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Outsourcing Strategy And Organisational Performance Of Construction Firms In Rivers State

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Abstract: *This research investigates the link between outsourcing strategy and organizational performance in selected construction enterprises in Rivers State, Nigeria. It specifically analyzes the impact of knowledge process and financial outsourcing on service quality as a measure of organizational success. The research is based on the Resource-Based View (RBV) and Transaction Cost Economics (TCE) theories, which give a theoretical framework for understanding how strategic outsourcing choices improve organizational efficiency and service delivery. A survey study approach was used, and data were obtained using standardized questionnaires sent to workers at eleven construction businesses. The accessible population consisted of 220 workers, and Taro Yamane's formula yielded a sample size of 142. The data were examined using Spearman Rank Order Correlation to test the hypotheses. The findings demonstrated a considerable beneficial association between knowledge process and financial outsourcing, as well as service quality in construction enterprises. The research indicates that successful outsourcing methods increase organizational performance by allowing businesses to concentrate on core skills while using external knowledge for non-essential operations. It proposes that construction businesses take a strategic approach to outsourcing by aligning outsourcing choices with organizational objectives and continually monitoring service providers' performance.*

Keywords: Outsourcing Strategy, Knowledge Process Outsourcing, Financial Outsourcing, Organisational Performance

Introduction

The development of organizations eventually leads in the increase of their operations. As a result, companies may find themselves preoccupied with expansion rather than the essential tasks at hand, which can have a negative impact on their productivity. Businesses must decide to stop doing non-essential things so they can concentrate on what matters most their core competencies without compromising quality if they want to prevent or at least mitigate the kind of distracted work that can lead to seizures. Outsourcing is a viable option for doing this. Managers have begun to see outsourcing as a useful tool for dealing with the complex dynamics of modern businesses (Jae, Minh, Kwok & Shih, 2018). According to Stroh and Treehuboff (2023), outsourcing is a method of management that allows organizations to save time and money by transferring their non-core functions to specialized service providers. The manner operations are carried out is what the word "performance" means in the context of an organization. An organization's performance is a dependent variable that attempts to quantify the value it creates in order to assess and compare itself to its competitors in the market. Various metrics can be used to depict the outcomes of an organization's activities, making organization performance (OP) a multi-dimensional concept (Cera & Kusaku, 2020). A company's ability to manage its own resources and generate value, which in turn leads to happy customers, is the crux of organizational success. It is challenging to generalize the performance of diverse companies due to the unique situational characteristics that present inside each (Asih et al., 2021). The current body of research tends to generalize about qualitative and quantitative metrics when describing various facets of organizational performance. Financial indicators like ROI, sales revenue as a percentage of total revenue, profit margins, ROA, and net profits are examples of quantitative metrics (Cera & Kusaku, 2020; Kumar & Siva Kumar, 2018). Iacob (2020), Kanyuira and Kibuthu (2020), Menesha (2020), and customer happiness are all examples of qualitative performance indicators that go beyond monetary metrics. These include market performance, innovation, quality, customer satisfaction, investment in research and development, and human resource performance.

Experts in the field have taken several approaches to measuring organizational performance due to the concept's wide scope (Amirkhanyan et al., 2014; Andersen, Boesen, & Pedersen, 2016; Rainey, 2014). Agburu et al. (2017) argues that, regardless of the criteria employed to measure it, organizational performance is the organization's output. In other words, organizational performance may be summed up to be the process of attaining the organization’s specified objectives by enhancing efficiency, quality, productivity, and profitability from the customer viewpoint as well as from the organizational perspective. The success of every organization, whether for-profit or not-for-profit, has always hinged on how well it performs. Managers must be aware of the elements that impact their organization's performance so they can capitalize on them and take the right actions to start them. Organizational researchers among themselves have different opinions of performance as it continues to be a contentious issue. The source is Barney (1997: 1). The capacity of an organization to achieve its objectives via the effective and efficient use of its resources is referred to as organizational performance (Daft, 2000). When asked to describe organizational performance, Richardo (2001) used language quite similar to Daft (2000): the capacity of the organization to accomplish its aims and purposes. In terms of work output, intangible assets, customer connection, and quality services, organizational performance is defined by Cascio (2014) as the degree to which work mission is attained. The purpose of this research is to fill a gap in the literature by investigating the relationship between outsourcing strategies and organizational performance in a sample of construction companies in Rivers State, Nigeria.

Statement of the Problem

It is important to remember that this industry needs workers with the correct set of skills and technical know-how to complete tasks, and that the construction industry has long suffered from insufficient manpower, scarce resources, and outdated facilities. Construction enterprises in Rivers State, Nigeria are increasingly using outsourcing practices, but little is known about how these tactics affect organizational performance. In an effort to save expenses, get access to specialized knowledge, increase productivity, and concentrate on core company operations, many companies outsource both vital and non-important tasks. Unfortunately, not all advantages are as advertised, and in certain instances, outsourcing has resulted in undesirable side effects like less oversight of operations, poor quality, over-reliance on vendors, and privacy violations. Thus, in order to fill that void, this study will analyze the impact of outsourcing strategies on the organizational performance of construction firms in Rivers State, Nigeria. The findings will hopefully help with making better, more strategic decisions.

Aim and Objectives of the study

Basically the aim of this study is to examine the correlation between outsourcing strategy and organizational performance of construction companies in Rivers State, Nigeria**.** Specifically the objectives are to:

i. To examine the relationship between Knowledge Process Outsourcing and Quality of Service of construction companies in Rivers State, Nigeria.
ii. To examine the correlation between Financial Outsourcing and quality of services of construction companies in Rivers, Nigeria.

Research Questions

i. What is the relationship between knowledge process outsourcing and quality of service of construction companies in Rivers State, Nigeria?
ii. To what extent is Financial Outsourcing and quality of services of construction companies in Rivers, Nigeria?

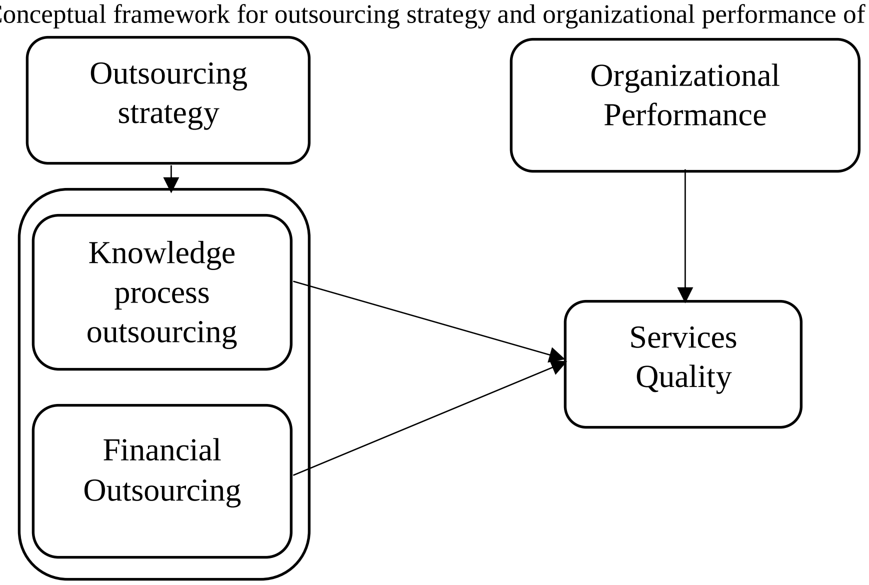
Research Hypothesis

Ho$_1$ There is no significant relationship between knowledge process outsourcing and quality of service of construction companies in Rivers State, Nigeria.

H$_{O2}$ There is no relationship between Financial Outsourcing and quality of services of construction companies in Rivers, Nigeria.

Literature Review

Conceptual framework for outsourcing strategy and organizational performance of construction firms in Rivers State, Nigeria.



Conceptualized by the researcher 2025.

Conceptual Review

Outsourcing Strategy: Companies are considered successful when they reach their objectives, which they have laid out for themselves. In this age of rapidly evolving technologies, complex corporate processes, an explosion of information, and the need for continuous and uninterrupted development, they are continuously seeking out new methods to improve performance in order to reach their objectives (Dominguez, 2006). To save costs and concentrate on what they do best, these new approaches may take the shape of outsourcing (Akewushola and Elegbede, 2013). Nowadays, more and more companies are opting to outsource their job. According to Jae et al. (2000), Dominguez (2006), and Isaksson and Lantz (2015), many companies now hire outside firms to do various business functions that were once done in-house. According to John (1999), businesses may free up human and financial resources and have more leeway in how they use labor by outsourcing non-core tasks. An organization's demographics, level of specialization, and level of concern for its employees' comfort and long-term sustainability in the workplace are all important indicators of its human resource capability. There is no shortage of scholarly definitions of outsourcing. A business engages in outsourcing when it contracts with another business to carry out tasks that the first business could have handled in-house. Basically, it's when a company contracts with another party to provide services, and in that contract, they establish service level agreements (SLAs) pertaining to the price, quality, and timeliness of product and service delivery (Dibbern, Goles, Hirschheim, & Jayatilaka, 2004). According to Dominguez (2006), a company engages in outsourcing when it employs functional specialists to manage tasks that are not vital to the company's operations. Eventually, when a business outsources some tasks, an outside party takes over the management and innovation duties. The conceptual definition of outsourcing for this work will be based on Yalokwu's (2006) definition, which states that outsourcing is the process of subcontracting activities and services to other organizations that specialize in them and can perform them cheaply or better, or both. According to this explanation, businesses excel in certain niches. It is possible for a company to fail miserably at all of its administrative and commercial tasks if it does them completely in-house.

Knowledge Process Outsourcing (KPO) It means to outsource work that requires a high degree of analytical and technical expertise as well as a great deal of information. Key process outsourcing (KPO) differs from standard outsourcing in that it focuses on high-value, strategic decision-making operations rather than mundane, repetitive ones. Some examples include R&D, financial analysis, engineering design, data analytics, legal services, and market research. Work in the construction sector that requires specific knowledge and domain expertise may be outsourced via KPO, including structural and architectural design, cost estimate, project feasibility study, and Building Information Modeling (BIM). Based on Gupta's (2020) research, KPO allows companies to save money without sacrificing quality when it comes to sophisticated service delivery. As a result, businesses are better able to concentrate on their long-term goals and foster innovation. Because the outsourcing company and the service provider are able to share information, KPOs may also help with organizational learning and innovation.

Financial Outsourcing: When businesses proactively contract with third parties to handle accounting, payroll, tax preparation, and financial reporting, this is known as financial outsourcing. Taking this route may help you save money, gain access to specialized knowledge, work more efficiently, and concentrate on what you do best for your company. Data security, control loss, and reliance on third parties are some of the problems it brings (Elmuti, 2003). To deal with the growing complexity of financial regulation and international expansion, many companies are turning to financial outsourcing. For SMEs, who might not have the manpower or capital to run full-fledged finance departments, the advantages are even more apparent (Kakabadse & Kakabadse, 2005). However, to reduce risks and guarantee alignment with company objectives, well-defined contracts, SLAs, and communication channels are essential for successful financial outsourcing.

Organizational Performance:

What the extended supply chain does to satisfy the needs of the final consumer is what the word "performance" means, according to Wheele (2017). All of the resources and inventories needed to provide that performance in a timely way are part of these operations, as are products that are available for purchase. Performance is a hotly debated topic in management theory and practice across all subfields, from HRM to STREAM, since it is an intriguing topic for both audiences. The end product or performance is when the real benefits of strategic management become apparent. Their performance reflects the level of success in completing tasks. Employing strategic management makes sense since it improves business results (Wheelen and Hunger, 2017). The term "organizational performance" refers to the extent to which a company meets its targets in relation to the outputs it had anticipated. Revenue, market share, and financial metrics like return on assets and ROI; product market metrics like sales and financial metrics like total shareholder return and economic value added; and shareholder return metrics like these. According to Richard et al. (2019), these are the three key aspects of an organization's performance.

Therefore, the primary measure of an organization's total effectiveness is the value it creates, as defined by the resource supplier. Both the management style of the company and the degree to which its personnel correctly and actively contribute to the accomplishment of the company's strategic objectives are critical to the value creation process (Doval, 2020). Both the theoretical underpinnings of strategic management and the empirical results of the vast majority of strategy research endeavor to probe different aspects of strategy content and process through the lens of organizational performance (Al-Matari, Al-Swidi & Fadzi, 2014). Worldwide, studies in strategic management have long focused on organizational performance, with many studies using it as a dependent variable and offering various suggestions on how to boost it. Poor conceptualization and the use of indicators just for convenience are consequences of the lack of consensus on its definition and dimensions (Selvam, Gayathri, Vasanth, Lingaraja & Marxiaoli, 2016).

Services Quality: One definition of service quality is the extent to which it satisfies the requirements and expectations of the client. One way to describe service quality is as the gap between what clients anticipate and what they actually get. Also, according to Kooozehchian & et al. (2011), "an attitude or general judgment of customers in relation to supremacy of a service" is the definition of service quality. According to marketing textbooks, service quality is the sum of a customer's impressions of a business's offerings. Both the method of service delivery and the outcomes achieved by that delivery are facets of the broader idea of service quality. (Najafizadeh & everyone else, 2013). When asked to name the components of high-quality service, several experts have mentioned the following: In 2013, Gilaninia Given the nature and coincident nature of service production and consumption, process quality refers to the quality of processes and production methods as well as the delivery of quality service to clients. After a presentation and service have been created, the next step is to assess the output quality, often known as technical quality. Customers are less tolerant of process variations than they are of service output deviations since the former is what the customer gets or what remains after the transaction is over. The items or infrastructure that backs up the goods and services are examples of physical quality. Quality of interaction: this metric measures how well a client and service provider connect with one another, regardless of the channel by which they communicate. One intangible component of quality is the organization's quality, which includes both its conception and public image.

Theoretical Framework

Core Competency Theory (CCT)

According to Core Competence Theory (CCT), a company's core competence is its employees' collective understanding of how to coordinate different types of production and integrate different types of technology. This theory proposes that companies should either do their own operations or hire third parties to do them for them. The notion rests on the make-or-buy decision. While you keep the most important things in-house, consider outsourcing the less important tasks to the most skilled service workers who are experts in that field. More and more businesses are realizing the benefits of outsourcing non-essential capabilities, such as transportation management and service provision, to third parties who are better equipped to handle these tasks. The competence of the vendors has a major impact on the outcome of an outsourcing contract, according to Lavina and Rose (2003). This idea, however, serves as the foundation for our investigation since it sheds light on organizational capabilities, as well as ways to coordinate and acquire skill sets that are advantageous to businesses.

Resource based view theory

The notion of resource-based views to help businesses effectively manage their resources, diversify their strategies, and maximize their productive potential, Penrose (1980) established the resource-based perspective theory. To answer the issue of how a business might accomplish its objectives and act strategically, Penrose's publication was the first to propose the notion of a corporation as a coordinated bundle of resources (Madzivanyika, 2020). The resource-based perspective hypothesis reached a turning point in the 1980s. An approach that may highlight and foresee the fundamentals of organizational performance and competitive advantage is the resource-based perspective model. To explain how firm-based resources provide a lasting competitive advantage and why certain organizations may consistently outperform others by becoming more competitive, the RBV relies on two basic assumptions. The first is that resources within a company may provide a competitive edge over the long term, and the second is that these same resources can do the same (Helfat & Peteraf, 2022). To start, there is a clear separation between the many resources that businesses own and those that are pooled collectively (Helfat & Peteraf, 2022). The idea of heterogeneity is central to RBV; it states that businesses in a given population will possess distinct sets of skills and resources, which in turn will provide each company a unique edge in the market. According to the theory of heterogeneity of resources, a business may gain an edge in a competitive market by specializing in certain processes and making better use of the unique set of resources at its disposal. Second, resource immobility is the belief that differences in resources will become increasingly entrenched over time due to the challenges of transferring resources across businesses. Assumption number one of the RBV theory's five is that organizational features are not just changed. The organization has to change its course if it wants to succeed and stay ahead of the competition. The main factors that determine an organization's profitability are often its internal features, such its resources and competencies. This is the accepted paradigm, and it is also the position that Porter (1989) takes. The foundational contribution to RBV was the work of Barney (1991) on strategic resources, which guided the evolution of the resource-based approach into the more refined theory presently known as RBV. But the conventional RBV doesn't go into detail on how and why certain companies may stay ahead of the competition even when faced with very volatile markets (Adner & Helfat, 2022).

The diffusion theory

Innovations, ideas, and technology may and do travel from one culture to another according to the theory of diffusion, which is formally called the theory of the diffusion of innovations (Rodgers, 1962). The idea behind diffusion theory is that several factors influence whether or not an invention is accepted by a given population. Innovations may be either warmly welcomed or coldly resisted depending on a variety of factors. There are five steps involved in implementing a new idea, as stated by diffusion theory. A person enters the first stage, known as knowledge, when they are aware of an invention but do not yet know much about it. The next step is to convince them of the innovation's merits such that they want to learn more about it. The person considers the innovation's pros and cons and makes a final choice about whether to implement it in the third step, decision. The next step, after making a choice, is implementation, during which the person puts the idea into practice. Last but not least, confirm. The individual's personal experience with the invention determines whether or not he will continue utilizing it after adoption. Both individuals and communities go through these phases, but to different extents (Rogers, 1962).

Emperical Review

Adudu et al. (2020) investigated the effects of outsourcing strategies on the efficiency and profitability of operations at Nigerian deposit money institutions. They discovered that all facets of outsourcing techniques, including selective, comprehensive, and contractual, had a substantial impact on DMB performance. To improve the industry's profitability and operational effectiveness, Nigerian DMB management should continue to outsource some tasks. The 2018 research by Rehema and Rugami looked at the performance of commercial banks in Mombasa County following outsourcing, utilizing transaction cost theory and resource-based perspective theory. The study included 90 strategy managers from a census-based sample, with data obtained via questionnaires. Outsourcing costs, risks, service quality, and functional divisions have had a substantial influence on the success of Kenya's commercial banks.

Yanit's 2020 case study looked at how outsourcing affected CBE's organizational performance. The findings revealed a small but positive link between the bank's costs and its performance, as well as a somewhat favorable relationship between attention and the bank's good performance. However, cost-driven and focus-driven outsourcing did not significantly predict performance owing to the significant value ($p>0.05$). It was stated that CBE should have a clear goal in mind before outsourcing.

Jacqueline's 2019 research at ZANTEL's headquarters looked on the influence of staff outsourcing on organizational performance. The study employed a case study research design, with 80 participants from 19 different banks in Port Harcourt, Rivers State. The research discovered a substantial correlation between staff outsourcing and organizational success, with indicators such as return on investment, brand image, profitability, productivity, and sales growth all trending positively. Opuene and Orusa's 2020 research focused on organizational performance and business process outsourcing in Port Harcourt, Rivers State Deposit Money Banks. The study employed a cross-sectional survey with 85 individuals from 19 banks. The Cronbach Alpha coefficient was employed to confirm the instrument's reliability, and descriptive and inferential statistics were utilized to analyse and show the results. Thus, outsourcing tactics improve the efficiency and profitability of operations at Nigerian DMBs, Kenyan commercial banks, and other companies. Managers should examine outsourcing solutions to improve their companies' efficiency and effectiveness.

Methodology

The study used a survey research design. The survey research design includes the use of questionnaires and interview methodologies. The researcher gathers data methodically from the study population. The population for this research is made up of chosen functioning construction enterprises in Rivers State. Metogen Construction Company Nigeria Limited has 30 employees, Setraco Nigeria Limited has 23, Ben-Prince Engineering has 26, Consrution Limited has 24, Flees Global Services Limited has 33, Gibraltar Construction Nigeria Limited has 29, Nel-Holdman Nigeria Limited has 26, Reynolds Construction has 32, Ar7 Solutions has 25, Macro Drill and Construction has 18, and Mife Construction has 26. Construction. The study's population consisted of 292 individuals. The researcher employed convenience sample methods to choose eleven (11) road construction businesses in Rivers State. Primary data. The data was collected by the distribution of questionnaires to each fast food company. The questionnaire employed a five-modified form with (1) = Strongly agreed (SA), (2) = Agree (A), (3) = Neutral, (4) = Disagree (5), and (4) = Strongly disagree (SD) to assess all questions. The data analysis techniques used in this study are spearman rank order moment correlation coefficient, which was used to test the stated hypotheses at the 0.05 level of significance, in order to empirically evaluate the relationship between the independent and dependent variables of the study (including their component). The correlation was calculated using the statistical software for social sciences (SPSS) version 23.0. The Spearman rank order moment correlation coefficient will be used to examine the link between the dimensions of the independent variable and the measure of the dependent variable. This research investigates the influence of psychological and organizational behavior theories on employee engagement, with a focus on Port Harcourt bottling firms. It contends that when people are encouraged, they are more inclined to participate, resulting in more discretionary effort, higher productivity, and better financial consequences. The study's goal is to give practical insights for bottling firms in Port Harcourt to improve their organizational results via increased employee engagement.

Data presentation & Analysis

The formula developed by Taro Yamane is provided below and was used to determine the appropriate size of the sample to collect data from.

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

Where,

n = sample size ()

N = accessible population ()

e = level of significance (0.05)

The sample size (n) = $\frac{292}{1+292\,(0.05)^2}$

$\frac{292}{1.73} = 168$

So therefore the sample size is 168 as ascertain using the Taro Yamane formula.

Test of Hypotheses 1

The section examines the relationship between the dimensions of the independent variable (Knowledge Process Outsourcing) and the dependent variable (Service quality) which constitutes the objective of the study.

Table 2: Relationship between **Knowledge Process Outsourcing** and **Service quality**

Correlations

		Knowledge Process Outsourcing	Service quality
Knowledge Process Outsourcing	Pearson Correlation	1	.746**
	Sig. (2-tailed)		.000
	N	168	168
Service quality	Pearson Correlation	.746**	1
	Sig. (2-tailed)	.000	
	N	168	168

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

Source: Survey Data, 2025

The table shows the result of a Pearson correlation analysis conducted to examine the relationship between Knowledge Process Outsourcing (KPO) and Service Quality using data from 168 respondents. The Pearson correlation coefficient is **0.746**, which indicates a strong positive relationship between the two variables. This suggests that as the extent of knowledge process outsourcing increases, the quality of service also improves correspondingly.The significance value (Sig. 2-tailed) is **0.000**, which is well below the standard alpha level of 0.05, indicating that the relationship is statistically significant.

Decision Rule: If the p-value (Sig. 2-tailed) is less than 0.05, reject the null hypothesis and accept the alternative hypothesis that there is a significant relationship between the variables. Since the p-value is **0.000 < 0.05**, we reject the null hypothesis and conclude that there is a statistically significant and strong positive correlation between knowledge process outsourcing and service quality. This implies that construction firms that effectively utilize KPO are more likely to achieve higher service quality.

Test of Hypotheses 2

The section examines the relationship between the dimensions of the independent variable (Financial Outsourcing) and the dependent variable (Service quality) which constitutes the objective of the study.

Table 2: Relationship between **Financial Outsourcing** and **Service quality**

Correlations

		Knowledge Process Outsourcing	Service quality
Financial Outsourcing	Pearson Correlation		.556**
	Sig. (2-tailed)		.000
	N	168	168
Service quality	Pearson Correlation	.556**	
	Sig. (2-tailed)	.000	
	N	168	168

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

Source: Survey Data, 2025

The table presents the result of a Pearson correlation analysis assessing the relationship between **Financial Outsourcing** and **Service Quality**, based on responses from 168 participants. The Pearson correlation coefficient is **0.556**, which indicates a **moderate positive relationship** between financial outsourcing and service quality. This suggests that an increase in financial outsourcing practices is moderately associated with an improvement in service quality.The significance value (Sig. 2-tailed) is **0.000**, which is less than the standard significance level of 0.05, indicating that the relationship is statistically significant.

Decision Rule: If the p-value is less than 0.05, reject the null hypothesis and accept the alternative hypothesis that there is a significant relationship between the variables.Since the p-value is **0.000 < 0.05**, we reject the null hypothesis and conclude that there is a **statistically significant moderate positive relationship** between financial outsourcing and service quality. This implies that construction firms that engage in financial outsourcing are likely to experience moderate improvements in the quality of service they deliver.

Discussions and findings of results

Based on responses from 168 construction companies, the two tables show that KPO and financial outsourcing are positively associated with service quality. These associations are statistically significant. There is a very good association between KPO and service quality, as seen in the first table where the correlation value is 0.746. This data reveals a robust correlation between the amount of knowledge process outsourcing and the quality of the services provided. This correlation is indeed statistically significant, as shown by the significance level of 0.000. The second table shows that there is a somewhat favorable link (r=0.556) between financial outsourcing and service quality. Financial outsourcing has a relevant and statistically significant effect on service quality, albeit it is not as powerful as KPO. The significance level is 0.000.

Conclusions and Recommendations.

The study of the relationship between various outsourcing tactics and service quality, a crucial performance indicator for organizations, led to the conclusion that these strategies greatly improve the efficiency and effectiveness of construction companies. Engaging in high-value, expertise-driven outsourcing activities significantly improves organizational results. Knowledge process outsourcing, in particular, has a strong positive link with service quality. Just as knowledge-based outsourcing has a greater positive effect on service quality, financial outsourcing has a minor but statistically significant positive effect, suggesting that exporting financial tasks to outside specialists also promotes enhanced performance. Based on these results, it seems that construction businesses may gain from outsourcing if it is done well. Organizations may improve their efficiency, service quality, and overall effectiveness by outsourcing tasks that are associated with their strategic and operational objectives, especially those that need specialized expertise. Consequently, the Nigerian construction sector may greatly benefit from outsourcing if it is well-managed and in line with organizational goals.

Recommendations

Based on the above conclusions, the following recommendations were made.

i. Construction firms should focus on outsourcing knowledge-intensive functions such as design, cost estimation, and technical analysis to qualified external experts, as these have shown a strong positive impact on service quality and overall performance.
ii. When outsourcing financial or technical services, companies should engage experienced and reputable service providers to minimize risks related to quality, confidentiality, and compliance.
iii. While outsourcing can enhance performance, companies should also invest in training and developing internal capabilities to maintain control over critical functions and reduce over-dependence on external vendors.

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