

EFFECT OF OUTSOURCING ON BUSINESS PERFORMANCE

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**BEING A PROJECT WORK SUBMITTED TO THE DEPARTMENT OF
BUSINESS ADMINISTRATION, IN PARTIAL FULFILMENT OF THE
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DECLARATION

I, **ASUENIMHENRE MATTHEW with MAT NO: MGS2104797**, do hereby declare that this project was based on a study undertaken by me in the Department of Business Administration, Faculty of Management Sciences, University of Benin, Benin City, under the supervision of Dr. O. L. Dimowo. This work had not been previously submitted for the award of Bachelor of Science Degree in Business Administration, to the best of my knowledge. All ideas and views were a product of my personal research; and where the views of others been expressed, have been duly acknowledged.

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CERTIFICATION

We, the undersigned, certify that this project was carried out by **ASUENIMHENRE MATTHEW** with matriculation number **MGS2104797** of the Department of Business Administration, Faculty of Management Sciences, University of Benin, Benin City, Edo State, Nigeria; the work has not be presented in part or full in any diploma or Degree awarding institution and the work is adequate in scope and quality in partial fulfilment of the requirements for the award of B.Sc. Degree in Business Administration, Faculty of Management Sciences, University of Benin, Benin City, Nigeria.

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DEDICATION

The work is dedicated to God Almighty, the Alpha and Omega. The work is also dedicated to my lovely parents, Mr. and Mrs. Adodo.

ACKNOWLEDGEMENTS

I am profoundly indebted to God, my Heavenly Father and Creator for making this work a success. I remain eternally grateful to God for His unwavering faithfulness and abundant grace throughout this journey. My heartfelt appreciation goes to my project supervisor, Dr. O. L. Dimowo, whose invaluable guidance, insightful contributions, and constant support played a crucial role in the successful completion of this project.

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ABSTRACT

The study investigated the effect of outsourcing on business performance. To achieve the purpose of the study, three research questions were raised and answered.

The research design adopted for this study is the cross-sectional research design. The population for this study comprises all the 4,877 registered small-scale businesses in Egor Local Government Area of Edo State. The sample for this study consisted of 196 small-scale business owners. The data collected for this study were analyzed using linear regression analysis. Furthermore, descriptive statistics, such as frequency distributions and percentages, were employed to provide a preliminary summary of the respondents' demographic characteristics and response patterns.

Findings from the study revealed that outsourcing serves as a strategic tool for businesses seeking to streamline their operations and focus on core competencies. It was concluded that outsourcing, when strategically implemented, not only enhances business performance but also positions firms to adapt to market dynamics. Based on the findings, it was recommended that businesses should adopt outsourcing strategically by focusing on non-core activities, allowing internal resources to concentrate on core competencies that directly enhance competitiveness.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Outsourcing has emerged as a strategic management tool for enhancing business performance in today's global economy. Dakuku (2023) asserted that businesses outsource various services such as customer support, logistics, and payroll to external providers in order to focus more on core activities. This practice allows firms to allocate resources more efficiently and improve productivity. In Nigeria, the growing pressure on firms to reduce operational costs and improve service delivery has led many to adopt outsourcing as a viable strategy. As a result, many organisations across sectors—ranging from telecommunications to banking—have incorporated outsourcing into their business models. While outsourcing may bring operational relief and cost advantages, it also necessitates a critical evaluation of its long-term implications on performance, employee morale, and service quality. The relationship between outsourcing and performance continues to generate debate in business circles (Ugochukwu, 2021).

The adoption of outsourcing in Nigeria is driven by the desire for improved efficiency and flexibility in operations. Onah (2020) noted that outsourcing grants firms the capacity to respond quickly to market changes and access specialist skills without incurring the full costs of recruitment and training. In competitive markets where technological innovation evolves rapidly, outsourcing allows businesses to leverage

external expertise without heavy capital investment. For instance, companies can outsource IT services to experts who offer up-to-date solutions at lower costs. This flexibility helps firms adapt to dynamic market conditions and concentrate on innovation and value creation. However, the level of success often depends on how well the outsourced services align with organisational goals and strategies. Without clear goals, outsourcing can lead to strategic misalignment and reduced performance (Akande, 2022).

The strategic significance of outsourcing lies in its ability to transform business models and enhance organisational capabilities. Bello (2021) highlighted that modern businesses no longer view outsourcing as a mere cost-reduction mechanism but as a strategic partnership capable of driving growth. In Nigeria, more firms are turning to outsourcing to gain competitive advantage, boost customer satisfaction, and improve financial performance. Strategic outsourcing involves choosing partners who understand the firm's goals and can co-create value. These partnerships can positively impact service quality, innovation, and responsiveness to customers. However, strategic outsourcing requires effective relationship management, contractual clarity, and mutual trust. When poorly implemented, it can lead to dependency, service delivery failures, and financial losses, which ultimately affect business outcomes. Thus, strategic intent and careful planning are vital to outsourcing success (Nwachukwu, 2020).

Despite its benefits, outsourcing poses several risks that could negatively affect business performance if not properly managed. Ezeani (2022) observed that outsourcing

can lead to a loss of managerial control, exposure of sensitive data, and dependency on third-party vendors. Nigerian firms, particularly those in regulated industries, must be cautious when outsourcing core operations. Risks associated with poor vendor performance, data breaches, and lack of accountability can undermine outsourcing benefits. Additionally, in environments with weak regulatory oversight, like some parts of Nigeria, ensuring compliance and monitoring vendor performance becomes a serious challenge. These factors can result in inconsistent service delivery, reputational damage, and customer dissatisfaction. Therefore, companies must develop robust risk management strategies when outsourcing. This includes drafting comprehensive service-level agreements, conducting regular performance reviews, and building strong relationships with service providers (Ikuku, 2021).

In Nigeria, the impact of outsourcing on business performance is not uniform across industries or company sizes. Duoye (2023) pointed out that large firms often achieve greater cost savings and efficiency improvements through outsourcing compared to small enterprises. Smaller businesses may lack the expertise or resources to manage outsourced functions effectively, leading to higher hidden costs and operational challenges. Industry-specific factors also play a role; for instance, manufacturing firms may benefit from outsourcing logistics, while service-based firms may benefit from IT or HR outsourcing. Cultural differences, poor communication, and lack of synergy between clients and service providers further complicate outcomes. This variation underscores the need for context-specific evaluations of outsourcing practices to understand their actual

impact. To optimise results, firms must carefully assess their outsourcing decisions within their operational and environmental realities (Obasi, 2020).

The dynamic and evolving nature of outsourcing practices makes it essential for Nigerian firms to continuously assess their outsourcing models. Komonio (2021) argued that frequent evaluations of outsourcing arrangements help identify performance gaps, realign expectations, and ensure consistency with strategic goals. Many firms enter outsourcing agreements without fully understanding the implications on workforce morale, brand image, or long-term sustainability. Regular monitoring and strategic feedback can help firms determine whether outsourcing contributes positively to their objectives. Furthermore, with increasing customer expectations and technological advancements, continuous improvement of outsourced services is vital. By fostering innovation and adopting feedback loops, firms can ensure outsourcing remains beneficial. The key is to treat outsourcing as a dynamic process rather than a static decision, revisiting contracts and relationships regularly to maintain relevance and effectiveness (Dibofu, 2022).

1.2 Statement of the Research Problem

Despite the growing adoption of outsourcing as a strategic tool to enhance organisational efficiency and competitiveness, preliminary observations indicate that many businesses in Nigeria still struggle to achieve measurable improvements in performance through outsourcing. While outsourcing is expected to reduce operational

costs, improve service delivery, and enable firms to focus on core competencies, several businesses seems to have reported challenges such as poor service quality, loss of managerial control, and weak vendor accountability (Okolie, 2021). Moreover, factors such as ineffective contract management, lack of trust between client and service providers, and inconsistent government policies further hinder the realization of outsourcing benefits (Arogundade, 2022). These issues raise concerns about the actual effectiveness of outsourcing in driving business performance, particularly in the context of a developing economy with infrastructural, regulatory, and economic challenges.

Although scholars and practitioners have continued to explore the relationship between outsourcing and organisational performance, existing literature remains inconclusive and often contradictory. Some studies, like that of Chinedu and Okezie (2023), suggest that outsourcing significantly improves firm performance by enabling operational flexibility, cost reduction, and access to specialized expertise. However, others such as Lawal and Nwachukwu (2021) argue that outsourcing can negatively affect performance when not strategically planned, monitored, or aligned with organizational goals. This divergence in scholarly opinion highlights a gap in empirical understanding, especially regarding industry-specific and context-specific effects of outsourcing in Nigeria. Therefore, this study seeks to fill the gap in literature through a careful examination on the effect of outsourcing on business performance.

1.3 Research Questions

The following questions were raised to guide the study:

1. What is the impact of outsourcing on business operational efficiency?
2. What is the effect of outsourcing on cost reduction in businesses?
3. What is the role of outsourcing in enhancing service delivery?

1.4 Objectives of the Study

The broad objective of the study is to investigate the effect of outsourcing on business performance. The specific objectives of the study are;

1. To analyze the impact of outsourcing on operational efficiency.
2. To assess how outsourcing affects cost reduction in businesses.
3. To examine the role of outsourcing in enhancing service delivery.

1.5 Research Hypotheses

In order to effectively answer the research questions and achieve the stated objectives, the following hypotheses were formulated in their null form:

HO₁: Outsourcing has no significant impact on operational efficiency.

HO₂: Outsourcing does not significantly affect cost reduction in businesses.

HO₃: Outsourcing does not play a significant role in enhancing service delivery.

1.6 Significance of the Study

This study will be of immense significance to business owners and managers, as it will provide practical insights into how outsourcing can influence business performance. By examining the relationship between outsourcing practices and key performance indicators such as operational efficiency, profitability, and customer satisfaction, business leaders can make informed decisions about whether, when, and how to outsource. The findings will also help managers understand the risks and benefits associated with outsourcing, enabling them to design effective outsourcing strategies aligned with their organisational goals.

The study will also benefit policymakers and regulatory agencies in Nigeria, especially those involved in commerce, trade, and economic development. It will provide empirical evidence on the role of outsourcing in boosting business performance, thus informing the development of supportive policies and legal frameworks. With clear data on the challenges and outcomes of outsourcing, government institutions can introduce guidelines, incentives, and monitoring mechanisms to ensure that outsourcing contributes positively to national economic objectives.

Academics and researchers in the fields of business administration, management, and economics will find this study valuable, as it contributes to the growing body of literature on outsourcing and performance within the Nigerian context. By bridging

existing gaps in knowledge and offering context-specific insights, the study will serve as a reference point for future research and stimulate further scholarly inquiry into the dynamics of outsourcing in emerging economies.

This research will also be useful to outsourcing firms and service providers who wish to better understand client expectations and performance benchmarks. The findings will help them improve service delivery, build long-term partnerships, and customise solutions that meet the specific needs of businesses. In doing so, they can enhance their competitiveness and reputation in the Nigerian outsourcing market, while also supporting the performance goals of client organisations.

This study will contribute to the broader economic development agenda by identifying how outsourcing can be strategically harnessed to improve business productivity, reduce costs, and promote innovation. As businesses improve their performance through efficient outsourcing, there is potential for job creation, increased investment, and enhanced competitiveness in both local and international markets. This, in turn, supports economic growth, industrial development, and poverty reduction in Nigeria.

1.7 Scope of the Study

The scope of this study is limited to small-scale business owners in Egor Local Government Area of Edo State. The research focuses on examining the effect of outsourcing on business performance, with particular emphasis on how outsourcing

influences cost efficiency, service quality, productivity, and profitability. The study will be restricted to small-scale businesses operating within Egor LGA, exploring their outsourcing practices and the resulting impact on their operational outcomes. The participants will include business owners, managers, and individuals directly involved in decision-making processes related to outsourcing within the selected area.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a comprehensive review of the existing literature on the effect of outsourcing on business performance. It begins with an in-depth analysis of the concept of outsourcing, exploring its definition, scope, and various applications in business settings. The chapter then moves on to assess the impact of outsourcing on operational efficiency, highlighting how businesses leverage external services to streamline processes and improve productivity. Additionally, it examines how outsourcing contributes to cost reduction, exploring both direct and indirect savings that organizations can achieve by outsourcing specific functions. Finally, the chapter concludes with a discussion on the role of outsourcing in enhancing service delivery, emphasizing how it enables businesses to provide higher quality services to customers while maintaining competitiveness in the marketplace.

2.2 Outsourcing

Outsourcing is the business practice where companies delegate specific tasks or processes to external service providers rather than handling them in-house. This practice enables businesses to focus on their core operations while entrusting non-core activities

to specialists who have the expertise and resources to manage them more efficiently. Bamigboye (2023) asserted that outsourcing often leads to significant cost savings, as companies do not have to invest in the necessary infrastructure, workforce, or technology to handle outsourced functions. This approach is widely adopted across various industries, particularly in sectors like manufacturing, customer service, and information technology. By leveraging the skills and economies of scale offered by external service providers, businesses can remain competitive in the global market. Moreover, outsourcing provides access to expertise that may not be available locally. This is particularly beneficial for businesses in Nigeria, where skilled labour can be scarce or expensive (Olabode, 2021)

Outsourcing is a strategic decision that helps companies remain agile and adaptable to market demands. Ejembi (2022) emphasised that outsourcing allows organisations to scale their operations without the complexities of hiring and training new employees, enabling them to respond to changes in the market swiftly. This flexibility is particularly useful for small and medium enterprises (SMEs) in Nigeria, which often face resource constraints. Outsourcing non-core activities like marketing, payroll, or customer support enables these businesses to remain competitive without the burden of managing such functions internally. It also offers opportunities to enter new markets with lower risk, as outsourcing partners can assist in navigating local regulations and business practices. This flexibility in outsourcing is not just a cost-saving measure; it's a strategic tool that provides businesses with a competitive advantage (Akanbi, 2021)

A significant advantage of outsourcing is the potential for cost reduction. Igbinovia (2020) observed that by outsourcing specific functions, Nigerian businesses can significantly reduce operational costs related to hiring and maintaining in-house staff. For example, many companies outsource functions such as accounting, human resources, or customer service, which would require substantial investment in human capital and infrastructure. By contracting these services to external firms, businesses can access skilled professionals at a fraction of the cost. Furthermore, outsourcing provides access to advanced technologies that would otherwise be costly to implement internally. Outsourcing enables companies to focus their resources on core business activities, while third-party providers handle peripheral functions more efficiently. This model not only reduces costs but also optimises the allocation of company resources, especially for growing businesses in Nigeria that are looking to maximise profitability without increasing overheads (Udeku, 2022)

Outsourcing can significantly improve operational efficiency by allowing businesses to take advantage of specialised expertise and modern technologies. Boboloye (2021) noted that by outsourcing to experts in specific fields, companies can achieve a higher level of efficiency, which may not be attainable through in-house teams. This leads to enhanced performance in areas such as information technology, customer service, and supply chain management. Outsourcing also enables businesses to focus their internal resources on more strategic tasks, while external service providers handle routine or technical operations. This is particularly crucial in Nigerian businesses where internal

resources might be stretched thin, and the demand for high-quality, professional services is ever-growing. For example, outsourcing information technology services to third-party companies helps businesses stay up to date with the latest software, cybersecurity measures, and technological advancements, without the need to continually invest in internal expertise (Ejembi, 2022)

Outsourcing plays a crucial role in enhancing service delivery, enabling businesses to improve the quality and speed of their customer service. Ukodo and Idigwe (2021) explained that by outsourcing specific functions, companies can ensure that services are delivered more efficiently and in a timely manner, which can increase customer satisfaction. Businesses that outsource customer support or technical services are often able to provide round-the-clock assistance, thereby improving response times and overall service quality. This practice also allows companies to remain focused on their primary business functions, leading to greater innovation and productivity. In Nigeria, where customer expectations are constantly rising, outsourcing offers a competitive edge for businesses in sectors such as banking, telecommunications, and logistics. By outsourcing, these businesses can provide superior service delivery, ultimately enhancing customer loyalty and brand reputation. Outsourcing, therefore, is not only about cost savings but also about improving customer experiences (Makanjuola, 2020)

2.2.1 Operational Efficiency

Operational efficiency refers to the ability of an organisation to deliver products or services in the most cost-effective manner possible while maintaining high quality. Idugbe and Nuhu (2023) asserted that operational efficiency involves optimising internal processes, reducing waste, and effectively utilising resources to maximise output. It is not only about cutting costs but also about improving productivity and performance across all departments. A business that achieves operational efficiency is able to sustain profitability even in the face of competition or economic downturns, as it can do more with less. Key components often include time management, technological innovation, employee training, and effective resource allocation. When businesses prioritise these aspects, they experience reduced production costs and improved customer satisfaction. This concept is critical for both public and private sector institutions in Nigeria seeking to enhance service delivery and financial sustainability (Okonkwo, 2021).

The concept of operational efficiency also extends to strategic planning and decision-making. Abiola (2023) noted that operational efficiency serves as a foundation for long-term strategic advantage, allowing companies to adapt swiftly to market changes without incurring unnecessary overheads. For instance, firms that integrate data-driven decision-making can forecast demand more accurately, avoid overproduction, and reduce inventory holding costs. This results in a more responsive and agile organisational structure. In Nigerian industries such as telecommunications and manufacturing, the application of lean methodologies and continuous improvement strategies has significantly enhanced operational outcomes. Ultimately, strategic operational efficiency

ensures the alignment of day-to-day functions with the broader objectives of the business (Eze, 2020).

Moreover, operational efficiency is deeply rooted in the management of human and material resources. Adesina (2022) observed that organisations that invest in employee empowerment, training, and performance monitoring are more likely to achieve higher levels of efficiency. A workforce that understands its role and receives regular feedback tends to be more productive and innovative. Efficient operations also depend on how well an organisation manages its equipment, technology, and supply chain. For example, in Nigerian hospitals and health centres, efficient utilisation of limited resources like medical supplies and personnel significantly improves service delivery and patient care. Therefore, human capital and infrastructural assets must be synchronised to eliminate bottlenecks and ensure smooth operations (Udo & Ibrahim, 2023).

In the modern digital economy, operational efficiency cannot be achieved without leveraging technology. Udo (2023) highlighted that automation, artificial intelligence, and data analytics are vital tools in enhancing operational processes and reducing redundancy. These technologies enable firms to streamline workflows, minimise errors, and generate timely reports for better decision-making. For Nigerian banks and financial institutions, digital transformation has been pivotal in reducing transaction times and operational costs. Furthermore, the use of enterprise resource planning (ERP) systems

helps coordinate activities across various departments, promoting accountability and operational transparency. Thus, embracing technological innovation is no longer optional but a necessity for operational success in both the public and private sectors (Agbaje, 2021).

The assessment and measurement of operational efficiency are essential in identifying areas of strength and improvement. Bello and Shokunbi (2022) maintained that performance indicators such as cycle time, cost per unit, and service delivery speed help organisations monitor their efficiency levels. Regular audits and evaluations provide insights into how resources are being utilized and whether targets are being met. In Nigeria, government agencies and private companies increasingly rely on benchmarking and performance reviews to drive efficiency initiatives. These tools ensure that set goals align with performance outputs and that inefficiencies are addressed promptly. Ultimately, effective assessment mechanisms empower organisations to continuously refine their operations and achieve sustained excellence (Olatunji, 2020).

2.2.2 Cost Reduction

Cost reduction refers to the process of identifying and implementing measures that minimise the cost of production or operation without compromising the quality of goods or services. Uzor (2023) asserted that cost reduction strategies are essential for the sustainability and competitiveness of businesses, particularly in developing economies where resources are limited. This concept is not merely about slashing expenses but about

optimising the use of resources through innovation, efficiency, and strategic planning. For instance, companies may invest in energy-efficient machinery or adopt lean manufacturing techniques to enhance productivity while reducing operational costs. By prioritising cost reduction, organisations can achieve higher profitability, offer competitive pricing, and reinvest savings into growth initiatives. It is a continuous and systematic effort that requires a comprehensive understanding of the entire business process (Nwafor, 2021)

Cost reduction involves a deliberate and informed approach to decreasing unnecessary expenditure across various aspects of an organisation. Utuoma (2022) explained that effective cost reduction entails analysing financial statements, assessing resource allocation, and identifying areas of waste or underperformance. This process often includes renegotiating supplier contracts, automating routine tasks, and eliminating redundant processes. It is different from cost control, which focuses on maintaining costs within predefined limits, whereas cost reduction seeks to permanently bring down the baseline of those costs. Businesses that adopt cost reduction frameworks are often better positioned to weather economic downturns and maintain operational efficiency (Dagbana & Adebayo, 2023)

Moreover, cost reduction is a vital tool for both private and public sector institutions aiming to maximise value from limited financial resources. Dakuku and Ibrahim (2021) posited that in the Nigerian public sector, cost reduction practices can

significantly enhance service delivery by reallocating saved funds towards critical infrastructure and social services. For example, adopting digital systems in government operations can reduce paperwork, enhance transparency, and cut costs associated with manual processes. Likewise, educational institutions that implement energy-saving measures or shared services can redirect savings towards improving learning outcomes. These strategic moves do not only reduce expenditure but also improve institutional performance and accountability (Ezeife, 2022)

The concept of cost reduction extends beyond short-term financial savings to include long-term sustainability and operational excellence. Fafunwa (2023) emphasised that cost reduction should be integrated into an organisation's culture and decision-making processes to foster continuous improvement. This may involve employee training, investment in technology, and restructuring of business models to align with cost-effective practices. For instance, transitioning from in-person meetings to virtual platforms can drastically reduce travel and logistics expenses. Additionally, businesses must monitor the outcomes of cost reduction initiatives to ensure they do not negatively impact product quality or customer satisfaction. Through consistent evaluation and innovation, cost reduction becomes a strategic asset that contributes to an organisation's growth and adaptability (Oluwole, 2021)

2.2.3 Service Delivery

Service delivery refers to the method by which a business provides its services to customers or clients in a timely, efficient, and satisfactory manner. Kiakite (2023) asserted that in the business environment, service delivery entails the entire process of meeting customer needs, from inquiry to the final receipt of goods or services. It is a crucial component of customer experience and can significantly influence client loyalty and brand reputation. A business that prioritises effective service delivery ensures that its operations are streamlined, its staff are well-trained, and its services are consistently reliable. This systematic approach often includes adopting technology and innovation to meet evolving customer expectations in competitive markets (Bosun, 2022).

In modern business practice, service delivery is a key indicator of organisational performance and customer satisfaction. Ititigbe (2022) noted that companies now view service delivery as a strategic advantage that can differentiate them from competitors. Prompt responses to customer complaints, personalised interactions, and after-sales support are all considered vital components of superior service delivery. For many businesses, the quality of service delivery determines customer retention and profitability. Firms that fail in this area risk negative reviews, decreased patronage, and eventually, loss of market share. As such, service delivery must be carefully designed to reflect the company's brand values and customer service philosophy (Okonkwo, 2023).

From a managerial perspective, service delivery involves coordinating various internal processes to ensure that clients receive what they are promised without

unnecessary delay or error. Ibrahim (2021) explained that businesses must build robust systems that align human resources, technology, and operational procedures to enhance service performance. This often includes training staff in customer service etiquette, automating key service functions, and collecting feedback to identify areas for improvement. Effective service delivery also requires performance monitoring, such as tracking response times, resolution rates, and customer satisfaction indices. These measures help businesses remain competitive and responsive to client demands in a dynamic market environment (Nwachukwu, 2022).

Moreover, the concept of service delivery in business is increasingly linked to customer empowerment, value creation, and brand engagement. Adewale (2020) stressed that today's customers expect more than just transactions—they seek personalised experiences and meaningful interactions. Businesses must therefore adopt customer-centric models that enable clients to participate in shaping the services they receive. Tools such as customer feedback systems, real-time support channels, and loyalty programmes contribute to enhanced service delivery and stronger customer relationships. Companies that listen and adapt to customer feedback often outperform those that take a more rigid, one-size-fits-all approach. The goal is not just to deliver a service, but to deliver it in a way that leaves a lasting positive impression (Ezeani, 2021).

2.2.4 Impact of Outsourcing on Operational Efficiency

Outsourcing has become a strategic tool for organisations aiming to enhance their operational efficiency in an increasingly competitive global marketplace. Majemite (2023) asserted that outsourcing enables companies to delegate non-core functions to external specialists, allowing them to concentrate on their core competencies. This redirection of focus ensures that internal resources are maximised where they matter most, leading to streamlined operations and better utilisation of time and personnel. Additionally, outsourcing reduces the burden of handling multiple tasks in-house, which often leads to inefficiencies due to overextended staff and infrastructure limitations. Organisations that effectively adopt outsourcing strategies can eliminate redundancies, reduce operational complexity, and achieve faster turnaround times. The simplified workflows and standardised processes brought about by outsourcing significantly improve the coordination and execution of business functions. In the Nigerian context, companies that have outsourced their information technology and customer service functions report higher responsiveness and improved service delivery (Fatoye, 2021).

Moreover, outsourcing offers access to advanced technologies and skilled expertise that may otherwise be unaffordable or unavailable in-house. Morakinyo (2021) observed that Nigerian firms outsourcing their technical operations, especially in manufacturing and logistics, benefit immensely from state-of-the-art solutions provided by third-party vendors. This access to specialised knowledge and tools not only accelerates the speed of operations but also ensures higher quality outputs. For instance, outsourcing software development to expert vendors allows businesses to leverage

industry best practices and cutting-edge tools without bearing the full cost of procurement or training. This technical leverage boosts overall productivity and enhances the precision of operations. Additionally, vendors are often more motivated to deliver excellence due to contractual obligations and competitive pressures, leading to consistently efficient service delivery. In essence, outsourcing allows firms to “borrow” excellence and embed it into their operational models for superior results (Obiora, 2022).

Cost efficiency is another critical dimension through which outsourcing improves operational performance. Gureje (2022) noted that by outsourcing certain functions, businesses can reduce overhead costs such as salaries, training, and facility maintenance. These savings can then be redirected to more value-adding activities such as product development or market expansion. Outsourcing providers often operate at economies of scale, which allows them to offer services at a lower cost than if those same services were performed in-house. This economic advantage translates into lower production or service costs without compromising on quality. In Nigeria, small and medium enterprises have especially benefited from outsourcing finance and HR functions, which would have otherwise strained their limited budgets. The financial flexibility gained through outsourcing helps in strategic reinvestment and innovation, further reinforcing the cycle of efficiency (Uwakwe, 2023).

Outsourcing also contributes to operational efficiency through risk mitigation and improved compliance with regulatory standards. Degenhardt (2021) explained that

outsourcing providers often have deep expertise in their domain, including a better understanding of compliance requirements and risk management frameworks. For businesses in regulated industries like finance and healthcare, outsourcing critical tasks such as data management or legal compliance to qualified providers ensures that operations stay within legal boundaries. This reduces the chances of fines or sanctions while allowing internal teams to avoid complex and time-consuming legal navigation. In Nigeria, companies in the banking sector that outsourced risk analysis and compliance functions noted a significant drop in operational errors and legal liabilities. The ability to transfer certain operational risks to vendors further stabilises business functions and improves reliability (Lawal, 2020).

The flexibility and scalability provided by outsourcing arrangements can substantially enhance operational agility. Udofia (2020) stated that outsourcing offers companies the flexibility to scale operations up or down in response to market demands without incurring the delays and costs of hiring or laying off staff. This adaptability is crucial in today's volatile economic landscape, where sudden changes can severely impact unprepared businesses. For Nigerian businesses, particularly in the tech and agriculture sectors, outsourcing has provided the ability to expand services quickly during peak periods and reduce expenses during downturns. Furthermore, outsourcing encourages continuous improvement, as service providers strive to innovate and remain competitive, which indirectly boosts the operational standards of their client

organisations. The scalability and responsiveness facilitated by outsourcing ensure that operational efficiency is maintained under varying market conditions (Emeka, 2021).

2.2.5 Impact of outsourcing on cost reduction in businesses

Outsourcing has become a powerful strategy for companies seeking to lower operational expenses and streamline business activities. Nahiru (2023) asserted that when businesses delegate certain functions—such as customer service, IT support, and logistics—to third-party providers, they significantly reduce the costs associated with staffing, training, and infrastructure maintenance. Outsourcing allows firms to avoid capital investment in departments that do not directly influence core business outcomes. This reduction in fixed costs can make a substantial difference in the overall expenditure profile of a company. Additionally, businesses gain access to specialised skills and services at a fraction of the cost it would take to build such capabilities in-house. This financial relief can be channelled towards innovation and strategic growth. Ultimately, outsourcing creates a cost-effective model that supports financial efficiency and competitiveness in the market (Wamako, 2022).

One of the most notable cost advantages of outsourcing is its ability to transform fixed costs into variable expenses. Wakil (2021) noted that this flexibility allows businesses to adjust their cost structure according to seasonal demand or market fluctuations. For example, outsourcing warehousing or customer support enables firms to pay only for the services they use, rather than bearing the burden of maintaining full-time

staff and facilities all year round. This adaptability is especially valuable for startups and small businesses that cannot afford long-term financial commitments. Outsourcing also reduces the need to invest in infrastructure or expensive technologies, as service providers already possess the necessary tools and systems. As a result, businesses become more agile and financially responsive to economic changes, thus ensuring long-term sustainability and cost savings (Nwachukwu, 2022).

Another critical aspect of cost reduction through outsourcing lies in the economies of scale enjoyed by external service providers. Bohnert (2020) pointed out that outsourcing firms serve multiple clients and, as such, can afford to offer services at reduced rates due to bulk operations and shared resources. This cost efficiency is transferred to the hiring company, which benefits from professional services at a much lower cost than managing the same services internally. Small and medium-sized businesses, in particular, gain access to premium services that would have otherwise been unaffordable. In sectors like IT and manufacturing, these advantages are amplified as providers continuously upgrade systems and processes to remain competitive. Ultimately, outsourcing provides high-quality services at reduced costs, offering a practical approach to improving business operations without overstressing financial resources (Odejide, 2023).

Outsourcing also significantly cuts costs related to legal compliance and risk management. Mustapha (2022) explained that when companies outsource to vendors that

specialise in particular services, they also transfer the responsibility of adhering to labour laws, tax regulations, and industry standards. This reduces the need to maintain in-house legal and compliance departments, resulting in fewer liabilities and overhead costs. Companies operating in multiple jurisdictions also benefit from the vendor's expertise in handling regional and international regulations. Moreover, outsourcing firms often carry insurance and legal safeguards that protect their clients from lawsuits or penalties. This added layer of protection translates into cost savings by minimising financial exposure. Therefore, outsourcing doesn't just reduce direct operational costs but also lessens the financial burden associated with risk management and compliance obligations (Emedefa, 2023).

Outsourcing leads to improved efficiency and productivity, both of which contribute to cost reduction over time. Uchenna (2023) observed that third-party vendors typically have better expertise, tools, and turnaround times than in-house teams, allowing tasks to be completed faster and with higher precision. This improvement reduces the cost of errors, rework, and delays, which often consume significant resources within businesses. By outsourcing routine or highly technical tasks, organisations can focus their efforts on strategic operations that directly generate revenue. This streamlined workflow ensures optimal resource utilisation and avoids unnecessary duplication of roles. Furthermore, outsourcing enables companies to scale quickly without the associated costs of expanding internal structures. Through better time management and enhanced service

quality, outsourcing plays a key role in driving down costs while simultaneously boosting operational output and competitiveness (Sogberu, 2021).

2.2.6 Role of Outsourcing in Enhancing Service Delivery

Outsourcing has emerged as a strategic approach for enhancing service delivery across various sectors. Uduabor (2023) asserted that outsourcing enables organisations to delegate non-core responsibilities to specialised third-party firms, allowing them to concentrate on their core competencies. This approach leads to increased productivity and higher service quality. By contracting experts in fields such as IT support, logistics, and customer service, businesses can ensure efficiency and effectiveness in the delivery of services. In Nigeria, this has been particularly beneficial in both public and private sectors, where outsourcing has bridged existing capacity gaps and reduced operational delays. Improved turnaround time, access to skilled labour, and professional execution are some of the critical benefits derived. Ultimately, outsourcing fosters a service-oriented culture that aligns with customer satisfaction and organisational goals (Adebayo, 2021).

Outsourcing plays a crucial role in reducing operational costs, thereby enhancing service delivery through better financial management. Anyanwu (2022) noted that outsourcing allows organisations to convert fixed costs into variable expenses, creating financial flexibility and room for reinvestment in service improvement. With reduced spending on support functions such as cleaning, payroll, and security, organisations can

channel funds towards critical service areas, including infrastructure and employee training. This shift leads to more responsive and efficient service delivery. In the Nigerian context, institutions facing tight budgets find outsourcing a sustainable cost-saving strategy. Additionally, reduced managerial workload allows leaders to focus on strategic planning and service innovation. These benefits contribute to streamlined services that better meet customer expectations. Overall, outsourcing remains a vital tool for institutions seeking to do more with limited resources while maintaining high service standards (Ititigbe, 2023).

A key advantage of outsourcing lies in the professional expertise and innovation external providers bring to service delivery. Ezechukwu (2021) stressed that outsourcing firms typically have specialised knowledge, advanced tools, and trained personnel, which in-house teams may lack. This leads to superior quality in service execution, as the outsourced teams bring in-depth industry insights and global best practices. In Nigeria, sectors such as banking, telecommunications, and healthcare have improved customer experiences by partnering with external service providers. Outsourcing also ensures compliance with regulatory standards, helping organisations avoid penalties and build public trust. Service delivery is thus more efficient, timely, and customer-centric. Furthermore, ongoing vendor evaluations ensure that service providers remain competitive and continually improve their offerings. This collaborative arrangement enhances the reputation and effectiveness of client organisations (Ajayi, 2020).

Organisational flexibility and adaptability are enhanced through outsourcing, improving service delivery in changing environments. Nabokporaye (2020) stated that outsourcing allows businesses to quickly scale operations up or down in response to market demand without restructuring internal systems. This adaptability helps organizations meet customer expectations during peak periods without compromising service quality. Nigerian companies, especially in sectors like retail and event management, have leveraged outsourcing to expand services seamlessly. By avoiding the delays that often come with hiring and training new staff, organizations maintain efficiency and responsiveness. Additionally, outsourced teams can be replaced or reassigned with minimal disruption, offering better control over service delivery timelines. Outsourcing provides a cushion for handling uncertainties and helps organisations remain competitive in fluctuating markets (Yerima 2022).

Outsourcing encourages innovation and continuous improvement, both essential for delivering high-quality services. Bosun (2023) highlighted that third-party service providers often operate in competitive markets and must innovate continually to meet client expectations. This drive for excellence promotes the adoption of new technologies, smarter processes, and creative service strategies. In Nigeria, outsourcing has exposed many organisations to emerging tools such as automated customer support and data-driven service planning. This exposure helps local institutions stay relevant in today's digital economy. By collaborating with forward-thinking vendors, organisations benefit from a shared commitment to performance improvement. These improvements translate

into faster service delivery, better user experiences, and enhanced customer loyalty. Ultimately, outsourcing creates a performance-based culture where quality service is a constant priority (Edigue, 2021).

2.3 Theoretical Review

This study is anchored on the Transaction Cost Economics (TCE) theory, as propounded by Oliver Williamson in 1985. Transaction Cost Economics Theory is a framework that seeks to explain organizational decisions, particularly the choice between performing tasks internally or outsourcing them. Developed by Ronald Coase and further refined by Oliver Williamson, this theory argues that firms exist to minimize transaction costs, which are the costs associated with economic exchanges. These costs can include searching for information, negotiating contracts, and monitoring performance. In outsourcing, businesses must decide whether it is more cost-effective to carry out tasks internally or to contract them out. According to the theory, outsourcing becomes an attractive option when the transaction costs of managing a function internally outweigh those of contracting the function externally. Thus, the theory provides a way to evaluate the economic efficiency of outsourcing decisions based on the associated costs.

A key aspect of Transaction Cost Economics Theory is the concept of asset specificity, which refers to investments made in a transaction that are highly specialized and not easily transferred for other uses. When asset specificity is high, firms face the risk of opportunism, as one party may take advantage of the other's dependency on the

specialized asset. For example, if a company outsources its IT services to a vendor using customized software specific to that company, switching vendors can be costly and difficult. This makes the firm more vulnerable to exploitation, such as price hikes or reductions in service quality. In this scenario, the firm must weigh the benefits of outsourcing against the potential for becoming overly dependent on an external supplier, which could adversely affect long-term business performance.

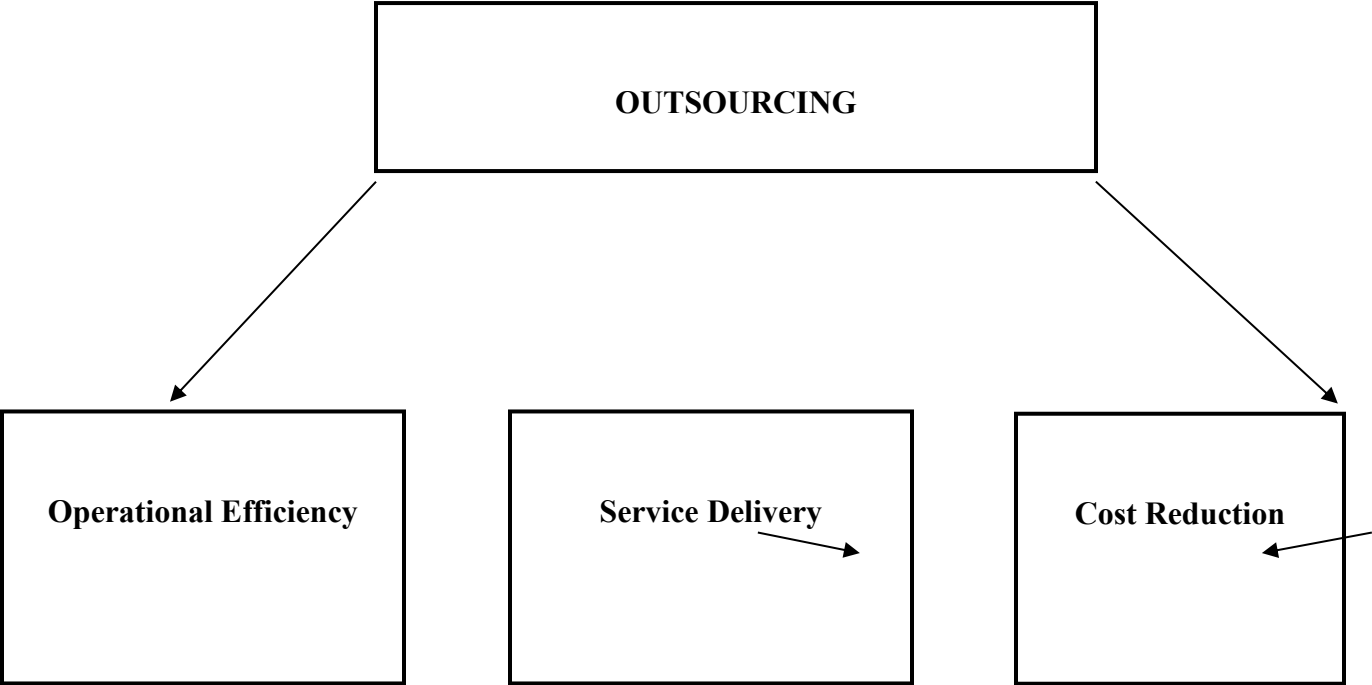
Transaction Cost Economics Theory also considers the level of uncertainty and the frequency of transactions when determining whether outsourcing is beneficial. Uncertainty refers to the unpredictable nature of future events, such as technological changes or market shifts, which makes it challenging to write complete contracts. As a result, frequent renegotiations might increase transaction costs, undermining the advantages of outsourcing. On the other hand, if tasks are infrequent or non-core to the business's primary operations, outsourcing may still be advantageous because it minimizes the need for repetitive contracting and monitoring. By applying the concepts of uncertainty and transaction frequency, firms can better assess the conditions under which outsourcing can either improve or hinder performance, thus ensuring that the decision aligns with the organization's strategic goals.

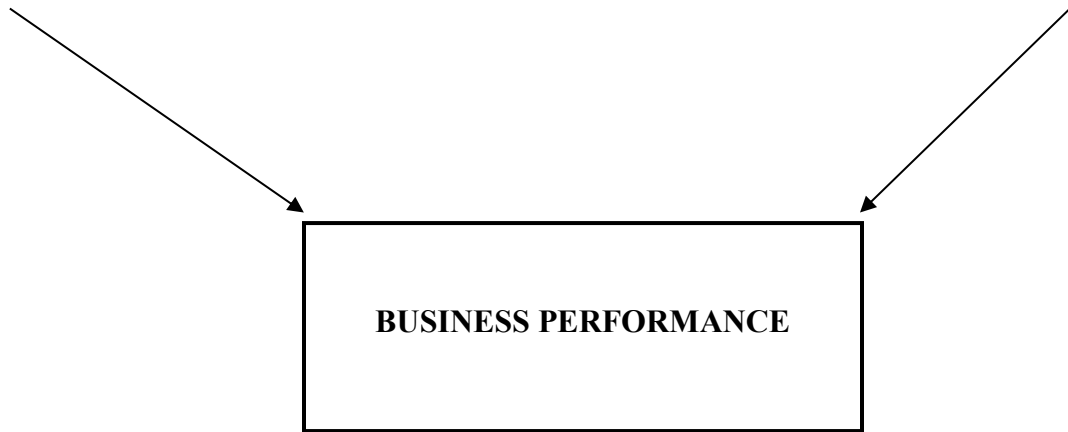
The theory is based on the assumption that the impact of outsourcing on business outcomes is contingent upon how effectively transaction costs are managed. Outsourcing can lead to significant advantages, such as cost savings, access to specialized expertise,

and enhanced organizational focus on core activities. However, when transaction costs are not carefully considered, outsourcing may result in hidden costs, such as poor service quality, reduced control over operations, and misaligned objectives between the firm and its outsourcing partner. Therefore, firms must carefully evaluate the total cost of outsourcing, not only in terms of initial savings but also in terms of ongoing monitoring and governance. Transaction Cost Economics Theory encourages managers to anticipate and account for these potential costs to avoid negative consequences and ensure that outsourcing arrangements contribute positively to business performance.

The theory is relevant to the study as it help offers a useful framework for understanding how outsourcing decisions impact business performance. It highlights that outsourcing is not inherently advantageous or detrimental; its success depends on how effectively transaction costs are managed. Factors such as asset specificity, uncertainty, and transaction frequency play critical roles in determining whether outsourcing will benefit or harm an organization. By carefully evaluating these elements, businesses can make more informed decisions about outsourcing that align with their long-term strategic objectives. This approach ensures that outsourcing arrangements are not only cost-effective but also contribute to sustainable business performance by minimizing the risks associated with opportunism, miscommunication, and poor management of external relationships.

2.4 Conceptual Framework





Source: Self-constructed by the author (2025)

2.5 Empirical Review

Chianu (2020) investigated the impact of outsourcing strategies on organizational productivity in selected manufacturing firms in Ogun State, Nigeria. The study surveyed 300 employees across ten companies using structured questionnaires and a descriptive survey design. Regression analysis showed that outsourcing non-core functions like logistics, security, and IT led to significant productivity improvements. Outsourcing allowed internal staff to focus on core activities, streamlined operations, and reduced downtime. However, challenges such as poor vendor performance and inadequate monitoring mechanisms affected some outcomes negatively. The study also discovered that firms lacking clear outsourcing contracts faced disputes that undermined performance. Recommendations included establishing strong vendor relationships,

investing in monitoring frameworks, and training internal teams on contract management. The research emphasized that outsourcing can be a strategic tool for enhancing performance if implemented with adequate planning and oversight. Overall, it highlighted outsourcing as a performance-enhancing strategy with critical implementation caveats.

Hadiza and Musa (2021) explored the relationship between outsourcing and financial performance in SMEs operating in Abuja, Nigeria. A sample of 200 SMEs in sectors such as ICT, hospitality, and retail was studied using quantitative survey methods. Data were analyzed through multiple regression techniques to determine the effect of outsourcing administrative and financial tasks on performance metrics like profitability, liquidity, and business expansion. Findings revealed that outsourcing reduced overhead costs and enhanced access to external expertise, thereby allowing SMEs to concentrate on strategic growth. Despite the benefits, some firms reported data confidentiality issues and vendor unreliability, which threatened operational stability. The study emphasized the need for formal contracts, effective communication, and regular vendor evaluations. It concluded that outsourcing could significantly boost SME financial performance if risks are proactively managed. Therefore, SMEs are advised to adopt structured outsourcing strategies aligned with their business goals to improve operational efficiency.

Sanni (2019) examined outsourcing's effect on service delivery efficiency in five leading commercial banks in Lagos. The study involved 250 employees selected through purposive sampling across departments where functions such as IT support, customer

care, and security had been outsourced. The research utilized a mixed-methods approach, combining survey data with interviews. Quantitative data were analyzed using SPSS, while qualitative insights were interpreted through thematic analysis. Results indicated that outsourcing improved turnaround times and customer satisfaction due to better technical service delivery and faster response rates. However, it also revealed that frequent complaints emerged over reduced employee morale and fears of job insecurity among permanent staff. The study advised that management must clearly communicate outsourcing goals and offer support to affected employees. It concluded that outsourcing in the banking sector enhances service delivery but should be managed carefully to preserve employee motivation and corporate culture.

Toyosi (2022) investigated the effect of outsourcing on cost reduction in medium-sized enterprises in Kano State. The study surveyed 150 business owners and managers across sectors including manufacturing, services, and agriculture. A structured questionnaire was used, and data were analyzed using descriptive statistics and Pearson correlation. The findings indicated that outsourcing of non-core services such as facility management, HR, and logistics significantly reduced operational costs, allowing businesses to redirect funds into innovation and expansion. However, some firms experienced service delays and inconsistency in quality from outsourced vendors. These limitations sometimes offset the cost benefits and harmed customer satisfaction. Ibrahim recommended thorough vendor selection, clear performance metrics, and inclusion of penalty clauses in contracts. The study concluded that outsourcing can help reduce

operational costs and improve efficiency if implemented with appropriate control systems and vendor accountability mechanisms, especially among growing enterprises with limited resources.

Morife and Bello (2021) focused on outsourcing and competitive advantage among ICT firms in Lagos. The researchers selected 120 IT-based firms and analyzed the relationship between outsourced functions—such as software development, server maintenance, and customer support—and innovation performance. Data were gathered using structured questionnaires and analyzed using structural equation modeling (SEM). Findings showed that outsourcing allowed firms to access expert services, reduce project timelines, and adapt quickly to market changes. This, in turn, led to increased product innovation and faster delivery of services. However, excessive reliance on external providers eroded internal capabilities, weakening the firm's ability to innovate independently. The study emphasized the need for firms to maintain a balance by outsourcing only non-core functions while retaining strategic and high-value tasks in-house. It recommended continuous performance evaluation and knowledge-sharing partnerships with vendors to preserve a firm's competitive edge while optimizing outsourcing benefits.

Komolafe (2020) assessed the effects of outsourcing on employee performance and morale in private schools in Enugu State. The research sampled 200 staff across 15 private schools where support functions such as cleaning, transport, and security were

outsourced. Using a cross-sectional survey design, the study collected data and analyzed it using ANOVA and chi-square techniques. Results showed that outsourcing relieved teachers of non-teaching duties, allowing more focus on academics, which improved classroom effectiveness. However, outsourced staff reported feelings of exclusion, job insecurity, and low morale due to lack of engagement in institutional decisions. These emotional factors often led to high turnover among contracted staff, affecting service consistency. Eze recommended integrating outsourced workers into the institutional culture through inclusive communication and welfare participation. The study concluded that while outsourcing boosts operational focus, ignoring staff welfare—especially among external workers—can undermine overall institutional performance and cohesion.

Nwagu (2023) investigated the strategic impact of outsourcing human resource management functions in large firms based in Ibadan. The study used a longitudinal research design to track changes in HR service delivery across 220 participants before and after outsourcing activities such as payroll, recruitment, and staff training. Data were analyzed using paired t-tests and regression analysis. The study revealed that outsourcing improved HR efficiency, reduced operational costs, and shortened recruitment timelines. However, the findings also highlighted concerns regarding knowledge loss, confidentiality breaches, and weakened organizational culture. Firms that outsourced all HR functions entirely struggled with reduced internal control over employee relations. The research recommended a hybrid HR outsourcing model that preserves internal strategy functions while outsourcing administrative tasks. Ogunleye concluded that

outsourcing HR services can enhance operational efficiency but should be strategically aligned with company culture and values to ensure long-term performance gains.

Rabiu (2021) studied the effect of outsourcing on supply chain efficiency in Nigeria's fast-moving consumer goods (FMCG) sector. A sample of 100 logistics managers from major FMCG companies in Lagos and Port Harcourt participated in the study. Using surveys and interviews, the study assessed how outsourcing warehousing, inventory, and transport services influenced delivery time, stock availability, and customer satisfaction. The results indicated improved delivery accuracy, shorter lead times, and more responsive customer service due to outsourcing. However, the study also uncovered risks such as delayed communication between vendors and firms and variability in service quality. These challenges, if unmanaged, disrupted supply chain continuity. The researchers advised firms to establish performance-based contracts and engage in long-term partnerships with vendors. The study concluded that outsourcing enhances supply chain efficiency when there is strong alignment between organizational objectives and vendor performance metrics.

CHAPTER THREE

METHODOLOGY

This chapter outlined the methodology used in the study, including the research design which served as the blueprint for addressing the research questions. It specified the study population, sample size, and sampling technique for participant selection. The research instrument and its validity were described to ensure accurate data collection. Sources of data, whether primary or secondary, were identified, and the chapter concluded with the method of data analysis used for processing and interpreting the findings.

3.1 Research Design

The research design adopted for this study was the cross-sectional research design. The cross-sectional research design is a type of observational study that analyzes data from a population, or a representative subset, at a specific point in time. It provided a snapshot of variables of interest to assess existing conditions or relationships.

3.2 Population of the Study

The target population for this study comprised all small-scale business owners in Egor Local Government Area of Edo State. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), there were 4,877 registered small-scale businesses in the area (SMEDAN, 2024).

3.3 Sample and Sampling Methods

A sample of 196 small-scale business owners in Egor Local Government Area of Edo State was selected for this study. The sample size was determined using Taro Yamane's formula, as outlined below:

$$\text{Sample size} = N \frac{1}{1+N(e)^2}$$

Where:

N = Population size

1 = Constant

e = margin of error (usually 0.7 for a 93% confidence level)

Thus;

$$= \frac{N}{1+N(e)^2}$$

$$= \frac{4,877}{1+4,877(0.7)^2}$$

$$N= \frac{4,877}{1+4,877(0.0049)}$$

$$N= \frac{4,877}{1+23.8973}$$

$$N= \frac{4,877}{24.8973}$$

N=196

Thus, the calculated sample size is 196 respondents.

3.4 Model Specification

The study investigated the effect of outsourcing on business performance, with cost reduction and service delivery as explanatory variables. The regression model was specified as:

$$BP_i = f(OS_i, CR_i, SD_i)$$

$$BP_i = \beta_0 + \beta_1 OS_i + \beta_2 CR_i + \beta_3 SD_i + \mu_i$$

Where:

- BP = Business Performance (dependent variable)

- OS = Outsourcing (independent variable)
- CR = Cost Reduction (independent variable)
- SD = Service Delivery (independent variable)
- β_0 = Intercept
- $\beta_1, \beta_2, \beta_3$ = Regression coefficients
- μ = Error term

3.5 Operationalization of Variables

This study focused on four main variables that were central to understanding the relationship between outsourcing and business performance:

Variables	Definition	Source
Outsourcing (OS)	<p>Outsourcing refers to the practice of contracting certain business functions or processes to external vendors or third-party providers to achieve efficiency and specialization.</p> <p>(Measurement Indicators: Outsourcing was measured using Likert-scale (1–5) questionnaire items assessing the frequency, scope, and perceived effectiveness of outsourcing practices)</p>	Bamigboye (2023)

Cost Reduction (CR)	<p>Cost reduction represents the decrease in operational expenses achieved through outsourcing strategies, improved efficiency, or economies of scale.</p> <p>(Measurement Indicators: Cost reduction was measured using Likert-scale (1–5) items measuring changes in business costs, expenditure patterns, and resource allocation efficiency)</p>	Uzor (2023)
Service Delivery (SD)	<p>Service delivery indicates the quality and timeliness of services provided to customers as influenced by outsourcing arrangements.</p> <p>(Measurement Indicators: Service delivery was assessed using Likert-scale (1–5) items evaluating customer satisfaction, service quality, and delivery speed)</p>	Kiakite (2023)
Business Performance (BP)	<p>Business performance refers to the overall success of a business in achieving its objectives, such as profitability, market growth, and customer satisfaction.</p> <p>(Measurement Indicators: Business performance was measured using Likert-scale (1–5) items capturing profitability, sales growth, and overall business outcomes)</p>	Wakil (2021)

3.6 Method of Data Collection

The study relied on primary data collected through the administration of structured questionnaires. The questionnaire was designed to obtain relevant information on the effect of outsourcing on business performance. The researcher personally administered the questionnaires to ensure clarity and accuracy in responses.

3.7 Research Instrument

The instrument for data collection was a structured questionnaire which was designed to elicit relevant information from the respondents on the effect of outsourcing

on business performance. The questionnaire was divided into two sections: Section A and Section B. Section A focused on gathering the demographic or personal information of the respondents, while Section B addressed questions related to the effect of outsourcing on business performance. The questionnaire utilized a 5-point Likert scale with response options ranging from Strongly Agree (SA), Agree (A), Neutral (N), Disagree (D), to Strongly Disagree (SD).

3.8 Validity of the Instrument

The developed questionnaire was presented to the project supervisor for review to ensure its content validity. All recommended corrections were implemented before the final version was administered to the respondents.

3.9 Reliability of Instrument

To ensure the reliability of the questionnaire, a pilot study was conducted with a small sample of respondents similar to the target population. The results from the pilot study were analyzed using the Cronbach's alpha reliability test to determine the internal consistency of the instrument. The Cronbach's alpha values for the different variables of the study are presented in Table 3.1:

Table 3.1: Reliability Result

Variables	Cronbach's Alpha Reading	Remark
Outsourcing	0.86	Reliable
Cost Reduction	0.88	Reliable
Service Delivery	0.87	Reliable

Business Performance	0.87	Reliable
Overall Scale	0.87	Reliable

The reliability analysis revealed that all constructs in the study exhibited strong internal consistency. Specifically, Outsourcing recorded a Cronbach's alpha of 0.86, Cost Reduction had an alpha value of 0.88, Service Delivery obtained a reliability coefficient of 0.87, and Business Performance also recorded 0.87. Overall, the entire scale achieved a Cronbach's alpha of 0.87, indicating that the questionnaire was both reliable and appropriate for the research.

3.10 Method of Data Analysis

The data collected for this study were analyzed using simple linear regression analysis. This statistical technique was employed to examine the relationship between the independent variable and the dependent variable. The analysis helped determine whether changes in the independent variable significantly predicted or influenced changes in the dependent variable. Prior to the regression analysis, the data were cleaned and coded appropriately. Descriptive statistics such as frequency counts and simple percentages were also used to provide a preliminary summary of the respondents' demographic characteristics and the distribution of responses. However, the primary focus was on regression analysis to draw inferential conclusions and test the formulated hypotheses.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSES OF RESULTS

4.1 Introduction

This chapter presents and thoroughly analyzes the findings obtained from the administered questionnaires. The collected data are organized in frequency tables and summarized using percentages for better clarity. All information used in this analysis was

sourced directly from the completed questionnaires. Of the 196 questionnaires distributed to, every copy was fully completed and returned, forming the basis for the analysis in this chapter.

4.2 Presentation of the Bio-Data of the Respondents

This section discusses demographic variables, including gender, age, educational qualification, and years of business experience, to provide a comprehensive understanding of the effect of outsourcing on business performance.

Table 1: Distribution of Respondents by Gender

Gender	Frequency	Percentage
Male	81	41.3%
Female	115	58.7%
Total	196	100%

Researcher’s Field Work, 2025

Table 1 presents the distribution of respondents by gender. As shown in the table, male respondents represent 41.3%, while female respondents account for 58.7%, indicating that the majority of the respondents were female.

Table 2: Distribution of Respondents by Age

Age Range	Respondents	Percentages
15-20	26	13.3%
21-25	51	26%
26-30	78	39.8%

30 years and above	41	20.9%
Total	196	100%

Researcher’s Field Work, 2025

Table 2 displays the distribution of respondents by age. Respondents aged 15–20 constitute 13.3%, those aged 21–25 make up 26%, while individuals aged 26–30 represent the largest group at 39.8%. Respondents aged 30 years and above form the smallest category at 20.9%. This shows that the majority of respondents fall within the 26–30 age range.

Table 3: Distribution of Respondents by Qualifications

Qualifications	Respondents	Percentages
SSCE	29	14.8%
OND	56	28.6%
HND/B.Sc.	97	49.5%
M.Sc. and above	14	7.1%
Total	196	100%

Researcher’s Field Work, 2025

Table 3 presents the respondents’ distribution by educational qualification. It shows that 14.8% of the respondents hold an SSCE, representing the lowest educational attainment in the study. The majority, 49.5%, possess an HND/B.Sc., indicating that most respondents have higher education degrees. Additionally, 28.6% hold an OND, while the smallest group, 7.1%, have an M.Sc. or higher. This distribution reflects a well-educated sample, with the largest proportion at the HND/B.Sc. level.

Table 4: Distribution of Respondents by Years of Business Experience

Years	Respondents	Percentages
0-5yrs	69	35.2%
6-10yrs	94	48%
10 years and above	33	16.8%
Total	196	100%

Researcher's Field Work, 2025

Table 4 illustrates the distribution of respondents by years of business experience. It shows that 35.2% of respondents have 0–5 years of experience, while the majority, 48%, have 6–10 years of experience. The smallest group, 16.8%, comprises respondents with over 10 years of business experience. This indicates that most respondents fall within the 6–10 years of business experience category.

4.3 DATA PRESENTATION

Research Question 1: What is the impact of outsourcing on business operational efficiency?

Table 5: Distribution of Responses on Impact of Outsourcing on Business Operational Efficiency

S/N	Items	SA	A	N	D	SD
1	Outsourcing helps me focus on key areas of my business without being distracted by side tasks	118 (60.2%)	65 (33.2%)	3 (1.5%)	5 (2.6%)	5 (2.6%)
2	My business operations have become faster and more organized since I started outsourcing some functions	133 (67.9%)	41 (21.0%)	6 (3.1%)	7 (3.6%)	9 (4.6%)
3	I achieve quicker results when I outsource certain activities than when handled by my business alone	115 (58.7%)	63 (32.1%)	4 (2.0%)	6 (3.1%)	8 (4.1%)
4	During busy periods, outsourcing helps me meet customer demand without stressing my own workers	136 (69.4%)	34 (17.3%)	6 (3.1%)	11 (5.6%)	9 (4.6%)
5	Outsourcing allows better time management, helping me to concentrate on growing my business	104 (53.1%)	60 (30.6%)	7 (3.6%)	12 (6.1%)	13 (6.6%)
6	My business productivity has increased since I started working with outsourced service providers	113 (57.7%)	67 (34.2%)	4 (2.0%)	6 (3.1%)	6 (3.1%)
7	External workers complete tasks better and faster because of their professional training and experience	127 (64.8%)	47 (24.0%)	7 (3.6%)	9 (4.6%)	6 (3.1%)
8	Giving out some tasks reduces the stress and pressure on my regular employees	111 (56.6%)	69 (35.2%)	4 (2.0%)	7 (3.6%)	5 (2.6%)
9	Since outsourcing started, there has been a general improvement in how we run daily activities	132 (67.3%)	38 (19.4%)	7 (3.6%)	12 (6.1%)	7 (3.6%)
10	Outsourcing helps us serve customers faster, improving how we deliver goods and services	106 (54.1%)	57 (29.1%)	8 (4.1%)	11 (5.6%)	14 (7.1%)

Source: Field Work, 2025

The data in Table 5 presents an analysis of respondents' perceptions of the impact of outsourcing on business operational efficiency. For item 1, a strong majority (60.2% strongly agree and 33.2% agree) indicated that outsourcing allows them to focus on key

business areas without distraction, making up 93.4% agreement, while only 1.5% were neutral and 5.2% disagreed. In item 2, 67.9% strongly agree and 21.0% agree that outsourcing has made their operations faster and more organized, yielding 88.9% agreement, with 3.1% neutral and 8.2% disagreement. Item 3 shows that 58.7% strongly agree and 32.1% agree that outsourcing leads to quicker results compared to handling tasks internally, giving 90.8% agreement, while 2.0% were neutral and 7.2% disagreed. In item 4, the majority (69.4% strongly agree and 17.3% agree) affirmed that outsourcing helps them meet customer demand during busy periods, totaling 86.7% agreement, while 3.1% were neutral and 10.2% disagreed. For item 5, 53.1% strongly agree and 30.6% agree that outsourcing enhances time management and allows focus on business growth, resulting in 83.7% agreement, while 3.6% were neutral and 12.7% disagreed. Item 6 reveals that 57.7% strongly agree and 34.2% agree that productivity has increased through outsourcing, giving 91.9% agreement, while 2.0% were neutral and 6.2% disagreed. Similarly, in item 7, 64.8% strongly agree and 24.0% agree that outsourced workers perform better and faster due to their expertise, accounting for 88.8% agreement, while 3.6% were neutral and 7.7% disagreed. For item 8, 56.6% strongly agree and 35.2% agree that outsourcing reduces stress on employees, yielding 91.8% agreement, while 2.0% were neutral and 6.2% disagreed. In item 9, 67.3% strongly agree and 19.4% agree that outsourcing has improved daily operations, giving 86.7% agreement, while 3.6% were neutral and 9.7% disagreed. Lastly, item 10 shows that 54.1% strongly agree and 29.1% agree that outsourcing improves customer service delivery, making up 83.2% agreement, while 4.1% were neutral and 12.7% disagreed. Overall, the data strongly indicates that outsourcing significantly enhances business efficiency by improving time management, productivity, service delivery, and employee well-being, thereby contributing positively to organizational performance.

Research Question 2: What is the effect of outsourcing on cost reduction in businesses?

Table 6: Distribution of Responses on Effect of Outsourcing on Cost Reduction in Businesses

S/N	Items	SA	A	N	D	SD
1	Outsourcing some tasks has reduced my business costs and helped me spend less on operations	117 (59.7%)	63 (32.1%)	5 (2.6%)	6 (3.1%)	5 (2.6%)
2	Instead of hiring more staff, I use outsourcing to reduce salary and training expenses	127 (64.8%)	51 (26.0%)	3 (1.5%)	8 (4.1%)	7 (3.6%)
3	I have saved money on rent, electricity, and equipment through outsourcing	113 (57.7%)	68 (34.7%)	5 (2.6%)	3 (1.5%)	7 (3.6%)
4	With outsourcing, I no longer spend heavily on training and supervising workers for every task	131 (66.8%)	42 (21.4%)	6 (3.1%)	11 (5.6%)	6 (3.1%)
5	The money I save through outsourcing is used to improve other areas of my business	108 (55.1%)	57 (29.1%)	10 (5.1%)	13 (6.6%)	8 (4.1%)
6	I get good services at a lower cost when I outsource to skilled people	119 (60.7%)	65 (33.2%)	4 (2.0%)	4 (2.0%)	4 (2.0%)
7	Outsourcing helps reduce wastage and unnecessary spending in my business	131 (66.8%)	44 (22.4%)	7 (3.6%)	9 (4.6%)	5 (2.6%)
8	I avoid buying costly tools and machines by outsourcing those specialized services	117 (59.7%)	64 (32.7%)	3 (1.5%)	6 (3.1%)	6 (3.1%)
9	Outsourcing helps me control my expenses better, especially during slow business periods	134 (68.4%)	37 (18.9%)	7 (3.6%)	12 (6.1%)	6 (3.1%)
10	Overall, outsourcing has helped me reduce costs and keep my business running smoothly	106 (54.1%)	59 (30.1%)	7 (3.6%)	11 (5.6%)	13 (6.6%)

Source: Field Work, 2025

The data in Table 6 presents an analysis of respondents' perceptions of the effect of outsourcing on cost reduction in businesses. For item 1, a strong majority (59.7% strongly agree and 32.1% agree) affirmed that outsourcing reduces business costs and operational expenses, making up 91.8% agreement, while only 2.6% were neutral and 5.7% disagreed. In item 2, 64.8% strongly agree and 26.0% agree that outsourcing helps minimize salary and training costs by reducing the need for extra staff, resulting in 90.8% agreement, with 1.5% neutral and 7.7% disagreement. Item 3 shows that 57.7% strongly agree and 34.7% agree that outsourcing saves costs on rent, electricity, and equipment, totaling 92.4% agreement, while 2.6% were neutral and 5.1% disagreed. In item 4, 66.8% strongly agree and 21.4% agree that outsourcing reduces spending on training and supervision, making up 88.2% agreement, while 3.1% were neutral and 8.7% disagreed. For item 5, 55.1% strongly agree and 29.1% agree that outsourcing frees up resources to reinvest in other areas of business, giving 84.2% agreement, while 5.1% were neutral and 10.7% disagreed. Item 6 reveals that 60.7% strongly agree and 33.2% agree that outsourcing provides skilled services at lower costs, yielding 93.9% agreement, with only 2.0% neutral and 4.0% disagreement. Likewise, in item 7, 66.8% strongly agree and 22.4% agree that outsourcing helps reduce wastage and unnecessary spending, accounting for 89.2% agreement, while 3.6% were neutral and 7.2% disagreed. For item 8, 59.7% strongly agree and 32.7% agree that outsourcing eliminates the need to purchase costly tools and machines, giving 92.4% agreement, while 1.5% were neutral and 6.2% disagreed. Item 9 shows that 68.4% strongly agree and 18.9% agree that outsourcing helps control expenses during slow periods, totaling 87.3% agreement, with 3.6% neutral and 9.2% disagreement. Lastly, item 10 indicates that 54.1% strongly agree and 30.1% agree that outsourcing overall reduces costs and ensures smooth business operations, making up 84.2% agreement, while 3.6% were neutral and 12.2% disagreed. Overall, the data strongly indicates that outsourcing significantly contributes to cost reduction by lowering staff, training, equipment, and utility expenses, thereby freeing resources for reinvestment and helping businesses maintain financial stability.

Research Question 3: What is the role of outsourcing in enhancing service delivery?

Table 7: Distribution of Responses on Role of Outsourcing in Enhancing Service Delivery

S/N	Items	SA	A	N	D	SD
1	Outsourcing has helped me serve my customers better and faster than before	123 (62.8%)	59 (30.1%)	5 (2.6%)	3 (1.5%)	6 (3.1%)
2	Customers now receive their goods or services on time because of outsourcing support	131 (66.8%)	49 (25.0%)	5 (2.6%)	6 (3.1%)	5 (2.6%)
3	More customers are satisfied since I started outsourcing some parts of my business operations	117 (59.7%)	62 (31.6%)	3 (1.5%)	6 (3.1%)	8 (4.1%)
4	Outsourced service providers offer quality services that meet the needs of my customers	139 (70.9%)	34 (17.3%)	5 (2.6%)	13 (6.6%)	5 (2.6%)
5	With outsourcing, I can attend to customers even outside normal working hours	110 (56.1%)	55 (28.1%)	7 (3.6%)	10 (5.1%)	14 (7.1%)
6	Outsourcing helps me adjust quickly to customer demands without delay	114 (58.2%)	66 (33.7%)	4 (2.0%)	6 (3.1%)	6 (3.1%)
7	Outsourcing gives me access to experts who understand how to serve customers well	130 (66.3%)	46 (23.5%)	6 (3.1%)	9 (4.6%)	5 (2.6%)
8	Customer complaints have reduced since I began outsourcing some tasks in my business	116 (59.2%)	65 (33.2%)	3 (1.5%)	7 (3.6%)	5 (2.6%)
9	I can serve more people now because outsourced workers help me deliver faster	136 (69.4%)	35 (17.9%)	6 (3.1%)	14 (7.1%)	5 (2.6%)
10	I have maintained good service quality because of help from outsourced professionals	108 (55.1%)	58 (29.6%)	8 (4.1%)	9 (4.6%)	13 (6.6%)

Source: Field Work, 2025

The data in Table 7 presents an analysis of respondents' perceptions of the role of outsourcing in enhancing service delivery. For item 1, a strong majority (62.8% strongly agree and 30.1% agree) affirmed that outsourcing enables them to serve customers better and faster, giving 92.9% agreement, while only 2.6% were neutral and 4.6% disagreed. In item 2, 66.8% strongly agree and 25.0% agree that outsourcing helps customers receive goods and services on time, yielding 91.8% agreement, with 2.6% neutral and 5.7% disagreement. Item 3 shows that 59.7% strongly agree and 31.6% agree that customer satisfaction has improved due to outsourcing, making up 91.3% agreement, while 1.5% were neutral and 7.2% disagreed. For item 4, the majority (70.9% strongly agree and 17.3% agree) confirmed that outsourced providers offer quality services that meet customer needs, totaling 88.2% agreement, with 2.6% neutral and 9.2% disagreement. Item 5 reveals that 56.1% strongly agree and 28.1% agree that outsourcing allows them to attend to customers beyond normal working hours, giving 84.2% agreement, while 3.6% were neutral and 12.2% disagreed. In item 6, 58.2% strongly agree and 33.7% agree that outsourcing helps them adjust quickly to customer demands, totaling 91.9% agreement, while 2.0% were neutral and 6.2% disagreed. Likewise, in item 7, 66.3% strongly agree and 23.5% agree that outsourcing provides access to experts in customer service, yielding 89.8% agreement, with 3.1% neutral and 7.2% disagreement. For item 8, 59.2% strongly agree and 33.2% agree that customer complaints have reduced since outsourcing began, making up 92.4% agreement, while 1.5% were neutral and 6.2% disagreed. Item 9 shows that 69.4% strongly agree and 17.9% agree that outsourcing enables them to serve more customers faster, giving 87.3% agreement, with 3.1% neutral and 9.7% disagreement. Lastly, item 10 indicates that 55.1% strongly agree and 29.6% agree that outsourcing has helped maintain service quality, yielding 84.7% agreement, while 4.1% were neutral and 11.2% disagreed. Overall, the findings strongly suggest that outsourcing plays a crucial role in enhancing service delivery by improving timeliness, quality, customer satisfaction, and responsiveness, thereby enabling businesses to serve more customers efficiently and maintain high standards of service.

4.4 TEST OF HYPOTHESES

Hypothesis 1:

HO₁: Outsourcing has no significant impact on operational efficiency.

Table 8: Linear Regression Analysis of Outsourcing and Operational Efficiency

Variable	R	R ²	Adjusted R ²	F(df)	β (Outsourcing)	t-value	p-value	Remark
Outsourcing	0.762	0.581	0.574	F(1,73) = 101.754, p < .001	0.764	10.088	0.000	Significant

The result of the linear regression analysis shows that outsourcing has a significant and positive impact on operational efficiency ($\beta = 0.764$, $t = 10.088$, $p < 0.001$). The R-value of 0.762 indicates a strong correlation, while the R² value of 0.581 suggests that 58.1% of the variation in operational efficiency is explained by outsourcing. The adjusted R² of 0.574 confirms the model's reliability, and the F-statistic of 101.754 indicates statistical significance. Since the p-value is less than 0.05, the null hypothesis (HO₁) is not accepted. This implies that outsourcing significantly enhances operational efficiency.

Hypothesis 2:

HO₂: Outsourcing does not significantly affect cost reduction in businesses.

Table 9: Linear Regression Analysis of Outsourcing and Cost Reduction

Variable	R	R ²	Adjusted R ²	F(df)	β (Outsourcing)	t-value	p-value	Remark
Outsourcing	0.734	0.539	0.531	F(1,73) = 85.711, p < .001	0.735	9.261	0.000	Significant

The analysis reveals a significant positive relationship between outsourcing and cost reduction ($\beta = 0.735$, $t = 9.261$, $p < 0.001$). The R-value of 0.734 indicates a strong correlation, and the R² of 0.539 shows that 53.9% of the variation in cost reduction is explained by outsourcing. The adjusted R² of 0.531 further supports the model's robustness. With an F-statistic of 85.711, the model is statistically significant, and the null hypothesis (HO₂) is not accepted. This underscores that outsourcing plays a crucial role in reducing business costs.

Hypothesis 3:

HO₃: Outsourcing does not play a significant role in enhancing service delivery.

Table 10: Linear Regression Analysis of Outsourcing and Service Delivery

Variable	R	R ²	Adjusted R ²	F(df)	β (Outsourcing)	t-value	p-value	Remark
Outsourcing	0.751	0.564	0.557	F(1,73) = 94.153, p < .001	0.755	9.706	0.000	Significant

The regression analysis demonstrates that outsourcing significantly enhances service delivery ($\beta = 0.755$, $t = 9.706$, $p < 0.001$). The R-value of 0.751 shows a strong correlation, while the R² of 0.564 indicates that 56.4% of the variation in service delivery is influenced by outsourcing. The adjusted R² of 0.557 validates the model's reliability, and the F-statistic of 94.153 confirms statistical significance. As the p-value is below 0.05, the null hypothesis (HO₃) is not accepted. This indicates that outsourcing plays a significant role in improving service delivery outcomes.

4.5 DISCUSSION OF FINDINGS

Findings from the study revealed that outsourcing significantly enhances business efficiency by improving time management, productivity, service delivery, and employee well-being, thereby contributing positively to organizational performance. This finding can be attributed to the fact that outsourcing allows organizations to delegate non-core

functions to external specialists, enabling employees to focus on their primary responsibilities and core business objectives. By reducing workload pressures and freeing up time, outsourcing enhances time management and boosts overall productivity. It also ensures that services are delivered more efficiently and often at a higher quality, as external providers bring in expertise and advanced resources. Furthermore, by easing operational burdens, outsourcing contributes to employee well-being, reducing stress and improving job satisfaction. This findings is in agreement with Majemite (2023) who asserted that outsourcing enables companies to delegate non-core functions to external specialists, allowing them to concentrate on their core competencies.

Findings from the study also revealed that outsourcing significantly contributes to cost reduction by lowering staff, training, equipment, and utility expenses, thereby freeing resources for reinvestment and helping businesses maintain financial stability. This finding can be explained by the fact that outsourcing enables organizations to minimize overhead costs associated with hiring and maintaining a full-time workforce, such as salaries, benefits, and continuous training. In addition, it reduces the need for heavy investment in equipment, technology, and utilities since external service providers often bear these expenses. By cutting down on these operational costs, businesses are able to allocate resources more efficiently, channeling savings into other strategic areas such as innovation, expansion, or customer service improvement. Ultimately, this cost efficiency not only enhances financial stability but also supports long-term competitiveness and organizational sustainability. This findings corresponds with the

views of Nahiru (2023) who asserted that when businesses delegate certain functions—such as customer service, IT support, and logistics—to third-party providers, they significantly reduce the costs associated with staffing, training, and infrastructure maintenance.

Findings from the study further revealed that outsourcing plays a crucial role in enhancing service delivery by improving timeliness, quality, customer satisfaction, and responsiveness, thereby enabling businesses to serve more customers efficiently and maintain high standards of service. This finding can be attributed to the fact that outsourcing allows organizations to leverage the expertise and specialized capabilities of external providers, which often results in faster and higher-quality service delivery. By relying on professionals with advanced skills and resources, businesses are able to meet deadlines more effectively, reduce service errors, and maintain consistency in performance. This, in turn, boosts customer satisfaction as clients receive timely, reliable, and superior services. Additionally, outsourcing enhances organizational responsiveness by enabling firms to quickly adapt to changing customer needs and market demands. Collectively, these advantages help businesses serve more customers efficiently while upholding high service standards. This findings is in tandem with Anyanwu (2022) who noted that outsourcing allows organisations to convert fixed costs into variable expenses, creating financial flexibility and room for reinvestment in service improvement.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study investigated effect of outsourcing on business performance. The population for this study comprises all small-scale business owners in Egor Local Government Area of Edo State. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), there are 4,877 registered small-scale businesses in the area (SMEDAN, 2024). The sample for this study consisted of 196 small-scale business owners in Egor Local Government Area of Edo State. The primary source of data for this study was the questionnaire which was designed to collect relevant information from the participants. The data collected for this study was analyzed through linear regression analysis. Additionally, descriptive statistics, including frequency distributions and percentages, was applied to offer an initial overview of the respondents' demographic profiles and response patterns.

5.2 Summary of Findings

The following constitutes the major findings of the study;

1. The findings of the study in research question one revealed that outsourcing significantly enhances business efficiency by improving time management, productivity, service delivery, and employee well-being, thereby contributing positively to organizational performance. This finding can be attributed to the fact that outsourcing allows organizations to delegate non-core functions to external specialists, enabling employees to focus on their primary responsibilities and core business objectives. By reducing workload pressures and freeing up time, outsourcing enhances time management and boosts overall productivity. It also ensures that services are delivered more efficiently and often at a higher quality, as external providers bring in expertise and advanced resources. Furthermore, by easing operational burdens, outsourcing contributes to employee well-being, reducing stress and improving job satisfaction. This findings is in agreement with Majemite (2023) who asserted that outsourcing enables companies to delegate non-core functions to external specialists, allowing them to concentrate on their core competencies.
2. The findings of the study in research question two revealed that outsourcing significantly contributes to cost reduction by lowering staff, training, equipment, and utility expenses, thereby freeing resources for reinvestment and helping businesses maintain financial stability. This finding can be explained by the fact that outsourcing enables organizations to minimize overhead costs associated with hiring and maintaining a full-time workforce, such as salaries, benefits, and

continuous training. In addition, it reduces the need for heavy investment in equipment, technology, and utilities since external service providers often bear these expenses. By cutting down on these operational costs, businesses are able to allocate resources more efficiently, channeling savings into other strategic areas such as innovation, expansion, or customer service improvement. Ultimately, this cost efficiency not only enhances financial stability but also supports long-term competitiveness and organizational sustainability. This findings corresponds with the views of Nahiru (2023) who asserted that when businesses delegate certain functions—such as customer service, IT support, and logistics—to third-party providers, they significantly reduce the costs associated with staffing, training, and infrastructure maintenance.

3. The findings of the study in research question three revealed that outsourcing plays a crucial role in enhancing service delivery by improving timeliness, quality, customer satisfaction, and responsiveness, thereby enabling businesses to serve more customers efficiently and maintain high standards of service. This finding can be attributed to the fact that outsourcing allows organizations to leverage the expertise and specialized capabilities of external providers, which often results in faster and higher-quality service delivery. By relying on professionals with advanced skills and resources, businesses are able to meet deadlines more effectively, reduce service errors, and maintain consistency in performance. This, in turn, boosts customer satisfaction as clients receive timely, reliable, and

superior services. Additionally, outsourcing enhances organizational responsiveness by enabling firms to quickly adapt to changing customer needs and market demands. Collectively, these advantages help businesses serve more customers efficiently while upholding high service standards. This findings is in tandem with Anyanwu (2022) who noted that outsourcing allows organisations to convert fixed costs into variable expenses, creating financial flexibility and room for reinvestment in service improvement.

5.3 Conclusion

The study investigated the effect of outsourcing on business performance, with a particular focus on its impact on operational efficiency, cost reduction, and service delivery. Findings indicated that outsourcing serves as a strategic tool for businesses seeking to streamline their operations and focus on core competencies. By delegating non-core activities to external providers, organizations were able to achieve higher levels of efficiency, reduce bottlenecks, and enhance productivity. The study also showed that outsourcing contributes significantly to cost management, as businesses are able to lower overhead expenses, minimize investment in infrastructure, and optimize resource allocation. This aligns with the growing recognition of outsourcing as a cost-saving strategy that enables businesses to remain competitive in an increasingly challenging and globalized market. Moreover, the findings demonstrated that outsourcing can improve service delivery, as specialized service providers often bring in technical expertise,

advanced technologies, and innovative practices that enhance customer satisfaction and overall business outcomes.

Furthermore, the study concluded that outsourcing has become a vital component of modern business strategy, offering both short-term and long-term benefits when effectively managed. The positive effects observed in operational efficiency, cost savings, and service quality underscore its role as a driver of business growth and sustainability. However, the study also acknowledged that the success of outsourcing largely depends on the selection of credible partners, proper contractual agreements, and the ability of firms to maintain oversight and strategic alignment. Poorly managed outsourcing relationships can lead to risks such as loss of control, dependency on external providers, and quality inconsistencies, which may undermine organizational objectives. Ultimately, the study affirms that outsourcing, when strategically implemented, not only enhances business performance but also positions firms to adapt to market dynamics, foster innovation, and achieve long-term competitiveness in today's evolving business environment.

5.4 Policy Implications and Recommendations

In view of the results obtained, the study puts forward the following policy recommendations:

1. Businesses should adopt outsourcing strategically by focusing on non-core activities, allowing internal resources to concentrate on core competencies that directly enhance competitiveness.
2. Organizations must establish clear performance monitoring frameworks and contractual agreements to ensure accountability and minimize risks associated with outsourcing.
3. Management should prioritize the selection of credible and experienced outsourcing partners with proven track records in quality, efficiency, and reliability.
4. Firms should invest in continuous evaluation of outsourcing arrangements to adapt to changing market conditions, technological advancements, and customer expectations.

5.5 Contribution to Knowledge

This study has provided notable contributions to knowledge in the following areas:

1. The study provides empirical evidence that outsourcing positively influences business performance through improvements in operational efficiency, cost reduction, and service delivery.
2. It highlights the importance of strategic management in outsourcing arrangements, stressing that success is dependent on oversight and alignment with organizational goals.

3. The research adds to existing literature by emphasizing outsourcing as not just a cost-saving tool but also as a driver of innovation and customer satisfaction.
4. It broadens the understanding of outsourcing in the Nigerian and global business context, offering insights that can guide both policymakers and business leaders in adopting outsourcing practices.

5.6 Suggestions for Further Studies

In order to extend the findings of this study, the following areas are suggested for further research:

1. Future studies should examine the long-term risks of outsourcing, such as dependency on external providers and potential knowledge loss within organizations.
2. Researchers could investigate the effect of outsourcing on employee morale and job security, as these are critical factors that influence organizational culture.
3. A comparative study between small and medium-sized enterprises (SMEs) and large corporations could provide deeper insights into how outsourcing impacts business performance differently.

4. Further research may focus on industry-specific outsourcing practices (e.g., manufacturing, banking, IT services) to identify unique challenges and opportunities within each sector.

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DEPARTMENT OF BUSINESS ADMINISTRATION

FACULTY OF MANAGEMENT SCIENCES

UNIVERSITY OF BENIN, BENIN CITY

QUESTIONNAIRE

Dear Respondent,

I am an undergraduate student in the above named department and institution. I am conducting a research on “**Effect of Outsourcing on Business Performance**”. This study is purely for academic purpose and you have been selected as one of the respondents for this study. Your participation will contribute to knowledge base in the research theme.

I will be very grateful if you assist by providing honest information on the subject matter of this study. Rest assured that any information you provide will be treated with utmost confidentiality and shall be used strictly for the purpose of the academic research.

To guarantee this, your name, address and phone number are not required. It will be much appreciated if you could spare some minutes to complete this questionnaire.

Thank you.

ASUENIMHENRE MATHEW

DEMOGRAPHIC DATA

Please tick the option you consider appropriate and fill in blank spaces

Gender: Male () Female ()

Age: 15-20yrs () 21-25yrs () 26-30yrs () 30 years and above ()

Educational Qualification: SSCE () OND () HND () B.Sc. () MSc. () PhD. ()

Years of Business Experience: 0-5 () 6-10 () 10 years and above ()

Please indicate the extent to which you agree or disagree with the following statements.

Key: Strongly Agree (SA), Agree (A), Neutral (N), Disagree (D), Strongly Disagree (SD)

S/N	ITEMS	SA	A	N	D	SD
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Impact of Outsourcing on Operational Efficiency						
1.	Outsourcing helps me focus on key areas of my business without being distracted by side tasks					
2.	My business operations have become faster and more organized since I started outsourcing some functions					
3.	I achieve quicker results when I outsource certain activities than when handled by my business alone					
4.	During busy periods, outsourcing helps me meet customer demand without stressing my own workers					
5.	Outsourcing allows better time management, helping me to concentrate on growing my business					
6.	My business productivity has increased since I started working with outsourced service providers					
7.	External workers complete tasks better and faster because of their professional training and experience					
8.	Giving out some tasks reduces the stress and pressure on my regular employees					
9.	Since outsourcing started, there has been a general improvement in how we run daily activities					
10.	Outsourcing helps us serve customers faster, improving how we deliver goods and services					
Effect of Outsourcing on Cost Reduction in Businesses						
11.	Outsourcing some tasks has reduced my business costs and helped me spend less on operations					
12.	Instead of hiring more staff, I use outsourcing to reduce salary and training expenses					
13.	I have saved money on rent, electricity, and equipment through					

	outsourcing					
14.	With outsourcing, I no longer spend heavily on training and supervising workers for every task					
15.	The money I save through outsourcing is used to improve other areas of my business					
16.	I get good services at a lower cost when I outsource to skilled people					
17.	Outsourcing helps reduce wastage and unnecessary spending in my business					
18.	I avoid buying costly tools and machines by outsourcing those specialized services					
19.	Outsourcing helps me control my expenses better, especially during slow business periods					
20.	Overall, outsourcing has helped me reduce costs and keep my business running smoothly					
	Role of Outsourcing in Enhancing Service Delivery					
21.	Outsourcing has helped me serve my customers better and faster than before					
22.	Customers now receive their goods or services on time because of outsourcing support					
23.	More customers are satisfied since I started outsourcing some parts of my business operations					
24.	Outsourced service providers offer quality services that meet the needs of my customers					
25.	With outsourcing, I can attend to customers even outside normal working hours					
26.	Outsourcing helps me adjust quickly to customer demands without delay					

27.	Outsourcing gives me access to experts who understand how to serve customers well					
28.	Customer complaints have reduced since I began outsourcing some tasks in my business					
29.	I can serve more people now because outsourced workers help me deliver faster					
30.	I have maintained good service quality because of help from outsourced professionals					