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EFFECTS OF OUTSOURCING OF SERVICES ON PERFORMANCE OF MANUFACTURING COMPANIES IN ELDORET AND NANDI HILLS, KENYA

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ABSTRACT: *At the present, firms are increasingly using outsourcing of services to improve the firm's effectiveness, productivity, profitability, quality of products, quality workforce. Private sector expenditure is substantial. Owing to the enormous amount of money involved and the fact that the money comes from the private stakeholders and business, thus, they demand accountability and efficiency. The general objective of this study was to examine the effects of outsourcing on organizational performance. Specific Objectives were to examine the effect of outsource financial activities and outsource human resource activities.The study was anchored by two theories, Resource-Based View Theory and Principal Agent Theory. Explanatory research design was utilized in this study. Data was collected from a sample of 81 respondents from the private sector manufacturing companies translating to a response rate of 90%. A likert scale type of questionnaire was used to solicit primary data. The data analysis methods used were descriptive and inferential statistics, utilizing a multiple regression analysis model. The study findings showed that outsourced HR activities has significant effects on firm performance. However, outsourced finance and accounts activities have no significant effect on firm performance. The study concludes that outsourcing HR functions may be the best pathway to cost savings especially if effective HR activities already do exists in the organization. There is therefore need for firms to recruit using recruitment bureaus since it attracts the most qualified, competent and talented employees, not to outsource financial activities.*

KEYWORDS: Firm Performance, Financial Activities and Human Resource Activities.

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 (Bender 1999). Strategic management of outsourcing is perhaps the most powerful tool in management, and outsourcing of innovation is its frontier (Quinn, 2000). Outsourcing is a management strategy by which an organization delegates major, non-core functions to specialized and efficient service providers (Corbett, 1999). The traditional outsourcing emphases on tactical benefits like cost reduction (for example, cheaper labor cost in low-cost countries), have more recently been replaced by productivity, flexibility, speed and innovation in developing business applications, and access to new technologies and skills (Greer, Youngblood, and Gary 1999).The market for providers of outsourced services of all types are growing rapidly. In 1996, American firms spent over

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$100 billion in outsourced business activities (Casale and Overton 1997). A study conducted by Yankelovih (2005) Partners indicated that two-thirds of companies world-wide 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 (Goldstein 1999).

Successful implementation of an outsourcing strategy has been credited with helping to cut cost (Greer, Youngblood and Gray 1999), increase capacity, improve capacity, improve quality (Kotabe, Murray and Javalugi 1998), increase profitability and productivity, improve financial performance, lower innovation costs and risks (Quinn 2000), and improve organizational competitiveness (Steensma and Corley 2000). Companies that outsource should continue to monitor the contractor's activities and establish constant communication (Guterl 1996). Previous research of outsourcing (Jacobides, 2005) is largely exploring the financial implications of outsourcing and mainly presents parent organizations dissatisfaction with the ongoing projects which are often terminated before expected (Kavcic and Tavcar, 2008). Despite the growing interest in the phenomenon of outsourcing, which have recently raised increasing attention among researchers in the most propulsive economies over the past few years, namely the authors in India (Pandey and Bansal, 2003) and China (Choy *et al.,*2005), it is difficult to trace a comprehensive strategy for preventing or resolving problems of outsourcing projects. Studies (Thoms, 2004; Schniederjans*et al.,*2005; Taylor, 2006) often reveal the hidden costs as the most problematic segment of outsourcing, in which problems usually occur when organizations are already heavily involved in the outsourcing projects and the termination of contract in that phase would inflict large financial losses for both sides. Surprisingly, research is rarely dealing with the other negative consequences that may pose a potential threat.

With the increasing globalization, outsourcing has become an important business approach, and a competitive advantage may be gained as products or services are produced more effectively and efficiently by outside suppliers (Yang, *et al.,* 2007; McIvor, 2008). The need to respond to market changes on a daily basis and the difficulty of predicting the direction of such changes mean that organizations must focus on their core competences and capabilities (McIvor, 2008). Traditionally, outsourcing is an abbreviation for "outside resource using". Outside means to create value from without, not within, the company (Yang, *et al.,* 2007).

Kenya manufacturing firms are not an exception; they too are outsourcing operations to external contractors in order to achieve low cost and hence maximize returns. There has been a need to understand in broadness how outsourcing affects the organization performance of manufacturing firms in Eldoret and in Nandi hills Towns and hence the need for this study.

Statement of the Problem

There has been so much outsourcing in areas like information technology that scholars are now starting to ask whether some of that outsourcing will be reversed, in the form of back sourcing (Whitten and Leidner, 2006). By outsourcing to specialist organizations services not generated by core competences, companies can see an improvement in their organizational performance, Gilley and Rasheed (2000). Though with outsourcing of non-strategic services, manufacturing firms have been regularly hampered with declining performance, Now that, if manufacturing firms can embrace on outsourcing there is likely to increase performance and allow the organization to be more flexible. Most organizations grapple with quality of their services and

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as a result leading to poor performance. Dress *et al.,* (1995) points out that, increasing the outsourcing of non-strategic services can improve both the quality and the service. Gilley and Rasheed (2000) state that the outsourcing of services of low strategic value enables the company to reduce costs and improve its competitive position. In the recent past, firms are increasingly using outsourcing to improve the organizational performance of the firm. Despite this, few organizations lack adequate capacities to outsource and thus the need to point out the effects of outsourcing on organization performance. Firms face intense competitive pressures due to factors like technological change and globalization. In response to these concerns, companies, both large and small, are increasingly outsourcing their activities by shifting what they traditionally handled internally to external suppliers. Therefore, study sought to establish the effect of outsourcing services of companies on performance while focusing on manufacturing firms in Eldoret and Nandi Hills town.

LITERATURE REVIEW

Concept of Organization Performance

Organization performance is defined as an internal standard of performance (Pfeffer and Salancik 1978) and is approximately a construct "for doing the things right". From resource dependence perspective efficiency is an independent measure for evaluating organizational performance. Outsourcing strategy effects should be observed in long term operating performance for two reasons. First, assuming management bases its outsourcing decision on the goal of minimizing costs, overall performance should improve. Second, the market response to an outsourcing announcement is the result of investors' revised expectations about future cash flows based on newly available information. A positive market response to an announcement suggests investors expect improved future organization performance. Likewise, resource based theory suggests that even an outsourcing decision resulting in a negative net wealth effect enables the firm to focus resources on strategic activities indirectly leading to improved organization performance.

Organizational performance refers to ability of an enterprise to achieve such objectives as high profit, quality product, large market share, good financial results, strategic outsourcing and survival at pre-determined time using relevant strategy for action (Koontz and Donnell, 1993). Organizational performance can also be used to view how an enterprise is doing in terms of level of profit, market share and product quality in relation to other enterprises in the same industry. Consequently, it is a reflection of productivity of members of an enterprise measured in terms of revenue, profit, growth, development and expansion of the organization (Koontz and Donnell, 1993).

Although theory suggests expected improved organization performance following human resource, marketing, technology and finance activities. Empirical survey research to date reports mixed results on the relationship between outsourcing and firm performance. Gilley *et al,*. (2004) employ survey methodology in firms outsourcing technology and payroll functions, and find no relationship between managers' perceived firm performance. Empirical studies investigating profitability effects of other types of outsourcing are inconclusive. Namely, no direct effect of outsourcing peripheral and core activities on firms' financial and non-financial performance (Gilley &Rasheed, 2000), a negative short term and positive long term impact of

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outsourcing business services on firm performance (Gorzig& Stephan, 2002), no effect of outsourcing business services on profits (Görg& Hanley, 2004) and a decline in profitability in the year of the announcement, but improvement in subsequent years (Juma'h& Wood, 2000). These contradictions show that notwithstanding the prevalence of outsourcing, there is no clear empirical evidence that firm performance improves following outsourcing strategy implementation.

Recognizing that the outsourcing decision and factors determining organization performance may be endogenous choices, the optimality of the outsourcing decision is introduced as a boundary condition. Leiblein, Reuer, and Dalsace (2003) show that technological performance improvements following outsourcing are dependent upon the alignment of governance decisions with contractual hazards; suggesting an influence of the optimality of the outsourcing decision on firm performance.

Theoretical perspective

Resource based view: Resource-based view has become one of the most influential and cited theories in the history of management theorizing. The study has been building on the resource-based view theory of the firm according to (Wernerfelt, 1984), this study applies knowledge-based view of the firm. Drawing on the RBV, we extend transaction-based perspectives of strategic outsourcing by focusing attention on the role of specialized services obtained through intermediate markets. This approach, however, requires a refinement in the traditional role of boundaries. In particular, while conventional approaches to boundary conditions emphasize boundaries as an economizing buffer to environmental contingencies (Araujo*et al.*,2003), boundaries also act as a bridge to intermediate markets through relationship 'ties' formed by a focal firm. In other words, boundaries integrate as well as separate a firm from its environment. In this work, we define bridging as the process by which firms establish linkages with intermediate markets, suggesting that new services may be obtained through relationships established within and across a firm's relationship network (Burt, 1992; Granovetter, 1973). Herein, our focus is on the specialized services provided through these relationships. The ability to access new and potentially more valuable services is a critical driver of strategic outsourcing because these actions can fundamentally alter a firm's services endowments (Morrow *et al.*,2005), making it easier to pursue new opportunities in the market. We maintain that different conditions affect the value of services sourced from intermediate markets. In particular, we briefly describe four resource based considerations for strategic outsourcing: complementarily of services, strategic relatedness, relational service-building mechanisms, and cooperative experience.

Outsourcing of financial activities on organizational performance

Although previous empirical studies of outsourcing have produced equivocal results, there is increasing evidence that certain economic motives may prompt a firm's decision to pursue this organizing form. There are three possible economic motives behind outsourcing. First, outsourcing potentially reduces bureaucracy. In turn, these demands distract managerial attention from important sources of innovation opportunities, Ravenscraft, (1994). As transaction volumes increase, mobility and exit barriers form reducing strategic flexibility and often trapping firms in obsolescent technologies (Harrigan, 1985). Thus, outsourcing helps firms align competing priorities, focus management attention on growth and innovation opportunities, and target resources to those tasks firms do best.

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The essential of financial outsourcing has been highlighted by recent research (Wood *et al.,* 2001; Nicholson *et al.,* 2006; Nicholson and Aman, 2008; Maelah*et al.,* 2010). Wood *et al.,* (2001) focus on outsourcing of finance function by UK small to medium sized enterprise. They examine risk and reward mechanisms in maintaining finance activities internally as opposed to contracting it out to the market. Nicholson *et al.,* (2006) draw on the practice of finance outsourcing and revealed a broad spectrum of transaction costs and management control. Following this, Nicholson and Aman (2008) provide an in depth study and analysis of financial outsourcing by three UK firms offshoring to India. They focus on both client and vendor sides and examine the risks and control involved in financial outsourcing. Maelah*et al.,* (2010, 2011) discuss issues of risks and control of finance outsourcing in Malaysia but have not covered issues of manufacturing firms outsourced or relocated their financial services in Malaysia. Hence, the study of financial outsourcing is still limited and there is a need to understand their challenge and issues specifically in mitigating transaction costs.

Based on the considerations noted above, financial advantages evolve in three ways. Firms pursuing strategic outsourcing through substitution (Gilley and Rasheed, 2000) benefit from financial capital (cash) exchanged for internal factors of production (facilities, equipment, management and production personnel) when assets are transferred or sold to firms in intermediate markets. The nature and size of this financial capital-factor exchange often has substantial effects on the total value of strategic outsourcing 'deals'. With strategic outsourcing, firms can reduce or eliminate longer-term capital outlays to fund future investments related to the outsourced' production. This allows firms too partly such as amortization and depreciation costs, to intermediate markets.

According to Reddy and Ramachandran (2008), approximately 30-35 per cent of time in financial work is spent in low-end transaction processing activities. financial services that are often sent to outsourcing include bookkeeping and accounting processes; general ledger accounting; fixed assets accounting; inventory management; reconciliations; payroll accounting; taxation; accounts receivable; internal controls; preparation of financial statements; and financial reporting or management information system (Reddy and Ramachandran, 2008; Krell, 2007). Outsourcing of such repetitive and non-value adding activities allow firms to focus more on strategic activities like financial planning. Maelah*et al.,* (2011) studies on financial outsourcing in Malaysia show that firms outsource their financial services for quality of services and the most common outsourcing activities are financial reporting and auditing.

Strategic outsourcing can buffer firms by providing access to resources (Miner *et al.,* 1990). Thus, firms reduce their exposure as capacity and costs are more directly linked to actual production output (e.g. the number of 'units' produced). This allows firms to transfer the risk of changes in production as well as responsibility for future capital outlays to intermediate markets. Increases in bureaucratic complexity increase the coordination costs associated with different factors of production, especially when specialization reduces the degrees of freedom (Rothaermel*et al.,* in press). Diminishing returns result when the loss of strategic flexibility and the increase in administrative costs outweigh the benefits of integration (Jones and Hill, 1988). Accordingly, when increased specialization simplifies coordination across a value chain (Jacobides, 2005), or when internal production is more efficient through intermediate markets, firms are more likely to integrate and use specialized capabilities.

Ho_1: There is significant effect of financial activities on firm performance.

Outsourced Human resource on organizational performance

Outsourcing HR functions may not be the best pathway to cost savings, especially if effective HR activities in the organization already exist (Marquez, 2007). Marquez (2007) provides an example of an organization that invested their budget in building self service benefits, and related internal activities. As a result, HR costs were decreased by 11 percent. Marquez also suggested that while HR outsourcing might be the best option for many organizations, it is better if organizations try to develop their own HR activities before going for HR outsourcing trends. Thus, it could be said that the investment in internal HR activities could bring a cost saving benefit to organization as well (Thomas D., 2005).

HR outsourcing is the contracting out of parts or the whole of the functions of HR to external providers, rather than performing all the HR functions internally (Adler, 2003; Patry*et al.*, 1999). HR outsourcing ranges from simply transferring noncore activities such as payroll and benefits administration to external providers, to the outsourcing of recruitment, training and even HR strategic planning (Patry et al., 1999; Klaas*et al.*, 1999). HR managers are expected to be more flexible, responsive, and efficient than personnel managers of old, and to contribute to the strategic decisions of their organizations. In response to this paradigm shift, many HR managers are turning to outsourcing as a way of meeting these demands (Cook, 1999; Lepak and Snell, 1998).

Research also reveals that there may not be an issue if outsourcing HR functions are linked to mechanical processes such as payroll, but problems could arise when organizations outsource HR functions related to employees (Kessler, Shapiro & Purcell, 1999). According to research conducted by Kessler *et al.*, (1999), organizations may face serious obstacles when outsourcing HR activities if adequate attention is not paid to the remaining HR employees. Outsourcing can produce negative feelings in employees that remain internally (Kakabadse&Kakabadse, 2000), and these feelings can impact on organizational culture. There is some evidence to suggest that internal employees may suffer from job insecurity, decreased productivity, decreased employee morale, decreased employee loyalty, increased absenteeism, and increased employee turnover (Kakabadse&Kakabadse, 2000). Not only that, if not managed well, outsourcing HR can result in interpersonal and group conflict between the external and internal employee groups (Grauman& Paul, 2005).

Research conducted by Grauman and Paul (2005) shows that outsourcing HR activities can also increase the risk of losing confidential information; including reports, audit trails, and personal data. Domberger (1998) believes that internal knowledge and skills could also be lost. Furthermore, Domberger cites that, similar to the issue of lost internal knowledge and skills, is the issue of lost organizational innovation and knowledge when outsourcing occurs. Research has also shown that organizations may have to face decreasing organizational productivities, as a consequence of this loss of employee skills and knowledge (Berry, 2005; King, 2004).

In many studies, HR outsourcing decisions were found to be a response to an overwhelming demand for reduced costs in HR services (Greer *et al.*, 1999; Lever, 1997). Intensifying competitive pressures have forced organizations to be more aggressive in cutting costs. As a result, HR departments are under increasing pressure to find ways to provide more value at lower cost (Adler, 2003; Cameron, 1994; Yeung*et al.*, 1994). Outsourcing is one potential tool to achieve this. Cost savings can be achieved through increased benefits from economies of scale of the providers for whom the provisioning of these outsourcing activities is a core

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activity (Walker and Weber, 1984). External suppliers can achieve economies of scale by performing the same activity for several customers and consequently lowering the cost per unit (Abraham and Taylor, 1996). In this debate, the reduction of labour costs receives particular attention (Erridge, 1995). The staff, previously engaged in carrying out the activity, can be deployed in other areas, can be transferred to the external supplier or can be laid off (Harris et al., 1998).

In addition to this, organizations may experience a loss of control over HR activities if they introduce outsourcing (Marquez, 2007). This is affected by the quality of HR provider and the service agreement that exists between, the provider and the organization (Grauman& Paul, 2005). Gilley, Greer and Rasheed (2004) analyzed the relationship between the outsourcing of human resource (HR) activities, namely training and payroll, and firm performance. Researchers hypothesized that the outsourcing performance relationship is not the same for all firms. Results indicated that training and payroll outsourcing have implications for firm performance (Norman, 2009).

Ho_2: There is significant effect of human resource and firm performance.

MATERIALS AND METHODS

Explanatory research design was used in this study. A population of were 256 line managers from various department of finance, and human resource these were two top departmental managers in their departments Simple random sampling technique will be adopted to extract respondents sample to represent the company's line managers. Out of 256, simple random sampling was used to achieve 90 respondents which represent 35% of the target population. This agrees with Kerlinger (1986) who noted that a sample size of at least 30% is a good representation of the entire population. The study used a questionnaire in data collection. The Cronbach's coefficient alpha was applied on the results obtained to determine how items correlate among them in the same instrument. Cronbach's coefficient Alpha of more than 0.7 was taken as the cut off value for being acceptable which enhanced the identification of the dispensable variables and deleted variables.

Data Analysis and Presentation

The study conducted initial data analysis using simple descriptive statistical measures such as, mean, standard deviation and variance to give glimpse of the general trend. However, correlation analysis was used to determine the nature of the relationship between variables at a generally accepted conventional significant level of P values less or equal to 0.05 (Sekaran, 2003). In addition, multiple regression analysis was employed to test the hypotheses. Multiple regression analysis is applied to analyze the relationship between a single dependent variable and several independent variables (Hair *et al.,* 2005). The study also utilize variable inflation factor (VIF) to handle the issue of Multi-collinearity.

The beta (β) coefficients for each independent variable generated from the model, was subjected to a t –test, in order to test each of the hypotheses under study. The regression model used to test is shown below:

$$y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \varepsilon$$

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Where, Y = organization performance

α = Constant

$\beta_1 \ldots \beta_2$= the slope representing degree of change in independent variable by one unit variable.

X_1= financial activities

X_2= human resource activities

ε = error term

All the above statistical tests were analyzed using the Statistical Package for Social Sciences (SPSS), version 20. All tests were two-tailed. Significant levels were measured at 95% confidence level with significant differences recorded at $p < 0.05$

RESULTS AND DISCUSSION

Correlation Statistics for Linear Relationship between Variables

Pearson's measures the strength and direction of the linear relationship between variables. Pearson Correlations results in table 1.0 showed that, there is a clear and significant relationship between the independent variables and performance. From the results, the most significant relationship exists between outsourcedHR activities was positively correlated to performance as indicated by correlation coefficient value of 0.523 (significant at $\alpha = 0.01$) indicating that outsourced HR activities was a significant factor. Outsourced finance and accounts activities was also shown to be positively correlated to performance as shown with a correlation coefficient value of 0.447 which indicates that outsourced finance and accounts activities accounts for 44.7% change in performance when considered (significant at $\alpha = 0.01$).

Table 1.0 Correlation Statistics for Linear Relationship between Variables

	Organization performance	Financial activities	Human resource activities
Organization performance	1		
Financial activities	.447**	1	
Human resource activities	.523**	.421**	1

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

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Multiple Regression Analysis and Hypothesis Testing

Model Summary

The study intends to assess of contribution of the independent variables on dependent variable. The study findings in table 1.2 illustrates the model summary of multiple regression model, the results showed that all the two predictors (outsourced HR activities and outsourced finance and accounts activities) explained 50.4 percent variation of performance. This showed that considering the four study independent variables, there is a probability of predicting performance by 50.4% (R squared =0.504).

Model summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.710a	0.504	0.478	0.22872	1.744

a Predictors: (Constant), Outsourced HR activities, Outsourced finance and accounts activities

b Dependent Variable: Firm performance

Source; (survey design, 2014)

Testing Goodness of Fit

Study findings in ANOVA table 1.3 indicated that the above discussed coefficient of determination was significant as evidence of F ratio of 19.325 with p value 0.000 <0.05 (level of significance). Thus, the model was fit to predict performance using outsourced HR activities, and outsourced finance and accounts activities.

Table 1.3 Testing Goodness of Fit

	Sum of Squares	**Df**	**Mean Square**	**F**	**Sig.**
Regression	4.044	4	1.011	19.325	.000
Residual	3.976	76	0.052		
Total	**8.019**	**80**			

a Dependent Variable: Firm performance

b Predictors: (Constant), Outsourced HR activities, Outsourced finance and accounts activities

Source; (survey design, 2014)

Hypothesis Testing

Hypothesis 1 (Ho_1) postulated that outsourced HR activities has significant effect on firm performance. However, study findings showed that outsourced HR activities had coefficients of estimate which was significant basing on $\beta3 = 0.235$ (p-value = 0.016 which is less than $\alpha = 0.05$) hence we accept the hypothesis and conclude that outsourced HR activities has a significant effect on firm performance. This indicates that for each unit increase in outsourced HR activities, there is up to 0.235 units increase in firm performance. The effect of outsourced

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HR activities is stated by the t-test value = 2.466 which point out that the effect of outsourced HR activities is over 2 times that of the error associated with it.

Hypothesis 2 (Ho_2) stated that outsourced finance and accounts activities has significant effect on firm performance. Findings showed that outsourced finance and accounts activities had coefficients of estimate which was found significant basing on $\beta 4 = 0.002$ (p-value = 0.983 which is more than $\alpha = 0.05$) thus we fail to accept the hypothesis and conclude that Outsourced finance and accounts activities has no significant effect on firm performance.

The rule of thumb was applied in the interpretation of the variance inflation factor. In addition, Durbin Watson test had value less than two indicating minimal autocorrelation with no effect on the study output (Watson value = 1.842). From table 1.4, the VIF for all the estimated parameters was found to be less than 4 which indicate the absence of multi-Collinearity among the independent factors. This implies that the variation contributed by each of the independent factors was significant independently and all the factors should be included in the prediction model.

Table 1.4 Coefficient of Estimate

	Unstandardized Coefficients		**Standardized Coefficients**			**Collinearity Statistics**	
	B	**Std. Error**	**Beta**	**T**	**Sig.**	**Tolerance**	**VIF**
(Constant)	1.596	0.337		4.736	.000		
Outsourced HR activities	0.186	0.076	0.235	2.466	.016	0.719	1.391
Outsourced finance and accounts activities	0.001	0.068	0.002	0.021	.983	0.601	1.665

Dependent Variable: Firm performance
Source; (survey design, 2014)

CONCLUSION

The study affirms that outsourced human resource activities have a significant effect on firm performance. The findings reveal that firms can outsource human resource trends since it might lead to high morale among the employee, and improve job insecurity. Nonetheless, outsourcing HR functions may be the best pathway to cost savings especially if effective HR activities already exist in the organization.

Moreover the study findings showed that outsourced finance and accounts activities had coefficients of estimate which was found to have no significant effect on organization performance, outsourcing finance helps firms align competing priorities, focus management attention on growth and innovation opportunities, and target resources to those tasks firms do best, and as a result firms fear to disclose their financial capabilities hence impacting negatively on firm performance.

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RECOMMENDATIONS

In light of the research findings, human resource outsourcing activities impacts positively on performance. There is therefore need for manufacturing firms to recruits using recruitment bureaus since it attracts the most qualified, competent and talented employees. Further, independent provident firms should be established to administer employees' pension and the firms should often outsources professional HR advice.Firms should not outsource their financial activities to maintain their financial position and performance. Likewise, firms should use research consultants for market and customer analysis in order to have better performance**.**

RECOMMENDATION FOR FUTURE RESEARCH

This study was conducted to investigate the effects of outsourcing on organization performance: a survey of manufacturing companies in Eldoret and Nandi Hills towns. The sample was drawn from manufacturing companies in Eldoret and Nandi Hills town, thus this study may be limited in its generalizability of the findings. So, future research should have to draw sample of respondents from the county level for the sake of generalizing the results of the study.

This study included only four factors, there could be some other relevant factors that may be perceived as important, but those were excluded from this study. Future researches, therefore, may consider more factors like adaptation to change and government policies. Moreover, including moderator factors and looking forward to direct or indirect relationship towards organizational performance can also be made in the research models of the new research by other scholars in future.

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