



Outsourcing Strategies and Organizational Effectiveness of Oil Companies in Rivers State

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Abstract: This study examines the relationship between outsourcing strategies and organizational effectiveness of oil companies in Rivers state. The study employed a cross-sectional research survey. Accessible population for the study is ten (10) selected oil companies. A total of 998 staffs were surveyed. Simple random sampling technique was employed with a sample size of 286. A questionnaire was used to collect data from the respondents. Face validity was used to ascertain the validity of the instrument while Cronbach's Alpha coefficient was used to establish the reliability of the instrument. Spearman Rank Order Correlation Coefficient was used to test the hypotheses with the aid of Statistical Package for Social Science (SPSS) version 20.0. It was found that outsourcing strategies have a significant positive relationship with the organizational effectiveness of oil companies in Rivers State. The study concluded that outsourcing strategies that are based on expertise orientation and corporate culture would improve the organizational efficiency of oil companies. One of the recommendations is that managers should effectively implement outsourcing strategies, to enhance organizational effectiveness.

Keywords: Outsourcing, Organizational effectiveness, Organizational culture, Organizational growth, Expertise orientation

1. Introduction

Organizations are mainly focused on profit maximization by rendering value services to their customers for an exchange. Achieving effectiveness concerning market share and customer retention in an ever-dynamic business climate requires deliberate efforts by all stakeholders to ensure career development and customer satisfaction. Customer satisfaction is the backbone for gaining sustained competitive edge among rival firms and a competitive weapon for increased market share and long-run customer retention. A combination of human resource which is a scarce inimitable asset, finance and material propel firms to achieve set objectives despite competitive hitches. Kinicki and Kreitner (2003) outlined several indicators of organizational effectiveness ranging from the accomplishment of goals, resource acquisition, internal processes and strategic customer fulfillment. By implication, the parameter for effectiveness measurement is highly dependent on the availability of these resources in all departments at the quantity and quality required, and any ineptitude from management may impede achievement of organizational set goals.

In the midst of subtle business atmosphere, organizations invent ideas, schemes, and ploys on how to outwit and outperform rival firm to gain competitive advantage using outsourcing strategy. Firms outsource some of their services to other organizations that are capable of carrying out that task. Outsourcing is a strategy of recruiting most competent persons using an effective and efficient human resource organization which can be aided by the advancement of technological know-how and managerial skill. The essence of employing outsourcing as a strategy is to avoid selection bias and to ensure recruitment of qualified persons for the attainment of organizational effectiveness. Studies by Tomasko (2002) have shown that the key to achieving excellence in a turbulent business climate rests on the pro-activeness of organizations to outsource the recruitment processes. According to Freeman and Cameron (1993), the activities and

responsibilities by an external body (service or manufacturing) to carry out responsibility on behalf of an organization instead of doing it internally are referred to as outsourcing.

To carry out effective outsourcing, exercise requires a clear-cut understanding and assessment of organizational current and future capabilities. The essence of embarking on outsourcing of resources is based on the principle of cost reduction, time maximization, and quality assurance. Arguably, improvement in the level of service delivery as a result effective outsourcing activity can be seen as a step taken in the right direction. Outsourcing concept has received a myriad scholarly contribution in recent times and has been examined by Felix and Shale (2016) in the manufacturing sector in Kenya which x-rayed that cost, quality, technology adoption has a positive association with organizational performance. Similarly, Suraju and Hamed (2013) investigated the nexus between outsourcing as a strategic tool for organizational performance attainment in the Nigerian Food, Beverage, and Tobacco Industry. The outcome of the study revealed that outsourcing strategy can be used to competitive differentiation among rival firms.

Azurin, Shahin, and Sulaiman (2013) empirically studied the influences of organizational decisions to outsource in some Malaysian firms, and the result indicated that significant influencers of outsourcing adoptions are suppliers' performance, capability, revenue, resource distribution and associated risks. It was observed by Akinbola, Ogunnaike and Ojo (2013) that outsourcing could contribute to increased marketing performance in the fast food firms in Lagos, Nigeria.

Despite scholarly contributions to the subject under discussion, there is still a shortage of literature on this concept especially in the area of effectiveness; on this premise, this study examines the link between outsourcing and strategy and organizational effectiveness of oil companies in Rivers state.

1.1 Purpose of the Study

The purpose of this study is to examine the relationship between outsourcing strategy and organizational effectiveness of oil companies in Rivers state. Based on this, the following specific objectives are:

- To determine the nexus between expertise orientation and organizational productivity;
- To examine the nexus between expertise orientation and corporate growth;
- To explore the nexus between organizational culture and organizational productivity;
- To determine the link between organizational culture and organizational growth.

1.2 Research Hypotheses

Based on the specific objectives, the following hypotheses were formulated to empirically determine whether there is any relationship between the variables under investigation.

HO1: There is a relationship between expertise orientation and organizational productivity.

HO2: There is a relationship between expertise orientation and organizational growth.

HO3: There is a relationship between organizational culture and organizational productivity.

HO4: There is a relationship between organizational culture and organizational growth.

2. Literature Review

2.1 Outsourcing Strategy

Outsourcing is an administration technique by which an association delegates major, non-core business capacities to specific and productive specialist organizations (Corbett, 1999). Sako (2006) opined that outsourcing is the demonstration of one organization contracting with another organization to give benefits that may somehow be performed by in-house representatives. Lacey and Blumberg (2005) state that it is absolute trust and faith in the capacity of another external body to source for key managerial resources that can add value to the organization's strength and stability. It is deploying an external services provider to hire qualified labor for organizational usage (Kennedy et al., 2002). Beaumont (2006), describes it as one subtype of distributed work. Smith et al. (2006) see it as a technique that relies on the competence of external service provider to recruit labor for a specific organization.

2.2 Dimensions of Outsourcing Strategy

Orientation is the indoctrination of a person to the value and provisions of organizations to get acquainted with the

philosophies of the organization. Expertise orientation, on the other hand, encompasses all knowledge and skills transferred from the outsourcer to the outsourcees. Often in the oil sector, some firms outsource few activities to other firms with vast understanding and proven expertise in that specific area. The outsourcee can decide to learn how the outsourcer does the drilling and hence, one day it comes to pass when the outsourcee can no longer outsource that drilling part but rather will prefer to do that themselves.

2.2.1 Organizational Culture

Organizational culture is a shared philosophy, ideology, value, assumption, beliefs, hope, behavior and norms that is held in the organization (Kilmann, 1985). Organizational culture is also perceived as the philosophies that are held by the members of a particular organization, which distinguish them from others (Robbins, 1984; Harrison and Stokes, 1992). For Mullins (1999), it is the collection of traditions, values, beliefs, policies, and attitudes that constitute a pervasive content for everything one does and think about an organization.

2.3 Organizational Effectiveness

Effectiveness is often described as “doing the right thing”, which are work activities that will help the organization reach its goals, not only by getting operations completed and meeting organizational goals (effectiveness) but also by doing so as efficiently as possible (Daft, 2008).

Considering the fact that, all organizations are purposive, they are established to accomplish an objective. Individuals in an organization wish to perform their own goals through the organization. These individuals try to achieve effectiveness through outsourcing strategy, in as much as such organization is doing the right things at the right time in an environment, where organizational effectiveness must be achieved (Nwachukwu, 2006).

In our present study, organizational effectiveness is measured in terms of corporate productivity, and organizational growth of the oil sector. There is an ongoing argument for and against the need to outsource to other more competent firms. According to Reddy and Ramchandran, (2008) approximately 30-35% of organizational time is wasted on accounting processes that may not yield the required result; hence, outsourcing that arm of the managerial function reduces the level of workload on the managers and allows concentration on key pressing organizational issues which provides economies of scale and cost reduction. Therefore, this is geared towards organizational effectiveness. This appears to show that organizational effectiveness is the peak reason for outsourcing (Ronan, 2006).

This is the concept of how effective an organization is in achieving the outcomes the organization intends to produce. The idea of organizational effectiveness is especially important for the non-profit organization as most people who donate money to non-profit organizations and charities are interested in knowing whether the organization is effective in accomplishing its goals.

Richard and Reinmann (2001) contended that organizational effectiveness shows the actual performance of the firm every other outcome necessary to ascertain the viability of the firm. However, in view of this, Steers (1996) noted that organizational effectiveness could be best examined by jointly considering three related concepts:

- The notion of goal optimization;
- A systems perspective;
- An emphasis on human behavior in organizational settings.

As indicated by Steers (1996), a critical worry in any examination of organizational effectiveness is in determining the idea of the connections among significant arrangements of factors as they mutually impact wanted results. He additionally called attention to that in analyzing organizational effectiveness; four contributing components can be found in the areas. For example:

- Organizational characteristics
- Environmental characteristics
- Employee characteristics and
- Managerial policies and practices

Also, organizational effectiveness is regarded as the parameter or benchmark in measuring the efforts, progress, and performance of management (Richard and Reinmann, 2001). Therefore, to an economist or financial analyst, organizational effectiveness is synonymous with profit or return on investment. It can mean different things depending on usage. To a manager in charge of production, efficiency implies the quality of goods and services.

In the field of science, organizational effectiveness can be seen as the number of inventions while social scientists see its equality of working life. In short, the concept of organizational effectiveness means different things to different people, depending upon one's frame of reference (Richard and Reimann, 2001).

2.4 Outsourcing Strategy and Organizational Effectiveness

Outsourcing strategy is a technique employed by several organizations towards the actualization improved effectiveness (Vining and Globerman, 2000). The need to remain abreast with global business realities in an era of intense competition calls for the adoption of a more proactive approach to outsource responsibilities to external firms with undisputed capabilities. The essence of this according to Bartell (1998) is in reducing risks, building a sustainable competitive advantage, extend technical skills and free resources for core business purpose. Depending on the objective the firm intends to realize, a firm can outsource value chain extensively while other companies, in contrast, are broadly outsourcing secondary activities of their value chains such as information technology, accounting, system and distribution (Reddy and Ramachandran, 2008).

Reddy and Ramachandran (2008) stressed that accounting work that is often sent for outsourcing strategy includes bookkeeping and accounting processes, general ledger accounting, accounts payable, fixed assets accounting, inventory management, reconciliation, payroll accounting, taxation, accounts receivable, and internal control. Based on the preceding, organizational effectiveness and outsourcing strategy interweave freely to enable the organization makes a quick decision to outsourcing strategy.

2.5 Measures of Organizational Effectiveness

2.5.1 Organizational Productivity

Daft (2008) stressed that improving productivity has become a major goal in every organization. By productivity, we mean the overall output of goods and services produced and divided by the inputs needed to generate costless growth, employees can receive higher wages and company profits an increase causing inflation. Organizations with more emphasis on improved productivity tend to compete more favorably than those who are without. According to Nwachukwu (2007), productivity is a scarce resource that firm leverages on to offer best competitive price to differentiate their service from other competing firms. It is a measure of performance using input and units of output. The improvement drivers according to Ghodeswar and Vaidyanathan (2008) in terms of outsourcing strategy, focus more on productivity as a tool to measure organizational effectiveness.

This view is supported by Nwachukwu (2007) who claimed that the actualization of the competitive milestone is a function of organizational tenacity in inventing ideas that are difficult to be copied. Companies compete in terms of price, quality, product or services differentiation, flexibility and time to perform, an organization that observes quality improvement, that improves yield per machine or labor hour, or that stresses product quality dimensions – performance, features, flexibility durability, serviceability achieves a competitive edge.

2.5.2 Organizational Growth

The need to attain and sustain steady growth has remained a much-discussed topic in measuring effectiveness. In a harsh business atmosphere, firms are keen on meeting sales target and surpassing previous records in the industry. Organizational growth, therefore, is the ability of firms to compete effectively and exceed envisaged target using some key industry parameters. It is a major index in ascertaining the degree of organizational effectiveness in any industry (Steers, 1996). Organizational growth can be viewed as the degree of diversification a firm achieves in the different sector over a given time. Corporate growth entails a collective increase of several persons depending on how big your organization is (Stoner, 2007). According to Maxwell (2007), there are ten (10) steps to effective organizational growth. These steps were summarized with ten (10) questions, such as these steps are outlined as the effectiveness to the success.

- What are the organizational plans for growth in the area of manpower development?
- What are the investment habits of the firm towards achieving growth?

- Are there policies that have been adjusted to ensure growth achieved?
- What policies are in place to ensure production?
- What are the opportunities available for growth?
- Is there any congruency in organizational vision?
- What is the vision and mission statement?
- Are the employees certain of career development?

Organizational growth is an indication of how well the management of an organization had performed in recent time. Obviously, both organizational growth and organizational effectiveness are simultaneous. This is to say that both are dependent on each other. However, outsourcing is a device to increase organizational growth, in turn, depicts organizational effectiveness (Richard, 2002).

3. Methodology

3.1 Research Design

This study employed a cross-sectional research survey.

3.2 Population of the Study

The target population for this study is made up of major oil firms registered with the Department of Petroleum Resources (DPR) in Port Harcourt, Rivers State. The accessible population for the study is ten (10) selected oil companies. A total of 998 staffs were surveyed. They include production managers, accountants, admin managers and human resources managers.

3.3 Sampling Procedure/Sample Size Determination

A simple random sampling technique was employed. The sample size is 286 using Taro Yamane formula.

3.4 Instrument for Data Collection

The questionnaire was used to collect data from the respondents. 286 copies of the questionnaire were distributed to ten selected oil companies in Port Harcourt out of which 254 copies were retrieved and used for data analysis.

3.5 Validity and Reliability of the Instrument

Face validity was used to ascertain the validity of the instrument while Cronbach's Alpha coefficient was used to establish the reliability of the instrument.

3.6 Data Analysis Technique

Descriptive statistics were used to analyze respondent's profiles while Spearman Rank Order Correlation Coefficient was used to test the hypotheses with the aid of Statistical Package for Social Science (SPSS) version 20.0.

4. Results and Discussion

Table 1: The percentage of gender distribution

Gender	Frequency	Percentage (%)
Male	182	71.7
Female	72	28.3
Total	254	100

Source: Survey data (2017)

Table 1 above shows the gender of 254 respondents. 182 respondents' representing 71.7% were males while 72 respondents representing 28.3% were females. This revealed that 182 out of 254 respondents' were mostly males.

Table 2: Age brackets of respondents

Age	Frequency	Percentage (%)
25- 35 years	48	18.9
36-45 years	132	52.0
46 years and above	74	29.1
Total	254	100

Source: Survey data (2017)

Table 2 shows the age bracket of 254 respondents in selected oil companies. 48 respondents representing 18.9% were between the ages of 25-35 years, 132 respondents representing 52.0% were between 36-45 years, 74 respondents representing 29.1% were between 46 years and above. This implies that 132 out of 254 respondents were between 36-45 years.

Table 3: Length of service of respondents'

Length of service	Frequency	Percentage (%)
1 –5 years	54	21.3
6-10 years	152	59.8
11-15 years	36	14.2
16 years and above	12	4.7
Total	254	100

Source: Survey data (2017)

Table 3 above shows the length of service of 254 respondents in selected oil companies. 54 respondents' representing 21.3% have served their company between 1-5 years, 152 respondents' representing 59.8% have served their company between 6-10 years, 36 respondents' representing 14.2% have served their company between 11-15 years, and 12 respondents' representing 4.7% have served their company between 16 years and above. This implies that 152 respondents' out of 254 have served between 6-10 years in the selected oil companies.

Table 4: Position in the organization

Position	Frequency	Percentage (%)
Top management	104	40.9
Middle management	84	33.1
Lower management	66	26.0
Total	254	100.00

Source: Survey data (2017)

Table 4 above shows the positions occupied by 254 respondents in the selected oil companies. 104 respondents representing 40.9% were at the top management cadre, 84 respondents representing 33.1% were in the middle management hierarchy, and 66 respondents were at the lower management level. This shows that 104 out of 254 respondents were at the top management level in the selected oil companies.

4.1 Hypotheses Testing

The hypotheses were tested with Spearman's Rank Order Correlation Coefficient (ρ) with the aid of statistical package for social sciences (20.0).

4.1.1 Hypothesis 1

There is a relationship between expertise orientation and organizational productivity.

Table 5: Relationship between expertise orientation and organizational productivity

Correlations			Expertise orientation	Organisational productivity
Spearman's rho	Expertise orientation	Correlation Coefficient	1.000	.706**
		Sig. (2-tailed)	.	.000
		N	254	254
	Organisational productivity	Correlation Coefficient	.706**	1.000
		Sig. (2-tailed)	.000	.
		N	254	254

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

The result above shows that expertise orientation has a significant positive relationship with organizational productivity. This means that as expertise orientation increases, organizational productivity will also increase in the oil companies.

4.1.2 Hypothesis 2

There is a relationship between expertise orientation and organizational growth.

Table 6: The relationship between expertise orientation and organizational growth.

Correlations			Expertise orientation	Organisational growth
Spearman's rho	Expertise orientation	Correlation Coefficient	1.000	.815**
		Sig. (2-tailed)	.	.000
		N	254	254
	Organisational growth	Correlation Coefficient	.815**	1.000
		Sig. (2-tailed)	.000	.
		N	254	254

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

The result above shows that expertise orientation has a significant positive relationship with organizational growth. This implies that as expertise orientation increases, organizational growth will also increase in the oil companies.

4.1.3 Hypothesis 3

There is a relationship between organizational culture and organizational productivity.

Table 7: Relationship between organizational culture and organizational productivity

Correlations			Organisational culture	Organisational productivity
Spearman's rho	Organisational culture	Correlation Coefficient	1.000	.732**
		Sig. (2-tailed)	.	.000
		N	254	254
	Organisational productivity	Correlation Coefficient	.732**	1.000
		Sig. (2-tailed)	.000	.
		N	254	254

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

The result above shows that organizational culture has a significant positive relationship with organizational productivity. This indicates that as the culture or organizational philosophy increases, organizational productivity also increases in the oil companies.

4.1.4 Hypothesis 4

There is a relationship between organizational culture and organizational growth.

Table 8: Relationship between organizational culture and organizational growth
Correlations

			Organsational culture	Organisational growth
Spearman's rho	Organisational culture	Correlation Coefficient	1.000	.721**
		Sig. (2-tailed)	.	.000
		N	254	254
	Organisational growth	Correlation Coefficient	.721**	1.000
		Sig. (2-tailed)	.000	.
		N	254	254

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

The result above shows that organizational culture has a significant positive relationship with the organizational growth of selected oil companies. This revealed that when the culture of the oil companies increases by way of assimilation, the oil companies will be effective and record positive performance.

4.2 Findings

From the results above, it was found that outsourcing strategies have a significant positive relationship with the organizational effectiveness of oil companies in Rivers State. Apart from the major findings above, the following specific findings were derived.

- Expertise orientation has a significant positive relationship with organizational productivity;
- Expertise orientation has a significant positive relationship with organizational growth;
- Organizational culture has a significant positive relationship with organizational productivity;
- Organizational culture has a significant positive relationship with organizational growth.

5. Conclusion and Recommendations

From the above findings, this study concluded that outsourcing strategies that are based on expertise orientation and organizational culture would improve organizational effectiveness of oil companies in Rivers state. The study found that there was a significant relationship between outsourcing strategy and organizational effectiveness. Conclusively, the organization today as revealed stands at the cross-road searching for ways to enhance their company's performance to stay competitive in today's economy. Also, as business nowadays face incredible challenges like happenings in the global markets, staffing, changes in economic conditions and succession planning. Outsourcing in the workplace can help the organization and their employees to work effectively in the millennium business environment.

5.1 Recommendations

Based on the conclusion, the following recommendations were made.

- Managers should effectively implement use outsourcing strategies, to enhance organizational effectiveness.
- Expertise orientation should be encouraged, such that it could contribute to sustainable organizational effectiveness.
- Organizational culture among the company's employees should be made such that it could contribute to organizational growth and productivity.
- Organizations should pay adequate attention to outsourcing strategies as this will enhance the organizational performance.
- Organizations should see outsourcing strategies as an important tool that can be used to solve organizational problems.

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