

**OUTSOURCING, CONTRACT, TRUST, OPPORTUNISTIC BEHAVIOUR AND
SERVICE DELIVERY IN PUBLIC PROCURING AND DISPOSING ENTITIES**

(PDEs) IN UGANDA

AHIMBISIBWE ARTHUR

MCIPS (UK), BBA (MUK)

REG NO 2007 /HD10/11415U

SUPERVISORS: DR. JOSEPH NTAYI

MR. MOSES MUHWEZI

**A DISSERTATION SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES
IN PARTIAL FULLFILLMENT OF
THE REQUIREMENTS OF MASTER OF SCIENCE
IN PROCUREMENT AND SUPPLY CHAIN
MANAGEMENT OF MAKERERE
UNIVERSITY**

NOVEMBER, 2009

DECLARATION

I, Ahimbisibwe Arthur declare that this is my original work and is a result of my own independent research and investigation, and that it has never been presented to any institution for any award. Where it is indebted to the work of others, due acknowledgement has been made.

Signature.....

AHIMBISIBWE ARTHUR

REGNO 2007 /HD10/11415U

Date.....

APPROVAL

This is to certify that this dissertation has been submitted for examination with my approval as a university supervisor.

Signature.....

DR. JOSEPH M. NTAYI

Date:.....

Signature.....

MR. MOSES MUHWEZI

Date:.....

DEDICATION

To my lovely parents Late Rugo Zakye and Late Ruth Zakye Katiikuzi and the entire family of Zakye, Juliet katembwe, Fred Zakye, Joy katiikuzi, Mary katiikuzi, Prof. Stanley Tumwine, Annah Nduhura, relatives, friends and all those who treasure education.

May God Almighty bless you.

ACKNOWLEDGEMENT

I would like to take this opportunity to express my sincere gratitude and inner most appreciation to God and then all those who in one way or the other have endeavored to nurture me in academics.

In an exceptional way, I wish to extend my sincere appreciation and recognition to my supervisors; Dr. Joseph Ntayi, and Mr Muhwezi Moses for their immense professional and affectionate guidance all the way through my research study. Iam equally gratefull to all my postgraduate lecturers for shapping me into what iam.

In a unique way, i wish to thank the principal Makerere University Business School; Prof. Wasswa Balunywa and management for availing me the permission and opportunity to study as well as facilitating me financially iam incredibly obligated to the Dean Faculty of Computing and Management Science Dr.Joseph Ntayi, Head procurement and logistics management Mr.Elvis Khisa, Sarah Eyaa, Kalubanga Matthew for their professional inspiration and guidance during my postgraduate study. Iam outstandingly thankful to all the chairmen contracts committees, heads of procuring and disposing Units in all the public procuring and disposing entities in Uganda for accepting to fill the questionnaires.

Last but not least, iam exceptionally indebted to all my family members and friends; Priscar, Bazinzi, Setrine, Jude,Muliira among others for your prayers. Recognition of merit goes to innocent for assisting me in the tiresome data collection exercise.

May God reward all of you dearly.

LIST OF ACRONYMS

SLA -	Service Level Agreement
XTICS-	Characteristics
MGT-	Management
SPSS-	Statistical Package for Social Scientists
ANOVA-	Analysis of Variance
CVI-	Content Validity Index
GRC-	Graduate Research Centre

TABLE OF CONTENTS

DECLARATION	i
APPROVAL	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
LIST OF ACRONYMS	v
TABLE OF CONTENTS.....	vi
LIST OF FIGURES AND TABLES.....	viii
ABSTRACT.....	ix
CHAPTER ONE	1
1.0 Background to the study	1
1.1 Statement of the problem	3
1.2 Purpose of the study.....	3
1.3 Research objectives.....	3
1.4 Research questions.....	4
1.5 Scope of the study.....	4
1.5.1 Conceptual Scope.....	4
1.5.2 Geographical Scope	4
1.6 Significance of the study.....	5
1.7 Figure A. Conceptual framework	5
CHAPTER TWO	7
LITERATURE REVIEW	7
2.0 Introduction.....	7
2.1 The Concept of Outsourcing and Dimensions of Outsourcing.....	7
2.1.1 Cost reduction	8
2.1.2 Flexibility.....	8
2.1.3 Capabilities	8
2.1.4 Capital investments.....	8
2.2 Contract and Its Dimensions.....	8
2.2.1 Foundation characteristics	9
2.2.2 Change management characteristics	10
2.2.3 Governance characteristics	10
2.3 Outsourcing and Contract	10
2.4 Trust	11
2.5 Opportunistic behavior.....	12
2.6 Outsourcing, trust and service delivery	13
2.7 Contract, opportunistic behavior and service delivery	13
2.8 Outsourcing and Service delivery	14
2.9 Contract and Service delivery	15
2.10 Conclusion	15
CHAPTER THREE	16
METHODOLOGY	16

3.0 Introduction.....	16
3.1 Research Design.....	16
3.3 Sampling Procedure and Sample Size	16
3.4 Data Collection	17
3.5 Data Reliability and Validity	17
3.6 Measurement of Variables	18
3.7 Data Processing, Analysis and Presentation	19
3.8 Limitations of the Study.....	19
CHAPTER FOUR.....	20
RESULTS & FINDINGS OF THE SURVEY.....	20
4.0 Introduction.....	20
4.1 Sample Characteristics.....	21
4.11 Age Group and Gender by category of the respondents	21
4.12 Position by Education Distribution of the respondents.....	22
4.13 Category of PDE and Number of employees Distribution	23
4.14 Services Outsourced.....	24
4.2 The relationships among the variables.....	25
4.22 The Relationship between Outsourcing, Trust and Service Delivery.....	25
4.23 The Relationship between Contract, Opportunistic Behavior and Service Delivery	26
4.24 The Relationship between Outsourcing and Service Delivery	26
4.25 The Relationship between Contract And Service Delivery.	26
4.3 The prediction model	27
4.5 Further findings.....	28
4.51 ANOVA Results for Institution category by Variable.....	28
4.52 ANOVA Results for Workforce size by Variable	29
4.53 ANOVA Results for Position held by Variable.....	31
CHAPTER FIVE	32
DISCUSSION, CONCLUSION AND RECOMMENDATIONS.....	32
5.0 Introduction.....	32
5.1 The Relationship between Outsourcing and Contract	32
5.2 The Relationship between Outsourcing, Trust And Service Delivery.....	32
5.3 The Relationship Between Contract, Opportunistic Behavior and Service Delivery	33
5.4 The Relationship between Outsourcing and Service Delivery.	33
5.5 The Relationship between Contract and Service Delivery.	34
5.6 Conclusions.....	34
5.8 Areas for future research.....	36

LIST OF FIGURES AND TABLES

Figure A. Conceptual framework.....	4
Table 4.12 Position by Education Distribution of the respondents.....	24
Table 4.21 The relationships among the variables.....	27
Table 4.41 ANOVA Results for Institution category by Variable.....	30
Table 4.42 ANOVA Results for Workforce size by Variable.....	31
Table 4.43 ANOVA Results for Position held by Variable.....	33

ABSTRACT

The research study focused on establishing the relationship between Outsourcing, Contract, Trust, Opportunistic behavior and Service delivery in Public Procuring and Disposing entities in Uganda. It was prompted by reports of poor outsourcing, contract violations, low levels of trust, high levels of opportunistic behavior and poor service delivery. The specific objectives were to examine the relationship between outsourcing and contract in public entities in Uganda, to establish the relationship between outsourcing, trust and service delivery in public entities, to establish the relationship between contract, opportunistic behavior and service delivery in public entities, to investigate the relationship between outsourcing and service delivery, to examine the relationship between contract and service delivery in public procuring and disposing entities in Uganda.

Conceptually, a framework was developed by the researcher from the available literature relating to outsourcing, contract, trust, opportunistic behavior and service delivery. A cross sectional research design was used. Views about outsourcing, contract, trust, opportunistic behaviour and service delivery in public procuring and disposing entities in Uganda were gathered from 116 public entities, secondary data was also used to supplement the views.

Findings showed that there were significant positive relationships between outsourcing, contract, trust, and service delivery. The findings further indicated a significant negative relationship between opportunistic behavior, outsourcing, contract, trust, and service delivery.

It was concluded that outsourcing, contract and trust should be emphasized in public procuring and disposing entities in Uganda to enhance service delivery. In addition opportunistic behavior should be minimized to increase service delivery in public procuring and disposing entities.

CHAPTER ONE

1.0 Background to the study

Outsourcing has become a popular concept of recent both in practice and theory as one of the approaches that can improve service delivery (Cant and Jeynes, 1998, Domber, 1998, Gay and Essinger, 2000). Outsourcing refers to the process of using an outside company to provide a service previously performed by staff (Abdulwahed and Khalfan, 2003). The use of outsourcing strategy in public sector entities is likely to improve the service delivery of the buying organisations (Linder, Cole and Jacobson, 2002). Several public entities in Uganda have undertaken outsourcing strategy to reduce costs, increase flexibility, access better expertise, improve quality of services, reduce capital investment and improve internal user satisfaction (Agaba, 2007). According to Burnes and anastasiadis (2003), Simmonds and Gibson (2006), entities outsource non core functions such as, information technology, car repairs, cleaning services, waste management, couriers' services and catering services to improve service delivery. However this has not been achieved in Uganda's public entities, the service delivery has not improved significantly.

Anecdotal evidence from Uganda reveals that the lead time is still long in the public entities and quality of services delivered by suppliers is still inadequate (IGG report, 2007). Services are not provided on time, specifications are not matched and the internal users are complaining of late deliveries (PPDA Authority audit report, 2008). For example in February 2007 Makerere University outsourced food processing equipment from Jos.hansen and soehne international in France for the department of food science and technology. The lead time was expected to be two months but it actually took six months

for the equipment to arrive in Uganda (MUK PDU report, 2008). In addition to this long lead time that was taken to deliver this equipment, it did not match the specifications which led to internal user complaints. This required adjustment for the equipment to fit the purpose for which the equipment was bought .The Norplan consultants were hired to make the necessary adjustment but did not make it the way users wanted it. In addition to the above Makerere University still exhibits cases of poor quality in some other outsourced services such as the compounds which have continued to be bushy often littered with rubbish (MUK PDU report, July, 2008).This could be attributed to poor contracts and lack of trust in outsourcing leading to poor service delivery, (Morgan and Hunt, 1990; Lusch and Brown, 1996, Johnson, Millan and Woodruff, 1999).If this situation persists, public entities are not likely to improve their service delivery through outsourcing.

In a similar way, Mugisha S. (personal communication, January14, 2009) revealed that Kyambogo University (KYU) undertook outsourcing strategy for non core activities with the view of improving service delivery since July 2005. There are a number of companies that have been outsourced by this institution including A &M Executive cleaners, Bikasi fumigators limited and Fumi clean limited. However all these companies have at least demanded for changes in the original contract prices. This has raised a lot of concern to management and internal users who are always complaining of the poor quality cleaning services. In 2006, A &M Executive cleaners threatened to stop slashing the compound and the management had to pay over extra 8 million of shillings which has since then caused a lot of disagreement among the internal users within the entity who say it was not worth, (KYU records, 2008). This may be attributed to poor contracts by the outsourcing company which cannot terminate the contract leading to poor service delivery.

1.1 Statement of the problem

A number of public sector entities in Uganda have undertaken the outsourcing strategy to improve their service delivery but have failed to achieve this objective because the lead time is still long in the public entities, and quality of services delivered by suppliers is still inadequate, Services such as information technology, car repairs, cleaning services, waste management, couriers' services and catering are not provided on time, specifications are not matched and the internal users are complaining of late deliveries (World bank report, 2005, MUK PDU report, July, 2008, KYU records, 2008). This may be attributed to poor outsourcing, contract, lack of trust and opportunistic behavior in the public entities in Uganda.

1.2 Purpose of the study

This study sought to establish the relationship between Outsourcing, Contract, Trust, Opportunistic behavior and Service delivery in public procuring and disposing entities in Uganda.

1.3 Research objectives

- I. To examine the relationship between outsourcing and contract in public procuring and disposing entities in Uganda.
- II. To establish the relationship between outsourcing, trust and service delivery in public procuring and disposing entities.
- III. To establish the relationship between contract, opportunistic behavior and service delivery in public procuring and disposing entities.
- IV. To investigate the relationship between outsourcing and service delivery in public procuring and disposing entities.

V. To examine the relationship between contract and service delivery in public procuring and disposing entities.

1.4 Research questions

- What is the relationship between outsourcing and contract in public procuring and disposing entities?
- What is the relationship between outsourcing, trust and service delivery in public public procuring and disposing entities?
- What is the relationship between contract, opportunistic behavior and service delivery in public procuring and disposing entities in Uganda?
- What is the relationship between outsourcing and service delivery in public procuring and disposing entities?
- What is the relationship between contract and service delivery in public procuring and disposing entities?

1.5 Scope of the study

1.5.1 Conceptual Scope

The study focused on outsourcing and contract (service level agreements) (as the independent variables) and service delivery (as the dependent variable). These variables were moderated by trust and opportunistic behavior. The depth of the investigation of the variables was limited to the objectives of the study.

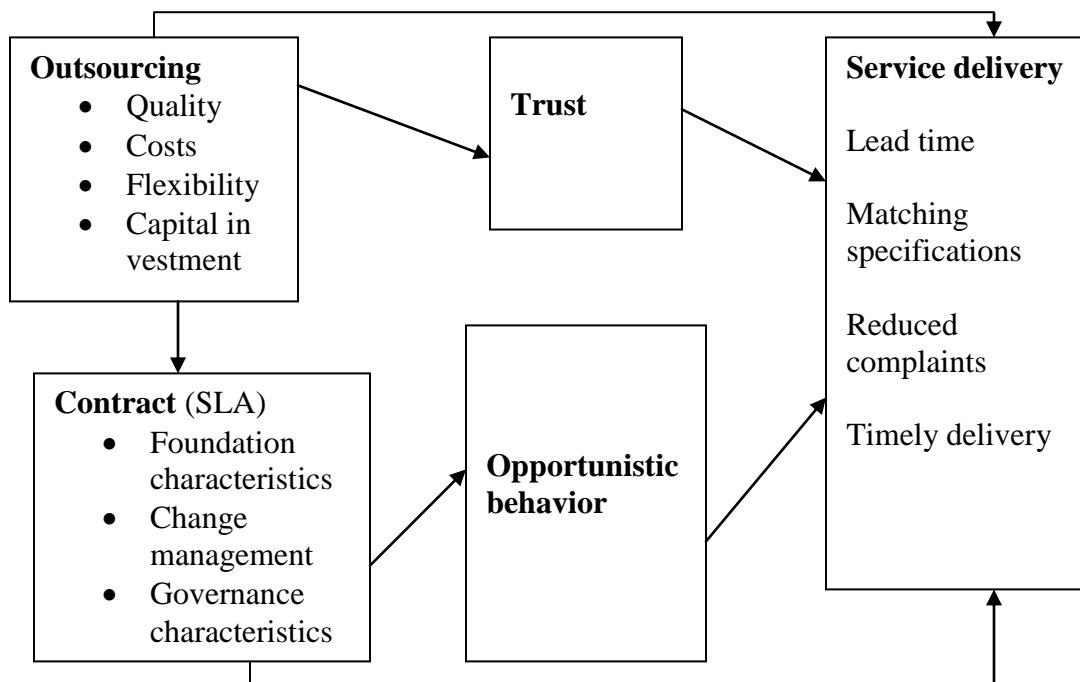
1.5.2 Geographical Scope

The study was carried out in public procuring and disposing entities that have undertaken outsourcing strategy in Kampala. This area is chosen because most of the public entities are located in Kampala and all strategic decisions are made here for the branches up country.

1.6 Significance of the study

- The study will contribute to the available knowledge on outsourcing strategy, contract, trust, opportunistic behavior and service delivery and fill the gap on the relationship between these variables especially by providing literature from Uganda for future reference by the other researchers.
- The results of this study are expected to help managers of public sector entities to recognize the importance of outsourcing and contract in enhancing service delivery.
- The study will avail to managers of public sector entities in Uganda with the various approaches of outsourcing strategy that can enhance service delivery.

1.7 Figure A. Conceptual framework



Source: Developed from the works of Lusch and Brown (1996); Johnson, Millan and Woodruff, (1999; Zineldin and Jonsson (2000);Goo, Kim and Cho(2006).

Explanation of the conceptual model

The above model examines the relationship between outsourcing, contract, trust, opportunistic behavior and service delivery. As shown in the model, the relationship between outsourcing, contract and service delivery is mediated by trust and opportunistic behaviors (Lusch and Brown (1996), Johnson, Millan and Wooruff, (1999), Zineldin and Jonsson, 2000). Most public organisations outsource to improve quality, cut down on costs, and reduce capital investment. The way the contract is done whether explicit or implicit will prescribe the appropriate behaviors adopted by the parties in the outsourcing relationships in form of trust or opportunistic behaviors between the suppliers and the entity which may enhance the service delivery, (Young and Wilinon, 1989).

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the review of the existing scholarly literature about outsourcing, contract, trust, opportunistic behavior and their relationships with service delivery. This review focuses on cost reduction, flexibility capabilities and capital investments as constructs of outsourcing. It canters on foundation, change management and governance characteristics as the constructs of contract. It also considers trust using dimensions such as reliability/ dependability, honesty, competence, orientation and friendliness. Opportunistic behavior was reviewed using transactional costs, withholding/distorting information and shrinking or failing to fulfill promises or obligations and replaceability of providers, evasion, refusal to adapt, violation, and forced renegotiation were adopted while Service delivery was reviewed basing on purchasing efficiency and effectiveness aspects such as lead-time, user satisfaction, matching specifications and user complaints were captured.

2.1. The Concept of Outsourcing and Dimensions of Outsourcing

As many authors have noted that outsourcing is one of the fastest growing and arguably most important areas of business activity (Cant and Jeynes, 1998, Domber, 1998, Gay and Essinger, 2000). According to Surpin and Weidman (1999, p.3) outsourcing is defined as the process of using an outside company to provide a service previously performed by staff. Bowersox and Closs, 1996 further describe outsourcing as the process by which activities carried out on its own behalf by one organisation are transferred and provided by an external contractor. Initial studies carried out by Croom (2000) suggested the following as the main measures of outsourcing.

2.1.1 Cost reduction

Cost efficiency remains the primary explanation for the development of outsourcing. Some researchers contend that an important source of cost reductions is the outsourcing firm's access to economies of scale and the unique expertise that a large outsourcing vendor can deliver. Since these outsourcing contract receivers are typically servicing many clients, they often achieve lower unit costs than can any single company. Specialist outsourcing vendors can also afford to invest more in new technologies and innovative practices than can many outsourcing contract-granting firms.

2.1.2 Flexibility

The use of independent contractors provides employers the flexibility to hire help only when they need it and only for as long as they need it.

2.1.3 Capabilities

Outsourcing enables even the smallest firms to have marketing expert, researcher or other specialist on staff. While it may not pay for them to own that person, firms can rent their expertise without adding to their payroll.

2.1.4 Capital investments

While firms may need additional facilities to serve short-term needs, pouring cash into buildings may not match their long-term plans. When possible, focus on reducing inventory, another cash drain, to minimize the need for additional facilities. When more space is needed, firms may lease and still avoid long-term investment obligations.

2.2 Contract and Its Dimensions

In carrying out economic exchange, Contracts specify the terms and arrangements for the parties involved . The contract is a formal written agreement that is legally binding between two or more competent parties, which creates obligations, whereby one party becomes

bound to another to do or omit to do certain acts that are the subject of that contract (Blomqvist et al., 2005, p. 498). This implies that contracts provide the framework for the economic exchange, outlining the nature and terms of the relationship, what is to be provided and the rights and obligations of parties to the contract. In addition to the above, contracts also fulfill another important role in minimizing potential opportunistic behavior. This can occur through ex ante mechanisms that bind the parties together, such as requiring parties to undertake transaction-specific investments or credible commitments to the relationship (Williamson, 1983). Alternatively, ex post mechanisms may be incorporated which provide parties with rights and sanctions over others in the event of non-performance or other pre-specified situations. According to scholarly works by Goo et al (2006) show that service contracts such as outsourcing contracts mainly involve Service level agreements (SLA). They defined a Service Level Agreement as a formal written agreement developed jointly between service recipient and service provider that specifies a product or service to be provided at a certain level so as to meet business objectives. The Service Level Agreements specify responsibilities, strengthen communication, reduce conflict and build trust in an exchange relationship. In addition to the above Goo et al ;(2006), identified the contractual elements as foundation, change management and governance characteristics.

2.2.1 Foundation characteristics

In Service Level Agreements foundation characteristics collectively explain the common beliefs between organisations, which intend to build a spirit of agreement among those entities involved with its development (Cuganesan, 2007). Elements under foundation characteristics include service level objectives, pricing schedules, ownership, and other contract clauses, (Lusch and Brown, 1996).

2.2.2 Change management characteristics

Change management characteristics address the issue of how various situations that might occur in the future would be handled if they were to occur such as price inflation clauses in the industrial purchasing contracts and express warranties that address product failure (Macneil, 1980). These contract features deal with the ground rules and procedures of future contingencies, which would lead to desired outcome if followed. Contractual elements under change management include future demand management plan, anticipated change, innovation and feed back plan. It should be noted that in relational exchange a person cannot anticipate all contingencies and make complete plans thus these contracts have many tacit assumptions which could range from general to specific ones.

2.2.3 Governance characteristics

Governance characteristics provide administrative procedures for implementing the party's roles and obligations in a contract. They explain ways of how to manage the relationship through a clear statement of the measurements, conflict arbitration, penalty, rewards and communication channel that is agreed on. These contractual safeguards involve provisions and administrative procedures aimed at dispute prevention and resolution and the distribution of costs and benefits under future contingencies (Williamson, 1985). The major Contractual elements under governance characteristics include communication plan, measurement charter, conflict arbitration plan and enforcement plan.

2.3 Outsourcing and Contract

Zhu et al. (2001) indicated outsourcing to be contract intensive in nature and that a successful outsourcing process relies upon a good contract. Outsourcing is more than contracting for skills, assets and resources but contracting for results (peisch, 1995).

Bajari and Tadeh (2001) maintain that benefiting from outsourcing requires ability to draft detailed contracts. In agreement, Norak and Stern (2006) reveal that detailed contract provisions induce achieving specific performance objectives. Suffice to note is that outsourcing involves repeated inter organizational exchanges that become socially embedded overtime thus Contract should be complimented with trust to enhance service delivery performance. Successful organisations rigorously evaluate suppliers, tailor the terms of outsourcing agreement and carefully manage the functions undertaken by the suppliers (Luo, 2002).

2.4 Trust

Trust is frequently defined as a willingness to take risk (Mayer et al., 1995) and a willingness to rely on an exchange partner in whom one has confidence. Trust is a firm's willingness to rely on an exchange partner whose behavior is not under its control (Moorman et al, 1992). Anderson and Narus, (1990) also view trust as the firms belief that another party will perform actions that will result in positive outcomes for the firm as well as not take un expected actions that will result in negative outcomes for the firm.. In other research works however, trust has been more commonly operationalized as “perceived trustworthiness” or confidence (Moorman et al; 1993 Mayer et al., 1995). Confidence, however, differs from trust because trust requires an existence of previous engagement on a person's account, recognizing and accepting that risk (Luhmann, 1988). Trust is a multidimensional construct that has been discovered to contain various dimensions such as confidence, predictability, credibility, ability, competence, expertness, consistence and friendliness. Swan and Trawick (1987) measured trust using reliability/ dependability, honesty, competence, orientation and friendliness. Trust is also related to the behavioral assumptions that the trading partner does not intentionally take advantage (opportunistic

behavior) of any weaknesses that their partners may have to cause financial harm. According to Zineldin and Jonsson (2000) when a party believes that a partner engages in opportunistic behavior such perceptions will lead to decreased trust.

2.5 Opportunistic behavior

Opportunistic behavior is defined as 'self interest seeking with guile' (Williamson, 1985, p. 47). He further argues that Opportunistic behavior is the use of incomplete or distorted disclosure of information especially to calculated efforts to mislead, distort, disguise, obfuscate or otherwise confuse. Examples of opportunistic behavior are such acts as withholding or distorting information and shrinking or failing to fulfill promises or obligations (John, 1984). In terms of the relationship with opportunism, trust can be defined as the expectation that a transaction partner will not undertake opportunistic behavior or increasing one's vulnerability to the risk of opportunistic behavior of the partner. Therefore, a partner's opportunistic behavior is frequently measured by their replaceability of existing business with others which is expected to be negatively related to trust in the partner. The more opportunism firms have the less expectation toward them about not undertaking opportunistic behavior there is. On the other hand, the respondent firm's opportunistic behavior may also influence their trust in the partner in a negative way. Having both trust in a partner and opportunistic behavior that may be harmful to the partner is cognitively imbalanced. Given the opportunism, the firm will try to lower their trust in the partner. This type of psychological process may occur unconsciously or semi unconsciously in the minds of the organization members. Some scholarly attention has been directed at designing agreements between exchange partners under conditions of uncertainty to avoid opportunism (Bergen et al., 1992) and implementing alternative governance mechanisms to mitigate opportunism (Brown et al., 2000).

2.6 Outsourcing, trust and service delivery

Effective outsourcing relationships can establish continuous improvement in productivity of service delivery (Boyson et al., 1999). It has been suggested that relationship will be the source of competitive advantage in the future and that trust is essential to these relationships. In view of Sheth and Sharma (1997) outsourcing advantage cover broad spectrum, it may be asset/cost efficiencies, improved customer service, marketing advantage or profit stability/growth. According to Sloper (2004) outsourcing improves the focus towards value chain optimization leading to enhancement of productivity, motivation and value addition. It also provides competitive advantage by delivering faster to market and allow accessing and assessing new technologies, techniques or markets. Further studies confirm that good customer service delivery can be obtained efficiently and effectively through outsourcing which is supported by literature which shows that customer service delivery can be enhanced by providing accurate information from a single source in a real time through integration.

2.7 Contract, opportunistic behavior and service delivery

Opportunism is widely construed as seeking gain for oneself at the expense of others and such behavior is usually associated with breaches of contract (Das, 2004). Much scholarly attention has been directed at designing agreements between exchange partners under conditions of uncertainty to avoid opportunism and implementing alternative governance mechanisms to mitigate opportunism (Brown et al., 2000). Opportunism takes various forms, depending on the mechanism used for the governance of business activities. Wathne and Heide (2000) offered a framework of four forms of opportunism – namely, evasion, refusal to adapt, violation, and forced renegotiation. In order to avoid such opportunistic behavior it is essential that the customer company fully disclose its expectations for quality

and Service levels and means for measuring performance within the outsourcing contract. The outsourcing contract must contain a detailed description of all expectations of vendor performance since service levels for in-house functions are commonly used as the benchmark for outsourced functions. Contracts that encourage vendor performance and discourage underperformance are therefore clearly of interest to managers. It is not enough for the vendor company to simply perform the functions it has been contracted, it must perform them up to appropriate predetermined standards. Opportunism can have several serious consequences for any interfirm collaboration. First, the potential for opportunistic behavior is a major source of transaction costs in interfirm alliances. Firms perceiving the threat of opportunism are faced with a greater need for screening, negotiating, and monitoring partners' behavior, resulting in increased transaction costs. Second, given that firms strive to maximize gains, self-interest seeking behavior will be prominent in the alliance context. The failure to see beyond the short-term optimization of self-interest hampers cooperative effort that is essential to alliance success. Perceived potential for opportunism poses the most critical threat to satisfactory cooperation, and is instrumental in causing alliance dissolution. However, it is still possible to proceed with forming alliances involving transaction-specific investments because short-span opportunistic behavior with high relational risk can sometimes be predicted *ex ante*, and identified promptly *ex post*. Also, if investment is tangible, its appropriation can be safeguarded through contractual clauses and mutual hostages. It may be worthwhile sometimes to contest such opportunistic behavior in court to recover the losses.

2.8 Outsourcing and Service delivery

Today's knowledge and service-based economy offers innumerable opportunities for well-run companies to improve services through outsourcing. The option to transfer all or part of

a company's business function to an external entity plays an increasingly important role in the strategic arsenal of organisations . In the present era companies are using strategic and transformational outsourcing to seek improved business focus, mitigate risks, build sustainable competitive advantage, extend technical capabilities and free resources for core business purposes (Bartell, 1998). Competitive advantage can be gained when the most appropriate business processes are performed more effectively and efficiently by external suppliers. Organisations consider outsourcing nearly all the services they need such as printing, legal services, accounting and book-keeping, telecommunications, vehicle maintenance, security, payroll, recruitment and many others, thus restricting their own employees to the core functions that define the organisation's business.

2.9 Contract and Service delivery

Predetermined performance standards should focus on achievement of minimum standards with an emphasis on maximizing service delivery while defining details of quality, quantity, timing, and method of delivery of the corresponding inputs and outputs required from both parties to support the outsourced process. Components of information quality, such as response time, accuracy of data, reliability, and quality of support services should all be defined according to the function being outsourced to achieve best service delivery.

2.10 Conclusion

In relation to the above discussion, various studies and theories have established the relationship between outsourcing, contract, trust, opportunistic behavior and service delivery. It should be noted that most of the established relationships have been in developed environment. Therefore a study attempting to establish these relationships in less developed countries is necessary for logical and universal conclusions as well as the application of such relationships.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the methodology that was employed by the researcher in conducting the study. It covers the research design, the study population, the Sampling Procedure and Sample Size, the variables and their measurements, reliability and validity of the research instrument, data collection methods, data processing and analysis procedures and techniques.

3.1 Research Design

This study used a cross sectional and correlational survey research design. Correlations were carried out to establish the relationship between Outsourcing, Contract, Trust, Opportunistic Behavior and Service Delivery in public procuring and disposing entities.

3.2 The Study Population

The study population consisted of 116 Public Procuring and Disposing Entities (PDEs) in categories of 14 commissions, 12 hospitals, 26 ministries and 64 parastatals in Uganda (Public Procurement and Disposal of Assets Authority compliance assessment report (PPDA), 2007).

3.3 Sampling Procedure and Sample Size

Out of 116 Public Procuring and Disposing Entities 102 were studied. This was selected with the help of morgan and hunt (1970). The sample was determined using disproportionate stratified sampling as shown the table below. For each Public Procuring and Disposing Entity (PDE), the chairman contracts committee and Head of procurement and disposal unit were interviewed. These are considered to be more knowledgeable in the issues of the research. In addition one head of any user department was considered because

they constitute the main users of the services provided. The list of the public procuring and disposing entities (PDEs) was obtained from the Public Procurement and Disposal of Assets Authority compliance assessment report (PPDA), 2007.

Entities	Population	Sample size
commissions	14	14
Hospitals	12	12
Ministries	26	20
Parastatals	64	52
Total	116	102

3.4 Data Collection instrument

Primary data was collected from respondents using a self administered questionnaire, this created anonymity leading to more valid responses as well as allowing respondents to fill them at their convenience. The questionnaire was designed according to the objectives and study variables and responses to the questions were anchored on a five (5) point Likert scale ranging from 5 – strongly agree to 1 - strongly disagree. Prior to the survey administration, the researcher distributed fifty questionnaires for pre-testing.

3.5 Data Reliability and Validity

Reliability analysis of scales in the research instrument (questionnaire) was carried out by performing Cronbach’s alpha coefficient test (Cronbach, 1951). Alpha coefficient of above 0.6 for individual test variables was accepted meaning the instrument is valid. Content validity checks were performed on the constructs to ensure that the scale items were meaningful to the sample and capture the issues that were being measured.

Variable	Anchor	Cronbach Alpha Value	CVI
Outsourcing	5 point	0.804	0.769
Contract	5 point	0.833	0.970
Trust	5 point	0.693	0.857
Opportunistic behavior	5 point	0.857	0.667
Service delivery	5 point	0.896	0.875

3.6 Measurement of Variables

- **Outsourcing** - Outsourcing was measured using works by Croom (2000) and dimensions such as quality, costs, flexibility and capital investment were captured.
- **Contract** - Thirty three items were directly adopted from Goo etal (2006) to measure the extent to which provision of the eleven elements (which were summarized under foundation, change management and governance characteristics) are addressed in the SLA .
- **Trust** - Trust was measured using Morgan and Hunt (1994) to capture dimensions such as reliability/ dependability, honesty, competence, orientation and friendliness.
- **Opportunistic behavior** - Opportunistic behavior was measured basing on works of John (1984) and such dimensions like transactional costs, withholding/distorting information and shrinking or failing to fulfill promises or obligations and replaceability of providers, evasion, refusal to adapt, violation, and forced renegotiation were adopted.
- **Service delivery** - Service delivery was measured basing on the works of Dummond (1991) which focuses on purchasing efficiency and effectiveness aspects such as lead-time, satisfaction, matching specifications and user complaints were captured.

3.7 Data Processing, Analysis and Presentation

Data was compiled, sorted, classified and entered into the computer analysis using the Statistical Package for Social Scientists (SPSS). Correlation analysis tools including cross tabulation and chi-square tests were carried out to establish the strength of the relationship between variables. Multiple regression analysis was also used to determine variance in the dependent variable that is explained by the independent variables. The findings of this study were presented in a report comprised of five (5) chapters.

3.8 Limitations of the Study

- (a) Methodological limitation; this study adopted a cross sectional research design which is defective in critically analyzing the behavior of the variables under study therefore this has an implication on the conclusion of the study.
- (b) Measurements tools that were used were adopted from previous studies and therefore any limitations that are embedded in them equally affected this study.
- (c) The study used a questionnaire for data collection and this has a weakness of limiting the amount of data collected. There is a likely hood that relevant data may not have been captured because of use of close ended questionnaire.

CHAPTER FOUR

RESULTS & FINDINGS OF THE SURVEY

4.0 Introduction

This chapter contains the results and the interpretation of the survey respondents. The presentation is guided by the research objectives and the statistics were generated with the aim of generating responses for the research questions. In the beginning of the chapter are the sample characteristics of the respondents such as their gender, age and marital status of the respondents. Statistical tools such as Cross tabulations, descriptive and correlations were used to generate the results for this chapter. The presentation was guided by the following research objectives;

- i. To examine the relationship between outsourcing and contract in public procuring and disposing entities.
- ii. To establish the relationship between outsourcing, trust and service delivery in public procuring and disposing entities.
- iii. To establish the relationship between contract, opportunistic behavior and
- iv. service delivery in public procuring and disposing entities.
- v. To investigate the relationship between outsourcing and service delivery.
- vi. To examine the relationship between contract and service delivery.

4.1 Sample Characteristics

4.11 Age Group and Gender by category of the respondents

The results in the table below were generated to explore the distribution of the Age Group and Gender distribution of the respondents.

			Gender		Total
			Male	Female	
Age Group	20-30 yrs	Count	44	33	77
		Row %	57.1%	42.9%	100.0%
		Column %	24.6%	26.0%	25.2%
	31-40 yrs	Count	67	45	112
		Row %	59.8%	40.2%	100.0%
		Column %	37.4%	35.4%	36.6%
	41-50 yrs	Count	32	29	61
		Row %	52.5%	47.5%	100.0%
		Column %	17.9%	22.8%	19.9%
	51-60 yrs	Count	26	17	43
		Row %	60.5%	39.5%	100.0%
		Column %	14.5%	13.4%	14.1%
	61 yrs & Above	Count	10	3	13
		Row %	76.9%	23.1%	100.0%
		Column %	5.6%	2.4%	4.2%
Total	Count	179	127	306	
	Row %	58.5%	41.5%	100.0%	
	Column %	100.0%	100.0%	100.0%	

The results showed that the majority of the respondents were male (58.5%) and the females comprised only 41.5% of the sample. In addition, the majority of the males (37.4%) were of the 31-40 year age group while the majority of the females were in the (35.4%) were also of the 31-40 year age group. Overall, it was observed that the majority of the

respondents were of the 31-40 year age group (36.6%) while the least proportion of the respondents were those in the 61 year age group & Above (4.2%).

4.12 Position by Education Distribution of the respondents

The results in the table below showed the distribution of the position of the respondents by their education levels.

Table 4.12 Position by Education Distribution of the respondents			Education			Total
			Primary	Secondary	University	
Position	Head of section	Count		3	73	76
		Row %		3.9%	96.1%	100.0%
		Column %		42.9%	24.5%	24.8%
	Team Leader	Count	1	4	75	80
		Row %	1.3%	5.0%	93.8%	100.0%
		Column %	100.0%	57.1%	25.2%	26.1%
	Team Member	Count			150	150
		Row %			100.0%	100.0%
		Column %			50.3%	49.0%
Total	Count	1	7	298	306	
	Row %	.3%	2.3%	97.4%	100.0%	
	Column %	100.0%	100.0%	100.0%	100.0%	

The results in the table above showed that the majority of the respondents were of the Team members (49.0%), the Heads of section and the Team leaders comprised 24.8% and 26.1% respectively of the sample. On the other hand, the respondents that had studied up to primary level comprised 0.3% of the sample. The respondents with the secondary and university level qualifications comprised 2.3% and 97.4% of the sample respectively.

4.13 Category of PDE and Number of employees Distribution

Cross tabulations were further employed to explore the distribution of the Category of PDE by Number of employees Distribution.

			Number of employees				Total
			Less than 100	101-500	501-1000	Above 1000	
Category of PDE	Ministry	Count	25	36	11	6	78
		Row %	32.1%	46.2%	14.1%	7.7%	100.0%
		Column %	20.8%	26.9%	40.7%	24.0%	25.5%
	Commission	Count	34	17		1	52
		Row %	65.4%	32.7%		1.9%	100.0%
		Column %	28.3%	12.7%		4.0%	17.0%
	Parastatal	Count	58	81	16	15	170
		Row %	34.1%	47.6%	9.4%	8.8%	100.0%
		Column %	48.3%	60.4%	59.3%	60.0%	55.6%
	Hospital	Count	3			3	6
		Row %	50.0%			50.0%	100.0%
		Column %	2.5%			12.0%	2.0%
Total		Count	120	134	27	25	306
		Row %	39.2%	43.8%	8.8%	8.2%	100.0%
		Column %	100.0%	100.0%	100.0%	100.0%	100.0%

The results showed that the respondents from the Parastatals dominated the sample (55.6%) followed by those from the Ministries (25.5%), the Commissions (17.0%) and the Hospitals who comprised only 2.0% of the sample. Furthermore, it was observed that among those institutions with over 1000 employees, the majority (60.0%) were the Parastatals while the Ministries among these institutions with over 1000 institutions, comprised 24.0% of this

workforce category. Furthermore, it was observed that among the institutions with 501-1000 employees, there were no commissions or hospitals but this workforce category comprised of the Ministries and the Parastatals. Among the institutions with Less than 100 employees, the Hospitals comprised the least proportion (2.5%).

4.14 Services Outsourced

The respondents in the various institutions were also asked as to which services they were outsourcing in their organisations. The results indicated that the services that had been outsourced most included the cleaning services and it was revealed that some 85.3% of the institutions actually outsource these services (85.3%).

No	Service	Frequency	Percent
1	Cleaning	261	85.3
2	Consultancy	227	74.2
3	Security	217	70.9
4	Maintenance	215	70.3
5	Catering	159	52.0
6	Courier & Messenger	137	44.8
7	Transport	105	34.3

Furthermore, it was observed that the other services that are greatly outsourced include the Consultancy services (74.2%), the Security (70.9%) and the Maintenance services (70.3%). However, the least outsourced services were the Courier & Messenger (44.8%) and the Transport services (34.3%).

4.2 The relationships among the variables

Using the Pearson (r) correlation coefficient, the researcher was able to establish the nature and the direction of the relationships that exist among the study variables which were; Outsourcing, Contract, Trust, Opportunistic behavior and Service delivery.

Table 4.21 The relationships among the variables

	Outsourcing	Contract	Trust	Opportunistic behavior	Service Delivery
Outsourcing	1.000				
Contract	.428**	1.000			
Trust	.298**	.430**	1.000		
Opportunistic behavior	-.398**	-.262**	-.341**	1.000	
Service delivery	.567**	.395**	.459**	-.723**	1.000

** Correlation is significant at the 0.01 level (2-tailed).

4.21 The Relationship between Outsourcing And Contract

The results in the table above showed that there exists a significant and positive relationship between outsourcing and contract ($r = .428^{**}$, $p < .01$). These results highlight the fact that if the Contract function of an institution is well managed, it will result into a corresponding good and fruitful outsourcing transaction for the institution.

4.22 The Relationship between outsourcing, trust and service delivery

A positive and significant relationship was observed to exist between the Outsourcing variable and trust ($r = .298^{**}$, $p < .01$). Furthermore, Outsourcing was also observed to be positively related to Service Delivery ($r = .567^{**}$, $p < .01$). These results also imply that showed the fact that Outsourcing should ultimately lead to improved service delivery among the various Public Entities. Furthermore, the results show that service delivery Trust

can ultimately lead to improved levels of trust as the client gains more confidence in the service provider.

4.23 The Relationship between contract, opportunistic behavior and service delivery

On the other hand, it was observed that the Contract and the Opportunistic Behavior are two negatively related variables ($r = -.262^{**}$, $p < .01$). In addition, Contract was positively related to the Service delivery variable ($r = .395^{**}$, $p < .01$). Opportunistic Behavior was also negatively related to the Service Delivery variable ($r = -.723$, $p < .01$). These results imply the fact that the more of Opportunistic tendencies that are prevalent in the various transactions that an organization undertakes, the lower the quality of the service delivery that is likely to be attained.

4.24 The Relationship between Outsourcing and Service Delivery.

The correlations revealed that there also exists a positive and significant relationship between the outsourcing and the service delivery variable ($r = .567^{**}$, $p < .01$). These results show that there exists the Outsourcing process in an institution if well addressed and managed, should consequently lead to improved service delivery for any institution.

4.25 The Relationship between Contract and Service Delivery.

Contract And Service Delivery were significantly and positively related to each other ($r = .395^{**}$, $p < .01$). These results further highlight the fact that if elements of contract such as the Process Ownership Plan and the Service level contents are well addressed, the institutions will realize an improvement in the quality of the service delivery.

4.3 The prediction model

The results in the table below show the extent to which the predictors i.e (Outsourcing, trust, opportunistic behavior and contract) can explain the dependent variable which was Service delivery.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Dependent Variable: Service delivery	
	B	Std. Error	Beta			R Square	
(Constant)	2.863	.231		12.396	.000	R Square	.646
Outsourcing	.226	.033	.281	6.949	.000	Adjusted R Square	.641
Trust	.209	.050	.166	4.186	.000	F Change	135.884
Opportunistic behavior	-.333	.024	-.537	-13.831	.000	Sig. F Change	.000
Contract	0.066	.045	.060	1.476	.141		

The results showed that these predictor variables can explain 64.1% of the observed variance in Service delivery (Adjusted R Square = .641). Among the independent variables, Opportunistic behavior was a better predictor of service delivery (Beta = -13.831) than outsourcing (Beta =6.949, Sig. = .000) than trust (Beta =4.186, Sig. = .000) and contract (Beta =1.476, sig. = .000). The regression model was significant as observed from the level of Significant (sig. <.01)

4.5 Further findings

4.51 ANOVA Results for Institution category by Variable.

The ANOVA results in the tables below were generated to assess how the various categories of institutions fare on the study variables, i.e. Outsourcing, Contract, Trust, Opportunistic behavior and Service delivery.

Table 4.41 ANOVA Results for Institution category by Variable.		N	Mean	Std. Deviation	Std. Error	F	Sig.
Outsourcing	Ministry	77	3.582	0.540	0.061	.489	.690
	Commission	52	3.552	0.506	0.070		
	Parastatal	169	3.626	0.552	0.042		
	Hospital	6	3.769	0.304	0.124		
Contract	Ministry	78	3.755	0.399	0.045	.117	.950
	Commission	52	3.721	0.438	0.061		
	Parastatal	170	3.744	0.384	0.029		
	Hospital	6	3.687	0.206	0.084		
Trust	Ministry	78	3.601	0.453	0.051	1.583	.194
	Commission	52	3.656	0.331	0.046		
	Parastatal	170	3.700	0.280	0.021		
	Hospital	6	3.714	0.156	0.064		
Opportunistic behavior	Ministry	77	2.487	0.697	0.079	1.582	.194
	Commission	52	2.696	0.651	0.090		
	Parastatal	170	2.485	0.712	0.055		
	Hospital	6	2.783	0.498	0.203		
Service delivery	Ministry	78	3.859	0.470	0.053	.761	.516
	Commission	52	3.798	0.394	0.055		
	Parastatal	170	3.869	0.430	0.033		
	Hospital	6	3.660	0.264	0.108		

The results in the table above showed that there are no significant differences across the Institutions on these study variables ($p > .05$). However, on Opportunistic Behavioural

tendencies, it was observed that the Hospitals (Mean = 2.783) ranked higher than the Commissions (Mean = 2.696), Ministries (Mean = 2.487) and the Parastatals (Mean = 2.485).

4.52 ANOVA Results for Workforce size by Variable

The results in the table below compare the distribution of the workforce size by the study variable.

Table 4.42 ANOVA Results for Workforce size by Variable		N	Mean	Std. Deviation	Std. Error	F	sig.
Outsourcing	Less than 100	120	3.719	0.492	0.045	4.589	.004
	101-500	132	3.485	0.507	0.044		
	501-1000	27	3.718	0.725	0.140		
	Above 1000	25	3.569	0.547	0.109		
Contract	Less than 100	120	3.617	0.342	0.031	7.196	.000
	101-500	134	3.830	0.372	0.032		
	501-1000	27	3.832	0.495	0.095		
	Above 1000	25	3.771	0.475	0.095		
Trust	Less than 100	120	3.614	0.347	0.032	2.670	.048
	101-500	134	3.707	0.309	0.027		
	501-1000	27	3.609	0.460	0.088		
	Above 1000	25	3.771	0.272	0.054		
Opportunistic behavior	Less than 100	119	2.630	0.607	0.056	3.524	.015
	101-500	134	2.473	0.727	0.063		
	501-1000	27	2.207	0.773	0.149		
	Above 1000	25	2.682	0.747	0.149		
Service Delivery	Less than 100	120	3.765	0.407	0.037	4.006	.008
	101-500	134	3.895	0.425	0.037		
	501-1000	27	4.044	0.510	0.098		
	Above 1000	25	3.810	0.424	0.085		

These results showed that there are significant differences across the institutions with the various numbers of the employees on all the variables (sig. <.05). On the Opportunistic behaviour variable, it was observed that the institutions with Above 1000 employees (Mean = 2.682), ranked highest while those with 501-1000 employees (Mean = 2.207) ranked lowest. On the Service Delivery variable, it was shown that the institutions with 501-1000 employees (Mean = 4.044) ranked higher than those Institutions with Less than 100 employees (Mean = 3.765), 101-500 employees (Mean = 3.895) and above 1000 employees (Mean = 3.810) and there were significant differences between these institutions (sig.<.05).

4.53 ANOVA Results for Position held by Variable

The ANOVA results in the table below revealed the distribution of the Position held in the institution by the variable.

Table 4.43 ANOVA Results for Position held by Variable		N	Mean	Std. Deviation	Std. Error	F	Sig.
Outsourcing	Head of section	76	3.630	0.520	0.060	7.437	.001
	Team Leader	78	3.781	0.430	0.049		
	Team Member	150	3.501	0.571	0.047		
Contract	Head of section	76	3.756	0.382	0.044	3.201	.042
	Team Leader	80	3.825	0.365	0.041		
	Team Member	150	3.690	0.407	0.033		
Trust	Head of section	76	3.597	0.437	0.050	2.318	.100
	Team Leader	80	3.708	0.251	0.028		
	Team Member	150	3.681	0.322	0.026		
Opportunistic behavior	Head of section	75	2.627	0.587	0.068	1.049	.352
	Team Leader	80	2.512	0.712	0.080		
	Team Member	150	2.486	0.738	0.060		
Service delivery	Head of section	76	3.787	0.452	0.052	1.253	.287
	Team Leader	80	3.894	0.402	0.045		
	Team Member	150	3.859	0.437	0.036		

These results showed that it is only for the outsourcing and the contract that there are significant differences among the perceptions of the holders of these various positions (sig.<.05). These categories of respondents did not differ significantly on the opportunistic behaviour, trust and service delivery (sig.>.05). On the opportunistic behaviour variable, the Heads of Sections ranked higher (Mean = 2.627) than the Team Leaders (Mean = 2.512) and the Team Members (Mean = 2.486)

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents discussion of the findings from the previous chapter. This chapter is divided into three main sections. The first section places emphasis on the discussion and the resulting conclusions. The second part deals with the recommendation while the third and final part presents the areas for further research. The discussion was done by reviewing the literature of the previous scholars relative to the findings of this particular study.

5.1 The Relationship between outsourcing and contract

A positive and significant relationship was observed between the outsourcing and contract functions. These findings can be supported by the findings of Espino-Rodriguez and Padron-Robaina (2004) who reveal that the outsourcing process is undertaken for the purpose of cutting costs and thus requires an outside party to be involved and this is most formally done through contracts. The better the outsourcing process is initiated within the institution, the better the nature of the contract that will be confirmed with the external party

5.2 The Relationship between outsourcing, trust and service delivery

The scholars work reveals that there exists a significant and positive relationship between the Outsourcing, Trust and service delivery. These findings have been supported by the work of CapGemini (2004) who argues that the outsourcing improves the organisational capacity to complement for what it lacks and cater for delivering of improved services.

5.3 The Relationship between contract, opportunistic behavior and service delivery

The results in the previous chapter revealed a negative relationship between the Contract and the opportunistic Behaviour which is supported by the works of Pretious and Love (2006), who reveal that for contractual relationships that are to be sustained over a long period of time, there should be effort taken to ensure that all the parties do conduct themselves in a manner that is both ethical and non-opportunistic, (Pretious, and Love 2006) otherwise it will ruin the very purpose of the contracting transaction and thus lead to a poor delivery of the service. This notion is also indicated by the work of Grzeskowiak and Al-Khatib (2009) who further reveals that because persons who exhibit opportunistic tendencies persons tend to confuse and misguide the outsourcing panels, it is thus very important for the management of institutions to ensure that such Behaviour is dealt with because it not only results into reduced performance and delivery, but also has financial implications for the institutions.

5.4 The Relationship between Outsourcing and Service Delivery.

The results in the previous chapter revealed a significant and positive relationship between the outsourcing and the service delivery, implying the better the Outsourced service providers act as per the agreement with their clients for instance promptly and use skilled manpower, the clients are also likely to realise improved delivery of services. This is notion has been supported by Benn and Percy (2002) Slepniov and Waehrens (2008) whose works reveal that the outsourcing makes a firm more competitive and thus enables the Institutions to complement the capacity it has to deliver improved and better quality services.

5.5 The Relationship between Contract and Service Delivery.

The results in the previous chapter also revealed a significant and positive relationship between the contract and service delivery. This implies that the more Public institutions systematically manage the Contract element in dealing with the Outsourced parties, the better the quality of the services that they are likely to be achieved. These findings can be linked to the work of Palaneeswaran and Kumaraswamy (2003) who have explored the need for improved selection of contractors in order to enhance the value of outsourcing and thus ensure that customers attain value for money.

5.6 Conclusions

In light of the above discussion, the following discussion can be drawn;

- The opportunistic tendencies in the contracting process can ultimately lead to poor service delivery since the contractor or the outsourced party feels they are not getting what they ultimately deserve and thus end up performing well below their capacity.
- Unless the top officials in the public institutions are committed to resisting and dealing with these opportunistic tendencies, the institutions that they head will not actually be able to realise their set targets and objectives. This commitment should be able to spread throughout the institutions so that even the employees are all resistant to this detrimental behaviour.
- Systematic and proper management of the outsourcing function ultimately leads to better delivery of services. As such, it is important to ensure that institutions

actually strengthen the relationships that they have with the firms that have got a good reputation as far as the outsourcing transactions are concerned.

- Trust between the outsourced parties and the client institutions was observed to be positively related to the service delivery. This calls for conduct as per the agreements not only on the side of the Outsourced firms but also on the side of the client institutions.

5.7 Recommendations

In light of the findings, discussions and the conclusions, the following recommendations are hereby coined;

- There should be some effort channeled towards ensuring that the outsourced parties are well known before they are assigned to do work for the government. This will help minimise the opportunistic tendencies especially if the client institutions ensure that they exactly know who the directors and the affiliated persons of the outsourced firms are.
- Public entities are hereby advised to make it an institution policy and set measures to deal with the individuals who have opportunistic tendencies. This means the top officials of these Public institutions should actually have it at heart to counter all such opportunistic tendencies if their institutions are to deliver what they are meant to.

- Since Outsourcing is important in helping an institution become more competitive and deliver better services, it is quite necessary that these Public institutions ensure that they cultivate and enhance the relationship with the reputable firms that over time have been outsourced and shown a good performance.
- The Public institutions or the Public entities in this case should ensure that they also keep their end of the bargain for instance for them it may involve clearly specifying and outlining the desired services and availing payments in time. This will help motivate the outsourced service providers so that they also do what they are supposed to without any lingering uncertainties.

5.8 Areas for future research

This study explored the relationship between the outsourcing, trust, opportunistic behavior, contract and service delivery. Future researchers are hereby called upon to explore the following areas;

- To assess the relationship between the opportunistic behavior, Outsourcing and financial performance of the Public institutions. This will help assess the overall impact of the opportunistic behaviour on the financial performance on the institutions.
- Future researchers are also called upon to explore the dimensions of opportunistic behavior which impact most on the financial performance of the institution.
- Finding out the impact of other behavioral aspects such as commitment on service delivery in public procuring and disposing entities in Uganda.

REFERENCES

- Aderson, J.C and Narus, J.A (1990). A model of Distributor Firm and Manufacturer Firm working partnerships. *journal of marketing*,vol.54 pp42-58.
- Brown, J R, Lusch R F and Nicholson C Y(1995).Power and relationship commitment. Their impact on marketing channel member performance. *Journal of retailing*.Vol 71 No 4, pp365-92.
- CapGemini (2004), "Identifying the drivers behind outsourcing decisions", available at: www.uk.capgemini.com/services/outsourcing/handbook/OUTSOURCING_sect1.1.pdf, .
- Doney, P. M. & Cannon, J. P. (1997). An examination of the nature of trust in buyer-seller relationships. *Journal of Marketing*, 61, 35.
- Dyer, R.F and oh, S (1988).A Transaction-cost Perspective on vertical contractual structure and inter-channel competitive strategies. *Journal of marketing* 52 (April)pp.21-34.
- Espino-Rodríguez, T.F., Padron-Robaina, V. (2004), "Outsourcing and its impact on operational objectives and performance: a study of hotels in the Canary Islands", *International Journal of Hospitality Management*, Vol. 23 pp.287-306.
- Grzeskowiak, S., and Al-Khatib, J. (2009). Does morality explain opportunism in marketing channel negotiations? The moderating role of trust. *International Journal of Retail & Distribution Management* Vol. 37 No. 2, pp. 142-160.
- Hakim,C (2000). *Research Design;Successful Designs for Social and Economic Research*, London, Routledge.
- Jahyun Goo, Dan J.Kim and Bongsoon Cho (2006).Structure of Service Level Agreements (SLA) in IT Outsourcing.The construct and its measurements.Retrieved February 4,2008 from <http://sce.uhcl.edu/pub/kim-c35>. Proceedings of the 12th American Conference on information systems (AMCIS), A Capulco Mexico.
- Jahyun Goo and Kichan Nam (2007).Contract as a source of Trust-commitment in successful IT Outsourcing. An empirical study .HICSS:239.
- Jahyun Goo, and Kichen Nam (2007). Contract as a source of Trust –Commitment in successful IT Outsourcing. An empirical study.HICSS:239.
- Krejcie, R.V and Morgan D.W (1986). *Determining sample size for research activities*.*Education and Psychological measurement*,30,607-610.

- Kwon,G and Suh .T (2004) Factors affecting the level of trust and commitment in supplychain relationships *journal of supply chain management: global review of purchasing and supply*.
- Lusch,R.F and Brown, J.R (1996).Interdependency,contracting and relational behaviour in marketing channels.*Journal of Marketing* Vol.60 No.October pp 19-38.
- Morgan, R. M. & Hunt, S. D. (1994) .The Commitment-Trust Theory of Relationship Marketing. *Journal of Marketing*, 58, 20.
- Palaneeswaran, E. and Kumaraswamy, M. (2003). Targeting Optimum Value in Public sector projects through “best value” focussed contractor selection. *Journal of Engineering, Construction and Architectural Management*, Vol.10 (6). pp. 418-431
- Preitous, M. and Love, M. (2006), “Sourcing ethics and the global market: the case of the UK retail clothing sector”, *International Journal of Retail & Distribution Management*, Vol. 34 No. 12, pp. 882-903.
- Slepnirov, D., and Waehrens, B. (2008). Offshore outsourcing of production. An exploratory study of process and effects in Danish companies. *Journal of Strategic Outsourcing*, Vol. (1) Number (1) pp: 64-76

Appendix 1

MAKERERE UNIVERSITY QUESTIONNAIRE ON OUTSOURCING, CONTRACT, TRUST, OPPORTUNISTIC BEHAVIOUR AND SERVICE DELIVERY IN PUBLIC PROCURING AND DISPOSING ENTITIES IN UGANDA

Dear respondent,

As partial fulfillment of the requirements for award of Msc. Procurement and Supply chain management of Makerere University, am conducting a survey **to evaluate the relationship between outsourcing, contract, trust, opportunistic behavior and service delivery in public procuring and disposing entities**. I request you to spare a few minutes of your busy schedules to fill this questionnaire to enable me accomplish this task. Your honest and sincere responses are highly appreciated and shall be treated with utmost confidentiality. I thank you for your cooperation.

PART 1: BACKGROUND INFORMATION *(Please tick in the box of your choice)*

1. Sex

Male 1

Female 2

2. How old are you?

20-30 years 1

31-40 years 2

41-50 years 3

51-60years 4

61years and above 5

3. Level of education

Primary 1

Secondary 2

University 3

4. Position held

Head of section 1

Team leader 2

Team member 3

5. The category of PDE

Ministry 1

Commission 2

Parastatal 3

Hospital 4

8. Number of employees

Less than 100 1

101-500 2

501-1000 3

Above1000 4

9. Services outsourced in your organisation

Maintenance 1

Transport 2

Cleaning 3

Security 4

Courier and messenger 5

catering 6

Consultancy 7

Other please specify 8

We would like to know the level of perception you have with various practices in your organisation regarding outsourcing, contract, trust, opportunistic behavior and service delivery. Please indicate with a tick in the box of your choice

Key

1-Strongly disagree

2-Disagree

3-Not sure

4-Agree

5-Strongly agree

PART 1

OUTSOURCING

		Strongly disagree (1)	Disagree (2)	Not sure (3)	Agree (4)	Strongly agree (5)
	Quality					
1	Outsourced providers deliver as per the specifications.					
2	We do not doubt the quality of outsourced services.					
3	The outsourced services are free from defects.					
4	Outsourced service providers are reliable.					
5	Outsourced providers have been consistent.					
	Cost saving					
1	Outsourcing has led to cost saving in this entity.					
2	The cost of outsource services in this entity is low compared to the previous in house services.					
	Innovation					
1	Outsourced providers have initiated new efficient methods of service provision.					
2	Outsourced service providers have introduced modern technology in their operations.					
3	Outsourced providers have initiated better services.					

Adapted from Jiang and Qureshi (2004), Morris and Imrie (1992), Gay and Essinger (2000) and Croom (2000)

**PART 2
CONTRACT**

		Strongly disagree (1)	Disagree (2)	Not sure (3)	Agree (4)	Strongly agree (5)
	Service level objectives					
1	We include a statement of our management and organizational structure at the end of outsourcing contract once the relationship is fully operational.					
2	We include statement of innovation expectations and capabilities of the service provider.					
3	We include a statement of our business objectives from the service.					
	Process ownership plan					
1	Our outsourcing contracts contain statement of process ownership roles and responsibilities					
2	Our outsourcing contracts contain list of processes that are required to manage the agreements between us and service providers.					
3	Our outsourcing contracts contain list of processes directly affected by the services included in the agreements.					
	Service level contents					
1	Our outsourcing contracts contain a statement of the key business measurements required.					
2	Outsourcing contracts contain established service quality targets					
3	Outsourcing contracts contain general description of the services required, major categories of the services, specific service elements.					
	Future demand management plan					
1	Outsourcing contracts contain processes for scheduling, costing and modifying agreements with new demand.					
2	We include processes used to obtain end user feed back on the provider's delivery of services to meet new demand.					
3	The contract indicates processes that we should use to prioritize changes and modify the volume, type or level of service to match evolving user requirements.					
	Anticipated change plan					
1	The outsourcing contract specifies relevant technology, business and industry drivers for change.					
2	The contract specifies roles, responsibilities and decision making procedures for each category of change.					
3	We include clear definitions of the key categories of change e.g. charges for volume changes.					
	Innovation plan					
1	Outsourcing contracts stipulate process for innovation including implementation and prioritization.					

2	Outsourcing contracts indicate process for business improvement and technology advancements e.g. technology upgrades.					
3	Outsourcing contracts include innovation incentives/rewards program.					
	Feedback plan					
1	Outsourcing contracts include statement of how changes will be implemented based on measurement results.					
2	Our outsourcing contracts provide for an efficient feedback on the identified draw backs.					
3	Outsourcing contracts indicate prioritization methodology for current tasks and feedbacks.					
	Communication plan					
1	The contracts contain a statement of the communication policy.					
2	Outsourcing contracts show organizational reporting structure.					
3	Outsourcing contracts show identified communication initiatives/ initiative owners and recipients for various initiatives.					
	Measurement charter					
1	Our outsourcing contracts contain a statement of measurement methodology.					
2	Our outsourcing contracts contain definition of what is to be measured e.g. price, customer satisfaction.					
3	Our outsourcing contracts contain definition of the processes to periodically measure the defined categories.					
	Conflict arbitration charter					
1	Our outsourcing contracts contain a statement of the parameters for involving the third party in discussions between us and service providers.					
2	Our outsourcing contracts contain a schedule for regular interaction and timetables for resolving issues between us and the providers.					
3	Our outsourcing contracts contain a statement of the practices and conduct rules required to preserve the independence of the independent.					
	Enforcement plan					
1	Our outsourcing contracts contain penalty definitions and formular.					
2	Our outsourcing contracts contain conditions under which termination may occur.					
3	Outsourcing contracts contain statement of exit responsibilities					

As cited by Tukamuhabwa, 2008 as adapted from Goo etal (2006).

PART 3
TRUST

Supplier's credibility

		Strongly disagree (1)	Disagree (2)	Not sure (3)	Agree (4)	Strongly agree (5)
1	This supplier is always frank in dealing with us.	1	2	3	4	5
2	Promises made by this supplier are reliable.	1	2	3	4	5
3	This supplier is knowledgeable regarding his/her products.	1	2	3	4	5
4	This supplier makes false claims	1	2	3	4	5
5	This supplier is open in dealing with us.	1	2	3	4	5
6	If problems such as shipment delays arise, the supplier is honest about the problems.	1	2	3	4	5
7	. This supplier has no problems answering our questions.	1	2	3	4	5

Adapted from Morgan and hunt (1994), Doney and cannon (1997).

Supplier's benevolence

1	This supplier has made sacrifices for us in the past.	1	2	3	4	5
2	This supplier cares for us.	1	2	3	4	5
3	In times of shortages, this supplier has gone out on a extremity for us.	1	2	3	4	5
4	This supplier is like a friend.	1	2	3	4	5
5	We feel the supplier has been on our side.	1	2	3	4	5

Adapted from Morgan and hunt (1994), Doney and cannon (1997).

PART 4
Opportunistic behavior

		Strongly disagree (1)	Disagree (2)	Not sure (3)	Agree (4)	Strongly agree (5)
1	The provider change prices without our knowledge.					
2	Our provider does not give us truthful information.					
3	Our provider gives us wrong information about their goods and services.					
	The supplier does anything within his means to further his own interests.					
4	Promises made by our providers are not all fulfilled.					
5	Our providers do not inform us when they are going to replace their suppliers.					
6	Our providers evade the performance of some duties.					
7	Our providers refuse to adopt our contract terms and conditions					
8	On occasion, the supplier has lied about certain things in order to protect his interest.					
9	Sometimes the provider slightly alters facts in order to get what he wants.					
	Sometimes the supplier presents facts in such way that he looks good.					
10	Our suppliers drag us into forced negotiations.					

Adapted from John (1984), Wathne and Heide (2000).

PART 5
Service Delivery

		Strongly disagree (1)	Disagree (2)	Not sure (3)	Agree (4)	Strongly agree (5)
	User satisfaction					
1	Our outsourced providers meet our expectations.					
2	Overall am happy with our outsourced providers.					
3	I feel we should continue with our outsourced providers.					
4	Outsourced providers provide services that we expect.					
5	Outsourced providers genuinely attend to our needs.					
6	Considering every thing, am satisfied with outsourced providers.					
7	We were right to outsource some services.					
	Lead time					
1	Outsourced providers perform their tasks promptly.					
2	When ever we need more services, our providers deliver on time.					
3	I do not complain of delay in service delivery by outsourced providers.					
	Relationship management					
	Our outsourced providers are cooperative in handling our complaints.					
1	Our outsourced providers are cooperative in problem solving.					
2	We share critical information with our outsourced providers.					
3	Outsourced providers are friendly and readily available to care when needed.					
4	I feel we should continue the relationship with outsourced providers.					

Adapted from Dummond (1991)

THANK YOU FOR COOPERATION