

An Evaluation of Outsourcing Process in a Nigerian University: Benefits and Challenges

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Abstract

This study examined the outsourcing procedures in a Nigerian University as well as the benefits and challenges involved. Data were derived from primary sources through the administration of questionnaires on 52 purposively selected university administrative staff (20) from the departments responsible for the outsourcing process as well as (32) from the companies that provide the outsourced services. In depth interviews were conducted with 8 purposively selected university administrative staff involved in the outsourcing process. The retrieved questionnaires were analyzed using descriptive statistics in the form of frequencies, while the interviews were reported using the ZY index table. The results revealed that strategizing on the services to be outsourced and weighing the outsourcing options before choosing and screening the vendors were the major steps embarked upon in the outsourcing procedure. The reasons for outsourcing included the quest to reduce and control cost as well as the need to improve the quality of services delivered. The results further revealed that the process of outsourcing improved the quality of services provided (75%), reduced cost (76.9%), increased efficiency and enabled the university to focus on more core activities (71.1%). The major challenges identified in outsourcing included the insecurity which it creates among university staff (96.1%), and poor motivation and competence of the outsourced staff (84.6%). The study concluded that the university management should carefully plan and evaluate the outsourcing process to ensure its success in cutting cost and in providing efficient service in line with the university goals.

Keywords: - Outsourcing, benefits, challenges, Nigeria, University.

1. Introduction

Universities are organizations which provide the essential service of educating the populace. They disseminate and popularize knowledge that promote innovation and invention. They are major vehicles for economic and social development and they have responsibility for equipping individuals with advanced knowledge and skills required for positions of responsibility in government, business and the professions (Onokerhoraye and Nwoye, 1995).

Universities just like most other organizations have been concerned about increasing efficiency, effectiveness, productivity, performance and accountability, by adopting various methods, prominent among which is outsourcing. In line with this, the Federal government of Nigeria in realizing the need to facilitate the development of outsourcing as a strategy for diversification of the Nigerian economy, embarked on the formulation of the National Outsourcing Policy and Institutional Framework for Nigeria in 2007. (Ikeije & Nwaoma, 2015). Consequently, some universities in Nigeria have embarked on outsourcing in order to improve service delivery. This would enable them to increase flexibility and also focus on their core competencies particularly at a time like this when the federal government has declined in fully funding the universities. Financial limitation remains Nigerian universities' main challenge, yet they are expected to provide quality education to their students whose population has grown rapidly in the face of stringent funds (Sang 2010).

Outsourcing involves the transfer of organizations' regular business activities to a service provider outside the organization. It means vendors outside the institution exclusively handle services and functions that once were the domain of the institution's staff (Alexander & Young, 1996). Domberger (1998) referred to outsourcing as the process of searching for and appointment of contractors for the provision of goods and services and the execution of the contractual relations needed to support such activities. Outsourcing relationships are usually long-term propositions which are usually between 5 to 10 years range and sometimes longer considering the magnitude and the complexity involved. (Barako & Gatere, 2008).

Concerns over costs and productivity in universities have continued to grow globally. Faced with these realities, universities in most other parts of the world (United States and Europe) have already outsourced services with renewed interest in determining if external companies can provide services at a lower cost and with a higher quality product. For instance, the University of Phoenix, has been successful in keeping its costs lower by contracting the use of library services from nearby institutions. It was also found that 94 percent of colleges and universities in the United States outsourced at least one service; 34 percent outsourced five or more services and 37 percent are expected to increase their use of outsourcing over the next few years (Peterson, 1995). Nigerian universities should therefore draw lessons from these examples by using outsourcing as a strategic tool to improve their services and concentrate on their core competences of teaching and research. Although

universities in the developed world have adopted this strategy, Nigerian universities are experimenting with it. This study therefore attempted to evaluate the outsourcing process in Nigerian universities by using a Federal University that has recently adopted the strategy as a point of reference. It also seeks to identify the reasons for outsourcing the non-core services as well as elicit the benefits and challenges of outsourcing initiatives in the public university.

2. Literature Review and Theoretical Frame Work

Outsourcing is a contractual transfer of organizational activities and responsibilities to external business entity. It is the externalization of employment that involves a contractor taking over the in-house function (Sang, 2010). Kirp (2004) indicated that the providers provide services that were initially provided internally in an organization. Outsourcing is a relatively new phenomenon in Nigerian universities and a great debate occurs today on many campuses regarding the decision to outsource functions. Most universities in developed countries however, have been successful in keeping costs lower by outsourcing some of its services. For instance in the United States of America, higher educational institutions indicated that outsourcing and privatization of non educational services allows them to focus more on their core mission which is to educate students (Peterson, 1995). Generally however, it was found that outsourcing helped companies reduce and control operating costs, improve company focus, gain access to world – class capabilities, free up resources for other purposes, obtain resources not available internally, accelerate reengineering benefits, free themselves of a function that is difficult to manage or is out of control, share risk, make capital funds available and create a cash infusion (Domberger, 1998).

Furthermore, Kakabadse and Kakabadse (2001) identified the importance of outsourcing by affirming that it helps organizations to achieve the best practice. They also emphasized that it improves the cost discipline skills of managers as well as improve the quality of service. Further still, they affirmed that it helps senior managers focus more clearly on the core competences of the organization. Some other authors (Sang, 2010; Peterson, 1995 & Kirp, 2004) have found that the primary reasons for outsourcing is to enable organizations concentrate on key abilities, accomplish control over expenses and satisfy clients. Elmuti (2000) noted that outsourcing is a means through which organizations solve problems related to structuring and cost effectiveness

Colleges and universities are experimenting with outsourcing in an effort to reduce costs, increase service efficiencies and boost income (Jefferies, 1996). Goldstein et.al (1993) and Gilmer (1997) found out in their studies that outsourcing has traditionally been used to operate campus bookstores and dinning services. They also found that many institutions have utilized outsourcing in facilities operation, computer services, security, childcare, residence halls, teaching hospitals and institutional management. In the same vein, Peterson's (1995) study in the United States found that outsourcing is vast in higher education and found up that to 2000 companies, offered more than 100 services. He emphasized that more than 40 percent of college bookstores and more than 60 percent of dinning halls were operated by outsourced firms.

The outsourcing practice has numerous shortcomings despite its very many benefits. Some of them include: loss of institutional control of the outsourced area, human resource problems, inadequate service provision by the service provider, lack of skilled staff that are not loyal to the institution, decreased salaries as well as staff redundancy because jobs are shifted from the university staff to contractors. Ender and Mooney (1994) found that the greatest impediment to outsourcing is staff retrenchment and its effect on institutional moral. Outsourcing can depress organizations that already suffer from low levels of communication and further make the professionals whose tasks are being outsourced to feel devalued professionally. Push, Kemper & Goldstein (1995) however proffered a structured method that would help to clarify issues to support the decision – making process in outsourcing so that the challenges can be minimised. The method would help in crafting a joint regulatory framework for outsourcing initiatives in public universities.

3. Methodology

This study adopted the survey research design and utilized data from both primary and secondary sources. Primary data were generated through the administration of questionnaires to 52 purposively selected university administrative staff (20) from the departments responsible for the outsourcing process, as well as staff (32) from the companies that provide the outsourced services. The breakdown of the university staff sampled included: 5 staff from the Bursary and Accounts Department, 12 from the Security Unit and 3 from the Maintenance Unit, bringing the total sample to 20. The breakdown of the staff of the outsourced company sampled included: 10 from the security company and 22 from the company responsible for cleaning the various faculties of the university. This brought the total respondents to 32. In addition, in depth interviews were conducted with 8 purposively selected university staff involved in the outsourcing process. The retrieved questionnaires were analyzed using descriptive statistics in the form of frequencies and percentages, while the in depth interview were reported using the ZY index table.

4. Results and Discussion

Table 1: Respondents' opinions on the procedures of outsourcing in the university.

Procedures	1	2	3	4	5	6	7	8
The university strategizes on the services to be outsourced.	++	++	++	++	++	++	++	++
The university weighs the outsourcing options (i.e. why, what, when and how).	++	++	++	++	++	++	++	++
Chooses vendors and negotiate through evaluation.	+	++	+	+	++	+	+	+
Screening of potential vendors.	+	+	+	-	+	-	+	-
Define line of communication and exchange of knowledge between the vendors and the university.	+	+	+	-	+	-	+	-

Key:

++ = cases where opinions were strongly expressed

+ = cases where opinions were expressed

- = cases where opinions were not expressed

Data on Table 1 shows the opinions of the 8 administrative staff interviewed from the Bursary, Security and Maintenance Units of the university that are involved in the process of outsourcing. Results on the table show that the university first of all strategizes on the services to be outsourced during the outsourcing process. This is the major step embarked upon in the outsourcing process because all the respondents interviewed strongly expressed this view without any reservation as indicated on the table.

Secondly as shown on the table, the university weighs the outsourcing options by determining what is to be outsourced, why it should be outsourced, when and how it should be outsourced. The table shows that all the respondents except for one reported this opinion. This step is critical because although there may be success in outsourcing, it is imperative that some specific services are considered impossible to be outsourced. These include teaching, research, administrative functions, finance and other critical assignments.

The table further shows that all the respondents reported that vendors are chosen by negotiating through evaluation. Part of this method is by giving them the opportunity to tender their proposals, which are subjected to scrutiny and evaluation. Furthermore, the respondents expressed the fact that university screened potential vendors. Although screening of potential vendors is a critical step in the outsourcing process it was not strongly expressed. It should be noted that outsourced vendors and services are normally evaluated differently from in sourced services. This is important because the vendors must be able to prove that they can serve the university community better.

Data on the table shows that the respondents except for two opined that lines of communication and exchange of knowledge between the vendors and university is usually defined. They explained that this is achieved through regular meetings with senior university staff involved in the outsourcing process. Generally results on the table corroborate, that of Kewal (2000) who also noted that the initial steps that a university should take in outsourcing includes developing goals and deciding on the services to be outsourced.

Table 2: Respondents' opinions on the reasons for outsourcing in the university.

Opinions	1	2	3	4	5	6	7	8
Reduces and controls operating cost.	++	++	++	++	++	++	++	-
Enables internal resources to be used for other purposes that facilitate administrative efficiency.	+	+	+	+	+	-	+	-
Reduces the risk of obsolescence and increases safety.	+	-	-	-	+	-	+	-
Helps to avoid huge capital outlay.	+	+	-	+	+	+	+	-
Improves the quality of services delivered.	++	++	++	++	++	++	++	++

Key:

++ = cases where opinions were strongly expressed

+ = cases where opinions were expressed

- = cases where opinions were not expressed

Table 2 shows the opinions of respondents on the reasons for outsourcing in the university. Data on the table shows that majority of the respondents strongly expressed the fact that outsourcing reduces and controls operating cost as well as improves the quality of services delivered. These were the major reasons provided for outsourcing services in the university. Other reasons that were expressed include the fact that outsourcing helps avoid huge capital outlay and enables internal resources to be used for other purposes that enhance and facilitate administrative efficiency. It should be noted that the view that outsourcing reduces the risk of obsolescence and increases safety was not strongly expressed by the respondents.

Generally, the results on this table support that of Sang (2010) who found that most universities have considered outsourcing as an option in order to be frugal in their expenditure. It has also been used to improve efficiency and to meet the demands of greater accountability in the university. This result therefore indicates that the growing use of outsourcing in universities reflects a general acceptance by campus administrators of the need to reduce costs in the process of continuous provision of essential university services. These are the economic factors that encourage outsourcing.

Table 3: Respondents' opinions on the benefit of outsourcing.

Benefits	Frequency	Percent
It has improved the quality of services provided (cleaning and security)	39	75%
It has helped in reducing cost.	40	76.5%
It facilitates access to new innovations and technologies through recruiting qualified outsourced staff.	25	48%
It makes the university more efficient and able to focus more on core activities.	37	71.1%
Loss of control of outsourced services by the non-academic junior staff.	48	92%

Table 3 shows the respondents' opinions on the benefits of outsourcing services in the university. Data on the table reveals that the benefits of outsourcing university services include: loss of control of outsourced services by the junior non-academic staff (92%), reduces costs (76.9%), improves the quality of services provided (75%), increases university efficiency and enables the institution to focus on more core activities (71.1%), and facilitates access to new innovations and technologies through the use of qualified outsourced staff (48%).

These results show an improvement in outsourced services such as cleaning and provision of security which were formally under the control of the junior non-academic staff in the university. Institutions need to view outsourcing as not just contracting services but also as partnering and sharing responsibility for managing the service delivered. Adequate communication is necessary in this regard. Hence, Kewal (2000) noted that the right reasons for outsourcing and its benefits should be carefully analyzed and clearly understood. He emphasized the need to only outsource non-core functions that cannot be done in house and the selected partner must have access to superior working tools to be more efficient.

Table 4: Respondents' Opinions on the challenges of outsourcing in the university.

Challenges	Frequency	Percent
Creates a feeling of insecurity for university employees.	50	96.1%
Lack of competent staff provided by the service provider to save cost.	44	84.6%
Poor work attitude of outsourced staff.	27	51.9%
Non-corporation of staff and students with outsourced staff.	28	53.8%
Poor motivation of outsourced staff.	44	84.6%
Poor communication skills of outsourced staff	42	80.7%

Table 4 shows respondents' opinions on the challenges of outsourcing. Results on the table show that a huge number (96.1%) of the respondents reported that outsourcing creates a feeling of insecurity for university employees involved in executing the duties outsourced. This keeps the employees wondering if their jobs would be next to be outsourced. A common trend among those employees who risk having their duties outsourced is to feel devalued and wonder if the institution understands how important their function is to the overall university's mission. Lack of competent staff provided by the service providers in an attempt to save cost as well as the poor motivation of such staff were reported by a large number (84.6%) of the respondents as another major challenge posed by outsourcing in the university. It should be noted that sometimes the staff as well as the firm performing

an outsourced function may not do the job adequately. This may result in the institution's need to disrupt the service by changing the vendors. This affects the quality of service provided and creates a lack of control for the quality of such services provided. When outsourced staffs are not properly motivated, their performance would be affected. This therefore probably accounts for the reason why a sizeable number (51.9%) of the respondents indicated that the poor attitude of the outsourced staff was a major challenge. Poor motivation of staff is a major factor that accounts for staffs' poor job performance and work attitude.

Data on the table further shows that a sizeable number (53.8%) of the respondents indicated that non-cooperation of staff and students with the outsourced staff was a major challenge. This is perhaps because students and staff evaluate outsourced services more critically than in sourced services. Also, company uniforms can create a separation that staff and students notice and which makes them critical and uncooperative. It should also be noted that the services provided by outsourced staff are those that are known to be more susceptible to students' criticism and are more connected to students on a daily basis (e.g. cleaning and security). For instance, it was found that students do not cooperate with the outsourced staff in providing needed information on security issues and they sometimes litter the surrounding environment as soon as they are kept clean by the outsourced staff instead of using the trash cans provided. Result on the table further shows that poor communication skills of some outsourced staff (80.7%) was a challenge in the outsourcing process. This may not be unconnected with the fact that the services outsourced (cleaning and security) attract staff with lower educational qualifications that are not proficient in expressing themselves in the official language of communication. This can negatively affect the institution which already suffers from low levels of communication due to the fact that some professional staffs' duties have been outsourced. This is evidence that a major hidden cost associated with outsourcing is its impact on employees. This result implies that emphasis should be laid on the institutional services and functions that should be outsourced. Also, their implication on climate in the institution in terms of communication with staff and students should be carefully evaluated. This is critical because the embedded values and pattern of norms that shape the behaviour of individuals in the institution may be affected and compromised.

4. Conclusion

Faced with the realities and concerns over cost, lower endowments and support from government, universities have adopted outsourcing as a means to maintain quality education and delivery services.

This paper therefore examined the process of outsourcing in a Nigerian public university as well as investigated the reasons, benefits and challenges of the process. The major services outsourced in the university were cleaning and security. It was found that in the process of outsourcing, the university first of all strategizes on the services to be outsourced before weighing the outsourcing options in terms of why it should be outsourced and how it should be done. Reduction in cost and an improvement in the quality of services delivered were major reasons for outsourcing amongst others. The major challenges of outsourcing were found to be the feeling of insecurity which it created amongst the university staff. The poor attitude and competence of the outsourced staff due to inadequate motivation by the vendors was also a challenge. Although there is a renewed interest in bringing in external companies to provide services at a lower cost, institutions need to partner and share the responsibility for managing the service delivered in order to ensure the quality.

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