and supplier

capability. They should conduct post qualifications in order to satisfy the information submitted regarding suppliers and service providers if they are genuine. And in the case where the services involve customers' satisfactions, it's advised to involve customers as part of too.

#### **6.4 Areas for Further Studies.**

In accordance with the findings from this study, further studies can be carried out on contradictions of governing laws to the procurement practitioners in effective outsourcing. Another should be on impact of outsourcing services in an organisation performance and cost reduction.

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## APPENDICES

### **Data Gathering Questionnaire for Tanzania Electric Supply Company Limited Tanga: For Employees**

This questionnaire designed to collect and analyze data for the thesis on **assessment of the effectiveness of outsourcing services in quality services delivery in Public Sectors**. The researcher is **MBA-Corporate Management** student at Mzumbe University.

Your participation is important. By completing this questionnaire you are providing the researcher with information that will fill the identified research gap and help the Company on its mission for outsourcing services. I would like to guarantee you that; the information that you provide will be treated with confidentiality and only be used for the purpose of this thesis.

Thank you.

**Zua Mgweni,**  
**MBA-CM-Candidate**  
Mzumbe University

1. Your department.....
2. Your position.....
3. How many years are you in TANESCO?

**Please, tick (√) what you think to be correct**

- |                             |     |
|-----------------------------|-----|
| (i). Less than one year     | [ ] |
| (ii). One to Two years      | [ ] |
| (iii). Three to Ten years   | [ ] |
| (iv). Ten to Twenty years   | [ ] |
| (v). More than Twenty years | [ ] |

4. Are you aware with outsourcing? **(Please tick (√)the appropriate answer)**

(i). Totally agree [ ]

(ii). Partially agree [ ]

(iii). Disagree [ ]

(iv). Strongly disagree [ ]

5. Which services do you get from outside providers

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

6. Has outsourcing improved delivery of services **(Please tick (√)the appropriate answer)**

(i). Yes [ ]

(ii). No [ ]

7. If the answer is Yes to what extent?

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

8. Do you face any challenges in outsourcing your services? **(Please tick (√)the appropriate answer)**

(i). Yes [ ]

(ii). No [ ]

9. If yes, state those challenges

.....  
.....

10. The decisions to outsource are made by **(Please tick (√)the appropriate answer)**

(i). Tender board [ ]

- (ii). Procurement Management Unit [ ]
  - (iii). Evaluation team [ ]
  - (iv). User Department [ ]
  - (v). Top management [ ]
11. The decision to outsource the non core activities is mostly based on...
- (i). Cost reduction, where other can do better and concentrate on core business
  - (ii). Experience, Capital of suppliers and low prices of suppliers
  - (iii). Pressure from top management, economic reform, economies of scale
12. Is there a person appointed by the management in a daily supervision of services providers in the company? **(Please tick (√)the appropriate answer)**
- (i). Yes [ ]
  - (ii). No [ ]
13. Which reasons enforces your organization to outsource non –core activities? **(Please tick (√)the appropriate answer)**
- (i). Improvement of quality, concentrate on core activities, cut cost of operation
  - (ii). Allow the service provider to compete themselves
  - (iii). Increase wealth to service providers
14. Does the Management conduct a meeting with Service providers to ensure success in the operations; a meeting can be per month or quarterly. **(Please tick (√)the appropriate answer)**
- (i). Yes [ ]
  - (ii). No [ ]
15. Is it really procurement method is used to find out service provider as it is stipulated in the act PPA 2011. **(Please tick (√)the appropriate answer)**

- (i). Yes [ ]
- (ii). No [ ]

16. Which criteria are used to select the service providers in your organization  
**(Please tick (√)the appropriate answer)**

- (i). Bid price, supplier experience and supplier capability
- (ii). Technological capability, experience and supplier capability
- (iii). Knowledge, capital and cost Technological equipment and relationship

17. How has outsourcing helped you to concentrate on core activities?

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

18. Has it happened to your organization, a selected service provider has failed to provide a service as expected by the company? **(Please tick (√)the appropriate answer)**

- (i). Yes [ ]
- (ii). No [ ]

19. What strategies are used by your organization to improve outsourced service?

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

20. In your opinion what do you consider the disadvantage of outsourcing to be

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

21. Do you practice for contract management for the outsourced services?  
**(Please tick (√)the appropriate answer)**

- (i). Yes [ ]

(ii). No [ ]

22. Is there any dispute for any of the outsourced service you have ever practices in your organisation? **(Please tick (√)the appropriate answer)**

(i). Yes [ ]

(ii). No [ ]

23. If the answer is YES in above mention those disputes

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

24. What benefits do you get from outsourcing as compared to in-house sourcing?

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

25. Do you think, delays in payments can cause service provider to under perform **(Please tick (√)the appropriate answer)**

(i). Yes [ ]

(ii). No [ ]

26. What should be done to both Management and Service providers to be in a satisfactory position, that means Management should get expected quality services and Service providers should perform suitably

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

27. Is the effective Tender Board at Tanzania Electric Supply Company Limited **(Please tick (√)the appropriate answer)**

(i). Yes [ ]

(ii). No [ ]

**Appendix ii: Data Gathering Questionnaire for Tanzania Electric Supply Company Limited Tanga: Customers**

This questionnaire designed to collect and analyze data for the thesis on assessment of the effectiveness of outsourcing services in quality services delivery in Public Sectors. The researcher is MBA-Corporate Management student at Mzumbe University.

Your participation is important. By completing this questionnaire you are providing the researcher with information that will fill the identified research gap and help the company on its mission for outsourcing services. I would like to assure you that, the information that you provide will be treated with confidentiality and only be used for the purpose of this thesis.

Thank you.

Zua Mgweno,

MBA-CM-Candidate

Mzumbe University

1. Are you aware with outsourcing of services? **(Please tick (√)the appropriate answer)**

(i). Yes [ ]

(ii). No [ ]

2. What kind of service providers available at TANESCO Tanga?

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

3. Are you satisfied with their services offered? **(Please tick (√)the appropriate answer)**

- (i). Yes [ ]
- (ii). No [ ]

4. If the answer is No state how?

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

5. Do you think service providers selected and offering the services, do they meet qualification needed by the customers. **(Please tick (√)the appropriate answer)**

- (i). Yes [ ]
- (ii). No [ ]

6. Does the customers involved in the procurement process of selecting Service providers. **(Please tick (√)the appropriate answer)**

- (i). Yes [ ]
- (ii). No [ ]

7. What benefits can be accrued for customers being involved in the process.

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

8. What are challenges faced by services providers which you think?

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

9. Is there quarrel happened between service providers and customers?

**(Please tick (✓)the appropriate answer)**

(i). Yes [ ]

(ii). No [ ]

10. If the answer is Yes state those quarrels

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

11. What can be done to improve services offered?

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

**Appendix iii: Data Gathering Interview guide for Tanzania Electric Supply Company Limited Tanga: For Employees**

1. Are you aware with outsourcing of services?
2. What kind of outsourced services are available in Tanesco Tanga?
3. Are you satisfied with their services offered?
4. Do you think service providers selected meet qualification needed by the company?
5. Does the customers involved in the procurement process for selecting services providers?
6. What are challenges faced by services providers?
7. What can be done to improve services offered?