Outsourcing Strategies and Organizational Survival: a Study of Selected Hospitals in Port Harcourt, Rivers State

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Abstract

This study X-rayed the relationship between outsourcing strategies and organizational survival in selected hospitals in Port Harcourt, Rivers state. The study adopted a quasi-experimental design in course of the investigation. A survey method was adopted in the research process. Three research questions were developed and a concomitant trio research hypotheses were proposed to guide the study. The population of the study is 170 respondents. The sample size of 118 was obtained using the Krejice and Morgan Table of sample determination. Structured questionnaires were administered to elicit responses from the respondents. The responses of the respondents were analysed using the Statistical package for social sciences (SPSS VERSION 20). The analysis of the data indicated that there are significant relationships between outsourcing strategies and the three dimensions of organizational survival. The policy thrust of this paper is that hospital management in Rivers State should be meticulous and strategic in their choices of outsourcing strategies to be employed in their organizations. This is to galvanize the inflow of positive possible outcomes in the survival bid of their organizations.

Keywords: Outsourcing strategies, business process, profitability, organizational survival, quality improvement, organizational adaptability

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Background to the Study
Healthcare institutions face the dual pressures of performing at the highest clinical levels as demanded by patients and regulatory bodies, as well as rendering health care services at affordable prices. The realization that there are limited advantages in running large number of units performing different functions has compelled managers of health care institutions to be innovative, refocus their efforts and develop “Core Competences” which provide competitive advantage in the organization in order to ensure their survival in a competitive business environment. The organization’s activities and functions that are not considered so necessary to preserve are consequently outsourced. One of the strategic tools healthcare executives use to meet the efficiency demand and cost-saving target and eventually survive in the business environment is outsourcing.

Outsourcing means giving the responsibility and management of an activity to an external supplier (manufacturing activities) or provider (service activities), instead of doing it internally (Freeman and Cameron, 1993). Outsourcing involves the delegation of services and operations to others who have the expertise to perform the services more efficiently, cost effectively, and yet maintain the required accepted standard (Lyles, Helms, Lykins, Day, Columbus, and Dallas, 2010) and timely delivery of services.

Health care institutions outsource ancillary tasks to sharpen their focus on the essential core of delivering healthcare services to the populace. Areas that are often outsourced include any function outside the direct delivery of healthcare, an underperforming or any area that requires specialized skills, or substantial infra-structure or other resources that are of comparative disadvantage if outsourced. This differs among various health care institutions according to their complexities of operations, capabilities, mission statement and future directions (Lyles, Helms, Lykins, Day, Columbus, and Dallas, 2010).

In Nigerian society, outsourcing strategy cannot be said to be a new concept as many organizations have applied it. However, in the health sector, many institutions are yet to embrace it and thereby explore its full advantages. It is therefore a conscious application of outsourcing strategies for the survival of health care institutions in Nigeria and especially in Rivers State that this study attempts to investigate. The problems and challenges that prompted hospitals in developed and developing countries of the world are prevalent in Nigerian health institutions today and these include low productivity, job dissatisfaction, inadequate qualified manpower, and dwindling source of finance, growing population and pressure on existing health facilities (Nwachukwu, 2007).

Albeit, there are amply scholarly works con this subject (Chen and James, 2003; Casale, 1996, Fischli, 1996 and Giley and Greer, 2004), there is no study to the best of our knowledge on this subject studied as it pertains to health institutions in Port Harcourt, Rivers State. This is the gap in literature which this study intends to fill.

From the foregoing discussion, there have been a significant number of studies on outsourcing strategies. This growth of scholarly activity within the organizational framework is among the most significant developments in the sociology of knowledge. Yet despite a background of intensive studies on the subject, something remains lacking- an in-depth study on outsourcing strategies influence on organizational survival in health care institutions in Rivers State of Nigeria. This strategically marks a significant point of departure from the previous studies on outsourcing strategies.
The resource-based theory underpins this research investigation. Prehalad and Hamel (1990) defined the core competence as the collective learning in the organization, especially how to coordinate diverse production skills and integrate multiple stream technologies. The application of this concept has been predominately used to develop and test outsourcing decision frameworks.

Statement of the Problem
The strategic goal of health care system of any country is to improve the health care status of her citizenry, enhancing responsiveness to legitimate expectations of the populace as well as improving the distribution of health care services for improving the welfare of the citizens. In developing countries like ours, the concern of health institution in Nigeria should be how to achieve readily available and accessible adequate health care. One of the methods of achieving this goal and enhancing the business survival is by eliminating non-core aspects of clinical care in health institutions, cutting down on bureaucracy and the number of corporate layers, exploring areas of competitive advantage over competitors' design and thereby meeting the needs, desires and aspirations of clients/patients.

Managers of health care institutions constantly seek different strategies to outsource in a manner that result in minimum cost to all concerned. Medical equipment are often costly and managers of health care institutions often seek how best operational cost can be reduced and at the same time how to improve the quality of services and clients' satisfaction. These issues determine whether or not hospital managers will adopt the option of outsourcing strategy. Thus outsourcing strategies that will enhance survival of organizations like health care institutions still remain a challenge in the basic realities of our modern day organization. The questions remain “which activities should be outsourced and which tasks should be done in-house? In considering these questions it becomes expedient for this study to concentrate on how effective outsourcing strategies are to attainment of organizational survival in health care institutions in Port Harcourt.

Objectives of the Study
The main purpose of this study is to examine the relationship between outsourcing strategies and the dimensions of outsourcing strategies and organizational survival of health care institutions in Rivers State. The specific objectives of this study are to:
- Determine the relationship existing between outsourcing strategies and cost saving in the health care institutions.
- Ascertain the relationship existing between outsourcing strategies and service quality improvement in the health care institutions.
- Examine the relationship between outsourcing strategies and organizational adaptability in the health care institutions.

Research Questions
The following research questions will guide this study:
- What is the relationship between outsourcing strategies and cost saving in the health care institutions?
- What is the relationship between outsourcing strategies and service quality in the health care institutions?
- What is the relationship between outsourcing strategies and organizational adaptability in the health care institutions?
Research Hypotheses
Drawing from the research questions, the following research hypotheses are proposed:

**Ho:** There is no significant relationship between the outsourcing strategies and cost saving in the health care institutions.

**Ho:** There is no significant relationship between outsourcing strategies and service quality improvement in the health care institutions.

**Ho:** There is no significant relationship between the outsourcing strategies and organizational adaptability in the health care institutions.

Review of Extant Literature
The literature review as included in this study aims to examine the views and opinions of other scholars which give impetus and vigour to this study. The review is presented in such a manner as it relates to the study in sections. However, emphasis is laid on the review of the conceptualization of the relationship between outsourcing strategies and organizational survival with a view to ascertaining how inherent the problem of outsourcing strategies affects the operations of health care institutions. In contemporary standard practice among hospitals, outsourcing has become an indispensable management tool that provides clinical and financial results which often elude providers of health care services in the minutiae of a complex healthcare system. (Rabinowitz, 2008).

**FIG.1 Research Conceptual Framework**

This research conceptual framework expounds on how outsourcing strategies impacts on a trio dimensions of corporate survival namely in cost saving, service quality improvement and organizational adaptability. This research model therefore guides the investigation of outsourcing strategies and the specified dimensions of corporate survival.

The Concept of Outsourcing Strategies in Health Care Institutions
Outsourcing connotes means giving responsibility and management of an activity to an external supplier or provider of services. Outsourcing strategy consists in a real transfer of activities from a client outsourcing company to the providing outsourcing company (also called provider or outsourcer).

Outsourcing in the health care institutions is all about getting rid of waste and barriers (Lyles, et al, 2010). A hospital's top priority is to recruit and retain top quality clinicians as well as motivated staff that can help achieve a successful balance between the delivery of high quality medical care and sound fiscal performance (Nwachukwu, 2007). Outsourcing firms have the ability to provide the necessary leadership training to ensure their clinical departments operate at their highest and optimal level and with lower overall operating costs (Mclean, et al, 2010).
Dimensions of Outsourcing

Business Process Outsourcing

Business Process Outsourcing (BPO) is a subset of outsourcing that involves the contracting of the operations and responsibilities of specific business functions (or process) to a third party service provider (Duening, 2005). The basic manner in which BPO contributes to a company’s flexibility is by enabling the company to focus on its core competencies without being burdened by the demands of bureaucratic restraints. Key employees are herewith released from performing non-core or administrative process and can invest more time and energy in building the organization's core business (Duening, 2005). Besides, BPO increases organizational flexibility by increasing the speed of several business processes thereby improving affectivity and efficiency.

Knowledge Process Outsourcing (KPO)

Knowledge management is concerned with storing and sharing the wisdom, understanding and expertise accumulated in an organization about its processes, techniques and operations. It treats knowledge as a key resource. As Ulrich (1998) comments, ‘knowledge has become a direct competitive advantage for companies selling ideas and relationships’.

Knowledge Process Outsourcing typically calls for what needs for higher level of involvement from workers. The worker has to employ advance levels of research, analytical and technical skills and has to make decisions of higher order. KPO services include all kinds of research as information gathering, for instance, intellectual property research for patent application, equity research, business and market research, legal and medical services, training consultancy and research and development in field, such as pharmaceuticals and biotechnology (Ulrich, 1998).

Measures of Organizational Survival

Business organizations are often confronted with the complex and turbulent changes in the business environment. The success and survival of a business is based to a large extent on organizational adaptability and competence to rapidly respond to environmental changes. It is important for the short-and long-term survival and improvement in organizational performance. Proactive strategies in organization are increasingly important for organizational survival (Crant, 2000). This study will be confined to the trio dimensions of organizational survival: cost saving, quality service improvement and organizational adaptability.

Cost Saving

The philosophy of cost saving is that of allocating resources to the most profitable lines of business to achieve improved performance. Cost saving is the process in which business organizations reduce their costs and increase their profits. (Gupta and Zheuder, 1994). Depending on an organization's services or product, the strategies can vary. Many health care institutions begin cost management efforts by identifying excessive expenses and eliminating them. Given that, non-interest expenses consist of personnel, occupancy, and data processing costs; these are some areas where reduction of cost is imperative.

Service Quality Improvement

Before achieving quality goals, it is expedient to have expectations regarding how quality projections are attained. This is usually provided by the leadership of the concerned organization. Once expectations are identified, then effective communication should be
ensured to staff and outsourcing agents, emphasizing commitment and the fact that achieving excellence is responsibility of all employees in the health care institutions.

Parasuraman, Zeithaml and Berry (1991) identified five determinants of service quality. These are presented in order of importance as: Reliability: The ability to perform the promised service dependably and accurately. Responsiveness: The willingness to help customers and to provide prompt service. Assurance: The knowledge and courtesy of employees and their ability to convey trust and confidence. Empathy: The provision of caring, individualized attention to customers. Tangibles: The appearance of physical facilities, equipment, personnel, and communication materials.

Maintaining and exceeding standards is an on-going process which involves every worker in the health care facility. Service quality is understood as the ability to get the desired services from the chosen provider at the right price (Kell, 2007). This is because desire is considered the ultimate for a customer; it is proposed that the consumer ultimately wants: lower prices; improved choice of services; better value for money; acceptable quality; and readily available services. Furthermore, service quality refers to the relationships between customers and the organization; and between expectations for excellent services and perceptions of service delivered (Lacobucci, 1995). Every staff is therefore encouraged to generate ideas and innovation that creates an atmosphere of participation and increased motivation, which in turn results in enhance quality standards.

**Organizational Adaptability**
Organizational adaptability refers to modifications and alterations in the organization or its components in order to adjust to changes in the external environment. Its purpose is to restore equilibrium to an imbalanced condition (Cameron, 1984). Organization needs to be increasingly adaptable, versatile, and tolerant of uncertainty to operate effectively in these changing and varied environments. Hence, an ability of the enterprise to respond to unpredictable vagaries and how to deal with uncertain environment include notion of adaptive, agile and flexible organizations (Phillips and Wright, 2009).

**Research Methodology**
Research methodology is the basic plan which guides the data gathering project. It is the framework which specifies the type and procedure of data to be gathered (Baridam, 2001). The aim of methodology of a research is principally to disclose and expound on the various ways by which the research is to be carried out. In essence, it explains the setting imperative for a research work to be systematic, scientific and organized.

**Research Design**
The research design presents a master plan which specifies the methods and procedure for collecting and analyzing research data. It is a mode of proof that allows us to draw inference concerning causal relationship among the variables under investigation. Trochim (2006) opined that, through questionnaire, survey research aid in measuring what a person knows (knowledge/information), what a person likes and dislikes (values and preferences) and what a person, thinks (attitudes and beliefs). This work utilized a survey method in carrying out this research investigation.
Study population and Sampling Procedure

To study the entire population of health care institutions in Rivers state will be very cumbersome, hence we select from the accessible population of the health care institutions in Rivers State. From the information obtained from the Rivers State Directorate of Medical Services, Ministry of Health, Port Harcourt, there are 243 registered health care institutions in Rivers State. A purposive/Convenience sampling technique was adopted to select four (4) health care institutions whose staff strength is one hundred (100) and above and has Human Resources Department (HRM). Based on this criteria, only four (4) of the health care institutions were conveniently selected to be covered in this study. Hence, we studied the entire population of the respondents in these health care institutions. Based on the fact that only managers and senior civil servants in charge of units/departments may be able to access the usefulness of outsourcing, we administered copies of the questionnaire to only managers/heads of units if the under listed health care institutions at the three levels of top, middle and lower cadres of management The information from the Human Resource Department of the health care institutions understudy show the under listed number of managers to be studied.

Health Care Institution and Management Staff Population

<table>
<thead>
<tr>
<th>S/N</th>
<th>Names of Health Care Institution</th>
<th>Management Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>University of Port Harcourt Teaching Hospital</td>
<td>54</td>
</tr>
<tr>
<td>2</td>
<td>Madonna University Teaching Hospital, Elele</td>
<td>46</td>
</tr>
<tr>
<td>3</td>
<td>Braithwaite Memorial Specialists’ Hospital, Port Harcourt</td>
<td>40</td>
</tr>
<tr>
<td>4</td>
<td>Dental &amp; Maxillo-Facial Hospital, Port Harcourt</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>170</td>
</tr>
</tbody>
</table>

To determine the sample size in this study, the author adopted the Krejcie and Morgan Sample Size Determination Method for a given population (1970, in Sekaran, 2003). The Sample Size that corresponds to a population of 170 is thus, one hundred and eighteen (118).

Sampling is the selection of a representative number of a target population where it is believed that a common feature exists among the elements of a targeted population. According to Baridam, “it is important to point out that there is no ‘best’ method of drawing sample from the population of interest. The nature and purpose of study should dictate the sampling method to be used (Baridam 2001).

Validity and reliability of the instrument

Validity

Validity (or relevance) can be described as the extent to which a test measures what it is supposed to measure i.e. what it claims or purports to measure. Validity is an important construction in the measurement of research variables. To assess the validity of this survey instrument, a copy of the questionnaire was sent to experts in the field: the researcher's supervisor and a senior lecturer in the department of management and their corrections were effected in the final construction of the instrument.

Reliability

Reliability of a measure concerns its ability to produce similar results, when repeated measurements are made under identical conditions. According to Baridam, 2001, reliability refers to the consistency or precision of a measurement. This means that any reliable measure yields the same result any time it is administered.
To ensure reliability, the Cronbach Alpha Coefficient was employed to measure the strength and reliability of the questions of the monitoring instrument using statistical computation-Statistical Package for Social Sciences (SPSS version 20). Hence, only the items that return value of 0.70 and above were considered.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Variables</th>
<th>No of Items</th>
<th>Cronbach's Alpha Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cost Saving</td>
<td>3</td>
<td>0.933</td>
</tr>
<tr>
<td>2</td>
<td>Quality Service Improvement</td>
<td>3</td>
<td>0.882</td>
</tr>
<tr>
<td>3</td>
<td>Organizational adaptability</td>
<td>4</td>
<td>0.762</td>
</tr>
</tbody>
</table>

Hypotheses Testing and Results

Hypothesis 1

H₀: There is no significant relationship between the outsourcing strategies and Cost Saving in the health care institutions.

Correlations

<table>
<thead>
<tr>
<th>Spearman's rho</th>
<th>Cost Saving</th>
<th>Business Process Outsourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost saving Correlation Coefficient</td>
<td>1.000</td>
<td>.959**</td>
</tr>
<tr>
<td>Sig.(2-tailed)</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>104</td>
<td>104</td>
</tr>
</tbody>
</table>

[Outsourcing strategies Correlation Coefficient]

<table>
<thead>
<tr>
<th>Correlation Coefficient</th>
<th>Sig.(2-tailed)</th>
<th>N</th>
<th>1.000</th>
<th>.959**</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td></td>
<td></td>
<td>104</td>
<td>104</td>
</tr>
</tbody>
</table>

Correlation is significant at the 0.05 level (2-tailed)

A proper examination of the results shown in the table above, shows that business process outsourcing exhibited a positive significance on cost saving (rho = 0.959, p<0.05 = 0.000).

Hence, we reject the null hypothesis (because our p value is less than 0.05). Outsourcing strategies have a strong positive relationship with cost saving.

Hypothesis 2

H₀: There is no significant relationship between outsourcing strategies and Service Quality Improvement in the health care institutions.

Correlations

<table>
<thead>
<tr>
<th>Spearman's rho</th>
<th>Service Quality Improvement</th>
<th>Business Process Outsourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Quality Improvement Correlation Coefficient</td>
<td>1.000</td>
<td>.980**</td>
</tr>
<tr>
<td>Sig.(2-tailed)</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>104</td>
<td>104</td>
</tr>
</tbody>
</table>

[Outsourcing strategies Correlation Coefficient]

<table>
<thead>
<tr>
<th>Correlation Coefficient</th>
<th>Sig.(2-tailed)</th>
<th>N</th>
<th>.980**</th>
<th>1.000</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td></td>
<td></td>
<td>104</td>
<td>104</td>
</tr>
</tbody>
</table>

Correlation is significant at the 0.05 level (2-tailed)
A proper examination of the results shown in the table above, shows that outsourcing strategies exhibited positive significance on service quality improvement (rho = 0.980. p<0.05 = 0.000).
Hence, we reject the null hypothesis (because our p value is less than 0.05). Outsourcing strategies have a strong positive relationship with service quality improvement.

**Hypothesis 3**

**H0:** There is no significant relationship between the Business Process Outsourcing and Organization Adaptability in the health care institutions.

### Correlations

<table>
<thead>
<tr>
<th></th>
<th>Organization Adaptability</th>
<th>Business Process Outsourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Spearman’s rho</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td>1.000</td>
<td>.942**</td>
</tr>
<tr>
<td>Sig.(2-tailed)</td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>104</td>
</tr>
<tr>
<td><strong>Outsourcing strategies</strong></td>
<td>.942**</td>
<td>1.000</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig.(2-tailed)</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>104</td>
<td></td>
</tr>
</tbody>
</table>

Correlation is significant at the 0.05 level (2-tailed)

A proper examination of the results shown in the table above, shows that outsourcing strategy exhibited a positive significance on organization adaptability (rho = 0.942. p<0.05 = 0.000).
Hence, we reject the null hypothesis (because our p value is less than 0.05). Outsourcing strategies has a strong positive relationship with organization adaptability.

### Conclusion

This concludes that the articulate selection of outsourcing strategies in the health sector of the Nigerian economy o the impact on the corporate survival of firms in this subsector. It is expedient for the managers of these health organizations to avail themselves of this strategic management tool in ensuring the efficient, effective and sustained survival of their corporate existence.

This study asserts that there is positive is positive relationship between outsourcing strategies and corporate survival in the health sector in Rivers state. There is a significant relationship between the dimensions of outsourcing strategies and the measures of corporate survival of the variables studied. This is empirical evident in the values use4d in the study that led to the rejection of the null hypotheses.

### Recommendation

This paper recommends that managers of the health institutions in Rivers should explore benefits of outsourcing strategies in order to ensure the continued survival of their corporate existence.
The measures of the outsourcing strategies and dimensions of corporate survival indicate positive significance. This paper therefore recommends the use of outsourcing strategies in the Health sector in Rivers state so as to ensure continued corporate survival. This is more specifically imperative in order to ensure costs are drastically reduced, service quality is substantially enhanced and healthcare institutions are grossly equipped. For adaptability to variables that threaten existence, continuity and survival of Healthcare institutions in Rivers State.

References


