Outsourcing in Kenyan Universities: An Examination of Challenges and Opportunities

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Abstract

The present paper unmasks the actual experiences of outsourcing of services in Kenyan public universities with the aim of outlining the challenges, opportunities and lessons for future outsourcing initiatives. It is based on primary data obtained from six public universities that were qualitative studied. Anchored on the decision theory (Jurison, 1995) and aspects of the risk theory (Bauer, 1967), the study's key informants were interviewed and questionnaires were administered. The inquiry revealed that through outsourcing, the universities are able to cut costs, improve efficiency and meet their rising demands for greater accountability. The major challenges noted in outsourcing included negative attitude of staff, poor monitoring and evaluation, non-cooperation by students to the outsourced and interference by community. It is hoped that the findings will be beneficial to universities, particularly those that are considering outsourcing or broadening the range of such services.

Keywords: Public university, outsourcing, cost cutting, efficiency, Kenya.

1. Introduction

Kenyan Universities, both public and private, have embarked on a rapid expansion of their programmes and decentralization of campuses leading to rising enrolment rates despite diminishing financial resources. Public universities are also referred to as state universities since they are funded by the exchequer while private universities are those started by and fully run by private and/or religious organizations. The first university in Kenya, University of Nairobi, was founded in 1970 although it started off as the Royal Technical College of East Africa in April 1952 (Ogechi, 2009). At present, there exist over 26 private and public universities (Ogechi & Nyameino, 2010). Over the years, the government has placed great emphasis on education whose role in promoting socio-economic and political development cannot be gainsaid whatsoever (Sifuna, 1998). Indeed, that is why the government has been keen to rapidly expand university which as in the recent past posed serious challenges to the leaders and managers of the universities (Nyaigotti-Chacha, 2004).

However, as Cheboi (2004) observed, the government has been facing constraints in funding the universities and foreign partnerships and financing have played a crucial role in alleviating the universities' financial shortcomings (Kiptoo, 2004). Nevertheless, financial limitation still remains the universities' main challenge yet they are expected to provide quality education to their clients (students) whose population has been growing rapidly. Thus limited finances and large student numbers have brought about challenges not only of maintaining but also of improving the quality of their services. It is because of this situation that some universities in their attempts to be frugal in expenditure, they have considered "outsourcing" as an option in their efforts to cut costs, improve efficiency and meet the demands for greater accountability. The "outsourcing" focuses on some services previously provided and managed by the university itself.

"Outsourcing", also referred to as contracting, according to Domberger (1998), is the process of searching for and appointment of contractors for the provision of goods and services and the execution of the contractual relations needed to support such activities.

Ender and Mooney,(1994) sees outsourcing as a form of privatization that refers to a university's decision to contract with an external organization to provide a traditional campus function or service. The contractor then either takes over the employees of the university in the outsourced section and pays the group according to its standards, or replaces the university employees with its own staff. Jefferies (1996) observes that the growing use of outsourcing in higher education reflects a general acceptance by campus administrators that it will reduce costs while continuing to provide essential university service. He adds that the need to remain competitive and to improve service delivery in the face of declining resources has forced higher educational institutions to turn to several popular management approaches, including outsourcing.

In the present article, 'outsourcing' is used to describe a situation where someone who is not on the University payroll manages the whole or part of a specific university function, such as catering, in the sense of: fulfilling all the operations of that function; employing staff (whether these staff were formerly the university's staff or their own) and using assets (whether the university's or their own) to provide services in the designated function.

The phenomenon of outsourcing in Kenya can be described as being in its infancy. Whereas instances of Business Process Outsourcing, for instance in the banking sector (Barako and Gatere, 2008) can be said to have taken root, public universities are still experimenting with the 'fancy' idea of outsourcing. The reason for this is that it has often been emphasized by higher education policy makers and analysts that universities should concentrate on their "core business", namely teaching and research.

This study attempts to make an important contribution to the management of public universities by exploring the issue of outsourcing non-core services and functions to private individuals and companies. To the best of my knowledge, to date, there is no study that has examined outsourcing practices of the Kenyan public universities although various studies have been conducted in Europe and the United States on this subject. Thus the main purpose of this study is to provide exploratory findings in this field in the Kenyan context. The paper tries to identify challenges and opportunities of outsourcing initiatives in public universities in Kenya. Particularly, it seeks answers to the following questions: What are the reasons for outsourcing in Universities? What common challenges affect the ability of public universities to successfully outsource services? What lessons can be drawn from the experiences of public universities that engage in outsourcing? These questions were answered through a survey carried out in six public universities in the country.

The paper is organized as follows. In section 2, I sketch the theoretical framework on which this work is anchored while 3 reviews related literature. Section 4 describes the methodology employed in the study followed by the presentation and discussion of findings in section 5 with a conclusion in section 6.

2. Theoretical Framework

As observed earlier, outsourcing in higher educational institutions is a relatively new practice in Kenya. It is therefore imperative to adopt a theory that seeks to explain how these institutions make the decision to go the outsourcing way. This study is premised on the decision theory as discussed by Jurison (1995) and aspects of risk theory (Bauer, 1967). Within the decision theory framework, the concept of risk-benefit analysis compares the risks associated with and the benefits expected of a decision that is made, in order to achieve an optimal result. When the concept is applied to outsourcing, it means that the manager or decision maker has to assess all the potential risks and benefits that may arise from the outsourcing process before deciding whether or not to outsource.

Bauer (1967) explains that the risk theory analyses the risk a person subjectively associates with the consequences of a decision and impact of that decision on the intention to complete a transaction. This theory is based on the fact that as long as the perceived benefits outweigh the perceived risks, the person in charge will have a positive attitude towards a particular decision. In business management practices, a perceived risk inherent in a transaction plays a critical role especially in the adoption of technology.

Indeed, Pavlou (2001) noted that potential risk reduces individual intentions to conclude a deal. It is apparent that the individual perception towards outsourcing could either be positive or negative. Negative perceptions of outsourcing are often equated with risks of outsourcing, that is, the possibility of outsourcing failure (Aubert, et al., 1998). On the contrary, there also exist outsourcing advantages, which may be summarized as outsourcing benefits (Dibbern, et al., 2004). In this paper, therefore, the risk-benefit framework is also applied to examine outsourcing decisions since the framework is in line with decision theory regarding decisions that involve risk or uncertainty (Tamura (2005).

In outsourcing research, the analytical framework of balance between costs versus risks is well documented for example Jurison (1995, 2002. This suggests that in making outsourcing decisions university administrators assess all the perceived risks and benefits. These factors inform the final decision to outsource a function or not. Consistent with this theoretical framework, this paper argues that the decision to outsource is positively influenced by perceived benefits of outsourcing and negatively influenced by perceived risks of outsourcing.

3. Literature review

As alluded to earlier, the main assumption for outsourcing, whether it is business process outsourcing or in the universities scenario, is that if an institution cannot provide a service or product at less cost than, and of equal quality to, an external provider, then it should purchase the service or product from an external provider. Advocates of outsourcing argue that the private sector provides service more efficiently and at lower cost than the public sector, which is unmotivated by profit (Jefferies, 1996). The resulting savings allow the institution to focus more resources on its core educational operations which are teaching and research (Ender and Mooney, 1994). Kirp (2004) adds that if a higher institution is to thrive as an academic venture, then teaching, learning and research - the core of the institution - must remain the responsibility of its members. Colleges and universities are testing these theories through increasingly outsourcing more of their functions in an effort to reduce costs, increase service efficiencies, and boost income (Jefferies, 1996).

Goldstein, et al (1993) and Gilmer (1997) have carried out studies on outsourcing in higher education and found that outsourcing has traditionally been used to operate campus bookstores and dining services. Further, they observe that many institutions have opened to diversity this practice to facilities operation, computer services, security, child care, residence halls, teaching hospitals, remedial classes, and even entire institutional management. In his study done in USA, Peterson (1995) shows that outsourcing in higher education is vast. He lists more than 2000 companies offering more than 100 services. A 2001 survey reveals that more than 40 percent of college bookstores and more than 60 percent of dining halls are operated by outsourced firms. Nearly half of the schools surveyed contract out at least five services, whereas 5 percent outsource nothing at all. The survey further reveals that services that are commonly contracted include food service, bookstore, laundry, maintenance and custodial relations.

Gilmer (1997) highlights the main criticism of outsourcing as being its human resource consequences. This is because jobs may be shifted from the college or university to the contractor who is performing the outsourced function, which may result in decreased salaries, staff redundancy or retrenchment. The service provider could even use staff on contract. Subsequently, critics of outsourcing feel that contract staff may have less loyalty to the university than if they were employed directly by the institution. Therefore, they express disappointment with the resulting inadequate service by contractors. Inadequate service by contractors can affect the campus community in many ways, namely, uncomfortable teaching facilities, shortages of textbooks in the campus bookshop, and lack of skilled technical staff to manage computer networks.

Ender and Mooney (1994) also found that the greatest impediment to outsourcing is staff retrenchment and the resulting negative impact on institutional morale. They offer a set of guidelines for mitigating the negative impact of outsourcing. These include: outsourcing of management personnel only, downsizing the staff by attrition, involving employees in selecting the contractor, and re-bidding the contract often.

There is no shortage of advice on how to go about the process of outsourcing. For instance Rush, Kempner and Goldstein (1995) suggest a core set of issues and questions that must be explored when institutional management is deciding whether to outsource any function or not. They propose a decision making process with six categories of "decision factors" including: human resource - how employees will be affected; financial – the direct and indirect cost to be institution; service quality – how each alternative will meet campus needs; legal and ethical considerations – the level of risk and potential liability posed by each option; any tax ramifications, any potential conflicts of interest; mission and culture – the effects of choosing an option inconsistent with the institution's culture and historical mission; and management control and efficiency – the likely effect of each option being considered on the institution's ability to control the direction and priorities of the functional area.

Rush, Kempner and Goldstein (1995) also offer a structured method which helps to clarify the issues and processes necessary to support the decision making process. It includes ten phases: key participants, analytical framework, current environment, customer requirements, operational design, possible designs, legal, ethical and community considerations, proposed operating alternatives, selection, and continuous improvement.

This study tried to examine whether Kenyan universities consider these steps in order to make their outsourcing initiatives not only systematic but also successful. This methodology is also helpful in crafting a joint regulatory framework for outsourcing initiatives in public universities as recommended later in this study.

4. Methodology

The study was carried out in six public universities. These included: University of Nairobi, Masinde Muliro University of Science and Technology, Maseno University, Egerton University, Jomo Kenyatta University of Agriculture and Technology and Moi University. The universities were examined as case studies with the intention of establishing the experiences of these institutions with regard to outsourcing of functions and activities. This was therefore a qualitative study. The functions considered were security, cleaning services, garbage disposal and maintenance of plant and equipment.

Several methods of data collection were used during the study. This included primary and secondary sources. In the category of primary data, key informant interviews were instrumental where in-depth interviews were conducted. The key informants were deputy vice chancellors in charge of finance and administration who were selected on the basis of their positions in the universities and their ability to supply specialized kinds of information on outsourcing.

Questionnaires were also administered to identify experiences of each institution. The questionnaires were based on factors that are deemed significant in making privatization decision, challenges encountered and lessons learnt in order to improve future initiatives. The questionnaire instrument was tested for validity through a pilot study before it was administered to six public universities each represented by a deputy vice chancellor. Secondary sources of information used included examination of academic publications on the subject and office dairies. The objective was to find out the general trends pertaining to outsourcing.

5. Data Presentation and Discussion of findings

Questionnaires on the subject of outsourcing of university services were administered to Deputy Vice Chancellors of public universities in Kenya. Their responses were noted in order to allow comparison across the universities. Table 1 below shows the type of services outsourced by the institutions and the corresponding length of time during which outsourcing has been done.

Insert table (1) about here

The responses showed that outsourcing is a relatively new concept in Kenyan universities with the exception of Maseno which has outsourced maintenance of her plant and equipment virtually since its establishment, first as a middle level 16 years ago and its elevation to a university in 2007. Together with the University of Nairobi, Masinde Muliro University of Science and Technology (MMUST) has been outsourcing security services for the last 8 years. The findings further revealed that most outsourcing initiatives revolve around three common areas: security, cleaning and catering. The University functions that are currently outsourced in public universities are referred to as "non-controversial areas" (Lund, 1997). In these areas, universities seem to have reported success with benefits accruing in cost reduction, time saving, and maintenance of security within campus precincts.

5.1 Reasons for outsourcing

Universities were asked to list the reasons that informed their decision to outsource the functions in order of importance. The reasons given were: cost cutting/control, to enhance administrative efficiency, focusing on core functions and safety concerns. The results are presented in Table 2 below:

Insert table (2) about here

5.2 Achievements of Outsourcing

Table 3 below shows the achievements made from contracting out activities and the percentage of those contracting out those areas who said they had achieved their objectives.

Insert table (3) about here

From Table 3, the achievements listed were: financial and time savings; improved security; improved cleanliness and garbage collection and less involvement in personnel matters. Financial savings accruing from outsourcing initiatives ranked highest among the achievements of outsourcing. All respondents agreed that outsourcing resulted in financial savings to their institutions.

5. 3 Selection and Evaluation of Contractors

All the respondents said that they used open tendering to identify suitable companies for outsourcing services. Most respondents interviewed and those who filled the questionnaires said they conducted continuous assessment as a means of monitoring the contractors while others used direct supervision. A third method cited by deputy vice chancellors for evaluating the performance of contractors was liaison with senior university staff through regular meetings.

5.4 Activities considered but not actually outsourced

The following activities were considered probable areas for future outsourcing by respondents who said that "discussions were on-going", geared towards privatization: hostel administration, e.g., security in the students' halls of residence, security and cleaning in outlying campuses and lastly the catering services.

Although the universities had experienced success in the areas that they had outsourced, some specific areas were considered impossible to be outsourced under any circumstances by the universities. These were: teaching and research, administrative/governance functions, finance and accounting, internal audit and laboratory/technical work, e.g., repair and service of motor vehicles.

The reasons advanced for the unsuitability of contracting out these activities were that these areas were sensitive and could not be trusted on third parties. Other respondents said that administrative functions like public relations could not be outsourced for "purposes of retention of identity" of the university.

5.5 Challenges of outsourcing

The factors cited among the universities as being challenging to their outsourcing initiatives were listed as:

- Sensitive nature of some services – this was especially so in areas considered to be sensitive to students who are the main clients of universities. For example, one DVC stated that the challenge in outsourcing catering was that private companies which offer such service increase the cost of food in pursuit of profits. This is in contradiction of universities intentions of reducing the cost of living for students through the use of subsidies. The sensitivity of the issue of catering was tied to past strikes in universities as a result of rising costs of foodstuffs.
- Negative attitudes by staff – some staff (correctly) view outsourcing as a threat to their jobs since some universities either redeploy affected staff to other areas or retrench those considered surplus or redundant.
- Monitoring and evaluation – lack of sufficient human resources to monitor and evaluate contractors' performance especially in outlying campuses.
- Students' non-cooperation – students being the main clients of university services require, in the words of one respondent, "sensitivity and caution in dealing with them". Some of the contractors did not take cognizance of this issue.
- Community interference – this was especially true of rural universities such as Moi and MMUST. They reported that they faced challenges in disengaging casual employee who are mostly locals who feel that they should benefit from the university because it is based in their areas. Indeed respondents from MMUST explicitly stated that "the university recognizes the social benefit of the community as an important contribution to the integration of the university into the local fabric" This is viewed as being counter-productive to outsourcing efforts since the universities are tied down by community concerns.

5. 6 Lessons and Recommendations

Deputy Vice-chancellors interviewed were asked to share lessons drawn from outsourcing initiatives in their institutions. The following are some of the lessons and recommendations suggested by the university administrators to improve and ensure successful outsourcing in future.

- The need to enhance administrative capacity – universities should retain responsibility and ensure effective delivery of outsourced services.
- Expansion of outsourcing services to outlying campuses since such services are currently concentrated in main campus.
- Outsourcing is appropriate where applicable since the universities are freed from non-core activities to focus on their core mission of teaching, research and dissemination of knowledge.
- Outsourcing of services leads to efficient and quality services and huge savings in terms of finances and time. For instance, the intricacies associated with the outsourced services rest upon the contractor thus giving the university time and space to handle core duties.
- There is need to embrace change in conformity with changing technology and trends.
- The opportunities for outsourcing are likely to grow considering the words of one respondent, who said "The university will expand outsourcing to all campuses in time due to past successes", he then added "Universities should focus their attention on their core business (teaching, research and consultancy) and other critical areas, e.g., finance and administration/governance.

6. Conclusion

The primary purpose of this paper was to examine outsourcing practices in Kenyan public universities. In particular, the study investigated the challenges and opportunities presented by outsourcing activities in the universities. The overriding finding is that although the universities involved had some general policy statements on outsourcing, there is no known regulatory framework.

The government through the Ministry of Higher Education and Commission for Higher Education should institute urgent measures to ensure that a general regulatory framework is in place. These measures should guide individual university administrators in implementing outsourcing in their institutions.Security and Cleaning are the major activities currently outsourced in public universities while the least outsourced activity is catering. In our findings security and cleaning were perceived to have the least risks thus being friendly to outsourcing. In contrast, catering (provision of foodstuff) to students was unpopular with the universities because of the sensitivity associated with this service.

In a nutshell, for a university to successfully outsource its functions, it requires careful, comprehensive evaluation and planning by management. Schreiber (1994) asserts that the answer to whether or not to outsource is what best serves the institution and not only what is most cost efficient, but also what will provide the most consistency, timeliness and overall quality in meeting the college's or university's goals.

Abbreviations

DVC   Deputy Vice Chancellor
MMUST   Masinde Muliro University of Science and Technology

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Table 1: Types of services and length of time outsourced

Institution	Service(s)outsourced	Length of time in years
University of Nairobi	Security Cleaning services Garbage disposal	8 2 -
Masinde Muliro University of science and Technology	Security	4
Moi University	Security Cleaning	3 2
Maseno University	Security Maintenance of plant and equipment	8 16
Egerton University	Cleaning Catering	5
Jomo Kenyatta University of Agriculture and Technology	Security Maintenance and Cleaning	4

Table 2: Reasons for outsourcing services

Reasons	1st priority response	2nd priority response	3rd priority response	4th priority response	5th priority response
Cost cutting/control	51	19	11	7	-
Administrative efficiency	29	18	16	14	5
Focusing on core functions	17	15	-	-	
Safety concerns	6	4	8	-	11

Table 3: Achievements of outsourcing

Achievements	% of positive responses
Financial savings	100
Time saving	80
Improved security	80
Improved cleanliness and garbage collection	20
Less involvement in personnel matters	10