

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

The Nigerian fast foods industry emerged in the early 1980's with few restaurant business operators who had the desire to provide the kind of meals people desire to consume outside of their homes due to urban development and mobility from one place to another, especially in major cities of the nation. The trend increased more and standardized in the late 1990's due to increase in disposable income leading to the advancement of the concept of restaurant to fast foods that offers confectionaries and continental dishes. The industry attracted many investors and entrepreneurs in the 2000's due to the unprecedented growth the operators of fast foods experienced. New concepts and ideas have been introduced into the industry that began as traditional restaurant base businesses. Nevertheless the drive to satisfy customers by creating enabling environment to take market leadership as amongst players as a result of competition necessitated the adoption of various outsourcing strategies.

There are different types of fast foods companies in Nigeria, some are indigenously owned and they carry local brand names as desired by the business owners while others are foreign companies with their host in South Africa, China , United Kingdom and America being operated by franchise agreement .

According to Augusto (2008) in a research conducted it was discovered that the fast food industry of Nigeria is in its growth phase and has been on this trajectory for the past five years. The nominal average growth rate of the industry between 2000 and 2004 was 37% while real growth rate was 23%. This is considered impressive especially when compared to the average real growth rate of 6% for the economy and an average nominal growth rate of 14% and 17% for gross domestic product and disposable income respectively Similarly, the amount spent by an average Nigerian on Fast Food grew by over 200% between 2000 and 2004, which is indicative of the growing acceptance of Fast Food culture and the changing lifestyle of Nigerians.

1.2 STATEMENT OF RESEARCH PROBLEM

The Fast Food industry in Nigeria today is a beehive of activities and is gaining a lot of attention both within and outside the country. Industry trends such as rapid outlet expansion, strategic alliances (especially with companies in downstream sector of the oil and gas industry), and entrant of foreign players amongst others lends credence to these assertions. There exist in every economy, (whether developed, developing or less), various type of industries; manufacturing, service, food and beverage, textile, chemical etc. these industries compete among themselves for resources, infrastructure, market share and relevance, for successful competition, companies use creative and innovative weapons to compete favourably for profit maximization.

However the concept of outsourcing has not received a lot of attention as considered to be important elements that account for the growth and remarkable performance of the fast foods industry in Nigeria. Also the effects of outsourcing on firms' performance are not completely clear. Previous outsourcing studies show contradictory results; while some claim a positive relationship between outsourcing and performance outcomes, others report no significant or even negative effects. (Rothaermel and Deeds (2001).

Outsourcing without proper management control could sometimes result in job losses, According to Ghodeswar and Vaidyanathan (2008) a large number of employees whose organizations outsource their

business activities may have similar problems to those employees that have undergone downsizing, while organizations claim that the basis for outsourcing is to increase business efficiency.

1.3 OBJECTIVES OF THE STUDY

The general objective of the study is to determine the extent to which outsourcing have contributed to the performance of fast foods industry in Nigeria. The specific objectives of the Study are to:

- (i) To examine whether business outsourcing assist fast foods entrepreneurs to reduce operation cost in their business.
- (ii) To find out if knowledge process outsourcing supports fast food companies to build customers relationship.
- (iii) To find out if outsourcing assist firms to increase sales turnover.
- (iv) To determine whether outsourcing strategies adopted by a firm assist Nigeria fast food companies to increase profitability.

1.4 RESEARCH QUESTIONS

This study intends to answer the following research questions to solve the research problem.

- (i) How has business process outsourcing assisted fast foods entrepreneurs to reduce cost of operation in business?
- (ii) To what extent has knowledge process outsourcing affected customers' relationship?
- iii) To find out if outsourcing assist firms to increase sales turnover?
- (iv) To find out if outsourcing strategies adopted by a firm help Nigeria fast foods to increase profitability?

1.5 RESEARCH HYPOTHESES

The Research Hypotheses are indicated in their null and alternate forms.

Ho₁ Business process outsourcing does not assist fast foods entrepreneurs to reduce cost of operation in business.

Ha₁ Business process outsourcing assists fast foods entrepreneurs to reduce cost of operation in business.

Ho₂ Knowledge process outsourcing does not affect customers' relationship.

Ha₂ Knowledge process outsourcing affects customers' relationship.

Ho₃ Outsourcing strategy adopted by a firm does not increase the profitability of fast food companies.

Ha₃ Outsourcing strategy adopted by a firm increases the profitability of fast food companies.

1.6 SIGNIFICANCE OF THE STUDY

The Nigerian economy particularly the food and beverage sector which the fast food is a sub sector faces a major challenge of performance in terms of efficient and effective utilization of the available resources to generate adequate output that can compete globally. Augusto (2004). The study would help fast food investors to embrace the uniqueness of outsourcing strategy to venture into the business with lesser stress. It will also help them to see the opportunities that exist in embracing innovation technique as outsourcing that could help build customers relationship, increase productivity and efficiency of employee and assist in adoption of outsourcing strategies by Nigeria fast foods to increase turnover and profit.

Finally this becomes significant because it would provide a framework for fast food entrepreneurs and managers to be able to adopt outsourcing strategies in a unique manner to stay ahead of competition in their industry and also be able to compete globally with foreign fast foods in developed countries thereby

being in a model for the advanced world in any substantial form they desire which could be in form of developing unique menu that would be desired and demanded for globally by enterprise innovation .

1.7 METHODOLOGY OF THE STUDY

In other to accurately capture the effects of outsourcing strategies on the performance of Nigeria fast food industry, selected fast foods in Ilorin state was considered based on the registration of such fast foods outlet with the appropriate regulatory authority. The fast foods consisted of Tantalizers, Mr. Biggs, Tetrizzini, Chicken Republic, Tastee Fried Chicken, Munchies, Sweet Sensation, Mama Cass and Big Treat. Reduction in cost of business operation was used to measure business process outsourcing, customers' relationship and employees' productivity was used to measure knowledge process outsourcing, and profitability was used to measure the outsourcing performance of fast foods as regards adoption of new technology in fast food businesses.

1.8 THE SCOPE OF THE STUDY

The scope of the study was limited to companies in the fast food sector mostly registered ones with the appropriate authorities like Association of Fast Food Confectioners of Nigeria. (AFFCON) and the National Agency for Food and Drug Administration and Control (NAFDAC). Indices like stock exchange quotation was not considered because it is only about 2 to 3 fast foods firms that are listed and many others are not listed but are prominent and doing great in the industry in terms of expansion and turnover based on findings and observations. (AFFCON) and the National Agency for Food and Drug Administration and Control (NAFDAC). There are about 46 companies identified in Association of fast Food Confectioners of Nigeria. It was discovered that the AFFCON list did not only contain leading fast foods but also other fringe players in the fast foods industry. The AFFCON list was used to validate the existence and location of the companies sampled. However, for the purpose of this study, ten (10) fast food companies which includes, Mr. Biggs, Sweet Sensation, Tantalizers, Chicken Republic, Tetrizzini, Big Treat, Mama Cass, Tastee Fried Chicken, Munchies, Kenturkey Fried Chicken constituted the scope of the study.

The repondents for data gathering were limited to managers or directors and middle level staff in charge of production and business process in the study organizations. These managers are expected to be knowledgeable about outsourcing. The focus of the study was the fast foods industry of the Nigerian economy because of the importance of the sector to the overall economy of the country and its impact in helping the country to generate employment and increase revenue base.

1.9 LIMITATION OF THE STUDY

This study is limited by a number of variables. Some of these variables range from the use of only fast food companies registered with the Association of fast Food Confectioners of Nigeria. (AFFCON) and also the National Agency for Food and Drug Administration and Control (NAFDAC). The inability to capture the innovation and outsourcing contributions of small fast food corporations because most Nigerian fast foods outlets especially those owned by some Nigerians are not registered and were not willing to give necessary information as regards their operations due to the cost of registration with appropriate agencies. Also Most indigenous fast food companies are out of business due to energy consumption cost and low human capital capacity to stay ahead of competition as a result of growing overhead cost.

1.10 DEFINITION OF TERMS

Outsourcing: Outsourcing is the process by which an organization contracts with another individual or company to get some of its work done. Outsourcing simply means to transfer work responsibilities and

decision rights to someone outside the business.

Business Process Outsourcing (BPO): It is a situation in which a particular process task is outsourced. An example could be payroll. Business process outsourcing work could be either back office related or front office work.

Information Technology Outsourcing (ITO): This is usually overseen by the Head of information technology of an organization. However the head of IT is often called in to manage BPO and KPO operations where no significant IT skills are involved.

Knowledge Process Outsourcing (KPO): A situation of work that needs higher levels of involvement from the worker. The worker has to employ advanced levels of research, analytical and technical skills and has to make decisions of a higher order. Examples are marketing research, branding of products and services, advertising and patent/ intellectual property research.

IMPACT OF OUT-SOURCING ON ORGANIZATIONAL PRODUCTIVITY IN A SELECTED MANUFACTURING ORGANIZATION

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