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EFFECT OF OUTSOURCING PRACTICES ON PERFORMANCE OF COMPANIES LISTED ON THE NAIROBI SECURITIES EXCHANGE

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Abstract

Procurement encompasses the whole process of acquiring goods and services. Strategic procurement practices are the transformation of an organization's objectives into measurable activities to be used to plan budget and manage the procurement function. The objective of the study was to investigate the effect of outsourcing practices on performance of firms listed on the NSE. The study was guided by Transaction Cost Theory. Explanatory research design was adopted with a population of all the 66 firms listed on the NSE. The target population was a total of 264 respondents. The study used primary data collected through questionnaires administered through drop and pick later method. The data collected was analyzed through regression analysis. Descriptive and inferential statistics were applied using Statistical Package for Social Sciences (SPSS) 20. Secondary data was collected from company websites, journal and books that present academic research. In conclusion the study revealed that there was a significant relationship between outsourcing practices and performance of companies listed on NSE. The study recommends that procurement managers should continue practicing effective outsourcing practices through building a strong foundation to enhance organization performance.

Keywords: Capital Market, Firm, Outsourcing practices, Performance

INTRODUCTION

The present day business environment is characterized by an expanding number of business competitors, both in local and global trades. Many changes have happened to the viewpoints of companies about the function of procurement. Monczka, Patterson and Waters (2010) state that evolvement of purchasing from buying to procurement and then “supply management” has found a similar growing importance as well as supply chain management. Strategic sourcing is increasingly seen to be a business capability of firms. Strategic sourcing also consists of the strategic processes of planning, evaluating, implementing and controlling all sourcing activities by a company to achieve its long-term goals (Marika, 2010).

Li *et al*. (2006) argue that strategic outsourcing role of purchasing is an important contributor to the success of the company receiving enhanced attention. Supply Chain Management (SCM) has been perceived by many as a way of improving performance of organizations involved (Giunipero *et al*., 2008). As a result, managers not only have to re-establish their companies to produce higher-quality products and services, decrease waste, respond rapidly to the market, but also to handle their supply chain management (SCM) efficiently. Carter *et al.* (2008) suggest that SCM and purchasing practices, associated with competition capabilities of the firm, may have more significant effects on firm performance. Strategic procurement practices are a cornerstone of successful sourcing management. Chartered Institute of Purchasing and Supply (CIPS, 2010) defines strategic procurement as satisfying business needs from markets via the proactive and planned analysis of supply markets and the selection of suppliers with the objective of delivering solutions to meet pre-determined and agreed business needs.

A Procurement council gives direction and helps align procurement strategy with the company's overall strategy (Li *et al*., 2006). The council's membership includes the leader of the supply chain organization as well as corporate executives, business unit managers, and other influential company leaders. It prevents any conflicts between the supply chain objectives and then company’s stated objectives by providing constant, consistent validation that the supply chain strategy directly correlates with the corporate strategy. Li *et al* (2006) reported that Supply Chain Council (SCC) helps companies to examine the configuration of their supply chains. It helps identify and eliminate redundant and wasteful practices along supply chains. Supply Chain Council also provides an effective forum for cross-functional communication. An active governing council creates an opportunity for business unit leaders to provide the supply chain management leadership with information regarding future strategies and projects. Supply Chain Council (SCC) defines the way these processes interact, how they perform and how they are configured from a supplier’s supplier to a customer’s customer (Min and Zhou, 2002).

As Wu *et al.* (2010) observed formation of a cross-functional team or working group may be a suitable means of reviewing the current situation, defining objectives, agreeing a strategy and planning and reviewing progress. A key task for a procurement strategy team includes identifying key suppliers and their performance, reviewing stockholdings and examining the current range of operating procedures (Wu *et al.*, 2010).Strategic Procurement practices equivalent is therefore continuous and rapid movement as well as benchmarking, where an organization measures itself against other 'best-in-class' organizations (Guth, 2010). However, several characteristics of best practices for supplies management are identified across many high performing organizations. They include: total quality management**,** supplier selection, just in time**,** category management, spend management, supplier relationships, inventory management, lead time, technology utilization and outsourcing. Procurement prices can be reduced when a firm has a superior capacity to manage the upstream vertical market relations with both current and potential suppliers (Wagner and Johnson, 2004). A typical transaction-cost based explanation suggests that a buyer may increase negotiating capability by finding new supply sources, reducing the opacity of the market, and realizing savings in procurement costs. Moreover, except in the case of strategic materials, by building a large supply base, a firm is able to avoid investing too much in a single transaction, thus reducing the risk of opportunism on the part of a limited number of suppliers.

Problem Statement

In both developed and developing countries, procurement is increasingly recognized as one of the most essential in service delivery and it accounts for huge proportion of total expenditures. Due to the amount of money involved in procurement and the fact that such money comes from the public, resources have been committed by stakeholders towards implementing different strategies in order to improve organizational performance Li et al,. (2006). Notably, though numerous studies have been carried out in the field of procurement, majority have largely focused on the effect of strategic procurement in public organizations, banks and manufacturing companies with little emphasis on listed companies. For instance, Ngugi and Mugo (2012) analyzed the effect of procurement activities on the operational performance of manufacturing firms in Kenya; Chipiro (2009) examined the impact of E- procurement on performance of limited banks in Zimbabwe; Masiko (2013) carried out an investigation on Strategic procurement practices on commercial banks in Kenya .Evidently, few known studies have sought to establish the link between outsourcing practices and the performance of companies and specifically those listed on the Nairobi Securities Exchange (NSE). Furthermore, despite, enormous capital injections in some listed companies at the NSE, they continue to underperform and this has been a matter of concern to stakeholders, the woes facing these organizations have greatly eroded shareholder confidence, for instance in recent years the government has pumped a lot of money into some of the listed companies such as Mumias Sugar Company, Uchumi, and Kenya Airways in a bid to revive them but with very little success. It is due to the foregoing that this study seeks to investigate the effect of outsourcing practices on organization performance of firms listed on the NSE.

THEORETICAL LITERATURE REVIEW

Transaction Cost theory might be one of the most important organization theories because of the studies that have been encouraged through it (Williamson, 2010), and is one of the main perspectives in organizational studies (David and Han 2004).The vital commitment of Transaction cost Theory to organization theory, resulted in a wide range of empirical contributions (Macher and Richman 2008) using transaction cost theory, for instance as a make or buy decision help, or verification of the right contract mode. Transaction Cost Theory (TCT) inspects how business partners who collaborate with each other shield one another from harmful subsidiary with differing relationships (Klein and Shelanski, 2005). It has been the most important new institutional theory which puts the accentuation on the decision on the sourcing predicament, if to outsource or not. The sourcing situation of a firm is likewise described as the make-or-buy decision of a firm. The two primary drivers of Transaction Cost Theory are uncertainty caused by the external environment and costs, which consist of Coordination costs and Transaction costs (Fink, 2006).

Uncertainty and cost are influenced by the human agent, an individual distinguished through bounded rationality and opportunism, (Williamson, 2010) in order to dissect transaction costs. People are subject of limited objectivity and may act in favour of themselves rather than the company (Williamson, 2010). Either natural or mechanical doubt might be an adverse factor for supplier relationships Management. Asset specificity, an attribute influencing transaction costs, alludes to the correlation of relationship-specific machinery (Klein and Shelanski, 2005). According to Transaction Cost Theory a firm might as well first choose outsourcing if the aggregate costs, which incorporate everything used on the venture, are lower than the costs to make the same feature in the own firm (Lyons, 1995). All things considered there are confinements to the probability to outsource in this new institutional theory which basically keeps tabs on the costs (Lyons, 1995).There is a sure limited sanity which forestalls an ideal procurement system and makes items with a higher level of asset specificity more magnetic to be made in house (Williamson, 2010), producing in house is the last option, since it is the most complex procedure. Either natural or mechanical doubt might be an adverse factor for buyer-supplier relationships. An association's viewpoint is an extremely important factor in the buyer-supplier relationship and will therefore impact the decision if to outsource or not. In either way if a feature is outsourced both the buyer and the supplier need to make particular speculations in order to advance the fancied product (Fink, 2006). With the explanation of when to make and when to buy Governance forms within the Transaction cost framework might provide a way to minimize transaction costs.

The strategic procurement is relevance in Transaction cost Theory for a decision making support of Purchasing. In order to explain how Transaction cost theory applies to the critical decision points of procurement, a further explanation of the activities of the procurement activities is given. The main activities of Transaction cost theory are centered within, supplier relationship management, outsourcing practices and supplier selection practices. Within the first practice, for a supplier relationship management, one might identify the purchasing volume, and level of dependency on the supplier to create a supplier relationship. A strategy could vary from single, multiple outsourcing, or international and national outsourcing (Schiele, 2011). For supplier selection procedure, one can choose between competitive bidding and negotiation. One can measure performance of the supplier, which can be indicated through quality, costs and service (Monczka *et al*., 2010), Comparing the actual performance to the required performance agreed on in the contract might also be of help. Looking at the Primary decisions of the procurement network, it is focused on the make or buy decision, sourcing strategies, creating a supplier portfolio and supplier negotiation and contract awarding. All of those decisions can indirectly or directly be influenced by Transaction cost Theory. Lastly, transaction cost theory shows relevance for choosing procurement strategies, either in terms of local or global, or the outsourcing of goods and services in general.

EMPIRICAL LITERATURE REVIEW

Organizational Performance

Performance may be defined as the ability of an object to produce results in dimension determined in relation to a target (Javier, 2002).Discovering the literature, numerous studies have selected organizational performance as one of the main constructs and have been defined diversely. Organizational performance is difficult to measure and there is no universally accepted definition. However, Organizational performance refers to how well an organization achieves its market-oriented goals as well as its financial goals. This definition covers both financial performance and non-performance (Yamin and Gunasekruan 1999).

Outsourcing Practices and Performance

Mullins, (2003) defines Outsourcing as a management strategy through which a company assigns some non-core functions to more specialized, more effective and more efficient service providers, such that the organization can be left to perform and concentrate with the core business activities. Outsourcing activities have existed for centuries. The earliest outsourcing activities were found in the prehistoric Roman Empire where tax collection was done through outsourcing. Global trends have contributed to numerous firms outsourcing some of their services to specialized firms in order to give much emphasis on their competitive advantage. Firms are sometimes forced to seek outsourcing services as a result of lacking human resources as they face challenges in getting right skills and knowledge which can make them gain world class capabilities similar to that expected from service provider (Bustinza.*et al*., 2010).

Global sourcing of components and products was the trend in the late 1980s and continued to the early 1990s for most manufacturing firms. Presently the trend has changed to business process outsourcing (BPO) to countries like South Africa and India, while at the same time there is a shift in the manufacturing activities to India and China through off-showing process. As much as outsourcing is implemented to cut costs for better competitiveness, it also allows an increased focus on remaining activities (Potkány and Benková, 2008). Petronila (2013)examined the relationship between outsourcing and organizational performance in the book publishing industry and the study found out that outsourcing of practices by the book publishing firms in Kenya has influenced its performance and it is recommended that the firms should continue outsourcing other services which they do not have competitive advantage over its competitors so that they can continue improving their performance. Kenyan perspective on outsourcing was underscored in the Kenya Vision 2030 program which was unveiled in 2007. The initiative was seen as a principal pillar as well as driver of social and economic improvement by means of wealth and job creation. According to Marika (2010), the aim of the Kenya government was to have development goals in the use of technology as well as emulating countries like India and China which have succeeded in outsourcing. The advancement in Information's and Communications Technology (ICT) through the incorporation of fibre-optic cable infrastructure will boost outsourcing activities. Many jobs will be created for Kenyans and other non-local firms will be attracted to do business in Kenya.

CONCEPTUAL FRAMEWORK

A conceptual framework can be defined as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation A conceptual

Framework provides a relationship between the dependent variable and independent variables (Kothari, 2004). The conceptual model represented in Figure 1 describes the relationship between the variables of study accordingly.

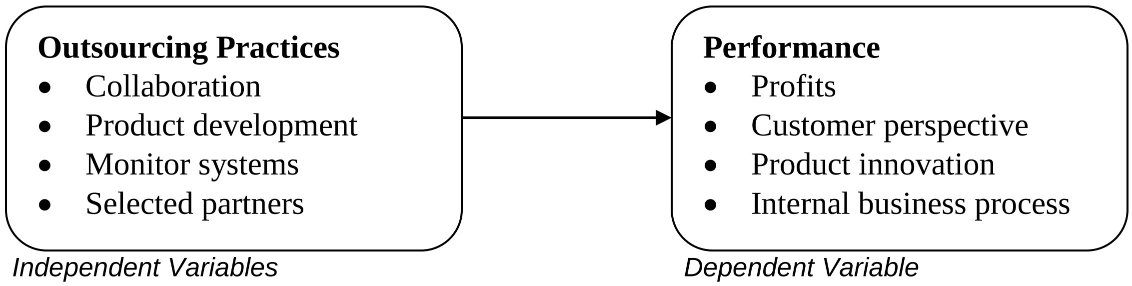

Figure 1: Conceptual Framework

RESEARCH METHODOLOGY

This study adopted explanatory research design which looks for explanations on the nature of certain relationships and investigates the causal relationship between variable. The study used census approach for all companies listed on the Nairobi Securities Exchange. The target population was 66 firms listed at the Nairobi Securities Exchange. The study interviewed 4 respondents each from the 66 different companies listed on Nairobi Securities Exchange (NSE). Thus making a total of 264 respondents. The respondent included procurement manager, procurement assistant, finance manager and finance assistant. A census survey was used in this population. The context was selected as the most ideal for the study owing to its being most representative as a reflection of the Kenyan economy.

Primary data was collected using structured questionnaires which was adopted from (Aoyama 2014). For this thesis, the majority of secondary data was collected from international established journals and books that present academic research. However, only the articles from recognized journals and the books were used in statements or referred to in this thesis. Secondary data played an important part of building knowledge to be able to develop a solid background on outsourcing practices on organization performance.

Reliability refers to the measure of degree to which an instrument yields consistent measurement across time and across items in the instrument (Saunders *et al*., 2009). Table 1 shows the results that indicated that outsourcing practices was (0.550) and organization performance was (0.845). Coefficient is high when its absolute value is greater than or equal to 0.7. Cooper and Schindler (2010) argue that a Cronbach’s alpha coefficient value equal or great than 0.5 is regarded to be an indication of reliability. This study adopted a coefficient of 0.5 as the benchmark for reliability.

Table 1: Test of Reliability of Questionnaire

Factor	Number of Items	Cronbach Alpha score	Conclusion
Outsourcing Practices	10	0.550	Reliable
Organizational performance	6	0.845	Reliable

The study therefore adopted content validity for the purpose of assessing the accuracy of the data. This enabled the researcher to assess validity of instrument including clarity, relevance, interpretation of questions and time spent and improves where necessary. Scholars at the School of Business were consulted to examine and review the instrument for content validity to avoid Type 1 error and Type 11 error. Any ambiguous questions were identified and rectified.

In this study, two diagnostic tests were done before data analysis to authenticate the research findings. The tests included normality which used Shapiro-Wilk tests to check for normality and Multicollinearity test, In order to test for multicollinearity, variance inflation factor (VIF) was computed using statistical packages for social science (SPSS). Data collected wasedited, cleaned and coded for completeness. Cleaned data was then analyzed using descriptive and inferential statistics. Descriptive statistics including mean, standard deviation and co efficient of variation (CV), while inferential statistics was used to evaluate the hypotheses presented in the study.

The linear regression model was;

$Y = \beta_0 + \beta_1 X_1 + \varepsilon$

Where;

Y= Performance (Dependent variable);

X_1=Outsourcing practices;

β_1 = beta coefficient;

ε = Error term

Multiple regression analyses was used to test hypotheses H_{O1}. Correlation analysis was used to check on the overall strength of the established regression model.The results from this model was presented in tables where analysis of variance (ANOVA) table was also presented by Correlation analysis. The most common indices used in correlation analysis is Pearson Correlation co efficient.

ANALYSIS AND DISCUSSION OF FINDINGS

Questionnaires were used to seek views of the employees working as the role of procurement and finance managers and assistance managers of the various companies listed at Nairobi Securities Exchange (NSE). The researcher distributed 264 questionnaires out of which 200 were received, 3 questionnaires were rejected due to improper incompletion. Thus 197 questionnaires were accepted as correctly filled which represent a response rate of 75 %.

Table 2: Company Profile

Characteristics		Percent (%)
Numbers of permanent employees	Below 100	0
	101-200	0
	201-300	3.03
	Above 301	96.97
	Total	**100**
Duration of the company existence in Kenyan market	Below 10 yrs	4.5
	11-20yrs	3.03
	Above 21yrs	92.4
	Total	**100**

Table 2 shows that 96.97% of the companies listed under NSE in Kenya had above 301 employees working in their respectively organizations and 3.03% have employees ranging between 201-300. While there was no company below 200 employees. From the findings majority of the companies listed under NSE in Kenya 92.4% of them show that they have existed in the country more than 21 years, 3.03 % had existed between 11-20 years and only 4.5% had existed below 10 years.

Descriptive Statistics

Outsourcing Practices

Table 3 illustrates the level of outsourcing practices by companies listed by Nairobi Securities Exchange. The results show moderately high ranking with respect to various outsourcing practices indicators (Mean scores above 3.0 was recorded for most outsourcing practices statement descriptions). The statement" The firm shares product development costs with supply chain partners " had the highest mean score of 4.10, implying that companies listed on the NSE performed well regarding sharing product development cost with partners to a very large extent. The statements "The company has placed emphasis on outsourcing practices through trainings of employees" had the lowest mean score of 3.25, implying that respondents almost disagreed to this statement.

Table 3: Outsourcing Practices

	Mean	Std. Dev	Skewness	Kurtosis
The company employs Business Process Outsourcing (BPO) thus reducing the costs of the operations	3.60	1.487	-0.726	-0.998
Considers the outsourcing consequences in its routine decisions making	3.44	1.188	-0. 180	-0.992
The firm depends on relatively few dependable outsourced suppliers are selected based on their capability to product, service quality	3.64	1.338	-0.114	-1.795
Emphasis on outsourcing practices through trainings of employees	3.25	1.222	-0.114	-0.963
Continuous collaboration with few selected supply chain partners has enhanced the availability of materials required on its daily business operation	3.79	1.349	-0.976	-0.366
The firm continuously collaborates with supply chain partners in price control	3.67	0.713	0.578	-0.860
The firm shares product development costs with supply chain partners	4.10	0.920	-0.997	0.321
Procurement department continuously liaises with supply chain partners in focusing and prioritizing demand planning efforts	3.38	1.036	-0.108	-0.599
Procurement department has developed systems to monitor the supplier performance of outsourced service partners	3.93	1.161	-1.215	0.687
Procurement department has a clear policy on managing the relationship with outsourced suppliers	3.70	0.931	-0.277	-0.584
Outsourcing Practices	**3.65**			

Organization Performance

Table 4 illustrates the level of organization performance by companies listed by Nairobi Securities Exchange. Internal business processes have improved over the last five years with a (mean=3.99, standard deviation= 0. 863). Improvement of the firm net profit growth over the last 5 years(mean=3.47, standard deviation= 1. 315). We conduct annual research to monitor our employee satisfaction and morale (mean=3.21, standard deviation= 0. 949). Improvement of customers satisfaction level over the last 5 years (mean=3.66, standard deviation= 0. 847). Our company puts emphasis on employees education and training as a way of enhancing performance (mean=3.98, standard deviation= 0. 974). Our company has had continuous product innovations over the past 5 years (mean=3.36, standard deviation= 1. 150). The results show moderately high ranking with respect to various performance indicators (Mean scores above 3.0 was recorded for most performance statement descriptions). The statement" Internal business processes have improved over the last five years" had the highest mean score of 3.99, implying that companies listed on the NSE performed well regarding internal processes to a very large extent. The statements "We conduct annual research to monitor our employee satisfaction and morale" had the lowest mean score of 3.21, implying that respondents almost disagreed with this statement.

Table 4: Organization Performance

	Mean	**Std. Dev**	**Skewness**	**Kurtosis**
Internal business processes have improved over the last five years	3.99	0.863	-0.510	0.020
Improvement of the firm net profit growth over the last 5 years	3.47	1.315	-0.448	-0.991
We conduct annual research to monitor our employee satisfaction and morale	3.21	0.949	-0.139	-0.153
Improvement of customers satisfaction level over the last 5 years	3.66	0.847	-0.215	-0.176
Our company puts emphasis on employees education and training as a way of enhancing performance	3.98	0.974	-0.528	-0.674
Our company has had continuous product innovations over the past 5 years	3.36	1.150	-0.180	-0.940
Organization Performance	**3.61**			

Correlation Analysis

A correlation coefficient enables the researcher to quantify the strength of the linear relationship between two ranked or numerical variables. Pearson correlation analysis was done to determine the relationship between study variables. A correlation coefficient value (r) in the range of 0.1 to 0.29 is considered weak, 0.3 to 0.49 is considered moderate while 0.5 to 1.0 is considered strong extracts from O'Brien, 2007. Table 5 indicates that outsourcing practices is positively correlated with organization performance (r= 0.418).

Table 5: Summary of Correlations Statistics of Independent and Dependent Variables

	Organization Performance	Outsourcing Practices
Organization Performance	1	0.418**
Outsourcing Practices	0.418**	1

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

Model Summary

The results in Table 6 indicated that Outsourcing practices had a positive correlation with organizational performance up to 41.8% or (R= 0.418). The results reveals that outsourcing practices caused a variation of 17.4% or (R^2=0.174 and adjusted R^2 =0.170) on organization performance. This implies that the remaining 82.6 % of the change was caused by other factors not included in the model.

(F value = 41.212, P=.000 < 0.05).

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.418[a]	.174	.170	.48516

a. Predictors: (Constant), Outsourcing Practices_mean

Further ANOVA tests were conducted to determine whether the model works in explaining the relationship among variables as postulated in the conceptual model. The findings from Table 7 show an F statistics value of 41.212 with a significance level of 0.000 which was less than the conventional probability of 0.05 significance level. Hence establishing the model is statistically significant. The implication is that independent variable (outsourcing practices) contributes significantly to changes in the dependent variable (organization performance). This shows that the model works and thus accounts for significantly more variance in the dependent variable than would be expected by chance.

Table 7: Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.700	1	9.700	41.212	.000[b]
	Residual	45.898	195	.235		
	Total	55.599	196			

a. Dependent Variable: Organization performance b. Predictors: (Constant), Outsourcing Practices

The hypothesis H_{01} stated that outsourcing practices have no significant effect on organization performance of firms listed at Nairobi Securities Exchange. Outsourcing practices has a positive relationship effect on the organization performance of firms listed at Nairobi Securities Exchange. The results on Table 8 revealed that p value was less than 0.05, ρ=0.000 which implies that relationship was statistically significant and therefore hypotheses was rejected.

Table 8: Regression Coefficients

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	1.896	.269		7.038	.000
	Outsourcing Practices	.470	.073	.418	6.420	.000

a. Dependent Variable: Organization performance

Discussion of the Findings

The objective of the study was to establish the effect outsourcing practices on organization performance of companies listed at Nariobi Security Exchange. The objective had a corresponding hypothesis which stated that outsourcing practices have no significant effect on organization performance on NSE. From the findings of the study they indicate that outsourcing practices had a positive effect on the organization performance of companies listed at NSE (B = 0.223), therefore the hypothesis was rejected. Meeting outsourcing practices is one of key success factor of implementation of strategic procurement practices by companies listed at NSE. Harland *et al* (2005) pointed out that outsourcing practices through incorporating Business Process Outsourcing criteria leads in improvement of services delivery within the organization. The result concurred with Felix (2016) whose findings on the on effects of outsourcing practices on organization performance in manufacturing sector Kenya was statistically significant. The study found out that outsourcing practices affects organization performance to a great extent.

Summary of Findings

The objective was to determine the effect of outsourcing practices on organization performance of companies listed under NSE. Outsourcing practice is the act of obtaining services from an external source. Correlation analysis showed that outsourcing practices and organization performance are positively and significantly associated. The study found out that there was a positive significant linear relationship between outsourcing practices and organization performance of companies listed at Nairobi Securities Exchange. The study also established that outsourcing practices can be enhanced in any given organization with an aim of achieving long term organizational success by instituting more aspects such as sharing product development costs with supply chain partners, developing systems to monitor the supplier performance of outsourced service partners and developing a clear policy on managing the relationship with outsourced suppliers. Also continuous collaboration with few selected supply chain partners to enhance the availability of materials required on its daily business operation was identified as a factor that could lead to enhanced outsourcing practices within an organization.

CONCLUSIONS AND RECOMMENDATIONS

The study established that outsourcing practices have a positive effect on the organization performance of companies listed under NSE. The study findings revealed that the firm shares product development cost with supply chain partners. The study concludes that organization should engage on emphasis on outsourcing practices through trainings of employees. The study found out that outsourcing practices if adopted could increase the organization performance of companies listed under NSE in Kenya.

Based on the findings the study recommends that managers should formulate long term strategies and they should be able to allocate funds for research and development to firms listed at NSE. Procurement managers should continue practicing effective strategic procurement practices through building a strong foundation on outsourcing practices thus to enhance building better organization performance. With respect to policy makers, it is recommended that stakeholders increase funding for strategic research to enable scholars or researches to help in imparting and formulate effective strategies for their organizations with a view to achieving sustainable superior performance.

SUGGESTIONS FOR FURTHER RESEARCH

Future studies may be conducted on the effect of outsourcing practices on operational performance of different public organizations, since the current study was limited to firms listed in NSE. Future studies shall cover a wider scope which can enhance generalization. In addition, the study focused on outsourcing practices. Thus, empirical work that actually demonstrates the whole of strategic procurement practices is beyond outsourcing practices used in the study. Therefore, similar study can be conducted using different capabilities to influence organizational performance of firms listed at NSE. Finally, further research can be conducted on the effect of outsourcing practices but in different sectors other than firms listed at NSE such as small medium enterprises in Nairobi County.

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