

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY,
KUMASI INSTITUTE OF DISTANCE LEARNING**

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**EXAMINING THE INFLUENCE OF OUTSOURCING ON FIRM
PERFORMANCE: THE MODERATING ROLES OF ENVIRONMENTAL
DYNAMISM AND BUSINESS STRATEGY. EVIDENCE FROM BEVERAGE
MANUFACTURING FIRMS IN GHANA.**

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NOVEMBER, 2023

DECLARATION

I hereby declare that this thesis is the result of my original work towards the award of MSC in Logistics and Supply Chain Management, and to the best of my knowledge, it does not contain any materials that have been published by another person or materials that have been approved for the award of any other degree from the University, with the exception of those instances where appropriate citations have been made in the text.

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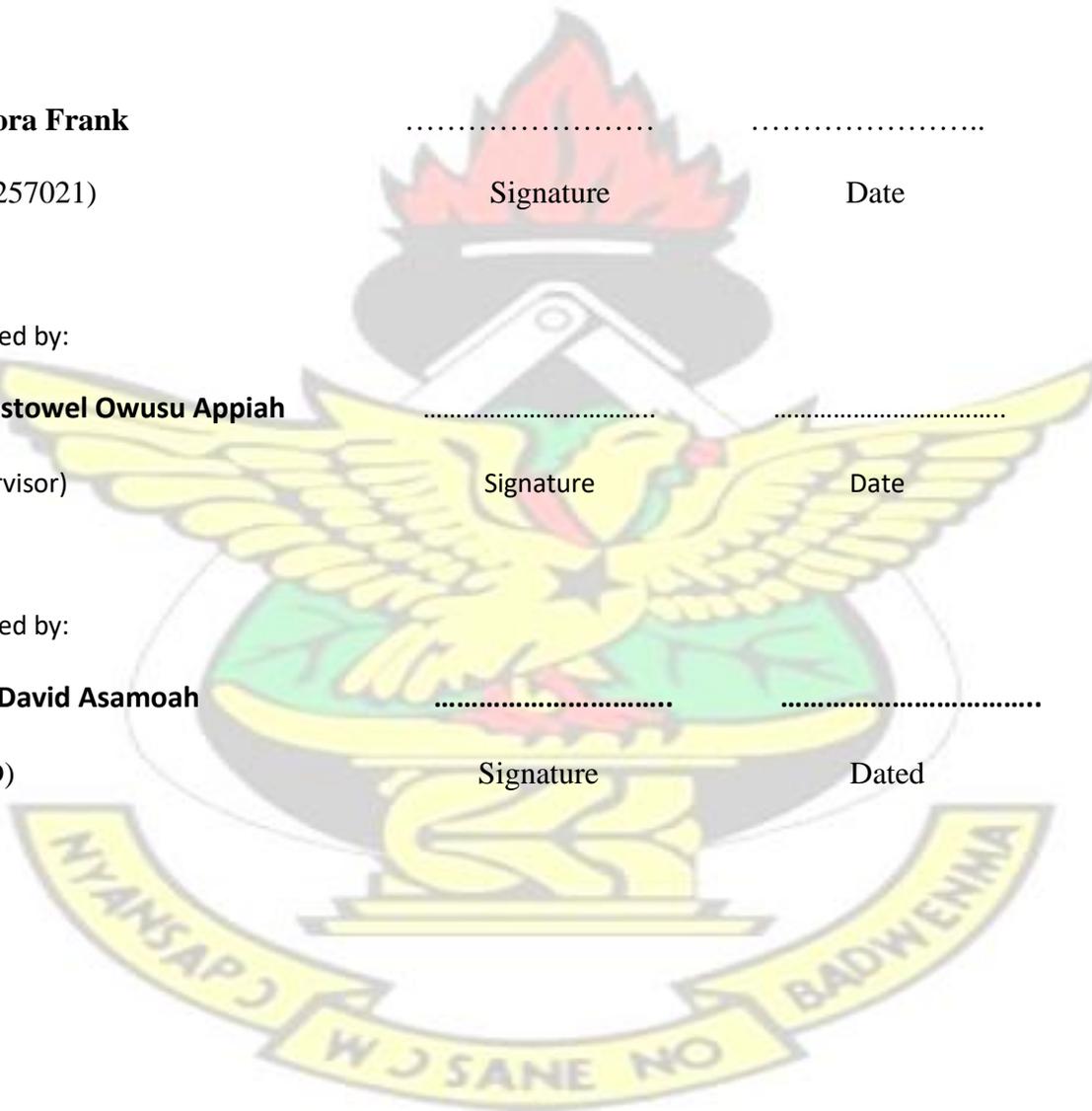
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ABSTRACT

To minimize expenses and boost output, many businesses are turning to the practice of outsourcing. The overall objective of this study was to examine the influence of outsourcing on firm performance considering the moderating roles of environmental dynamism and business strategy with evidence from manufacturing firms in Ghana. The researcher adopted the use of an explanatory research design and a quantitative approach to this study. This study's sample was comprised of businesses producing beverages in Ghana, with an emphasis on the Ashanti and Greater Accra regions. These firms were selected using the convenience sampling technique, which provided the researcher with respondents who were readily available to answer the questionnaires distributed to them. The study used a sample of 120 firms. The data for the research was analyzed using Statistical Package for Social Sciences v22. Based on the findings, the study concluded that the analysis demonstrated a significant and positive influence of outsourcing on the performance of manufacturing firms in Ghana. The study unveiled a positive and significant moderating effect of environmental dynamism on the relationship between outsourcing and firm performance. Contrary to expectations, the analysis revealed that business strategy does not significantly moderate the relationship between outsourcing and firm performance for manufacturing firms in Ghana. The study based on the analysis recommended that manufacturing firms in Ghana actively consider and implement outsourcing strategies to leverage external expertise, streamline processes, and realize improvements in their performance. The study also recommended that manufacturing firms recognize the dynamic nature of their operating environment and strategically embrace outsourcing as a tool for agility and innovation. By doing so, firms can navigate market fluctuations more effectively and tap into external knowledge to drive performance enhancements.

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LIST OF ABBREVIATIONS

SME

Small and Medium Sized Enterprises

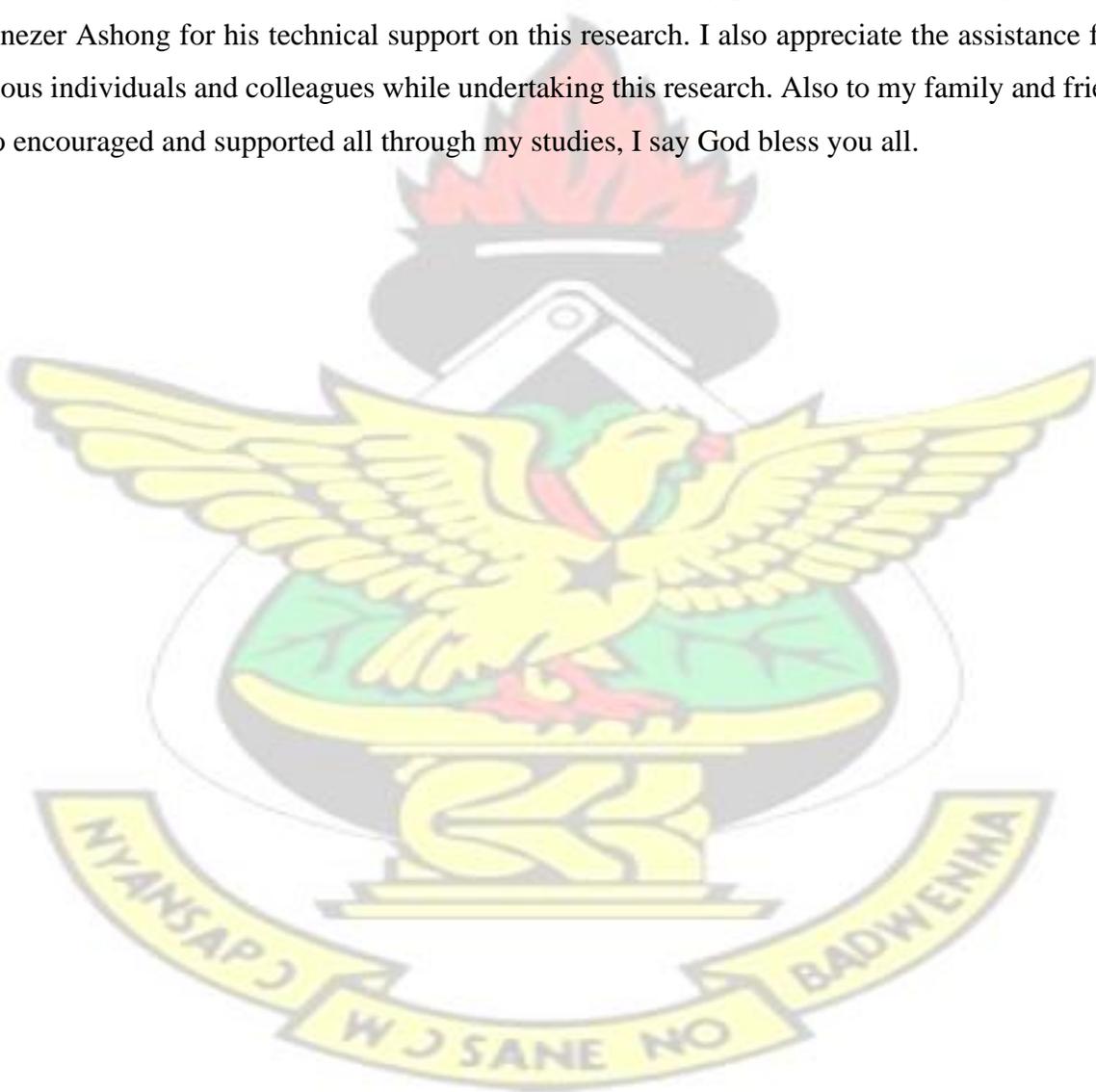
FP

Firm Performance



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DEDICATION

I dedicate my dissertation to my father Mr Adu Kwame Peter and to the rest of my family without whose support and encouragement I couldn't have come this far.

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CHAPTER ONE

INTRODUCTION

1.1 Background of Study

Organizational growth eventually leads to an extension of their activities (Awe, Kulangara and Henderson, 2018). This growth, in certain cases, tends to take organizations' attention away from the fundamental operations that must be completed and may, as a result, have an adverse effect on overall performance (Lahiri, 2016). Workers are less likely to turn in shoddy work when they are not interrupted and can give their whole attention to the tasks at hand (Calia and Pacei, 2017). This is precisely what outsourcing enables. Outsourcing has been more popular as a means for businesses to cope with the pressures of the current corporate environment (Aziz et al., 2020).

To minimize expenses and boost output, many businesses are turning to the practice of outsourcing, which is defined by Stroh and Treehuboff (2003) as "contracting out the execution of a business's non-essential functions to an external party." To free up internal resources for innovation and competitive advantage, most multinationals outsource non-core corporate operations to third-party firms. According to Valiyattoor and Bhandari (2020), a company's basic strategy and competitive advantage may be strengthened by reallocating internal resources to higher-value activities farther up the value chain. The popularity of outsourcing has grown as organizations have become more self-sufficient. Production, information technology, accounting, human resources, and research and development are just some of the many tasks that companies both big and small outsource to third parties (Bernard et al., 2019).

Key functions, including as research and development, production, marketing, and distribution, and information technology, are now routinely outsourced alongside formerly tertiary ones like cleaning, catering, and security. Miguel-Dom-i-guez (2006). In an effort to quantify the intangible

idea of organizational performance, several studies have been conducted (Amirkhanyan, Kim, and Lambright, 2014; Andersen, Boesen, and Pedersen, 2016; Rainey, 2014), with varying degrees of success. According to Agburu et al. (2017), an organization's output is the most telling indicator of its effectiveness. One definition of firm performance enhancement is the maintenance or improvement of efficiency, quality, productivity, and profitability via a shift in emphasis from internal operations to external customers and business objectives. According to Gilley and Rasheed (2000), there are four distinct ways in which outsourcing strategies may be used to improve a company's productivity. When a corporation markets a product or service, it may contract with a third party to handle administrative tasks that are unrelated to production.

Several empirical attempts have been made to quantify the potential productivity gains from outsourcing. One such research is that of Valiyattoor and Bhandari (2020), who found that the adoption of outsourcing strategies led to an improvement in the industrial performance of enterprises. According to Lahiri et al. (2022), outsourcing is correlated with organizational achievement. However, other studies have found the opposite (Hätönen and Eriksson, 2009; Kroes and Ghosh, 2010; Bertrand, 2011; Schmeisser, 2013; Lahiri, 2016; Rajaeian et al., 2017; Brandl et al., 2018; Valiyattoor et al., 2020; Lahiri et al., 2022). Benefits to performance were shown by Broedner et al. (2009), but drawbacks were discovered by Rothaermel et al. (2006). Outsourcing may not affect a company's bottom line very significantly, according to the literature (Bhalla et al., 2008; Mol et al., 2005). Multiple studies have contradicted one another about outsourcing's effect on corporate performance, therefore a nuanced approach is necessary. So says the research (Lahiri, 2016).

Inconsistencies in the data raise the possibility that there is a strategy-dependent link between outsourcing and financial outcomes. Outsourcing may lead to incremental savings in overall costs

by enabling cost leaders to concentrate on what they do best while increasing the quality of nonstrategic work (Harrington, 2022). Cost savings might allow us to surpass the competition (Debebe, 2020). To focus on what they do best and have better access to high-quality support services, differentiating-focused organizations are willing to forego financial savings (compared to cost leaders) by outsourcing non-core tasks. We believe that a differentiation strategy is necessary to reduce the negative impact of peripheral outsourcing on company performance and increase its positive impact. However, when it comes to core outsourcing, things change (Aguru et al., 2017). Outsourcing tasks that are related to a company's core competencies may lead to a decline in performance, whereas cost leaders and differentiators are expected to do well. In order to maximize the advantages of near-core outsourcing, Omsa et al. (2017) suggest that cost leaders choose the most cost-effective service provider for each near-core task. To mitigate (or amplify) the positive effect that outsourcing core operations has on corporate performance, a cost leadership strategy must be implemented.

An organization's external environment may moderate the correlations between the two types of outsourcing intensity and firm performance (Liu et al., 2022). The impact of outsourcing intensity on company performance may depend on contextual factors including environmental unpredictability (Xue et al., 2019). Instead, it's possible that changes in the company's external environment, rather than outsourcing itself, account for the majority of the performance decline. If external conditions worsen, businesses may increase their use of outsourcing services (Hofer et al., 2020). Rather of investing heavily in cutting-edge technology in-house, firms may enjoy the advantages of it by outsourcing non-essential and nearly-essential jobs to more flexible settings (Quinn, 1992). If a more cost-effective or higher-quality option becomes available, outsourcing organizations will switch providers if the contract permits it (Dess et al., 1995). As a result, the

positive effects of outsourcing on corporate performance are amplified by the inherent volatility of the environment, while the bad effects are somewhat mitigated by the same factor (Buccieri and Park, 2022). This study adds to literature by exploring how both environmental dynamism and business strategies can be used to improve the outsourcing performance relationship.

1.2 Problem Statement

When it comes to productivity, outsourcing may have both positive and bad consequences (Lahiri et al., 2022). According to many studies (Hätönen and Eriksson, 2009; Kroes and Ghosh, 2010; Bertrand, 2011; Schmeisser, 2013; Lahiri, 2016; Rajaeian et al., 2017; Brandl et al., 2018; Valivattoor et al., 2020; Lahiri et al., 2022) and practitioners, outsourcing may help businesses save money and focus on their core capabilities. Possible outcomes include decreased costs, increased productivity, and a more dominant market position (Agburu et al., 2017). However, outsourcing doesn't necessarily lead to improved output. If a company decides to outsource any of its activities, for example, it needs a plan to cope with the chance that it may lose control over those operations (Broedner et al., 2009; Weigelt, 2009). Also crucial to the success of an outsourcing project is the choice of external vendors or service providers to work with. Selecting inferior vendors may have negative effects on a company's performance and reputation (Gilley and Rasheed, 2000; Rothaermel et al., 2006). The overall effect of outsourcing on productivity is complex and situation-dependent, depending on a variety of factors such as the nature of the tasks or functions being outsourced, the quality of the service providers, and the company's preparedness to deal with the risks and challenges of outsourcing.

The success or failure of an organization's outsourcing operations may depend heavily on the company's business strategy (Debebe, 2020; Lee et al., 2019), making it difficult to establish a

causal relationship between the two. For instance, if a company is looking to save costs, it may be better to contract out some aspects of its operations to other firms that can provide equivalent services at lower rates (Harrington, 2022). Outsourcing, however, may not be the best solution and may potentially harm performance if a company's goal is to retain tight grips on operations and quality control (Omsa et al., 2017). The term "environmental dynamism" (Xue et al., 2019) describes the rate and degree of uncertainty in a company's external environment. A very dynamic external environment might make it harder for businesses to plan for and adapt to future developments (Halim et al., 2017). This can make outsourcing, or the practice of contracting out certain business functions to external organizations, more challenging for companies operating in highly dynamic environments (Liu et al., 2022). Despite these arguments on how environmental dynamism and business strategy, extensive search by the researcher shows that little studies have been conducted into their role in outsourcing and performance. This study is therefore aimed at filling this gap in literature in Africa, specifically Ghana by examining the influence of outsourcing on firm performance considering the moderating roles of environmental dynamism and business strategy with evidence from manufacturing firms in Ghana.

1.3 Research Objectives

The overall objective of this study is to examine the influence of outsourcing on firm performance considering the moderating roles of environmental dynamism and business strategy with evidence from manufacturing firms in Ghana. The following objectives are outlined to achieve the above:

1. To examine the influence of outsourcing on performance of manufacturing firms in Ghana.

2. To evaluate the moderating role of environmental dynamism in the relationship between outsourcing and performance of manufacturing firms in Ghana.
3. To evaluate the moderating role of business strategy in the relationship between outsourcing and performance of manufacturing firms in Ghana.

1.4 Research Question

The questions below are asked to help achieve the objective of this study:

1. What is the influence of outsourcing on performance of manufacturing firms in Ghana?
2. What is the moderating role of environmental dynamism in the relationship between outsourcing and performance of manufacturing firms in Ghana?
3. What is the moderating role of business strategy in the relationship between outsourcing and performance of manufacturing firms in Ghana?

1.5 Significance of the Study

The findings of this study would be of significance to different parties in different ways. First, policy makers may be interested in understanding how outsourcing impacts the performance of firms in their jurisdiction, as this could inform decisions about the regulatory environment in which businesses operate, which would help policy makers to consider promoting outsourcing as a way to stimulate economic growth and competitiveness.

For investors, the findings of the study would help them in understanding how outsourcing impacts the financial performance of firms, as this could inform investment decisions. The findings would help these investors to ascertain the risks associated with outsourcing and therefore help them in

making decisions on how to invest in firms that engage in outsourcing or better value firms that have lower risks of outsourcing.

For business owners and managers, the findings of this study would help them to understand their environment that they operate in, furthermore, it would help them to understand the importance of the different strategies that they use in their workplace can help to reduce or improve upon the extent to which their performance is affected by outsourcing practices adopted by them.

Finally, this study is the first of its kind that explores the roles of both environmental dynamism and business strategy is the relationship between outsourcing and performance. Therefore, the findings of the study would add to the literature on outsourcing and further serve as the bases for future studies into outsourcing, environmental dynamism, business strategy and firm performance.

1.6 Overview of Methodology

The study used a descriptive research strategy and a quantitative methodology. Because the study's major aim is to explain the connection between the variables, the researcher has chosen a descriptive design; the study's quantitative nature will enable her to draw more certain conclusions from the data she collects from the respondents. This study's sample was comprised of businesses producing beverages in Ghana, with an emphasis on the Ashanti and Greater Accra regions. These firms would be selected using the convenience sampling technique, which provides the researcher with respondents who are readily available to answer the questionnaires distributed to them. With the use of a survey, we were able to gauge the extent to which company owners and managers agreed or disagreed with certain statements. Using the multiple regression tools in Statistical Package for the Social Sciences v22, we were able to extract descriptive statistics and analyze the

effect of strategic management methods on performance. The Hayes Process model would be used to conduct the mediation analysis using Bootstrapping method.

1.7 Scope of the Study

This study focuses on beverage manufacturing firms in Ghana, specifically Ashanti and Greater Accra Regions. The bases for choosing these two regions is due to the fact that it has majority of the beverage manufacturing firm located in their municipalities. To get an accurate representation, this study further focuses on only registered beverage manufacturing firms.

1.8 Limitations of the Study

The key limitation of this study was the access to information from top management concerning their outsourcing practices and performances. This was due to the busy schedules of most of the managers and owners of these businesses hence making the work take some time in its data gathering stage.

1.9 Organization of the Study

The bulk of the research consists of the following five parts. The "Introduction" section summarizes the study's context, impetus, goals, questions, significance, and methods. The promised survey of related works follows. This section discusses both the theoretical underpinnings of the issue and the empirical research conducted on it. The third section focuses on the research methodology. Methodology details the study's research strategy, sample and population, data and data sources, and provides the specification of the study's regression model. Chapter 4 is dedicated to data visualization and analysis. In this chapter, we present and evaluate

the data from the research using the various techniques outlined in the prior section. The conclusion offers a quick recap of the main points, ties everything together, and offers recommendations for moving forward. This part serves as a summary of the whole study and concludes with the researcher's thoughts and recommendations based on the findings. Researchers, investors, and politicians are all given some advice to think about.



CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The literature review for such research is presented here. The research concerns are defined by several writers, and the review discusses the factors used in the study. In this section, we give some more research-based recommendations for understanding the interplay of these variables. In the last half of this chapter, we give both empirical investigations examining the relationship between the variables and a theoretical framework describing the nature of this association.

2.2 The Concept of Outsourcing

In the management literature, the definition of "outsourcing" seems to be unclear. One strategy of cost-cutting and improving productivity is outsourcing, in which a firm contracts with another management to handle non-essential tasks (Stroh and Treehuboff, 2003, p. 24). Simply said, it's a method of obtaining resources from an outside source via contractual means. Additionally, it may be a legally binding contract between a client and one or more suppliers for the provision of services or programs that the customer is providing internally (Fan, 2000, p. 215). It is preferable to have these tasks completed in-house, but in certain cases, an organization may contract with an outside firm to carry them out (Nag, 2004, p. 121) So, it's the process of outsourcing parts of a company's operations to other companies (Dibbern et al., 2004) by which a third party is given the authority to carry out certain tasks on behalf of the company, usually in exchange for payment and a business contract that specifies certain terms and conditions with regard to the price, quality, and timeliness of the services to be provided.

Outsourcing is difficult to describe in any meaningful sense. One definition of outsourcing proposed by Gilley and Rasheed (2000, page 335) is the delegation of formerly in-house functions to third-party service providers. One may argue that Bosire et al.'s (2013) broadening of the word to include purchases by non-profits is unnecessary. An alternative, more accurate definition of outsourcing is "the acquisition of a product or service that may be acquired from several suppliers," as stated by Gilley and Rasheed (2000, page 4).

Outsourcing, as defined by Loh and Venkatraman (1992), is the practice of contracting with an outside company to provide all or part of an organization's information technology infrastructure. To "outsource" means anything from "the extent to which the firm obtains its inputs and outputs from external sources" (Kotabe, 1992: 103), to "products obtained by a multinational company from external sources located throughout the world" (ibid.). Outsourcing may also be defined as "the reliance on external sources for manufacturing components and other value-adding activities" (Lei and Hitt, 1995: 836). The term "outsourcing" has been used by academics to characterize the practice of outsourcing almost any task.

Companies from any country, including those in low-wage nations, may bid for outsourcing contracts. The provider, also known as the vendor or supplier, might be another business or an individual. Although outsourcing has been around since the 1990s, it is only lately that the business world has taken notice. Although most research have focused on manufacturing, outsourcing is becoming more common in academic and business professional services. Security, customer service, human resources, accounting and tax preparation, healthcare (including test result interpretation), cleaning, catering, vehicle maintenance, etc. are just few of the numerous fields that often need outside help (Harland et al., 2005, p.

Businesses that depend on chemical or mental production, automation, or the creation of huge objects may find transportation costs prohibitive (Awino and Mutua, 2014, p. 23). The make vs. purchase choice theory and the vertical disintegration hypothesis are often used in research on outsourcing. Theorists have debated the benefits and drawbacks of vertical integration ever since the wave of mergers and acquisitions shook the corporate world in the 1960s and 1980s (Shil and Chiang, 2011, p. 19). Outsourcing is a relatively recent organizational structure that has been attributed in large part to vertical fragmentation (Maltz, 1994, p. 62). Considerations about whether to make a purchase or not were conditioned on outsourcing in the 1980s (Dirrheimer et al, 2004, p. 17). Factors of make or purchase choices include the organization's available capacity and experience, quality worries, operation and reputation risk, tactics employed, cost of various alternatives, and the type of products and services (Stevenson, 2007, p.21).

2.2.1 Outsourcing Activities

According to Moses Kerniba (2009, page 5), the two most common types of outsourcing are business process outsourcing (BPO) and knowledge process outsourcing (KPO). All types of outsourcing in the business sector are included under the umbrella term "business process outsourcing" (BPO). On page 8, Sharma (2004) explains that a business partnership "occurs when one firm hires another to perform some or all of its operations." Information technology (IT) systems management, finance, business consulting, call center service, marketing, legal services, medical billing, software development, web design, and web development are just some of the many fields in which outsourced work can be performed. This subcategory of outsourcing is sometimes referred to by its abbreviation, "knowledge process outsourcing" (KPO). Knowledge-processing outsourcing (KPO) encompasses a wide range of service types, including but not

limited to those dealing with intellectual property, data and analytics, healthcare and pharmaceuticals, content and database creation, and so on.

According to Susomrith and Brown (2013, p. 334), there are three main types of outsourcing projects: core activities, non-core vital activities, and non-core non-critical activities. Specifically, "core activities" are defined as "strategic tasks that enhance customer value and ride profits of the organization," "non-core critical activities" are "day-to-day duties that add a small-value but are not a profit center," and "non-core non-critical activities" are "activities that do not provide any competitive advantage." Their impact on day-to-day commercial activities is waning, but it remains considerable. Such sectors include landscaping, gardening, public health, catering, and security. Both "core outsourcing" and "minor outsourcing," as described by Hern and Burke (2006, p.13), are wide categories; nonetheless, I would differentiate between them. Non-strategic, lower-priority tasks are the first to be outsourced by businesses.

When businesses hire freelancers who lack the appropriate skills instead of developing their own employees, the second kind of issue arises. What constitutes an essential task is heavily influenced by the organization's strategic goals and its established core competencies. It's reasonable to expect businesses to adopt certain common practices, but remember that there's always room for improvement. The efficacy of one "silver bullet" strategy for fixing outsourcing's issues has also been questioned. When a firm uses outsourcing to increase the breadth and depth of its services, customers benefit greatly. It's important to think about the scope (how many activities are outsourced) and depth (how much of the workforce might be affected) of outsourcing. Outsourcing strategies evolve and evolve with time. While there has been a rise in the usage of outsourcing services, many businesses still choose to keep tasks in-house. Such companies may, for example, outsource certain operations while maintaining others in-house. Businesses might save money by

outsourcing a large amount of tasks that aren't essential to their operations in order to focus on a smaller number of tasks that are more directly related with their core competencies.

It has been suggested that outsourcing administrative tasks allows businesses to focus on what they do best (Kakabadse 2002, p.7). The term "strategic outsourcing" can be used to describe an arrangement in which two or more businesses agree to pool resources and leverage intermediary markets to acquire the services of specialized talent needed to augment the organizations' existing capabilities already deployed across the value chain. company process outsourcing (BPO) involves contracting out the management of common company operations to a third party in order to save costs and boost production (Holcomb and Hitt 2007, p.21). It seems sense to focus on these firms as the revenues and financial advantages of many others may fall short of predictions.) (McIvor, 2000, p. Quality control becomes problematic when businesses outsource the whole value chain or a significant chunk of it (Clegg, 2005, p. 29). Managing an outsourcing partnership effectively requires a company to modify its management methods, strategy, quality assurance, and staff development goals (Harland et al., 2005). Bad resource management slows down a company's capacity to adapt to external changes and slows down the rate at which it can make changes inside its own walls.

2.3 The Concept of Environmental Dynamism

When people inside an organization make a choice, they weigh in both the material and social environment in which they find themselves [Li, Liu 2014]. The scope of this concept allows it to include the metrics used by several analytical fads. There is a wide range of environmental shifts now occurring. The environment of a business may be described using a wide variety of feature groups and levels of granularity. A feature of the environment is said to have a certain set of

characteristics, or environmental features. The dynamism of environmental dynamics has been interpreted in a number of different ways in the scientific literature; thus, it is only fair to present a few of them. And with the help of the many definitions of environmental dynamism, we may glean insight into the conceptualization of this concept in the realm of academic inquiry. Table 1 presents some chosen definitions of environmental dynamism.

Table 2. 1: Definitions of Environmental Dynamism by Authors

Author (s)	Definition
Eisenhardt and Tabrizi (1995)	Environmentalism refers to the pace at which an industry's competitive landscape, customer preferences, and technology developments are all changing.
Wang and Ang (2004)	The word "environmental dynamism" is used to describe the ever-changing nature of the competitive landscape within an industry, which in turn affects the strategies and tactics used by organizations to better serve their customers and grow.
Drnevich and Kriauciunas (2011)	The pace at which the competitive environment is evolving has a significant impact on how businesses compete with one another, how they serve their consumers, and how they respond to the expansion of their industry.
Li and Liu (2014)	Dynamism in the environment comes from the velocity of change and innovation, as well as the ambiguity or unpredictability of customer actions.

Source: Author's Construct, 2023

Customers and rivals in a dynamic environment may be hard to foresee, and so can market trends and new developments in the industry. Companies with a strategic orientation that is well-matched to their environment will do well in this kind of rapidly-evolving market, where demand is still shifting and possibilities are growing [Azadegan, 2013]. Changes in the environment and strategy of rivals in response to shifts in customer expectations and market conditions are another definition of ED (Wang, Ang 2004). As a result, ED is a measure of the magnitude and unpredictability of changes in consumer preferences, manufacturing methods, service delivery, and industry-wide rivalry among the leading firms (Drnevich, Kriauciunas 2011). When we talk about "dynamism,"

we're referring to the quick rate of change and introduction of new ideas in the sector, as well as the unpredictability of consumer tastes. There are three aspects to the idea of market dynamics, as outlined by Wang et al. (Wang, Senaratne, Rafiq, 2015): the speed and intensity of change and competition, the unpredictability of technical and competitive developments, and the volatility of customer preferences. Consequently, environmental disturbances, market volatility, and changes in branch structure are all crucial components of ED.

2.4 The Concept of Business Strategy

To acquire an edge in a competitive strategy, businesses develop strategies that include a well-thought-out and consistent application of commitments and activities. Strategies, in this sense, are premeditated plans that are implemented before any action is taken that relies on them (Slevin and Covin, 1997). To achieve a strategy in the marketplace and please their clientele, businesses build strategies aimed at capitalizing on their strengths in the niche areas in which their products are sold (Dess et al., 1995). In this way, a company's strategy reflects the ways in which its leaders think it can outperform its competition. A company's industry position in relation to its rivals is a primary focus of business strategy (Porter, 1985). As a result, companies with advantageous positions may have an edge over their competitors. If we look at the literature, we find that Miles and Snow (1984) classified corporate strategies into three categories: defenders, prospectors, and analysts. Cost leadership, distinctiveness, and focus are the three broad categories into which Porter (1985) sorted strategies. Schuler and Jackson (1987) categorized company strategies into the same three buckets as Porter, but with somewhat different labels: cost-cutting, innovation, and quality strategy. Like many other scholarly works (Beaumont, 1993; Dowling and Schuler, 1990; Huang, 2001), this one followed Schuler and Jackson's technique of categorization for further

investigation. Cost-cutting, as defined by Schuler and Jackson (1987), is a strategy used to increase product or service competitiveness via price reductions. Adopting new technology, increasing production scale, or re-engineering production processes are examples of ways to improve production efficiency and save costs, allowing a firm to provide its goods and services to customers at a reduced price. The goal of any successful innovation strategy is to create goods and services that cannot be found anywhere else. Finally, a quality-improvement strategy succeeds when it provides a level of quality that is unmatched by competing offerings.

2.4.1 Types of Business Strategies

2.4.1.1 Cost leadership

In his seminal work, *Competitive Strategy*, Michael Porter identifies three overarching corporate strategies, one of which is "cost leadership" (1980). By striving to provide its goods and services at the lowest possible rates, a firm that adopts a cost leadership strategy hopes to increase its profits and gain an edge over other businesses. In cost to be a cost leadership, one must relentlessly pursue methods to reduce expenses. Having better operational efficiency, learning or scale economies in manufacturing, exceptional access to raw material, or unique partnerships with suppliers, distributors, or consumers may all lead to lower costs. Companies that consistently come in first place in terms of cost are often highly vertically integrated or integrated into high value added, unique components and services. With this ability, they can outperform all other processors in a given value-added process. On top of that, a cost leader often has a substantial portion of the market, which gives it the ability to take advantage of economies of scale in a number of areas, such as buying and production.

2.4.1.2 Differentiation Strategy

Michael Porter, in his seminal 1980 book *Competitive Strategy*, discusses the three main ways to do business. The goal of a differentiation strategy is to set apart a company's products and services from those of its competitors. Many various aspects of a product or service may be used to set it apart from the competition, including the design, branding, technology, features, distribution, and quality of service. The heavy equipment firm Caterpillar Tractor is a good case study in product diversification. Among manufacturers of heavy equipment, Caterpillar has a solid reputation. Consumers are more likely to purchase their goods when replacement parts are readily accessible and inexpensive, which is especially important given the high costs consumers incur during equipment downtime. Businesses often invest in areas such as research and development, new technologies, market research, and branding in an effort to differentiate themselves from the competitors.

2.5 The Concept of Firm Performance

An organization's performance is measured by how well it uses its resources (such as its knowledge, its people, and its raw materials) to accomplish its objectives (as described by Daft, 2010). Later, Flapper, Fortuin, and Stoop (1996) said that performance is "the manner the organization puts its goals into practice." There are now two ways to evaluate a performance's performance: financial and non-financial metrics (Venkatraman and Ramanujam, 1986). As a result, most research has only looked at monetary indicators like profit (Murphy, Trailer, and Hill, 1996; O'Regan, Sims, and Gallear, 2008). Although it has been acknowledged for some time that financial performance may be measured, this is not enough to gauge the organization's

performance. In order for non-monetary metrics to be taken seriously enough to be included (Murphy, et al., 1996).

Profitability, market value, and company growth are only few of the indicators of financial performance that have been assessed in prior research. Non-financial performance indicators include customer and staff happiness as well as innovation, quality, and reputation (Santos and Brito, 2012). Organizational performance may also be evaluated from the perspectives of "objective measurement," which relies on monetary metrics, and "subjective measurement," which relies on self-reported indicators (Haber and Reichel, 2005; Dess and Robinson, 1984). As we have seen, the performance of businesses may be evaluated from both an objective and subjective vantage point. Both objective and subjective assessments have been given equal weight, as shown by the research conducted by Wall, Michie, Patterson, Wood, Sheehan, Clegg, and West (2004). Financial data is ideal, but companies are reluctant to release sensitive information unless they are required to do so by law (Inmyxia and Takahashi, 2009). However, previous research has shown that it is difficult to locate freely available financial records. It is argued here that using subjective criteria to evaluate business performance is a sensible strategy (Dess and Robinson, 1984). Keeping with the aforementioned debate, this research will include a subjective examination of both financial and non-financial variables by polling the company's owners and management.

2.6 Theories

2.6.1 Transaction Cost Theory

The transaction costs associated with activities like as bargaining, gathering information, coordinating activities, keeping tabs on the status of agreements, and enforcing contracts were first introduced by Coase (1937). Coase theorized that intermediate businesses would naturally emerge

as a response to the transaction expenses faced by enterprises. A large body of scholarship has since been applied to the topic of transaction costs in agricultural markets. In an expansion on Coase's cost, Hobbs (1997) distinguished between the physical costs of performing a transaction (negotiation), the costs of verifying that the terms of the transaction were adhered to (checking), and the costs of gathering information (information costs), all of which occurred prior to the transaction. The modern theory of the firm served as inspiration for the development of the Transaction Cost Theory (Schmidt, 2000). The transaction cost point of view indicates that trading is mostly about information. Management of relationships and the exchange of goods and services are elements of this process. Therefore, parties to a transaction seek for novel and innovative methods to save expenses associated with pre-trade, during-trade, and post-trade communications and information acquisition and access (Williamson, 1985). With the firm on one end of the spectrum and the market on the other, transaction cost theory analyzes how economic activities are divided up across various organizational structures (bureaus, businesses, markets). "Friction" in multiple collaborating units of production in a firm is an example of transaction costs (Williamson, 2005). This indicates that, whenever transactions are made between defined agents, there exists some friction that leads to costs. This resistance to parting ways might be prompted by a variety of contextual variables. These, for instance, may be a part of a market's organizational structure or hierarchy. It's possible to think of transaction costs as "system running expenses" (Williamson, 1985). Expenses may be broken down into two categories: actor motivation costs and coordination expenses (Williamson, 1981).

Being used in this study, according to this theory, firms will choose to internalize an activity if it is more cost-effective to do so, while they will choose to engage in an arms-length transaction if it is less costly. Outsourcing is an example of an arms-length transaction, as it involves a firm

purchasing goods or services from an external provider rather than producing them in-house. According to the transaction cost theory, firms will be more likely to outsource an activity if the costs associated with internalizing the activity are higher than the costs of outsourcing it. There are several factors that can influence the costs of internalizing an activity, including the complexity of the activity, the level of uncertainty involved, and the need for specialized expertise. If these costs are high, it may be more cost-effective for a firm to outsource the activity to another firm that has the necessary resources and capabilities. Overall, the transaction cost theory suggests that outsourcing can have a positive impact on firm performance if it allows the firm to reduce its costs and focus on its core competencies.

2.6.2 Resource Based View Theory

Since the 1960s, researchers have been trying to figure out how businesses get a leg up on the competition (Penrose, 1959, J. Barney, 1991, Kelliher and Reinl, 2009, DeSarbo et al., 2007). Then, researchers standardized on a same model for all of their studies (Hofer 1978, Ansoff, 1965). Competitive advantage, according to previous studies, is achieved when businesses capitalize on their advantages while also mitigating any weaknesses and threats from the outside environment (Porter, 1980, 1985). Prior research has mostly focused on how a corporation may take advantage of, or avoid, its competitive environment (Caves and Porter, 1977). Regardless, the RBV examines how the characteristics of a company contribute to its overall performance. According to the Resource Based View, a company's strategy should be based on its strengths and advantages in terms of its skills and resources. Firms need a strategy that enables them to make the most of their core competencies in order to fully take advantage of the possibilities presented by their external environment. Researchers agree that organizations with a variety of approaches would dampen the

correlation between BBPs and financial performance (Seedee, 2012). To comprehend the source of certain companies' superiority over others, two basic substitutions are made. To begin, the strategic resources owned by companies in the same sector should vary considerably. Second, it guarantees enduring heterogeneity if resources are not fully transferable among enterprises (J. Barney, 1991).

All the assets, skills, hierarchical processes, firm qualities, information, and knowledge within the company's sphere of influence that allow it to grasp and implement plans to increase its efficiency and effectiveness are collectively referred to as the firm's "resources" (J. Barney, 1991). According to Barney (1991), these materials fall into three categories: What we mean by "physical resources" is everything that can be touched, seen, or otherwise experienced by the naked eye, such as the firm's physical technology, its plants and equipment, its access to raw materials, and its geographic location. The skills, expertise, connections, and insights of the firm's employees are all considered part of the company's human resources. It's not true that every aspect of a company is equally vital to its ability to achieve and sustain a competitive edge. Definition: Firm resources are the elements of a firm's physical, human, and organizational capital that allow it to plan for and implement strategies that increase the firm's efficiency and effectiveness (J. Barney, 1991).

One of the most important considerations in establishing a company's RBV is its market competitiveness. According to this idea, there are four ways in which organizations may obtain and keep a competitive edge: by improving their management skills, switching to more effective methods, addressing market imperfections, and enforcing regulations tailored to their particular sector. Resources include anything from raw materials to money to people to facilities to technology to the good name of the firm itself. Proponents of the resource-based approach of businesses claim that using certain strategic resources may boost production (Tokuda 2005, p.126),

citing the work of Penrose (1959) and Demstev (1973). Acquisition, development, and rollout of manufacturing processes are all accounted for. Included are all monetary assets, property, personnel, managerial know-how, intellectual property, and vendor connections. The source of an organization's competitive advantage may be inside rather than with the external market. One of the core tenets of the resource-based view is capitalizing on an organization's strengths to boost performance. Strategic resources, when made available, help businesses with their operational management. Keep in mind that in addition to tangible resources, intangible ones may also be at your disposal (Mok, 2009).

An organization's capabilities are the means through which it exploits its physical and intangible assets (Kelliher and Reinl, 2009). Using the RBV theory, this study holds the argument that firms can leverage their resources and capabilities is through outsourcing. Outsourcing refers to the practice of purchasing goods or services from an external provider rather than producing them in-house. Outsourcing can help firms to reduce costs, access new markets, and gain access to specialized expertise. According to the RBV, outsourcing can have a positive impact on firm performance if it allows the firm to access resources and capabilities that it does not possess internally. For example, if a firm outsources the production of a component that it does not have the expertise or capacity to produce in-house, this could allow the firm to focus on its core competencies and improve its overall performance.

2.7 Empirical Review

Mujuni (2022) examined how outsourcing affects the output of the National Planning Authority in Kampala, Uganda, and was one of numerous studies on the subject. Researchers used a descriptive method and used Solvents formulae to choose 84 participants as representative of the workforce

of 107. The major data collection tool in this study was, once again, a self-administered questionnaire. Statistical analysis revealed that the National Planning Authority's output increased significantly when it began using an IT outsourcing service. In conclusion, research indicated that outsourcing facilities management has a significant effect on National Planning Authority's performance.

What effects have changes in ownership, board-management dynamics, and service outsourcing had on the efficiency of publicly held companies? Stiel (2021) looks into the matter. We analyze the efficiency of 2,325 German utilities that are owned by local governments between 2003 and 2014 using a control function approach. Public choice theory holds that giving the government equity or board control rights would reduce a company's productivity, even if there is no evidence to support this argument. Management-driven research on the effects of outsourcing and restructuring found that both increased productivity and satisfaction were realized.

Lahiri et al. (2021) investigate the potential upsides and downsides of outsourcing for a company's bottom line. Considerations including value chain importance, company type (manufacturing vs. services), and service provider geography (local vs. worldwide) are examined as potential performance detractors. In all, 121 samples from 106 trials were used to compile this meta-analysis. (1992-2019). They arrived at the conclusion that increased production is one of the main benefits of outsourcing for firms. Our research shows a tight relationship between outsourcing strategic and non-strategic tasks. In both the industrial and the service sectors, outsourcing has been shown to boost corporate performance. It was shown that there is a higher favorable relationship between outsourcing to other countries than between outsourcing to the United States. The moderating effects of price competition, speed competition, and customer satisfaction are examined by Afum et al. (2021) in their study of the relationship between logistics outsourcing

and economic growth. To test our hypothesis, we conducted a survey utilizing online questionnaires and analyzed the results using partial least squares structural equation modeling. Time and money saved, service quality, and overall efficiency and effectiveness are just some of the ways in which logistics outsourcing has been proved to increase competitiveness. Profitability was linked to time and cost competitiveness, but not to customer performance. Success in business is linked to logistics outsourcing, as shown by the mediation research, which also indicates the importance of time-based competition, cost-based competition, and customer performance.

Agrawal and Singh (2020) undertake critical empirical study to establish the connection between outsourcing's advantages and the TBL-based performance of the RSC, which factors in economic, ecological, and social factors. To verify our hypotheses, we used a structural equation model using partial least squares. Researchers in India surveyed working professionals in the electronics business using a targeted questionnaire. The measurement models' compliance with the partial least square route approach used by the SEM was tested. The findings provide light on the potential efficiency advantages that might be made by contracting out RSC operations. The statistics reveal the economic, environmental, and social effects of RSC's outsourcing choices and outcomes.

The table below presents a summary of the literature on the study are:

Table 2. 2: Summary of Empirical Literature on the Topic

Author(s) and Year	Country	Purpose of the Study/Research Objectives	Construct(s)/ Concept(s) Used	Underlying Theoretical Framework	Methodology	Findings	Identified Gap (From Area of Further Research)
Bin Jiang, Gregory V. Frazier, Edmund L. Prater (2006)	USA	This research aims to empirically investigate the effect of outsourcing on firm level performance metrics, providing evidence about outsourcing influences on a firm's cost-efficiency, productivity and profitability.	Outsourcing, Productivity, Cost efficiency.	core competency theory	The results are based on a sample of 51 publicly traded firms that outsourced parts of their operations between 1990 and 2002. Publicly available accounting data are used to test for changes in operating performances that result from outsourcing decisions. Operating performances are examined over a four-quarter period after the outsourcing announcement.	This research provides evidence that outsourcing can improve a firm's cost-efficiency. While existing literature on outsourcing has also sought to draw anecdotal and conceptual evidence that highly visible companies have improved their productivity and profitability as well through outsourcing, the research reveals no evidence that outsourcing will improve a firm's productivity and profitability.	There are a number of weaknesses inherent in the use of archival financial data. They are limited to what is available in public databases. Also, financial data pertain to the firm as a whole and not just to the outsourcing department or division, which would obscure the real outsourcing effects on the particular department or division. These are areas future studies can fill by using accessible data not limited to financial records.
Bertrand, Olivier. (2011)	France	objective is to go beyond both anecdotal evidence and the macroeconomic	Offshore outsourcing, export performance,	the resource-based view and transaction cost economics	OLS regression analysis	find that offshore outsourcing increases export performance, the effects being stronger in the export markets	First, there is a need to explore further the heterogeneity in firm performance – as

		perspective. For manufacturing industries, they empirically investigate the microeconomic effects of offshore outsourcing on export performance.				where firms import intermediate goods. They also show that the firm size, the organization of intra-firm imports and the export experience moderate the effects of offshore outsourcing positively.	has been done for instance in the research field on mergers and acquisitions (MandA) in strategy or on multinationality–performance in IB. The set of internal and external factors that could moderate the impact of offshore outsourcing remain under-investigated in the strategic and IB literature.
Roger Strange, Giovanna Magnani (2017)		what are the performance consequences of outsourcing in practice?	Outsourcing, performance	N/A	Contextual review of prior literature	Much of the empirical literature relies upon secondary data sources, with the inevitable result that measures of performance and of outsourcing are constructed from the available firm-level data and often do not correspond well to the underlying concepts.	Scholars in future research need to devise robust measures [emphasis added] that tap the extent of value chain function(s) given out for execution by third-party provider(s) who may be located in the same country of overseas'. As
Pisit Chanvarasuth (2008)	USA	This paper attempts to examine the impact of business process	Outsourcing intensity, firm productivity	transaction cost economics (TCE)	OLS regression analysis	The results indicate that outsourcing intensity has a positive impact on firm	Future research should empirically compare the

		outsourcing on the subsequent financial performance of outsourcing client firms.				productivity and a negative impact on profitability.	impact of different types of BPO to see whether firm performance was affected in a similar manner.
Lahiri, Somnath, Amit Karna, Sai Chittaranjan Kalubandi, and Saneesh Edacherian. (2022)	USA	examine how type of value chain activity (core vs. non-core), industrial nature of activity (manufacturing vs. services), and provider's location (domestic vs. international) impact performance.	Outsourcing Firm performance	RBV theory, transaction cost theory	conduct a meta-analysis of 121 samples from 106 primary studies spanning over 28 years (1992–2019).	find that outsourcing–firm performance relationship is positive. But more importantly, our results demonstrate that the association is stronger for non-core outsourcing than core outsourcing. Interestingly the outsourcing–firm performance relationship does not meaningfully vary across manufacturing and services outsourcing. Our results further indicate that the positive relationship is stronger for international outsourcing than domestic outsourcing.	Future studies should expand on the scope and add extra variables to explore how they can affect the relationship.
Görzig, Bernd Stephan, Andreas (2002)	Germany	Examines the influence of outsourcing on the performance of firms in Germany at the firm level.	Outsourcing, Firm Performance	RBV theory, transaction cost theory	Using firm-level panel data from the German cost structure survey over the period 1992 to 2000	empirical analysis shows that firms that increased material inputs relative to internal labor costs performed better in terms of gross operating surplus than other firms. However, firms that increased external services relative to internal labor costs, thus outsourcing service functions previously provided within the firm,	Future studies can explore other industries and examine the extent to which the relationship can be improved with the consideration of other important variables.

						performed worse. In sum, our findings support the view that firms tend to overestimate the benefits accruing from outsourcing of services previously provided internally.	
Valiyattoor, Vipin, and Anup Kumar Bhandari. (2020)	India	Examine the impact of outsourcing on industrial performance using the firm-level data of 191 textile companies in India over the period 2000–2015.	Firm performance, Outsourcing	economic theory of agency	the conventional non-parametric two-stage procedure and analyse the nexus between outsourcing and firm performance under a single-objective setting. We then test the influence of outsourcing on the performance of multiple-objective firms using reverse directional distance function scores.	Our results show an improvement in industrial performance over the study period. Our analysis following the conventional two-stage procedure shows that the outsourcing of manufacturing activities and professional jobs contributes to industrial performance. The relation between outsourcing and firm performance essentially remains the same in a more reliable analysis using a panel double bootstrap procedure.	segregating outsourcing into onshore, offshore and near shore, we can have a better perspective on the outsourcing and firm performance nexus.
Satyendra Singh	India	To examine the influence of market orientation and outsourcing capability on the performance of businesses	market orientation and outsourcing and performance	source-position-performance theory	The measurement and structural models were tested using confirmatory factor analysis and structural equation modeling with AMOS 4.0. The models tested all measures simultaneously, including the second-order market orientation measure with its three dimensions—customer	Using data from foreign and Indian firms, the results indicate that both market orientation and outsourcing contribute to building capability, and that outsourcing further contributes to business performance. Also, it was discovered that low-risk market-oriented and high-risk outsourcing firms experienced a positive	Future studies should examine hypotheses relating to specific national culture- and country-specific drivers on the pathways in which market orientation and outsourcing build capability.

					orientation, competitor orientation, and interfunctional coordination.	impact on business performance.	
Bin Jiang, Gregory V. Frazier, Edmund L. Prater (2006)	USA	This research aims to empirically investigate the effect of outsourcing on firm level performance metrics, providing evidence about outsourcing influences on a firm's cost-efficiency, productivity and profitability.	Outsourcing, operational performance	RBV, transaction cost theory	This study is concerned with empirically examining the impact of outsourcing on a firm's performance. The results are based on a sample of 51 publicly traded firms that outsourced parts of their operations between 1990 and 2002. Publicly available accounting data are used to test for changes in operating performances that result from outsourcing decisions. Operating performances are examined over a four-quarter period after the outsourcing announcement.	This research provides evidence that outsourcing can improve a firm's cost-efficiency. While existing literature on outsourcing has also sought to draw anecdotal and conceptual evidence that highly visible companies have improved their productivity and profitability as well through outsourcing, the research reveals no evidence that outsourcing will improve a firm's productivity and profitability.	financial data pertain to the firm as a whole and not just to the outsourcing department or division, which would obscure the real outsourcing effects on the particular department or division. Therefore future studies should improve on this by using other measures and sourcing of performance.
Olajumoke A. Awe, Nisha Kulangara, Demetria F. Henderson (2018)	Across Many countries	The authors discuss the extant literature and examine which type of outsourcing has the greatest influence on firm performance. The authors also present the limitations and future opportunities. Theoretical and managerial implications are discussed to highlight which	IT outsourcing, firm performance	RBV	This paper takes a granular approach by looking at different outsourced functions in the both the manufacturing and service industry. Using meta-analysis, this paper combined the quantitative study data from several selected studies in an effort to increase power, improve the effect size	The authors found that outsourcing enhances the firm performance. When outsourcing functions were studied individually, only IT outsourcing had significant effects on firm performance in comparison to other forms of outsourcing. This might be attributed to the fact that IT outsourcing is less costly to implement in the	There is a need to address this research question as HR outsourcing is done in the banking, airline and even healthcare industries. In conclusion, other areas of outsourcing would be an interesting research topic

		outsourcing functions would be fiscally beneficial for firms.			and resolve the uncertainty about the effects of outsourcing activities on firm performance measures.	organization compared with other forms of outsourcing.	to address for future researchers to explore given the results of our meta-analysis. future study would be conducting longitudinal multi-case studies of outsourcing firms to understand if outsourcing different functions indeed lead to improved performance.
Ebenezer Afum, Yaw Agyabeng-Mensah, Innocent Senyo Kwasi Acquah, Charles Baah, Essel Dacosta, Clifford Sekyere Owusu, Joseph Amponsah Owusu (2021)	Ghana	This study examines the mediation effects of time-based competitiveness, cost-based competitiveness and customer performance between logistics outsourcing and financial performance.	Logistics Outsourcing (LO), Time-Based Competitiveness, Cost-Based Competitiveness (CBC), Customer Performance (CP), Financial Performance (FP)	RBV	The study relied on a questionnaire as the primary data collection instrument and further employed partial least squares structural equation modelling technique to test all formulated hypotheses.	The results demonstrate that logistics outsourcing has a significant positive impact on time-based competitiveness, cost-based competitiveness, customer performance and financial performance. Time-based competitiveness and cost-based competitiveness were both found to have a significant positive impact on financial performance; however, customer performance had no significant impact on financial performance. The mediation analysis further indicates that while both time-based competitiveness and cost-based competitiveness play	The sampled firms for this study came from a single emerging country; hence, the results cannot be generalized or imported to reflect the results that may be obtained from other emerging geographical settings. Future studies can therefore be conducted into this relationship in other countries furthermore, future studies can explore other variables apart from the

						mediation effects between logistics outsourcing and financial performance, customer performance plays no mediation effect between logistics outsourcing and financial performance.	mediator and explore how these variables can be used to improve the relationship between outsourcing and performance.
Jay Joong-Kun Cho, John Ozment, Harry Sink (2008)	USA	The purpose of this paper is to examine the impact of logistics capability and logistics outsourcing on firm performance in an e-commerce market environment.	Logistics capability, logistics outsourcing and firm performance	Transaction cost theory, RBV theory	This research examines the relationship between firm's logistics capability, logistics outsourcing and its performance. Multiple-item constructs are used to measure the strength of logistics capability and firm performance. The use of logistics outsourcing is represented by a dichotomous variable. Data obtained via a survey were analyzed to investigate relationships among constructs and various hypotheses were tested.	Study results revealed logistics capability to be positively related to firm performance in the e-commerce market. However, counter-intuitively, logistics outsourcing and firm performance were not found to be positively linked. Further, the association between logistics capability and outsourcing was not supported. Finally, the interactive effect of logistics outsourcing on the relationship between logistics capability and firm performance was not sustained.	Research findings are constrained, as the study was limited to the computer and consumer electronics retailing industry. Future studies can explore the phenomenon in other industries.

Source: Author's Construct, 2023

2.8 Conceptual Framework and Hypothesis

This section of the study presents the framework that shows the relationship between the variables in a diagram. After this, arguments for the relationships between the variables are presented in accordance with the research objectives:

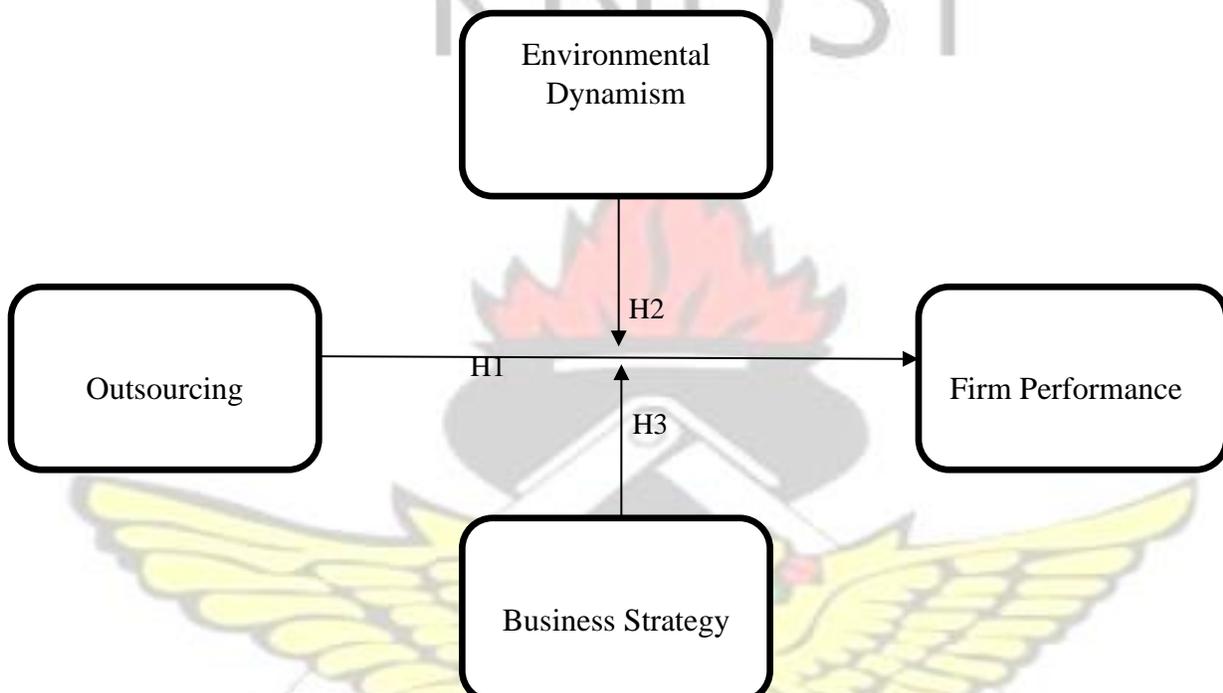


Figure 2. 1: Conceptual Framework

Source: Author's Construct, 2023

2.8.1 The Influence of Outsourcing on Performance

Lahiri et al.'s (2022) study suggests that outsourcing might improve productivity. The authors also demonstrate that tertiary outsourcing is where the connection really shines, as opposed to primary outsourcing. Not even manufacturing companies are immune to the positive effects of outsourcing. The effects of outsourcing on a company's performance may be beneficial (Bertrand, 2011, Kroes and Ghosh, 2010) or detrimental (Broedner et al., 2009, Weigelt, 2009), depending on the research. It's interesting to note that several studies have shown no correlation between outsourcing and

decreased productivity (Bhalla et al., 2008, Mol et al., 2005). In order to dig further into how outsourcing affects firm performance, a nuanced approach is necessary, since there are theoretical and methodological reasons for the occurrence of contradictory results (Lahiri, 2016). To achieve this goal, the study must return to the basics of outsourcing. Based on these findings, the hypothesis below is made:

H1: Outsourcing has a positive influence on firm performance.

2.8.2 The Moderating Role of Environmental Dynamism in The Relationship Between Outsourcing and Performance

In general, outsourcing involves contracting out certain business functions to external organizations that specialize in providing those services. This can help a company save money and improve its performance by allowing it to focus on its core competencies, rather than trying to handle everything in-house (Awe et al., 2018). However, the success of outsourcing initiatives depends on several factors, including the company's business strategy and the dynamism of its external environment (Hassan et al., 2014).

In a highly dynamic environment, it can be difficult for a company to find external organizations that are able to provide the services it needs in a flexible and adaptable manner (Bei et al., 2010). This can make it difficult for the company to take advantage of the benefits of outsourcing, such as cost savings and improved efficiency. Additionally, the uncertainty and unpredictability of a highly dynamic environment can make it difficult for the company to plan and execute its outsourcing initiatives, which can harm its performance (Hassan et al., 2015).

On the other hand, in a more stable and predictable environment, outsourcing can be a more effective tool for improving a company's performance (Demirtas and Karacaoglu, 2013). In these

cases, the company may be able to find external organizations that are able to provide the services it needs in a reliable and consistent manner (Xue et al., 2019). This can help the company save money and improve its efficiency, without sacrificing the quality of the services it receives. Additionally, the relatively low level of environmental dynamism in these cases can make it easier for the company to plan and execute its outsourcing initiatives, which can help it achieve better results (Bei and Jin, 2010). The hypothesis below is made:

H2: Environmental Dynamism negatively moderates the Relationship Between Outsourcing and Performance

2.8.3 The Moderating Role of Business Strategy in The Relationship Between Outsourcing and Performance

The present research operationalizes the concept of "Business Strategy" as the comprehensive strategy adopted by a corporation to allocate its resources in order to attain particular objectives. According to Lee (2006), these plans often have a long-term focus and include several aspects of the firm, such as operations, marketing, and human resources. The authors Silvius et al. (2013) propose that the approach may be assessed along a spectrum that spans from 'Cost Leadership' to 'Differentiation'. Organizations have the flexibility to position themselves at various points along this spectrum, adopting a hybrid strategy or focusing on a certain aim. The outsourcing choices of a firm may be strongly influenced by the strategy it chooses to follow (Mansor et al., 2022). The potential impact of a business's general strategy on the link between outsourcing intensity and firm performance should be considered. Through the use of peripheral outsourcing, organizations that prioritize cost leadership may enhance their concentration on their fundamental capabilities and enhance the quality of their nonstrategic operations (Jyoti, Arora, and Kour, 2017). Additionally,

this approach may lead to gradual reductions in their overall expenses (Proff, 2011). The enhanced cost position has the potential to significantly increase the competitiveness of the company compared to its industry competitors, ultimately resulting in greater performance. Contrarily, companies that adopt a differentiation strategy, in addition to reaping the advantages of emphasizing core capabilities and enhancing the quality of peripheral activities, are likely to have a lesser degree of benefits (compared to cost leaders) when they decide to outsource peripheral operations (Gilley and Rasheed, 2000). While it is possible that cost reductions may indirectly benefit differentiators by providing them with more resources to invest in activities that enhance difference, it is argued that the potential gains for differentiators are comparatively lower than those for cost leaders. Therefore, it is suggested that implementing a differentiation strategy might mitigate the favorable impact (or enhance the adverse impact) of peripheral outsourcing on the performance of a corporation. The hypothesis below is developed:

H3: Business strategy moderates the Relationship Between Outsourcing and Performance such that for a cost leader, any positive effect of outsourcing on performance is strengthened and, for a differentiator, any positive effect weakened.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The chapter covers key methodological issues such as the research approach, population and sample, the research instrument, measure of variables, data collection, analysis, reliability and ethical issues that are considered.

3.2 Research Approach and Design

In addition to providing a structure for the research, a research design acts as a kind of "road map" for the study (Kuada, 2015). According to Teyi's (2014) analysis, it is the research design that forms the bedrock upon which the project's pilot is built. Exploratory, descriptive, and explanatory studies are the three main types of research purposes, according to Saunders et al. (2009). (Saunders et al., 2009). In this research, we use a quantitative approach and a descriptive research approach. Objectively measuring variables of interest, conducting statistical, mathematical, or numerical analysis of data collected via polls, questionnaires, and surveys, and modifying existing statistical data using computing tools are the backbone of quantitative methods. In order to generalize results or occurrences, quantitative researchers rely largely on numerical data. In addition, the researcher uses an explanatory research design to conduct an in-depth, empirical approach of the phenomena. The researcher would be able to identify and provide an explanation for the link between the variables if this research design were used.

3.3 Population

The population for this study revolved around beverage manufacturing firms in Ghana, specifically Ashanti and Greater Accra Regions. Extensive research shows that there are a little over 16 main beverage manufacturing firms in Accra with over 80 branches across the region while there are 12 beverage manufacturing firms with over 60 branches in Kumasi. Since these firms' branches have different management style and processes, the study focuses on their 140 branches.

3.4 Sample and Sampling Approach

According to Burns and Groove (2003), sampling methodology refers to the processes used to generate a sample that will be utilized to represent the population. These businesses would be chosen utilizing the convenience sample technique, which provides the researcher with respondents who are readily accessible to respond to the surveys. This strategy allows the researcher to contact as many groups as feasible due to the modest population size.

The sample size influences the accuracy of the population representation. The total number of components evaluated by the researcher is the sample size. Tabachnick and Fidell (2007) devised a strategy for determining sample size while doing regression analysis since predicting sample size is problematic (Malhotra, 2012). The formula is $N > 50 + 8m$. Where N is the number of participants in the study and m is the number of independent variables. As a result, the independent variables in this study were $N > 50 + 8(6) = 98$. As a result, the researcher chooses 98 beverage manufacturing companies and branches as a sample size.

3.5 Data Type and Instrument

The main data type used for this research is the primary data. The reason for the use of primary data is due to the fact that most of these restaurants are small and medium in nature and hence it is difficult to obtain secondary data from these firms. The questionnaire was the main instrument used for the study and was distributed to the owners and managers to answer following the extent to which they agree or disagree with the statements on the questionnaire.

3.6 Measures of Variables

After considering past studies on the research topic, the following pool of measures are deemed appropriate for this research.

Dependent Variables: The dependent variable in this study was firm performance. In general, business performance is considered to be the company's ability to profit from the resources and achieve its objective (Lahiri, 2016).

Moderating Variables: The study has two moderators being business strategy and environmental dynamism. Business strategy is defined as all the decisions taken, and actions undertaken by a business for achieving the larger vision (Lee, 2006). Whiles environmental dynamism is defined as the rate and instability of changes in a firm's external environment (Hassan et al., 2016).

Independent Variable: The independent variable in this study was outsourcing practice. This is defined as the business practice of hiring a party outside a company to perform services or create goods that were traditionally performed in-house (Awe et al., 2018).

The table below summarises the variables, sources and measures:

Table 3. 1: Variable Measures and Sources

Variable Names	Measures	Sources
Outsourcing	Transportation services	(Lahiri, 2016)
	Information processing	(Lahiri, 2016)
	Materials management and value added service	(Lahiri, 2016)
Business strategy	Business strategy	(Lee, 2006)
Business environment	Technology	(Hassan et al., 2016)
	Market	(Hassan et al., 2016)
	Competition	(Hassan et al., 2016)
Firm performance	Operational performance	(Awe et al., 2018).
	Financial performance	(Awe et al., 2018).

Source: Author's Construct (2023)

3.7 Data Collection

Owners and managers who provided data for the study received research questionnaires. Because of the large number of replies, a closed-ended questionnaire would allow for easier data processing. The managers and owners were handed the questionnaires in person. The use of the face-to-face approach aids in ensuring that the data gathered is accurate and from trusted sources.

3.8 Data Analysis

The study data was examined using the Statistical Package for Social Sciences v22 for descriptive statistics and the influence of strategic management methods on performance, which was derived using multiple regression approaches. The Hayes Process model and the Bootstrapping technique would be utilized to perform the mediation analysis.

3.9 Reliability and Validity

The survey's reliability was measured by Cronbach alpha, indicating that the questions used to measure the constructs would be varied if it meets the acceptable level which is 0.70 Cronbach alpha. Furthermore, the study uses the exploratory factor analysis (EFA) to test for the validity of the research construct.

3.10 Ethical Issues

Most ethical issues arise during research planning, access to organizations and people, data collecting, analysis, and reporting. This implies that the researcher must ensure that the study's design is methodologically sound as well as ethically justifiable for all persons engaged. To address this, the Graduate School's guideline for conducting postgraduate thesis is used to guarantee that ethical problems are adequately addressed. The volunteers' consent was obtained before conducting the questionnaires. The respondents were also assured that their responses would be kept confidential, and as a consequence, the researcher took the necessary procedures to safeguard the respondents' data.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter of the study presents the results and discusses the findings of this study. The chapter covers the demographics descriptive statistics. The chapter also presents the validity and reliability tests on the variables in addition to the data analysis conducted to achieve the research objectives. Finally, the chapter presents the discussion of the findings and relates them to prior studies.

4.2 Demographic Distribution

Table 4.1 presents the demographics on the respondent's industry or business. The demographic items cover the ownership, revenue, employee size, length of employment among others.

From Table 4.1, it is evident that in terms of ownership, the predominant category was "Solely Ghanaian Owned" with 80 percent, representing 96 respondents. This is followed by "Joint Ventureship" with 13.3 percent or 16 respondents. Only 6.7 percent, equivalent to 8 respondents, were "Foreign Owned".

Regarding revenue, the largest group fell within the range of "200,001-300,000", accounting for 32.5 percent or 39 respondents. This was closely trailed by those in the "300,001-400,000" bracket, which constituted 25 percent, translating to 30 firms. Firms with revenue between "50,001-100,000" comprised 12.5 percent of the total, with 15 respondents. The "20,001-50,000" bracket represented 7.5 percent or 9 respondents, while businesses with revenues "less than 20,000" made up 5 percent, equivalent to 6 respondents. Firms in the "100,001-200,000" revenue range

contributed to 5.8 percent, tallying 7 respondents. Similarly, the "400,001-500,000" category accounted for 6.7 percent, which is 8 respondents. Lastly, those with a revenue "Above 500,000" also represented 5 percent, amounting to 6 respondents.

Table 4. 1: Demographics of Respondents

Demographic	Measure	Frequency	Valid Percent
Ownership	Solely Ghanaian Owned	96	80
	Foreign Owned	8	6.7
	Joint Ventureship	16	13.3
Revenue	less than 20,000	6	5
	20,001-50,000	9	7.5
	50,001-100,000	15	12.5
	100,001-200,000	7	5.8
	200,001-300,000	39	32.5
	300,001-400,000	30	25
	400,001-500,000	8	6.7
	Above 500,000	6	5
Current Position	Owner-manager/CEO	12	10
	Accounts/ Finance Manager	42	35
	Operations/Logistics Manager	24	20
	General Manager	36	30
	Others	6	5
Employee Size	Less than 5	9	7.5
	6 to 15	12	10
	16 to 30	30	25
	31 to 50	45	37.5
	more than 50	24	20
Length of Employment	less than 1 year	6	5
	1 to 2 years	24	20
	3 to 4 years	42	35
	5 to 6 years	36	30
	more than 6 years	12	10
Experience in Position	2 years	9	7.5
	3 years	6	5
	4 years	8	6.7
	5 years	30	25
	6 years	9	7.5
	7 years	44	36.7
	8 years	5	4.2
	9 years	9	7.5

Source: Field Study, 2023

For the current position, the "Accounts/ Finance Manager" role was the most represented with 35 percent or 42 respondents, followed by the "General Manager" position with 30 percent or 36 respondents. "Operations/Logistics Manager" accounted for 20 percent, translating to 24 respondents, while "Owner-manager/CEO" had 10 percent or 12 respondents. Only 5 percent, or 6 respondents, were in other positions.

In terms of employee size, the majority were in the "31 to 50" category with 37.5 percent or 45 respondents. This was followed by "16 to 30" with 25 percent or 30 respondents, and "more than 50" with 20 percent or 24 respondents. Both the "6 to 15" and "Less than 5" categories had 10 and 7.5 percent, equivalent to 12 and 9 respondents, respectively.

Concerning the length of employment, the highest was in the "3 to 4 years" category with 35 percent or 42 respondents. This was followed by "5 to 6 years" with 30 percent or 36 respondents. "1 to 2 years" and "more than 6 years" both represented 20 and 10 percent, corresponding to 24 and 12 respondents, respectively. The "less than 1 year" category had the least representation with 5 percent or 6 respondents.

Lastly, for experience in the position, "7 years" was the predominant category with 36.7 percent or 44 respondents. This was closely followed by "5 years" with 25 percent or 30 respondents. The rest of the categories ranged from 4.2 to 7.5 percent, with their respective respondent counts.

4.3 Validity and Reliability Test

In this section of the study, the reliability and validity test analysis are conducted in addition with the correlation analysis.

4.3.1 Validity Test (Exploratory Factor Analysis)

The validity of the research instruments is examined through Exploratory Factor Analysis (EFA). EFA is a statistical technique used to identify underlying factors or constructs within a set of observed variables. By analyzing patterns of covariance among variables, EFA helps determine whether the measured items align with the intended constructs. This process aids in confirming the instruments' ability to effectively measure the targeted concepts, enhancing the overall credibility and reliability of the study's outcomes. Table 4.2 shows the validity report from EFA.

Table 4. 2: EFA Test

	1	2	3	4	5	6	7	8	Extraction
TS1			0.891						0.847
TS2			0.903						0.868
TS3			0.856						0.771
TS4			0.932						0.898
IP1						0.926			0.87
IP2						0.924			0.863
MM1								0.766	0.708
MM2								0.817	0.698
OP1				0.827					0.763
OP2				0.91					0.875
OP3				0.893					0.824
OP4				0.832					0.802
FP6							0.802		0.695
FP7							0.614		0.509
FP8							0.844		0.751
BS1		0.904							0.882
BS2		0.891							0.861
BS3		0.873							0.866
BS4		0.882							0.882
BS5		0.862							0.866
M1	0.778								0.755

M2	0.828								0.734
M3	0.82								0.772
M4	0.847								0.812
M5	0.831								0.775
M6	0.816								0.738
C2					0.74				0.576
C3					0.656				0.48
C4					0.703				0.64
C5					0.692				0.505
C6					0.706				0.557
Total	4.576	4.358	3.456	3.206	2.61	1.944	1.851	1.442	
% of Variance	14.76	14.058	11.149	10.342	8.421	6.271	5.972	4.653	
Cumulative %	14.76	28.819	39.968	50.31	58.731	65.002	70.974	75.627	
KMO and Bartlett's Test									
Kaiser-Meyer-Olkin Measure of Sampling Adequacy. 0.80									
Bartlett's Test of Sphericity Approx. Chi-Square 2620.7									
df 465									
Sig. 0									

Source: Field Study, 2023

During the factor analysis, items that loaded on more than one construct and items that loaded below 0.50 were deleted. This leaves the data with the items in Table 4.2 below. Factor 3 strongly influences the Transportation Services (TS) variables, Factor 6 strongly influences the Information Processing (IP) variables, Factor 8 strongly influences the Materials Management (MM) variables, Factor 4 strongly influences the Operational Performance (OP) variables, Factor 7 strongly influences some of the Financial Performance (FP) variables, Factor 1 strongly influences Market (M), and factor 2 strongly influences business strategy (BS). The loaded items would subsequently be used for future analysis.

The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is 0.80. This value is indicative of a fairly high degree of suitability for performing factor analysis on the dataset. KMO values typically range from 0 to 1, where higher values (closer to 1) suggest that the dataset is well-suited for factor analysis. In this case, the KMO value of 0.80 indicates that the variables in the dataset

share a substantial amount of common variance, making them suitable for factor analysis. Additionally, the Bartlett's Test of Sphericity has an approximate chi-square value of 2620.7 with 465 degrees of freedom, and the significance level (Sig.) is 0. This low p-value suggests that there is significant evidence to reject the null hypothesis that the variables in the dataset are uncorrelated, further supporting the appropriateness of conducting factor analysis. Taken together, the KMO value and the significant Bartlett's Test result provide confidence that the dataset is appropriate for performing factor analysis, as there is a reasonable amount of shared variance among the variables, making the underlying factors potentially identifiable.

4.3.2 Reliability Test

Cronbach's Alpha is a widely used measure of internal consistency reliability in research. It assesses how well a set of items or variables in a scale measure a single underlying construct. It provides a value between 0 and 1, where higher values indicate greater reliability, suggesting that the items are consistently measuring the same concept. The reliability test table is provided in Table 4.3:

Table 4. 3: Reliability Test

Variable	No. of Items	Cronbach's Alpha
Transportation Services	4	0.935
Information Processing	2	0.879
Materials Management	2	0.824
Business Strategy	5	0.958
Market	6	0.93
Competition	5	0.752
Operational Performance	4	0.913
Financial Performance	3	0.874

Source: Field Study, 2023

The Cronbach's Alpha of 0.935 indicates excellent internal consistency, suggesting that the four items within this scale reliably measure the concept of transportation services. With a Cronbach's Alpha of 0.879, this scale demonstrates good internal consistency, indicating that the two items effectively measure information processing. The Cronbach's Alpha of 0.824 suggests good internal consistency for the two items related to materials management. With a high Cronbach's Alpha of 0.958, this scale shows excellent internal consistency, indicating that the five items are reliably measuring the construct of business strategy. The Cronbach's Alpha of 0.93 suggests excellent internal consistency for the six items related to the market concept. The Cronbach's Alpha of 0.752 indicates acceptable internal consistency for the five items within the competition scale. The Cronbach's Alpha of 0.913 suggests excellent internal consistency for the four items related to operational performance. With a Cronbach's Alpha of 0.874, this scale demonstrates good internal consistency for the three items measuring financial performance. These Cronbach's Alpha values indicate the internal consistency reliability of each scale. In general, Cronbach's Alpha values above 0.7 are considered acceptable for most research purposes. Values above 0.8 are often seen as good, and values above 0.9 are excellent.

4.3.3 Correlation Analysis

The correlation table provides insight into the relationships between different variables: "Outsourcing," "Business Strategy," "Business Environment," and "Firm Performance." The table presents Pearson correlation coefficients and their corresponding significance levels (p-values). The results are presented in Table 4.4. The correlation is used to test if there exists any strong (above 0.70) correlations between the independent variables since highly correlated independent variables causes problems of multicollinearity.

Table 4. 4: Pearson Correlation Analysis

	Outsourcing	Business Strategy	Business Environment	Firm Performance
Outsourcing	1	-0.006	-0.029	.350**
Business Strategy	-0.006	1	.466**	0.162
Business Environment	-0.029	.466**	1	.310**
Firm Performance	.350**	0.162	.310**	1

*=Significant at 5 percent, **=Significant at 1 percent.

Source: Field Study, 2023

To assess whether the correlations are too high and might lead to multicollinearity, we generally look for correlations above a threshold, typically around 0.7 or 0.8. High correlations among predictor variables (independent variables) can indeed indicate potential multicollinearity issues in regression analyses, making it challenging to discern the individual impact of each variable on the dependent variable. In your provided correlation table, the highest correlation coefficient is 0.466** between "Business Strategy" and "Business Environment." This value is below the common threshold of 0.7 or 0.8, indicating that multicollinearity is not a major concern between these two variables. Similarly, the correlation coefficients between other variables are even lower, suggesting that there's no strong multicollinearity issue in the provided dataset.

4.4 Descriptive Statistics

This section presents the descriptive statistics on the variables in the study, the descriptive cover the means, maximums, minimum, and standard deviations.

4.4.1 Descriptive Statistics on Outsourcing

Table 4.5 presents the descriptive statistics on outsourcing with its different measures being transportation services, information processing and materials management.

Table 4. 5: Descriptive Statistics on Outsourcing

Items	N	Min	Max	Mean	Std. Dev.
Domestic transportation management	120	1	7	4.075	1.89277
International transportation management	120	1	7	4.0083	1.91191
Reverse logistics	120	1	7	3.95	1.98249
Freight forwarding	120	1	7	4.1083	1.96095
Opinion Index				4.0354	
Order processing	120	1	7	3.95	1.82812
Invoicing	120	1	7	4.0667	1.60741
Opinion Index				4.00835	
Warehouse management	120	1	7	4.1417	1.43366
Inventory management	120	1	7	4.5	1.5394
Opinion Index				4.32085	

Source: Field Study, 2023

From Table 4.5, it can be observed that the items “Domestic transportation management”, “International transportation management” “Reverse logistics”, and “Freight forwarding” recorded means of 4.07, 4.08, 3.95, and 4.10 with an opinion index of 4.03 which shows that majority of the respondents agree that these transport services are outsourced. In addition, the items “Ordering Processing”, and “Invoicing” recorded means of 3.95, and 4.06 with opinion index of 4.00 which also shows that majority of the respondents agree that these services related to information processing are outsourced. Finally, the items “Warehouse management”, and “Inventory management” recorded means of 4.14 and 4.5 respectively with opinion index of 4.32 which shows agreement to the materials management and value added services being outsourced.

4.4.2 Descriptive Statistics on Business Strategy

Table 4.6 presents the descriptive statistics on business strategy items that loaded correctly.

Table 4. 6: Descriptive Statistics on Business Strategy

Items	N	Min	Max	Mean	Std. Dev.
We differentiate our products	120	1	7	4.4667	2.00392
We distinguish our products	120	1	7	4.8	1.66325
We have major/frequent product innovations	120	1	7	4.55	1.68458
We add features to our products	120	1	7	4.5667	1.62818
We use prestige pricing	120	1	7	4.6167	1.64589
Opinion Index				4.60002	

Source: Field Study, 2023

From the Table 4.6, it can be observed that the items “We differentiate our products”, “We distinguish our products”, “We have major/frequent product innovations”, “We add features to our products”, and “We use prestige pricing” recorded means of 4.46, 4.80, 4.55, 4.56, and 4.61 respectively. The variable has an opinion index of 4.60 which indicates that majority of the respondents agree to the statements listed above on business strategy.

4.4.3 Descriptive Statistics on Business Environment

Table 4.7 presents the descriptive statistics on business environment, though the variable had three constructs being technology, market and competition, technology did not load well on any factor hence the descriptive statistics covers market and competition.

Table 4. 7: Descriptive Statistics on Business Environment

Items	N	Min	Max	Mean	Std. Dev.
In our kind of business, customers' product preferences change quite a bit over time.	120	1	7	4.9833	1.5556
Our customers tend to look for new product all the time	120	1	7	5.2167	1.52945

Sometimes our customers are very price-sensitive, but on other occasions, price is relatively unimportant.	120	1	7	5.1917	1.40405
We are witnessing demand for our products and services from customers who never bought them before.	120	1	7	5.0667	1.39467
New customers tend to have product-related needs that are different from those of our existing	120	1	7	4.9333	1.38256
We cater to many of the same customers that we used to in the past.	120	1	7	4.8711	1.29596
Opinion Index				5.0438	
There are many "promotion wars" in our industry	120	1	7	5.0833	1.46433
Anything that one competitor can offer, others can match readily	120	1	7	5.225	1.47507
Price competition is a hallmark of our industry	120	1	7	5.15	1.54838
One hears of a new competitive move almost every day	120	1	7	5.3417	1.48095
Our competitors are relatively weak	120	1	7	5.85	1.42987
Opinion Index	120			5.33	

Source: Field Study, 2023

From the Table 4.7, it can be observed that with respect to market, the items “In our kind of business, customers' product preferences change quite a bit over time”, “Our customers tend to look for new product all the time”, “Sometimes our customers are very price-sensitive, but on other occasions, price is relatively unimportant”, “We are witnessing demand for our products and services from customers who never bought them before”, “New customers tend to have product-related needs that are different from those of our existing”, and “We cater to many of the same customers that we used to in the past” recorded means of 4.98, 5.21, 5.19, 5.06, 4.93, and 4.87 respectively, with an opinion index of 5.04 showing that majority of the respondents agree to market as a turbulence in their business environment.

In addition, the items “There are many "promotion wars" in our industry”, “Anything that one competitor can offer, others can match readily”, “Price competition is a hallmark of our industry”, “One hears of a new competitive move almost every day”, and “Our competitors are relatively weak” also recorded means of 5.08, 5.22, 5.12, 5.34, and 5.85 respectively and has a opinion index of 5.33 which shows that majority of the respondents agree to the statements on completion within their business environment.

4.4.4 Descriptive Statistics on Firm Performance

Table 4.8 presents the descriptive statistics on firm performance containing both operational performance and financial performance.

Table 4. 8: Descriptive Statistics on Firm Performance

Items	N	Min	Max	Mean	Std. Dev.
The extent of flexibility in production/service delivery processes	120	1	7	4.2583	1.95537
The time it takes to serve customers	120	1	7	4.4833	1.66013
The consistency in meeting the needs of customers	120	1	7	4.6583	1.70267
The extent of variety in products/services offered to customers	120	1	7	4.5154	1.81923
Opinion Index				4.478825	
Profit levels	120	1	7	4.65	1.61219
Growth in sales	120	1	7	4.7	1.64291
Growth in profitability	120	1	7	4.9083	1.53391
Opinion Index				4.752767	

Source: Field Study, 2023

From the Table 4.8, the items “The extent of flexibility in production/service delivery processes”, “The time it takes to serve customers”, “The consistency in meeting the needs of customers”, and “The extent of variety in products/services offered to customers” recorded means of 4.25, 4.48,

4.65, and 4.51 respectively with an opinion index of 4.47 which implies that majority of the respondents deemed their operational performance to be better than competitors. Also, the items “Profit levels”, “Growth in sales”, and “Growth in profitability” also recorded means of 4.65, 4.70, and 4.90 respectively and also showed an opinion index of 4.75 which indicates that majority of the respondents agree to the statements on financial performance showing that these financial performance measures of theirs are better than competitors.

4.5 Data Analysis

The analysis for this study are presented in this section of the study. The analysis contains four main models, the models and their interpretation are presented below:

$$\text{Model 1: } FP_i = Constant_i + OS_i + \mu_i$$

$$\text{Model 2: } FP_i = Constant_i + OS_i + BS_i + OS * BS_i + \mu_i$$

$$\text{Model 3: } FP_i = Constant_i + OS_i + BE_i + OS * BE_i + \mu_i$$

Where FP represents firm performance, OS represents outsourcing, BS represents business strategy, BE represents business environment, OS*BS is the interaction between outsourcing and business strategy and OS*BE represents the interaction between outsourcing and business environment. The results of the regression analysis are presented in Table 4.9:

Table 4. 9: Regression Summary on the Relationship Between the Variables

Variable/Model	Model 1	Model 2	Model 3
Constant	3.187*** (8.873)	3.9416*** (3.9207)	6.7031*** (3.1586)
Main Effect			
Outsourcing (OS)	0.344*** (4.054)	0.0394 (0.1677)	-1.0363** (-2.0656)
Business Strategy (BS)		-0.1664 (-0.8094)	
Business Environment (BE)			-0.6990* (-1.7092)
Interactions			
OS*BS		0.0668 (1.3912)	
OS*BE			0.2718*** (2.8028)
R-Squared	0.122	0.1632	0.2740
F-Statistics	16.437***	7.5429***	14.5962***

Source: Field Study, 2023

The constant in Model 1 is 3.187. The associated t-value is 8.873, indicating high statistical significance. This implies that, when all other variables are held constant, the firm performance is expected to be 3.187. The coefficient for the variable "Outsourcing (OS)" is 0.344. The associated t-value is 4.054, indicating statistical significance at the 1% level. This means that, holding other variables constant, for each unit increase in outsourcing, there is an expected increase of 0.344 units in firm performance. The R-squared value for Model 1 is 0.122, indicating that the model can account for approximately 12.2% of the variations in firm performance. The F-statistics for Model 1 is 16.437, indicating statistical significance at the 1% level. This suggests that the overall model is statistically significant, and at least one of the independent variables in the model has a significant impact on the dependent variable.

The constant in Model 2 is 3.9416. The associated t-value is 3.9207, indicating high statistical significance. This suggests that, when all other variables are held constant, the firm performance is expected to be around 3.9416. The coefficient for the variable "Outsourcing (OS)" is 0.0394. The associated t-value is 0.1677, indicating that this coefficient is not statistically significant. This implies that there is no clear evidence to suggest that outsourcing significantly influences firm performance in this model. The coefficient for the variable "Business Strategy (BS)" is -0.1664. The associated t-value is -0.8094, suggesting that this coefficient is not statistically significant. This indicates that there is no significant relationship between business strategy and firm performance in this model. The interaction term "OS*BS" has a coefficient of 0.0668. The associated t-value is 1.3912, suggesting that this coefficient is not statistically significant. This implies that there is no significant interaction effect between outsourcing and business strategy on firm performance in this model. The R-squared value for Model 2 is 0.1632, indicating that the model can account for approximately 16.32% of the variations in firm performance. The F-statistics for Model 2 is 7.5429. The associated significance is marked as significant (***). This indicates that the overall model is statistically significant, and at least one of the independent variables in the model has a significant impact on the dependent variable.

The constant in Model 3 is 6.7031. The associated t-value is 3.1586, indicating high statistical significance. This suggests that, when all other variables are held constant, the firm performance is expected to be around 6.7031. The coefficient for the variable "Outsourcing (OS)" is -1.0363. The associated t-value is -2.0656, indicating statistical significance at the 5% level. This means that, holding other variables constant, for each unit increase in outsourcing, there is an expected decrease of 1.0363 units in firm performance. The coefficient for the variable "Business

Environment (BE)" is -0.6990. The associated t-value is -1.7092, indicating statistical significance at the 10% level. This implies that, holding other variables constant, a one-unit increase in business environment is associated with a decrease of 0.6990 units in firm performance. The interaction term "OS*BE" has a coefficient of 0.2718. The associated t-value is 2.8028, indicating high statistical significance. This suggests that the interaction between outsourcing and business environment has a significant positive impact on firm performance. The R-squared value for Model 3 is 0.2740, indicating that the model can account for approximately 27.40% of the variations in firm performance. The F-statistics for Model 3 is 14.5962. The associated significance is marked as significant (***). This indicates that the overall model is statistically significant, and at least one of the independent variables in the model has a significant impact on the dependent variable.

4.6 Discussion of Findings

The results of the study are discussed in this section in accordance with the objectives of the study outlined earlier:

4.6.1 To Examine The Influence Of Outsourcing On Performance Of Manufacturing Firms In Ghana.

The first objective of the study was to examine the influence of outsourcing on performance of manufacturing firms in Ghana. The analysis showed that outsourcing has a positive and significant influence on firm performance of manufacturing firms in Ghana. This means that when manufacturing firms engage in outsourcing activities, such as delegating certain processes or functions to external entities or partners, it tends to result in improvements in their overall performance. The observed positive and significant influence of outsourcing on the performance

of manufacturing firms in Ghana underscores the strategic value of this business practice. Outsourcing enables firms to leverage specialized expertise and resources from external partners, allowing them to focus on their core competencies. By entrusting non-core functions to experienced service providers, firms can achieve efficiency gains and cost savings, which can translate into improved operational performance. The positive and significant influence of outsourcing on the performance of manufacturing firms in Ghana aligns with the Resource-Based View (RBV) theory. RBV suggests that firms gain a competitive advantage by leveraging unique and valuable resources. In this case, outsourcing provides access to specialized expertise and resources from external partners, allowing manufacturing firms to focus on their core competencies. The findings are consistent with the findings of Jiang, Frazier and Prater (2006) who provides evidence that outsourcing can improve a firm's cost-efficiency. It further confirms the findings of Strange and Magnani (2017) also showed that outsourcing corresponds positively with performance.

4.6.2 To Evaluate The Moderating Role Of Environmental Dynamism In The Relationship Between Outsourcing And Performance Of Manufacturing Firms In Ghana.

The second objective sort to evaluate the moderating role of environmental dynamism in the relationship between outsourcing and performance of manufacturing firms in Ghana. The analysis showed that environmental dynamism or business environment positively and significantly moderates the relationship between outsourcing and firm performance of manufacturing firms in Ghana. The positive moderating effect suggests that in environments characterized by higher levels of dynamism, the positive influence of outsourcing on firm performance becomes even more pronounced. In dynamic environments, outsourcing can serve as a strategic tool to swiftly adapt

to changes. By delegating certain functions to external partners who specialize in those areas, firms can respond more agilely to market shifts and capitalize on emerging opportunities. Outsourcing can enhance a firm's ability to access specialized knowledge and expertise that might be challenging to cultivate internally in a rapidly changing landscape. External partners can provide insights and solutions that align with the evolving market demands, leading to innovation-driven competitive advantages. The moderating role of environmental dynamism supports TCE as well. TCE posits that firms make governance choices based on the uncertainty and complexity of the external environment. In a dynamic environment, where market conditions are rapidly changing, outsourcing becomes a valuable tool for firms to adapt quickly without incurring the high fixed costs associated with internal production. The positive moderating effect suggests that environmental dynamism enhances the transaction cost advantages of outsourcing in a rapidly changing landscape. The finding is consistent with the argument of Demirtas and Karacaoglu (2013) that in a more stable and predictable environment, outsourcing can be a more effective tool for improving a company's performance

4.6.3 To Evaluate the Moderating Role Of Business Strategy In The Relationship Between Outsourcing And Performance Of Manufacturing Firms In Ghana.

In the final objective, the study evaluates the moderating role of business strategy in the relationship between outsourcing and performance of manufacturing firms in Ghana. The analysis showed that business strategy does not significantly moderate the relationship between outsourcing and firm performance of manufacturing firms in Ghana. The outcome of this investigation indicates that business strategy does not significantly moderate the relationship between outsourcing and firm performance for manufacturing firms in Ghana. This suggests that the

manner in which outsourcing impacts firm performance is relatively consistent across different strategic approaches adopted by these firms. While the absence of a significant moderating effect might seem surprising at first glance, it is important to consider the nuances of business strategy and its alignment with outsourcing decisions. It is possible that the manufacturing firms in Ghana, despite adopting different strategic approaches, experience similar patterns of benefits and challenges from outsourcing initiatives. This finding suggests that, in the Ghanaian manufacturing context, the positive effects of outsourcing on firm performance might not be contingent upon the specific business strategy pursued. The absence of a significant moderating effect of business strategy aligns with TCE, as it suggests that business strategy may not significantly alter the transaction cost calculations associated with outsourcing decisions. TCE argues that firms choose between market and hierarchy based on transaction cost considerations, and the finding implies that, regardless of the adopted business strategy, the transaction costs associated with outsourcing decisions remain relatively consistent for manufacturing firms in Ghana. The finding contradicts the popular argument that the success of outsourcing initiatives depends on several factors, including the company's business strategy and (Hassan et al., 2014).

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The findings of the study are summarized in this chapter of the work in the first section. The chapter then presents the conclusion drawn from the findings of the study. Contained in this chapter are also the recommendations made from the findings and recommendations made for future studies.

5.2 Summary of Findings

The findings of the study are summarized in this section of the study and in accordance with the objectives of the study.

5.2.1 To Examine the Influence of Outsourcing On Performance of Manufacturing Firms in Ghana

The first objective of the study was to examine the influence of outsourcing on performance of manufacturing firms in Ghana. The analysis showed that outsourcing has a positive and significant influence on firm performance of manufacturing firms in Ghana. This means that when manufacturing firms engage in outsourcing activities, such as delegating certain processes or functions to external entities or partners, it tends to result in improvements in their overall performance. The observed positive and significant influence of outsourcing on the performance of manufacturing firms in Ghana underscores the strategic value of this business practice. Outsourcing enables firms to leverage specialized expertise and resources from external partners, allowing them to focus on their core competencies. By entrusting non-core functions to

experienced service providers, firms can achieve efficiency gains and cost savings, which can translate into improved operational performance.

5.2.2 To Evaluate the Moderating Role of Environmental Dynamism in The Relationship Between Outsourcing and Performance of Manufacturing Firms in Ghana

The second objective sort to evaluate the moderating role of environmental dynamism in the relationship between outsourcing and performance of manufacturing firms in Ghana. The analysis showed that environmental dynamism or business environment positively and significantly moderates the relationship between outsourcing and firm performance of manufacturing firms in Ghana. The positive moderating effect suggests that in environments characterized by higher levels of dynamism, the positive influence of outsourcing on firm performance becomes even more pronounced. In dynamic environments, outsourcing can serve as a strategic tool to swiftly adapt to changes. By delegating certain functions to external partners who specialize in those areas, firms can respond more agilely to market shifts and capitalize on emerging opportunities. Outsourcing can enhance a firm's ability to access specialized knowledge and expertise that might be challenging to cultivate internally in a rapidly changing landscape. External partners can provide insights and solutions that align with the evolving market demands, leading to innovation-driven competitive advantages.

5.2.3 To Evaluate the Moderating Role of Business Strategy in The Relationship Between Outsourcing and Performance of Manufacturing Firms in Ghana

In the final objective, the study evaluates the moderating role of business strategy in the relationship between outsourcing and performance of manufacturing firms in Ghana. The analysis

showed that business strategy does not significantly moderate the relationship between outsourcing and firm performance of manufacturing firms in Ghana. The outcome of this investigation indicates that business strategy does not significantly moderate the relationship between outsourcing and firm performance for manufacturing firms in Ghana. This suggests that the manner in which outsourcing impacts firm performance is relatively consistent across different strategic approaches adopted by these firms. While the absence of a significant moderating effect might seem surprising at first glance, it is important to consider the nuances of business strategy and its alignment with outsourcing decisions. It is possible that the manufacturing firms in Ghana, despite adopting different strategic approaches, experience similar patterns of benefits and challenges from outsourcing initiatives. This finding suggests that, in the Ghanaian manufacturing context, the positive effects of outsourcing on firm performance might not be contingent upon the specific business strategy pursued.

5.3 Conclusion

The overall objective of this study is to examine the influence of outsourcing on firm performance considering the moderating roles of environmental dynamism and business strategy with evidence from manufacturing firms in Ghana. The researcher adopted the use of a descriptive research design and a quantitative approach to this study. This study's sample was comprised of businesses producing beverages in Ghana, with an emphasis on the Ashanti and Greater Accra regions. These firms would be selected using the convenience sampling technique, which provides the researcher with respondents who are readily available to answer the questionnaires distributed to them. The study used a sample of 120 firms. The data for the research was analyzed using Statistical Package for Social Sciences v22. Based on the findings, the study concludes that the analysis demonstrated

a significant and positive influence of outsourcing on the performance of manufacturing firms in Ghana. The study unveiled a positive and significant moderating effect of environmental dynamism on the relationship between outsourcing and firm performance. Contrary to expectations, the analysis revealed that business strategy does not significantly moderate the relationship between outsourcing and firm performance for manufacturing firms in Ghana.

5.4 Recommendations

The findings of the study lead to the following recommendations being made:

The analysis demonstrated a significant and positive influence of outsourcing on the performance of manufacturing firms in Ghana. In light of this finding, the study recommends that manufacturing firms in Ghana actively consider and implement outsourcing strategies to leverage external expertise, streamline processes, and realize improvements in their performance.

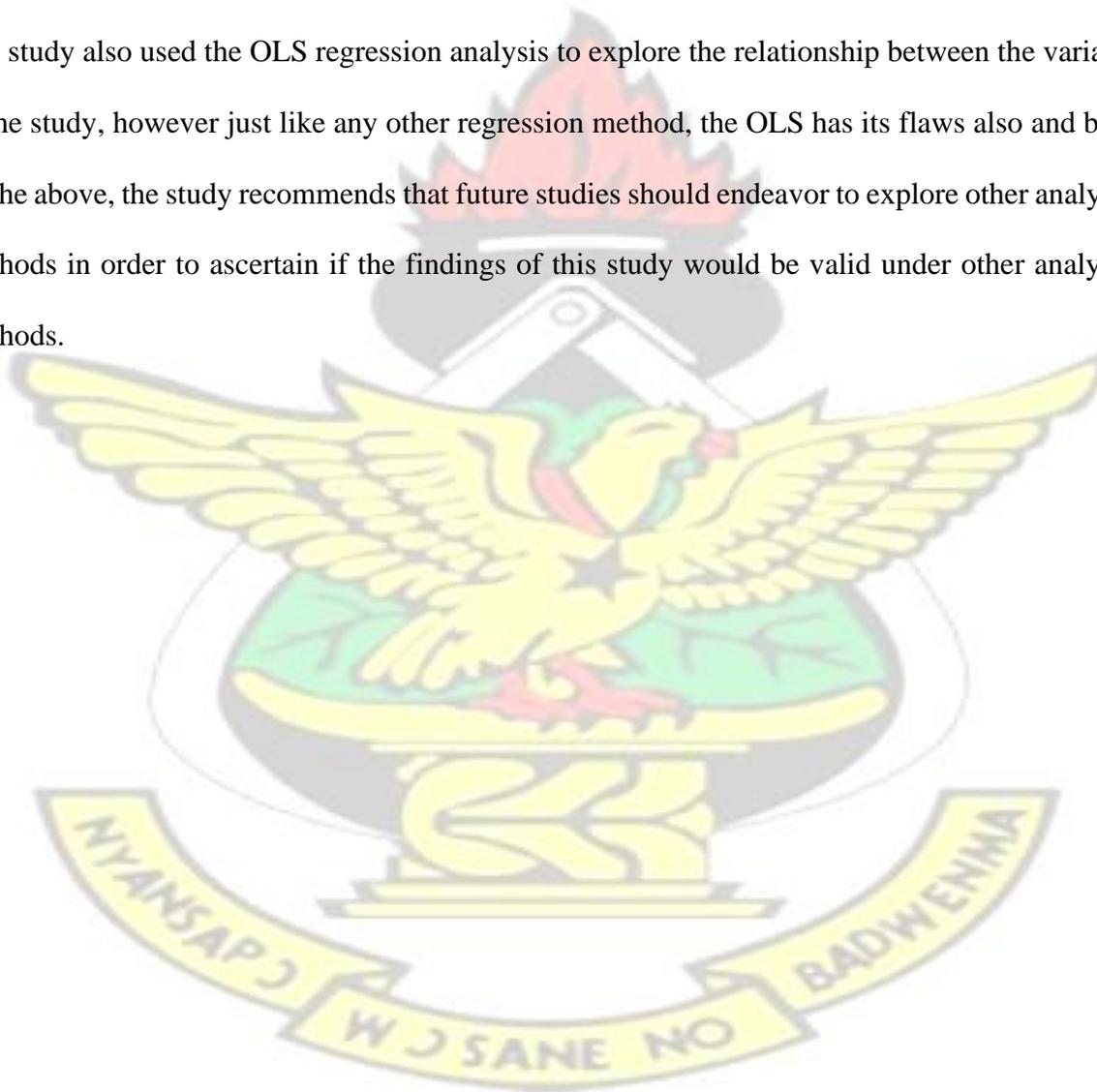
The study unveiled a positive and significant moderating effect of environmental dynamism on the relationship between outsourcing and firm performance. The study recommend that manufacturing firms recognize the dynamic nature of their operating environment and strategically embrace outsourcing as a tool for agility and innovation. By doing so, firms can navigate market fluctuations more effectively and tap into external knowledge to drive performance enhancements.

5.5 Recommendations for Future Studies

The following recommendations are made for future studies:

This study used a sample of 120 manufacturing firms despite the existence of many manufacturing firms. This poses a challenge when it comes to generalizing the findings across the country due to different industries due to the differences in operations. The study recommends that future studies should focus on expanding the sample size and scope to cover other industries in order to produce findings that can be generalized across other industries.

The study also used the OLS regression analysis to explore the relationship between the variables in the study, however just like any other regression method, the OLS has its flaws also and based on the above, the study recommends that future studies should endeavor to explore other analytical methods in order to ascertain if the findings of this study would be valid under other analytical methods.



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APPENDIX
QUESTIONNAIRE

Dear Sir/ Madam,

This research is being undertaken as part of the requirements for MSC Logistics and Supply Chain Management. The study seeks to **examine outsourcing in manufacturing firms in Ghana**. The research is strictly for academic purposes; hence, information volunteered would be held in high confidentiality. I shall be grateful if you could take a few minutes of your time to answer the following questions.

Are you willing to participate in this study? Yes No

Instruction: Please select the appropriate answer by ticking where applicable. Thank you.

PART A: Background Information

Select the answer that best suits your background and business information based on these questions.

1. Ownership of company ur company

Solely Ghanaian Owned; Foreign Owned; Joint Ventureship; Other (specify)

2. Please indicate the annual Revenue of the Company in New Ghana Cedis

less than 20,000 20,001-50,000 50,001-100,000 100,001-200,000

200,001-30000 300,001-400,000 400,001-500,000 Above 500,000

3. Please indicate your **current position** in this firm Owner-manager/CEO Accounts/
Finance Manager Operations/Logistics Manager General Manager Others
(specify).....

4. Indicate the number of employees in this firm:

less than 5 6 to 15 16 to 30 31 to 50 more than 50

5. Indicate your length of employment in this firm:

less than 1 year 1 to 2 years 3 to 4 years 5 to 6 years

more than 6 years

6. Indicate your years of experience in your current position:

PART B: OUTSOURCING

The following are statements about your outsourcing practices. Please respond to each statement with the following scale and indicate if you agree or disagree on the extent to which your firm uses these outsourcing activities: **1 = No Outsourcing, 2 = Not often Outsourced, 3 = Modest Outsourcing, 4 = Sometimes, 5 = Moderately Outsourced, 6 = Sometimes Outsourced, 7 = Fully Outsourced**

TRANSPORTATION SERVICES

Domestic transportation management	1	2	3	4	5	6	7
International transportation management	1	2	3	4	5	6	7
Reverse logistics	1	2	3	4	5	6	7
Freight forwarding	1	2	3	4	5	6	7

INFORMATION PROCESSING

Order processing	1	2	3	4	5	6	7
Invoicing	1	2	3	4	5	6	7
Logistics information technology (IT)	1	2	3	4	5	6	7

MATERIALS MANAGEMENT AND VALUE ADDED SERVICES

Warehouse management	1	2	3	4	5	6	7
Inventory management	1	2	3	4	5	6	7
Product customization	1	2	3	4	5	6	7

PART C: BUSINESS STRATEGY

The following are statements about your business strategy. Please respond to each statement with the following scale: **1 = Strongly Disagree, 2 = Moderately Disagree, 3 = Slightly Disagree, 4 = Undecided, 5 = Slightly Agree, 6 = Moderately Agree, 7 = Strongly Agree**

We differentiate our products	1	2	3	4	5	6	7
We distinguish our products	1	2	3	4	5	6	7
We have major/frequent product innovations	1	2	3	4	5	6	7
We add features to our products	1	2	3	4	5	6	7
We use prestige pricing	1	2	3	4	5	6	7
We advertise extensively	1	2	3	4	5	6	7
We use market segmentation	1	2	3	4	5	6	7
Our focus is on cost minimization	1	2	3	4	5	6	7
We standardize products to lower costs	1	2	3	4	5	6	7
We lengthen production runs to lower costs	1	2	3	4	5	6	7
We cut prices often	1	2	3	4	5	6	7
We analyze cost variances to determine cause	1	2	3	4	5	6	7
We minimize advertising expenses	1	2	3	4	5	6	7

PART D: BUSINESS ENVIRONMENT

The following are statements about the business conditions in your industry. Please respond to each statement with the following scale: **1 = Strongly Disagree, 2 = Moderately Disagree, 3 = Slightly Disagree, 4 = Undecided, 5 = Slightly Agree, 6 = Moderately Agree, 7 = Strongly Agree**

Technology

The technology in our industry is changing rapidly	1	2	3	4	5	6	7
Technology changes provide big opportunities in our industry	1	2	3	4	5	6	7
It is very difficult to forecast where the technology in our industry will be in the next 2 to 3 years.	1	2	3	4	5	6	7
A large number of new product ideas have been made possible through technological breakthroughs in our industry	1	2	3	4	5	6	7
Technological developments in our industry are rather minor.	1	2	3	4	5	6	7
Market							
In our kind of business, customers' product preferences change quite a bit over time.	1	2	3	4	5	6	7
Our customers tend to look for new product all the time	1	2	3	4	5	6	7
Sometimes our customers are very price-sensitive, but on other occasions, price is relatively unimportant.	1	2	3	4	5	6	7
We are witnessing demand for our products and services from customers who never bought them before.	1	2	3	4	5	6	7
New customers tend to have product-related needs that are different from those of our existing	1	2	3	4	5	6	7
We cater to many of the same customers that we used to in the past.	1	2	3	4	5	6	7
Competition							
Competition in our industry is cutthroat	1	2	3	4	5	6	7
There are many "promotion wars" in our industry	1	2	3	4	5	6	7
Anything that one competitor can offer, others can match readily	1	2	3	4	5	6	7
Price competition is a hallmark of our industry	1	2	3	4	5	6	7
One hears of a new competitive move almost every day	1	2	3	4	5	6	7
Our competitors are relatively weak	1	2	3	4	5	6	7

PART E: FIRM PERFORMANCE

The following are statements about your organization's performance compare your performance to that of your industry to determine if yours is much worse or much better. Please respond to each statement with the following scale: 1 = Much Worse, 2 = Moderately Worse, 3 = Slightly Worse, 4 = No Change, 5 = Slightly Better, 6 = Moderately Better, 7 = Significantly Better

OPERATIONAL PERFORMANCE							
The extent of flexibility in production/service delivery processes	1	2	3	4	5	6	7
The time it takes to serve customers	1	2	3	4	5	6	7
The consistency in meeting the needs of customers	1	2	3	4	5	6	7
The extent of variety in products/services offered to customers	1	2	3	4	5	6	7
The nature of product/service support to customers	1	2	3	4	5	6	7
Resource utilization (e.g. human skills, time)	1	2	3	4	5	6	7
Cost of production/operation	1	2	3	4	5	6	7
The time it takes to introduce new products/service offerings	1	2	3	4	5	6	7
The extent of product returns/service failure	1	2	3	4	5	6	7

The ability to handle varied customer/market needs	1	2	3	4	5	6	7
FINANCIAL PERFORMANCE							
Return on assets	1	2	3	4	5	6	7
Return on sales	1	2	3	4	5	6	7
Overall financial performance	1	2	3	4	5	6	7
R&D outlays	1	2	3	4	5	6	7
Sales volume	1	2	3	4	5	6	7
Profit levels	1	2	3	4	5	6	7
Growth in sales	1	2	3	4	5	6	7
Growth in profitability	1	2	3	4	5	6	7

