

**INFLUENCE OF OUTSOURCING HUMAN RESOURCE ACTIVITIES ON
EMPLOYEE ENGAGEMENT AT RURAL ELECTRIFICATION
AUTHORITY, KENYA**

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AND TECHNOLOGY**

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DECLARATION

This research project is my original work and has not been presented for a degree in any other University.

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DEDICATION

This research project is dedicated to my parents Mr. and Mrs. Joseph Tuwei, my siblings and my beloved son Arnold Kipruto for their continuous support and encouragement in my life to the best I can ever be. Thank you.

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I would like to thank God for his wisdom and ability that he has given me throughout my life and during this research. I would also like to thank my entire family for their support. I would also like to express my heartfelt gratitude to my supervisor, Mr. Kiprotich for his encouragement and support during the drafting of this project. Am deeply indebted to all those I have consulted in the course of preparing this project. May the Almighty God bless all abundantly.

ABSTRACT

Many organizations in Kenya in both private and public sector face dynamics in their operating environments. The public entities in the country are the most prone to these changes given their reactionary strategies and slow response to change. Rural Electrification Authority is one of parastatals in Kenya whose services have led to lightening of rural areas in Kenya. It has been noted that there is a glaring human resource problem at the corporation in terms of competencies, size of staff, employee motivation, staff development, procedures, and practices among other challenges. One of the solutions to this is that outsourcing certain human resource functions is bound to enable a firm to leverage its expertise and focus more on its core activities. The general objective of the study was to evaluate the influence of outsourcing human resource activities on employee engagement at Rural Electrification Authority. The variables of the study included recruitment outsourcing, training outsourcing, and payroll outsourcing. The study was conducted across the five departments of Rural Electrification Authority at the head offices in Nairobi. The study was guided by two theories and a model namely; Kolb's experiential learning theory, socio-technical systems theory and Andrew Brown engagement pyramid model. The study adopted a descriptive survey design using quantitative approaches. The study targeted 114 employees. The study used Nassiuma's formula to calculate the sample which was found to be 54. This study used a structured questionnaire to collect data. The research instrument was first pilot tested to assess both its validity and reliability. The Statistical Package for Social Sciences Version 23 software facilitated data processing and analysis. Both descriptive and inferential statistics were used in the analysis. The study revealed that outsourcing of payroll had the greatest influence on employee engagement. More so, it was found that the outsourcing recruitment services had a negative influence on employee engagement. When recruitment, training, and payroll were outsourced together, their influence on employee engagement was found to be significant. The study recommended that Rural Electrification Authority should minimize the level of outsourcing of recruitment services while simultaneously increasing outsourcing of both training and payroll services as means of enhancing employee engagement in the corporation.

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LIST OF ABBREVIATIONS AND ACRONYMS

ATM:	Automated teller machine
HR:	Human Resource
HRIS:	Human Resource Information System
REA:	Rural Electrification Authority
SPSS:	Statistical Package for Social Sciences
ROK:	Republic of Kenya

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DEFINITIONS OF TERMS

Human Resource Outsourcing: This refers to the purchase from external vendors of a value-creating activity that either was or could have been done within a firm (Gilley & Rashi, 2000).

Employee Engagement: A situation where employees are fully involved in and enthusiastic about their work and thus act in a way that furthers their organizations' interests (Carlier, Llorente & Grau, 2012).

Payroll Outsourcing: This is a form of HR outsourcing where a firm consults experts in coming up with salary structures, compensation mechanisms and even administering salaries on behalf of the firm (Brown & Cregan, 2009).

Recruitment Outsourcing: This occurs when a firm seeks services of another firm in sourcing and getting the right cadre of employees (Corbett, 2004).

Training Outsourcing: It is a form of HR outsourcing where external firms are engaged to train or offer training services on behalf of another firm (Beaman & Eastman, 2004).

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Outsourcing human resource activities is described as the purchase from external vendors of a value-creating activity that either was or could have been done within a firm (Gilley & Rasheed, 2000). In the same perspective, Lievens and De Corte (2008) argue that outsourcing HR functions refers to the practice of turning all or part of an organization to an external provider or providers. Adler (2003) further defines HR outsourcing as the contracting out of parts or the whole of the functions of HR to external providers, instead of performing all the HR functions in-house. According to Brown and Wilson (2005), outsourcing human resource activities is the practice of obtaining human resource services from external vendors or consultancy firms.

It is indicated that outsourcing human resource activities has over the last few years become a dominant force in many organizations. Many firms indeed outsource at least one human resource function (Smith, Vozikis&Varaksina, 2006). Some of the human resource functions often outsourced by organizations include recruitment, human resource information system (HRIS), training, benefit administration, compensation, relocation, and HR planning and development (Lily, Gray &Virick, 2005; Delmotte&Sels, 2008). Human resource (HR) outsourcing is one of strategic tools employed in highly competitive market. By outsourcing some of their HR functions, organizations are better positioned to focus better on their scarce resources. To cap it all, information technology (IT) and human resources are the two business functions that are most commonly and widely outsourced.

1.1.1 Outsourcing Human Resource Activities

Increasing globalization has resulted in the need for organizations to outsource. Outsourcing of human resources give firms a competitive edge due to the fact that products and/or services are produced and/or provided more effectively and efficiently by outside suppliers (Yang, Seongcheol, Changi&Ja-Won, 2007). According to Yeboah (2013), outsourcing used to be popular among the firms found in the manufacturing sector. It is exemplified that such large firms in the manufacturing sector like Boeing, BMW, and General Motors outsource from smaller firms in Bulgaria. Yet, it is reported that outsourcing has transcended to other sectors of the economy such as services and the government. In the service industry, some of the outsourced services include customer services, technical supports amongst others.

Majority of outsourcing is done by organizations based in North America. Recently, however, the outsourcing practice has gained momentum and transcended to other countries. Indeed, the practice is commonly placed in Europe, Asia, and Central America (Yeboah, 2013). The author gives the example of Paycheck firm based in the United States which is one of the largest national providers of payroll, human resource, and benefits outsourcing solutions for other firms in the country. Inadequacy of skilled staff in certain departments has propelled organizations the concept of outsourcing to great heights. India and China lead the pack in terms of staff outsourced to firms in other countries particularly the US.

Outsourcing human resource activities at global level is further exemplified by Kurtz et al (2006). In their case, they note that any firm that resort to outsourcing from other companies could do so from other firms in the same country or may instead follow the example of America Online who happen to outsource their human resources for handling their call center in India. In the same perspective, it is asserted that organizations opt for outsourcing due to the inherent reduction in the risk of functions. As such, costs are bound to be reduced. Essentially, challenges are better managed when functions are entrusted to external specialists; the reason being that the management is able to have ample time to focus on its core competence.

In Ghana, firms have embraced outsourcing more ardently because they reason that outsourcing is presently offering greater values than it previously did (Yeboah, 2013).

The author gives of TV3 Ghana Limited as a case in point. The firm outsources its internet services from UCOM Ghana Limited. The objective of the former is to cut down on costs it would have otherwise incurred in the event that it created internet service and managed it in-house and still remain competitive. Quartey (2013) noted that there is outsourcing of human resource activities in Ghanaian telecommunication sector. The predominantly outsourced HR functions in the industry include recruitment, employee training, employee guidance and counseling management, and human resource information system (HRIS) activities such as payroll administration and social security.

There is contemporary evidence that outsourcing human resource activities is practiced in Kenyan banking sector (Barako& Gatere, 2008). Automated teller machine (ATM) services are the services are the most outsourced function while customer account processing is the least outsourced function in the banking sector in Kenya. It is reported that some of the functions that organizations in Kenya's energy sector outsource include administrative support, finance and technical expertise (Mwichigi & Waiganjo, 2015). Outsourcing of services at REA, which is a parastatal in the energy sector, led to reduction in operational costs and at the same time improved efficiency in operations. In turn, this occasioned effectiveness in service delivery and effective allocation of resources.

Shipping companies in Kenya are asserted to employ outsourcing practices as a result of increased levels of vessel charter hire costs and the high cost of fuel (Kaveke, 2014). These firms outsource their non-core functions. The rationale is to enable these companies to focus more and better on core activities and/or such functions where management is most effective while simultaneously entrusting the management of other firms to better manage the non-core activities. Shipping firms in Kenya outsource with the primary objective being to cut on costs and enhance their competitiveness.

Delmonte Kenya Limited, a firm based in Thika town, Kenya has also been involved in outsourcing. The firm has benefited a lot from outsourcing. Some of the accruing benefits include access to best class technologies and reduced costs of operations (Maku&Iravo, 2013). Parastatals in Kenya also employ outsourcing strategy. The

purpose of outsourcing particularly of human resources is part of public management agenda which calls for reduction of costs and enhancement of efficiency. State corporations primarily adopted contracting as a form of outsourcing. However, there are other activities that are outsourced by these entities. These include cleaning services, disposal of refuse, and training and development (Kiptum, 2014). A fundamental benefit of outsourcing in Kenya's public sector, besides inculcation of competition in the sector, is the fact that private firms are less vulnerable to political interference (Jansen & Stonecash, 2004).

1.1.2 The Concept of Employee Engagement

According to Braine and Rood (2011) employee engagement is a positive fulfilling work related state of mind characterized by vigor, dedication and absorption. As such it is argued that engaged employees have not only high levels of energy but are also enthusiastic about their work (Bakker & Demerouti, 2008). Cavanagh and Virdie (2007) on the other hand observed employee engagement as composed of intellectual engagement, affective engagement and social engagement and a sense of alignment with organizational goals and objectives. It is therefore needless to say that engaged employees are one of the most prized assets of an organization as they are likely to contribute to the well-being of the organization.

It is noted that one of the cardinal challenges of poor performance is poor employee engagement (Edwards & Peccei, 2007). Indeed, according to Carlier et al (2012) positive relationship between organizational supervision or rather leadership and employee engagement can have far reaching benefits to the organization. Salt (2008) identifies employee retention as one of these benefits. As such, employee engagement can be argued to result to increased productivity, overall firm success and competitiveness in the market (Jawaharrani, 2010) since they work hard and are more likely to exceed the requirements and expectations of their work (Lockwood, 2007).

A similar study by Cicek and Ozer (2011) held the opinion that outsourcing such HR practices as training and payroll contribute towards the desired performance positively by inculcating true strategy and organizational culture that shape the strategy. The author notes that the debate on HR outsourcing is quite polarized; that is, different HR practitioners hold differing opinions on the same. While some practitioners view HR

outsourcing as an opportunity for the HR function, some perceive it as a threat. The protagonists of HR outsourcing argue that such outsourcing is a practice that creates time and thus enables HR to become a strategic partner. Antagonists, on the other hand, contend that HR outsourcing is a cost-cutting instrument that over time downsizes the HR staff in organizations (Delmotte & Sels, 2008).

According to Badu and Asumeng (2013) getting engaged in any given task implies a better interaction between employer and employee and it can lead to affirmative work results. The foregoing seems to be in line with private organizations. Indeed according to a study carried out by Acheampong (2003), most private organizations are known for offering incentives and packages which can be a source of motivation to higher performance as compared to public organizations. Bearing in mind that the private sector is much aligned to performance, such private organizations would likely engage their employees for continued and sustainable performance.

In Nigeria, a study by Fapohunda (2013) noted that organizations respond to challenges and demands for greater performance with various strategies designed to mitigate such challenges while enhancing business performance. Outsourcing of HR is one of the strategies, which has the potential of being highly controversial. Almost 75% of Nigerian leading business enterprises are involved in at least one type of outsourcing function. Countries in East Africa are striving to create or expand business activities by adopting outsourcing strategies. Functions or services majorly outsourced by Ugandan firms include information technology, human resource and facility management. However, the country is facing outsourcing challenges. The foregoing is partly attributed to lack of clear policies on outsourcing trend, different cultural set up and political instability (Van der linden & Hengeveld, 2012). Cooperatives in Tanzania also outsource various services (Sumari, Mori & Alfred, 2013). These entities adopted outsourcing strategies with the intent of reducing cost, improving delivery and reliability of services, in addition to accessing and making use of resources lacking in the organization.

According to Kangure (2014) employee engagement is influenced by a number of factors. The author notes that such factors as work place policies, supervisor support, co-worker support, corporate culture are fundamental in enhancing employee

engagement. As such it is argued that balancing work life is important in improving engagement of employees in an organization. Therefore it can be suggested that when employees feel engaged in an organization, they are likely to be satisfied and motivated which are antecedents to productivity and employee performance. As such overall organizational performance can be achieved as a result of employee engagement.

1.1.3 Rural Electrification Authority

Rural Electrification Authority (REA) is one of the leading State corporations in Kenya's energy sector. REA was established under Section 66 of the Energy Act, 2006. The creation of the Authority was in order to accelerate the pace of rural electrification in Kenya. The foregoing was hitherto a function of the Ministry of Education (Republic of Kenya, 2016). The mandate of the Authority is to accelerate the pace of rural electrification in order to promote sustainable socio-economic development. The mission of REA is to efficiently provide high quality and affordable electricity connectivity in all rural areas in Kenya and also to achieve high standards of customer service through advancing community participation to ensure long term sustainability and socio-economic development.

Rural Electrification Authority initially fell under the mandate of the Kenya Power. This is due to the fact that electricity connectivity and transmission is under the sole mandate of the Kenya Power. As such, electrification of the rural areas is a responsibility of both REA and Kenya Power. Indeed, REA was established with the aim of speeding up the implementation pace of the rural electrification programme spearheaded by the Kenya Power (RoK, 2016).

Rural Electrification Authority has seven regions country wide that is; Kisumu, Mariakani, Mombasa road, Nakuru, Nyeri, Eldoret and Nairobi which is the headquarters. REA has 219 employees, 127 employees are at the head office while the rest are distributed at the other regions, and they all work towards a common goal which is lighting up rural Kenya.

1.2 Statement of the Problem

Many organizations in Kenya in both private and public sector face dynamics in their operating environments. The public entities in the country are the most prone to these changes given their reactionary strategies and slow response to change. Rural Electrification Authority is one of parastatals in Kenya whose services are in an ever-increasing demand due to the fact that it is mandated with ensuring people in the rural areas access electricity. The increase in population and industrialization brought about by devolution has increased demand for power in rural areas. Against this backdrop, however, REA is the only Authority mandated to ensure electricity reaches rural areas. Thus its mandate is quite overwhelming. The function of the human resource in this entity is indeed imperative since the functions play a leading role in realizing the firm's mission and core objectives.

It is noted that the challenges brought about by the environmental dynamics has resulted in stiff competition particularly competition for resources like human capital at REA. It is further asserted that the challenges on human resource recruitment, training and development have affected the financial performance of the company. This is due to reduced revenues due to among others, increased costs of operations in recruitment, training and development costs.

The rationale of outsourcing human resources is to lower costs, enhance service delivery including quality of services, and indeed improve organizational performance. At the behest of this, outsourcing certain human resource functions is bound to enable a firm to leverage its expertise and focus more on its core activities. Therefore, it is justifiable to assert that the organization should outsource some of its functions in order to contribute in the realization of Kenya's Vision 2030. The foregoing is further reinforced by the success of outsourced witnessed in other state corporations in Kenya and beyond. Yet, studies hitherto conducted have failed to clearly outline the implication of outsourcing HR activities on employee engagement. It is in light of this that this study was carried out with the aim of examining the influence of outsourcing HR activities on employee engagement at Rural Electrification Authority.

1.3 Objectives of the Study

The study was guided by both general objective and specific objectives.

1.3.1 General Objective

The general objective was to evaluate the influence of outsourcing human resource activities on employee engagement at Rural Electrification Authority, Kenya.

1.3.2 Specific Objectives

- i. To examine the influence of recruitment outsourcing on employee engagement at Rural Electrification Authority
- ii. To examine the influence of training outsourcing on employee engagement at Rural Electrification Authority.
- iii. To examine the influence of payroll outsourcing on employee engagement at Rural Electrification Authority.

1.4 Research Hypotheses

H₀₁: Recruitment outsourcing does not significantly influence employee engagement at Rural Electrification Authority.

H₀₂: Training outsourcing does not significantly influence employee engagement at Rural Electrification Authority

H₀₃: Payroll outsourcing does not significantly influence employee engagement at Rural Electrification Authority.

1.5 Significance of the Study

Many firms transcending public and private sectors do not have the requisite resources including finances, expertise, technical, and others to address their day-to-day's operations and also to meet their objectives and goals. This necessitates them to outsource what they lack from other organizations or individuals. This study is anticipated to be important to three cadres of interested parties; that is, policy makers, human resource practitioners, and scholars. Policy makers and practitioners in the energy sector particularly in Rural Electrification Authority are likely to find the results of this study important when formulating policies and strategies of addressing outsourcing human resource activities. People in the field of academia especially

those with a finance bias will likely find the study important to refer to in their research and other academic works. When effectively addressed, outsourcing human resource activities is likely to enhance efficiency of Rural Electrification Authority. Consequently, more and more people and firms will access uninterrupted power supply. This will in turn lead to higher productivity and socio-economic development of the country.

1.6 Scope of the Study

The study was conducted at Rural Electrification Authority headquarters, located in Nairobi. In particular, the focus was on employees attached to the department of human resource and administration, procurement, customer service, supply chain and department of internal audit. The study was delimited to five variables including four independent and one dependent. Independent variables included outsourcing, training outsourcing, and payroll outsourcing. The dependent variable was employee engagement. The study was carried out between March and July, 2016. The study budget amounted to Kshs. 115,000.

1.7 Limitations of the Study

The study faced a number of challenges which touched on the study scope, research instrument and respondents' attitude. The study had to be carried out at the head offices of the Rural Electrification Authority in Nairobi since most of outsourced services were sanctioned by the top management of the Authority. The foregoing implied that the researcher had to factor in increased cost of accessing respondents. This limitation was addressed by minimizing the number of times the researcher travelled to the head offices. The questionnaire was fully structured which implied that it failed to give room to respondents to give their open opinions regarding various constructs being studied. In respect of this, it was ensured that the instrument was as objective as possible in collecting data that could address study variables. More so, some of the sampled respondents were quite skeptical to participate in the study. They were, however, assured that the study was exclusively academic and that their identity was to remain anonymous during and after the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on theories and empirical studies that have so far been conducted in tandem with outsourcing human resource activities and employee engagement. It also shows the conceptual framework that guided the study. The reviewed studies are then summarized. This is followed by a critique of the reviewed studies with the aim of identifying research gaps that are addressed in latter chapters.

2.2 Theoretical Review

In this section, theories and models on outsourcing human resource activities and engagement are reviewed and discussed. Theories reviewed include Kolb's experiential learning theory, socio-technical systems theory, and Andrew Brown engagement pyramid model.

2.2.1 Kolb's Experiential Learning Theory

The experiential learning theory was developed by Kolb (1984). The theory states that learning or training has four stages which are cyclical. The stages include concrete experience, reflective observation, abstract conceptualization, and active experimentation. The Kolb's theory is a holistic perspective that combines experience, perception, cognition, and behaviour. The theory focuses on the learning process whereby knowledge is created through the transformation of experience.

According to Kolb (1984), a learner may start at any of the four aforementioned stages but must follow each other in the sequence. Concrete experience stage is also called the "Do" phase. In this stage a learner experiences a new activity, for instance, a computer practice or hands-on activity such as role play. Reflective observation or "Observe" stage involves a learner consciously reflecting back on what they have just experienced. More so, abstract conceptualization or "Think" stage indicates that a learner attempts to conceptualize how the things observed affect them. Lastly, active experimentation phase which is also called "Plan" stage shows that a learner tries to plan how to employ what they have learned.

According to the Kolb's experiential learning theory, in training, it is important to provide hands opportunities to practice the new behaviour. In addition, the trainers ought to provide opportunities for employee to think and talk about what they are attempting to learn. In training, the learners who happen to be the staff, say of REA, are supposed to know what stands out for them about the learning activity, how such is supposed to be used in respective employees' jobs, and how the training impacts their jobs. The theory emphasizes that it is important to encourage the employees being trained to be aware of what they should do or try to do regarding what they have learned upon return to their workplaces.

2.2.2 Socio-technical Systems Theory

The socio-technical systems theory was developed by Trist and Barnforth (1951). The theory states that there exist workplace factors that enhance performance. The theory describes work systems as being composed of social and technical subsystems and suggests that performance improvement can only follow from the joint optimization of both subsystems. The theory holds that there are minimal tasks, methods and task allocations, and control of problems and unforeseen events are as near as to their origins as possible.

According to Clegg (2000), socio-technical systems theory is more interested in group performance as opposed to individual performance. Yet, it is indicated that one can hold the assumption that work situations designed on the basis of this approach also have positive effects on individual performance. Kahn, Wolfe, Quinn, Snoek and Rosenthal assert that role conflict and role ambiguity are conceptualized as stressors that impede performance. For instance, there is a negative relationship between role ambiguity and performance in professional, technical and managerial jobs (Tubbs & Collins, 2000). In view of this, outsourcing human resource activities should be aimed at making the various roles played by REA's employees less ambiguous and also to have a clear organizational structure and design that reduces role conflicts amongst employees.

2.2.3 Andrew Brown Engagement Pyramid Model

A study by Brown (2005) developed the engagement pyramid model that addresses employee engagement in an organization. According to the author engagement is a

progressive combination of such factors as satisfaction, motivation, commitment and advocacy. At the bottom of the pyramid is satisfaction which according to the author is the most passive measure of engagement. Similar study by Abbas, Murad, Azdani and Asghar (2014) noted that satisfaction gets employee just turn up for work. Another study by Lambert and Hogan (2009) argue that satisfaction is the base level of employee contentment since employees consider how happy they are with the remuneration, working environment and the ability to do the job. As such it is noted that employees have no edge to go an extra mile (Albrecht, 2012).

As argued by Woodruffe (2006) motivation, a second facet in the model ensures that employees work harder in the quest to ensure exemplary performance in their work. Therefore motivated employees feel excited about their work and desire to excel in it (Fearon, 2013) and as they progress up the pyramid they attain commitment (Rana, Ardichvili&Tkachenko, 2014). Organizational commitment brings about organizational citizenship and enhances positive representation of the organization which has far reaching benefits in sales and recruitment due to advocacy created through motivated employees (Sibson, 2006). As such employees speak positively of their companies and the activities that they engage in and such may enhance corporate image.

Therefore the model suggests that an engaged worker is satisfied, motivated, committed and is an ambassador of the organization (Hentzman et al, 2006). The model can therefore be used to explain employee engagement at REA. The company therefore can assess motivators for its employees in a bid to reap the benefits brought about by motivated and committed employees. As such productivity and performance in the company can increase.

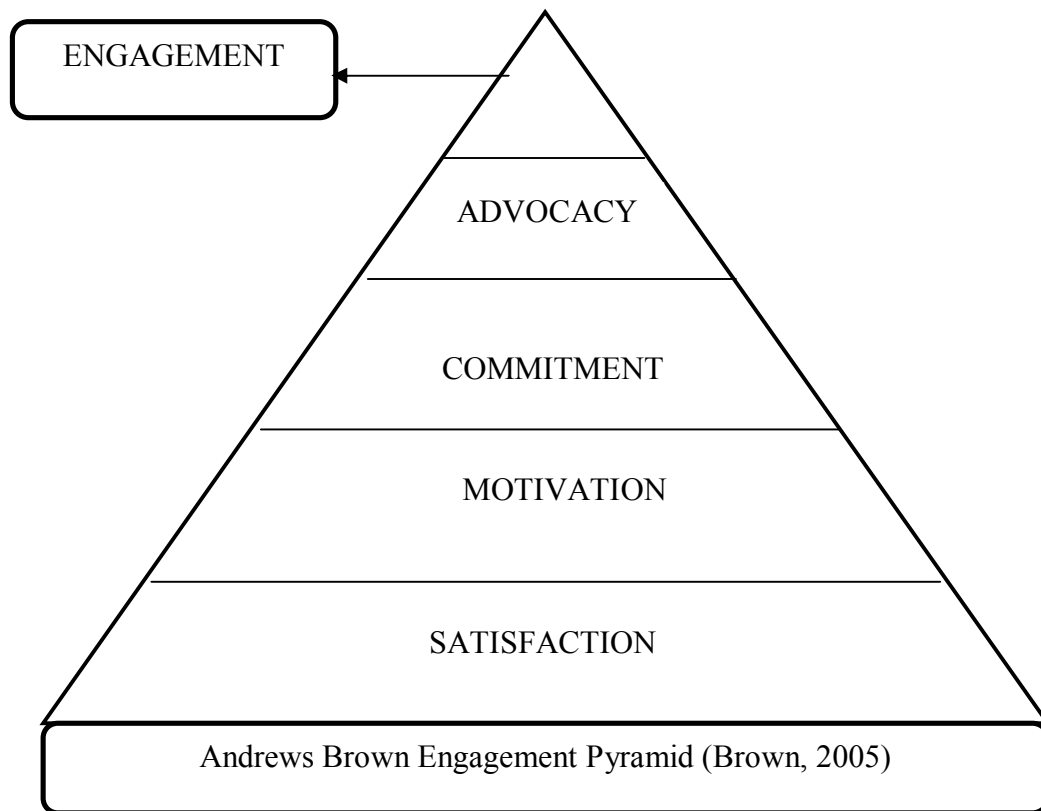


Figure 2.1: Andrew Brown Engagement Model

2.3 Empirical Review

In this section, previous studies on outsourcing human resource activities and employee engagement are reviewed. The studies reviewed touch on recruitment outsourcing, training outsourcing, payroll outsourcing, and employee engagement respectively.

2.3.1 Recruitment Outsourcing and Employee Engagement

Recruitment process, outsourcing is aimed at enhancing organizational efficiency through saving managerial time and costs (Corbett, 2004). As such Jamil and Naeem (2013) assessed the impact of outsourcing external recruitment process on employee commitment and loyalty. The telecommunication sector of Pakistan was considered for the study. Questionnaire survey was used to collect data. The study findings indicated that outsourcing external recruitment agency had no impact on employee commitment and loyalty. It was therefore generally concluded that outsourcing recruitment process had no impact on employee commitment and loyalty.

A study on the rationale and effectiveness of recruitment outsourcing was conducted (Heikonen, 2012). The Finnish human resource professionals from different companies were considered for the study. The study used the survey method to capture the perceptions of business professionals in regard to recruitment outsourcing. Personal interviews and questionnaires were used to gather data. It was established that the companies surveyed used recruitment outsourcing. It was indicated that outsourcing the acquisition of part-time employees was the most beneficial approach to recruitment process outsourcing. However, it was noted that only certain stages of the overall recruitment process were necessary for outsourcing such as processing of application materials but interviews done by the organization based on the number of the sampled applicants.

A study by Biney (2008) analyzed the challenges and expectations facing human resource service providers in outsourcing recruitment and selection activities in Ghana. The study purposed to explore the expectations and challenges that human resource face in recruiting and selecting outsourcing activities in Ghanaian labour market. The study used a qualitative approach based on exploratory method in gathering data. Personal interviews were conducted to collect relevant data for the study. Findings indicated that most of the multinational outsourced their recruitment portfolio with the anticipation that the service providers would recruit high quality and highly qualified candidates in a timely manner in order to reduce employee turnover and access cheap technology and expertise.

It was however noted that outsourcing human resource activities including recruitment and selection was not well developed in the country. The challenges that recruiters faced were poor management of contract, poor management of relationships between the parties, lack of skilled workforce in the market and poor communication between the outsourcing parties.

In Nigeria, Ogunyomi and Ojikutu (2014) did a research on employee resourcing and performance in organizations. The objective of the study was to investigate if employee resourcing could be used to predict performance of small and medium enterprises in Lagos State. It was noted that there was mild association between employee resourcing and performance. Since recruitment, selection and retention are significant to performance of organizations, it was noted that it is imperative for

employee resourcing functions to be outsourced to professional human resource management experts that have the right structure and networks to source for competent and qualified workforce. As such, it was noted that organization, managers would have adequate time and financial wherewithal to focus on the core activities of the enterprises.

A study by Kiptum (2014) analyzed the effects of outsourcing on organizational productivity. On focus were selected parastatals in Kenya. The study employed a descriptive research design. The questionnaire survey method was used to gather data from the respondents. The findings revealed that contracting out was the most common method used in outsourcing in surveyed parastatals. The services most outsourced were security, cleaning and disposal. It was further noted that outsourcing these services resulted in reducing operational costs and improved resource management. The study recommended that parastatals should also adopt other forms of outsourcing other than contracting out.

2.3.2 Training Outsourcing and Employee Engagement

According to Beaman and Eastman (2004) the most human resource activities that are outsourced are recruitment, payroll and more so training and development. As such, Gilley, Greer and Rasheed (2004) looked into outsourcing human resource activities and organizational performance in manufacturing firms. The study analyzed the relationship between outsourcing of human resource activities that were training and payroll and firm performance. It was hypothesized that outsourcing-performance nexus is not uniform across all firms surveyed. A total of 94 manufacturing firms participated in the study. The results revealed that training outsourcing influenced firm performance. Further, training outsourcing led to high propensity to organizational innovation and enhanced stakeholder performance in addition to improving supplier-customer relations.

In another study, Cicek and Ozer (2011) analyzed the effect of outsourcing human resource on organizational performance. The author notes that human resource practices such as outsourcing training and payroll positively contribute to the expected organizational performance by means of organizational strategies and culture. Similarly the findings of Norman's (2009) study indicated that training and

payroll outsourcing influenced firm performance. Gainey and Klass (2003) while looking into outsourcing of training and development in the context of client satisfaction established that outsourced trainings have strategic importance to an organization.

It is noted that human resource practice of training outsourcing remains a challenging decision for organizations (Chaudhuri& Bartlett, 2014). The authors embarked into a study and sought to determine the relationship between training outsourcing and employee commitment to organization. The study considered information technology firms in India and United States where data was collected. The study findings indicated that there was a positive relationship between the measures of employee perception of quality, usefulness and supervisor support for outsourced training with organizational commitment.

A study by Jirawuttinunt (2015) examined the effect of human resource management outsourcing on performance of multinational firms in Thailand. The study sought to verify the nexus between recruitment activities, payroll management, human resource information system and more so training administration, and organizational performance. It was found that training administration positively and significantly influenced human resource cost efficiency but has no effect of effective human resource development and flexibility. More so, training administration adversely and significantly influenced organizational performance.

In Kenya, Kinyua (2000) conducted a survey on outsourcing of selected financial activities in publicly quoted companies in Kenya. The study particularly assessed the outsourcing of training services of the surveyed quoted companies. The study established that companies outsourced training services and the practice enabled the companies to cut down costs and create competitive advantage over their rivals.

2.3.3 Payroll Outsourcing and Employee Engagement

According to Brown and Cregan (2009) while looking into organization change cynicism in the context of the role of employee involvement noted that organizations mostly outsource peripheral functions. The authors further established that commonly outsourced functions are wage reviews, workers' compensation, payroll, benefit

administration and employee compensation among others in a bid to concentrate on the core activities of the organization. The aforementioned was mirrored in a study on the perceived impact of outsourcing on organizational performance that established that human resource activities that were repetitive in nature such as payroll, benefit administration were outsourced in order for the organization to focus on core business.

Another study by Van Jaarsveld and Yanadori (2011) embarked into compensation management in outsourced service organizations and sought to determine its effect on employee attrition, absenteeism and performance. The focus was on Canadian call centers. The study compared the compensation for personnel in outsourced call centers and their in-house counterparts. The study established that managers in outsourced call centers earned approximately 91% of the cash pay earned by in-house managers. The lower levels of pay in outsourced call centers were ascribed to higher employee turnover and absenteeism. However, it was ascertained that the variance in cash pay did not result in difference in work performance. The foregoing was in harmony with Batt, Holman and Holtgrewe (2009) findings that employee attrition was higher in outsourced call centers than in-house call centers.

According to Belcout (2006) human resource functions that are outsourced in the area of compensation include payroll, benefits, compensation administration and pension. As such Berber and Slavic (2016) investigated outsourcing human resource activities in European compensation management. The study purposed to explore the practice of outsourcing in human resource management in countries of Europe and Serbia. It was noted that outsourcing of payroll and benefits was used lesser than outsourcing of pensions. Further, it was noted that outsourcing of payroll, benefits and pension had a significant positive relationship with the number of personnel in human resource department.

The implementation of business process outsourcing in Standard Chartered Bank of Kenya was examined (Neemeka, 2011). There was a total of 10 functional heads who were members of the county committee of the bank and responsible for business process outsourcing that participated in the study. The study findings indicated that the bank engaged in business process outsourcing and the functions operations that

were outsourced were auditing, accounting, cash sorting and more so payroll. The rationale for outsourcing was to cut on costs, to increase productivity and to focus on core activities.

2.3.4 The Concept of Employee Engagement

It is argued that engaged employees have high levels of energy and more so enthusiastic about their work (Bakker & Demerouti, 2008). Schaufeli and Bakker (2004) conducted a study on the nexus between job demands, job resources and, burnout and engagement. The study sought to test the hypothesis that engaged employees are more energetic and enthusiastic about work. Dutch employees from diverse occupations were considered. The results of the analysis revealed that indeed engaged employees have high levels of enthusiasm and energy about their work. It was further noted that burnout brought about by job demands and lack of resources adversely affected employee engagement.

A study by Saks (2006) empirically tested a model of the antecedents and consequences of job and organization engagements. The study was based on the social exchange theory. A survey of 102 employees from different occupations and organizations were put into perspective in Canada. It was discovered that perceived organizational support and job characteristics were good predictors of employee engagement. In other words, organizational support and job characteristics influenced employee engagement levels. It was also ascertained that engagement influenced job satisfaction, organizational commitment, attrition and organizational citizenship behavior.

Employee engagement in the public sector in Western Africa was examined (Sanneh & Taj, 2015). The study investigated different factors of employee engagement and how they influenced organizational performance. Gambia Ports Authority was considered therefore a case study approach was used. Senior managers, directors and junior level staff were targeted. It was established that employees who felt engaged and well connected with the organization showed higher levels of work engagement and organization engagement which was argued to result to enhanced performance. It was further noted that among various factors influencing employee engagement, leadership offered the greatest influence on employee engagement.

A similar study by Agyemang and Ofei (2013) sought to determine the influence of employee work engagement on organizational commitment. The authors comparatively considered private and public sector organizations in Ghana. Cross-sectional survey was adopted. A total of 105 employees from three private and public organizations participated in the study. The findings revealed that employee engagement and employee commitment had a positive and significant relationship. In addition, it was noted that employees in the private organizations had higher levels of engagement and organizational commitment than their counterparts in the public organizations. It was concluded that employees need to be furnished with relevant resources and capacity since it has far reaching effect on employee engagement and organizational commitment.

A study on the relationship between job characteristics and employee engagement was conducted (Mugo, Wario & Odhiambo, 2014). On focus were state corporations in Kenya. The dimensions of job characteristics investigated were job clarity, job autonomy, job significance and job performance. The measure of employee engagement was Work Engagement. The study used exploratory research design. The study findings indicated that employee engagement was significantly and positively influenced by job clarity, job autonomy, job significance, work arrangement and job performance. Particularly, 95.2% of employee engagement in surveyed state corporations was as a result of job characteristics. It was concluded that the level of employee engagement in state corporations in Kenya was above average. The study recommended that the corporations ought to invest more in enriching jobs in a bid to enhance engagement.

In another study Kangure (2014) examined the relationship between work life balance and employee engagement in state corporations in Kenya. The study sought to establish the relationship between work place policies, supervisor support, co-worker support, corporate culture and employee engagement. Explanatory research design using both quantitative and qualitative approach was adopted. Employees working with state corporations were targeted. It was established that work place policy, supervisor support, co-worker support and corporate culture positively enhance employee engagement. It was further ascertained that supervisor did not have much impact on employee engagement unless with the support of co-workers, policies and

culture. The study concluded that work life balance was a positive and significant predictor of employee engagement.

2.3.5 Human Resource Policies

According to Deloitte and Touche (2001), every organization has certain internal human resource policies which must be aligned with the HR policies enshrined in the laws of the land. These policies, otherwise referred to as personnel policies, provide for recruitment and selection of (internal and external) employees, induction and probation of new recruits, contracting (outsourcing) of consultants, training and remuneration of employees. The policy further stipulates the salary structure of employees across all ranks in an organization and how it is determined. Furthermore, the policy outlines how performance evaluation and appraisal are to be undertaken.

In the Kenyan context, parts of HR policies are captured in the Human Resource Management Professional Act, 2012 (Republic of Kenya, 2013). This Act provides for what is required in terms of conduct of HR personnel irrespective of the organizations they work with. It further stipulates the professional qualifications of HR practitioners including providing of how they are supposed to be examined in order for them to be around to practice in the country. The Act also provides for the Institute of Human Resource Management which is a legal corporate body that is entrusted with registering HR practitioners and also monitoring their conduct.

Human resource policies represent specific guidelines to HR managers on various matters concerning employment (Armstrong, 2001). Each firm, including REA, has a different set of circumstances. Therefore, every organization sets an individual set of HR policies. The establishment of policies can enable a firm to demonstrate, both internally and externally, that it meets the requirements for diversity, ethics and training in addition to its commitments in relation to regulation and corporate governance of its employees (Durai, 2010).

2.3.6 Conceptual Framework

A conceptual framework shows the hypothesized relationship between study variables as shown in Figure 2.2.

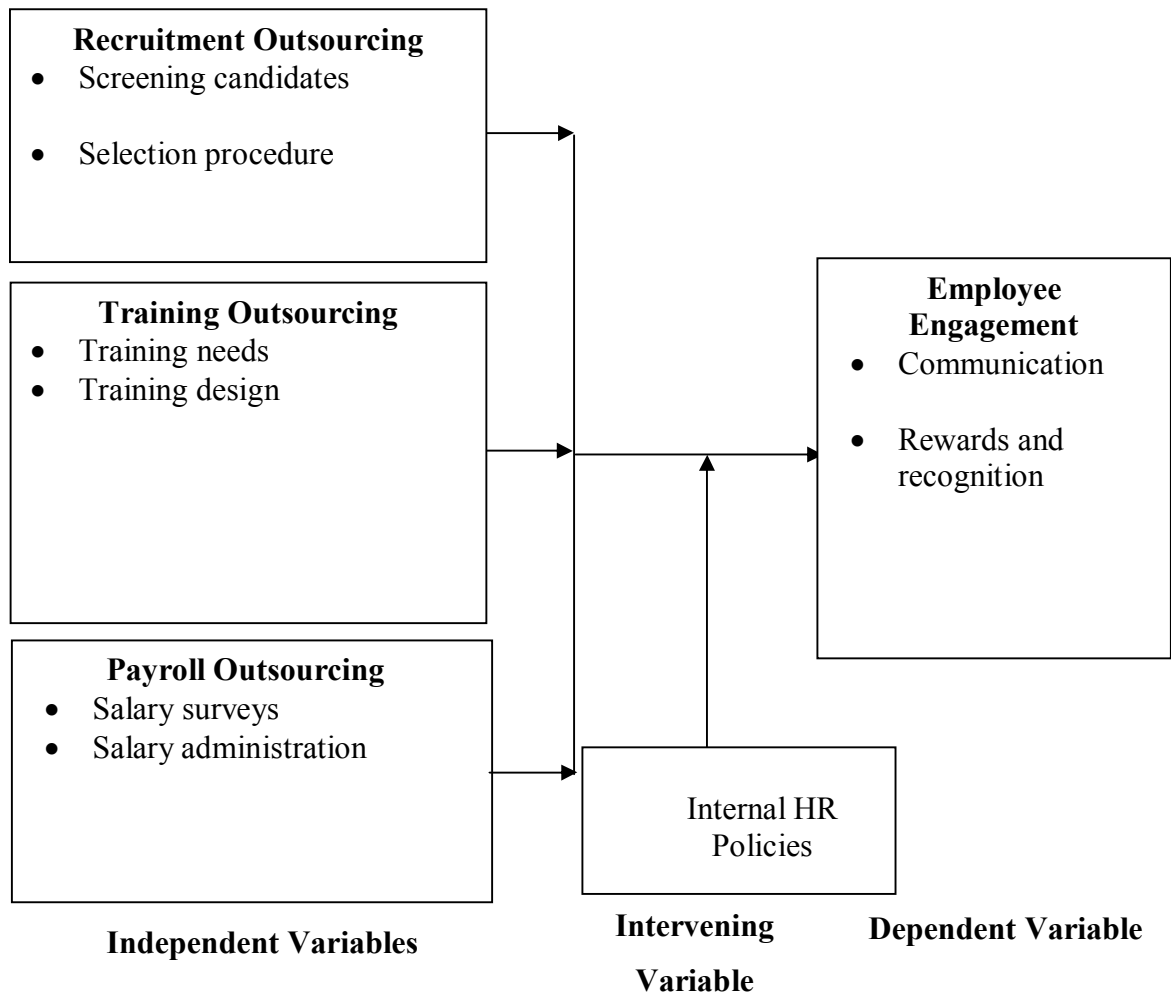


Figure 2. 1: Conceptual Framework

As shown in Figure 2.2, there are three different types of variables. These are independent, dependent and intervening variables. Independent variables are three, that is; recruitment outsourcing, training outsourcing and payroll outsourcing while the dependent variable is employee engagement. Moreover, internal human resource policies are the intervening variables. As indicated in the framework, it is hypothesized that the four independent variables which are various forms of HR outsourcing affect employee engagement at REA. However, there are internal HR policies that confound the stated effect of independent variables on the dependent variable.

The indicators of recruitment outsourcing include job analysis, advertisement of job vacancies, screening candidates for specific jobs, interviewing candidates, and selecting the right persons to be recruited by REA. The various training services that are outsourced include training needs, training objectives, training content, technical expertise, training materials, and also training venues. Consultants can also be engaged to carry out salary surveys and administer salaries on employees at the end of every month. Employee engagement can be operationalized by a number of crucial indicators which include communication, leadership, culture, rewards and recognition, teamwork, and accountability.

2.4 Summary of Reviewed Studies

Reviewed studies indicate that recruitment process outsourcing is aimed at enhancing organizational efficiency through saving managerial time and costs. It is indicated that outsourcing external recruitment agency had no impact on employee commitment and loyalty. It is noted that outsourcing the acquisition of part-time employees was the most beneficial approach to recruitment process outsourcing. It has been revealed that most of the multinationals outsourced their recruitment portfolio with the anticipation that the service providers would recruit high quality and highly qualified candidates in a timely manner in order to reduce employee turnover and access cheap technology and expertise. A regional study has noted that there was mild association between employee resourcing and performance. It has been reported that services most outsourced were security, cleaning and disposal. It was further noted that outsourcing these services resulted in reducing operational costs and improved resource management.

The most human resource activities that are outsourced are recruitment, payroll and more so training and development. It is revealed that training outsourcing influenced firm performance. Further, training outsourcing has led to high propensity to organizational innovation and enhanced stakeholder performance in addition to improving supplier-customer relations. Other study have indicated that human resource practices such as outsourcing training and payroll positively contribute to the organizational performance by means of organizational strategies and culture. A local

study established that companies outsourced training services and the practice enabled the companies to cut down costs and create competitive advantage over their rivals.

It is established that commonly outsourced functions are wage reviews, workers' compensation, payroll, benefit administration and employee compensation among others in a bid to concentrate on the core activities of the organization. It is indicated that human resource functions that are outsourced in the area of compensation include payroll, benefits, compensation administration and pension. It is noted that outsourcing of payroll and benefits was used lesser than outsourcing of pensions. Local studies have indicated that payroll is more outsourced compared to auditing, accounting and cash sorting particularly in the banking sector.

Reviewed studies show that performance management is imperative for effective performance. It is indicated that performance review techniques had significant effect on performance of employees. Previous studies have indicated that job characteristics explained 95% of employee engagement in Kenya's state corporations. It is acknowledged that majority of state corporations in Kenya are inefficient in management of public resources due to declining employee performance. Reviewed studies have recommended for further research on other factors that may influence employee engagement.

2.5 Critique of Reviewed Studies

In Kenya, Kiptum (2014) analyzed the effects of outsourcing on organizational productivity. The study employed a descriptive research design. The findings revealed that contracting out was the most common method used in outsourcing in surveyed parastatals. The services most outsourced were security, cleaning and disposal. However, the study failed to explicitly address the issue of recruitment outsourcing. Kinyua (2000) conducted a survey on outsourcing of selected financial activities in publicly quoted companies in Kenya. The study particularly assessed the outsourcing of training services of the surveyed quoted companies. The study established that companies outsourced training services and the practice enabled the companies to cut down costs and create competitive advantage over their rivals. The foregoing study is limited to training outsourcing but not relative organizational engagement.

A study by Neemea (2011) examined implementation of business process outsourcing in Standard Chartered Bank of Kenya. The study findings indicated that the bank engaged in business process outsourcing and the functions operations that were outsourced were auditing, accounting, cash sorting and more so payroll. The study failed to indicate the effect of outsourcing payroll on organizational performance.

2.6 Research Gaps

There are many studies that have so far been carried out in respect of outsourcing human resource activities and organizational engagement. A close critique of empirical studies hitherto conducted in Kenya in tandem with aforementioned subjects point out to crucial research gaps by failing to address the effect of the three forms of HR outsourcing that is, recruitment, training and payroll to which this study is delimited, on employee engagement. A study by Kiptum (2014) analyzed the effects of outsourcing on organizational productivity. A descriptive research design was used and the data was collected using primary data. Questionnaires and interviews were used, thus both qualitative and quantitative were important since questionnaires yielded quantitative data whereas interviews were used to collect qualitative information. The findings revealed that contracting out was the most common method used in outsourcing in surveyed parastatals. The services most outsourced were security, cleaning and disposal. However, the study failed to explicitly address the issue of recruitment, training and payroll outsourcing and the effect of the same on employee engagement. Therefore the present study sought to fill the knowledge gap.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the research design, target population, sample size and sampling technique, research instrument, and pilot testing of the research instrument are discussed. Moreover, the chapter focuses on the data collection procedure, and data processing and analysis methods.

3.2 Research Design

A research design is a roadmap of carrying out a research study (Kothari, 2008). The study should be aligned to the research problem and study objectives. The present study adopted a descriptive survey design. The design is appropriate for this study because it sought the opinions of the respondents regarding the study constructs. The study was conducted over a particular period of time as opposed to longitudinal studies that are conducted over a continuous period of time (Kothari, 2004).

3.3 Target Population

The target population comprises of subjects sharing similar characteristics. In this case the permanent and pensionable employees of Rural Electrification Authority head offices in Nairobi constituted the target population. From this population, is the accessible population which refers to the population to which the study was delimited and from which the sample was derived. The aforesaid employees totaled 114 and were distributed across the 5 departments, that is; HR and Admin, Procurement, Customer Service, Supply Chain, and Internal Audit of REA.

3.4 Sampling Frame

A sampling frame is an exhaustive list from which a sample is obtained (Kothari, 2004). Table 3.1 illustrates the sampling frame for this study.

Table 3.1: Sampling Frame

Departments	Population
HR and Admin	26
Procurement	24
Customer Service	21
Supply Chain	29
Internal Audit	14
Total	114

3.5 Sample Size and Sampling Techniques

A sample according to Kothari (2004) is a subset of the study population. This implies that a good sample should be representative of the study population.

3.5.1 Sample Size Determination

The study employed a formula by Nassiuma (2008) to calculate the sample size as follows.

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

Where n, N, C, and e represent sample size, population size, coefficient of variation (0.5) and degree of error (0.05) respectively. This implies that;

$$n = \frac{114(0.5)^2}{0.5^2 + (114-1)0.05^2}$$

$$n = 53.5$$

$$n = 54$$

The size of the sample was therefore 54 and it was allocated proportionately among the strata. Table 3.2 shows sample distribution.

Table 3.2: Sample Distribution

Departments	Population	Sample
HR and Admin	26	12
Procurement	24	11
Customer Service	21	10
Supply Chain	29	14
Internal Audit	14	7
Total	114	54

3.5.2 Sampling Techniques

Sampling technique refers to the procedure that is followed to draw the sampled respondents from the study population. Given that the study focused on 5 departments of Rural Electrification Authority at the head office, that is, HR and Admin, Procurement, Customer Service, Supply Chain, and Internal Audit, then stratified random sampling method was adopted. The sample of 54 respondents was proportionately distributed across the departments. This implied that sampling was done according to departments. Stratified random sampling method ensured that all departments were equitably represented in the study (Kothari, 2008).

3.6 Data Collection Instruments

This study used a structured questionnaire to collect data from the sampled respondents. It is noted that questionnaires are the most ideal data collection tools in survey studies due to their ease of administration and data collected using them are easy to interpret (Mugenda & Mugenda, 2009). The questionnaire contained questions that addressed background information of respondents and, more importantly, the study objectives. The part of the objectives was structured to have close-ended questions on a 5-point Likert scale.

3.7 Pilot Testing

A pilot study is a minor study that is carried out prior to the main study with the aim of identifying probable weaknesses in the research instrument. As such, the research questionnaire was subjected to a pilot test. The pilot study was conducted at REA, Nakuru County. Randomly selected employees were selected to participate in the pilot study. The data collected during this study was analyzed to determine the validity and reliability of the research instrument (questionnaire).

3.7.1 Validity of the Instrument

Validity test seeks to determine the extent to which the research instrument measures what it purports to measure. For an instrument to be valid, it must first pass the reliability test (Kimberlin & Winterstein, 2008). There are various types of validity including face validity, construct validity, and content validity. However, this study examined the content validity of the research instrument. This was determined through consultation with the assigned university supervisor who was presumed to be an expert in the field of research. The supervisor went through the content and structure of the questionnaire and his opinion was considered valid.

3.7.2 Reliability of the Instrument

Reliability is a measure of consistency of the research instrument. Given that external consistency was beyond the control of the researcher, internal consistency of the research instrument was thus be assessed. The Cronbach alpha coefficient was used to test the instrument's reliability. According to Kimberlin and Winterstein (2008) this is the most widely and recommended test for instrument's reliability. Only those constructs (variables) that returned alpha coefficients at least equal to 0.7 ($\alpha \geq 0.7$) were considered reliable. Table 3.3 shows the results of reliability test.

Table 3.3: Reliability Test Results

Variables	Test Items	Alpha Values
Recruitment Outsourcing	5	0.77
Training Outsourcing	6	0.79
Payroll Outsourcing	6	0.75
Employee Engagement	6	0.81

As indicated in Table 3.2, all the four study variables returned alpha values greater than the reliability threshold of 0.7. Therefore, the research instrument was considered reliable for use in data collection for the main study.

3.8 Data Collection Procedures

The researcher obtained a formal letter of introduction from the University and consent to collect data from the employees working with Rural Electrification Authority, Nairobi. The questionnaires were self-administered and were issued to the respondents through respective heads of departments. The sampled employees were

allowed a maximum of three days to fill in the questionnaires after which the filled instruments were collected.

3.9 Data Analysis and Presentation

Before embarking on data analysis, the researcher carried out data cleaning. The researcher then coded the questionnaires before keying them in the Statistical Package for Social Sciences (SPSS) Version 23 software. The SPSS facilitated data processing and analysis. Both descriptive and inferential statistics were used in the analysis. The research hypotheses were tested at 95% confidence level. The results of the analysis were presented in tables. The following regression function guided the study.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

Y	=	Employee Engagement
X ₁	=	Recruitment Outsourcing
X ₂	=	Training Outsourcing
X ₃	=	Payroll Outsourcing
ε	=	Error Term
β ₀ , β ₁ , β ₂ , β ₃	=	Regression Coefficients

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.1 Introduction

The data collected was subjected to both descriptive and inferential analyses. The findings from the analysis and related discussions are clearly presented in this chapter. In respect to the study objectives, the findings are presented in tandem with a 5-point Likert scale where 1,2,3,4 and 5 represent strongly disagree, disagree, neutral, agree, and strongly agree respectively. All findings are presented in tables.

4.2 Response Rate

The percentage of people who respond to questions in a survey is called response rate. High response rates facilitate in ensuring that survey results are representative of the study population. According to Nulty (2008) 50% response rate is regarded as acceptable in social research survey studies. In the present study, a total of 54 questionnaires were issued to the sampled respondents. A total of 41 were filled and duly collected from the respondents. This represented 75.93% response rate. As earlier indicated (Nulty, 2008), this response rate was acceptable.

4.3 Background Information

The background information of the respondents in regard to gender, age, level of education and period of work that the respondents have worked with Rural Electrification Authority (REA) was sought.

4.3.1 Distribution of Respondents by Gender

The study categorized respondents in terms of their gender. The pertinent findings are shown in Table 4.1.

Table 4.1: Distribution of Respondents by Gender

	Frequency	Percent
Male	21	51.2
Female	20	48.8
Total	41	100.0

It was established that 51.2% of the employees working with Rural Electrification Authority (REA) were males while their female counterparts were 48.8%. This trend is replicated to most public sector organizations where the male gender dominates. However, the State Corporation adhered to the two thirds affirmative action spelt out in the Constitution of Kenya.

4.3.2 Respondents Distribution by Age

The study further examined distribution of respondents according to their age categories. The findings are shown in Table 4.2.

Table 4.2: Respondents Distribution by Age

	Frequency	Percent
Below 21 years	2	4.9
21 to 30 years	21	51.2
31 to 40 years	10	24.4
41 to 50 years	6	14.6
Above 50 years	2	4.9
Total	41	100.0

As shown in Table 4.2, majority (51.2%) of the sampled respondents were aged between 21 to 30 years. Those aged between 31 to 40 years were 24.4% while 14.6% of the respondents were aged between 41 to 50 years. A marginal (4.9%) number of respondents were aged below 21 years. The findings indicated that REA had majority of employees in youth and middle-age categories. There is also a likelihood that either many employees do not work with REA till retirement or the Corporation is relatively young since its incorporation hence the presence of many youthful employees.

4.3.3 Distribution of Respondents by Level of Education

The findings in relation to the highest level of education attained by employees working with REA are illustrated in Table 4.3.

Table 4.3: Respondents Distribution by Level of Education

	Frequency	Percent
Certificate	1	2.4
Diploma	12	29.3
Bachelors Degree	20	48.8
Post-graduate Degree	8	19.5
Total	41	100.0

It was noted that most (48.8%) of the employees working with REA were first degree holders while diploma holders were 29.3 % of the sampled respondents. Those with certificate qualifications and post-graduate degree were 2.4% and 19.5% respectively. The findings implied that the Corporation valued highly educated employees and rarely recruited individuals with limited levels of education.

4.3.4 Distribution of Respondents by Working Experience

In addition, the study examined the period which respondents had worked with REA up to the time the study was conducted. The findings of the analysis are indicated in Table 4.4.

Table 4.4 Distribution of Respondents by Working Experience with REA

	Frequency	Percent
Less than 3 years	10	24.4
3 to 5 years	18	43.9
More than 5 years	13	31.7
Total	41	100.0

The study found that most (43.9%) of the respondents had 3 to 5 years working experience with REA. In addition, 24.4% of the respondents had less than 3 years working experience with the same corporation while the rest (31.7%) had worked for more than 5 years with REA. The results implied that REA had a relatively high retention rate while it rarely recruited new employees.

4.4 Descriptive Findings of the study Variables

The descriptive findings in relation to recruitment outsourcing, training outsourcing, and payroll outsourcing and employee engagement are outlined in this section. The

findings are presented in form of measures of central tendencies and variation, that is, means and standard deviations respectively.

4.4.1 Descriptive Statistics for Recruitment Outsourcing

The study examined the views of REA employees relative to outsourcing of recruitment services. Table 4.5 shows the findings in relation to recruitment outsourcing as provided by the respondents.

Table 4.5: Descriptive Statistics for Recruitment Outsourcing

	n	Min	Max	Mean	Std. Dev
REA outsources the services of outsourced firms to conduct job analysis	41	1	5	4.02	1.151
Our organization outsources advertisement process for job vacancies from outsourced firms	41	1	5	3.49	1.165
Our institution involves outsourced firms in screening candidates for various vacancies	41	1	5	3.17	1.116
Our organization involves outsourced firms in conducting interviews for new recruits	41	1	5	2.95	1.431
After the advertisement of vacancies and recruitment, our organization outsources selection procedure	41	1	5	3.07	1.081

The findings revealed that respondents admitted (mean = 4.02; std dev = 1.151) that REA outsourced the services of other firms to conduct job analysis. Respondents were, however, unsure (mean \approx 3.00; std dev > 1.000) whether the REA outsourced advertisement services for job vacancies from outsourced firms and whether the corporation involved outsourced firms in screening candidates for various vacancies. In addition, respondents were unsure (mean \approx 3.00; std dev > 1.000) regarding the involvement of outsourced firms in conducting interviews and selection procedure on behalf of REA.

4.4.2 Descriptive Statistics for Training Outsourcing

The study sought the opinions of the respondents concerning outsourcing of training services by REA. The results of the analysis are illustrated in Table 4.6.

Table 4.6: Descriptive Statistics for Training Outsourcing

	N	Min	Max	Mean	Std. Dev
Our organization consults the employees in identifying training needs	41	1	5	4.15	1.085
Outsourced firms and the management of our organization identify the training objectives	41	1	5	3.37	1.240
Outsourced firms develop training content basing on the training needs identified by employees	41	1	5	3.49	1.143
One of the reason our organization outsources training is because of the need of technical expertise within our organization	41	1	5	3.41	1.466
The outsourced firms which handle employee training in our organization often outsource training materials	41	1	5	3.34	1.063
Outsourced firms organize for venues where employees are trained	41	1	5	3.24	1.241

It was ascertained that respondents agreed (mean = 4.15; std dev = 1.085) that the organization consulted the employees in identifying training needs. Nevertheless, respondents were indifferent (mean \approx 3.00; std dev > 1.000) that outsourced firms and the management of REA identified the training objectives and that outsourced firms developed training content basing on the training needs identified by employees. It was also unclear (mean = 3.00; std dev = 1.466) whether the reason for outsourcing training services was founded on the need of technical expertise within the organization. In addition, respondents were non-committal (mean \approx 3.00; std dev > 1.000) that the outsourced firms that handle employee training in the corporation often outsourced training materials and that outsourced firms organized for venues for training employees.

4.4.3 Descriptive Statistics for Payroll Outsourcing

Further, the study assessed the views of the respondents in respect to payroll outsourcing by REA. The results of their responses regarding the same are as shown in Table 4.7.

Table 4.7: Descriptive Statistics for Payroll Outsourcing

					Std.
	n	Min	Max	Mean	Dev
Our organization outsources payroll services from outsourced firms	41	1	5	2.95	1.244
Compensation of employees in our organization is done by outsourced firms	41	1	5	3.46	1.398
Outsourced firms come up with pay systems on behalf of our organization	41	1	5	2.83	1.181
Pay structures are determined by consultants engaged by our organization with the guide of collective bargaining agreement	41	1	5	3.05	1.161
External consultants carry out salary surveys on behalf of REA	41	1	5	3.10	1.428
To enhance efficiency our organization outsources salary administration from outsourced firms	41	1	5	3.07	1.104

The findings illustrated that respondents were undecided (mean ≈ 3.000 ; std dev > 1.00) on the opinion that the organization outsourced payroll services from outsourced firms and the compensation of organization employees was done by outsourced firms. It was also not clear (mean ≈ 3.00 ; std dev > 1.000) if outsourced firms came up with pay systems on behalf of the organization and whether pay structures were determined by consultants engaged by the organization with the guide of collective bargaining agreement. In addition, respondents were indecisive (mean ≈ 3.00 ; std dev > 1.000) of the views that external consultants carried out salary surveys on behalf of REA and that the organization outsourced salary administration from outsourced firms in order to enhance organizational efficiency.

4.4.4 Descriptive Statistics for Employee Engagement

Lastly, the study analyzed the respondents' opinions regarding employee engagement in Rural Electrification Authority. The findings are shown in Table 4.8.

Table 4.8: Descriptive Statistics for Employee Engagement

	n	Min	Max	Mean	Std. Dev
Our institution involves employees in decision making because communication is effective	41	1	5	3.49	1.267
The leadership in our organization resonates positively with all employees	41	1	4	2.90	1.136
There is a distinct culture that every employee adapts in organization	41	1	5	3.54	1.027
Our organization recognizes employees and rewards them for their efforts	41	1	5	3.63	1.135
In our organization, we work as a team towards achieving a common goal	41	1	5	3.41	1.396
Every employee in my organization is required to be accountable for the roles he or she is entitled to perform	41	1	5	3.59	1.117

It was revealed that respondents concurred (mean \approx 4.00; std dev $>$ 1.000) that there was a distinct culture that every employee adapted in the organization. More so, it was admitted (mean = 3.63; std dev = 1.135) that the organization recognized employees and rewarded them for their efforts. It was further agreed (mean = 3.59; std dev = 1.117) that every employee in the organization was required to be accountable for the roles that they were entitled. Respondents in addition were indifferent (mean = 2.90; std dev = 1.1.36) of the view that leadership in the organization resonated positively with all employees. Further, the views that REA involved employees in decision making as a result of effective communication and that employees worked as a team towards achieving a common goal was inconclusive (mean 3.00; std dev $>$ 1.000).

4.5 Inferential Findings and Discussions

In this part, the findings in respect to the established relationship between the independent variables and dependent variable are outlined. These are the findings in regard to the relationship between recruitment outsourcing, training outsourcing, payroll outsourcing, and employee engagement at Rural Electrification Authority. In

addition, the study examined the influence of human resource outsourcing on employee engagement at the aforesaid corporations

4.5.1 Relationship between Recruitment Outsourcing and Employee Engagement

The study sought to determine the relationship between recruitment outsourcing and employee engagement. Table 4.9 indicates the correlation between recruitment outsourcing and employee engagement.

Table 4.9: Relationship between Recruitment Outsourcing and Employee Engagement

		Employee Engagement
Recruitment Outsourcing	Pearson	-.517**
	Correlation	
	Sig. (2-tailed)	.001
	n	41

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

The study found that there existed a positive, moderately strong and statistically significant relationship between recruitment outsourcing and employee engagement ($r = -0.517$; $p < 0.05$). Recruitment outsourcing negatively influenced employee engagement. The more recruitment services were outsourced the less the likelihood of improving employee engagement and the reverse was true. This implied that though the outsourced firms were able to bring on board motivated and dedicated employees able to blend and fit well in the dynamics of the corporation in terms of culture, organizational setting and systems, the employees felt disenfranchised by the entire process.

4.5.2 Relationship between Training Outsourcing and Employee Engagement

The study determined the relationship between training outsourcing and employee engagement. Table 4.10 shows the Pearson correlation results.

Table 4.10: Relationship between Training Outsourcing and Employee Engagement

		Employee Engagement
Training Outsourcing	Pearson Correlation	-.623**
	Sig. (2-tailed)	.000
	n	41

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

The results indicated that the relationship between training outsourcing and employee engagement was negative, moderately strong and statistically significant ($r = -0.623$; $p < 0.05$). This indicated that training outsourcing though overall important it reduced employee engagement. The more training services were outsourced the less the likelihood that employee engagement could be enhanced. It can, therefore, be argued that employees trained by outsourced firms less enthusiastic about their firms (employer).

4.5.3. Relationship between Payroll Outsourcing and Employee Engagement

The study further ascertained whether there existed a relationship between payroll outsourcing and employee engagement. The outcome of the analysis is shown in Table 4.11

Table 4.11: Relationship between Payroll Outsourcing and Employee Engagement

		Employee Engagement
Payroll Outsourcing	Pearson Correlation	-.672**
	Sig. (2-tailed)	.000
	n	41

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

It was established payroll outsourcing and employee engagement had a negative, strong and statistically significant relationship ($r = -0.672$; $p < 0.05$). Payroll outsourcing, therefore, was likely to result in decreased employee engagement. As such, it was concluded that, the more payroll function was outsourced, then the less employees felt engaged. As such, it was advisable to handle employee payroll within the firm.

4.5.4 Influence of Outsourcing Human Resource Activities on Employee Engagement

In addition, the study determined the overall effect of outsourcing human resource activities investigated in the study on employee engagement at REA. Further, the study established the extent to which outsourcing the three HR functions (recruitment, training, and payroll) influenced employee engagement. The pertinent results are illustrated in Tables 4.12, 4.13 and 4.14.

Table 4.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.701a	.492	.451	.66754

a. Predictors: (Constant), Payroll Outsourcing, Recruitment Outsourcing, Training Outsourcing

The study ascertained that 49.2% of employee engagement at REA could be explained by recruitment outsourcing, training outsourcing and payroll outsourcing ($r^2 = 0.451$). This implied that, 50.9% of employee engagement was as a result of other factors not investigated by the present study. It was also established that the relationship between outsourcing human resource activities (recruitment outsourcing, training outsourcing and payroll outsourcing) and employee engagement was positive and strong ($R = .701$). The aforementioned relationship was statistically significant as shown in Table 4.13 ($F = 11.938$; $p < 0.05$).

Table 4.13: ANOVA^b

Model	Sum of Squares	df	Mean Square	F	p-value
1 Regression	15.959	3	5.320	11.938	.000a
Residual	16.488	37	.446		
Total	32.447	40			

a. Predictors: (Constant), Recruitment Outsourcing, Training Outsourcing , Payroll Outsourcing

b. Dependent Variable: Employee Engagement

Moreover, the study examined the influence of each of the HR functions outsourced by REA on employee engagement. Further their combined influence was also determined. The pertinent results are captured in Table 4.14.

Table 4.14: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	p-value.
	B	Std. Error	Beta		
1 (Constant)	1.018	.457		2.225	.032
Recruitment Outsourcing	-.101	.189	-.105	-.533	.597
Training Outsourcing	-.360	.215	-.334	-1.673	.103
Payroll Outsourcing	-.483	.179	-.503	-2.699	.010

a. Dependent Variable: Employee Outsourcing

The interpretation of the results shown in Table 4.14 follows the following multiple regression model.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

Y	=	Employee Engagement
X ₁	=	Recruitment Outsourcing
X ₂	=	Training Outsourcing
X ₃	=	Payroll Outsourcing
ε	=	Error Term
β ₀ , β ₁ , β ₂ , β ₃	=	Regression Coefficients

Therefore,

$$Y = 1.081 - 0.101X_1 - 0.360X_2 - 0.483X_3$$

The findings as shown in Table 4.14 indicated that recruitment outsourcing, training outsourcing and payroll outsourcing had varied effect on employee engagement. As indicated by the beta coefficients, for every unit increase in employee engagement there should be 0.01 unit decrease in recruitment outsourcing, 0.360 unit decrease in training outsourcing, and 0.483 unit decrease in payroll outsourcing while holding

1.081constant. It is noted that the influence of recruitment outsourcing on employee engagement ($t = -0.533$; $p > 0.05$), and training outsourcing on employee engagement ($t = 1.673$; $p > 0.05$) was not statistically significant. However the effect of payroll outsourcing was statistically significant ($t = 2.699$; $p < 0.05$). The foregoing results led to rejection of the third null hypothesis. Nevertheless, the first and second null hypotheses failed to be rejected. It was further observed that outsourcing the three human resource activities had a general significant implication on employee engagement ($t = 2.225$; $p < 0.05$) at the Rural Electrification Authority.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the findings of the study are presented in a summarized form. Pertinent conclusions drawn from the study findings are also outlined. The chapter further shows the suggested recommendations to REA and other organizations alike that can be adopted to enhance employee engagement. Areas of further research are also recommended.

5.2 Summary of the Findings

The study determined the influence of outsourcing human resource activities on employee engagement at REA. In this part a summary of study findings is presented in accordance with the study objectives.

5.2.1 Recruitment Outsourcing and Employee Engagement

In respect to recruitment outsourcing, it was established that REA outsourced the services of outsourced firms to conduct job analysis. It was not clear whether the organization outsourced advertisement process for job vacancies from outsourced firms and whether the organization involved outsourced firms in screening candidates for various vacancies. Moreover, the study noted that respondents were indifferent of the view that the organization involved outsourced firms in conducting interviews and selection procedure. The study further found that there existed a negative and statistically significant relationship between recruitment outsourcing and employee engagement ($r = -0.517$; $p < 0.05$). However, the influence of recruitment outsourcing on employee engagement was found to be negative.

5.2.2 Training Outsourcing and Employee Engagement

The study noted that Rural Electrification Authority consulted the employees in identifying training needs. However, respondents were indecisive of the views that outsourced firms and the management of the organization identified the training objectives and that outsourced firms developed training content basing on the training needs identified by employees. It was also unclear that the reason for outsourcing training was because of the need of technical expertise within the organization.

Furthermore, respondents were non-committal on the assertions that the outsourced firms that handle employee training in the organization often outsourced training materials and that outsourced firms organized for venues for training employees. The relationship between training outsourcing and employee engagement was negative and statistically significant ($r = -0.623$; $p < 0.05$).

5.2.3 Payroll Outsourcing and Employee Engagement

It was ascertained that respondents were undecided on the opinion that the organization outsourced payroll services from outsourced firms and the compensation of organization employees was done by outsourced firms. Moreover, it was also not clear whether outsourced firms came up with pay systems on behalf of the organization and whether pay structures were determined by consultants engaged by the organization with the guide of collective bargaining agreement. Respondents were also indecisive of the views that external consultants carried out salary surveys on behalf of REA and that the organization outsourced salary administration from outsourced firms in order to enhance organizational efficiency. It was determined that payroll outsourcing and employee engagement had a negative and statistically significant ($r = -0.672$; $p < 0.05$) relationship.

5.3 Conclusions

The study made a number of conclusions based on the study findings and discussions. The conclusions are presented in line with the objectives of the study.

5.3.1 Recruitment Outsourcing and Employee Engagement

It was concluded that REA outsourced services of other firms to conduct job analysis. Despite the fact that it was not clear whether the organization outsourced advertisement process, screening exercise and conducting interviews and selection, it was inferred that recruitment outsourcing largely enhanced employee engagement at REA. It is therefore imperative for REA to be cautious when outsourcing recruitment services from other firms whenever vacancies arise in order to achieve higher levels of employee engagement.

5.3.2 Training Outsourcing and Employee Engagement

It was concluded that the REA consulted its employees in identifying training needs. It was, however, unclear whether outsourced firms and the management of the corporation identified training objectives, outsourced firms developed training content based on the training needs identified by employees, and if the reason for outsourcing training was because of the need of technical expertise within the organization. Nevertheless, training outsourcing was inferred to be a critical factor that decreased employee engagement.

5.3.3 Payroll Outsourcing and Employee Engagement

The study concluded that payroll outsourcing was an equally important factor that largely and negatively enhanced employee engagement at REA. It was inconclusive whether the organization outsourced payroll services from outsourced firms, whether compensation of organization employees was done by outsourced firms and whether outsourced firms came up with pay systems on behalf of the organization. It was also inconclusive whether pay structures were determined by consultants engaged by the organization with the guide of collective bargaining agreement whether external consultants carried out salary surveys on behalf of REA and whether the organization outsourced salary administration from outsourced firms in order to enhance organizational efficiency.

5.4 Recommendations

5.4.1 The study recommended that REA should be cautious when dealing with the issue of recruitment outsourcing in order to further improve employee engagement. Particularly, the organization should outsource such services as advertisement, screening process and more so conducting interviews and selection procedures in order to not only save on costs but also enhance recruiting qualified and competent candidates able to integrate and fit in the organization. As such employee engagement would be enhanced.

5.4.2 Training is fundamental for acquiring necessary skills and also making vital and informed decisions in an organization. Inadequate training is likely to result to honest mistakes which can be costly to the organization. It is, therefore, recommended that REA ought to outsource training services if it has

no capacity to do so. In addition, outsourcing should prioritize contracting of top-notch outsourcing firms that understand the training needs and have the necessary expertise in order to ensure that employees acquire necessary and adequate skills and knowledge to perform certain tasks within the organization.

5.4.3 It was noted that payroll outsourcing positively enhanced employee engagement. The study therefore recommends that REA should outsource the payroll function with adequate consultations being done between the organization and the outsourced firms for the interest of employees. As such employee performance and engagement would be further enhanced. More so, it is generally recommended that REA and other State corporations should outsource some of their HR activities in order to focus better and input more effort on their core functions.

5.5 Suggestions for Further Research

The study suggests various areas that should be investigated in relation to outsourcing of human resource activities and employee engagement in the private sector in Kenya. It is suggested that a comparative study on outsourcing human resource activities and its influence on organizational performance should be carried out across both public and private sectors. In addition, a study on the role of outsourcing in enhancing employee retention and job satisfaction should also be carried out. Lastly, study should be carried out on the readiness of organizations for outsourcing human resource activities and its influence on organization performance.

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APPENDIX I
LETTER OF INTRODUCTION

Dear Respondent,

RE: RESEARCH QUESTIONNAIRE

I am a student at Jomo Kenyatta University of Agriculture and Technology pursuing a Master of Science in Human Resource Management degree. Currently, I am collecting data for a study titled, “Influence of Outsourcing human resource activities on Employee Engagement at REA.”

It is my humble and kind request that you participate in this study by providing the data required. Kindly note that any information given will be treated with utmost confidentiality and will be used for the purpose of this study.

Thank you in advance.

Purity Jepkogei

Mr. Peter Kiprotich

Student

University Supervisor

APPENDIX II

RESEARCH QUESTIONNAIRE

This questionnaire is part of a study titled on “Influence of outsourcing human resource activities on Employee Engagement at Rural Electrification Authority.” You are kindly requested to fill in the questionnaire to the best of your knowledge. Kindly put a tick (✓) against the correct choice.

Section A: Demographic Characteristics of Respondents

1. Kindly indicate your gender.
Male [] Female []
2. Kindly indicate your age category.
Below 21 years []
21 – 30 years []
31 – 40 years []
41-50 years []
Above 50 years []
3. What is your highest level of education?
Certificate []
Diploma []
Bachelors Degree []
Post-Graduate Degree []
4. How long have you worked with the REA?
Less than 3 years []
3 – 5 years []
More than 5 years []

Section Two: Recruitment Outsourcing

This section is about recruitment outsourcing at the REA. Kindly indicate your level of agreement with each of the following propositions by ticking against the correct choice.

1: Strongly Disagree, 2: Disagree, 3: Neutral 4: Agree, 5: Strongly Agree

	5	4	3	2	1
REA outsources the services of outsourced firms to conduct job					

analysis.					
Our organization outsources advertisement process for job vacancies from outsourced firms.					
Our institution involves outsourced firms in screening candidates for various vacancies.					
Our organization involves outsourced firms in conducting interviews for new recruits.					
After the advertisement of vacancies and recruitment, our organization outsources selection procedure.					

Section Three: Training Outsourcing

This section is about training outsourcing at the REA. Kindly indicate your level of agreement with each of the following propositions by ticking against the correct choice.

1: Strongly Disagree, 2: Disagree, 3: Neutral 4: Agree, 5: Strongly Agree

	5	4	3	2	1
Our organization consults the employees in identifying training needs.					
Outsourced firms and the management of our organization identify the training objectives.					
Outsourced firms develop training content basing on the training needs identified by employees.					
One of the reason our organization outsources training is because of the need of technical expertise within our organization.					
The outsourced firms which handle employee training in our organization often outsource training materials.					
Outsourced firms organize for venues where employees are trained.					

Section Four: Payroll Outsourcing

This section is about payroll outsourcing at the REA. Kindly indicate your level of agreement with each of the following propositions by ticking against the correct choice.

1: Strongly Disagree, 2: Disagree, 3: Neutral 4: Agree, 5: Strongly Agree

	5	4	3	2	1
Our organization outsources payroll services from outsourced firms.					
Compensation of employees in our organization is done by outsourced firms.					
Outsourced firms come up with pay systems on behalf of our organization.					
Pay structures are determined by consultants engaged by our organization with the guide of collective bargaining agreement.					
External consultants carry out salary surveys on behalf of REA.					
To enhance efficiency our organization outsources salary administration from outsourced firms.					

Section Five: Employee Engagement

This section is about employee engagement at the REA. Kindly indicate your level of agreement with each of the following propositions by ticking against the correct choice.

1: Strongly Disagree, 2: Disagree, 3: Neutral 4: Agree, 5: Strongly Agree

	5	4	3	2	1
Our institution involves employees in decision making because communication is effective.					
The leadership in our organization resonates positively with all employees.					
There is a distinct culture that every employee adapts in organization.					

Our organization recognizes employees and rewards them for their efforts.					
In our organization we work as a team towards achieving a common goal.					
Every employee in my organization is required to be accountable for the roles he or she is entitled to perform.					

Thank you for your time and cooperation.