THE EFFECT OF OUTSOURCING ON COST MINIMIZATION IN PUBLIC ORGANISATIONS

A CASE MINISTRY OF FINANCE PLANNING AND ECONOMIC DEVELOPMENT

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DECLARATION

I, **Nalwadda Martha Kakuuze** declare to the best of my knowledge that this work has never been presented anywhere in any university for any academic award.

REG. NO. BSP/32452/102/DU

SIGN .....

DATE 25th/04/2013

APPROVAL BY THE SUPERVISOR

This research work has been submitted for the partial award of the Bachelors of Supplies and Procurement Management degree with the approval of Mr. Barasa Henry as the University Supervisor.

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DEDICATION AND ACKNOWLEDGEMENT

First and foremost, I would like to thank the Almighty God who has been the pillar to the success of this study and the course as well. It is through God's love that this study is a success for I believe and trust in Him, everything is possible.

I would love to dedicate this work to my beloved mum, Nyanvula Esther, my beloved daughters Esther Kansiime, Ellen Kamwine, my brother Byekwaso Jeremiah and his wife, Margie whose efforts were enormous and greatly contributed to the success of this study.

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ABSTRACT

The study is sought to investigate the effects of outsourcing on cost minimization. The research was guided by the following research objectives. To investigate the various forms of outsourcing in the Ministry of Finance and Economic Development, to investigate and identify the various costs faced by the Ministry of Finance and Economic Development and in project implementation, to establish the relationship between outsourcing and cost minimization.

The study findings indicate that the Ministry of Finance, Planning and Economic Development uses outsourcing in project implementation as shown by the majority of the respondents. The organization though does not suffer adverse disadvantages of outsourcing as more than 80% of the respondents indicated that the Ministry plans to use outsourcing in cost minimization and less than 20% were not sure.

However the study indicates that outsourcing faces a lot of challenges during project implementation and the ministry needs extra efforts to counter these effects. The study therefore suggested a number of remedies that can be used to minimize costs through outsourcing.

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CHAPTER ONE

INTRODUCTION

1.1 Back ground

Organization and institutions implement outsourcing due to various advantages associated with the practice .Outsourcing which is the system of contracting out business functions commonly ones previously performed in house to an external provider. (manningtel etal 2008),. Is a system where two organisations enter a contractual agreement involving an exchange of service for payment.

It refers to contracting of non- core activities to third party service provider.

The system dates way back in the 1920s when organisations and companies opted to outsource in order to diversify business operations and reduce operational costs (Rochring P 2006). Different organisations have different procedures of selecting a suitable company or organisation to carry out their business functions on their behalf for example identifying the potential service provider available through requesting for proposals or through open bidding which are followed by examining the service provider, choosing a partner, finalizing a contract, measuring performance and end of contract (Fischer, L.m 2001).

Cost minimization involves the process or goal of incurring the possible opportunity cost in the pursuit of a given activity through undertaking of organisational projects at the cheapest cost possible. (John Black 2002). Organisations require operating under the least costs possible in order to realize higher profitability or saving on investments and business operations.

The ministry of finance and economic planning and development seeks to minimize costs in order to meet its budget estimates, utilize resources and also time on investment and policy implementation.

Through outsourcing, organisations can cut costs related to the under takings of business function for example the cost constructing a road directly by the ministry of finance involve recruitment and training of workers and transportation of material which means higher expenses and time wastage rather than climinating these costs by contracting an already established service provider in the area of business requirement.

The ministry of finance planning and economic development was created by the 1995 constitution of Uganda and derives its powers from the constitution and related Acts of the parliament. The ministry head quarters are located in Kampala.

The ministry structure is made up of several departments such as budget monitoring and accountability unit which monitors economic data and economic indicates of budgets and projects of other department including those of agriculture, education, energy, health, industrial parts, roads and water and sanitation.

The department which is responsible for overseeing monitoring and financing government projects uses various ways of undertaking these projects which include outsourcing whereby it contracts business function commonly those previously performed in house to an external provider in order to cut cost related to these functions.

According to the commissioner of investment and private sector planning in the ministry of finance, the ministry uses companies like UMEME Uganda Limited, ROCO construction limited and other local forms to undertake their projects on their behalf. It also uses donor Agencies like JICA for certain projects.

Prior to the year the 1997, the government implemented its projects directly through the department of works for example the construction of Mityana - Mubende high way which took a longer period to accomplish but after

contracting with HOFFMAN construction limited the construction was accomplishment at a cheaper at a cheaper cost and shorter period than before.

1.2 Problem Statement

According to the commissioner of the department of investments and private sector planning, the ministry opted to outsource some of its non- core activities to third party services providers in 2003 in order to reduce on the cost encountered during the effecting of the business functions. Cost such as time wastage, high operating cost and lack of skilled labour is eliminated. However, since 2004 the cost of using third party service providers have become high which could rise from the procedures of choosing or selecting a service provider or the implementation of the outsourcing process.

If nothing is done to tackle this problem the cost of implementing government projects shall continuously rise. It is due to this cause therefore that the researcher seeks to establish the relationship between outsourcing and cost minimization.

1.3 Objectives of the study

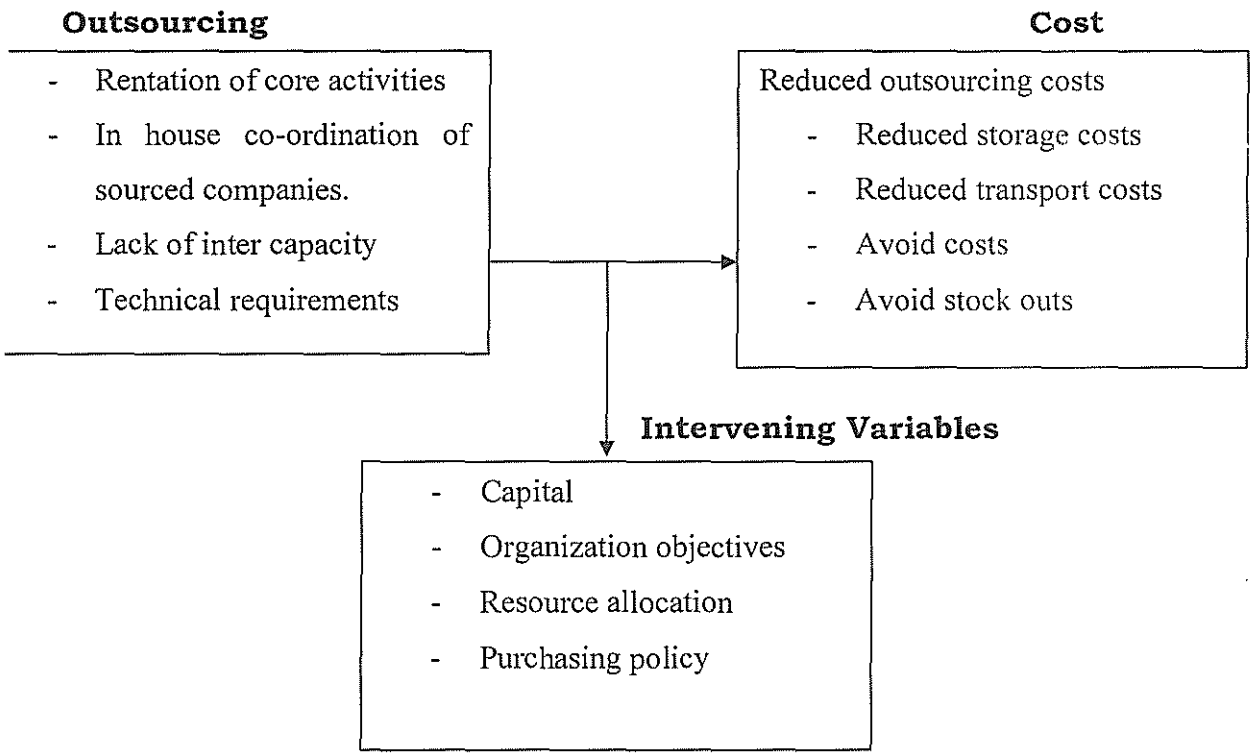
i. To identify the various forms of outsourcing available to the organisations.
ii. To identify the various costs faced by the ministry of finance planning and economic development in project implementation.
iii. To establish the relationship between outsourcing and cost minimization

1.4 Research Question

i. What are the various forms of outsourcing available to the organisation?
ii. What are the various costs faced by the ministry of finance planning in project implementation?
iii. What is the relationship between outsourcing and cost minimization?

1.5 Conceptual Framework

Independent Variable **Dependent Variable**



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter explains the definitions and concepts of outsourcing steps taken during outsourcing, definitions of cost minimization and its advantages and the relationship between outsourcing and cost minimization in an organisation.

2.2 Definitions

According to manning etal (2008), outsourcing is a system of contracting out business functions commonly ones previously performed in house to an external provider. It is a system where two organisations enter a contractual agreement involving an exchange of service and payment.

Outsourcing is usually the term used when a company takes a part of its business and gives that part to another (person) company. In recent times the terms have been commonly used for technology related initiatives such as handling over the IT help desk to third party (will cocks, 2004).

On the other hand Rasheed (2000), view outsourcing as an arrangement in which one company provides services for another company that could also be or usually have been provided in house.

Outsourcing is a trend that is becoming more common in information technology and other industries for services that have usually been regarded as intrinsic to managing a business.

2.3 Forms of outsourcing

2.3.1 Offshore outsourcing

This is the type of outsourcing where a company contracts an international service provider to do part of it business, outsourcing companies that utilize technology require sophiscated, quick responding computer system and software that are flexible enough to responding computer system and software that are flexible enough to respond to the increasing capabilities of technology and the rapid changes in business models.

Selecting the right technology partner is an integral part of many successful ventures.

Following are specific types of technology services; Electronic commerce, (e-commerce), infrastructure (networks), software (applications); telecommunication website development and Hosting (Hindle, J. 2004).

2.3.2 On shore Outsourcing

Fischer, L.M (2001) describes onshore as a form of outsourcing which involves the contracting of a third party service provider from within the domestic area or use of a local service provider. He adds that mainly the type of outsourcing involved in this form of contract is business process outsourcing (BOP) is a subset of outsourcing that involves the contracting of operations and the responsibilities of specific business function (or processes) to a third party service provider.

Originally this was associated with manufacturing firms, such as coca cola that outsourced large segments of its supply chain. In contemporary context, it is primarily used to refer to the outsourcing of services, like customer contract (customer relations Management), Equipment finance/Accounting human resource, logistics procurement/supply chain management, security human resource, is becoming another sought after outsourcing area.

Other areas of whom and what is being outsourced is document, utility, insurance, secretarial, healthcare, manufacturing, news and media outsourcing. Onshore outsourcing is comprised of experienced and weaker companies.

2.4 Process of Outsourcing

A client needs to specify the technical managerial aspects which is required in prospective provider. If the self assessment exercise reaps success then outsource would come to know various offshore or onshore outsourcing option available in front of him. Moreover he becomes aware of his non-core business activities and accordingly decides the profile of a prospective service provider. When out source is clear about what he wants, he moves on to search for the service provider. (wright,2001).

2.4.1 Request for proposal (RFP): Is an invitation to all those service providers who are mapping with clients pre-decided criterions. RFP's more prospects of him get right kind of service providers. Client can create an environment of healthy competition to get better outsourcing options (fruhan,2001).

2.4.2 Examining the service provider

Wright (2001) notes that an RFP will make service provide to approach the concerned buyer with the required information. Buyer now needs to analyze all the answer and choose a handful of likely contender. It is advisable measure all the providers on a common scale measuring standards would depend on the type of industry and the type of offshore outsourcing one wish to carry out. Read about global delivery model used in software offshore outsourcing or human resource onshore outsourcing. Client should not forget to pay special attention to the financial characteristics. It is natural that a buyer would make efforts to calculate the cost saving from an offer. But it is also advisable to look

into the other financial indicators like industry rating, stability, future prospects e.t.c before you come to final decision.

Factors which client may consider for service provider evaluation may range from analyzing company's vision to employee and technology competence of the service provider. This would include a review of the providers new approaches in training like invest tools and other applications (Fruhan, 2001).

2.4.3 Choosing a partner

The previous stage would help a buyer in focusing his attention on few prospective offers. Now, in this stage he chooses one from them and gives his final judgment. Security, confidentiality and ethics of the service provider can be one of the considerations, which outsourcers could analyze before finalizing their decision.

Expert in this field advise outsourcer to reconfirm their assessment by seeking clarification on any doubts.

2.4.4 Finalizing Contracts

Furan (2001) looks at finalizing contract where final shape is given to a decision. Contract is a legal agreement between a buyer and service provider based on certain term and conditions. It is in interest for both the outsourcers and the service provider to write a contract in the presence of learned legal personnel. A contract should be absolutely clear in all aspects. There should be no any scope of misunderstanding. Offshore outsourcing industry is facing many business related legal issues so as to establish a healthy and sustainable relationship.

2.4.5 Measuring Performance

Processes of outsourcing also contain constant review of performance. Output is measured on certain pre-decided benchmarks. Bench marking standards and methodology should also be mentioned in the contract.

Expert feel that a client should maintain constant check on his service provider and derive means to make him accountable for his output if all steps are successfully implemented, then the outsourcing deals get better chance of bringing in success to buyers business.

2.4.6 Contract end

On successful completion of the project, the contract comes to an end. It should be remembered that the new challenges would features with every new outsourcing contract. But a systematic approach of outsourcing in deciding their outsourcing partner will reduce their overall risks. Information secured from each offshore outsourcing contract can make outsourcer achieve desired business result while maintaining standards in his business methods and process (Wright, 2001). The nature of outsourcing deals will decide the execution methodology of the above mentioned steps. However the concerned client or outsourcer deals with the process and which outsourcing methods he falls, is his discretion.

2.5 Factors to consider before outsourcing

2.5.1 Identification of non core activities

Identification of non-core activities to be outsources is of great importance. The organisation carrying out outsourcing should only and only outsource activities which are not core to the organisation. For example, the ministry of finance should not outsource budgeting activities, treasury and financial handling among others.

2.5.2 Seeking Profile

Both the living company and the supplier should ask each other for a profile or a resume prior to signing any agreement. You may find that the hiring company is not financially stable and may have difficulty paying according to terms, or that the supplier may have the difficulty in performing.

2.5.3 Clearance of financial and performance conditions.

All financial and performance conditions should be clearly stated in the written agreement so that both sides understand.

Throughout the project, funds are going to be paid, most likely at agreed upon project milestones. So a priority is to agree on a fair price. In many cases, it takes a couple of offers and bids to reach a good negotiated price. After the two sides have mutually agreed or a price for a project, a written agreement must be signed off only by an authorized representatives of each party.

Your consent should include the total project cost, as well as payments for overtime and/or other fees agreed upon in addition make sure agreement specifies when payment are to be made as well as the method of payment (Manningtel 2003), these may include cheque, bank deposit system or online like pay pal.

2.5.4 Cost determination

There are atleast two option in cost determination initially one may decide that the cost of the project includes all changes and extra work every hour that may be incurred. If either party is not comfortable with this arrangement, they should discuss other options.

2.5.5 Time Scale

Reasonable timeless for deliverables and project completion needs to be set up. This helps to clarify expectations for both parties as well as resource allocation.

2.5.6 Delivery methods.

The method of delivery of goods or services is an important issue to be discussed beforehand. The firm that is outsourcing the project needs to have a solid idea, how the work is to be delivered, and then cooperate with the supplier to ensure that this is feasible.

Throughout the project and at project completion, it is a good idea to periodically and openly discuss performance satisfaction. This is important in lining up referrals and recommendation for future business transactions.

2.6 Cost Minimization

2.6.0 Definition

Cost minimization involves the process or goal of incurring the least possible opportunity cost in the pursuit of given activity through undertaking of projects at the cheapest costs possible (Black, 2002). Cost minimization on the other hand by Truhan (2000), is the assumption that any enterprise will try to produce its output at the lowest possible cost. This is clearly desirable for a profit- maximizing firm. It is likely to appeal to public bodies also, as a saving of cost in any one project will either allow lower taxes, or free resource for other desirable uses.

Cost minimization is the behavioral assumption that an individual or firm will seek to purchase a given amount of goods or inputs at the least cost, other things being equal. By making certain assumptions, there will exist a single cost minimizing combination of inputs for any level of output (Duane, 2008)

Baskin (2004), cost minimization is a behaviour that attempts to minimize such undesirable factors as cost, time and inconvenience.

Cost minimization is a usual goal of the production department of a firm. For example, a production department manager wishes to find the least cost combination of input materials in order to make a finished product. Linear programming (LP) models may be formulated in the format of either profit maximization or cost minimization.

2.6.1 Methods of cost minimization in an organisation

There are several methods business leaders use to reduce costs that can be damaging to the health of the business. These include downsizing, reducing customer service, and cutting corners in production methods as well as outsourcing high cost activities to third party service provider.

Some company leaders feel that they can reduce costs by downs or reducing the number of workers. If this is done after defining the exact role of every shaft, it may be a necessary and effective method.

Unfortunately, most businesses that reduce their head count do so without really knowing the impact on the company's operations. All they really do is cutting off some staff to reduce the wage bill. One of the biggest effects of downsizing to reduce cost is that, often good employees leave for green pastures. Thus the business is left with the "dead wood" staff, who are expected to do twice as much work as before (Will cocks, 2004)

2.6.2. Reducing Customer Service level

Hindle (2004), focuses on reducing customer service level.

He argues that customer service can be a hassle and is often an expensive issue. Sometimes to cut cost, businesses will reduce or eliminate the range of added service they give to the customer.

Unfortunately, a neglected customer will become an ex-customer. He or she will simply go to your competitor, who will be glad to service their needs at your expense.

Companies must therefore, see the benefits of customer satisfaction in establishing long term business relationships. A satisfied customer is often a repeat customer. Also the customer may network with other client and refer them to your business, but you have a viable route to new business opportunities. This can save your company money that might be spent on advertising. Repeat business and word –of – mouth advertising are excellent ways of maintaining a health business.

Feeny, D (2004) on the other hand states that a way to cut costs is by cutting corner in production or service methods. Some owners feel that by buying or using cheaper material and sometimes workers, and by scrimping on quality, they can cut costs and save money.

It is true that costs may be cut in the short run but often the products or service stands suffer.

If this results in such low quality products that repairs and reworks are required, this will add to cost and obviously is not a good thing. Customer will become unhappy with the low quality and may eventually move to another supplier. The business will suffer from both a loss of business and reputation.

The use of third party service provider (outsourcing) is a more effective way of cutting costs in an organisation. It exposes the organization to more expertise and simpler methods of doing business operations. The decision to outsourcing is taken when the organisation lacks the manpower to meet its obligations in time and also has unskilled labor to do certain activities. This method of cutting costs saves time of recruitment, training and implementation and also eliminates recruitment of a lot of staff who may be needed for a short period of time (Lacity 2004).

2.7 THE RELATIONSHIP BETWEEN OUTSOURCING AND COST MINIMISATION

Third party service providers play a very important role in cutting cost within an organisation. They perform service on behalf of the organisation. This facilitates organisations to cut operating, transportation and recruitment costs within the organisation. Third party service companies can do the following on behalf of the company to reduce costs.

Gilley (2000), asserts that increased focus upon the core business throughout sourcing business and organisations are able to give cheap raw material and expertise since it is their area of specialization. Third party, the restructuring of internal business area that have resisted change higher value adding more flexible service than internal source can offer best in the world knowledge source to enhance innovation. This achievement of better cross process coordination than traditional organisation structures can deliver.

E- marketing is a very powerful and cost effective way to market your business. It enables you to send out news letter, mail shots, special offers and loyalty schemes directly to your customer via their e-mail address at no extra cost you save on postage and/or printing cost too. It also encourages them back to your website to see what other service you offer.

The only investment is the time needed to design your promotional e-mail material which is simplified by the third party service provider (Rasheed 2000).

According to kakabadse (2002), argues that investment in an on-line business management system that offers an on-line diary feature" enable your customer access to book their appointment direct is a great way to reduce down the volume of calls and work generated for reception cover. Business tools to analyze the productivity of your business are running efficiently and recruitment of staff is being spent wisely.

They ensure that your business software is not costing you in the longrun in hidden costs. Check that you are not tied into lengthy maintenance and costly technical support contracts for your business software on-line, saving you in set up fees, annual subscriptions, fees maintenance and technical backup as well as data collection (weerakkody, 2003), you automatically get free upgrades to keep your software up to date and switching over could not be simpler. You just register and pay online and you will be up running with hours not days.

You also have technical support via e-mail or phone so help is at hand as and when you might need it.

Third party service provider reduces your staff overheads with a virtual per receptionist. Staff overheads are one the first things that get cut in a recession. An excellent way to compensate staff cuts, but not lose on quality of service is to look at per/ receptionist option.

To ensure that you get adequate phone cover for your business without having to over stretch your existing resources you can opt for a pay as you go virtual receptionist that will represent your company. The receptionist would typically provide call answering, take message, book appointment and perform administrative tasks if required (Vinshanth, 2003).

Yamaya, (2003) asserts that saving on the cost of telephone calls could be possible by looking at reducing your phone bills every quarter by installing VoIP technology. VoIP technology allows you make your phone calls over the internet at the fraction of the cost of normal phone call saving you hundreds of pounds on your business phone. It is really easy to set up and learn, do not be put off by telecom technology.

Increasing customer retention through improved customer care as argued by Leavy (2004). This can be achieved through asking yourself not what you can do for your customer. Customer are driven by both emotional and practical needs, make sure you are satisfying both emotional and practical needs, look

after them by offering customer loyalty cards. Stop your clients using your competitors and reward customer with referral schemes.

Most important, listen to what they have to say about your product and service as well as your staff, ask them to complete questionnaires, their option is vital to your to your long term success. They may even give you new ideas that that you may not have considered.

Reducing your operating costs. Look to see whether you can save money on basic essentials i.e. stationery, raw materials e.t.c source suppliers online and save money or go direct to the manufacturer and cut out the middle man. A little time spent on researching on the internet will reduce down your material and costs. You can search via brand and model numbers and the go to price comparison sites to get the best deal (Shyam 2004).

Understand your customer needs better. Keep up to date with your customer, a good customer database is an invaluable investment to your business. Fischer (2001), states that this allows you to share information amongst your team improving knowledge and communication as well as customer confidence in the way you implement it. A database can identify customer needs, their likes and dislike and will provide vital clues in helping you to cross-sell other products and service you offer to increase customer spend.

Reassess your products and service. Look at all the product and services that you offer in relation to how much you sell and how profitable they are. At times, it is necessary to eliminate treatment that are simply costing too much to operate i.e. look at materials and labour costs in relation to net profit.

The products and service that are high profit earner are the ones that you and your staff should be pushing, make sure you all understand this; or look at your existing products and services and ways to save money on materials and time but not compromising quality of service (Fitzgerald, 1997).

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter describes the methods through which data was obtained, analyzed and presented to reach a conclusion.

It presents the research design, study population and sample size, sampling design and procedure, methods of data collection, as well as the measurement of variables under study. This chapter is based on data that was primarily collected or gathered.

3.2 Research Design

The study adopted a descriptive and analytical design through a case study in which both qualitative and quantitative approach to arrive at an understanding of outsourcing and cost minimization. Quantitative data was gathered which required statistical interpretation. Qualitative analysis was therefore used to interpret the quantitative data to come up with viable conclusions. Primary data was collected using questionnaires and observation through the field study which were later on analyzed to draw conclusion and then secondary source involved the analysis of information related to the research topic.

3.3 Study population and Sample size

The study population was 35 respondents, who were staff from the Ministry of Finance Planning and Economics Development and the different department that make up the Ministry. This is because employees in these departments were also conversant with the concept of

outsourcing and cost minimization in the organisation. The target sample was 31 respondents, who could be accessed.

3.3.1 Sample Size Selection

The sample size ought to obtain to total of 31 successful respondents through the use of interviews and questionnaires. And the total response retrieved was as follows.

Table 3.1: Sample sought of respondents

Category	Population	Target sample	Success rate
Administrators	2	1	50%
Assistant Administrators	3	3	100%
Human Resource Department	5	5	100%
Budget monitoring and Accountability unit	10	8	80%
Department of Investments and private sector planning	10	9	90%
Accounting and finance department	5	5	100%
Total	**35**	**31**	**88.5%**

Source of primary data

3.4 Sampling Design and procedure

The researcher used simple random sampling in the selection of respondents from each unit to make a total of 35 respondents as the researchers sample size. The technique permitted equal chances of participation to all staff; bias was reduced and ensured collection of relevant data.

The purpose of simple random sampling was to select different respondent from different setting at a time.

3.5 Data type

Primary Data. This is data that was obtained through observation of the applicability of the variables in the organisation. Data was also obtained through interviews and questionnaires. Where as secondary data was data obtained through reviewing of old literature and records of the organisation to obtain a historical perspective on the concepts of outsourcing and cost minimization.

3.6 Data collection methods

3.6.1 Primary source. Through the field attachment exercise, the researcher was able to observe the applicability of outsourcing in the organisation and how it reduces costs. The researcher was also able to interview and to provide questionnaires which were used to obtain primary data.

3.6.2 Secondary Source: The data was obtained from the ministry of finance records, receipts, financial statement and journal, internet and books of other sources as well as magazines and newspapers discuss about outsourcing as well as magazines and newspapers that talk about outsourcing and cost minimization.

3.6.3 Questionnaire: it is a semi-structured questionnaire that involves the use of written down items to which respondents individually

responded in writing. The questionnaire is divided into three sections that have to say background section, outsourcing section and cost minimization section. The questionnaire contains 20 questions in total.

3.6.4 Interview Guide: The interview guide is a structured interview which aids the researcher in obtaining data from other respondents whom were not given questionnaires. The purpose of this is to capture the view of different respondents as far as outsourcing and cost minimization is concerned.

3.7 Measurement of Variables

Cost minimization was measured quantitatively in terms of the highest and the lowest statistically basing on the fact that costs can be quantified. On the other hand, outsourcing was measured in a qualitative manner in terms of the types and varieties of outsourcing and their efficiency since it is a qualitative variable.

3.8 Data Analysis and Presentation

Data was collected from the field through questionnaires observation and interviews. The research sorted out the data and arranged it into respective groups and tabulated frequencies and percentages in tables, groups and pie charts processed into meaningful data and analyzed in accordance with the purpose of the study and research questions. A descriptive analysis was performed: This involved providing distribution of individual variables and computation of their frequencies. The data is presented using text because it is easy to use and made interpretation of findings easy; the presentation is based on research questions, objective and observations based on outsourcing and cost minimization. This helped avoid misinterpretation of the finding.

3.9 Limitation the study

Observations during the field attachment study were not reliable since the ministry of finance cover a large geographical area i.e. the whole Uganda and due to lack of enough resource, the researcher's mobility was limited which limited her area of study to a specific geographical area leaving out certain findings.

Some of the respondents who were given questionnaires failed to return then in time which reduced the total number of respondents targeted. This also hindered the analysis of quantitative data since the number of finding were reduced.

Time given for the study was not enough to look at all the proposed groups of people; this affected the effective interpretation of the findings.

Findings. Resources in terms of money were not enough to enable the research carry out research as required. This affected the researcher's mobility to acquire more data about outsourcing and cost minimization in the organisation.

There were inconveniences in terms of organizational operations by the researcher and research assistants during working hours.

Given that, this is a new area, there is limited literature making it difficult to learn from past experience reducing on the area of study.

CHAPTER FOUR

DISCUSSION, PRENSENTATION AND INTERPRETATION OF THE FINDINGS

4.0 Introduction

This chapter presents, discuss and interprets the findings of the study to achieve its objective which were;

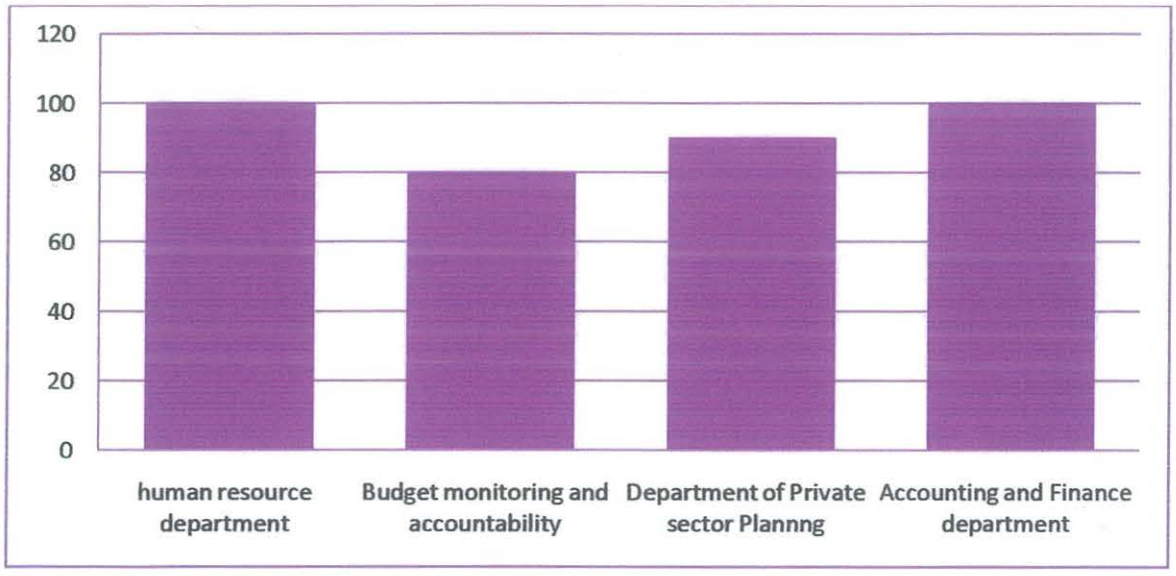
To identify the various form of outsourcing available in the organisation, and to establish relationship between outsourcing and cost minimization.

4.1 Demographic Information

The study sought to investigate the demographics of the respondents so as to ascertain possible basis in the study findings.

These were demonstrated below by use of bar graphs and pie charts.

Figure 1: Department of respondents

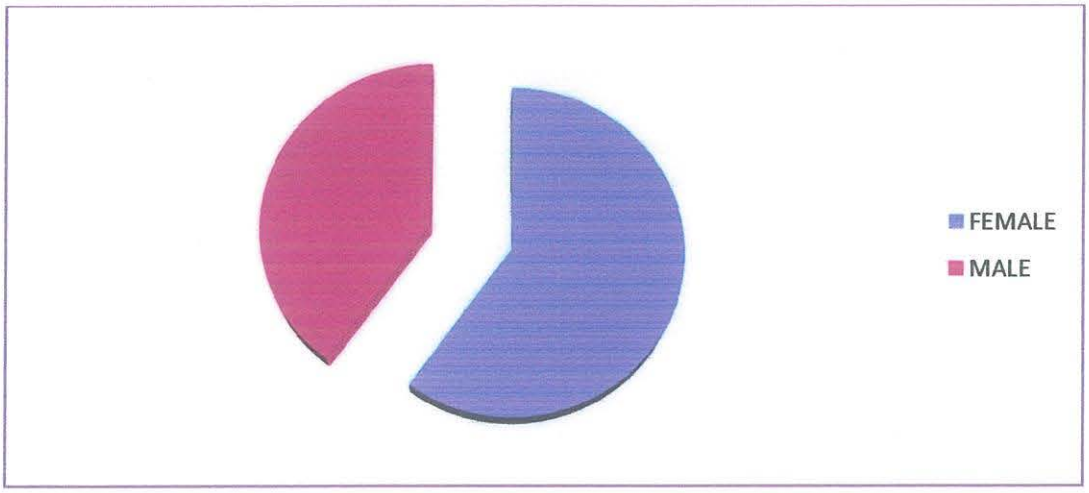


Source: Primary Data

The greatest numbers of respondents were from human resource department and accounting and finance department with 100% followed by department of investment and private sector planning.

These respondents were calculated out of the totals of the total respondents in each department.

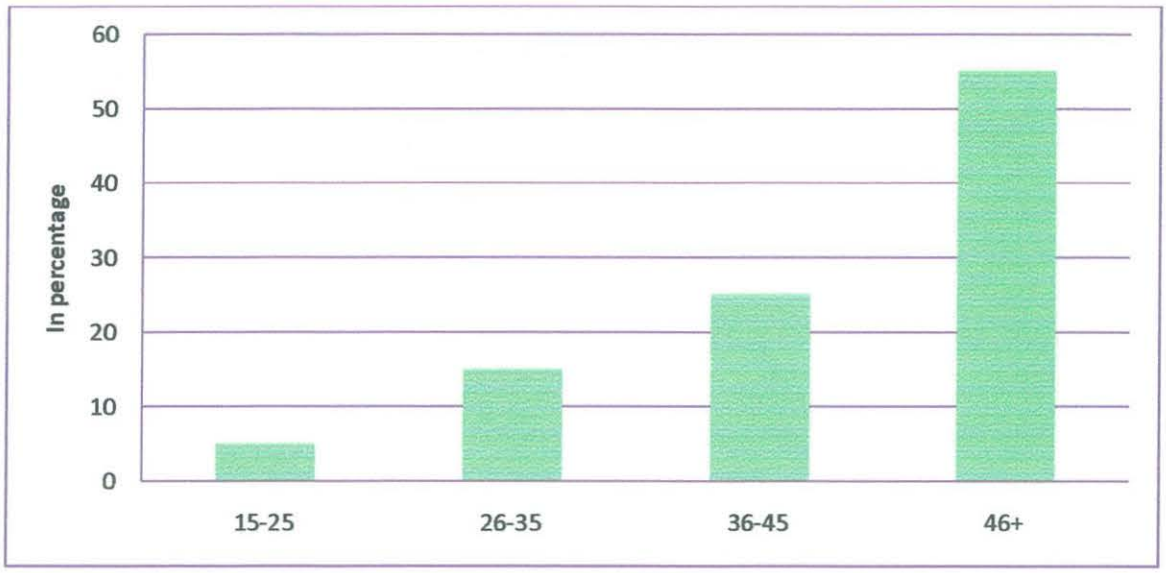
Figure 2. Gender of respondents



Source: Primary data

The study findings in figure 2 above show that the majority of the respondents were males with about 60% of the total respondents and the female taking a total response of 40% . This means that the majority of respondents were male.

Figure 3: Age group of the respondents.

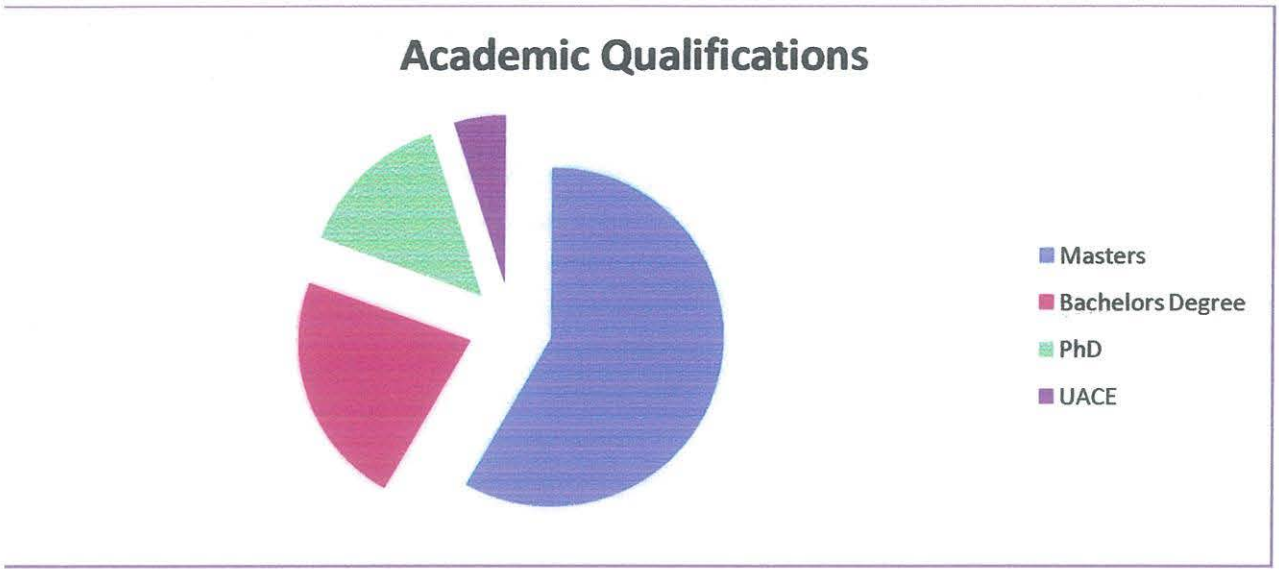


Source: Primary Data

The finding in figure 3 above indicate that the majority of the respondents were aged 46 and above with the highest percentage of 55% of the total respondents followed by those between 36 and 45 and their those with 26 and 35 with below 25 giving the least response.

This implies that the respondents were reliable, responsible and understanding to give reliable information regarding outsourcing and cost minimization.

'igure 4. Academic qualifications



Source: Primary Data

Discussion and Interpretation of the findings

he findings in figure 4, above indicate that majority of respondents were ighly educated as 60% had master, 23% bachelors degree, those with PhD ere 15% and this means that the respondents had a good understanding of he variables and therefore could be relied on for useful data about the topic.

.2 Presentation of the findings on outsourcing

he table below indicates the total number of respondents who answered the uestion regarding outsourcing. The table shows the total number of espondents who as answered per each question that was asked about utsourcing.

EY SD. Strongly Disagree, D-Disagree, NS- Not Sure, A-Agree, SA-Strongly gree.

able 4.1 Frequency of respondents on outsourcing

4.2 PRESENTATION OF THE FINDINGS ON OUT SOURCING

The table below indicates the total number of respondents who answered the questions regarding out sourcing. The table shows the total number of respondents who answered per each question that was asked about out sourcing.

KEY (SD-Strongly Disagree, D. Disagree, NS-Not Sure, A-Agree, SA-Strongly Agree) Table 4.1: frequency of respondents on out sourcing

Questions	SD	D	NS	A	SA
1. Your organization applies out sourcing in the implementation of projects.	0	0	1	2	28
2. Out sourcing is of great importance to your organization.	0	0	1	2	28
3. There are various forms of out sourcing available to Organization.	0	0	3	2	26
4. Your organization applies offshore outsourcing in project implementation.	9	6	0	8	7
5 Your organization applies on shore out sourcing in project implementation	7	8	1	6	9
6 Your organization applies both on shore and offshore out sourcing	0	0	2	21	8

Source: Primary Data

4.2: 1 Discussion and interpretation of the findings on out sourcing

In table 4.1 above respondents were asked whether the ministry of finance planning and economic development uses out sourcing in the implementation of its projects. 28 of the respondents strongly agreed and 2 agreed which is 100% of the total response. This means that there is out sourcing in the ministry of finance planning and economic development.

The respondents were also asked whether out sourcing is of great importance to the organization. 28 of the respondents strongly agreed and 2 agreed that 90% agreed that out sourcing is important to the organization. This meant that there is recognition and a need for out sourcing in the organization

When the respondents were asked whether there are various forms of out sourcing available to the organization they responded as follows 26 strongly agreed 2 agreed and 3 were not sure this implies that the organization uses several methods of out sourcing

The respondents were asked whether the organization applies offshore outsourcing in project implementation and they answered as follows 9 of the respondents strongly disagreed 6 disagreed none 'as not sure and 8 and 7 agreed and strongly agreed respectively. This means that since the respondents who agreed and those who disagreed were equal, the organization applies both types of out sourcing.

As explained in the despondency above respondents also in the same way ndicate that the organization applies both types of out sourcing because when hey were asked whether the organization applies on shore out sourcing there esponse was as follows, of the respondents strongly agreed 6, agreed 1 was ıot sure 8 disagreed and 7 strongly disagreed.

The respondents were further asked whether the organization uses both on shore and off shore out sourcing 21 agreed and 8 strongly agreed which means hat both types of out sourcing are applicable to the organization.

4.3 PRESENTATION OF THE FINDINGS ON COST MINIMISATION

The table below indicates the total number of respondents who answered the questions regarding cost minimization. The table shows the total number of espondents who answered per each question that was asked about cost ninimization.

KEY (SD-Strongly Disagree, D-Disagree, NS-Not Sure, A-Agree, SA-Strongly Agree) Table 4.2 frequency of respondents on cost minimization.

Questions	SA	A	NS	D	SD
1. Your organization experiences high costs of project mplementation	20	8	3	0	0
2. Your organization uses the following Strategies of cost minimization	26	5	0	0	0
Use of third party service providers (outsourcing)	29	3	0	0	0
Reduced customer service levels	8	18	0	3	2
Downsizing the number of employees	4	5	10	7	5
3. Your organization faces the following costs of project mplementation	31	0	0	0	0
Corruption	29	2	0	0	0
Bureaucracy	26	4	1	0	0
Poor accountability	28	2	0	0	0

Source: Primary Data

Discussion and interpretation of the findings on out sourcing

n table *4.2* above the respondents were asked whether the organization experiences high costs of project implementation and they responded as follows. 20 of the respondents strongly agreed 8 agreed and 2 were not sure. None of the respondents disagreed 2 strongly disagreed therefore there are high costs of project implementation in the ministry of finance planning and economic development.

The respondents were also asked whether they use any strategies to minimize project implementation costs and they responded as follows. 26 Of the respondents strongly agreed 5 agreed and none of the respondents disagreed or strongly disagreed, this implies that the ministry of finance recognizes the need o minimize costs of project implementation.

The respondents were further asked whether they use other service providers to reduce implementation costs and majority of the respondents i.e. 29 of the 31 successful respondents strongly agreed which means that the organization believes out sourcing reduces project implementation costs.

The respondents' answers on whether reduced customer service levels are used to reduce project implementation costs they answered as follows. 8 of the respondents strongly agreed, 18 agreed 3 disagreed and 2 strongly disagreed. This means that majority of the respondents believe the ministry uses reduced customer service as a strategy.

The respondents answered as follows as regards to whether downsizing the number of employees reduces project implementation costs 4 of them strongly agreed 5 agreed 10 were not sure 7 disagreed and 5 strongly disagreed, this means that reducing the number of employees does not necessarily reduce project implementation costs as majority of the respondents were not sure.

The respondents indicated that the organization faces costs of project implementation and this can be manifested by their 100% strong agreement in the question and they identified these costs as follows 29 of the respondents strongly believe that corruption greatly increases project implementation costs, 26 of the respondents believe that there is high bureaucracy which adds on the costs of project implementation. This implies that resources are rottenly misused in the ministry of finance planning and economic development. The respondents also showed that poor accountability is yet another cause of high costs of project implementation as 28 of the 3 1 respondents strongly agreed.

4.4 PRESENTATION OF THE FINDINGS ON OUT SOURCING AND COST MINIMIZATION

The table below indicates the total number of respondents who answered the questions regarding out sourcing and cost minimization. The table shows the total number of respondents who answered per each question that was asked about how outsourcing impacts cost minimization.

KEY (SD-Strongly Disagree, fl-Disagree, NS-Not Sure, A-Agree, SA-Strongly Agree) Table 4.3 frequency of respondents on outsourcing and cost minimization

Question	SA	A	NS	D	SD
1. Out sourcing affects cost minimization in your organization	23	3	5	0	0
2. Out sourcing reduces the cost of project implementation in your organization	16	10	5	0	0
3. Out sourcing experiences the following challenges in cost minimization	23	4	3	0	
Lack of third party service providers	2	3	4	16	6
Lack of proper expertise of third party service providers	26	4	1	0	0
High prices charged by third party service providers	30	0	0	1	0
4. Your organization plans to implement out sourcing to minimize costs	20	5	6	0	0

Source: Primary Data

Discussion and interpretation of the findings on out sourcing

In table 4.3 above the respondents were asked whether outsourcing affects cost minimization in the organization 23 of the respondents strongly agreed while 3 agreed and 5 were not sure. None of the respondents disagreed which means that there is constant need for use of third party service providers in the ministry of finance.

The respondents were also asked whether outsourcing reduces the cost of project implementation in organization the responses were identified as follows: 16 of the respondents strongly agreed, 10 agreed, 5 were not sure while none disagreed or strongly disagreed this implies that the organization employees recognize that outsourcing needs special attention.

The respondents also indicated that out sourcing experiences the a couple of challenges in cost minimization and these include the following responses 16 of

:he 31 respondents disagreed and 6 strongly disagreed that there is no lack of :hird party service providers this implies that there are a couple of out sourcers .n the field.

Γhe respondents however indicated that there is lack of proper expertise of :hird party service providers when they pulled the following frequencies in the :able above. 26 of the respondents strongly agreed 4 of the responses agreed ınd 1 was not sure which implies that the service providers available are not :fficient enough to operate at a minimum cost.

Γhe respondents also show that the third party service providers charge high ɔrices in order to undertake a project which increases the costs of project mplementation this is evident because 30 of the 31 respondents strongly ıgreed on this matter, therefore the high costs of project implementation could ɔe as a result of this issue.

Dn the other hand the respondents also strongly agreed by 20 out of 31 that :he ministry of finance plans to continue using outsourcing in order to reduce ɔroject implementation costs. This implies that the ministry believes out ;ourcing processes need to be checked in order to reduce costs.

CHAPTER FIVE

SUMMERY OF FINDINGS, CONCLUSSION AND RECOMMENDATIONS

5.1 Introductions

- This chapter summarizes the findings obtained during the field study by identifying the problems and suggesting possible remedies to the problems. The chapter also makes a conclusion of the findings in line with the study objectives which were to identify the difficulties in out sourcing as a strategy to reduce project implementation costs,

- **5.2 Summary of the findings**
- The findings of the study revealed that the ministry of finance planning and economic development applies outsourcing and both offshore and onshore outsourcings are used during project implementation.
- The findings further revealed that the organization faces various costs when implementing its projects and these costs include reduction of staff and use of third party service providers and the study discovered the various methods of cost minimization in the organization.
- The researcher based on these findings to suggest possible remedies as to the problems of out sourcing on cost minimization and drew a conclusion on the effects of out sourcing on cost minimization.

5.3 Conclusion

It can be therefore concluded that ministry of finance uses out souring during the implementation of its project so as to minimize on the costs. It uses both on shore and off shore outsourcing however, there is a big

problem of corruption during the processes of offering tenders to third party. This increases operation costs as the actual amount designed to accomplish a certain project is inflated by the ministry officials before they award tenders to the third party service providers which increases the costs in the long run. This is a major problem that the ministry of finance needs to tackle carefully in order to reduce costs.

From the study findings, it can be concluded that the ministry faces high costs despite the many strategies used to reduce them. These costs are due to poor outsourcing procedures, corruption, bureaucratic tendencies which lead to delaying the outsourcing system. For example awarding of tenders and payment of dues to the third party service providers this increases costs because it gives room to corrupt officials to have their hands on the resources and embezzle or inflate them.

It can be concluded that a strong relationship exists between outsourcing and cost minimization because due to outsourcing costs such as training of staff, administrative and supervisory costs are avoid. Therefore the organization uses outsourcing to reduce on the costs so as to increase efficiency.

5.4 Managerial and Policy Recommendations

As regards to the challenges faced by the ministry to reduce project implementation costs it could consider undertaking the following remedies.

The ministry can also develop strict regulations and slandered requirements to third party service providers before they are awarded tenders. This can reduce on shady and poor quality projects by the third party service providers.

The ministry can fight corruption by following the policies and procedures of PPDA

The ministry can also enforce on legal requirements that will check its employee's ethical performance to reduce corruption. The ministry can also conduct preliminary surveys before awarding tenders in order to reduce poor quality projects.

5.4 Areas for further research

i. The effects of out sourcing procedures on organizational performance
ii. How bureaucracy affects out sourcing in government organizations
Internal auditing and cost minimization

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RESEARCH QUESTIONNAIRE

Dear respondent, I am Nalwadda Martha Kakuuze a student of Kampala International University pursuing a degree in Supplies and procurement management. Iam conducting a research pertaining outsourcing and cost minimization which is part of the course requirements for the award of a Bachelors degree in supplies and procurement management. I have selected your organization because it is applicable to my area of study. This information is entirely required for academic purposes and will be kept confidential. I would kindly ask for your corporation. The information you give will be kept confidential.

SECTION A: GENERAL DATA

Instructions; Please tick the appropriate response.

1. Gender

Male ☐

Female ☐

2. Age bracket

☐ 18-25 ☐ 26-35 ☐ 36+

3. Level of education

☐ PLE ☐ UCE ☐ UACE ☐ BACHELORS DEGREE ☐ MASTERS DEGREE

☐ PhD

4. Your position in the organization

.....

5. Number of years you have worked

☐ 1-5 ☐ 5-10 ☐ 10-15 ☐ 15-20 ☐ 20+

SECTION B

Please tick the most appropriate response regarding the questions in the table below.

(SD-Strongly Disagree, D-Disagree, NS-Not sure, A-Agree, SA-Strongly Agree)

6. The various forms of outsourcing available to the organization.

Questions	SD	D	NS	A	SA
1. Your organization applies out sourcing in the implementation of projects.					
2. Out sourcing is of great importance to your organization.					
3. There are various forms of out sourcing available to Organization.					
4. Your organization applies offshore outsourcing in project implementation.					
5 Your organization applies on shore out sourcing in project implementation					
6 Your organization applies both on shore and offshore out sourcing					

SECTION C

COST MINIMISATION

Questions	SA	A	NS	D	SD
1. Your organization experiences high costs of project implementation					
2. Your organization uses the following Strategies of cost minimization					
Use of third party service providers (outsourcing)					
Reduced customer service levels					
Downsizing the number of employees					
3. Your organization faces the following costs of project implementation					
Corruption					
Bureaucracy					
Poor accountability					

SECTION D

EFFECTS OF OUTSOURCING ON COST MINIMISATION

Question	SA	A	NS	D	SD
1. Out sourcing affects cost minimization in your organization					
2. 1. Out sourcing reduces the cost of project implementation in your organization					
3. Out sourcing experiences the following challenges in cost minimization					
Lack of third party service providers					
Lack of proper expertise of third party service providers					
High prices charged by third party service providers					
4. Your organization plans to implement out sourcing to minimize costs					

THANK YOU FOR CORPERATION