

## Global Outsourcing Relationships: Testing the Effects of Culture and Market Pressures on Outsourcing Performance. A Case Study of Yahweh God's Will Limited, Nigeria

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**Abstract:** This study was purposed to investigate the effects of culture and market pressures on outsourcing performance with specific reference to Yahweh God's Will Limited in Nigeria. The study was therefore, anchored on four specific research questions which were centred on the extent to which culture affect outsourcing performance of a company, the impacts of market pressures on outsourcing performance, the factors that affect the implementation of outsourcing and the extent to which outsourcing affects Yahweh God's Will Limited's performance. Based on these questions, the research employed a pragmatic philosophy to allow the researcher use the method that best suits the situation at the particular point of execution. Also, the research made use of both qualitative and quantitative data collection methods using surveys (questionnaires and interview) to enhance data triangulation. A total of 61 participants were selected for the study while only 58 questionnaires were suitable for analysis. In addition, two (2) top management staffs in the human resource unit of the company were interviewed. The data was analysed with the use of both inferential and descriptive statistics via the use of the Statistical Package for Social Sciences (SPSS). The findings from the research revealed that both culture and market pressures had a significant influence on the outsourcing performance of Yahweh God's Will Limited; this means that customs, lifestyle and values within and outside the company were important influencers of the company's outsourcing performance. Also, the results showed evidence of a significant relationship between market pressures and outsourcing performance in the company. This means that demand, supply, customer, supplier and particularly foreign exchange pressures had a huge influence on the outsourcing activities of the company. In addition, evidence from the data analysis showcased that the company's performance was positively affected by its outsourcing activities. The research further highlighted some recommendations which included ensuring compatibility between the organization's culture and the culture of outsourced personnel, recruiting skilled and experienced labour, maintaining a cordial relationship with suppliers and customers, and ensuring an effective forecast of foreign exchange.

**Keywords:** Yahweh God's Will Limited, Nigeria, outsourcing, performance, culture, market pressure.

## INTRODUCTION

It is evident that many organizations are being faced with intense competitive pressures due to factors like technological change, market pressure, and globalization. According to Kolawole and Agha [1] technological changes have increased the divisibility of the production process into constant discrete stages and continuous responsibilities.

The ultimate strategy of any organization in this era in which businesses operate in a complex system is to add value to all organizational stages in the quest for improving organizational performance using its available resources. In this effort to create value through efficient use of limited resources and addressing the new requirements of the marketplace, firms are becoming more curious to control cost by transferring and contracting non-core activities which

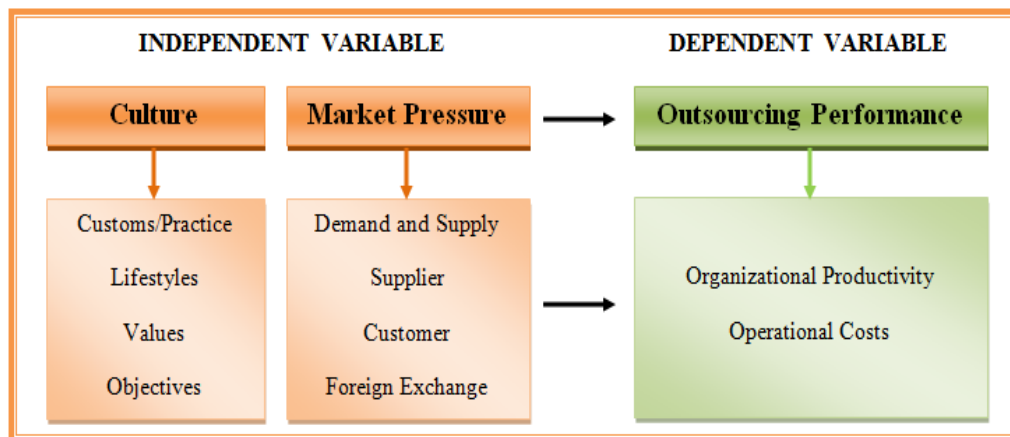
they handle traditionally to a specialized third party service providers and retain their core competencies in order to maintain their competitive advantage.

Outsourcing is one of the strategic tools for managing organizational complexity and pressure in order to achieve the organization's objective. However, in view of Butler and Lymbery [2] as cited in Achonjo [3] it was implied that outsourcing is the shifting of a function either in whole or in part from the main organization to a third party. Nevertheless, focusing on outsourcing strategy brings about challenges in organizational culture and relationship management. In Willy [4] it was asserted that given the global supply, offshore outsourcing of services had become a widely adopted strategy of many multinational organizations, especially in the labor-intensive domain of application services. Similar to domestic outsourcing; furthermore, offshore outsourcing is associated with the typical market-based frictions. These frictions pertain to the very nature of systems development and maintenance as services that require a lot of communication and cooperation between the client and the vendor. Offshore outsourcing, however, brings about yet another challenge to relationship management (the cultural differences between client and vendor). Therefore to attain the outsourcing objective, management must be able to put culture (constraint) into consideration when aiming at improving the organization's performance because every organization has specific personal behaviors which distinguish them from other organization. Furthermore, every

organization has a unique culture which differentiates them from other organizations. Culture is a very broad concept if applied to entrepreneurial organizations, but it is also one of the most potent drivers of entrepreneurial behavior and choices (Popoli [5]).

In addition, Johnson *et al.* [6] ascertained that the outsourcing performance of a company could be externally influenced. Some of these influences are from the market pressures that organizations experience which could be from customers, demand and supply forces, suppliers and more importantly foreign exchange. Similarly, Mella & Pellicelli [7] argued that external forces could create unexpected pressure for organizations and if such organizations are not quick to adapt, they stand the risk to be drastically affected. It was further implied that as a result of the forces of demand and supply where the ultimate goal is to reach optimum, before such can be achieved, there would be a need for organizations to ensure that their core competencies and resources are adequately effective and used in an efficient manner, therefore, the need for outsourcing. Furthermore, irregularities in the foreign exchange market is also a significant factor for outsourcing performance because the bargaining power of countries differs associated with the strength of their currency against the dollar in particular. Therefore, for organizations to get the best out of outsourcing, they must be able to account for fluctuations in the foreign exchange market.

**LITERATURE REVIEW**



**Conceptual Framework**  
Source: Author's Analysis

**CONCEPTUAL DISCOURSE**

The various concepts as illustrated in the conceptual framework are demystified below to give an understanding of the entire study.

**Outsourcing**

The concept of outsourcing has been analyzed by different scholars and different theorists.

Outsourcing can be defined as the use of another organization's expertise to achieve a particular task for particular organization in order to reduce cost and be time efficient. Outsourcing was traditionally used mainly for downsizing and cost minimization at large corporations Abraham & Taylor [8]. In smaller companies, outsourcing was perceived as a means to

optimizing capacity under conditions of limited resources.

With an increasing trend in the pattern of globalization, outsourcing has become a very essential business approach, and a competitive edge may be achieved as products or services are produced more effectively and efficiently by outside suppliers. [9]; McIvor [10]. The requirement to adapt to market changes and the challenge of determining such dynamism requires that organizations must pay adequate attention to their core activities [10].

The traditional outsourcing emphasis on tactical benefits like cost reduction have more recently been substituted by efficiency, pliability, rapidity and innovation in developing business applications, and access to new technologies and skills Elmuti [11]; Gilley *et al.* [12].

One major driver for outsourcing is the need to focus on core competencies. The ability to release organizational resources and capabilities so as to focus on the organization’s core competences is one of the greatest factors of whether outsourcing can be considered as strategic or not. Firms therefore, utilize strategic outsourcing to reduce the burden of managing support activities so as to focus on top business activities Cheng [13].

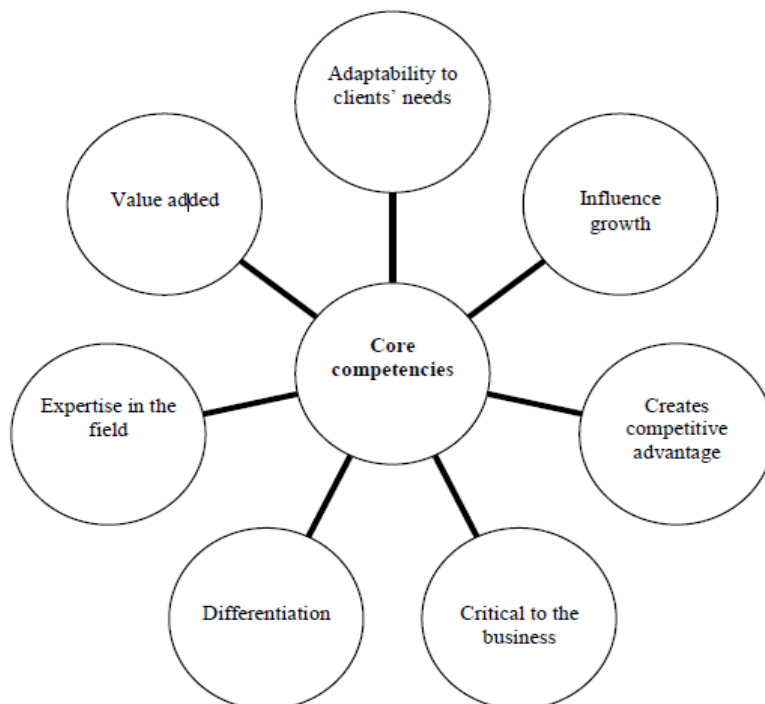
According to Gesing *et al.* [14] another major driver of strategic outsourcing is innovativeness. As

the business environment changes continuously and customers increasingly modify their demands, organizations have to find a way to stay ahead in the market by providing innovative products to the market in proper time and ahead of competition. Such organizations may therefore implement strategic outsourcing with an objective of developing new products in good time as they seek increased flexibility for innovation.

**What Companies Outsource**

Quinn [15] asserts that outsourcing is rooted with firms requesting for the service of outside supplier for physical parts. As the market changes continuously, organization now outsource activities like research or logistic. Call centers, medical diagnosis, financial services, tax preparation and software development services are now some of the major activities organization often outsource Kumar & Eickhoff [16]. There is a separation between core and non-core activities. Some activities are clearly core activities and some activities are clearly peripherals.

According to Quelin & Duhamel [17] activities which are partially or completely outsourced in most companies are: office information technology, industrial maintenance, waste management, logistics and telecommunication. Most of them are complicated processes, but are not considered, by most industrial companies, to be their prime supply chain activities.



**Core Competencies Characteristics**  
Source: Based on structured framework

Also, it was discovered that the functions which are more central to many companies' critical activities, such as marketing, finance, accounting and sales, remain the least affected by outsourcing [17].

Organizations outsource a percentage of primary supply chain activities as a result of the financially demanding factor to maintain a great number of supply chain activities. As technology develop day by day, the more critical the challenges.

### **Outsourcing and Organizational Performance**

The concept of organizational performance emanates from the concepts of efficiency and effectiveness. A business organization must produce the right products and services and it must produce them using the least possible resources if aims to improve organizational performance Cheng [18]. Organizational performance can be measured by analyzing a company's performance as compared to its corporate goals and objectives based on three primary outcomes - financial performance, market performance and shareholder value performance.

Some findings show that organizations that form alliances by having confidence in external sources have better results, reduce uncertainties and improve the level of excellence while also increasing their capacity of innovation and flexibility (Espino & Victor [19]). Kotabe [20] propose a dynamic perspective, which suggests an inverted U relationship between outsourcing and performance. It was also argued that outsourcing is simply about keeping costs down in response to competition which will allow firms to stay competitive. In addition, competition among firms created by outsourcing ensures that lower costs are passed on to consumers in the form of lower prices.

Research showed that companies can greatly reduce cost because suppliers of outsourcing services have the necessary and sufficient resources required to perform their duties. Also, the outsourcing vendor may be situated in a location where it is able to get its input at a cheaper price than the location of normal operation.

The productivity of a company is determined by its ability to reduce production cost through the efficient allocation of resources. Thus, organizations examine their productivity and compare it with that of the outside vendor. If the outside vendor is capable of rendering the service at a lower cost, the organization might outsource some of its operations.

Similarly, Lima [21] is of the opinion that an organization can take outsourcing as an effective option due to the fact that it enables companies to reduce time and energy of performing other tasks of

the business and allows the company to concentrate on the areas that tends to achieve the business strategic objective.

As the organization pays adequate attention to their major business activities while the outside supplier performs other tasks, the organization has the advantage of improving the effectiveness and efficiency of its operations; this will also allow the company to uphold its operation value which will also help increase the company's market size.

### **Factors affecting the Implementation of Outsourcing**

Outsourcing implementation is the vital point in outsourcing relationship resulting from changes which need to be implemented after proper planning has been carried out. Secondly the future groundwork is laid for the enterprise-wide relationship between the client and service provider.

Because of the differences in organizational goals and objectives which is dependent on the situation at hand, for outsourcing implementation to be successful, companies need to understand what motivates them about the process involved in outsourcing.

Tadelis [22] observed that to ensure a strong transition, companies must analyze the requirements for their outsourced operation, and design, build, test, and deploy each stage of the project, with formal approval at each stage.

### **Employees' Attitudes toward Outsourcing**

Employees' views and feelings should be considered because subcontracting some activities to external supplier can have either positive or negative effect on them. Employees' attitude regarding outsourcing will vary with their degree of their familiarity of various aspects of outsourcing such as its content, and process. Some aspects of outsourcing may be evaluated favorably, while other aspects may be viewed as unfavorable.

Employees are to be provided with a sense of belonging and feeling of security; however, when these incentive provisions are challenged, the employee is bound to be demoralized and reluctant to carrying out the job responsibilities. Regardless of the underlying reasons for outsourcing activities, employees perceive a qualitative change in their employment and psychological contract with the firm as a result of the firm's outsourcing decisions. Belcourt [23] implied that rumors of the implementation of outsourcing may not be well calculated by the employees and therefore many managers should begin to expect talented employees to start job searches and all employees to suffer nervousness resulting in lost production.

Consequently, outsourcing may affect some employees positively by upgrading their position, requiring them to focus on high value-added activities, replacing profane and repetitive work. However, for some employees, outsourcing can result in demotion and loss of employment. Given such significant impact on employees, it can be argued that outsourcing may lead to a perceived modification of the psychological contract, potentially leading to negative organizational outcomes such as perceived treachery, job insecurity, depression and low self-esteem.

### **Limitations of Outsourcing**

To be successful at outsourcing implementation, an organization needs to be able to evaluate its current processes Power & Bonifazi [24]. One of the reasons to outsource a process is to achieve better performance and results. Power, Bonifazi, & Desouza [25] have identified some common traps of outsourcing that will impact any outsourcing process which includes lack of management commitment, minimal knowledge of outsourcing methodologies, lack of an outsourcing communications plan, failure to recognize outsourcing business risks, failure to tap into external sources of knowledge, failure to determine the most effective internal resources, not appreciating cultural diversification, failure to determine the most effective internal resources, rushing through the initiative, disregarding cultural diversification, reducing the resources to make the external supplier deliver at its best and poor relationship management programs.

### **Risks in Outsourcing**

The increasing trend in organizations recognition of the importance of outsourcing some business activities has necessitated that each company takes into consideration how the entirety of its operations are affected by an outsourcing decision Frost [26]. The problem results from the fact that many companies happen to only identify the advantages of outsourcing and overlook the risks; they do not consider the degree of the risk based on an evaluation of the outsourced activity / process characteristics Beasley[27], Juras [28]. Frost [26] asserts that the benefit a company derives through outsourcing depends largely on how they manage the potential risks. Other risks in outsourcing that were discussed include, loss of control, decrease in flexibility, loss of expertise, dependence on the supplier and higher costs than expected.

### **Relationship between Organizational Culture and Organizational Performance**

It has been argued that organizational culture can improve organizational performance by invigorating and encouraging employees, unifying people around shared objectives, and guiding employee

behaviors. An organization's cultural norms strongly affect all who are involved in the organization. Lau & Ngo [29] asserted that organizational culture with a development and innovation orientation had a direct effect on a firm's innovation performance Ngo & Raymond [30]; Ogbonna & Harris [31].

### **Moderating Role of Culture on Outsourcing**

Organizational culture is one of the most important factors to be considered in the planning and execution of outsourcing strategies as outsourcing strategy will lead to changes in the organization's deeds and norms. The outcome of the outsourcing strategies will have effect either positive or negative on the policies of the employees [10].

The already prevailing organization values and norms are affected when external outsourcing vendor comes into the company (Hemington & King [32]. Thus, this will lead to a disruption between the organization and the external vendor when they both have different cultures to achieving their respective goals Kshetri [33].

Since organizational culture is a valuable resource for companies, it has a key role to play in the human resources and firm performance link. Cultural change involves changes in the shared vision and translation of certain domains of an organization by its members [29].

Therefore, it can be said that organizational culture has some critical influences on human resources activities which can be outsourced considering the organizational achievement; language similarity is also a critical component of cultural compatibility.

### **Outsourcing and Market Pressures**

The relationship between outsourcing and market pressures has been adjudged to comprise various components. Market pressures can come in a variety of forms as they are mostly influences from the external environment. Some of the factors include demand and supply pressure, customer pressure, supplier pressure, and foreign exchange pressure.

#### ***Demand and Supply Pressure***

This type of pressure is associated with an organization's ability to meet up with the demand for its goods or services as a particular point in time given a particular price. Organization demands for resources they want, can afford and have made a definite plan to buy. Other things remaining equal, the theory of demand states that the higher the price of a good, the smaller is the quantity demanded and the lower the price of a good, the larger is the quantity demanded. The inability of the organization's supply to equal the demand gives rise to the problem of scarcity. However,

because of the high level of demand from these organizations given their limited resources used to avail the required quantity, many organizations have sought to outsource some of their production process to external agents or vendors to be able to match the demand and avoid the risk of consumers switching to an alternative or substitute goods Zhu & Sarkis [34].

Similarly, for organization to be internally sustainable, it has to put in practice of inventing new ideas, turning these new ideas into unique goods and services or organization processes that minimize health and safety hazard Carter & Rogers [35]. Adequate attention and management of supply chain can assist organization to improve the quality of its services.

#### **Customer Pressure**

The pressure from customers also contributes to the reasons why organizations opt for outsourcing. Customers are not necessarily the consumers but the middlemen who take the goods or services and distribute it until it reaches the final consumer. It was revealed that customer pressures also have an appealing effect on sustainability practices [34]. Market pressure which can also be said to be customer pressure's moderating impact has been investigated in the relationship between green supply chain management practices and organization performance. The need to outsource non-core activities becomes high when the market pressure is high, competition and the demand for quality and undisputed supply of goods and services will require organizations to focus on their core competences to achieve a better result by saving time and cost.

#### **Supplier Pressure**

One of the key stakeholders in an organization is the suppliers. They constitute the major arm of the production process; this is because, without the required raw materials needed to produce a good or service, the organization becomes inactive. According to Carter & Roger [35] the pressure from suppliers has a huge influence on the production capacity of organizations. It was further asserted that in the case where the supplier has to deal with many firms, each individual firm creates a degree of pressure for the supplier to deliver the needed resources. Therefore, organizations tend to allocate different tasks to different suppliers from which they outsource their material resources.

#### **Exchange Market Pressure**

Exchange market pressure (EMP) can be traced to Girton & Roper [36] who introduced the monetary model of such pressure after which Weymark formalized the model. Weymark [37] explained that exchange market pressure is the measure of the aggregate demand that is excessive for a country in the international market given the rate of exchange that is

influenced by market intervention or the forces of demand and supply of forex. It can be noted that, in situation where domestic currency is freely floated, there is usually a direct observable measure of the pressure. Most countries undertake intermediate exchange rate regimes, therefore, counterfactual measures such as interest rate adjustments and forex trading involvement are introduced to eradicate the pressure on the exchange rate. Because some organizations outsource their production activities from foreign suppliers outside their region, the exchange rate pressure serves as a critical influence on the outsourcing performance. A constant exchange rate enables organizations to make better plans for the outsourcing process, whereas, with fluctuations in the exchange rate, it becomes difficult for organizations to plan their operations adequately which mostly affects the performance of organizations that are looking to reduce the cost of production.

#### **THEORETICAL DISCOURSE**

According to Manning *et al.* [38] the next phase of outsourcing will be largely influenced by low labor cost and global talent hunt in order to pay more attention on organization major activities. Other activities of the company can be contracted to external supplier while the company focuses on its major business processes.

#### **Resource Based View (RBV) Theory**

Outsourcing can be explained from the dimension of relationship between service receiver and service provider. The resource based view (RBV) analyses other aspects, taking into account internal strengths and weaknesses. A firm's resource perspective generates the core competencies and competitive advantage for specific business activity; the resource based view therefore, defines resources as tangible and intangible assets within the firm. Normally firms establish their specific resources which they keep on reviewing in order to respond to shifts in the changing business environment. Hence, firms must establish dynamic competences which are adaptable to the environmental changes Pettus [39]. Capability is the most important driver of strategic management to adapt and the integration of both the internal and external skills, resources and functional capabilities to correspond to the dynamic environment.

Less consideration is put on external opportunities and threats created by external forces while more emphasis is put on entity's internal strength. The theory explains that to achieve a continuous competitive advantage, a resource must provide economic value and relatively be scarce, unique and not at the disposal of the competitors. The theory also depends on two key points; first that resources are determinants of a firm's performance, and second that resources must be rare, valuable, unique and non-

substitutable by other rare resources. When the latter occurs a competitive edge has been created Priem & Butler [40].

### Transaction Cost Economic (TCE) Theory

The attribute of a firms' transactions positively associated with transaction costs include the necessity of investment in durable, specific asset, inefficiency of transacting, task complexity and uncertainty, difficult in measuring task performance and interdependence with other transactions. Transaction cost economics (TCE) theory is based on a rational decision made by firms after considering transaction related factors such as asset specificity, environmental uncertainty and other types of transaction cost. Human resources are necessary to conduct activities under uncertainty.

Likewise, transaction cost economics (TCE) or theory reveals the relationship that exist between a company and the outside supplier as a model that allows economic transaction to take place Reuben *et al.* [41]. Transaction costs include time, money, human resources, contract issues negotiation matters, risks e.tc. Hence the relationship between company and vendor is closely integrated due to cost considerations Shaharudin *et al.* [42].

This theory asserts that, when the cost of performing an activity within the organization is higher than the cost the organization will incur in contracting it to an outside supplier, the organization may outsource regardless of it having the required resources of performing the function. This theory is quite relevant in explaining the outsourcing of primary activities which are seen as being part of the organizations primary (core) operation as captured in their mission statement.

### Core Competency Theory

Simchi-Levi *et al.* [43] defined core competency as the collective learning within an organization on how to mobilize various production skills and introduce different categories of technologies. This theory suggests that a firm's activities should either be performed in-house or by external service providers. It is based on the make or buy decision. Non-core activities should be considered for outsourcing to the best suited service providers who are experts in that field. However, the organization should not outsource non-core activities that will affect the competitive position of the organization. Core competencies are the collective knowledge and skills of production process and the best way to utilize them.

Outsourcing non-core activities continues to gain attention because it transfers responsibilities in the possession of the vendors that is most capable of

performing them more effectively and efficiently Chandra & Kumar [44]. Suppliers' competence is an important factor that affects the success of outsourcing implementation Levina & Ross [45].

### RESEARCH METHODOLOGY

Otokiti [46] posits that the hallmark of research is data collection hence the process of collecting such data becomes imperative. In the works of Saunders *et al.* [47] the philosophy of a research is concerned with the development of knowledge and features of that knowledge. Based on the nature of this research which is epistemic and considers quantitative and qualitative measures, the research made use of the pragmatic philosophy which has evidence of elements from the other types of philosophies. Kothari [48] posits that the pragmatic philosophy is always undertaken because it allows for the researcher to use the method that best suits the situation at that particular time or specific research problem.

This research used qualitative and quantitative in to be able to give a more precise analysis of the data. Due to time constraint, the study adopted the cross-sectional time horizon as well as the prospective reference period. Also, both primary and secondary data were collected for analysis which allowed for data triangulation within the study. The study used the survey method with the aid of questionnaires and interviews as the research instrument. Semi-structured interviews were used to derive a qualitative study approach towards achieving the set objectives and answering the research questions. For the purpose of this study; the population of interest consists of employees of Yahweh God's Will Limited, Nigeria. The population cuts across the top, middle and lower level staff of Yahweh God's Will Limited, Nigeria. The study therefore considered 61 samples while using the simple random sampling technique.

### DATA ANALYSIS

The data was quantitatively and qualitatively analyzed based on research objectives. The quantitative data were analyzed through descriptive statistics and inferential analysis by use of a statistical package for social sciences (SPSS). Regression and correlation analysis were used to test the relationship between the independent variables and the dependent variables.

### Test of Hypothesis

H0<sub>1</sub>: There is no significant relationship between culture and outsourcing performance.

H0<sub>2</sub>: There is no significant relationship between market pressures and outsourcing performance.

H0<sub>3</sub>: There is no significant impact of outsourcing on the performance of the company.

**Hypothesis One**

**H<sub>1</sub>: There is no significant relationship between culture and outsourcing performance.**

Correlations between Outsourcing Performance and Culture			
		Outsourcing Performance	Culture
Outsourcing Performance	Pearson Correlation	1	.813**
	Sig. (2-tailed)		.000
	N	58	58
Culture	Pearson Correlation	.813**	1
	Sig. (2-tailed)	.000	
	N	58	58

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

**Results Interpretation and Decision making**

The result from the correlation table above shows the relationship between outsourcing performance and culture. The table shows that 0.0001 level of significance is attained. At every 100% increase in outsourcing performance, culture contributed 81%. This implies that culture has a

significant relationship with outsourcing performance. An increase in one will lead to an increase in the other and vice versa. So we embrace the alternative hypotheses and reject the null hypotheses.

**Hypothesis Two**

**H<sub>2</sub>: There is no significant relationship between market pressures and outsourcing performance.**

Correlations between Outsourcing Performance and Market Pressures			
		Outsourcing Performance	Market Pressures
Outsourcing Performance	Pearson Correlation	1	.939**
	Sig. (2-tailed)		.000
	N	58	58
Market Pressures	Pearson Correlation	.939**	1
	Sig. (2-tailed)	.000	
	N	58	58

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

**RESULTS INTERPRETATION AND DECISION MAKING**

The result from the correlation table above shows the relationship between market pressures and outsourcing performance. *The “r” calculated is less than the “r” tabulated. Therefore, we reject the null hypothesis H<sub>0</sub> and accept the alternative which simply states that there is significant relationship between*

market pressures and outsourcing performance at Yahweh God’s Will Limited, Nigeria. There is equally a strong positive correlation of 0.939 between pressures and outsourcing performance. So we accept the alternative hypotheses and reject the null hypotheses.

**Hypothesis Three**

**H<sub>3</sub>: There is no significant impact of outsourcing on the performance of the company.**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.939 <sup>a</sup>	.882	.880	.64062

a. Predictors: (Constant), Outsourcing

ANOVA <sup>a</sup> of Outsourcing and Organization Performance						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	172.138	1	172.138	419.442	.000 <sup>b</sup>
	Residual	22.982	56	.410		
	Total	195.121	57			

Dependent Variable: Performance  
Predictors: (Constant), Outsourcing



**Results Interpretation and Decision making**

The result from the model summary table above shows the impact of outsourcing on performance to be 41% (R square 0.410). The ANOVA table shows

the Fcal as 419.442 at 0.0001 level of significance. This indicates that outsourcing has a significant impact on performance of organisation.

Coefficients <sup>a</sup> of Outsourcing and Organization Performance						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.298	.542		2.397	.020
	Outsourcing	.668	.033	.939	20.480	.000

Dependent Variable: Performance

The coefficient table above shows a simple model that expresses how outsourcing impact. The model shows the constant and B which is the value of coefficient. Values from the table above for every 100% increase in performance of organisation, outsourcing contributed 66.8%. Thus, we reject the null hypothesis and accept the alternative hypothesis.

**INTERVIEW SECTION**

The interview conducted involved two top management staffs within the human resource unit of Yahweh God’s Will Limited, Nigeria. However, based on the ethical consideration, they preferred to be represented as being anonymous.

**Notions on the Effect of Culture on Outsourcing Performance**

The participants were asked to give their views on the effect of culture on the outsourcing performance of the company. From the views, it could be deduced that there is a significant positive and negative effect of culture on the company’s outsourcing performance. Below are the records of their views:

*“One of the challenges we face in the process of outsourcing some of our materials and particularly labour is the cultural differences. Although, the company has a good strategy for sustaining cultural diversity, there are still some challenges that occur when we deal with people because of the human nature. In most cases, culture has more negative effects relatively to positive effects but the gap is minimal. The fact that some of our employees do not speak Bengali which is our home language, they sometimes tend to feel irritated when some of their colleagues are discussing using the home language. This sometimes brings arguments and time wastage which could have been used for more productive activities”* (Anonymous - HR Unit).

*“The problem we face from employing other nationals in the company is really not a big issue. This is because we ensure that every skilled labour*

*communicates in English during working hours in order not to cause any uproar among them. Also, the way some of our expatriates behave as a result of cultural differences, helps us to understand and be able to implement some control measures. One essential value from outsourcing is that we tend to access the knowledge from other people’s culture which we think is valuable to our company. There are some cases where the way our expatriates behave with our customers and clients proves to be friendlier than some of our workers who are nationals. So, culture though a big influence, can also help in productivity since a majority of our outsourced labour prove to also be more hardworking”* (Anonymous - HR Unit).

**Notions on the Effect of Market Pressures on Outsourcing Performance**

The participants were asked to give their views on the impact of market pressure on the outsourcing performance of the company. From the views, it could be deduced that there is a significant positive and a more negative effect of market pressures on the company’s outsourcing performance. Below are the records of their views:

*“The most challenging factor of our outsourcing process is pressure from the market and this is because they are majorly what is beyond our control. However, out of the numerous of market pressures, the biggest issue is the rate of foreign exchange which fluctuates from time to time. Besides the fact that some of the company’s raw materials are outsourced and the currency rate influences the quantity and sometimes the quality of what we are able to purchase, as a HR unit, outsourcing labour in this condition is critical. The budget for outsourcing labour mostly changes periodically because of the fluctuation in currency rates which we need to cater for when submitting the budget. Many of our expatriates are mostly catered for within their first year at least, which includes their flight tickets, work visa, housing, transportation and sometimes dependents allowances. Therefore, outsourcing can be sometimes expensive if a*

*proper plan is not put in place*" (Anonymous - HR Unit).

*"The fact that we need the expertise of expatriates to meet up with the quantity and quality of products and services that are expected of us by our customers makes it expensive for us. However, depending on the need for labour, the company ensures that we are getting value for the expenses we make and as a matter of fact, we have been recording improvements. So as long as these improvements continue we are on the right track and there is no need to be bothered"* (Anonymous - HR Unit).

### **Notions on the Factors that affects the Implementation of Outsourcing**

The participants were asked to highlight the factors that affect the implementation of outsourcing in the company. From the views, it could be deduced that the main factors include government policies, foreign exchange rates and company's financial position. Below are the records of their views:

*"Like I said before, the biggest influence on our outsourcing performance is the rate of foreign exchange. Although, the company ensures that it gets the best quality of materials using a possible cheaper cost. In terms of outsourcing labour, many of our expatriates come from countries where the cost of labour is cheap relatively to our nationals; however, there are some that come from well-advanced countries to head some of our critical units that need greater experience and for them the cost is higher. The cost of employing such labour during currency fluctuations is always a problem which sometimes affects the unit's budget. This arises from the type of policy that is put in place by the government to ensure that the currency is stable relatively to the dollar in particular"* (Anonymous - HR Unit).

*"Before we can think of outsourcing either materials or labour, the company always judges from its statement of financial position and measuring the level of performance over the years of the expatriates that have been employed. Also, the immigration policy set by the government may sometimes make it difficult for the company to hire a particular group of labour from other countries given the laid down conditions which may be very costly for the company to meet. However, in recent times, the government seems to have understood the importance of outsourcing particularly in terms of labour because not only do the expatriates have much more experience, but they also sometimes come at a cheaper cost"* (Anonymous - HR Unit).

### **Notions on the extent to which Outsourcing affects Organizational Performance**

The participants were asked to discuss the extent to which outsourcing affects the company's performance. From the views, it could be deduced that the outsourcing has a relatively significant positive impact on the company's performance. Below are the records of their views:

*"To be candid, outsourcing is a very good strategy particularly for reducing production costs and ensuring that quality standards are met. Just as I have mentioned earlier, some of our units need to be controlled by experienced hands which is why we sometimes have to employ experts from other countries. Many of our experts have been a major source of the company's current performance and for that they always have to be treated well and compensated"* (Anonymous - HR Unit).

*"When we compared the company's performance before and during outsourcing, it was discovered that outsourcing has really made a positive impact on the performance of the company. This is due to the fact that the company employs capable hands in all its units which make it an effective method for reaching its goals and targets. I would therefore conclude that the impact of outsourcing for the company has been well encouraging"* (Anonymous - HR Unit).

### **SUMMARY OF FINDINGS**

From the empirical data and analysis conducted, it was revealed that there exists a significant relationship between culture and outsourcing performance in Yahweh God's Will Limited. This means that customs, lifestyle and values within and outside the company were important influencers of the company's outsourcing performance. Also, the results showed evidence of a significant relationship between market pressures and outsourcing performance in the company. This means that demand, supply, customer, supplier and particularly foreign exchange pressures had a huge influence on the outsourcing activities of the company. In addition, evidence from the data analysis showcased that the company's performance was positively affected by its outsourcing activities and this was also backed by the qualitative data from the conducted interviews.

### **CONCLUSION**

In accordance to the findings of this research, outsourcing can be said to be an important strategy for organizations to improve productivity and profitability. Outsourcing is, therefore, an alluring element of strategic management particularly in multinational organizations. Outsourcing in a way is a vital strategy for ensuring costs reduction, positioning, enhanced productivity and improved profitability.

Nonetheless, whatever activity or resources that are outsourced, there is a need for the management

to consider both the short and long-term benefits and consequences of such decisions. It becomes expedient of the management to concern themselves with the factors that may militate against the positive impact of outsourcing on the organization's performance. Two critical factors as discussed were culture and market pressures. This research, therefore, validates that the cultural elements (including customs, values and lifestyle) and market pressures (including demand and supply, customer, suppliers and foreign exchange) were critical to the performance of outsourcing in organizations and if they are not properly addressed may adversely affect organizations.

However, for organizations to achieve positive results, the management would need to ensure effective and efficient allocation of its resources to specific tasks where its core competency is the strongest and allocate other resources to outsourcing partners coupled with specific control measures to avoid quality depletion.

#### RECOMMENDATIONS

Based on the results from the research which revealed that there is a significant relationship between culture and market pressures on outsourcing performance particularly for Yahweh God's Will Limited, Nigeria, it is important for the management of the company to therefore take some strategic actions towards ensuring that these factors have limited influence on the outsourcing activities of the company. Some of these actions include:

- To limit the impact of adverse cultural influences, the management should ensure compatibility between its culture and the culture of the outsourced resources, human resources in particular. The management can also exploit the benefits inherent in the outsourced resource to complement the organization's existing culture. The values and lifestyles of outsourced labour may sometimes positively affect the level of productivity.
- Based on the influence of market demand and supply pressures, the human resource management should ensure that labour with the required expertise are recruited particularly for activities that need skilled and experienced hands; as such, the organization may be required to spend a little more which the cost could be offset by employing other cheap labour.
- Also, there is a need for the management to establish a cordial relationship with its main suppliers so as to gain some benefits in the advent of financial duress in form of credit and trade discounts. Also, it is important that in the process of outsourcing, the organization makes strong ties with reliable and trustworthy suppliers/partners.
- Although, it might be difficult to control foreign exchange pressures arising from the fluctuations

in the foreign exchange market, the company could ensure that an effective forecasting technique is implemented to reduce the effect of foreign exchange fluctuations on its outsourcing functions.

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