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OUTSOURCING STRATEGY AND PERFORMANCE OF LARGE MANUFACTURING FIRMS IN KENYA

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ABSTRACT

The study established the influence of outsourcing strategy on the performance of manufacturing firms in Kenya. The study further established the moderating effect of organizational culture on the relationship between outsourcing strategy and performance of large manufacturing firms in Kenya. This study was informed by transaction cost theory and human relations theory. Positivism research philosophy and a descriptive research design were adopted while 708 large manufacturing firms in Kenya registered under the Kenya Association of Manufacturers as at 2017 were targeted. The sample size for the study was 249 firms selected randomly from all the 14 sectors of the manufacturing industry in Kenya. The data collection instrument was a questionnaire, while mean, frequencies and percentages were used to describe the data. Correlation and regression inferential statistics were employed to show the direction, magnitude and significance of the association between turnaround strategies and performance of large manufacturing firms in Kenya. Data presentation was done through charts, figures and tables. The study established that outsourcing strategy has a significant and positive influence on the performance of large manufacturing firms in Kenya. The findings further revealed that organizational culture has significant moderating effect on the relationship between turnaround strategies and performance of large manufacturing companies. The study concluded that outsourcing strategy with culture as the moderating variable positively influences the performance of large manufacturing companies. It was therefore recommended that the management of large manufacturing firms uphold the outsourcing strategy as a way of enhancing the performance of the firms.

Keywords: *Outsourcing strategy, organizational culture, turnaround strategies, firm performance, manufacturing firms*

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INTRODUCTION

As competition is increasing and many other changes are happening in the business World, organizations are finding it difficult to maintain their revenue inflows and so is their performance. As a way of sustaining their operations and enhance performance, firms are forced to bring-in turn-around strategies as a way of reconsidering some decisions made in order to achieve sustainability. One of these strategies is the outsourcing strategy. This is the process of obtaining an external party to do some of the business activities on behalf of the company. It is the process of replacement of in-house provided activities by subcontracting them out to external agents. Consequently, the management and development of innovations in outsourced activities become the responsibility of an agent external to the firm (Karanja, 2017). Outsourcing is a management strategy by which an organization delegates major, non-core functions to specialized and efficient service providers. According to Akewushola and Elegbede (2013), outsourcing is the holistic restructuring of corporations around core competencies and outside relationships. Nding'ori (2015) indicated that two-thirds of companies world-wide outsource at least one business process to an external third party.

According to Dadi (2016), successful implementation of an outsourcing strategy has been credited with helping to cut cost, increase capacity and improve quality. The basic idea behind strategic outsourcing is to create gains by allowing outside providers and specialists to take over the operation and management of a given function. This therefore means that the cost-driven aspects of outsourcing are necessary as far as saving the costs is concerned as well as innovation-driven outsourcing to enhance the quality and customer satisfaction. Such gains may come in different forms such as improving the bottom line of a company by reducing various operating expenses and increasing the flexibility for innovation without having to invest too much in training and capital infrastructure (Mella, 2012). Other benefits may come in form of convenience, where the strategy allows the business owners and managers to concentrate on their core business (Insinga & Werle, 2000). As a simple rule, so long as the benefits are considered sufficient by the client, then the process of strategic outsourcing can be considered a success. In the context of this study, strategic outsourcing will be considered in terms of the driving force behind the strategy. This study will focus on cost-driven outsourcing, innovation-driven outsourcing and focus-driven outsourcing.

The contribution of the manufacturing sector to GDP has continued to stagnate at about 10 per cent, with contribution to wage employment on a declining trend (RoK, 2016). Kenya's share of manufacturing exports to the global market is about 0.02 per cent. While this compares favourably with neighbouring Uganda and Tanzania at 0.016 per cent and 0.019 per cent respectively, it is unimpressive when compared with South Africa, Singapore, China and Malaysia. For example, South Africa's global share of manufacturing exports is about 0.3 per cent, while that of Singapore and Malaysia are 2.4 per cent and 1.3 per cent, respectively. According to a recent Kenya economic report, low value addition and high costs of production impede competitiveness of Kenya's manufactured products in the global market (IEA, 2016).

It is estimated that manufacturing firms in Kenya have lost 70 per cent of their market share in East Africa in the last 25 years (RoK, 2014; Kihara, 2016). Reckitt and Benkiser, Procter and Gamble, Bridgestone, Colgate Palmolive, Johnson & Johnson and Unilever have all relocated or restructured their operations, opting to serve the local market through importing from low-cost manufacturing areas such as Egypt therefore resulting in job losses (Nyabiage & Kapchanga, 2014). According to World Bank (2018), in spite of Kenya being praised for its robust economy that is set to become one of the top five fastestgrowing in sub-Saharan Africa, manufacturing output remains low compared to other sectors.

Statement of the Problem

Manufacturing sector stands to be one of the major economic drivers in both the developing and developed countries across the globe. According to World Bank report (2017), most of the middle income countries recorded between 10-15% of their GDP to be contributed by manufacturing sector. Moreover, Carlinn (2018) indicated that over 40% of middle-east economies were anchored on manufacturing sector which employed more than 60% of the countries' workforce. In Kenya, manufacturing firms have continuously contributed to the country's economic growth by being key pillars of other important sectors while at the same time providing employment to more than 18% of the country's workforce (GoK, 2017; KAM, 2018). However, despite the merit that surrounds the manufacturing sector in Kenya, the firms have been facing tremendous challenges most of which have affected their performance and sustainability (KAM, 2018; Muthoki & Cheluget, 2020).

Statistics from World Bank show that a good number of large scale manufacturers operating in Kenya have been registering stagnation and declining profits and on the whole, manufacturing sector has lost 70 per cent of its market share in East Africa in the last 25 years (RoK, 2016). In the year 2016, manufacturing sector in Kenya contributed barely 10% to the GDP which represented a 2.4% decrease from the previous year (KNBS, 2016). Cadbury Kenya closed down its manufacturing plant in Nairobi after its net profits fell by 58.7 per cent to $493,237 from $784,783 while Eveready Ltd reduced its production capacity to 50 million units annually, down from a previous high of 180 million per year (RoK, 2014). On the other hand, Tata Chemicals Magadi scaled down its operations by closing down its main factory (Kandie, 2014). The turnaround efforts have achieved mixed results (Nyabiage & Kapchanga, 2014).

Empirical studies have indicated that a company's future can be improved by adopting turnaround strategies. Inyange (2014) notes that turnaround strategies are important tools that can be used to arrest and reverse the sources of competitive and financial weakness of an organization. Stimson, Stough and Roberts (2016) argue that turnaround strategies are vital for firms in the realization of sustainable economic performance. Mbogo and Waweru (2014) argued that companies under severe financial distress need to make aggressive cost and asset reductions in order to survive. A study by Kinyanjui and Ngugi (2014) offered a typology of turnaround strategies that vary in active organizations: from resistance, passive, conformity to proactive manipulation. Mutua (2010) focused on turnaround strategies adopted by the deposit protection fund (DPF) board to changes in the external environment while Njihia (2009) investigated the turnaround strategies to changes in the Kenyan banking industry. Despite the contextual differences in these studies, there is little effort to link strategies with performance and the current study sought to fill the existing gaps by establishing the influence of turnaround strategies on performance of large manufacturing firms in Kenya with organizational culture as the moderating variable.

Study Objectives

- To assess the influence of outsourcing strategy on performance of large manufacturing firms in Kenya
- To establish the moderating effect of organizational culture on the relationship between outsourcing strategy and performance of large manufacturing firms in Kenya

Research Hypotheses

The study was guided by the following null hypotheses;

- **H_{01}:** Outsourcing strategy does not positively and significantly influence the

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performance of large manufacturing firms in Kenya

- **H_{02}:** Organizational culture does not positively and significantly moderate the relationship between outsourcing strategy and performance of large manufacturing firms in Kenya

LITERATURE REVIEW

Theoretical Review

Transaction Cost Economics (TCE) Theory

The theory of TCE is attributed to Oliver Williamson working on works first originated by Ronald Coase (Emmanuel, 2013). The theory dates back in the early 1930s in an analysis by Commons (1931) who sought to explain the need and motive for organizations to transact amongst themselves. The theory pointed out that entities no matter how diverse and different they are, they ought to interact at some point through which one entity obtains what it lacks through a transaction programme. Based on the classical economics theory, it is assumed that humans have perfect rationality of their behaviours (Coase, 1937). However, according to neurophysiological and language limits of individuals (Simon, 1957), there are the constraints of human abilities to receive, process and analyse information without any error (Grover & Malhotra, 2003). Therefore, bounded rationality is viewed as a source of transaction costs because all factors cannot be considered in the decision making process (Barros, 2010).

Transaction cost economics theory has been the most used theory of adopting BPO and is perceived to offer the best decision making tools to help firms decide whether to outsource and to prepare themselves for impending outsourcing arrangements (Ichoho, 2013). TCE argues that all functions where benefits to the company are higher than the transaction costs should be outsourced. Benefits include increased revenues and reduced costs of production.

The relevance of the theory to the study is based on the argument that outsourcing leads to cost cutting especially when the outsourced activities would otherwise have been expensive to manage in-house. The accurate identification of the activities and processes to be outsourced as indicated in the theory of cost economics would lead to cost reduction thus improving the cost efficiency of the manufacturing firms in Kenya. The theory will therefore be used to inform the study on the role of outsourcing strategy on the performance of large manufacturing companies in Kenya.

Human Relations Theory

The human relations theory was first developed by Mayo (1950) in an attempt to reveal how an organization can enhance its relationship with its stakeholders. The theory, also known as behavioural management theory, focuses more on the individuals in a workplace than the rules, procedures and processes. Instead of directives coming directly from management, human relations theory recommends consultation and honest communication between employees and managers, allowing them to interact with one another to help make decisions and set targets (Bruce & Nyland, 2011).

The way employees interact within a firm is largely dependent on the organizational culture of the firm according to this theory. The human relations theory thus informs the moderating variable of the study which is organizational culture. During interactions, an individual is likely to learn what the culture of an organization is, and this knowledge plays a significant role in how they execute their responsibilities. The social networks at a work place can encourage or discourage compliance to policies, new strategies or regulations (Bruce & Nyland, 2011). The theory supports the argument that positive organizational culture is a significant moderating variable between outsourcing strategy and performance.

Conceptual Framework

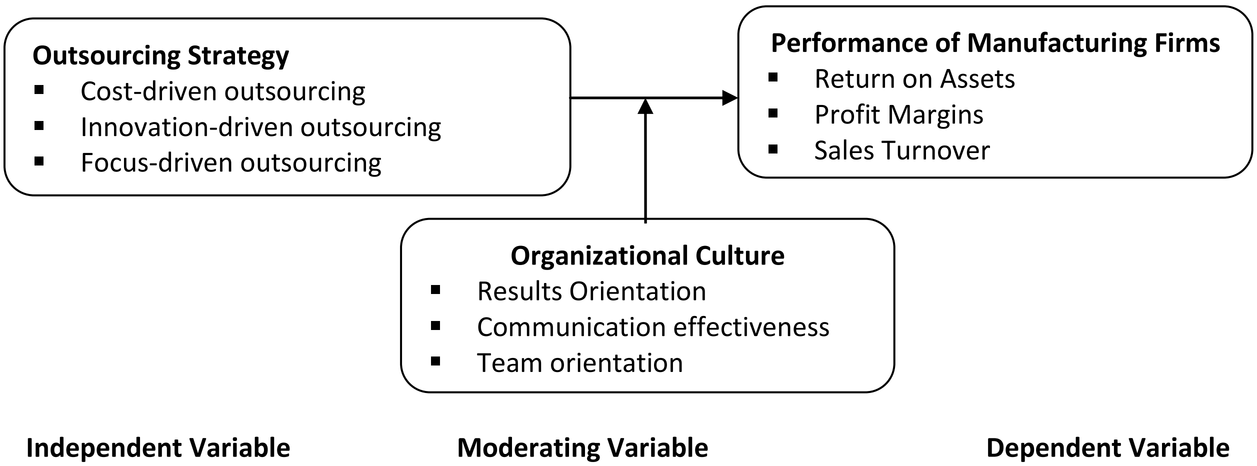

Figure 1: Conceptual Framework

Empirical Review

Outsourcing Strategy

Assaf, Hassanain, Al-Hammad and Al-Nehmi (2011) examined the factors affecting outsourcing decisions of maintenance services in Saudi Arabian universities. The objectives of the study were to identify the critical factors that influence the decision to outsource maintenance services in public Saudi Arabian universities, and to investigate the relative importance of each of the identified factors based on the expressed opinions of the in house maintenance managers in the concerned maintenance departments in these universities. A questionnaire was used to assess each factor influencing the decision to outsource maintenance services in the public Saudi Arabian universities. The survey included 38 factors grouped in six major groups. The findings of the study revealed that Saudi universities generally value the importance of the quality, management and strategic factors when making outsourcing decisions. The study results also revealed that most important three factors influencing the decision to outsource maintenance services in the public Saudi Arabia universities included increasing the speed of implementation, enhancing the quality of the requirements and risk sharing with contractors.

A study by Akbar (2013) identified factors affecting outsourcing decisions in Iranian industries. The study explored how outsourcing decisions in firms from diverse industries, and of varying size affect eventual outsourcing processes. Data was gathered from 74 Iranian companies involved in outsourcing. The study used quantitative approach and a questionnaire was used to collect data. The study findings revealed that organisations often decide to outsource their business processes to harness a wider pool of knowledge and experience and operational expertise. The study results revealed that different industries choose to outsource for different reasons, for instance, cost restructuring is the most common reason for outsourcing in the automobile and aerospace industries.

Akewushola and Elegbede (2013) examined the axiomatic relationship between outsourcing strategy and organizational performance in Nigerian manufacturing sector. The study adopted a stratified sampling technique. The data was collected using questionnaires that were administered through drop and pick method. The study findings revealed that firms that outsource experience reduced average cost of production, increased sales turnover and profitability, enhance expertise, improve service quality, reduce staff strength, streamline the production process, reduce administrative burden and save time for core activities.

Musau (2016) carried a study on the effect of outsourcing strategy on organizational performance. The study was based on Bidco Africa Limited, a market leader in the fast moving consumer goods (FMCG) manufacturing industry in Kenya. The purpose of the study was to establish what influences the decision to outsource and how that decision affects the overall performance of the company. The study employed a descriptive research design. Data was analysed using descriptive statistics, correlation and regression analysis then presented in tables. The findings of the study revealed that cost driven outsourcing, innovation driven outsourcing, and focus driven outsourcing had a significant influence on organizational performance at Bidco Africa Ltd.

Organisational Culture

Hamzah et al. (2013) carried out a study on the moderating effects of organizational culture on the link between leadership competencies and job role performance. The study obtained data from 530 respondents drawn from academicians in major Malaysian public universities. The study findings revealed that organizational culture dimensions had moderating influence on the relationship between the leadership competencies and employees' job performance. The authors indicated that use of organizational culture and values as a situational variable that had the potential to moderate the effects of the various available leadership constructs. Thus, the employees who share organizational values require less supervision and therefore may produce acceptable job performance if the organizational culture setting is desirable.

Martins and Kinicki (2011) analysed the effect of organizational culture on firm performance in Canada. The study focused on a theoretical approach and assessed the effect of culture on performance. The study established that organizational culture is deeply associated with values and beliefs shared by personnel in an organisation. Organisational culture relates the employees to organisation's values, norms, stories, beliefs and principles and incorporates these assumptions into them as activity and behavioural set of standards. Kucherov and Zavyalova (2012) conducted a study to establish the moderating effect of organizational culture and experiential benefits on staff retention and employee performance among large manufacturing entities in Serbia. The study adopted descriptive research method with primary data. The study established that organizational culture significantly moderated employee performance. Through organizational culture, more employees were attracted and attached to the organizational goals thus being more productive and committed.

METHODOLOGY

Research Design

The study employed a descriptive survey research design. Descriptive research is conducted to describe the present situation, what people currently believe, what people are doing at the moment and so forth (Neuman, 2013). This research design was suitable in answering the what, which and when questions which were the main questions of this study as it sought to establish what influence outsourcing strategy has on performance of manufacturing firms in Kenya.

Target Population

The target population for this study was the entire population of 708 large manufacturing firms which were registered members of Kenya Association of Manufacturers (KAM, 2017). The firms were stratified into 14 manufacturing sectors and all were considered for this study.

Table 1: Target Population

Number	Sector	Population	Percentage
1	Food and Beverages	146	20.62
2	Chemical and Allied	60	8.47
3	Plastics and Rubber	58	8.19
4	Metal and Allied	73	10.31
5	Paper and Paper Board	56	7.91
6	Building Construction and Mining	31	4.38
7	Energy, Electrical and Electronics	33	4.66
8	Fresh Produce	12	1.69
9	Leather and Footwear	6	0.85
10	Motor Vehicle and Accessories	42	5.93
11	Pharmaceutical and Medical Equipment	19	2.68
12	Services and Consultancy	101	14.27
13	Textiles and Apparels	47	6.64
14	Timber , Wood and Furniture	24	3.39
Total		**708**	**100**

Sampling Technique and Sample Size

The study used Kothari (2010) formula to determine the sample size as shown below;

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2(N-1) + z^2 \cdot p \cdot q}$$

$$n = \frac{(1.96 \times 1.96) \times (0.5 \times 0.5) \times 708}{(0.05 \times 0.05) \times 708 + (1.96 \times 1.96 \times 0.5 \times 0.5)}$$

n = 249.03

The sample size therefore comprised of 249 respondents which was drawn as herein shown on table 2. This represents 35% of the target population. Mugenda (2008) recommends 10% sample size from a large population, 30% sample size from a smaller population. A sample size of 35% of the total population is hence good for the study. The study then stratified the 249 firms across the 14 sectors so as to reduce sampling bias.

Table 2: Distribution of the Sample Size

Number	Sector	Population	Sample Size	Percentage
1	Food and Beverages	146	51	20.62
2	Chemical and Allied	60	21	8.47
3	Plastics and Rubber	58	20	8.19
4	Metal and Allied	73	26	10.31
5	Paper and Paper Board	56	20	7.91
6	Building Construction and Mining	31	11	4.38
7	Energy, Electrical and Electronics	33	12	4.66
8	Fresh Produce	12	4	1.69
9	Leather and Footwear	6	2	0.85
10	Motor Vehicle and Accessories	42	15	5.93
11	Pharmaceutical and Medical Equipment	19	7	2.68
12	Services and Consultancy	101	36	14.27
13	Textiles and Apparels	47	17	6.64
14	Timber , Wood and Furniture	24	8	3.39
Total		**708**	**249**	**100**

Data Collection

The primary data collection instrument in this study was a questionnaire. This is because questionnaires allow the respondents to comprehensively give their opinions on the subject matter independently, enabling a greater depth of responses. The study collected primary data using structured questions and captured information through a 5-point Likert scale. Likert scale is an interval that specifically uses five anchors of strongly disagree, disagree, neutral, agree and strongly agree.

Questionnaires were administered by the researcher and a research assistant. A total of 249 questionnaires were distributed to the sampled manufacturing entities as per the sampling frame, targeting one respondent in each firm.

Data analysis and Presentation

Data gathered using the questionnaires was analyzed quantitatively using both descriptive and inferential statistics using SPSS. Descriptive statistics including the mean and standard deviation were used to capture the characteristics of the variables under study. Inferential statistics were also used in the study. Inferential statistics are methods of establishing relationships between variables.

FINDINGS

Response Rate

The study had a sample of 249 respondents who were surveyed using a structured questionnaire. The study obtained a response rate of 83.5% where 208 respondents out of the 249 sample size returned the dully filled questionnaires.

Outsourcing Strategies

The study sought to assess the influence of outsourcing strategy on performance of large manufacturing firms in Kenya. The study was determined to establish how various prospects of outsourcing strategy influence performance of large manufacturing firms in Kenya. The variable was derived based on specific measures which included; cost-driven outsourcing**,** innovation-driven outsourcing and focus-driven outsourcing. Likert's scale (five points) was used to measure the respondents' level of agreement where 1 is strongly disagree, 2 disagree, 3 uncertain, 4 agree and 5 strongly agree. The findings are as summarized in Table 3.

The findings imply that outsourcing strategy is beneficial in large manufacturing companies in that it enables them to save on costs and at the same time meeting the customer needs. The findings compare with those by Akewushola and Elegbede (2013) who found that firms that outsource experience reduced average cost of production, increased sales turnover and profitability, enhance expertise, improve service quality, reduce staff strength, streamline the production process, reduce administrative burden and save time for core activities. According to Akbar (2013), through outsourcing, companies can easily harness a wider pool of knowledge and experience and operational expertise. As outlined in the theory of Transaction Cost Economies (TCE) theory by Coase (1937), organizations ought to analyse what to outsource and what to produce so as to minimize on the cost.

Table 3: Descriptive Results on Outsourcing Strategy

Statements	Mean	Std. Dev.
The company has entered into strategic alliances as a way of adopting cost-driven outsourcing to save on costs and best position itself in the market	3.43	1.14
The company outsources products and services on the basis of innovation so as to enhance the quality of products sold to the customers.	3.20	1.14
When outsourcing, the company emphasizes on the required end-results to enhance meeting the customer needs	3.18	1.09
The management encourages employees to come up with innovative ideas on how and where to outsource its inputs	3.23	1.16
The company outsources the services that are not frequently used so as to minimize on the costs	3.10	1.09
The firm involves suppliers to come up with best ways to cut on costs and enhance performance	3.28	1.12
The company focuses on meeting specific customer needs and preferences through outsourcing	3.36	1.16

Organization Culture

The study sought to establish the moderating effect of organizational culture on the relationship between outsourcing strategies and performance of large manufacturing firms in Kenya. The study aimed at establishing the agreement level of respondents on statements on organization culture as an aspect of performance of large manufacturing firms in Kenya. Organizational culture was operationalized as team orientation, results driven and effective communication.

The findings are as summarized in table 4. The findings imply that different cultural norms enhance decision making process thus playing a key role in determining the success of turnaround strategies in promoting firm performance. For any strategy in an organization to achieve the best results, there should be a supportive culture whereby the personal goals of the employees align with those of the company. According to Martins *et al.* (2011), organisational culture relates the employees to Organisation's values, norms, stories, beliefs and principles and incorporates these assumptions into them as behavioural set of standards.

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Table 4: Descriptive Results on Organization Culture

Statements	Mean	Std. Dev.
Employees are frequently Involved in decision making processes in our firm	3.31	1.15
The organizational management is concerned with the relationship among employees and plays its role in promoting the relationship	3.22	1.21
The organizational management encourages cooperation across different departments and groups in the firm	3.09	1.16
The organization embraced a shared vision of what the organisation will be like in the future	3.48	1.12
The firm management encourages teamwork among the employees in carrying out the firm operations	3.38	1.14
The top management frequently delegates duties to employees so to create a capable team of leaders	2.85	1.29
The company continuously invests in the skills of employees through training and development	2.78	1.26
There are clear and consistent set of values that governs the way business is done in our firm	3.17	1.17
The vision in our organization creates excitement and motivation among the employees	3.14	1.14
The mission statement of the organization is properly constituted, communicated and aligned with the organizational goals	3.12	1.20

Performance of Manufacturing Firms in Kenya

The study aimed at establishing the influence of turnaround strategies on the performance of large manufacturing firms in Kenya. It was therefore necessary to establish the performance of the companies as the dependent variable of the study. The measures adopted in the study were sales turnover, profit margin and Return on Assets (ROA). The findings are as herein shown in Figures and Tables.

Sales Turnover

The study sought to find out the sales turnover of the companies as a way of establishing their performance. The findings are as shown in Figure 2. As the findings portray, in the year 2016, the average sales turnover for the companies was Kshs.14.8 billion which increased to Kshs.17.3 billion in the year 2017 and Kshs.18.5 billion in the year 2018.

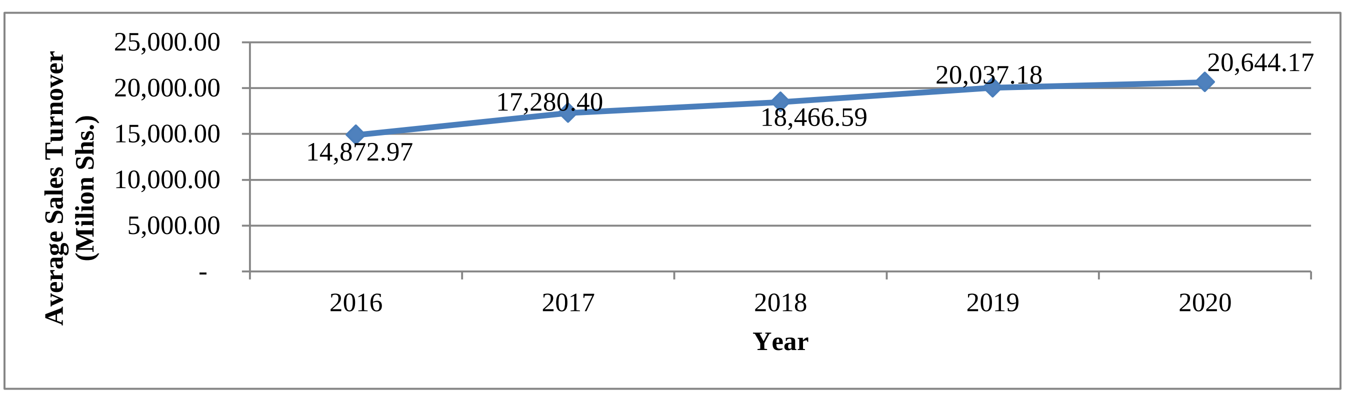

Figure 2: Sales Turnover

Profit Margin

The study sought to find out the annual profits of the manufacturing companies as one of the measures of performance. The findings are as shown in Figure 3. In the year 2016, the average net profit for the large manufacturing companies was Kshs.853.90 million which declined to Kshs.652.28 million in the year 2017 and increased to Kshs.1.077 billion in the year 2018.

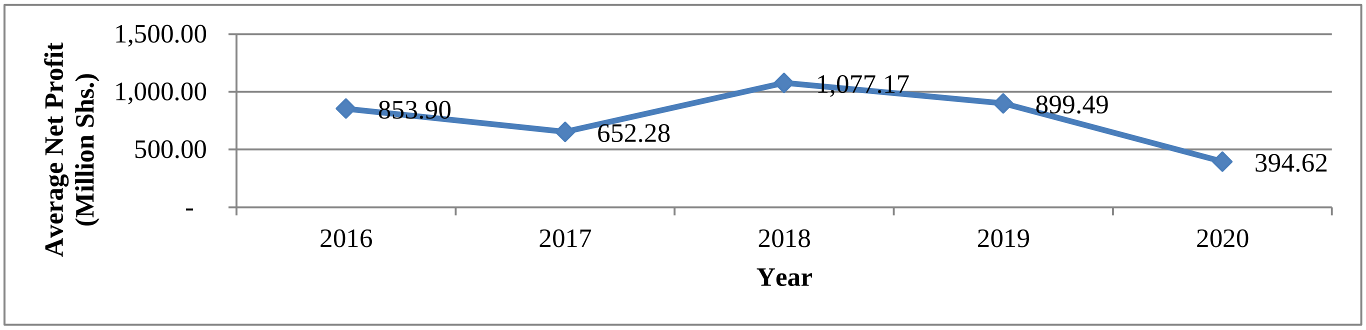

Figure 3: Profits Margin

Return on Assets

The study sought to find out the Return on Assets (ROA) as one of the measures of firm performance. The findings as shown in Figure 4 revealed that in the year 2016, the average ROA for the large manufacturing firms was -19.5% meaning that most of the companies in the year 2016 did not meet their financial overheads. In the year 2017, the average ROA for the companies increased to -15.3% and in the year 2018, it rose to 15.2% and to 24.1% in the year 2019.

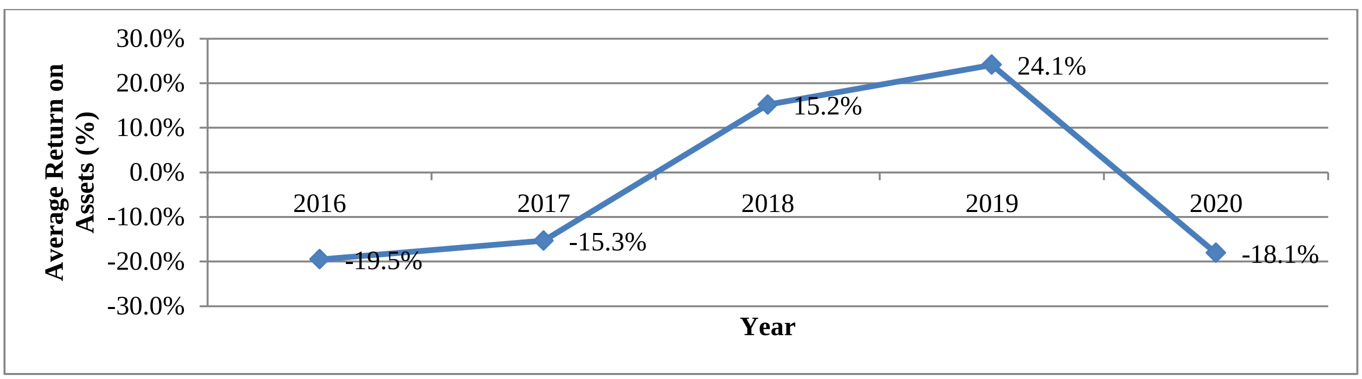

Figure 4: Return on Assets

Hypothesis Testing

H_{o2}: Outsourcing strategy does not positively and significantly influence performance of large manufacturing firms in Kenya.

$$Y = \beta_0 + \beta_4 X_4 + e$$

According to the findings on Table 5, the value of R square is 0.453 which means that 45.3% variation in performance of manufacturing firms in Kenya was due to variations in outsourcing strategies, with the remaining variation in performance of manufacturing firms in Kenya being explained by other factors and not outsourcing strategies.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.673[a]	.453	.450	.56276

Predictors: (Constant), Outsourcing Strategy

Analysis of Variance (ANOVA) consists of calculations that provide information about levels of variability within a regression model and form a basis for tests of significance. The "F" column provides a statistic for testing the hypothesis that all ß ≠ 0 against the null hypothesis that ß = 0 (Weisberg, 2005). From the findings in Table 6, the significance value is .0000 is less than 0.05 thus the model was statistically significant in predicting how outsourcing strategies influenced performance of manufacturing firms in Kenya.

Table 6: ANOVA (Analysis of Variance)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	53.972	1	53.972	170.420	.000[b]
	Residual	65.240	206	.317		
	Total	119.212	207			

a. Predictors: (Constant), Outsourcing Strategy

b. Dependent Variable: Performance of Manufacturing Firms

Based on the regression results shown on Table 7, holding outsourcing strategy constant at zero, performance of manufacturing firms in Kenya would be 0.819. A positive unit change in outsourcing strategies would lead to a 0.635 increase in performance of manufacturing firms in Kenya. At 5% significance level, outsourcing strategies had a p=0.000 which is <0.05, and hence the study rejected the null hypothesis that outsourcing strategy has no significant influence the performance of large manufacturing firms in Kenya.

Table 7: Coefficient Results

	Unstandardized Coefficients		**Standardized Coefficients**	**t**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	.819	.163		5.021	.000
Outsourcing Strategies	.635	.049	.673	13.054	.000

a. Dependent Variable: Performance of Manufacturing Firms

H_{02}: Organizational culture does not positively and significantly moderate the relationship between outsourcing strategy and performance of large manufacturing firms in Kenya

The regression coefficients results are as shown in Table 8. As the results show, it is evident that the interaction effect between outsourcing strategy and organizational culture has a Beta coefficient of 0.022 but insignificant at P-value = 0.236<0.05. The results revealed that while the interaction effect between outsourcing strategy and organizational culture had a positive influence on performance but the relationship was insignificant. This implies that through organizational culture, the outsourcing strategy would influence performance of the manufacturing firms positively but the influence will be minimal.

Table 8: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.351	.094		14.401	.000
Outsourcing Strategy*Organizational Culture	.022	.018	.133	1.190	.236

a. Dependent Variable: Organizational Performance

CONCLUSION AND RECOMMENDATIONS

The study examined the influence of outsourcing strategy on the performance of large manufacturing companies in Kenya. The findings revealed that outsourcing strategy had a significant influence on the performance of large manufacturing companies in Kenya. The results from the moderated model revealed that organizational culture had a significant moderating effect on the relationship between outsourcing strategy and performance of large manufacturing companies in Kenya.

The study concluded that outsourcing strategy has a positive influence on the performance of large manufacturing firms in Kenya. Through embracing cost-driven and innovation driven outsourcing, the companies create more chances of meeting customer needs while at the same time saving on the costs of producing what could be cheaper when outsourced. Most of the manufacturing companies in Kenya may record declined performance as a result of going for producing what could be cheaper when outsourced hence minimizing their revenues.

The cost of producing some goods may vary from the cost of outsourcing from external sources. The manufacturing companies should therefore ensure that they analyse their decisions carefully and outsource what is expensive to produce while producing what is expensive to outsource. This way, the companies will achieve the best out of outsourcing thus saving on the operation costs while at the same time meeting customer needs in terms of quality, reliability and efficiency.

The study recommended that the management of the large manufacturing firms ought to embrace organizational culture as an aspect to control and enhance changes within their organizations. The culture in a given organization plays an essential role in determining the ability of the management to implement new strategies such as the outsourcing strategies. It is therefore essential for the management to ensure that the culture exemplified in the organizations aligns to the goals and objectives of the organization.

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