

OUTSOURCING DECISION AND FIRM OPERATIONAL PRODUCTIVITY: A STUDY OF SELECTED OIL COMPANIES IN PORT HARCOURT, NIGERIA

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ABSTRACT

This study focuses on the relationship between outsourcing decision and firm productivity of selected oil companies in Port Harcourt, Nigeria. The rationale behind the study is to ascertain effect of outsourcing decision (cost reduction, innovation and core competence as proxies) on firms' operational performance (operational efficiency, service quality and customer satisfaction as proxies). The study was conducted amongst the managers of the fourteen (14) top oil marketing companies in Nigeria. The managers from the Legal departments, Finance/IT departments, Operations department, Procurement department and Marketing departments constitute the study population. The total target population is 156. Emphasis was placed on staff knowledge and information concerning the subject of the study. The sample size was determined using Taro Yamenes Formula at 112. In testing the reliability of the instrument statistically, Cronbach's Alpha reliability was used at .87. Data generated from questionnaire were analyzed using simple percent and Pearson Moment Correlation Analysis for the hypothesis testing and this was done with the aid of Statistical Package for Social Science (SPSS) IBM version 25. The findings revealed that there is a significant and positive relationship between innovation and service quality at .502. Cost reduction has a significant and positive relationship with operational efficiency at .614. Core competence has a positive and significant relationship with customer satisfaction at .235. The study concluded that there is need for a company to assess the reasons for outsourcing because the right choice will boost their internal resources and improve their operational efficiency. The study therefore recommended that firms' should outsource part of their operations with the aim of reducing operation cost. The implication is that when some parts of the operation are outsourced it will help to reduce overhead cost, which will in turn boost their profitability.

ARTICLE INFO

Keywords:

Outsourcing Decision, Firm Performance, Cost Reduction, Innovation, Core Competence

Article History:

Received: 11 Mar 2021

Accepted: 12 May 2021

Available Online: 02 Jun 2021

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1. INTRODUCTION

In today's global competitive market, the emphasis on outsourcing tactics as a tool for gaining and maintaining competitive advantage has made strategic evaluation of outsourcing decisions critical. Outsourcing tasks is a critical component that can help a company become more profitable and efficient if done appropriately. The ability of a business to invest in creating a capability and maintaining a superior performance position in the capability in comparison to competitors influences the outsourcing decision. Outsourcing can be used for processes where the organization lacks the requisite resources or competencies internally. Where completing such procedures internally would bring little benefit, organizations can obtain complementing capabilities from external sources (Irina, Liviu, & Ioana, 2012). The strategic use of external resources to accomplish tasks that would otherwise be handled by internal people is known as outsourcing. Around the last few decades, strategic outsourcing has gotten a lot of attention in management circles all over the world (Bhattacharya, Singh, & Bhakoo, 2013). Outsourcing is done for a variety of reasons, but the most common ones are cost savings, IT development, and/or focusing on core strengths. Managers use outsourcing to maximize the return on capital expenditures by focusing the company's people and capital resources on its core activities (Quélin & Duhamel, 2003). The decision of whether or not to externalize activities has recently become a key factor in determining organizational strategy. This is largely due to shareholder pressure on top management to meet strategic objectives (Antelo & Bru, 2010). It can also be interpreted as a rising recognition of the advantages of greater collaboration between businesses and their suppliers. In order to compete in

the marketplace, businesses seek to gain a competitive advantage (Derindag & Canakci, 2019; Porter & Kramer, 2019). It is critical that such businesses concentrate on their core capabilities, which has led some businesses to consider outsourcing as a means of gaining access to high-level talent, lowering costs, increasing flexibility, and improving performance (Beaumont & Sohal, 2004; Doran, Ryan, Bourke, & Crowley, 2019). Productivity, according to Windrum, Reinstaller, and Bull (2009), is the level of outputs and inputs. Inputs are measured by the number of people, total assets, or inventory required producing the output, whereas output is measured by the total revenue or sales of the firm. Productivity is a measure of performance that considers the cost of achieving a particular level of performance (Fixler & Siegel, 1999). The ability of an organization, institution, or corporation to produce desired results with the least amount of energy, time, money, staff, and materials is known as productivity (Shields, Dolle-Samuel, & Brown, 2016). In summary, businesses must make an informed judgment regarding the finest outsourcing possibilities for them because the right choice will boost their internal resources. However, some businesses are experiencing market-wide environmental challenges that are forcing them to alter their operations. Firms are being pushed, for example, to use the concept of sustainability to retain a positive reputation as a company that promotes a high level of social responsibility in society. As a result, in order to acquire a competitive advantage, it is vital to examine the problem of sustainability in outsourcing decisions, particularly in the service business. Outsourcing initiatives in the Nigerian oil sector have gotten little attention or support, which could be detrimental to the organization's growth and success. The oil industry needs enormous strategic decision making as regards cost saving and improvement in service delivery which requires a careful outsourcing management in this regard for effective firm productivity. The core business of an oil marketer is to negotiate and ensure effective distribution of oil, though they still need to procure materials, manage human resource, and inventory, and IT infrastructure. All of these non-core duties can be outsourced, allowing the oil marketer to focus on their primary role. The impact of outsourcing on a company's performance isn't entirely evident (Nzewi & Dadzie, 2015). Previous outsourcing research has shown mixed results; while some argue that outsourcing improves performance, others claim that it has no effect or perhaps has a detrimental impact (Nzewi & Dadzie, 2015). Yeboah (2013); Isaksson and Lantz (2015) showed no effect or association between outsourcing and performance, while Nazeri, Gholami, and Rashidi (2012) identified a favorable effect. It is against this background that this study evaluates the effect of outsourcing decision on productivity of oil marketing companies in Port Harcourt, Nigeria

1.1 Statement of the Problem

Most of the oil marketing companies in Nigeria are saddle with decision of how to select their outsourcing vendors as well as managing the existing contractual relationship with the outsourced companies. It's also impossible to say whether the service provider will do a better job than the internal team (Lungescu, Pampa, & Salanta, 2011). Furthermore, outsourcing creates uncertainty because the new connection between the service provider and the company is unproven. Many people believe that the biggest issue with outsourcing activities is the possibility of an outsider gaining access to the company's vital business secrets. Companies must be aware of this danger when they opt to outsource any company services. Companies can determine which functions to outsource and which are too valuable to share with another company once they are aware of their dangers. It is critical to measure and forecast the current and future costs of outsourcing. When many businesses decide to outsource, they discover that there are a slew of unexpected expenditures. This is why it is critical for businesses to conduct thorough research before to making such an investment. When businesses fail to do their homework, they often discover that outsourcing costs them more money than doing the job in-house. Setting benchmarks of existing internal costs and internal quality objectives is a smart idea when comparing firms to go with. This necessitates a thorough risk assessment before to engaging in any business function outsourcing deal (Irina et al., 2012). The Nigerian oil business is currently plagued by low productivity, widespread low value in a labor-intensive industry, a lack of innovation and competitiveness, and weak enablers, according to reports. The question is whether people are looking at quality or making judgments for social reasons as indicated by the social perspective theory (Jae, Minh, Kwok, & Shih, 2000) or something else. This is especially true of Nigerian onshore outsourcing techniques, which raise questions about their effectiveness. Many service providers, for example, are said to pay contract workers as little as 20% of what outsourcing companies pay contractors for identical activities (Idehen, 2013). These can lead to feelings of distrust, frustration, complaints, protests, and, in certain situations, strike activities, which can demoralize contract workers and reduce their dedication and performance at work (Arisi-Nwugballa, 2016).

In Nigeria oil sector, there's ever growing competition among multinational oil companies and owners of oil tanks. Most of the companies introduce different kind of outsourcing strategies so as to outwit and out perform their competitors in the same industry by rendering optimal and lower service cost so as to make more profit and become a leader in the industry. However, poor outsourcing contractual arrangement have led most of the oil companies not to be able to maintain good productivity, therefore, cannot boost of job satisfaction, cost reduction, effective utilization of resources, technology adaptability, business expansion and improvement in service quality. According to Hammer (2001), it may be difficult to terminate an outsourcing contract if the outsourcer is dissatisfied with the service because outsourcing contracts are typically for a set amount of time. Reversing the situation and bringing the services back in-house will be pricey. In light of all of these assertions concerning outsourcing service decisions, this study aims to concentrate on the specific outsourcing decision made by oil marketing businesses, as well as the reasons for their decision and the impact of various tactics on organizational operations.

1.2 Objective of the Study

The general objective of the study will be to investigate the relationship between outsourcing decision and firm productivity of selected oil companies in Port Harcourt, Nigeria. Specifically, the study sought to;

1. Ascertain the relationship between cost reduction and operational efficiency of oil marketing companies in Port Harcourt, Nigeria.
2. Evaluate the relationship between oil marketing organizations' innovation and service quality in Port Harcourt, Nigeria.
3. Determine the association between oil marketing businesses' concentration on core competence and client happiness in Port Harcourt, Nigeria.

1.3 Research Hypotheses

H₀₁: Cost reduction has no significant positive relationship with operational efficiency of oil marketing companies in Port Harcourt, Nigeria.

H₀₂: There is no significant positive relationship between innovation and service quality of oil marketing companies in Port Harcourt, Nigeria.

H₀₃: Focus on core competence has no significant positive relationship with customer satisfaction of oil marketing companies in Port Harcourt, Nigeria.

2. LITERATURE REVIEW

2.1 Outsourcing Decision

Traditionally, most non-core tasks in the oil and gas industry have been handled by in-house personnel. Some oil marketing firms have recently outsourced out some of their services or activities to private enterprises. Human resource outsourcing, marketing, security services, and general maintenance are just a few examples (Schwarz, Jayatilaka, Hirschheim, & Goles, 2009). Managers utilize outsourcing to increase the return on capital investments by concentrating the company's human and financial resources on its core activities (Quélin & Duhamel, 2003). He went on to say that the outsourcing of functions and services that were previously conducted in-house to outside providers occurs for a variety of reasons and reasons in different agreements, depending on the structure and culture of the firm. According to Power, Desouza, and Bonifazi, firms outsource for a variety of reasons, including cost savings, a focus on core activities, access to resources and knowledge, and the expanding sophistication of information technology (2006). Not to mention telecommunications cost reductions, increased digitalization and informatization, and other cooperating instruments. Brown and Wilson (2015) listed seven advantages of outsourcing: access to expansion; resource allocation for other objectives; reexamination of problematic services or functions; enhanced company focus; reduction in costs; Minimize organization risk; and Gain access to resources not available internally. In addition, Dyer, Kale, and Singh (2001) attempted to explain four advantages of strategic partnerships: improved knowledge management, increased external transparency, internal coordination, and responsibility facilitation. For some businesses, the decision is based on costs and benefits, with the best option being the one that saves the most money. Nonetheless, Gilley and Abdul (2000) argued that outsourcing decisions should be weighed against the possibility of increasing the value and efficiency of an organization's services. Yang and Huang (2000), on the other hand, raise questions about whether outsourcing is cost-effective due to transaction expenses. According to Liu and Scholnick (2011), outsourcing management research stressing core competencies recognized outsourcing as being pushed by the functionalities needed and position with recognition to an organization's core assets, attributes, and talents.

2.2 Cost Reduction

Cost reduction refers to the activities of the management's effort to influence the input cost relation with the output. It also refers to the acts of persons who are in charge of accomplishing duties, incurring costs, and creating money by cutting costs while gaining the finest for the company. Cost reduction seeks to reduce the targets itself, while cost control aims to reduce the actual to the targets (Akeem, 2017). In other words, the goal of cost reduction is to investigate whether there is any way to reduce the amount of money spent on materials, labor, overhead, and so on. Cost reduction, according to the Institute of Cost and Management Accountants London's Terminology of Cost Accountancy, is defined as the achievement of a true and stable reduction in the unit costs of manufactured items without compromising their suitability for the intended application (Akeem, 2017). As a result of the deletion of superfluous and essential parts from the design of the product, as well as the procedures and practices used in connection with it, the word cost reduction signifies real or true savings in production, administration, selling, and sharing expenses. The need for cost reduction comes when the profit margin must be improved without increasing sales turnover, i.e. the cost must be reduced for the same volume of sales.

2.3 Innovation Strategies

The concept of business innovation cannot be over emphasized as globalization has expose consumes to variety of choices. Innovation refers to the creation of new or original products or the application of new tactics to existing products in order to improve sales, cost, profit, or market performance (Abdilahi, Hassan, & Muhumed, 2017). The use of institutional, technological, or human resources in ways that result in new goods, markets, and activities has also been suggested (Abdilahi et al., 2017). A new service or product, a new technological method in production, a new organizational administration

structure or system, a new program or plan are all examples of innovations (Mugogo, 2020). Firms must develop their ability to innovate in order to survive in a fast-changing world with frequent abrupt shifts (Schumpeter, 1942). Modified products (product innovation) or changes in the method they are produced (process innovation) are common in the manufacturing business as a result of fast technological progress in recent decades (OECD, 1997; Klewitz & Hansen, 2014). Upgraded technologies, shifting client preferences, and shorter product life cycles, in combination with growing global and regional rivalry, require businesses to innovate constantly (Slater, Mohr, & Sengupta, 2014). Improvements in the techniques of manufacturing or distribution of products/services are the result of process innovation (Manuel, 2005). The procedure could be completely new or vastly enhanced over the previous iteration. Customers' satisfaction and business success have been highlighted as sustainable channels for innovation.

2.4 Focus on Core Competence

Core competency was characterized by Simchi-Levi, Keminisky, and Simchi-Levi (2004) as the organization's collective learning on how to coordinate varied production abilities and integrate multiple streams of technologies. Firm functions should be conducted in-house or by outside service providers, according to this method. It's depends on whether you want to make or buy anything. Non-core activities should be delegated to the most qualified service providers in that industry. Non-core operations, on the other hand, should be kept in-house if they have a major impact on competitive advantage. Core competencies refer to the collective knowledge of the production system in issue, particularly understanding of procedures and how to best integrate and optimize them. Outsourcing non-core capabilities is becoming increasingly important since it places duties like maintenance and transportation in the hands of suppliers who are best equipped to handle them (Chandra & Kumar, 2000). The competency of vendors has a significant impact on the success of outsourcing compliance. Concentrating investment on areas that offer the greatest long-term competitive advantage allows companies to accelerate their growth and success by focusing on core competencies (Mishra et al., 2018; Sandhu et al., 2018).

2.5 Outsourcing Decision and Productivity

The effect of outsourcing on productivity, according to Okeke-Ezeanyanwu (2017), is to boost productivity, returns, and capacity or quality for business output. Outsourcing is defined as a method of increasing productivity. Many businesses, on the other hand, never reap the full productivity benefits of outsourcing. When outsourcing is seen as a short-term or tactical solution rather than a component of long-term strategic goals, the relationship between outsourcing and productivity fails. To get the desired result, the process of examining and/or executing an outsourcing solution must be well-organized and documented. To accomplish a profitable outsourcing implementation, the company must go through numerous processes, including planning, analysis, design, implementation, and operations. According to Yu and Lindsay (2011), organizations that choose to outsource can boost their production. Outsourcing must be a well-thought-out decision if it is to be successful in growing or improving production. Good, hard, precise information in the hands of long-term management can help to avoid a costly and difficult-to-reverse step. In order to be effective in expanding or growing productivity, outsourcing in whatever form requires fast response times to strategic opportunities and risks (Fritsch, Hackethal, & Wahrenburg, 2008). The success rate of outsourcing strategies necessitates a careful examination of the elements of a good outsourcing agreement, which can help to avoid many of the major risk factors (Harward, 2013). It is an organizational requirement to handle outsourcing relationships effectively. Görzig and Stephan (2002) used German data from a sample of large corporations to explore the benefits of outsourcing. They discovered that organizations that outsource get the rewards in terms of higher employee returns. The importance of information and processes in businesses, as well as the function that systems play, should be determined before outsourcing. If an entire function is to be outsourced, the outsourcing contract should include sufficient provisions or plans to satisfy the company's current and future concerns. The possible requirement for outsourcer-implemented creative solutions, as well as the timing of these measures, should be carefully considered. In contrast to the authors listed above, successful implementation of an outsourcing strategy has been attributed with supporting or facilitating increased capacity, improved service quality, and improved resource management (Elmuti, 2003). Every organization has limited resources, and every management has limited time and attention, according to Quinn and Hilmer (1994). Outsourcing can aid your company in shifting its focus away from small operations and toward work that meets consumer expectations, as well as assisting managers in identifying their priorities more clearly and particularly by better utilizing their resources. Personnel costs and customer satisfaction were the key reasons for outsourcing, according to Elmuti (2003). Various studies have attempted to explain the relationship between productivity and outsourcing, but it also requires maintaining essential infrastructure and having adaptable services to satisfy market demands. However, today's knowledge-based and service-based economies offer a plethora of chances for businesses to boost profitability by outsourcing (Quinn, 2000). When done correctly, outsourcing can boost a company's productivity. In support of this claim, the researchers compared business productivity to key proxies such as operational efficiency, service quality, and customer happiness.

2.6 Empirical Review

Sustainable outsourcing decisions, competitive skills, and business success were the subjects of a recent study done by Siti and Siti (2021). The study looked at the impact of long-term outsourcing decisions (lowering operating costs, improving company focus, access to world-class capabilities, and the lack of internal resources as proxies), competitive capabilities on business performance in Malaysian manufacturing SME (financial performance, operational performance and environment performance as proxies). A systematic questionnaire was used to collect data. The participating companies submitted a total

of 170 completed surveys. This equated to a response rate of 36.88%. The usable answer rate, on the other hand, was 34.71 percent (160 SMEs). Standardized regression weights, squared multiple correlations, Cronbach's alpha, and convergent validity were used to evaluate the model. Only 29 of the initial 60 items were used for further analysis because their standardized regression weights were all statistically significant (.70). According to the findings, SMEs can foster a responsible business atmosphere, provide smart benevolence through intelligent collaborations, improve leadership and management, harness and unleash human talent for design skill, and implement 'green' compliance standards to obtain a competitive edge. In such a global framework, all SMEs today urgently require a long-term outsourcing choice.

Effects of outsourcing decision on organization performance in the manufacturing industry case of Unilever group limited in Kenya, by Masinga and Kiarie (2014), The purpose of this study is to see how outsourcing decisions affect organizational performance in the manufacturing business (using proxies such as information technology adoption, cost reduction, and a focus on core competencies). A descriptive research design was used in this study. The major data collection instrument for the study was a questionnaire with a likert scale. The hypotheses were tested using correlation moment coefficient analysis. The data show that focusing on core competencies has the greatest positive impact on organizational performance (Pearson correlation coefficient = .713; P value 0.000). Furthermore, information technology adoption, cost reduction, and top management support and commitment are all favorably connected with company success (Pearson correlation coefficient = .511, .524, and .614). The results show that there is a significant relationship between the predictors information technology adaptation, top management support and commitment, focus on core competencies, and cost reduction (taken together) and organization performance in Kenyan manufacturing firms, according to the study.

Assessing the influence of logistics outsourcing strategies on organizational performance in the mining industry was the title of a study done in Namibia by Nzitunga (2019). The study's goal is to determine the impact of outsourcing strategies on organizational performance (cost savings, quality improvement, technological adaptation, and risk management). The study used a quantitative technique. The "research backwards" strategy was used to create the questionnaire. Spearman's correlation was used to analyze the correlations between the study variables. According to the results of the study, there is a statistically significant positive link between cost reduction and organizational performance (= 0.952), quality improvement and organizational performance (= 0.934), and technology adoption and organizational performance (= 0.867). Risk management and organizational performance were shown to have no statistically meaningful relationship. According to the findings, the mining sector demands massive logistical systems and careful supervision in this area for optimal organizational performance.

Oluchi and Nome (2017) investigated the impact of outsourcing on baking industry productivity in the Abakaliki metropolitan. The study's main goal is to analyze the overall impact of labor outsourcing on bakery industry productivity in the area. As productivity proxies, operational labor cost, rejected bread, and operational time of production were used. The study used a survey research approach. The questionnaire was used as the research tool. In the data analysis, Spearman's correlation was applied. Outsourcing, according to the findings, raises the degree of efficient production by lowering operational labor costs and time while reducing the number of bread rejects. As a result, it is advised that the city's bread industry management increase outsourcing as a means of lowering unit bread prices and promoting Transaction Cost Economics decisions for increased productivity.

Arisi-Nwugballa (2016) investigates the impact of enhancing the quality of public healthcare in South-East Nigeria. The purpose of this study is to see how onshore outsourcing of security, cleaning, and laundry services affect the quality of outsourced services and, by extension, the quality of healthcare services provided by federal healthcare institutions. To obtain cross-sectional quantitative data, the study used a field survey approach. Since the services were outsourced in the institutions, 66.9% of the respondents perceived an improvement in the quality of security services, 69.1% of the respondents perceived an improvement in the quality of cleaning services, and 65.8% of the respondents perceived an improvement in the quality of laundry services, according to the analysis. The quality of all outsourced services improved as a result of outsourcing, according to these replies. The findings of this study not only support these institutions' decision to outsource certain services, but also encourage them, as well as other businesses, to maximize the benefits of outsourcing non-core tasks.

2.7 Theoretical Framework

2.7.1 Transaction Cost Economics Theory

The transaction cost theory of sourcing was propounded by Coase (1937). This theory is based on the assumption that business is outsourced with the aim of lowering transaction costs. Essentially, the strategy aims to identify environmental elements that function in concert with a collection of related human characteristics in order to lower the costs of organizational transactions (Austin-Egole & Iheriohanma, 2020). According to Agburu Anza and Iyortsuun (2017), an organization may outsource even if it has the capability to perform the activity in-house if the total costs of executing the activity by an outside agent, including all contract processing costs, is less than the total cost of performing the activity in-house.

2.7.2 The Core Competency Theory

The theory of core competency was propounded by Prahalad and Hamel (1990). According to this notion, outsourcing non-core functions is the most efficient way to allocate resources (Prahalad & Hamel, 1990; Dominguez, 2006; Jae, et al., 2000). According to core competency theory, an organization's fundamental operations should be kept in-house. This idea explains how businesses might gain a competitive advantage in the marketplace by taking certain behaviors.

3. RESEARCH METHODOLOGY

The study adopted descriptive design utilizing the survey method

3.1 Population and Sample Size Determination

The study was conducted amongst the managers of the fourteen (14) top oil marketing companies in Nigeria. The managers from the Legal departments, Finance/IT departments, Operations department, Procurement department and Marketing departments will constitute the study population. The total target population is 156. Emphasis was placed on staff knowledge and information concerning the subject of the study. The sample size was determined using Taro Yamenes Formula at 112.

Table 1. Proportionally Distribution of the Sample Size among the firms

S/N	Names of the Oil Marketing Companies	Population	Sample Size
1	Total Nigeria Plc	12	$\frac{12}{156} \times 112 = 9$
2	OVH Energy Marketing (OVHEM) Limited	12	$\frac{12}{156} \times 112 = 9$
3	MRS Holdings Limited	12	$\frac{12}{156} \times 112 = 9$
4	Conoil Plc	12	$\frac{12}{156} \times 112 = 9$
5	Arдова Plc	10	$\frac{10}{156} \times 112 = 7$
6	11 Plc	10	$\frac{10}{156} \times 112 = 7$
7	NNPC Retail Limited	12	$\frac{12}{156} \times 112 = 9$
8	Mobil Oil Nigeria	12	$\frac{12}{156} \times 112 = 9$
9	Afroil Plc	10	$\frac{10}{156} \times 112 = 7$
10	Oando Plc	12	$\frac{12}{156} \times 112 = 9$
11	Forte Oil Plc	12	$\frac{13}{156} \times 112 = 9$
12	Eternal Oil & Gas Plc	10	$\frac{10}{156} \times 112 = 7$
13	Beco Petroleum Product Plc	10	$\frac{10}{156} \times 112 = 7$
14	Zenon Oil Limited	10	$\frac{10}{156} \times 112 = 7$

Source: Filed Survey, 2021

3.2 Research Instrument and Method of Data Analysis

The study made use of four (4) Likert scale structured questionnaire to generate data. Content validity was used to validate the instrument. In testing the reliability of the instrument statistically, Cronbach's Alpha reliability was used at .87. Data generated from questionnaire were analyzed using simple percent and Pearson Moment Correlation Analysis for the hypothesis testing and this was done with the aid of Statistical Package for Social Science (SPSS) IBM version 25.

3.3 Model Specification

The models specified for the analysis are presented below:

The model specification to test hypotheses one and two are

Pearson Product- moment Correlation coefficient:

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{[n\sum x^2 - (\sum x)^2](n\sum y^2 - (\sum y)^2)}}$$

Where:

r = correlation coefficient

n = Sample size

x = Average response of first test

y = Average response of second test

4. DATA ANALYSIS AND INTERPRETATION

The study used closed ended questionnaire survey. 112 sets of questionnaire were distributed to the respondent. Out of 112 returned questionnaires only 103 were used due to incomplete questionnaire.

Table 2

Table 2. Correlations

		Cost	operational
Cost	Pearson Correlation	1	.614
	Sig. (2-tailed)		.000
Operational	Pearson Correlation	.614	1
	Sig. (2-tailed)	.000	

a. Listwise N=103

From the table of value above, the relationship between cost reduction and operational efficiency is positive at .614, indicating that effectiveness in cost reduction will lead to improvement in operational efficiency of the selected companies at the average. The probability value is .000 which is less than 0.05, on this note; we accept the alternate hypothesis and conclude that cost reduction has a significant and positive relationship with operational efficiency.

Table 3. Correlations

		innovation	service
Innovation	Pearson Correlation	1	.502
	Sig. (2-tailed)		.000
Service	Pearson Correlation	.502	1
	Sig. (2-tailed)	.000	

a. Listwise N=103

From the table 3 above, the relationship between innovation and service quality is positive at .502, which revealed that an improvement in innovation strategies will lead to increase in the service quality on the average. The probability value is 0.000 which is less than 0.05, on this ground; we accept the alternate hypothesis and conclude that there is a significant and positive relationship between innovation and service quality.

Table 4. Correlations

		competence	customer
Innovation	Pearson Correlation	1	.235
	Sig. (2-tailed)		.017
Service	Pearson Correlation	.235	1
	Sig. (2-tailed)	.000	

a. Listwise N=103

From the table 4 above, the relationship between core competence and customer satisfaction is positive at .235, indicating that an improvement in their core competence will result to an increase in customer satisfaction on the average. The probability value is 0.017 which is less than 0.05, on this ground; we accept the alternate hypothesis and conclude that concentration on core competence has a positive and significant relationship with customer satisfaction.

5. DISCUSSION OF FINDINGS

Cost reduction has a significant and positive relationship with operational efficiency at .614. the finding is inline with Nzitunga (2019), Siti and Siti (2021) whose study looked at the impact of long-term outsourcing decisions (lowering operating costs, improving company focus, access to world-class capabilities, and the lack of internal resources) and operational performance. According to the findings, SMEs can foster a responsible business atmosphere, provide smart benevolence through intelligent collaborations, improve leadership and management, harness and unleash human talent for design skill, and implement 'green' compliance standards to obtain a competitive edge. There is a significant and positive relationship between innovation and service quality at .502. The study is in consonant with Nzitunga (2019) The study's goal is to determine the impact of outsourcing strategies on organizational performance (cost savings, quality improvement, technological adaptation, and risk management). The study used a quantitative technique. The "research backwards" strategy was used to create the questionnaire. Spearman's correlation was used to analyze the correlations between the study variables. According to the results of the study, there is a statistically significant positive link between cost reduction and organizational performance (= 0.952), quality improvement and organizational performance (= 0.934), and technology adoption and organizational performance (= 0.867).

Core competence has a positive and significant relationship with customer satisfaction at .235. The finding is in-line with Siti and Siti (2021) the study looked at the impact of long-term outsourcing decisions (lowering operating costs, improving company focus, access to world-class capabilities, and the lack of internal resources. Furthermore, Masinga and Kiarie (2014), Effects of outsourcing decision on organization performance in the manufacturing industry case of Unilever group limited in Kenya. The purpose of this study is to see how outsourcing decisions affect organizational performance in the manufacturing business (using proxies such as information technology adoption, cost reduction, and a focus on core

competencies). A descriptive research design was used in this study. The major data collection instrument for the study was a questionnaire with a likert scale. The hypotheses were tested using correlation moment co-efficient analysis. The data show that focusing on core competencies has the greatest positive impact on organizational performance (Pearson correlation coefficient =.713; P value 0.000).

5.1 Conclusion

The study concluded that there is need for a company to assess the reasons for outsourcing because the right choice will boost their internal resources and improve their operational efficiency. However, some businesses are experiencing market-wide environmental challenges that are forcing them to alter their operations. Firms are being pushed, for example, to use the concept of sustainability to retain a positive reputation as a company that promotes a high level of social responsibility in society. As a result, in order to acquire a competitive advantage and ensure customer satisfaction, it is vital to examine the problem of sustainability in outsourcing decisions, particularly in the service industry. Outsourcing initiatives in the Nigerian oil sector have gotten little attention or support, which could be detrimental to the organization's growth and success. The oil industry needs enormous strategic decision making as regards cost saving and improvement in service delivery which requires a careful outsourcing management in this regard for effective firm productivity.

5.2 Recommendation

1. Firms' should outsource part of their operations with the aim of reducing operation cost. The implication is that when some part of the operation are outsourced it will help to reduce overhead cost, which will in turn boost they profitability

2. Management decision to outsource should be for creative ideas and introduction of new technology. The implication is that outsourcing segment of the company operation due to introduction of new technology will help to improve the quality of service.

3. Firms' should leverage and focus on the area of core competences as that will ensure harmonization of effective work life balance. The implication is that concentration on core competence will boost employees' moral which will in turn ensure effective service delivery.

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