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Out-Sourcing and Organizational Performance of Seroma Limited in Uganda

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ABSTRACT

This study examines the outsourcing and organizational performance of Seroma LTD in Uganda. A sample of 66 respondents both female and male employees out of the target population of 70 of the company were used for the study. The study employed case study research. The study findings showed that the company does carry out outsourcing of services from third-party service providers as shown by the greater majority of respondents. The findings also showed that when it came to outsourcing management, the company was effective and thus concluded that factors that were considered by the company before outsourcing were cost restructuring, quality appraisal, and current employee skills. Appraisal process and legal issues, stalling issues, and risk management. The study recommended that the company should carry out an appraisal of the outsourcing model that it is using which should also take into consideration the relationship the company has with the respective service providers. More so, the company should carry out a strict and vigorous appraisal process when selecting a potential outsourcing partner. This should be done in line with establishing reliability, post-transaction, service guarantees, and warranties as well as legal cover. Finally, the company should restructure its outsourcing strategy to take into account the need for productivity in Seroma since productivity is pivotal to organizational performance.

Keywords: Organizational performance, Outsourced services, Outsourcing, Productivity, Strategic management

INTRODUCTION

In today's world of ever-increasing competition, organizations are forced to look for new ways to generate value. The world has embraced the phenomenon of outsourcing and companies have adopted its principles to help them expand into other markets[1]. Strategic management of outsourcing is perhaps the most powerful tool in management, and outsourcing of innovation is its frontier[2]. The market for providers of outsourced services of all types is growing rapidly. In 1996, American firms spent over \$100 billion in outsourced business activities[3]. Other estimates place the total U.S. market for outsourcing at more than \$300 billion by the year 2000. Globally, outsourcing usage grew 35 percent in 1997 and the total market for outsourced services is expected to increase to \$200 billion by the year 2001[4]. Twin, James, and Rathburn[5] indicated that two-thirds of companies worldwide already outsource at least one business process to an external third party. This practice appears to be most common in the U.S., Canada, and Australia, where 72 percent of outsourcing is being sought. In Uganda, the lack of outsourcing strategy has related costs and problems making it difficult for Seroma Limited to deliver its services efficiently. The problems include loss of corporate image, reduced staff morale, overdependence on the suppliers or third-party providers, high staff turnover, lack of supplier flexibility, and reduced confidentiality leading to the ineffectiveness of Seroma Limited. It is on this note that the present study explores outsourcing and the organizational performance of Seroma Limited, Uganda.

Reasons For Undertaking Outsourcing of Projects/Services

According to Bloen and Bean [6], the decision to outsource is taken at a strategic level and normally requires board approval. Outsourcing is the divestiture of a business function involving the transfer of people and the sale of assets to the supplier. The process begins with the client identifying what is to be outsourced and building a business case to justify the decision. Only once a high-level business case has been established for the scope of services will a search begin to choose an outsourcing partner. Due to the complexity of work definition, pricing, and legal terms and conditions, clients often utilize the advisory services of outsourcing consultants to assist in

scoping, decision-making, and vendor evaluation. Espino-Rodriguez and Gill[7] stated that other researchers have identified several outsourcing issues, trends, and strategies that companies take in establishing and effectively managing their outsourcing activities. The trend is for outsourcing relationships to function more as p&Ilaps. Outsourcing providers are taking increasing responsibility in realms that have traditionally remained in-house, such as corporate strategy, information management, business investment, and internal quality initiatives.

Khaki and Rashidi[8] observed that 42 percent of communication firms, 40 percent of computer manufacturers, and 37 percent of semiconductor companies rely on Global outsourcing. On the other hand, Henrik and Nordin[9] observed that there could be negative long-term consequences of outsourcing resulting from a company's dependence on independent suppliers. Such reliance on outsourcing may make it inherently difficult for the company to sustain its long-term competitive advantages without engaging in the developmental activities of the constantly evolving design and engineering technologies. Steensma and Corley[10] suggest that the outcomes from technology partnerships for sourcing firms depend on the interaction between technology attributes and the interdependence between source and sourcing firms.

Dibbern et al.[11] state that outsourcing has different dimensions. On one hand, it could mean obtaining talent, skills, or information not present within the company. It could also be defined as reallocating the management and operation of a business activity to a different service provider. Some also define outsourcing as subcontracting non-revenue operations to consultants and professionals. Note that all the descriptions seem to involve a movement of services from one group to another, which is what outsourcing basically is. Different kinds of assistance and tasks can be outsourced. Some of the more popular ones are information technology (IT) outsourcing and human resource (HR) outsourcing. Another kind would be application outsourcing. Each of these provides several advantages to the client organization; however, there can also be certain drawbacks.

Wilcock et al.[12] state that information technology deals with the utilization of electronic devices for the processing of data. Information technology outsourcing is employed when a company cannot do its functions. Human resources used to be exclusively synonymous with the word labor which is one of the four factors of production. The term has now evolved to mean something quite different to businesses and corporations. It now refers to the group of people or departments who see to the screening, hiring, training, and tiring personnel.

In human resource outsourcing, the agency examines, employs, and then prepares workers for another enterprise. Like the preceding services, several implications arise from such a setup. For example, the issue of whether the service provider will have allotted space within the company it lent its assistance to. The limits to what the department can do might also be unclear, and cultural differences may be present. Outsourcing seems to be a very good and advantageous move for businesses, however, unless reviewed thoroughly, and terms set specifically, many problems may arise and what is supposed to make things lighter could do a 360 and become a burden[13].

How Outsourcing Programs Help Organizations Achieve Their Stated Objectives of Improving Organizational Performance, Productivity, Market Share, and Quality

Firms consider their outsourcing projects successful when the benefits generated by the outsourcing are greater than the costs of developing the required resources and capabilities through internal development or acquisitions. On the other hand, firms consider outsourcing projects unsuccessful or failures, when the costs of managing the links between outsourcing partners is greater than the benefits generated by the outsourcing program[14].

In appraising the impact of any outsourcing management, it is important to consider whether the program took into consideration the strategic and tactical concerns of the program. These should be considered on both a department and organizational level[15]. A good choice of outsourcing partners was the second most useful and contributing factor among successful organizations. Outsourcing partners should be selected based on their expertise in the operation being outsourced and their cultural fit with the firm. The third factor is providing adequate training skills, needed to manage outsourcing activities and to negotiate a sound contract. Providing managers with skills that will enable them to adapt to other cultures and work with other managers may be very important to ensure the success of outsourcing. Developing a comprehensive plan outlining detailed expectations, requirements, and expected benefits during all phases of outsourcing activities may be the key to successful sourcing efforts[16].

METHODOLOGY

Research Design and Study Area

The study used a case study design to arrive at an understanding of the relationship between outsourcing and organizational performance. more so, the study was carried out in Seroma Uganda Limited, located at Entebbe Road.

Target Population and Sample Size

The target population for the study was 70 selected staff of different departments of Seroma Uganda Limited. The departments comprised the purchasing and procurement department, finance and accounting department, and members of management staff since he believed they were the most influential contributors of information to the study. Furthermore, the researcher used some of the sampling techniques to pick a sample population from the

target population and the sample consisted of 66 respondents that were selected using Krejcie and Morgan table. These were selected in the following ways: 45 administrative and assistant administrative staff members from respective departments of operations; procurement and human resource, finance, and marketing. A further 21 respondents were selected at random once the staff from procurement and finance were exhausted. A simple random sampling technique was used to obtain data from the selected 21 respondents who are low-level employees. Simple random sampling refers to selecting a sample without bias from the 70 respondents while purposive sampling was used to collect data from the top management. This sample was taken due to its convenience to the researcher.

RESULTS

Table 1: The study population and sample size of the respondents

Category of target population	Target population	Sample size	Sampling method
Administration	12	10	purposive
P&S	30	30	Simple random
Finance	8	6	purposive
Marketing	10	10	purposive
Human resource	10	10	purposive
Total	70	66	

Source: Primary Data

Table 2: Respondents' responses on services the company gives to third-party providers

Services Seroma Outsources	SA	A	N	SD	D
Technology	100%	-	-	-	-
Human resources	68%	32%	-	-	-
Suppliers	100%	-	-	-	-
Transport	53.3%	15.2%	31.5%	-	-
Internal quality initiatives	-	46.7%	53.3%	-	-
Accounting and auditing	15.2%	15.2%	45.5%	12.1%	12.1%

Source: Primary Data

The study findings showed that the company currently outsources information technology which was strongly believed by all the respondents 100%, human resources facilities are also outsourced as all the respondents agreed, and the company also outsources suppliers since 100% strongly agreed this also implied that the appraisal process is transparent. The company also outsources transport facilities because most of the respondents almost 68.5% agreed as only 31.5 were not sure. Seroma also outsources internal quality initiatives however this is not done with transparency since most of the respondents were not sure about it and accounting and auditing as shown in the table above. It was observed that the emphasis has been put on human resources, suppliers, and technology. As a result of the above analysis, this meant that Seroma outsources many activities of which the main emphasis is put on technology, suppliers, and human resources which when outsourced would reduce costs while improving organizational performance.

Table 3: Respondents' responses on factors considered before contracting third-party providers

	SA	A	N	SD	D
Quality appraisal	68%	32%	-	-	-
current employee skills	68%	15%	17%	-	-
appraisal process	15%	-	9%	-	76%
Cost restructuring	45%	9%	30%	15%	-
legal issues	15%	-	68%	17%	-
stalling issues	24%	15%	-	61%	-
risk management	30%	-	61%		9%

Source: Primary data.

From the table above, most respondents 68% strongly agreed that quality appraisal and current employee skills are considered before contracting third-party providers. Those who strongly agreed on appraising process, cost restructuring, legal issues, stalling issues, and risk management were 15%, 45%, 15%, 24%, and 30% respectively. This therefore means that the company's consideration is on retaining employees and improving quality, which is evidenced by the majority of the respondents 100% who agreed that the company considers quality appraisal before outsourcing and 83% who agreed that the company considers the current employee skills before contracting third party providers.

Table 4: Respondents' responses on the performance level of Seroma Limited

Level of performance	SA	A	N	SD	D
There is positive customer feedback on Seroma Limited	46%	30%	24%	-	-
There are repetitive purchases by clients	53%	15%	30%	-	2%
The majority of the population knows about Seroma Limited	100%	-	-	-	-
There is increased sales volume in Seroma Limited	46%	30%	15%	-	9%
Seroma Limited's products are durable according to customer feedback.	91%	-	9%	-	-
There are few cases of sales returns (Returns inwards)	46%	9%	15%	30%	-
Less lead time is taken in the acquisition of materials	30%	-	2%	53%	15%
Seroma has opened up different branches in the country	100%	-	-	-	-

SOURCE: Primary data

Most of the respondents strongly agreed and agreed that there is a positive customer feedback. This was at a percentage of 46% and 30% respectively, and only 16 respondents at 24% were not sure if there was positive customer feedback on Seroma Limited. The largest percentage of acceptance means that the company's performance is quite improving. 53% of the respondents strongly agreed that there are repetitive purchases by customers, 15% just agreed, 20% were not sure and only 2% disagreed. This means that there could be repetitive purchases by the clients as was agreed by most respondents, the 12 respondents who were not sure and those who disagreed could have been because they were not so much concerned with the issue of repetitive purchasing. 100% that is to say all the respondents strongly agreed that the majority of the population knows about the company's existence. This could have been due to its good quality products and the fact that it has existed for quite a long in the industry and may be due to its good corporate image. 46% of the respondents agreed that there is increased sales volume, 30% just agreed, 15% were not sure, and 9% disagreed. The largest percentage of the respondents accepted that there was increased sales volume at almost 76% which means the company's sales are increasing. According to the data above, 91% strongly agreed that the company's products are durable according to the company's customer feedback, and only 9% were not sure about the durability feedback.

from the customers. This means that the company's products are durable. 46% of the respondents strongly agreed that there were few cases of sales returns and 9% just agreed. Those who were not sure and those who strongly disagreed were 15% and 30% respectively. The few cases of sales returns could have been due to the durability of the company's products. 53% of the respondents strongly disagreed that less time is taken for the company to receive materials from the suppliers, 30% of the respondents agreed, 15% disagreed and 1% was not sure about the time. This means that Seroma Limited has to revise its outsourcing strategy to get suppliers that can deliver on time. 100% of the respondents strongly agreed that Seroma Limited has opened up different branches in the country. This could be due to the increasing sales which have increased profitability and thus increased investment. Generally, there is a high level of performance in the company this is evidenced by the respondents' responses regarding repetitive purchases where over 68% of them agreed, that a reduction in sales returns also implies performance and the fact that the company's sales are increasing where over 76% of the respondents agreed with the statement. The company has also opened up various branches countrywide which shows performance.

Table 5: Respondents' responses on the relationship between outsourcing and organization performance

	SA	A	N	S	D
A reduction in the sales volume has forced Seroma Limited to enter into a relationship with third-party providers which has increased sales.	61%	15%	9%	-	15%
Seroma can-ies out assessment of employee skills before services are given to third-party providers which has reduced employee separation.	100%	-	-	-	-
Over the years, the company has reallocated its production and operations management to different service providers and there has been a reduction in sales returns.	15%	-	68%	-	17%
The increased competence of employees in Seroma has been due to the company's policy of contracting service providers which has increased efficiency in the operation of the company's activities	46%	15%	30%	9%	-
The increased competence of Seroma Limited has been largely due to the company's policy of contracting third-party providers.	30%	-	46%	-	24%

Source: Primary data

100% of the respondents agreed that Seroma assesses employee skills before services are given to third-party providers which has reduced employee separation in the company. 68% of the respondents were not sure if over the years, the company has reallocated its production and operations management to different service providers, 15% agreed and 17% disagreed. This however showed some confusion which could be due to the technicality in the department. The practice brought about a reduction in the sales return. 46% of the respondents strongly agreed that the increased competence of employees in Seroma has been due to the company's policy of contracting service providers which has increased efficiency in the operation of the company's activities, 15% just agreed, 30% were not sure and 9% strongly disagreed. The findings in Table 5 also indicate that 61% of the respondents strongly agreed that a reduction in sales volume forces Seroma Limited to enter into a relationship with third-party providers which has increased the sales volume. 15% agreed, 9% were not sure and 15% disagreed. 46% of the respondents were not sure if the increased competence of Seroma Limited has been largely due to the company's policy of contracting third-party providers, 30% of respondents strongly agreed whereas 24% of respondents disagreed. The table above implies that there is a strong relationship between outsourcing and organizational performance due to the responses from the respondents that show the highest percentages of acceptance and lowest percentages of disagreement.

DISCUSSION

The study findings showed that the company does carry out outsourcing of services from third-party service providers as shown by the greater majority of respondents in Tables 7 and 8 showed that the majority of respondents (80%). The services the company outsourced are listed as auditing, human resource acquisition, and market research. These findings are in line with the findings of Twin et al.[5] when they observed that a company uses outsourcing to enlist the help of outside organizations not affiliated with the company to complete certain tasks. The outside organizations typically set up different compensation structures with their employees than the ones used by the outsourcing company, enabling those organizations to complete the work for less money. This

ultimately enables the company that chose to outsource to lower its labor costs through the combination of less pay and fewer benefits. From the findings, it was established that the majority of respondents were aware that the company outsources some of its non-core activities/services. This was shown by 100% who said Seroma is forced to give its non-core activities to third-party providers due to the pressure from other companies. This means that there was not any respondent who disagreed. It was concluded that the company carries out outsourcing of some of its non-core activities. The findings showed that the major reasons for outsourcing were: increasing efficiency in the operation of the company's activities, enhancing the company's competitive position, improving productivity while reducing sales returns, increasing the volume of sales, increasing the efficiency of employees in the company, and to reduce on the lead time. These findings are in line with the findings of Agburu et al.[15] who observed that companies use outsourcing to cut labor costs, including salaries for their personnel, overhead, equipment, and technology. More so, outsourcing is also used by companies to focus on the core aspects of the business, spinning off the less critical operations to outside organizations. On further examination, it was found that the outsourcing carried out by the company obtained beneficial results as there was positive feedback from the customers on the company's products, increased sales volume and reduced sales returns, and increased competence due to repetitive purchases by the company customers. However, there is still a problem with the lead time as over 53% of the respondents strongly disagreed with the improvement in delivery period and only 30% strongly agreed. These findings are in line with the findings of Azzolini[17] who observed that outsourcing is a strategic decision that allows you to specialize in your core area of expertise by relying on external partners to perform tasks specific to the value chain. It's like assembling a team of experts for a symphony orchestra, each playing their part to create a coherent whole. By doing so, firms can achieve greater efficiencies, acquire specialized knowledge and skills, and gain a competitive edge in the marketplace. The extent to which the company was meeting the targets of its outsourcing strategies was investigated and findings showed that the company was enjoying the benefits of outsourcing. The results were positive as over 76% of the respondents said there was positive customer feedback on Seroma, 100% of the respondents strongly agreed that the majority of the population knew about Seroma Limited and the fact that the company has opened up various branches all evidence benefits. On the other hand, the company suffered adverse disadvantages of outsourcing as over 83% of the respondents agreed that there was employee separation as a result of contracting third-party providers. This could have been because the company did not carry out an effective employee assessment as regards their skills before outsourcing providers as 30% of the respondents were not sure and 9% disagreed. These findings are in line with the findings of Twin et al.[5] who observed that outsourcing has disadvantages. For instance, signing contracts with other companies may take time and extra effort from a firm's legal team. In addition, security threats can occur when another party has access to a company's confidential information and that party suffers a data breach. Furthermore, a lack of communication between the company and the outsourced provider may occur, which could delay the completion of projects. The company though faced adverse disadvantages as a result of its outsourcing of projects/services to third parties; it also enjoyed advantages like increased competence of the company employees agreed by over 60% of the respondents, increased sales volume agreed by over 76% of the respondents and improvement in quality of products due to repetitive purchases among others. This was most likely because the company concentrated its outsourcing activities on increasing productivity and improvement of quality as shown by the highest percentage of agreement on services outsourced like technology, human resources, suppliers, transport, and internal quality initiatives. It was thus concluded that the company's outsourcing programs marginally satisfied the company's outsourcing objectives. The findings showed that when it came to outsourcing management, the majority of the respondents rated the company as being effective. This represents a higher average rating for the company's outsourcing management. The company's outsourcing management plan was found to be more than adequate according to the respondent's ratings in Table 8 where over 60% of them agreed that the company assessed employee skills before giving out services to third-party providers. The company's outsourcing plan appeared to be suitable as it was influenced by factors such as pressure from other companies rated at 100%, the need to reduce costs within operations rated at 45%, and the need to increase the sales volume of the company as shown in table 9. It was thus concluded that the reason for the company's reduced effectiveness in its outsourcing strategy may be supplier-based. In establishing the reasons/factors that affected the success or failure of outsourcing programs at the company. It was discovered that the company's decision to outsource is taken at a strategic level and normally requires board approval and Advisory services of outsourcing consultants to assist in scoping, decision-making, and vendor evaluation are also sought. The study findings showed that the company considered the factors of cost restructuring. Quality appraisal, current employee skills, appraisal process and legal issues, stalling issues, and risk management. It was seen that while a greater majority of respondents (68%) stated that quality appraisal and current employee skills were found, only 15% of the respondents strongly agreed that the appraising process and legal issues were considered which might result in compliance issues. For an outsourcing strategy to be effective, companies must proactively manage their outsourcing strategies by establishing top management commitment, global sourcing structures, and processes.

CONCLUSION AND RECOMMENDATIONS

The task of organizations, particularly companies, is to try and optimize platforms to satisfy customers' needs and at the same time maximize the revenue streams from the platforms. Using outsourcing programs in Seroma Limited enabled it to establish one-on-one and closer relationships with customers, provide customers with more and quicker information, answer their questions, and facilitate purchases, and therefore organizational performance will be improved. This is due to the services of information technology that are outsourced by the company. Based on the findings, the study calls for the company to carry out an appraisal of the outsourcing model that it is using which should also take into consideration the relationship the company has with the respective service providers to avoid compliance issues. More so, the company should carry out a strict and vigorous appraisal process when selecting a potential outsourcing partner. This should be done in line with establishing reliability, post-transaction, service guarantees, and warranties as well as legal cover. This should be backed up by a reliable equitable partnership structure which would ensure that both stakeholders ensure the highest standards and returns.

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