

**BUSINESS PROCESS OUTSOURCING AND PERFORMANCE OF
SELECTED REAL ESTATE FIRMS IN NAIROBI CITY COUNTY, KENYA**

ANNE NDIIRI: B.Ed. (KU)

D53/CTY/24724/2013

**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN
PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF
MASTER OF BUSINESS ADMINISTRATION DEGREE (STRATEGIC
MANAGEMENT) OF KENYATTA UNIVERSITY**

DECEMBER, 2021

DECLARATION

This research project is my original work and has not been presented for a degree in any other University or for any other award. No part of this proposal should be reproduced without authority of the author or/and Kenyatta University

Signature _____ Date _____

Anne Ndiiri

D53/CTY/24724/2013

I confirm that this research project has been carried out by the candidate under my guidance as the university appointed supervisor.

Signature _____ Date _____

Dr. James Kilika, PhD

Department of Business Administration

School of Business

Kenyatta University.

DEDICATION

This study is dedicated to my parents, Dr Washington Ndiiri and Sarah Loice, My husband Mr. Alex Wageni and my siblings for their continuous support and encouragement.

ACKNOWLEDGEMENT

I appreciate the invaluable direction and support in the creation of this research project provided by my supervisor Dr. James Kilika.

TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLE	viii
LIST OF FIGURES	ix
ABBREVIATIONS AND ACRONYMS	x
OPERATIONAL DEFINITION OF TERMS	xi
ABSTRACT	xii
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the Study	1
1.1.1 Firm Performance	3
1.1.2 Business Process Outsourcing	6
1.1.3 The Real Estate Industry in Kenya	9
1.2 Statement of the Problem.....	10
1.3 Objectives of the Study.....	12
1.3.1 General Objectives.....	12
1.3.2 Specific Research Objectives.....	12
1.4 Research Questions.....	13
1.5 Significance of the Study	13
1.6 Scope of the Study	14
1.7 Limitations of the Study.....	14
1.8 Organization of the Study	15
CHAPTER TWO	16
LITERATURE REVIEW	16
2.1 Introduction.....	16
2.2 Theoretical Literature Review	16
2.2.1 Transaction Cost Economics	16
2.2.2 Resource-Based View	17
2.2.3 Contingency Theory	19
2.3 Empirical Literature Review.....	20

2.3.1 Business Process Outsourcing	20
2.3.2. Information Technology Outsourcing and Performance	23
2.3.3. Knowledge Process Outsourcing and Performance.....	24
2.3.4. Administration Support Systems Outsourcing and Performance	25
2.3.5 Project Management Skills Outsourcing and Performance	26
2.4 Summary of Literature Review and Research Gaps	28
2.5 Conceptual Framework.....	31
CHAPTER THREE	32
RESEARCH METHODOLOGY	32
3.1 Introduction.....	32
3.2 Research Design.....	32
3.3 Target Population.....	33
3.4 Sampling Technique	33
3.5 Data Collection Instrument.....	34
3.6 Validity and Reliability of Research Instruments.....	34
3.6.1 Validity of Research Instruments	34
3.7 Data Collection Procedure	36
3.8 Data Analysis and Presentation	36
3.9 Ethical Considerations	37
CHAPTER FOUR.....	38
RESEARCH FINDINGS AND DISCUSSIONS	38
4.1 Introduction.....	38
4.2 Response Rate.....	38
4.4 Demographic Characteristics	38
4.4.1 Respondent Gender.....	39
4.4.2 Age of Respondents	39
4.4.3 Length of Continuous Service with the Firm.....	40
4.4.4 Education Level	42
4.5 Descriptive Analysis	43
4.5.1 Information Technology Outsourcing	44
4.5.2 Knowledge Process Outsourcing	46
4.5.3 Administration Support Systems Outsourcing	47
4.5.4 Project Management Skills Outsourcing	49

4.5.5 Firm Performance	50
4.6 Inferential Analysis Results	52
4.6.1 Correlation Analysis Results	52
4.6.2 Regression Analysis.....	54
CHAPTER FIVE	59
SUMMARY, CONCLUSION AND RECOMMENDATIONS	59
5.1 Introduction.....	59
5.2 Summary of Findings.....	59
5.2.1 Information Technology Outsourcing	59
5.2.3 Administration Support Systems Outsourcing	60
5.2.4 Project Management Skills Outsourcing	61
5.3 Conclusion	62
5.4 Recommendations.....	63
5.5 Suggestions for Further Research	64
REFERENCES	65
APPENDICES	68
Appendix I: Questionnaire.....	68

LIST OF TABLE

Table 2.1: Summary and Research Gaps	29
Table 3.1: Sampling Frame.....	34
Table 3.2: Reliability Test Results.....	36
Table 4.1: Response Rate.....	38
Table 4.3: Respondent Age.....	39
Table 4.5: Level of Education.....	42
Table 4.6: Extent firm has outsourced Information Communications and Technology Infrastructure.....	44
Table 4.7: Descriptive Results on Information Technology Outsourcing.....	45
Table 4.8: Descriptive Results on Knowledge Process Outsourcing.....	46
Table 4.9: Descriptive Results on Administration Support Systems.....	48
Table 4.10: Descriptive Results on Project Management Skills Outsourcing.....	49
Table 4.11: Descriptive Results on firm performance.....	51
Table 4.12: Correlation Results	53
Table 4.13: Model Summary	54
Table 4.14: Analysis of Variance (Model Significance)	55
Table 4.15: Regression Coefficients	55

LIST OF FIGURES

Figure 2.1 Conceptual Framework	31
Figure 4.1 Respondent Age.....	40
Figure 4.2 Length of Continuous service with the firm.....	42
Figure 4.3 Respondent Level of Education.....	43
Figure 4.4 Firm Performance	52

ABBREVIATIONS AND ACRONYMS

BPO	Business Process Outsourcing
CEO	Chief Executive Officer
GDP	Gross Domestic Product
HR	Human Resource
ICT	Information and Communications Technology
KPO	Knowledge Process Outsourcing
NAHB	National Association of Home Builders
ROI	Return on Investment
SPSS	Statistical Package for Social Sciences
UK	United Kingdom

OPERATIONAL DEFINITION OF TERMS

Business Process Outsourcing	Refers to a business practice in which an organization contracts with an external service provider to perform an essential business task.
Information Technology	Refers the practice of using external resources, or subcontracting, some or all of the information technology (IT) functions required by a business.
Knowledge Process Outsourcing	Refers to the outsourcing of core, information-related business activities.
Organizational Performance	Organizational performance refers to an organization's actual outcomes as compared to its expected outputs
Project Management Skills	These are the skills and characteristics required to successfully organize a project from inception to end.
Administration Support Systems	Administrative support services plainly imply offering well-ordered and controlled assistance to a firm.

ABSTRACT

Today's ever-increasing competitive environment requires firms to seek for better ways to create value. In the organization era, firms continue to face tougher competition in the business environment and business process outsourcing is a critical strategy that improves a firm's competitive capabilities by delivering value to customers. Business process outsourcing has emerged as a widely adopted strategy among firms in various sectors. The general objective of the study was to establish the effect of business process outsourcing on performance of real estate firms in Nairobi City County. The specific objectives of the study were to determine the effect of Information Technology Outsourcing, Knowledge Process Outsourcing, Administration Support Systems and Project Management Skills Outsourcing on performance of selected real estate firms in Nairobi City County. The study was founded on Transaction Cost Economics, Resource-Based View and Contingency Theory. A descriptive survey research approach was used in this study. The population of interest in this study comprised of 245 real estate firms in Nairobi City County registered in accordance with the Estate Agents Act while the respondents of the study comprised of the real estate managers. The population was sampled using stratified sampling techniques and the respondents were selected using simple random sampling method. The study used primary data that was obtained using questionnaires administered to real estate firm managers. Statistical Package for the Social Sciences was used for quantitative data analyses. The findings of the study showed that real estate firms in Nairobi City County outsource information technology, knowledge process, administrative support systems and project management skills to a great extent. The study concluded that Information Technology Outsourcing, Knowledge Process Outsourcing, Administration Support Systems and Project Management Skills Outsourcing positively and significantly affect performance of selected real estate firms in Nairobi City County. The study recommended that in order for real estate firms in Nairobi City County to improve their performance, there is need to outsource information communications and technology (ICT) infrastructure such as IT support services, software applications, computer network infrastructure, IT security infrastructure and IT training consultancy. The study also recommended real estate firms to outsource knowledge processes including managing performance and legal obligations, contract management and law, business and market research, building and research as well as research and development.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Business firms transact in an increased competitive business environment accelerated by ever changing technological advancements and other forces of globalization. In order to remain competitive and profitable, organizations globally have to continually reinvent their management practices and focus more on their core competences while outsourcing non-core business activities and improving overall organizational performance (Allred & Swan, 2014). The dynamic nature of the globalized economy requires organizations to focus on business practices that enable them to achieve resource optimization, cost reduction and create new opportunities (Conner, 2001).

Demand forces such as e-commerce and demographic changes have created more opportunities for real estate developers (Kamanga & Ismail, 2016). According to the NAHB report 2015, the real estate sector contributed 18% of the US GDP in 2015, drawing the attention of stakeholders as a critical economic sector. Despite the potential of the global real estate industry, organizations in this industry face increasing market competition and dwindling resources requiring them to focus on strategies such as business process outsourcing to maximize economic returns (Akewushola & Elegbede, 2012).

In pursuit of better performance and profitability in a highly competitive business environment, organizations across Africa are continually investing in innovative management practices. The disruption of traditional business models by high rate of adoption of information technology and forces of globalization as well as regional and international competition has placed greater pressure on companies to re-think their

operations in order to remain competitive and sustainable in the business environment (Allred & Swan, 2014).

According to Musangi (2013), renewed focus on the East Africa Community as a regional economic block has created opportunities as well as challenges for countries in the region. The East African Community has supported the movement of people, goods and services across member states which has expanded the markets for organizations. However, the threat of increased competition and pressure to align organization performance to international standards has affected the ability of organizations to tap into the new markets (Kamanga *et al.*, 2016). Further, e-commerce and e-procurement as well as globalization of the economy has seen local and regional organizations face competition from internal and well-established firms across sectors.

Kenya is considered a regional business hub in East Africa and firms in the country are always re-aligning their operations to remain relevant in the economy. Kenya-based organisations, operating with limited internal resources in recent years, have put tremendous pressure on implementing cost-cutting methods and optimizing operations to enhance profitability (Macharia, 2014). The real estate sector in Kenya has particularly been under focus due to the quality of real estate project and performance resulting from shortage of skills, knowledge and internal capacities in the organizations.

According to Musangi (2013), more and more organizations are resorting to outsourcing to be able to fill the existing gaps and thus leveling the global inequalities in terms of competencies in real estate development. Since no organization is fully self-sufficient, organizations are increasingly outsourcing support business operations

while concentrating on their primary business and developing their brands. Through globalization, organizations in emerging economies such as Kenya are making use of ICT to outsource services for which they have no competency internally, thus reducing the risks and reducing the costs that would be incurred in developing and maintaining internal competencies for the outsourced services. Outsourcing, according to Price Waterhouse Coopers (2010), is a strategic management technique that enables companies to get services for the performance of business activities that would otherwise be performed by organizational employees and resources. The firm is able to achieve this by maintaining contracts with valued business partners that are able to perform the non-core business functions at the required level of competence, quality and cost.

Business process outsourcing has its roots in the manufacturing sector. However, other industries such as finance, telecommunications and real estate have recently embraced the practice as they seek to improve organizational performance and cut costs in a competitive globalized economy. According to Vuluka and Gachanja (2014), real estate firms in Kenya are grappling with increasing housing construction costs, gaps in technical skills and increased risks associated with project creep. The research looked into the impact of business process outsourcing on project completion and organizational performance as a possible solution to the challenges facing real estate firms in Nairobi County.

1.1.1 Firm Performance

Firm performance is the way in which an organization has achieved its goals and objectives. The performance ought to be based on qualitative and quantitative measurement indicators together with the market the organization has acquired, gain from what it has invested and profits made (Richard, 2016). Lusthaus (2018) puts

performance of the organization into categories that include the way in an organization is able to offer the best products or services with a structure that is very effective, attains its set mission and realizes its goals, gains goods profit and having more finance assets more than what it is spending.

Angle and Perry (2015) indicate that every organization seeks to be more effective and achieve superior results. Efficiency is linked to an organization's ability to design a unique model of embracing business opportunities through exchange relationships and it's therefore an important way in which the organization interacts with its environment to generate a sustainable growth. Guajardo (2015) argue that to create organizational effectiveness, business leaders need to focus on aligning and engaging their people, the people management systems, and the structure and capabilities including organizational culture to the strategy.

According to Dhall, (2013), outsourcing of core business deliverables has been proven to reduce errors, cut costs and improve productivity. However, the outsourcing process requires careful planning since it leads to brain-drain and jobs which eventually affects organizational performance (Deloitte, 2014). Other risks associated with outsourcing include unacceptable performance level which may attract additional costs.

According to Kamanga and Ismail (2016), organizational performance is the ability of a firm to achieve its business objectives by persistently applying proven management practices and strong governance structures. On the other hand, Richard, Devinney, Yip and Johnson (2009), described organizational performance as a measure of a firm's output against its business goals and objectives. Bonasia (2010) further notes that organizational performance is inseparable from the ideas of efficiency and

effectiveness. Organizational should not just achieve their business objectives but also utilize the fewest resources in achieving the desired results. Financial or non-financial performance can be used to measure organization performance.

Profitability or returns on investment that shareholders receive from investing in the company are used to gauge financial performance. Non-financial performance measures are market share, productivity, improve quality, project completion, customer satisfaction and level of innovation (Kamanga & Ismail, 2016). Today's organizations operate in an increased competitive environment which requires that firms monitor their performance regularly. Managers in all sectors of the economy are concerned about organizational performance, which has resulted in a growing focus on research on organizational performance factors.

In recent years, the argument about the influence of outsourcing on a company's success has raged on. Yankelovich (2003) notes that nearly two-thirds of firms globally outsource at least one of their non-core business activities to external business partners. According to Kamanga and Shale Noor Ismail (2016), the growth of contemporary business organizations has been linked to the ability of firms to review their operations and outsource non-core activities to external partners with the resources and competence. Bacon (2009), linked successful implementation of outsourcing to tactical benefits such as innovation, speed, flexibility, cost reduction and productivity.

Other studies such as those conducted by Musangi (2013), registered a strong positive correlation between outsourcing practices and increased capacity, improved financial performance, improved firm's competitiveness, improve product and service quality, improved profitability and enhanced productivity. The real estate market in Kenya is

booming, and this research will look at the influence of BPO on real estate businesses' profitability, project completion, productivity, and operational efficiency. The performance variables proxies were; productivity, operational efficiency, client satisfaction and project completion

1.1.2 Business Process Outsourcing

Business process outsourcing is described as a management strategy through which a firm delegates business activities that are considered non-core to an external firm that possesses the resources and competence to efficiently and effectively carry out the functions (Richard *et al.*, 2009). The practice of outsourcing in business emerged first in the manufacturing sector as firms sought to reduce the cost of production (Smith & Mckeen, 2004). It was a product of the diversification strategies that took place in the 1970s to early 1980s. Through outsourcing, many firms reviewed their core business activities and focused their resources to their core objectives and contracted other firms to perform the non-core business activities (Musau, 2016).

In concentrating on what firms believed they do best, modern businesses are able to cut costs and also improve on quality of services by making use of specialist competences from valued contracted business partners. The practice of outsourcing has been linked to improved performance and reduced operational costs since most outsourced activities are those that involve high labor and capital costs. According to Smith and Mckeen (2004) outsourcing impacts on long competitiveness, cost structure and risk levels the firm has to handle.

A business process is a rationally conducted collection of coordinated and linked operations that deliver value to internal and external clients. The transfer of business processes from within a company to external service providers is referred to as business process outsourcing (BPO) (Akewushola & Elegbede, 2012). In simple

terms, BPO is as the giving out of specific none-core business activities to be owned, managed and administered by external service providers. Business process outsourcing involves contracting third party service providers in specializations such as design, production, human resource management, information technology and financial services. According to Brown and Wilson (2005) the selected BPO client has the core competency to perform the business process more efficiently and free limited organizational resources.

Traditionally, the aim of outsourcing was to lower the costs of production and processes. Even today, most businesses are driven to outsource non-core company processes to third-party service providers because of economies of scale. Gupta (2002) identified the need for firms to improve security, improved quality, improve customer responsiveness, profitability, reduce costs and concentrate on none-core activities as the major drivers for adoption of business process outsourcing. Allred and Swan (2014), on the other hand, think that businesses utilize business process outsourcing to save costs and get access to specialized talents.

Lysons (2006) noted that the practice of outsourcing frees up financial resources for investment on core business activities, improves organizational focus on core business goals and objectives in addition to improving flexibility. However, for a firm to benefit from outsourcing, it is important to compare the cost of different service providers against the planned budget in order to justify outsourcing as opposed to in-sourcing. The impact of outsourcing on operational efficiency was studied by Smith and Mckeen (2004) and established that the practice results in cost cutting measures due to reduced number of staff and transformation of fixed costs, obtaining new capacities and eliminating overhead costs.

According to Smith and McKeen (2004) outsourcing contracts can be enhanced through risk sharing, communication and commitment from top management as well as trust and understanding. Although outsourcing was more common in U.S, Canada and Australia, it has become an essential part of most corporate strategies in emerging economies due to the influence of the forces of globalization. Kenya's Vision 2030 initiative, which began in 2007, highlights the country's commitment to offshore outsourcing (Vuluka & Gachanja, 2014). One of the goals of Kenya's Vision 2030's social pillar is to make Kenya globally competitive by providing cheap housing for the country's expanding urban population. Further, the role of onshore and offshore business process outsourcing is highlighted as a key factor in developing the necessary human expertise that will transform the real estate industry (Vuluka & Gachanja, 2014).

Outsourcing arrangements also expose the organization to risks associated with the unfamiliar and complex nature of such business relationships especially for firms in developing countries (Vuluka & Gachanja, 2014). Outsourcing reduces a firm's control over the delivery of services and therefore has the potential to increase the risk exposure and liability. Musau (2016), suggests that firms in emerging economies should probe how to develop and implement effective outsourcing strategies. Further, measures such as constant monitoring of the performance of business partners, through regular reviews and communication can significantly reduce the risks associated with business process outsourcing (Musau, 2016).

Kenya's Vision 2030 has recognized business process outsourcing as a key pillar. Business Process Outsourcing practices vary widely across industry. The business process outsourcing practices that have the greatest impact on real estate firms globally are Information Technology Outsourcing, Administration Support Systems,

Knowledge Process Outsourcing and Project Management Skills. In recent years, information technology has gotten a lot of attention and has become a global phenomena in both the corporate and governmental sectors. It involves outsourcing ICT services such as software and application development, ICT support services, and network infrastructure and data backup systems for business.

Administration support outsourcing has gained interest in businesses as the outsourcing model matures. It involves outsourcing administrative tasks such as HR and tax compliance management, customer relationship management, personnel management and data entry activities. The goal of administration support outsourcing is to improve productivity while reducing the administrative costs associated with hiring skilled personnel to perform the various administrative tasks.

Outsourcing of knowledge processes is a sort of outsourcing where individuals with expertise and information work for a single company. Content production, intellectual property research, knowledge processing, animation and simulation services, data research and analytics, and database construction are all examples of Knowledge Process Outsourcing services. Real estate projects require technical expertise in project management. Project portfolio management, project performance measurement, project risk management, and construction management are all skills that may be outsourced to service providers to save money and enhance project quality, budget, and timeliness.

1.1.3 The Real Estate Industry in Kenya

Shortage of urban housing is globally recognized as a problem especially in developing countries. A growing urban population, high interest rates on mortgage loans and project management complexities are some noted as some of the factors that

affect the real estate sectors (Vuluka & Gachanja, 2014). As a result, the real estate industry is crucial to Kenya's economy, accounting for 5.1 percent of GDP and growing at a rate of 7.8 percent each year. A diverse approach to real estate development strategies has been employed to tackle the problem, including serviced apartments, high-end housing, and low-cost residential housing.

The real estate industry in Kenya is faced by skills gap among project managers which affect the ability of the firms to successfully complete projects on time and within budget. Because of the high interest rates on mortgage loans, which are set at 15%, real estate companies in Kenya must come up with creative strategies to cut building costs in order to stay competitive (Vuluka & Gachanja, 2014). Outsourcing of real estate services to other firms with the resources and competencies has the potential to significantly improve performance of real estate firms if the impact in other sectors such as telecommunications and finance are to go by. The goal of this research was to examine how business process outsourcing influenced real estate performance in Nairobi City County.

1.2 Statement of the Problem

The Kenyan real estate market has been characterized by volatile market circumstances and fierce rivalry, both of which have harmed the success of individual businesses in the industry. According to Kamanga and Ismail (2016), to achieve effectiveness and efficiency which are measures of organizational performance, there is need for real estate firms to persistently devise and apply strong strategic practices. Real estate firms operate in an increasingly competitive business environment with the need for a strategy to enhance performance. Similarly, the biggest problem with real estate firms has been to devise effective methods to reduce the cost of construction due to high interest on mortgages as well as completing real estate

projects that meet the requirements of the client and generate acceptable profit to the firm. As such, many real estate firms have resorted to applying different strategies in order to maintain as well as enhance their performance. Nonetheless, the performance of the real estate firms within Nairobi City County still remains an issue of concern since not all the real estate firms have maintained or significantly improved their performances (Vuluka & Gachanja, 2014).

According to Mutisya (2015) real estate construction firms in Kenya face challenges in completing projects and being profitable amidst a growing demand for housing units especially in Nairobi County. Further Mutisya (2015) notes that most real estate managers lack the required level of knowledge, skills and capacities to be able to manage real estate projects effectively. A strong organizational performance in the real estate sector requires not only completing the project but also using the minimum possible resources. Further, most of real estate firms lack sufficient internal competencies and resources that has affected their performance. Business Process Outsourcing with relevant organization offers the needed competencies to enhance performance of the real estate industry.

Despite the fast-growing outsourcing practice, there are few documented sources of information about outsourcing in Kenya's real estate market. Several studies have also attempted to address the topic of business process and firm performance, but the results have been mixed. Macharia (2012), for example, investigated the influence of business process outsourcing on organizational performance in Kenya's media industry. The research included a descriptive survey of 34 managers from six key industry companies. The findings indicated that business process outsourcing methods and organizational performance had a substantial and positive relationship. However,

the previous research focused on the media business, but the present study will only look at the real estate industry.

Another study conducted by Kamanga and Ismail (2016) focused on the effect of business process outsourcing on firms in the manufacturing sector in Kenya. The study involved 42 participants in management positions at Del Monte Kenya Limited. The findings showed that quality, cost and technology adaption were strong predictors of organizational performance for firms in the manufacturing sector. The current study sought to investigate the effect of business process outsourcing on organizational performance in the real estate industry in Nairobi County.

1.3 Objectives of the Study

1.3.1 General Objectives

The general objective of the study was to establish the influence of business process outsourcing on performance of selected real estate firms in Nairobi City County, Kenya.

1.3.2 Specific Research Objectives

- i) To determine the effect of Information Technology outsourcing on performance of selected real estate firms in Nairobi City County
- ii) To establish the effect of knowledge process outsourcing on performance of selected real estate firms in Nairobi City County
- iii) To examine the effect of administrative support systems business process outsourcing on performance of selected real estate firms in Nairobi City County
- iv) To determine the effect of project management skills business process outsourcing on performance of selected real estate firms in Nairobi City County.

1.4 Research Questions

- i. What is the effect of Information Technology outsourcing on performance of selected real estate firms in Nairobi City County?
- ii. What is the effect of knowledge process outsourcing on performance of selected real estate firms in Nairobi City County?
- iii. What is the effect of administrative support systems business process outsourcing on performance of selected real estate firms in Nairobi City County?
- iv. What is the effect of project management skills business process outsourcing on performance of selected real estate firms in Nairobi City County?

1.5 Significance of the Study

The research would help to improve the management of real estate firms in Kenya. This study can provide proof of the influence of business process outsourcing on organizational performance to managers in the industry. The study also would provide a solid evidence for managers in the sector to realign their management strategies in order to improve customer satisfaction and their competitiveness in the business environment. Outsourcing of project services provides a competitive advantage for many real estate companies especially with the increased demand for affordable housing to serve the increasing demographics in urban centers in Kenya. The study would also be useful to policymakers who have power over the real estate industry, since it would assure the safety and quality of housing developments built by real estate businesses.

Additional researchers, academics and academics could make use of the results for their studies in the future. Researchers are interested in organizational performance in the real estate sector because project managers are looking for a silver bullet to reduce building costs and create affordable homes. The study would therefore be a great resource to finding effective management practices in the real estate sector in Nairobi County in order for organizations to remain competitive and profitable in the business.

1.6 Scope of the Study

The study aimed at establishing the influence of business process outsourcing on performance of selected real estate firms in Nairobi City County, Kenya. The dependent variable was performance (financial and nonfinancial) while the independent variable was business process outsourcing (Information Technology outsourcing, knowledge process outsourcing and administrative support systems business process outsourcing and project management skills business process outsourcing)

The study was conducted in Nairobi City County, Kenya. The population of interest for the study was 245 real estate companies registered under the Estate Agent Act and operating within the geographical boundaries of Nairobi City County. The respondents of the study were managers of the selected real estate firms. Performance of the real estate in Kenya was based on the past 5 years (2016 – 2020).

1.7 Limitations of the Study

The scope of this research was limited to a few real estate businesses in Nairobi City County. As a result, the conclusions of this study have an urban leaning, both in terms of the real estate investigated and the respondents' perspectives. As a result, the

conclusions of this study cannot be applied to other locations with conditions that differ from those in Nairobi City County. Due to competition pressure, firms tend to strictly guard such information as profitability and management strategies. Accordingly, the study could have suffered from collection of inadequate and/or inaccurate information. To address this issue, the researcher got permission from the university to guarantee real estate business executives that the information gathered would not be shared with rivals. Furthermore, the study looked at a subset of the population, with results that may be applied to the entire population. The generalizations may not be 100 percent correct, despite the fact that the sample was computed using scientifically accepted techniques. However, scientific sampling was applied to reduce the error of high inaccuracy. The problem of housing affects all the Counties in Kenya. The limited financial resources restricted the study to Nairobi City County.

1.8 Organization of the Study

This project comprises of five chapters. Chapter one presents the background to the study, statement of the problem, objectives of the study, research questions, significance of the study, scope of the study and limitation of the study. Chapter two will present the theoretical review, empirical review, conceptual framework, knowledge gaps and summary of the literature review. Chapter three will highlight the research methodology including research design, target population, sampling and sample size, research instruments, pilot study, data collection techniques, method of data analysis and ethical issues. Chapter four presents the research findings and discussions and chapter five presents the summary of the findings, conclusions, recommendations and suggestions for further studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter is based on previous research on business process outsourcing and corporate performance. The chapter begins with a discussion on the concept of business process outsourcing and the theories that were used to understand how business process outsourcing affects the performance of organization. The section ends with a summary of literature review and the research gap.

2.2 Theoretical Literature Review

This sections addresses theories that are used to guide the study. These theories include; transaction cost economics, resource-based view and contingency theory.

2.2.1 Transaction Cost Economics

The transaction cost economics theory was pioneered by Coase in 1953 and analyzes how firms achieve efficiency by comparing internalization and business process outsourcing (Williamson, 2006). The theory posits that firms will tend to expand through internalization until the cost of such transactions is equal to the cost of outsourcing after which the firm transfers the business function to the external service provider. According to Williamson (2006), in a perfectly competitive market environment business process outsourcing tend to be more efficient compared to internalization of business operations. The underlying assumption of this theory is that market conditions are always competitive, which is not always the case (Deloitte, 2014).

One of the critiques labelled against transaction cost economics theory is the fact that it is founded on opportunism and the abandonment of differential capabilities which defines firm heterogeneity as well as other dynamics (Dosi & Marengo, 1994). The

theory fails to embrace capabilities, dynamic capabilities and competencies. Differential capabilities result in varied manufacturing costs, which can have a big influence on whether you create or buy anything. As a result, firms may internalize activities because they can do so more cost-effectively in terms of production (rather than transaction) than other firms (Abell, Felin & Foss, 2008).

Transaction cost economics theory was specifically chosen for this study since it analyzes the firm boundaries and contracting deals in the market which are at the core of business process outsourcing. Applying transaction cost economics to this study provides information on why firms choose business process outsourcing as opposed to internalization and the various assumptions surrounding such decisions (Richard *et al.*, 2009). The arguments of the theory are relevant in anchoring the independent study variables.

2.2.2 Resource-Based View

The resource-based view of the company is a strategic theory of the business in which the firm is seen as a collection of tangible and intangible resources that must be put to productive use in order to meet the organization's goals and objectives (Conner, 2001). A firm's resources are a critical strategic asset which enables it to compete which other firms in the same industry. According to Conner (2001), resources have inherent characteristics such as value, rarity, impossibility, and the lack of strategically comparable alternatives. The resource-based perspective, according to Barney and Hesterly (2006), is based on the notion that a firm's resources and distinctive skills differ considerably among companies. These disparities in resources and capabilities of firms can create a competitive advantage for the firm if they are mixed and deployed in the proper way.

Williamson (1979) further emphasizes that a firm's asset only become a resource when it brings value to the firm. The premise of resource immobility and resource heterogeneity underpins the resource-based perspective of the company. A firm's resource must also be rare in order to provide sustained competitive advantage for the firm in the market. Present and potential competitors in the industry should not find it easy to imitate the resource and therefore enabling the firm with such a resource to have competitive advantage over those that lack the resource (Shaharudin *et al*, 2014). Because multiple resource configurations may create the same value for companies, the resource-based perspective of the company has been challenged, indicating that there is no competitive edge. Similarly, product markets play a minor role in the argument, with little emphasis on capabilities. Furthermore, the theory presents concerns of retrospective causality, in which any current achievement might be attributed to one-of-a-kind resources, but the connection is not always obvious (Sanchez, 2008).

Because outsourcing of resources can assist the company attain competitive advantage that may not be accessible in the internal environment, the resource-based view of the firm is crucial to this study in understanding how business process outsourcing affects firm performance. Using the resource-based approach of the company, McIvor *et al.* (2008) found that most businesses are only able to internalize a few resources, explaining the growing trend in business process outsourcing. The firm's resource perspective is critical to comprehending the decision-making process that explains why companies choose to outsource their business operations. A firm identifies all the resource it needs and compares the characteristics of the resources. Resources that are rare, of greater value, non-imitable and without substitutes are internalized while resources without these attributes are outsourced (McIvor *et al.*, 2008).

2.2.3 Contingency Theory

Drazin and Van de Ven, (1985) argued that organizations operate in a relatively complex and uncertain internal and external constraints and therefore management and strategic decisions are dependent on the situation at hand. In the context of resources, organizations may not be able to predict the resources that would be needed in the future. As a result, the organization is faced with the risk of not having sufficient resources to meet its goals (Rothaermel, Hitt & Jobe, 2006). The resources may also depreciate in value and therefore make the firm unable to generate sufficient rent and substitute resources may be expensive for the firm. By creating a 'fit' between organizational characteristics and environmental variables, contingency theory aims to establish stability in businesses that encounter a high degree of uncertainty in their settings.

The idea fills in the perceived gap between a company's current and future capabilities (Brown & Wilson, 2005) According to the contingency theory, a more unpredictable and dynamic external environment will lead to a rise in outsourcing as businesses strive to improve operational efficiency, productivity, and profitability. The contingency theory is useful in this study because it allows the researcher to look at the influence of business process outsourcing on real estate firms in Nairobi City County in terms of project completion rate, profitability, productivity, and operational efficiency.

2.3 Empirical Literature Review

2.3.1 Business Process Outsourcing

Today's ever-increasing competitive environment requires firms to seek for better ways to create value. According to Waugh and Luke (2011) outsourcing has emerged as a widely adopted strategy among firms in various sectors. Revi et al., (2011) notes that in the globalization era, firms continue to face tougher competition in the business environment and business process outsourcing is a critical strategy that improves a firm's competitive capabilities by delivering value to customers. Reengineering internal company processes by focusing on key business operations and outsourcing non-core business functions to outside suppliers is what business process outsourcing entails. Gewald (2010) observed that firms are increasingly using business process outsourcing to reinforce their core competencies and enhancing their performance.

A survey conducted in the UK by Barney, (2001) reported that 68 percent of organizations outsource at least one of their non-core business functions. The study concluded that business process outsourcing if well planned and systematically executed can save labor costs and improve service delivery. Conner (2001) argued that business process outsourcing reduces production, research, marketing and distribution costs, thus improving the performance of the firm. Lau & Hurley (2007) established that firms practicing outsourcing had four times higher profitability margins compared to those that did not practice outsourcing.

Bender (2009) asserts though outsourcing leads to increased productivity it also involves some level of risks which the management of the firm should be aware of. Ineffective management of outsourcing relationships can be costly and its effect irreversible. Further, outsourcing requires strong management with quick response

times to react to risks and strategic opportunities. Barney (2001) emphasizes the need to fully document the outsourcing process in order to achieve intended outcomes.

There has been a growing interest on the important contribution of business process outsourcing as a management strategy to organizational performance (Cousins et al., 2006). The influence of business process outsourcing on the performance of businesses in various industries has been the subject of several studies. Organizations are seeking efficient management techniques to improve their performance due to dwindling resources and rising competition, and outsourcing has emerged as a viable option for many (Corbett, 1999). Business process outsourcing entails reorganizing a company to focus on its key strengths while outsourcing non-essential activities to third parties.

The economic benefits of business process outsourcing have been the subject of management research since the early 1980's. A study by Javaligi (1998) reported that business process outsourcing enable firms to improve quality, capacity and reduce costs. Jörg Ohnemus (2009) investigated the effects of business process outsourcing in German industrial and service businesses. The findings indicated that the majority of participating businesses used outsourcing to purchase sections of the input of the manufacturing process from external service providers, allowing them to focus on their core strengths and therefore improve efficiency. Yankelovich (2003) supports the findings, stating that business process outsourcing enhances productivity and efficiency by lowering costs.

Waugh and Luke (2011) investigated the impact of outsourcing on South African manufacturing businesses. According to the study's findings, 77 percent of the participating companies outsourced their logistical business activities, citing the

necessity to focus on core capabilities as the reason for outsourcing. Seventy-six percent of respondents said outsourcing would enhance customer service, while 73 percent said it would help them save costs and achieve lean manufacturing (Waugh & Luke, 2011). The study underpinned the need to achieve efficiency by focusing on core competencies as the main driver for outsourcing among firms.

Abdullah Aldarrab, Sandeep Jagani and Tauseef Iqbal (2006) investigated the impact of outsourcing among multinational corporations in the Indian market. The study sought to establish the driving factors behind India's success as an outsourcing provider to the multinational corporations. Eighty-two percent of the firms noted that outsourcing enabled them to improve their profitability, increase capacity, improve capacity and improve quality. The findings underpin the fact that outsourcing practice affects a firm's cost structure, competitiveness and also significantly affects the risk exposure of the firm.

The influence of outsourcing strategy on organizational performance in Nigerian manufacturing businesses was investigated by Akewushola and Elegbede (2012). The goal of the research was to gather empirical information from the 120 companies who took part in order to explain the rise in business process outsourcing. The findings showed that firms that practice outsourcing have a higher profitability, increased sales turnover, save time for core activities. Streamline the production process and reduced average cost compared to firms that had no experience in business process outsourcing. The researchers, on the other hand, advised companies to keep an eye on their contractual suppliers in order to reduce the risk of noncompliance and enforce best practices.

2.3.2. Information Technology Outsourcing and Performance

Business process outsourcing of IT intensive business services involves delegating IT services to external service providers (Brannemo, 2006). According to Brown and Wilson (2005), as a result of the increased adoption of IT-based technologies in many industries, outsourcing of IT services has risen significantly. A mandate is provided to the outsourced business to handle a specific number of IT processes based on pre-determined measurable performance indicators.

Outsourcing of IT services, according to Brown and Wilson (2005), includes aspects such as networks, workstations, hardware, and software components. A research on the influence of information technology on cost reduction was done by Cox (2014). The research, which was performed in the banking business in the United States, found that it helped major banks deal with high expenses and increase productivity for IT operations. The majority of the companies who took part in the survey employed IT outsourcing to keep their competitive edge in a competitive market.

Cox (2014), notes that the impact of IT outsourcing on cost reduction has led to the budgetary shifts in firms globally in the past recent years. Outsourcing IT services, according to Cox (2014), allows businesses to reduce costs, increase service delivery, and make the greatest use of outside skills and abilities. According to the study, as businesses expand, outsourcing IT services is expected to be a key factor for increasing revenue and retaining a competitive advantage. Zhao, Xue, and Zhang (2014) investigated the impact of IT service outsourcing on Malaysia's banking industry. According to the study, 60 percent of Malaysian financial businesses saved 15 to 20 percent of their costs by outsourcing their IT.

The South Australian government saved more than one hundred million dollars in 2016 as a result of outsourcing across seventy departments, Another research on the impact of IT outsourcing on financial performance in the Australian setting was conducted by Deloitte (2014). In addition, the Outsourcing Institute conducted a survey in 2014 on the effect of IT outsourcing on cost savings on firms in the United States and noted that on average, companies in the manufacturing sector saved between 9-15 percent of their budget through outsourcing. In contrast, studies such as that conducted by Dozier and Chang (2006) have indicated that IT outsourcing has insignificant impact on profitability of firms.

2.3.3. Knowledge Process Outsourcing and Performance

Knowledge Process Outsourcing is a component of Business Process Outsourcing. It involves outsourcing of contact Centre processes and knowledge intensive transactions to vertical skilled and domain specific experts. Knowledge Process Outsourcing has gained popularity among global firms as a forward-looking strategy to deal with increasing operational costs and streamlining performance (Shaharudin *et al*, 2014). The increasing adoption of knowledge process outsourcing signifies a shift in the outsourcing model as managers experience the benefits out outsourcing other aspects of their business. According to a study conducted in Japan on the impact of knowledge outsourcing in the motor industry, Conner (2001) noted that improved efficiency is driving managers to outsource core processes that required judgement skills and analytical thinking. According to the study, risk management, business intelligence, financial planning and market research ranked top respectively as the major knowledge outsourcing areas that managers preferred.

Baruch and Holtom (2008) note that outsourcing has traditionally focused on services such as IT provision, logistics and facilities management. The study, which was

conducted in Brazil revealed that the costs and benefits of knowledge outsourcing were difficult to access in some industries such as fashion management. Some studies such as Kagume (2013), showed that knowledge outsourcing have unfavorable impact on performance. Further, lack of evidence on the effect of KPO and reference point has generally affected adoption of KPO among firms globally.

Baruch and Holtom (2008) noted that KPO added strategic value to products and services in the Indian market as consumers continue to demand for better quality products and services. The study showed that Indian businesses preferred knowledge outsourcing to provide operational efficiency and achieve competitive advantage. Knowledge process outsourcing mainly take place in research and design, legal and insurance claims, intellectual property, investment research and valuation research.

2.3.4. Administration Support Systems Outsourcing and Performance

Outsourcing administrative support services involves outsourcing human resource activities, administrative support services such as customer support services, training and development services. Mugagula and Zondo (2018) investigated the influence of outsourcing administrative support services on the industrial sector's performance in South Africa. The link between organizational performance and outsourcing of administrative support services was predicted to be non-uniform among the companies assessed. The results of the survey, which comprised 77 manufacturing businesses, indicated that outsourcing administrative services had a positive impact on corporate performance in terms of strengthening customer and supplier relationships.

Kagume (2013) explored the correlation between administrative outsourcing and organizational performance. The findings showed that outsourcing customer care services, payroll processing services and employee training services improves

organizational culture and client satisfaction. In Thailand, Gupta and Zheuder (2004) investigated the link between administrative support service outsourcing and organizational performance in multinational corporations. The study showed that outsourcing human resource information systems, payroll management and recruitment activities positively impacted on human resource cost efficiency and had no effect on the effectiveness of the human resource functions. In Kenya, Musau (2016) and Macharia (2014) established that companies that publicly quoted companies that outsourced recruitment and training services were more competitive and reduced operational costs compared to those that performed the functions in-house.

2.3.5 Project Management Skills Outsourcing and Performance

Literature suggest that Project Management Skills Outsourcing differ significantly depending on the types and functions to be performed (Akewushola & Elegbede, 2012) In some case, outsourcing of basic project management skills is required while in others, outsourcing of advanced project management skills is initiated to complete a project. Akewushola and Elegbede, (2012) defines project skills outsourcing in terms of custodian role, coach role and manager role.

According to Dozier and Chang (2006), project management skills outsourcing has been increasingly popular among businesses in recent years. It not only guarantees that projects are completed on schedule, on budget, and in accordance with quality and technical specifications, but it also adds value to the company. In a survey conducted in 2018 on the top objectives of project management skills outsourcing, Dozier and Chang (2006). noted that delivery, outcome and performance ranked the highest. Project management skills outsourcing improves performance in terms of

improving project delivery speed, customer satisfaction, market share and profitability. A survey conducted by Ismail and Orawo (2016) indicated that outsourcing project management skills improves the success of project delivery and impacts on the overall organizational success. However, other researchers such as Kagume (2013) emphasized the need for a more systematic approach on the measurement of the impact of project management skills outsourcing on overall organizational performance as opposed to traditional measures of project performance of time, cost and quality.

The impact of outsourcing project management services in the public sector was explored by Vagelatos, Tsaknakis, Foskolos, and Komninos (2010). The writers agreed that rising demand for electronic government services has posed significant problems to public administration, not just in terms of the talent and experience needed to manage such initiatives, but also in terms of organizational, cultural, and legal issues. The need for effective project implementation and seamless integration of project outcomes into organizational structures has prompted government officials to look for new ways to improve the operational effectiveness of departments involved in project implementation, as well as supporting functions such as project results utilization and change management. As a result, the project team has decided to outsource project management services in order to improve the project's performance.

Agburu, Anza, and Iyortsuun looked at how outsourcing techniques affect the success of small business projects (2017). A survey research design was utilized in Benue State, Nigeria. For primary source data collected through a well-designed and self-administered questionnaire, responses were obtained utilizing a stratified random sample technique. Secondary data was also obtained from 10 SME participants'

financial records. The variables were statistically analyzed using multiple regression. Outsourcing back office jobs had no significant influence on performance, according to the study's findings.

2.4 Summary of Literature Review and Research Gaps

Kenyan real estate companies are always looking for ways to improve their overall performance. Business process outsourcing has been shown to improve organizational performance and assist businesses attain competitive advantage in studies such as those performed by Musau (2016) and Macharia (2014). Abdullah Aldarrab, Sandeep Jagani, and Tauseef Iqbal (2006) and Akewushola and Elegbede (2012), based on research performed in India and Nigeria, respectively, offer actual proof of outsourcing's positive influence on organizational performance

Despite the various studies supporting outsourcing, there are others such as those of Lichtenthaler (2011) and Cox (2014) which support the view that outsourcing can expose a firm to external risks if not well managed. Despite the numerous research supporting outsourcing in the manufacturing and service industries, there have been few studies on the influence of outsourcing in the real estate industry. Despite the rising trend of outsourcing, Meclah et al. (2010) found that there is little published research on outsourcing in Kenya's real estate market. Additionally, little study has been done in Kenyan real estate on the influence of outsourcing on organizational performance. Additionally, previous study has shown mixed outcomes. The goal of this study was to fill a knowledge gap in the real estate industry of Kenya by assessing the influence of outsourcing on organizational performance.

Table 2.1: Summary and Research Gaps

Name	Study Focus	Findings	Gaps	Current Study Focus
Waugh and Luke (2011)	Impact of outsourcing on South African manufacturing businesses.	The need to achieve efficiency by focusing on core competencies as the main driver for outsourcing among firms	The study context was manufacturing sector	The study context was real estate in Kenya
Abdullah <i>et al.</i> (2006)	Impact of outsourcing among multinational corporations in the Indian market	Outsourcing enabled them to improve their profitability, increase capacity, improve capacity and improve quality	The study used secondary data	The study used primary data
Cox (2014)	Impact of IT outsourcing on cost reduction has led to the budgetary shifts in firms globally in the past recent years	As businesses expand, outsourcing IT services is expected to be a key factor for increasing revenue and retaining a competitive advantage.	The respondents were selected using purposive method	The respondents were sampled using stratified sampling method
Baruch and Holtom (2008)	Outsourcing has traditionally focused on services such as IT provision, logistics and facilities management	The costs and benefits of knowledge outsourcing were difficult to access in some industries such as fashion management	The study used cross-sectional research design	The study used descriptive research design
Vagelatos, Tsaknakis, Foskolos, and	The impact of outsourcing project	The project team has decided to outsource project	The study context was the public sector	The study context was real estate in Kenya

Komninios (2010).	management services in the public sector	management services in order to improve the project's performance		
Agburu, Anza, and Iyortsuun (2017)	How outsourcing techniques affect the success of small business projects	Outsourcing back office jobs had no significant influence on performance, according to the study's findings	A survey research design was used	A descriptive research design was used

Source: Author. (2021)

2.5 Conceptual Framework

This section describes the model or framework that was used in the present study. The main variable is business process outsourcing constructs and the dependent variables are productivity constructs namely; profitability, productivity and operational efficiency. The diagrammatic representations of these variables are as below:

Independent Variables

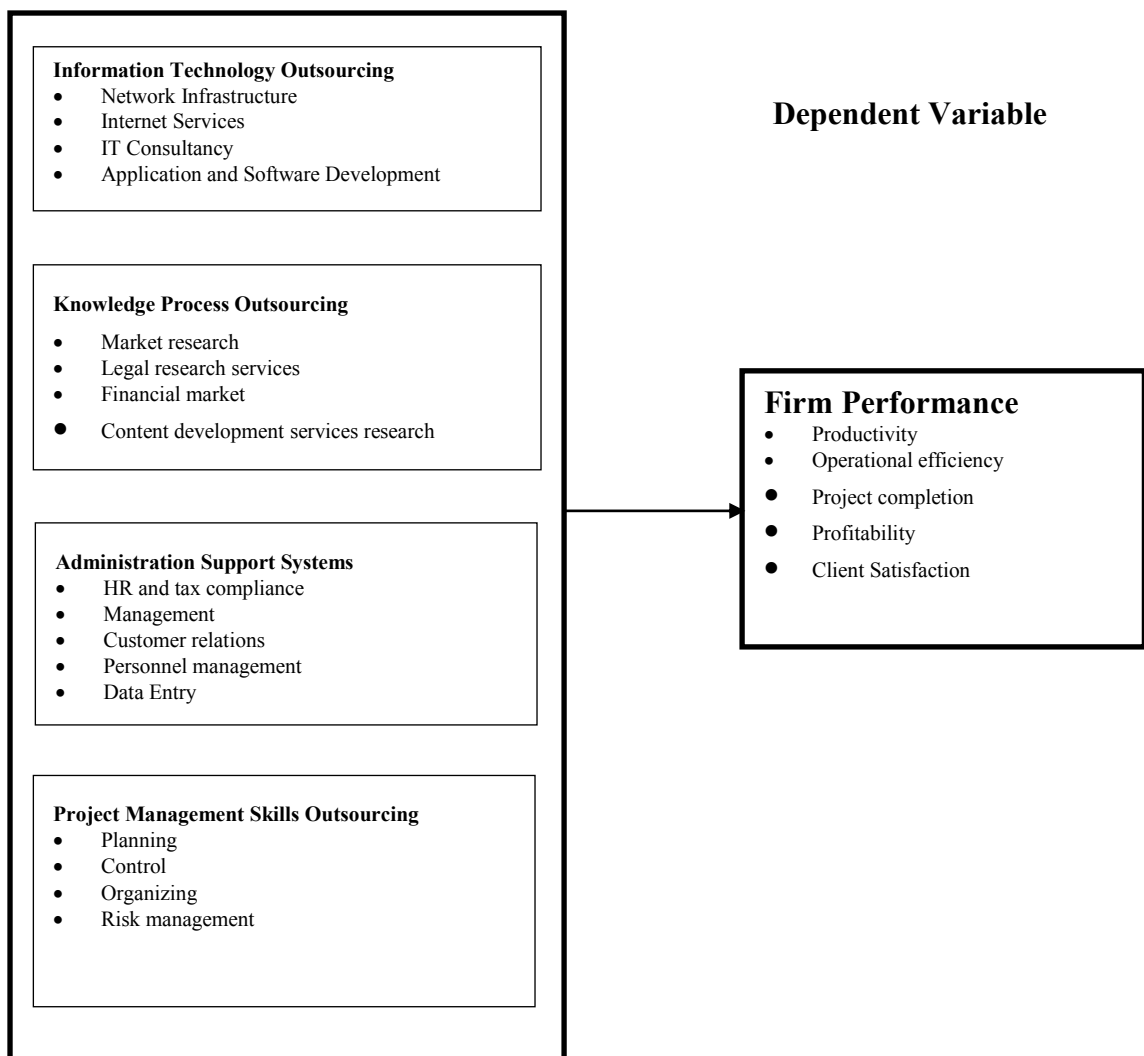


Figure 2.1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The methods employed in the study is presented in this chapter. It explains the kind and source of data, data collection procedures, the target population, and the sampling methods used to determine the sample size. The data analysis methods utilized are also described in this chapter.

3.2 Research Design

A research design, according to Mugenda (2008), is a plan, strategy, or structure that the study plans to utilize in order to get answers to the research questions. A descriptive survey research approach was used in this study. According to Saunders, Lewis, and Thornhill (2009), a descriptive research design includes distributing a questionnaire or interviewing a sample of the study population. The primary objective is to obtain information of interest from the sampled individuals or objects using a standard questionnaire.

A descriptive research design is selected for the current study since the study involves describing the effect of business process outsourcing on a firm's performance without any need for variable manipulation. According to Mugenda (2008), a descriptive research design can adopt qualitative, quantitative or mixed methods. The current study used quantitative approach which entailed collecting data from the sample using standard questionnaires. The replies were numerical and measurable since they were mapped on a five-point Likert scale.

3.3 Target Population

A population consists of a collection of components, elements, or people which share the qualities observed, whereas the target population is a group of people, events, or objects the researchers want to examine. The study's target demographic was 245 registered real estate companies in Nairobi City County. Managers of real estate businesses that submitted the needed information were especially targeted in the research.

3.4 Sampling Technique

To acquire an acceptable sample from the diverse population, the researchers employed a stratified random sampling approach. The sampling approach was chosen because it allows the researcher to get multiple representations of population components (Mugenda & Mugenda, 2008). Units from each stratum were acquired using the random sampling technique and included in the final sample after the population was divided into strata.

The sample size was calculated using Krejcie and Morgan's (1970) technique, which estimates a representative sample of 245 people from a population of 152. The 152 respondents were divided into three strata depending on how real estate companies are classified as high, middle, and low class. The respondents were chosen using a proportional stratified sample approach, as shown in the table. The data was collected from one responder in each business, the CEO.

Table 3.1: Sampling Frame

Strata	Population	Sample
High class	58	36
Middle Class	72	45
Low Class	115	71
Total	245	152

Source: Ministry of Housing (2020)

3.5 Data Collection Instrument

The research used primary data sources. The data was collected from the sample using a standard structured questionnaire approach. To measure respondents' opinions of the influence of business process outsourcing on firm performance, the questionnaire's response options were mapped on a 5-point Likert scale. The list of statements on the questionnaire was linked with the study aims to ensure that the responses recorded answered the research questions.

3.6 Validity and Reliability of Research Instruments

3.6.1 Validity of Research Instruments

The collected data was edited, coded and processed to ensure that only valid responses are included in the study. The coded data was converted into numerical data for the purpose of analysis using quantitative methods (Saunders, 2009). Validity was also be achieved by applying triangulation technique on the questionnaire. To guarantee accuracy, the questionnaire was utilized to collect data from multiple sources. To gain validity, the researcher employed environmental and methodological triangulation to better understand the impact of business process outsourcing on corporate performance. Furthermore, the questionnaire's items were created in such a

way that they correctly assess outsourcing methods and business performance. A ten-person pilot study was also conducted, with the results being utilized to rectify any faults or omissions in the data collection tool's design. The pilot study's findings were not included in the final report.

3.6.2 Reliability of Research Instrument

Every study effort necessitates the use of reliable data. To ensure that only reliable data was gathered, the researcher worked closely with the supervisor to refine and develop the data collecting instrument (Kisilu et al. 2005). The Cronbach's alpha technique was used to determine the internal consistency of the data collection equipment. Cronbach's alpha as a coefficient of internal consistency for a sample responder is used in a psychometric test to assess the questionnaire's reliability (et al., 2005). The difference between the actual and total results is used to determine the test's reliability.

A pilot research including 10 participants not in the final investigation before the main study was carried out. This was done to assess the dependability of the study instrument to adapt it by removing any shortcomings that might hamper the gathering of data. The data collected was analyzed for internal consistency which was adopted as the proxy for reliability using Cronbach's Alpha coefficient. The threshold of 0.7 of Cronbach's Alpha was used according to suggestions of Sekaran and Bougie (2009). Values greater than 0.7 for each of the variables examined in this study were deemed reliable. Table 4.2 below shows the results.

Table 3.2: Reliability Test Results

Variables	No. of Items	Cronbach's Alpha	Conclusion
Information Technology Outsourcing	5	0.796	Reliable
Knowledge Process Outsourcing	8	0.852	Reliable
Administration Support Systems	7	0.855	Reliable
Project management skills outsourcing	7	0.901	Reliable
Firm Performance	5	0.754	Reliable
Overall	32	0.8316	Reliable

Source: Survey Data (2021)

Cronbach's Alpha values greater than 0.7 were found in all variables, as indicated in Table 4.2. This confirmed the reliability of the scales employed in the questionnaire formulation, as evidenced by total Cronbach's Alpha values of 0.8316.

3.7 Data Collection Procedure

To seek approval to conduct the research, the management of the selected real estate authorities were approached. The questionnaires were self-administered. In order to guarantee a higher rate of response, the respondents were notified of the date the questionnaires will be collected and one of the respondents from each stratum were appointed to emphasize the need to attend to the questionnaires to their colleagues.

3.8 Data Analysis and Presentation

The questionnaire responses were coded, and the data was then uploaded into SPSS for analysis. Various descriptive statistical approaches were used to analyze the data. Descriptive statistics were chosen since the objective of the study was to understand the impact of business process outsourcing on corporate performance. The method uses frequencies, percentages, mean, and standard deviation to characterize the responses. The data was presented in figures and tables to make it easier to

understand. The following regression model was used to determine the connections between the independent and dependent variables in the study:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where:

Y = Firm Performance

X₁ = Information Technology Outsourcing

X₂ = Knowledge Process Outsourcing

X₃ = Administration Support Systems Outsourcing

X₄ = Project Management Skills Outsourcing

ε = error term,

β₀ = Constant

β₁, β₂, β₃, β₄ = Regression coefficients.

3.9 Ethical Considerations

The research obtained research permit as a statutory requirement from the National Council of Science and Technology. A research approval was also obtained from Kenyatta University and presented to participating firms as evidence of the ongoing research study. This being an academic requirement, the study took into account the people aspect of research by obtaining consent from respondents prior to involvement in the study.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The findings of the data analysis are discussed in this chapter. The main objective of the study was to see how business process outsourcing affected the performance of a group of real estate companies in Nairobi City County, Kenya. The findings of the response rate, reliability analysis, respondent background characteristics, descriptive statistics, and inferential analysis results are all included in this chapter.

4.2 Response Rate

The survey targeted 152 real estate business executives, with an equal number of questionnaires distributed to the respondents. In all, 124 people completed and returned the questionnaire. This indicated an appropriate response rate of 81.58 percent for statistical analysis. Statistical analysis, according to Saunders, Lewis, and Thornhill (2007), necessitates a response rate of at least 50%. As a result of the 81.58 percent response rate, statistical analysis to draw conclusions on the research goals was suitable. The results are shown in table 4.1..

Table 4.1: Response Rate

Questionnaire Outcome	Frequency	Percent
Response	124	81.58
Non response	28	18.42
Total	152	100

Source: Survey Data (2021)

4.4 Demographic Characteristics

This section presents demographic characteristics of the respondents. Personal characteristics of the respondents in terms of gender, age, length of continuous service

with the firm and level of education were assessed for the purpose of providing general information about them. Frequencies and percentages were the main statistics applied to capture the characteristics.

4.4.1 Respondent Gender

The study's goal was to figure out who was male and who was female. Table 4.2 displays the results.

Table 4.2: Respondent Gender

Gender	Frequency	Percent (%)
Male	82	66.1
Female	42	33.9
Total	124	100

Source: Survey Data (2021)

The findings presented in Table 4.2 indicate that 66.1% of the respondents were male while 33.9% were female. This is an indication of gender representativeness of the sample of the study.

4.4.2 Age of Respondents

The survey also attempted to determine the respondents' age range. 30-35 years old, 36-40 years old, 40-50 years old, and above 50 years old were the four age categories.

Table 4.3 displays the results.

Table 4.3: Respondent Age

Age (Years)	Frequency	Percent
30-35	11	8.9%
36- 40	33	26.6%
40- 50	58	46.8%
Above 50	22	17.7%
Total	124	100

Source: Survey Data (2021)

According to the findings, 46.8% of the respondents were between the ages of 40 and 50, 26.6 percent were between the ages of 36 and 40, and 17.7 percent were beyond the age of 50. Only 8.9% of the sample was aged between 30 and 35 years. The findings imply all age groups were represented in the sample with the majority middle aged. The results on the respondents' age distribution are shown in further detail in Figure 4.1.

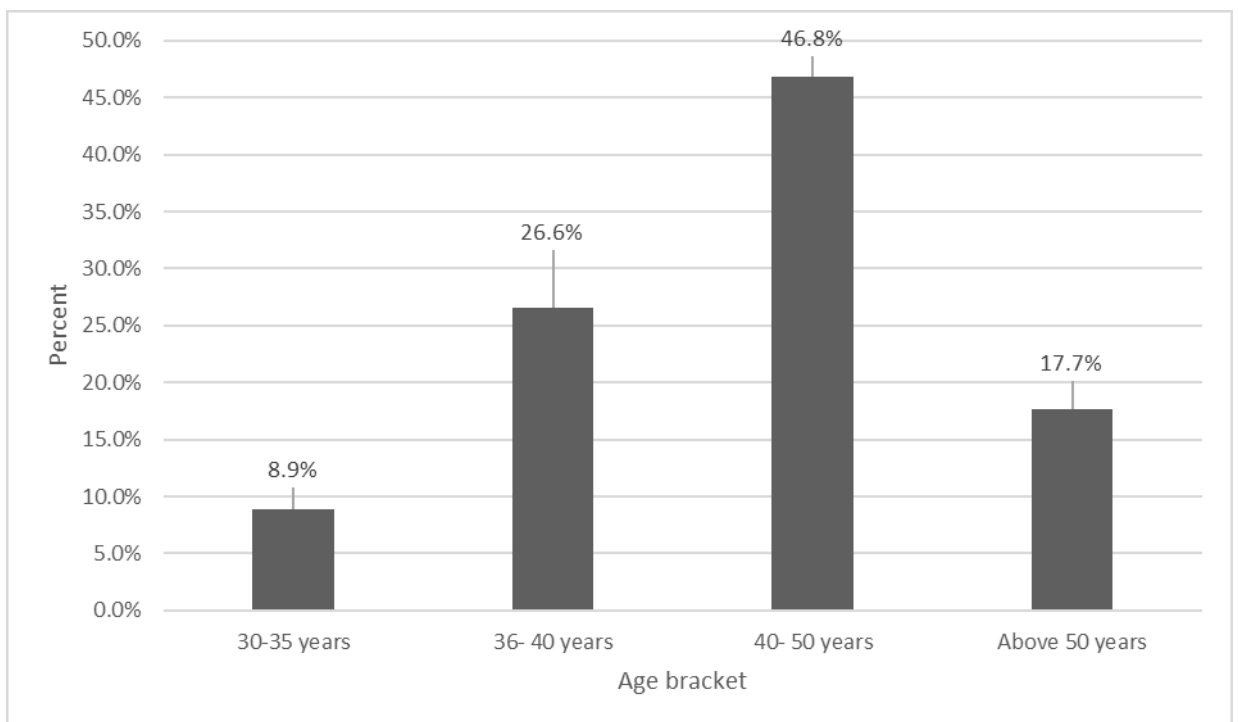


Figure 4.1 Respondent Age

Source: Survey Data (2021)

4.4.3 Length of Continuous Service with the Firm

The duration which the respondents had continuously served in their firms was of interest since it was important to establish the depth of their understanding of the subject of the study. This was done by grouping short periods (1-5 years), medium period (5-10 years) and longer period (over 10 years) as depicted in Table 4.5.

Table 4.4: Length of Continuous service with the firm

Duration of continued service	Frequency	Percent
1-2 Years	14	11.3%
2-4 Years	21	16.9%
4-6 Years	28	22.6%
6-10 Years	42	33.9%
10-15 Years	13	10.5%
Above 15 Years	6	4.8%
Total	124	100

Source: Survey Data (2021)

The findings presented in Table 4.4 found that most respondents had served in their firm between 6 and 10 years (33.9%) followed by 22.6% who had served between 4 to 6 years, 19.6% had served between 2 to 4 years while 10.5% had served in their respective firms for 10 to 15 years. This indicates that the majority of the respondents had spent enough time in their companies to grasp the elements that impact company success and could thus be trusted to offer reliable information. This could also mean that the largest proportion of the sample had served long enough in their respective firms to be elevated to senior positions. Long experience with the business may translate to a greater grasp of the firm's outsourcing strategy, which was important to the study in terms of comprehending the background of the study. The results are also shown in Figure 4.2.

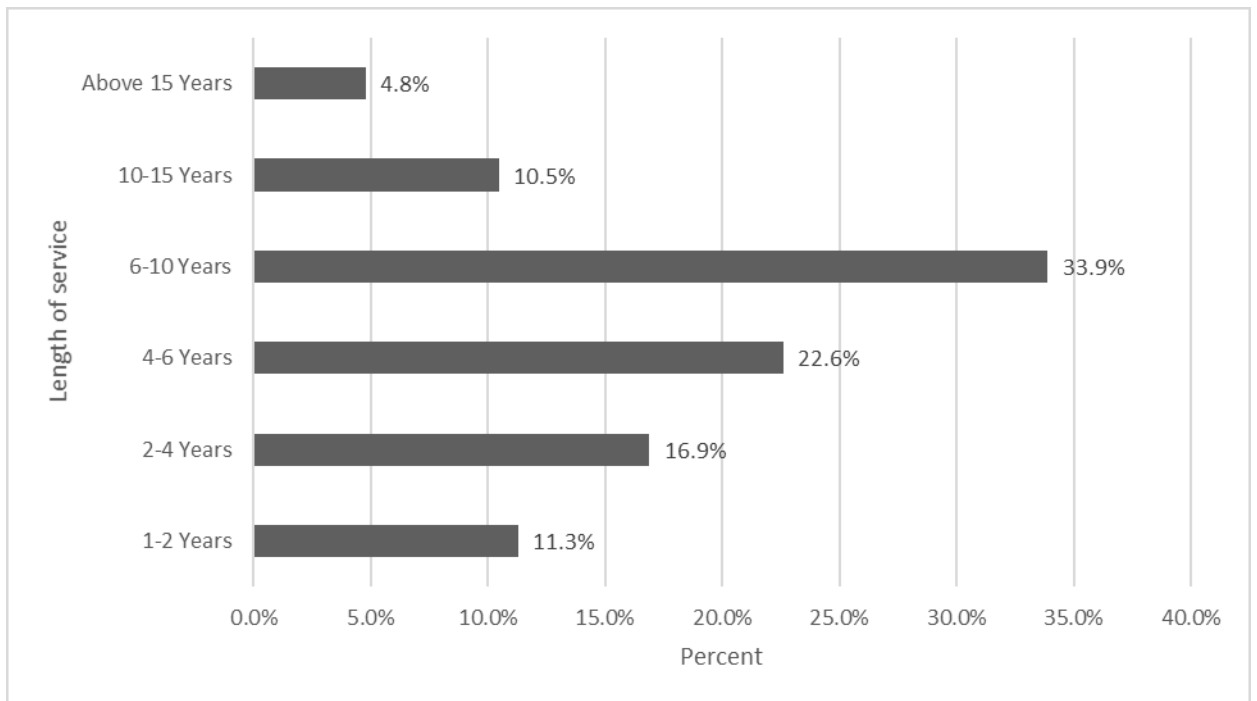


Figure 4.2 Length of Continuous service with the firm

Source: Survey Data (2021)

4.4.4 Education Level

The purpose of the research was to determine the respondent's educational and academic credentials. These were ranked into college certificate and diploma, university degree and post graduate degree. Table 4.5 below shows the findings.

Table 4.5: Level of Education

Education Level	Frequency	Percent
Certificate	10	8.1%
Diploma	30	24.2%
Bachelor's Degree	64	51.6%
Post graduate degree	20	16.1%
Total	124	100

Source: Survey Data (2021)

51.6 percent of the respondents had a bachelor's degree, 24.2 percent had a college diploma, and 16.1 percent had a postgraduate degree, according to Table 4.6. This indicates that the vast majority of respondents (91.9 percent) were college graduates

with a bachelor's degree or above. This shows that the respondents were aware of the study's topic and the information asked, as shown in figure 4.3.

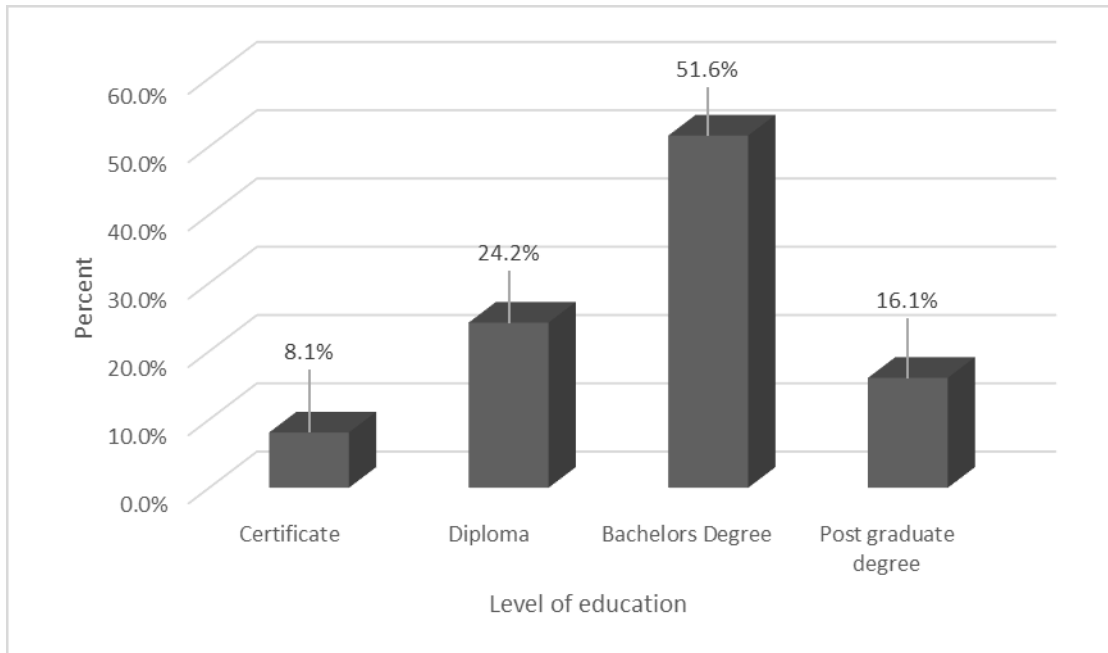


Figure 4.3 Respondent Level of Education

Source: Survey Data (2021)

4.5 Descriptive Analysis

The descriptive analysis is done under four independent variables; information technology outsourcing, knowledge outsourcing, administration support systems outsourcing against the dependent variable which was performance of selected real estate firms in Nairobi City county. This section therefore presents descriptive findings for the different variables. Mean and standard deviation were adopted to capture the responses based on the various variable indicators.

4.5.1 Information Technology Outsourcing

This section presents results on information technology outsourcing of selected real estate firms in Nairobi City County using mean and standard deviation. To begin, respondents were asked to rate how much of their company's information, communications, and technology (ICT) infrastructure was outsourced, as shown in table 4.6.

Table 4.6: Extent firm has outsourced Information Communications and Technology Infrastructure

ICT infrastructure outsourcing	Frequencies	Percent (%)
Very Low extent	7	5.6
Low extent	14	11.3
Moderate extent	23	18.5
Great extent	48	38.7
Very great extent	32	25.8
Total	124	100

Source: Survey Data (2021)

Table 4.6 shows that the largest proportion of the sample, 38.7%, indicated that their respective firms outsourced information communications and technology (ICT) infrastructure to a great extent, followed by 25.8% who indicated a very great extent, and 18.5 percent who indicated that information communications and technology (ICT) infrastructure was not outsourced at all. The findings indicate that a significant portion of the information, communications, and technology (ICT) infrastructure was outsourced.

Respondents were also asked to rate the extent to which their company had outsourced various IT services on a scale of 1-5, with 5 indicating a very high level of outsourcing, 4 indicating a moderate level of outsourcing, 3 indicating a moderate

level of outsourcing, 2 indicating a low level of outsourcing, and 1 indicating a very low level of outsourcing. As shown in table 4.7, the findings were reported using the scale's mean and standard deviation figures.

Table 4.7: Descriptive Results on Information Technology Outsourcing

	Very Low extent	Low extent	Moderate extent	Great extent	Very great extent	Mean	Std Dev
Computer Network Infrastructure	12.10%	0.80	16.90%	36.30	33.90%	3.79	1.26
Software applications	2.40%	10.50	10.50%	33.10	43.50%	4.05	1.09
IT Training consultancy	10.50%	10.50	31.50%	33.90	13.70%	3.30	1.15
IT Security infrastructure	13.70%	2.40	8.90%	45.20	29.80%	3.75	1.29
IT Support Services	3.20%	0.80	16.90%	30.60	48.40%	4.20	0.97
Aggregate Score						3.82	1.15

Source: Survey Data (2021)

The findings presented in Table 4.7, indicate that the largest proportion of the sample, 36.3% and mean 3.79 showed that computer network infrastructure was outsourced to a great extent. The results also show that most respondents, 43.5% and mean 4.05, indicated that software applications were outsourced to a very large extent. Moreover, IT training consultancy was outsourced to a large extent (mean=3.3), IT security infrastructure was also outsourced to a large extent (mean=45.2%) while IT support services was outsourced to a very large extent (mean=4.2). The results are an indication that most respondents considered IT support services to be the most outsourced information technology infrastructure followed by software applications, computer network infrastructure, IT security infrastructure and IT training consultancy in that order. The results concur with Cox (2014) that outsourcing IT

services enables firms to cut down costs, improve service delivery and make the best use of skills and talents outside of the company. As firms embark on expansion, outsourcing of IT services is likely to be an important consideration for growing revenue and maintaining a competitive edge.

4.5.2 Knowledge Process Outsourcing

To determine the extent of adoption of knowledge process outsourcing, on a scale of 1 to 5, respondents were asked to assess the extent to which their company has outsourced the following items. As presented in table 4.8.

Table 4.8: Descriptive Results on Knowledge Process Outsourcing

	Very Low extent	Low extent	Moderate extent	Great extent	Very great extent	Mean	Std Dev
Building and Design	10.50%	15.30%	8.10%	29.80%	36.30%	3.66	1.38
Research and development	6.50%	18.50%	22.60%	41.90%	10.50%	3.31	1.09
Training consultancy	4.00%	11.30%	39.50%	29.00%	16.10%	3.42	1.02
Business and market research	7.30%	8.90%	14.50%	34.70%	34.70%	3.81	1.21
Legal obligations	4.00%	2.40%	9.70%	49.20%	34.70%	4.08	0.95
Managing performance	5.60%	0.00%	16.90%	33.10%	44.40%	4.10	1.06
Organizing and designing the work	14.50%	23.40%	40.30%	14.50%	7.30%	2.77	1.10
Contract management and law	0.00%	16.10%	7.30%	46.00%	30.60%	3.91	1.01
Aggregate Score						3.63	1.10

Source: Survey Data (2021)

The findings presented in Table 4.8, the largest proportion of the sample (mean=3.66) indicated that building and design was outsourced to a very large extent, research and development was outsourced to a large extent (mean=3.31) and training consultancy

was outsourced to a moderate extent (mean=3.42). The findings also show the largest proportion of the sample (mean=3.81) indicated business and market research was outsourced to a very large extent, legal obligations were outsourced to a large extent (mean=4.08), managing performance was outsourced to a very large extent (mean=4.1) and contract management and law was outsourced to a large extent (mean=3.91).

This is an indication that managing performance and legal obligations were the most outsourced knowledge processes followed by contract management and law, business and market research, building and research as well as research and development in that order. The results support those of Baruch and Holtom (2008) that knowledge process outsourcing adds strategic value to products and services in the market as consumers continue to demand for better quality products and services. It provides operational efficiency and achieves competitive advantage. According to Baruch and Holtom (2008), knowledge process outsourcing mainly take place in research and design, legal and insurance claims, intellectual property, investment research and valuation research.

4.5.3 Administration Support Systems Outsourcing

Respondents were also asked to assess their company's use of outsourced administrative support systems on a scale of 1 to 5, as shown in table 4.9.

Table 4.9: Descriptive Results on Administration Support Systems

	Very Low extent	Low extent	Moderate extent	Great extent	Very great extent	Mean	Std Dev
Drafting and sending letters of authority to providers;	12.90%	4.80%	10.50%	34.70%	37.10%	3.78	1.34
Capturing adviser fees or commissions to spreadsheets and back-office systems	5.60%	11.30%	9.70%	29.80%	43.50%	3.94	1.23
Compliance management services	12.10%	6.50%	11.30%	35.50%	34.70%	3.74	1.32
HR and tax compliance management	10.50%	10.50%	9.70%	34.70%	34.70%	3.73	1.32
Customer relations	10.50%	12.90%	8.90%	38.70%	29.00%	3.63	1.31
General business administration	4.80%	12.10%	10.50%	36.30%	36.30%	3.87	1.18
Personnel management	13.70%	6.50%	7.30%	37.10%	35.50%	3.74	1.37
Aggregate Score						3.78	1.29

The findings presented in Table 4.9, the largest proportion of the sample (mean=3.78) indicated that drafting and sending letters of authority to providers was outsourced to a very large extent, capturing adviser fees or commissions to spreadsheets and back-office systems was also outsourced to a very large extent (mean=3.94), compliance management services was outsourced to large extent (mean=3.74), HR and tax compliance management was outsourced to very large extent (mean=3.73). Similarly, customer relations were outsourced to a large extent (mean=3.63), general business administration was outsourced to a very large extent (mean=3.74) and personnel management was outsourced to a large extent (mean=3.74).

From the findings, capturing adviser fees or commissions to spreadsheets and back-office systems was most outsourced administration support system followed by general business administration, drafting and sending letters of authority to providers, Compliance management services, Personnel management as well as HR and tax compliance management in that order. The findings concur with Kagume (2013) that outsourcing customer care services, payroll processing services and employee training services improves organizational culture and client satisfaction.

4.5.4 Project Management Skills Outsourcing

On a scale of 1 to 5, respondents were asked to rate the extent to which their firm has outsourced the following items to gauge the level of project management skills outsourcing adoption. Table 4.10 displays the results.

Table 4.10: Descriptive Results on Project Management Skills Outsourcing

	Very Low extent	Low extent	Moderate extent	Great extent	Very great extent	Mean	Std Dev
Organization's project planning activities	19.40%	16.9%	11.30%	31.50%	21.00%	3.18	1.44
Project portfolio management	12.10%	10.5%	9.70%	45.20%	22.60%	3.56	1.28
Negotiation and deal making	16.90%	9.7%	11.30%	35.50%	26.60%	3.45	1.42
Project Performance measurement	12.90%	12.9%	11.30%	38.70%	24.20%	3.48	1.33
Project Risk management	18.50%	10.5%	16.10%	36.30%	18.50%	3.26	1.38
Real estate development	17.70%	17.7%	8.90%	32.30%	23.40%	3.26	1.45
Construction management	17.70%	13.7%	16.10%	32.30%	20.20%	3.23	1.39
Aggregate Score						3.35	1.38

Source: Survey Data (2021)

The results in Table 4.10 show that the vast majority of the sample (mean=3.18) indicated that organization's project planning activities were outsourced to a large extent, project portfolio management was also outsourced to large extent (mean=3.56), negotiation and deal making was outsourced to large extent (mean=3.45) as was project Performance measurement (mean=3.48). Similarly, project risk management was outsourced to a large extent (mean=3.26), real estate development was also outsourced to a large extent (mean=3.26) as was construction management (mean=3.23). The findings of the study are an indication that Project portfolio management was the most outsourced project management skill followed by project performance measurement, negotiation and deal making, project risk management, real estate management and Organization's project planning activities in that order. The findings confirm Dozier and Chang (2006)'s assertion that outsourcing project management skills not only ensures project completion on time, on budget, and in accordance with quality and technical specifications, but also provides value to the business.

4.5.5 Firm Performance

The research examines the performance of a few real estate businesses in Nairobi city county in this part. On the basis of the metrics and scale presented in Table 4.11, respondents were asked to rank their performance.

Table 4.11: Descriptive Results on firm performance

	Very Low extent	Low extent	Moderate extent	Great extent	Very great extent	Mean	Std Dev
Profitability	7.30%	7.30%	8.90%	34.70%	41.90%	3.97	1.21
Productivity	9.70%	4.80%	8.10%	41.90%	35.50%	3.89	1.22
Operational efficiency	6.50%	5.60%	9.70%	41.10%	37.10%	3.97	1.13
Construction Project Completion	7.30%	8.90%	7.30%	41.10%	35.50%	3.89	1.20
Client satisfaction	7.30%	7.30%	11.30%	32.30%	41.90%	3.94	1.22
Aggregate Score						3.93	1.20

Source: Survey Data(2021)

The results presented show the largest proportion of respondents (mean=3.97) indicated that profitability had improved to a very large extent, productivity had improved to a large extent (mean=3.89), operational efficiency had improved to a very large extent (mean=3.97), construction project completion was done to a large extent (mean=3.89) while client satisfaction was achieved to a very large extent (mean=3.94). As indicated in figure 4.4, the most improved firm performance indicator was profitability followed by operational efficiency, client satisfaction and productivity.

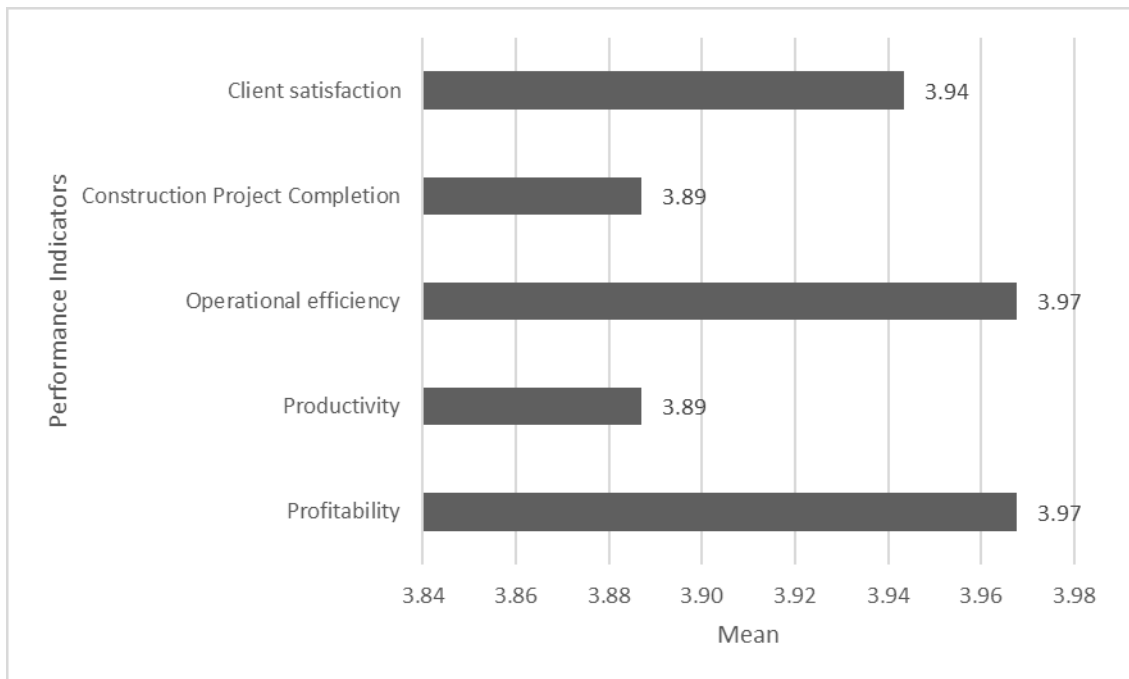


Figure 4.4 Firm Performance

Source: Survey Data (2021)

4.6 Inferential Analysis Results

Regression and correlation were the main inferential methods applied to determine the influence of business process outsourcing on performance of selected real estate firms in Nairobi City County, Kenya. The association between the independent and dependent variables was determined using the significance of the coefficients with the level of confidence set at 95%.

4.6.1 Correlation Analysis Results

Pearson correlation tests were done to establish the relationship between information technology outsourcing, knowledge process outsourcing, administration support systems and project management skills outsourcing and performance of selected real estate firms in Nairobi City County, Kenya. Correlation may be used to identify the degree to which changes in one attribute's value are connected to changes in another,

according to Kothari (2004). The study carried out a Pearson’s correlation test with association direction and strength denoted by Pearson correlation coefficient (R). The results of the correlation analysis are depicted in table 4.12.

Table 4.12: Correlation Results

		IT services outsourcing	Knowledge process outsourcing	Administration support systems	Project management skills outsourcing	Firm performance
IT services outsourcing	R	1				
	Sig.					
Knowledge process outsourcing	R	.195	1			
	Sig.	0.03				
Administration support systems	R	0.144	.321	1		
	Sig.	0.111	0.000			
Project management skills outsourcing	R	.199	.329	.626	1	
	Sig.	0.027	0.051	0.000		
Firm performance	R	.534**	.429**	.558**	.611**	1
	Sig.	0.000	0.000	0.000	0.000	
	N	124	124	124	124	124

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

Source: Survey Data (2021)

The findings presented in Table 4.13 indicate that there was a positive and significant association between IT services outsourcing and performance of selected real estate firms in Nairobi City County (R =0.534, P=0.000<0.05), a positive and significant association between knowledge processes outsourcing and performance of selected real estate firms in Nairobi City County (R =0.429, P=0.000<0.05). Similarly, there was a positive and significant relationship between the outsourcing of admiration support systems and the performance of selected real estate firms in Nairobi City

County ($R = 0.558$, $P = 0.0000.05$), as well as a positive and significant relationship between the outsourcing of project management skills and the performance of selected real estate firms in Nairobi City County ($R = 0.611$, $P = 0.0000.05$).

4.6.2 Regression Analysis

From the conceptual framework, it was hypothesized that information technology outsourcing, knowledge process outsourcing, administration support systems and project management skills outsourcing influence performance of selected real estate firms in Nairobi City County, Kenya. Multiple linear regression analysis with a 5% significance threshold was used to evaluate the various hypotheses. Pearson Correlation, R was 0.787, indicating a strong relationship between information technology outsourcing, knowledge process outsourcing, administration support systems, and project management skills outsourcing and the performance of selected real estate firms in Nairobi City County, Kenya, according to the model summary results in table 4.13.

Table 4.13: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.787	0.62	0.607	0.51491
a Predictors: (Constant), Project management skills outsourcing, IT services outsourcing, Knowledge process outsourcing, Administration support systems				

Source: Survey Data (2021)

Table 4.14 demonstrates that outsourcing of information technology, knowledge processes, administrative support systems, and project management skills accounts for 62% of the variance in performance of chosen real estate businesses in Nairobi City County, Kenya. This means that extraneous factors not accounted for in the study's model account for 38% of the variation in

performance of chosen real estate firms in Nairobi City County, Kenya. The results of the model significance tests are shown in Table 4.14.

Table 4.14: Analysis of Variance (Model Significance)

Mode I		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	51.412	4	12.853	48.477	.000
	Residual	31.551	119	0.265		
	Total	82.964	123			

a Dependent Variable: Firm Performance

b Predictors: (Constant), Project management skills outsourcing, IT services outsourcing, Knowledge process outsourcing, Administration support systems

Source: Survey Data (2021)

Table 4.15 also demonstrates that the overall regression model linking information technology outsourcing, knowledge process outsourcing, administration support systems, and project management skills outsourcing and the performance of selected real estate firms in Nairobi City County is significant, as evidenced by a p-value of 0.000, which is less than 0.05 at a 5% level. The fact that F calculated (48.477) is more than F crucial confirms the model's significance (2.4479). Table 4.16 shows the regression coefficients that informed the interpretation of study hypotheses.

Table 4.15: Regression Coefficients

Coefficients	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	-0.457	0.404		-1.131	0.261
IT services outsourcing	0.424	0.061	0.403	6.909	0.000
Knowledge process outsourcing	0.291	0.108	0.165	2.7	0.008
Administration support systems	0.223	0.067	0.244	3.325	0.001
Project management skills outsourcing	0.262	0.06	0.324	4.366	0.000

a Dependent Variable: Firm Performance

Source: Survey Data (2021)

Optimal Regression Model

$$\text{Firm Performance} = -0.457 + 0.424 \text{ Information Technology Outsourcing} + 0.291 \text{ Knowledge Process Outsourcing} + 0.223 \text{ Administration Support Systems} + 0.262 \text{ Project Management Skills Outsourcing}$$

From model coefficient results in Table 4.16, if independent variables are fixed, the performance of selected real estate firms in Nairobi city county would decline by 0.457 units. The model coefficient results were also used in addressing the specific objectives of this study as shown in the following discussions.

The first objective of this study was to determine the effect of Information Technology outsourcing on performance of selected real estate firms in Nairobi City County. From the results in table 4.16, holding other factors constant at zero, IT services outsourcing positively and significantly influence performance of selected real estate firms in Nairobi City County (Beta = 0.424, $p=0.000 < 0.05$). This means a unit improvement in outsourcing IT services would result to .424 improvement in performance of selected real estate firms in Nairobi City County. The results are supported by Dozier and Chang (2006) that IT outsourcing has significant impact on profitability of firms.

Brown and Wilson (2005) also concur with this result as they found in their study that outsourcing of IT services encompasses elements such as networks, workstations, hardware and software components which when effectively applied result to an improvement in firm performance. Moreover, Cox (2014) conceded that IT services outsourcing has enabled large firms in the banking sector to deal with high costs and improve output for IT operations. Majority of the firms were found to use IT outsourcing to maintain their position in a competitive market environment. Firms embark on expansion, outsourcing of IT services is likely to be an important consideration for growing revenue and maintaining a competitive edge. According to

transaction economics theory, in a perfectly competitive market environment outsourcing IT services tends to be more efficient compared to internalization of such operations. Firms therefore opt to outsource IT services to improve their performance (Richard *et al.*, 2009).

The second objective of the study was to see how knowledge process outsourcing affected the performance of a set of real estate companies in Nairobi City County. A lot of real estate businesses in Nairobi City County have seen a good and significant impact from knowledge process outsourcing (Beta = 0.291, $p=0.0000.05$), according to the coefficient results in table 4.16. This suggests that a.291 improvement in the performance of chosen real estate enterprises in Nairobi City County would result from a unit improvement in knowledge process outsourcing.

These findings are supported by Baruch and Holtom (2008) that outsourcing various knowledge processes positively impacts firm performance. (Shaharudin *et al*, 2014). The increasing adoption of knowledge process outsourcing signifies a shift in the outsourcing model as managers experience the benefits out outsourcing other aspects of their business. According to Conner (2001), improved efficiency is derived from outsourcing core processes that required judgement skills and analytical thinking. As a result, risk management, business intelligence, financial planning, and market research are the most popular knowledge outsourcing sectors among executives looking to boost their company's performance.

The research's third objective was to look at the impact of administrative support systems on the performance of a few real estate companies in Nairobi City County. Administration support systems outsourcing has a favorable and significant influence on the performance of chosen real estate businesses in Nairobi City County when all other parameters are held constant. (Beta = 0.223, $p=0.0000.05$), as shown in table

4.16. This means that a.223 improvement in the performance of chosen real estate businesses in Nairobi City County will come from a unit improvement in administration support systems outsourcing. According to Kagume (2013), outsourcing customer service, payroll processing, and employee training services improves business culture and client satisfaction.

Finally, the fourth objective of this paper was to see how project management skills and business process outsourcing affected the performance of a few real estate enterprises in Nairobi City County. As shown in table 4.16, project management skills outsourcing has a favorable and significant effect on the performance of chosen real estate enterprises in Nairobi City County (Beta = 0.262, $p=0.0000.05$). This suggests that a.262 improvement in performance of chosen real estate enterprises in Nairobi City County would result from a unit improvement in project management skills outsourcing. The findings support the findings of Ismail and Orawo (2016), who found that outsourcing project management skills enhances project delivery speed, customer satisfaction, profitability, and market share.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The major findings are summarized and conclusions are drawn in this chapter. The findings' ramifications, as well as suggestions and proposals for further study, are all explored. The findings of the research form the foundation for the conclusions and suggestions offered in this chapter.

5.2 Summary of Findings

This research aimed to establish the influence of business process outsourcing on performance of selected real estate firms in Nairobi City County, Kenya. Information Technology outsourcing, knowledge process outsourcing, administrative support systems outsourcing and project management skills outsourcing were the business process outsourcing that were performance of selected real estate firms in Nairobi City County, Kenya performance. Both descriptive and inferential statistics were adopted to present and summarize findings. Summary of the key findings for both of these methods is covered in this section per variable.

5.2.1 Information Technology Outsourcing

The goal of the study was to determine how outsourcing of information technology affected the performance of a few real estate businesses in Nairobi City County. According to the descriptive findings, the majority of respondents reported that their companies outsourced a significant portion of its ICT infrastructure. On the same note, the results confirmed that IT support services to be the most outsourced information technology infrastructure followed by software applications, computer network infrastructure, IT security infrastructure and IT training consultancy.

According to the findings of the correlation study, there is a positive and significant relationship between IT services outsourcing and the performance of selected real estate firms in Nairobi City County, with regression results confirming that IT services outsourcing has a positive and significant impact on the performance of selected real estate firms in Nairobi City County.

5.2.2 Knowledge Process Outsourcing

The effect of knowledge process outsourcing on the performance of a few real estate companies in Nairobi City County were also examined. According to descriptive data, the most outsourced knowledge processes were managing performance and legal responsibilities, followed by contract management and law, business and market research, construction and research, and research and development. The findings of the inferential analysis revealed that knowledge process outsourcing has a favorable and substantial impact on the performance of a group of real estate businesses in Nairobi City County. A 0.291 boost in performance of chosen real estate businesses in Nairobi City County will come from a unit improvement in knowledge process outsourcing.

5.2.3 Administration Support Systems Outsourcing

The study's third goal was to look at the impact of administrative support systems and business process outsourcing on the performance of a few real estate companies in Nairobi City County. The most outsourced administration support system, according to descriptive results, is capturing adviser fees or commissions to spreadsheets and back-office systems, followed by general business administration, drafting and sending letters of authority to providers, Compliance management services, Personnel management, and HR and tax compliance management. The findings of the

correlation study revealed a positive and significant relationship between the outsourcing of administration support systems and the performance of selected real estate businesses in Nairobi City County. According to the results of the regression analysis, administration support systems outsourcing has a positive and significant impact on the performance of selected real estate firms in Nairobi City County, with a unit increase in administration support systems outsourcing resulting in a 0.223 increase in performance of selected real estate firms in Nairobi City County.

5.2.4 Project Management Skills Outsourcing

The study further determined the effect of project management skills business process outsourcing on performance of selected real estate firms in Nairobi City County. From descriptive statistics, Project portfolio management was the most outsourced project management skill followed by project performance measurement, negotiation and deal making, project risk management, real estate management and Organization's project planning activities. The findings of the correlation revealed a favorable and substantial link between project management skills outsourcing and the performance of a group of real estate businesses in Nairobi City County. Similarly, regression results showed that project management skills outsourcing also positively and significantly influence performance of selected real estate firms in Nairobi City County whereby a unit improvement in project management skills outsourcing would result to 0.223 improvement in performance of selected real estate firms in Nairobi City County.

5.3 Conclusion

The study stated that IT services outsourcing has a good and significant impact on the performance of selected real estate enterprises in Nairobi City County, based on the aforementioned findings. To a large extent, the selected real estate enterprises outsourced their information communications and technology (ICT) infrastructure. The most outsourced information technology infrastructure was IT support services, followed by software applications, computer network infrastructure, IT security infrastructure and IT training consultancy. The study also concluded that selected real estate firms in Nairobi City County outsource knowledge processes that positively and significantly influence performance. The most outsourced knowledge processes included managing performance and legal obligations, contract management and law, business and market research, building and research as well as research and development.

It was also discovered that outsourcing of administrative support systems has a favorable and considerable impact on the performance of a few real estate businesses in Nairobi City County. Capturing adviser fees or commissions to spreadsheets and back-office systems to be the most outsourced administration support system followed by general business administration, drafting and sending letters of authority to providers, Compliance management services, Personnel management as well as HR and tax compliance management.

The study also found that outsourcing project management skills has a favorable and significant impact on the performance of certain real estate businesses in Nairobi City County whereby project portfolio management was the most outsourced project management skill followed by project performance measurement, negotiation and

deal making, project risk management, real estate management and Organization's project planning activities in that order.

5.4 Recommendations

The study recommended that in order for real estate firms in Nairobi City County to improve various indicators of performance such as profitability, productivity, client satisfaction and operational efficiency, there is need to outsource information communications and technology (ICT) infrastructure such as infrastructure was IT support services, software applications, computer network infrastructure, IT security infrastructure and IT training consultancy. To further improve performance, the study also recommended real estate firms to outsource knowledge processes including managing performance and legal obligations, contract management and law, business and market research, building and research as well as research and development as they positively and significantly influence performance.

Another recommendation made by the study is that in order to boost performance indicators such as profitability, productivity and client satisfaction, real estate firms in Nairobi City County should focus on outsourcing administration support systems such as capturing adviser fees or commissions to spreadsheets and back-office systems, general business administration, drafting and sending letters of authority to providers, compliance management services, Personnel management as well as HR and tax compliance management. The study further recommended real estate firms in Nairobi City County to consider outsourcing project management skills that positively and significantly influence performance. Project portfolio management, project performance measurement, negotiation and deal making, project risk management, real estate management and Organization's project planning activities are among the project management skills these firms can outsource.

5.5 Suggestions for Further Research

Since this study was limited to real estate enterprises in Nairobi City County, future research on the effect of business process outsourcing on the performance of other organizations, both private and public, in addition to the real estate sector, may be done. Future research will have a broader reach, which will help with generalization.. On the same note, given that performance is measured through different indicators such as profitability, productivity, operational efficiency and client satisfaction etc., it is necessary to investigate the impact of business process outsourcing on one element of a company's performance, such as operational efficiency. In addition, the study focused on business process outsourcing with the variables considered accounting for 62% of the variation in firm performance. As a result, a comparable study may be carried out to take into account the other factors that impact company performance.

REFERENCES

- Abdullah A., Sandeep J. & Tauseef I. (2006). Outsourcing to India: Current and Future Trends, *Business Process Management Journal*, 9(1), 25 - 29
- Akewushola, S. & Elegbede, W. (2012). *Outsourcing strategy and organizational performance: Empirical evidence from Nigeria manufacturing sector*. Lagos State University,.
- Allred, B. B. & Swan, K. S. (2014). Process Technology Sourcing and the Innovation Context. *Journal of Product Innovation Management*, 31(6), 1146–1166.
- Angle, H. L., & Perry, J. L. (2015). An empirical assessment of organizational commitment and organizational effectiveness. *Administrative science quarterly*, 1(1), 1-14.
- Baruch, Y. and Holtom, B.C. (2008). Survey response rate levels and trends in organizational research. *Human Relations*, 61 (8): 1139-1160.
- Brown, D. & Wilson, S. (2005). *The Black Book of Outsourcing: How to Manage the Changes, Challenges, and Opportunities*, John Wiley & Sons, Hoboken.
- Conner, K. R. (2001). A historical comparison of resource-based theory and five schools of thought within industrial organization economics. *Journal of Management*, 1(7), 45 - 59.
- Cox, A. (2014). The Causes of Major Outsourcing Failures. IIAPS White Paper, p.1-7
- Deloitte, (2014). “Global outsourcing and insourcing survey”, available at: www2.deloitte.com/us/
- Donald Kisilu and Delno (2006). Proposal and thesis writing, Pauline’s publications Africa.
- Guajardo, S. A. (2015). Assessing organizational efficiency and workforce diversity: An application of data envelopment analysis to New York City agencies. *Public Personnel Management*, 44(2), 239-265
- Gupta, M. and D. Zheuder. (2004) Outsourcing and its impact on operations strategy. *Production and Inventory Management Journal*, 3(5), 12 - 27

- Kamanga, F. and Ismail, S. (2016). Effects of Outsourcing on Organizational Performance in Manufacturing Sector in Kenya: A case study of Del Monte Kenya Limited. *European Journal of Logistics, Purchasing and Supply Chain Management*, 4(3), 32-58
- Lichtenthaler, U. (2011). Open innovation: Past research, current debates, and future directions. *Academy of Management Perspectives*, 25 (1), 75–93.
- Lusthaus, C. (2018). *Enhancing Organizational Performance*. New Delhi: Vikas Publishing House PVT Ltd
- Macharia, N. (2014). Outsourcing and Organizational Performance in the Media Industry in Kenya.
- McIvor R, Humphreys P, Wall P, McKittrick A. (2008). A study of performance measurement in the outsourcing decision. *Resource Executive Summary services*, 4(3): 1-13.
- Mugenda A.G (2008). *Social Science Research: Theory and principles*. Nairobi. Arts Press
- Musangi J. M. (2013). *Strategy, Firm Characteristics, Business Process Outsourcing and Organizational Performance of Kenyan State Corporations*. University of Nairobi
PhD Thesis.
- Musau, C. (2016). *The Impact of Strategic Outsourcing on Organizational Performance: A Case Study of Bidco Africa Limited*.
- Mutisya, K. (2015). *Urban Housing Affordability in Kenya*. A Case Study of the Mortgage Housing Sector in Nairobi.
- Price Waterhouse Coopers. (2010). *Why global sourcing? Why now? Creating competitive advantage in today's volatile marketplace*. PWC White Paper, pp 1-13.
- Richard, P. J., Devinney, T. M., Yip, G. S., & Johnson, G. (2009). Measuring organizational performance: Towards methodological best practice. *Journal of management*, 35(3), 718-804.

- Rothaermel, F. T., Hitt, M. A. & Jobe, L. A. (2006). Balancing Vertical integration and strategic outsourcing: Effects on product portfolio, product success and firm performance. *Strategic Management Journal*, 27, 1033–1056
- Saunders, M., Lewis, P., & Thornhill, A. (2009). *Research methods for business students*. Pearson education.
- Shaharudin MR, Zailani S, Ismail M (2014). Third party logistics role in reverse logistics and closed-loop supply chains. *International Journal Logistics Systems Management*, 18(2): 200-215.
- Smith, H., & Mckeen, J. (2004). “Development in practice XIV: IT sourcing-how far can you go? *Communications of the Association for Information Systems*, 14, 508-520.
- Vuluka, G. and Gachanja, J. (2014). Supply Side Aspects of Residential Housing for Low Income Earners in Kenya.
- Waugh, B. & Luke, R. (2011). Logistics Outsourcing by Manufacturers in South Africa. *Journal of Transport and Supply Chain Management*, 11, 337-360
- Williamson, O. E. (2006). The economics of organization: The transaction cost approach. *American Journal of Sociology*, 8(7), 5 - 18.
- Yankilovich D. (2003). GBC presentation: Outsourcing offshore-balancing the equation (concentric solutions)
- Zhao, X., Xue, L. & Zhang, F. (2014) Outsourcing Competition and Information Sharing with Asymmetrically Informed Suppliers. *Production and Operations Management Society*, 23 (10), 1706–1718.

APPENDICES

Appendix I: Questionnaire

Please respond to the following questions by writing a short response or checking the boxes given.

SECTION I: GENERAL INFORMATION

1. Gender

Male [] Female []

2. Age

26- 30yrs[]; 30-35 yrs[]; 36- 40 years[]; 40- 50 years[]; Above50 years[]

3. What is your length of continuous service with the firm? (Tick as applicable)

1- 2 Yrs[]; 2-4 Yrs[]; 4-6 Yr[]; 6- 10 Yrs[]; 10 -15 Yrs[] Above 15Yrs[]

4. Level of education

Certificate []; Diploma []; Bachelor's Degree []; Post graduate []

Information Technology Outsourcing (ITO)

5. To what extent do you think your company has outsourced information communications and technology (ICT) infrastructure?

Very great extent[5]; Great extent[4]; Moderate extent[3]; Low extent[2]; Very Low extent[1]

6. What is the extent to which the company outsourced the following IT Services? Use a scale of 1-5 where:5=Very great extent,4=Great extent,3=Moderate extent,2= Low extent and 1= Very Low extent.

Adoption of Knowledge Process Outsourcing

	1	2	3	4	5
Building and Design					
Research and development					
Training consultancy					
Business and market research					
Legal obligations					
Managing performance					
Organizing and designing the work					
Contract management and law					

7. To what extent do you outsource the following in your company? Use a scale of 1-5

Administration Support Systems

7. What is the extent to which the following your company outsourced the following Administration Services? Use a scale of 1-5 where:

	1	2	3	4	5
Drafting and sending letters of authority to providers;					
Capturing adviser fees or commissions to spreadsheets and back-office systems					
Compliance management services					
HR and tax compliance management					
Customer relations					
General business administration					
Personnel management					

Project Management Skills Outsourcing

9. What is the extent to which the following your company outsourced the following Project Management Services?

	1	2	3	4	5
Organization's project planning activities					
Project portfolio management					
Negotiation and deal making					
Project Performance measurement					
Project Risk management					
Real estate development					
Construction management					

Firm Performance

10. How do you rate the performance of your firm based on the following indicators for the last five years? Use a scale of 1-5 where:5=Greatly improved,4=Improved,3=Constant,2=Decreased and 1= Greatly decreased

Indicators	1	2	3	4	5
Profitability					
Productivity					
Operational efficiency					
Construction Project Completion					
Client satisfaction					