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CHAPTER ONE
INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Sincethe industrial revolution, companies have grappled with how they can exploittheir competitive advantages to increase their markets and their profit. Themodel for most of the 20th century was a large integrated companythat can “own, manage and can directly control”

its assets. In the 1950's and1960's the rallying cry was diversification to broaden corporate bases and takeadvantages of economies of scale. By diversifying companies expect to protectprofit, even though expansion required multiple layers of management.

Subsequently,organizations attempting to compete globally in the 1970's and 1980's werehandicapped by a lack of agility that resulted from bloated managementstructures. To increase their flexibility and creativity, many large companiesdeveloped a new strategy of focusing on their core business, which requiredidentifying critical processes anddeciding which could be out sourced.

1.1.1 Initial StagesIn The Evolution Of Outsourcing

Outsourcingwas not formally identified as business strategy until 1989 (Mullins, 1996).However, most organizations were not totally self-sufficient; they outsourcedthose functions for which they had no competency internally. Publishers, forexample have often phased composition, printing and fulfillment services. The use of these essential but ancillaryservices might be termed the baseline stage in the evolution of outsourcing.Outsourcing support services is the next stage. In the 1990's as organizationsbegan to focus more on cost-saving measures, they started to outsource thosefunctions necessary to run a company but not related specifically to the core business. Managers contractedwith emerging services companies to deliver accounting, human resources, data processing,internal mail distribution, security, plant maintenance and the likes as amatter of "good housekeeping". Outsourcing components to affect cost saving inkey functions is yet another stage managers set to improve their finances.

Thecurrent stages in the evolution of outsourcing is the development of strategicpartnership. Until recently it had been axiomatic that no organization wouldoutsource core competencies, those functions that give the company a strategicadvantage or make it unique. Often a core competency is also defined as anyfunction that gets close to customers. In 1990's outsourcing some corefunctions may be good strategy not anathema. For example some organizationsoutsource customers services, precisely because it is so important.

Eastman Kodak's decision to outsource the informationtechnology system that undergrid its business was considered revolutionary in1989, but it was actually the result ofrethinking what their business was about. They were quickly followed bydozens of major corporations

whosetechnology to get access to information they needed. The focus today is less onownership and more on developing strategic partnership to bring about enhancedresult. Consequentlyorganizations are likely to select outsourcing on the basis of who can delivermore effective results for a specific function than on whether the function iscore or commodity.

1.3 STATEMENT OF RESEARCH PROBLEM

Outsourcingrefers to the delegation of one or more business process to an externalprovider who then owns, manages and administers selected processes based ondefined measurable performance matrices. As much as outsourcing has beenaccepted and employed by organizations, it has been observed that someorganization still perform poorly.

Thereasons for organization failure are not far fetched, problems ranging from theinability of the service provider tosolve a problem to fit into client organization's corporate structure andstrategy due to inadequate knowledge and inputs concerning corporate aims andobjective.

Outsourcedarrangements are often long term (projects) requiring services provider tounderstand organization's current and future business strategy and potentialchanging business profile. Cases aboundwhen the reverse is the case and as such it becomes rather difficult (to avoidunprofitable and unfavourable contractual arrangement).

1.3 OBJECTIVES OF THESTUDY

Theaim of this study is to examine outsourcing as a strategy for organizationperformance. Itsobjectives include; To

1. Determinehow firms can minimize the cost of outsourcing and at the same time maximizetheir company's objectives.
2. Examineoutsourcing problems and profer solution asto improve organizationperformance
3. Assesuses of outsourcing by organization to gain competitive advantage over itscompetitors
4. Examinethe relationship between outsourcing and organization performance.
5. Indentify/examine key factors for consideration when organization decide to outsource

1.4 RESEARCHQUESTIONS

1. Doesoutsourcing strategies improve organization performance?
2. Whatis the relationship between outsourcing and sales turnover?
3. Towhat extent does outsourcing strategies reduce cost of production of anorganization?
4. Whatis the effect of outsourcing on job quality?
5. Whatis the relationship between outsourcing and employment generation in Nigeria?

1.5 RESEARCHHYPOTHESIS

Thenull (H_0) and alternative (H_I) hypothesis are formulatedbelow to aid hypothesis testing.

Hypothesis 1

H_o: There is no significant relationship betweenoutsourcing strategies and sales turnover

H_I: There is significant relationship betweenoutsourcing strategies and sales turnover

Hypothesis2

H_o: There is no significant relationship betweenoutsourcing and organizations competitive advantage

H_I: There is significant relationship betweenoutsourcing and organizations competitive advantage

1.6 SIGNIFICANCE OF THE STUDY

Thesignificance of the study exposes the researcher to the importance ofoutsourcing strategy that include:

1. Itaids and enhance productivity among organizations
2. Thestudy will enable organization to cut their overhead cost.
3. Thestudy will enable organizations to increase their efficiency.
4. Thestudy will enable organizations to improve quality of their product andservices
5. Thestudy will enable organizations to gain competitive edge over its competitors
6. Thestudy will aid the release of organization resources for other core activities
7. Toimprove customer/ client/ consumer satisfaction

1.7 LIMITATION OF THESTUDY

Theresearch work demanded that the projectshould be completed within a specific period of time which limits furtherinvestigation into the study.

Uncooperativeattitude of some respondents may pose agreat threat to researchers conclusions.

Inadequatetextbooks prevent more comprehensive current literature review in thestudy.

THE EFFECTS OF OUTSOURCING STRATEGIES ON ORGANIZATION PERFORMANCE (A CASE STUDY OF NIGERIAN BREWERIES PLC)