

## Evaluation of the effect of financial performance of Igara Grower Tea Factory

Atuhire Madinah, Bateyo Asuman and Turyamushanga Labson

Department of Business Administration (Human Resource Management) of  
Kampala International University, Uganda

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### ABSTRACT

This study examined the effect of financial performance of Igara Grower Tea Factory. A conceptual framework was developed relating outsourcing functions and indicators of financial performance (Profitability, Return on investment, Return on equity, Earning per share,). Simple random and purposive sampling techniques were used to select the respondents. Cross sectional and descriptive research designs were used in the study to collect data from the field. Qualitative and quantitative approaches were also used. Pearson's linear correlation coefficient was used to determine the relationship between outsourcing and financial performance of the factory. The findings from this research showed that outsourcing has increased the level of financial performance of IGTF. From the study, the researchers concluded that outsourcing had an effect on financial performances when outsourcing is done; the financial performance of the origination improves. Likewise when the organization's financial performance improves it enables the organization to do outsourcing because then it has the financial capacity to meet outsourcing obligations.

Keywords: Evaluation, financial performance, Igara Grower and Tea Factory.

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### INTRODUCTION

During the 1970s, political instability led to a decline in the entire tea industry and this almost brought Igara to a close as the factory was deprived of all essential inputs required to run it and vast amounts of tea fields were abandoned. In 1989, a European Union funded a ten year tea rehabilitation project in the small holder tea sub sector started. The project covered rehabilitation of farmers' gardens as well as the processing factories and it is from this project that outsourcing of activities like security, catering, auditing, Information Technology and transport services for the factory was enabled. Despite this, financial performance did not improve. For example, savings decreased year to year, with large gains often achieved at First but diminishing returns recorded thereafter [1]. IGTF needs to outsource resources like human resources such as experts and specialized personnel

including auditors, senior financial officers, and senior managers to provide management skills, services like Medical services for their employees so that instead of the factory having its own hospital, it can take its employees to other hospitals when they are sick, security services, information Technology and agricultural services from agricultural experts. Strategic management, purchasing and supply literatures focus on potential risks and benefits of outsourcing to individual organizations [2], [3]. There is little research on wider and aggregate implications of outsourcing, such as the impact it has or might have on financial performance on private organizations. "Public sector research has addressed sector and national level issues but findings focus on challenging government outsourcing policy or methods of calculating the costs and benefits but not

on the financial implication of outsourcing” [4]. The gap identified here is the lack of research taking a more holistic, strategic perspective, considering a range of risks and benefits of outsourcing, including its economic and social factors, and implications at different systems levels, of organizations, sectors and nations. This study intends to address this gap.

Although prior studies have attempted to predict outsourcing performance, to the best of the researcher’s knowledge she is not aware of any single study that has attempted to relate outsourcing with financial performance in private organizations in Uganda in a single framework. Further to that, while there are

well developed research streams on both formal and relational governance, research on their relationship and its effect on outsourcing performance is limited [5]. Although there is increased use of outsourcing in Uganda’s private organizations, studies about the financial performance of this outsourcing strategy are limited. This study provides empirical findings on financial performance measures and outsourcing in private organizations in the Ugandan context. Further to that, previous researchers [6]; [7] argue that contract cannot be used concurrently with relational norms to enhance outsourcing performance, while others [8].

#### **Aim and objective of the study**

The aim of this study was to evaluate the effect of financial performance of Igara Grower Tea Factory

#### **Research Question**

What is the effect of financial performance of IGTF?

#### **Geographical scope**

The study was carried out in Igara Grower’s Tea Factory in Kyamuhunga Sub county Bushenyi District south western

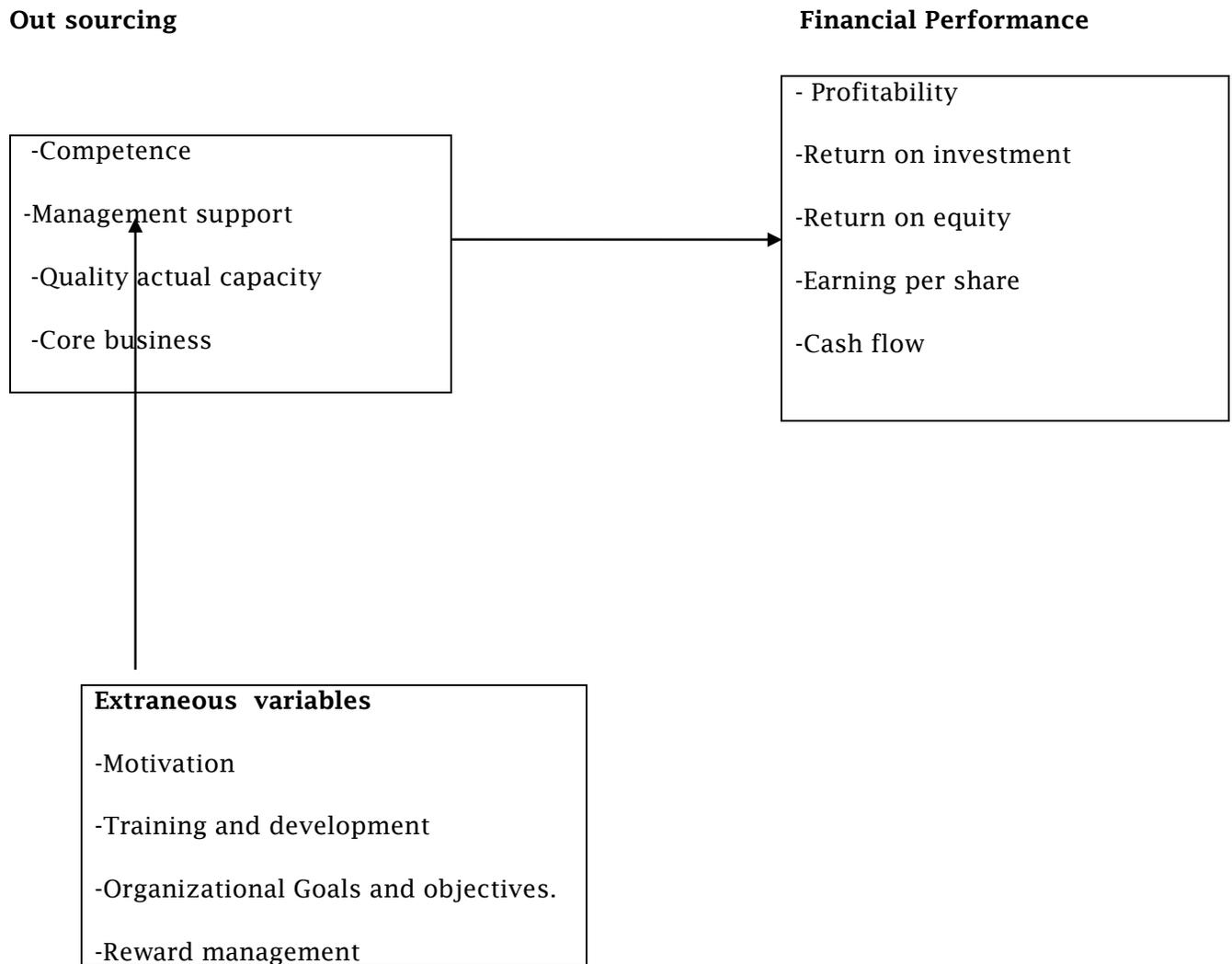
Uganda. The factory is located along Mbarara-Kasese high way approximately five kilometers from Ishaka town.

#### **TIME SCOPE**

The study was based on financial information and other information of Igara Growers Tea Factor. The study was carried

out using information for the last eleven years (2003 up to 2014).

**Figure 1. Conceptual Framework showing the Relationship between Outsourcing and Financial Performance.**



Source: Developed by the Researcher (2014) using Masaaki Kotabe and Michael J. Mol's ideas. The conceptual framework above shows that outsourcing which includes competence, management support, quality actual capacity and core business has an effect on financial performance of Igara Growers Tea Factory. Apart from outsourcing, there are other factors that affect financial performance and these include Motivation of workers, training and development, Reward management, Organizational Goals and objectives. Outsourcing affects profitability in that when certain activities and services of an organization are outsourced, then cost and expenses like salaries are reduced and this leads to increase in profits. Outsourcing affects earnings per share in a sense it decreases the amount of funds that organizations spend on full time staff and this also increases the profits. As profits increase, the share holders have their earning per share increased. The return on organization's investments also increase that when an organization saves money due to outsourcing, This is so because buying of raw materials and other inputs and selling of products are all high and the organization can invest some of these funds. Outsourcing some business functions affects the financial performance of an organization in that it reduces the overall costs of the

organization. This is because when workers are contracted when needed, it saves funds than keeping workers on a fulltime basis for example an Auditor can

be hired during a certain period of the year and if the audit activity is finished the auditor leaves the organization and this reduces the payroll expenses.

## RESEARCH METHODOLOGY

### Research Design

The study was both cross sectional and descriptive. the study involved descriptive correlation in that it had a large sample and it was descriptive in that data collected was used to describe a phenomenon, the study was correlational in that it was interested in relating outsourcing to organization's financial performance and pertinent data was collected from the respondents once and for all to reduce on time and costs involved on such a large population. The study also used qualitative methods to get information from respondents. Qualitative research used data collection methods such as interviews and, closed and open ended questionnaires, and finally the findings were conveyed subjectively

through descriptions using words rather than numbers. The study took a quantitative approach in that it was based on variables measured with numbers and analyzed with statistical procedures. The qualitative research design was descriptive in nature and this enabled the researcher to meet the objectives of the study. The quantitative research design was used in form of mathematical numbers and statistics assigned to variables that may not be easily measured using statements or theme. The researcher used a cross sectional research design that is analytical and descriptive to understand the relationship amongst the study variables.

### Target Population

In this study the target population comprised of 41,101 people. The figures were got from IGTF report that was presented at the 2012 annual General meeting. These included employees, customers, suppliers, shareholders, of Igara Tea Grower's Factory and regulatory agencies including Uganda Tea Growers

Corporation and Uganda Tea Development Agency Limited. All the categories of employees (top level managers, middle level managers, and lower level managers) were involved because they can all be directly affected by whatever policy is made on outsourcing which in turn affects its organization's financial performance.

### Sample Size

The sample size was computed using the Sloven's formula, which states that, for any given population, the required sample size was given by;

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

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N = the known population size;  
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sample size; N = the known population size;  
and e = the level of significance, which is = 0.05. Given a total population of 41,101 respondents in Igara Tea Grower's Factory Bushenyi District, a sample was 985 respondents computed as follows,

The sample size was chosen from the respondents using Sloven's formula as shown below.

Table 1. Sample Size Computation

S/N	Category of respondents	Total population	Sample size	Sampling Technique
1	Employees	340	184	Purposive sampling
2	Customers	40000	400	Simple random sampling
3	Suppliers (both for raw materials and outsourced services)	261	158	Simple random sampling
4	Shareholders	470	216	Simple random sampling
5	Regulatory agencies(Uganda Tea development Agency)	30	27	Purposive sampling
	<b>Total</b>	<b>41,101</b>	<b>985</b>	

#### Sampling Procedures

The target population of 41,100 included employees, shareholders, customers and regulators of Igara Growers Tea Factory. Respondents being large, a sample size to represent the population was chosen using sloven's formula. Purposive sampling and simple random procedures were applied in selecting the sample size. Purposive sampling was used to select respondents basing on their roles and duties in the

factory. Where important personnel of the factory were selected and simple random sampling was used to select the respondents who were many in number and they were selected according to their department and category. This also helped to reduce costs and time of doing research and to increase the degree of accuracy of the study.

#### Research Instruments

There was in three sets of research devised questionnaire directed towards employees, employers, customers and regulators of Igara Grower's Tea Factory Bushenyi District.; one was be on the effect of outsourcing on capital structure, another one was on the effect of outsourcing on organizational financial structure. The last one was on the relationship between outsourcing and organizational financial performance. The questionnaire also consisted of the main title and introductory letter, with a section of bio-data questions, to help the

researcher to classify respondents. All questions in this section were close ended, based on Likert Scale, ranging from one to four; where 1=Strongly Disagree, 2= Disagree, 3=Agree, 4= Strongly Agree, 5=Not sure. An interview guide was also used in qualitative research to describe the conversations with some respondents with the purpose of obtaining valid and valuable information during the course of conversation. This was mostly used to the respondents that cannot easily read English words and interpret them and even write.

#### Data Gathering Procedures

The following data collection procedures were implemented:

##### A. Before the administration of the questionnaires

The researcher requested for an introduction letter from the Directorate of

Postgraduate studies and Research addressed to the authorities of Igara Tea

Grower’s Factory Bushenyi District to be permitted to conduct the study. The letter contained the criteria for selecting the respondents and the request to be provided with the list employees from Igara Tea Grower’s Factory Bushenyi District. After approval, the requested list

of respondents provided to the researcher Igara Tea Grower’s Factory Bushenyi District was used by the researcher as a guide in identifying the participants of the study, after which pre-testing of the instrument was followed.

**B. During the Administration of the Questionnaires**

Specifically, the researcher requested the respondents: (1) to sign the informed consent; (2) to answer all questions and not to leave any item unanswered; (3) to avoid biases and to be objective in answering the questionnaires.

The researcher also tried to retrieve the questionnaires within two weeks from the date of distribution. All questionnaires retrieved were checked if completely filled out.

**C. After the Administration of the Questionnaires**

After the data was collected; it was organized, summarized, statistically treated and drafted in tables using the

Statistical Package for Social Scientists (SPSS) version 16.

**Data Processing**

To determine the profile of the respondents, the frequency and percentage distribution were used. The mean was used to compute the relationship between Outsourcing and the

Organization’s financial performance. To interpret the obtained data, the following numerical values and descriptions were used:

Table 2:

Mean Range	Description	Interpretation
3.26-4.00	Strongly Agree	Very high
2.51-3.25	Agree	High
1.76-2.50	Disagree	Low
1.00-1.75	Strongly Disagree	Very Low

Descriptive statistics will be used to test for the effect of Outsourcing on capital structure

**Validity and Reliability of the Instruments**

The researcher tested for validity and reliability on the questionnaires for the effect of outsourcing on capital structure, effect of outsourcing on financial

performance, and assessing the relationship between outsourcing financial performance.

**Validity**

Content validity was done by ensuring that questions or items in questionnaire conform to the study’s conceptualization. Supervisors and other senior staff in KIU who are experts in the field of study evaluated the relevance, wording and clarity of question or items in the instrument. Construct validity was

ensured using Factor Analysis where reliability of the instrument on multi item variables was tested using the Cronbach Alpha Methods and a Cronbach alpha ( $\alpha$ ) of at least 0.8 which led the questionnaires to be declared reasonably reliable or consistent as calculated below

**CVI** =

$$\frac{\text{Number of relevant items}}{\text{All items in the questionnaire}}$$

= 19/24

= 0.79

= 0.8

**Table 3: Content Validity Index for instrument.**

No. Items	0 Unrated	1 Very Irrelevant	2 Irrelevant	3 Relevant	4 Very relevant	Total	CVI
On objective 1	0	0	1	4	2	7	$\frac{6}{7} = 0.85$
<b>Overall average CVI</b>							<b>0.85</b>

**Reliability**

Reliability is a measure of the degree to which research instruments yielded consistent results after repeated trials. Pre-testing for reliability was done by administering the questionnaire to some of the employees, shareholders, customers and regulators of Igara Grower’s Tea Factory who were included in the a study to measure consistency of instruments so

that the questions are reliable enough to give the required and related data. After some time, the same questions were administered to the same people (using test- retest technique).And the two sets of scores were correlated using Pearson product moment correlation and results evaluated. The coefficient was above 0.7 and the instrument was reliable.

**Ethical Considerations**

To ensure utmost confidentiality for the respondents and the data provided by

them as well as reflect ethics practiced in this study, the following were done:

**Informed consent**

The researcher took time to explain to the respondents the purpose of the study and seek their consent. The respondents

requested to sign the informed consent form when they agree.

**PRESENTATION, ANALYSIS AND INTERPRETATION OF RESEACH FINDINGS:**

**Bio Data of the Respondents.**

In the study, the researcher administered 1000 questionnaires to the study respondents. This was because the researcher anticipated some of the respondents not to return the

questionnaires or to fill them poorly. For this reason, the researcher was able to collect 985 questionnaires from respondents and data analysis was based on those filled the questionnaires.

**Table 4: Gender, marital, Age, education and departments of respondents**

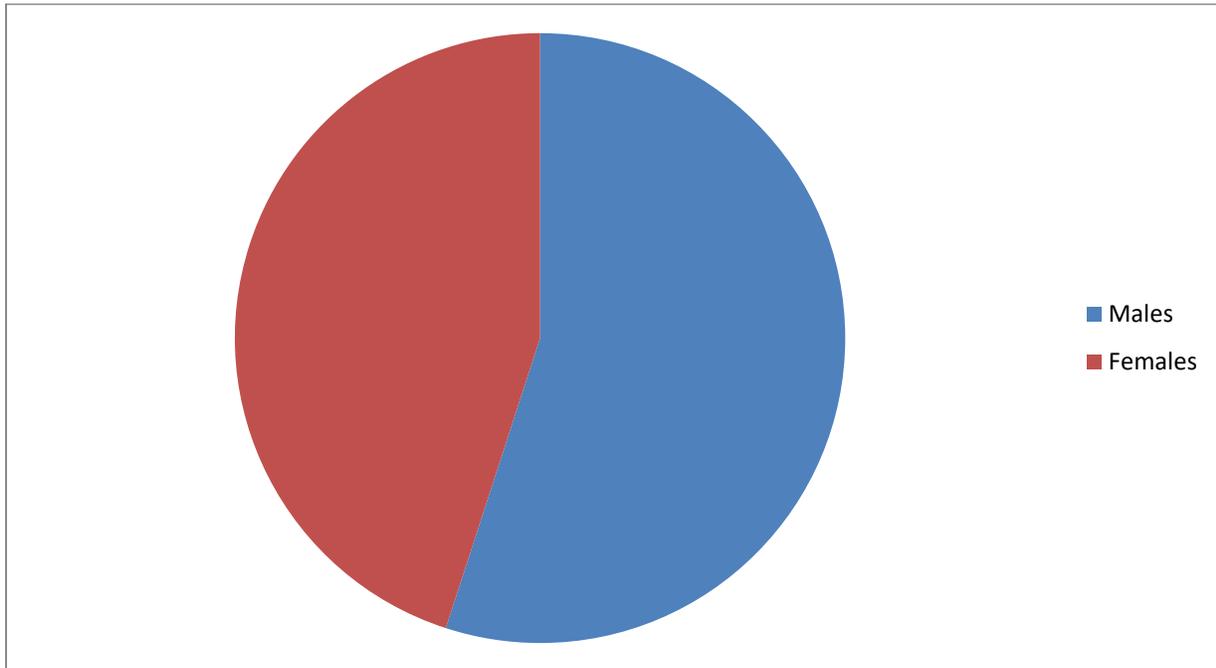
<b>Category</b>	<b>Number</b>	<b>Percentage</b>
<b>Gender</b>		
Males	540	55%
Females	445	45%
<b>Total</b>	<b>985</b>	<b>100%</b>
<b>Marital status</b>		
Married	518	53%
Single	260	26%
Divorced	67	7%
Widowed	140	14%
<b>Total</b>	<b>985</b>	<b>100%</b>
<b>Age group</b>		
20-30 yrs	78	08%
31-40 yrs	443	45%
41-50 yrs	268	27%
51-60 yrs	177	18%
60 yrs and above	19	02%
<b>Total</b>	<b>985</b>	<b>100%</b>
<b>Education level</b>		
Below certificate	335	35%
Certificate	249	25%
Diploma	159	16%
Degree	200	20%
Post Graduate	42	4%
<b>Total</b>	<b>985</b>	<b>100%</b>
<b>Department</b>		
Procurement	60	6%
Finance	100	10%
Human Resource	49	5%
Processing	209	21%
Production	417	45%
Marketing	150	15%
<b>Total</b>	<b>985</b>	<b>100%</b>

**Source: Primary Data 2015**

#### Gender

The findings of the study show that 55% are males and 45% are females.

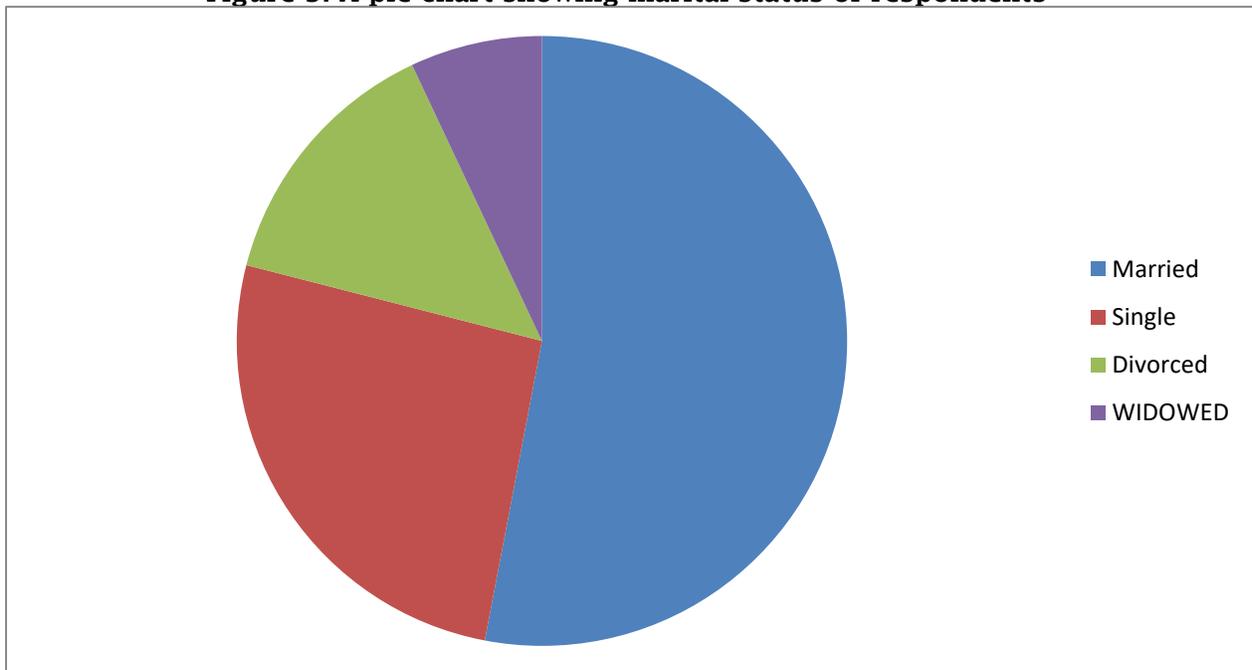
**Figure 2: A pie chart showing gender of respondents**



**Marital Status**

The findings of the study show that the majority of respondents were married i.e. 518 out of 985 (53 %), 26% were single and 7% were divorced and 14% were widowed as shown in the table.

**Figure 3: A pie chart showing marital status of respondents**

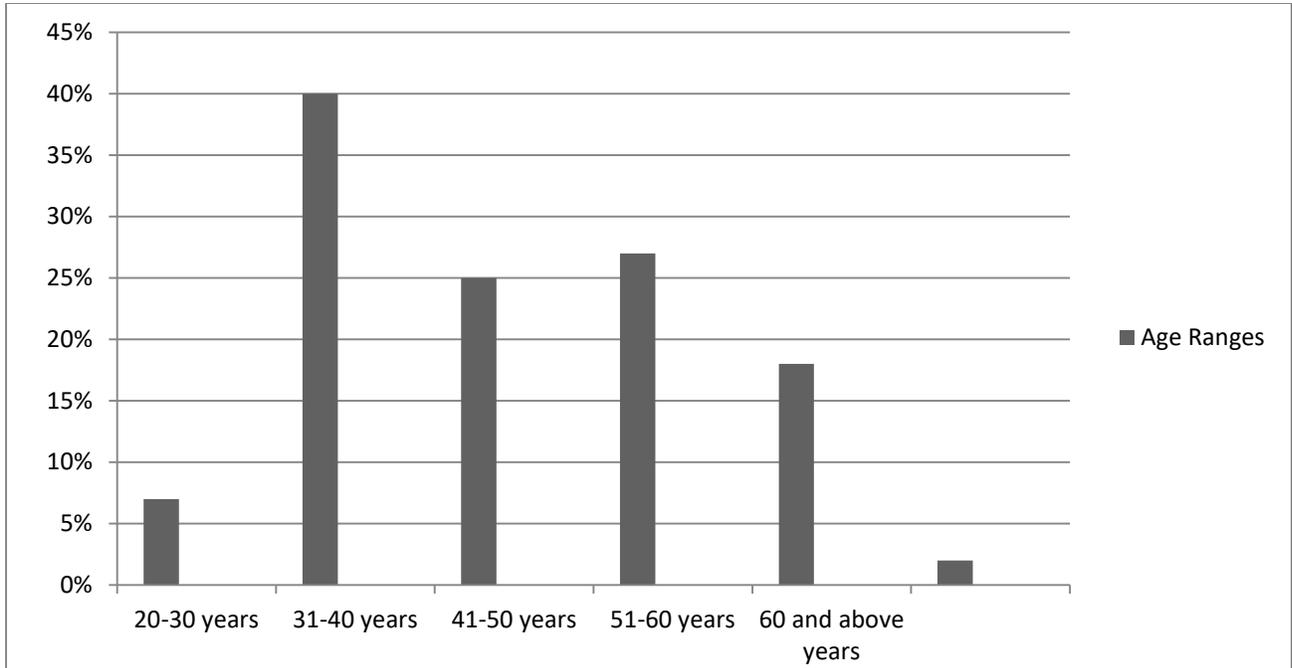


**Age of Respondents**

Regarding the age of respondents, the researcher found out that the biggest age group in Igara Growers Tea Factory is 31-40 years basing on the age group distribution of the sample. This age group had 40% of the sample size. While 20-30

years were 7%, 41-50 were 27%, 51-60 were 18% and 60 and above were 2%.

**Figure 4: Graph showing the Age of Respondents**

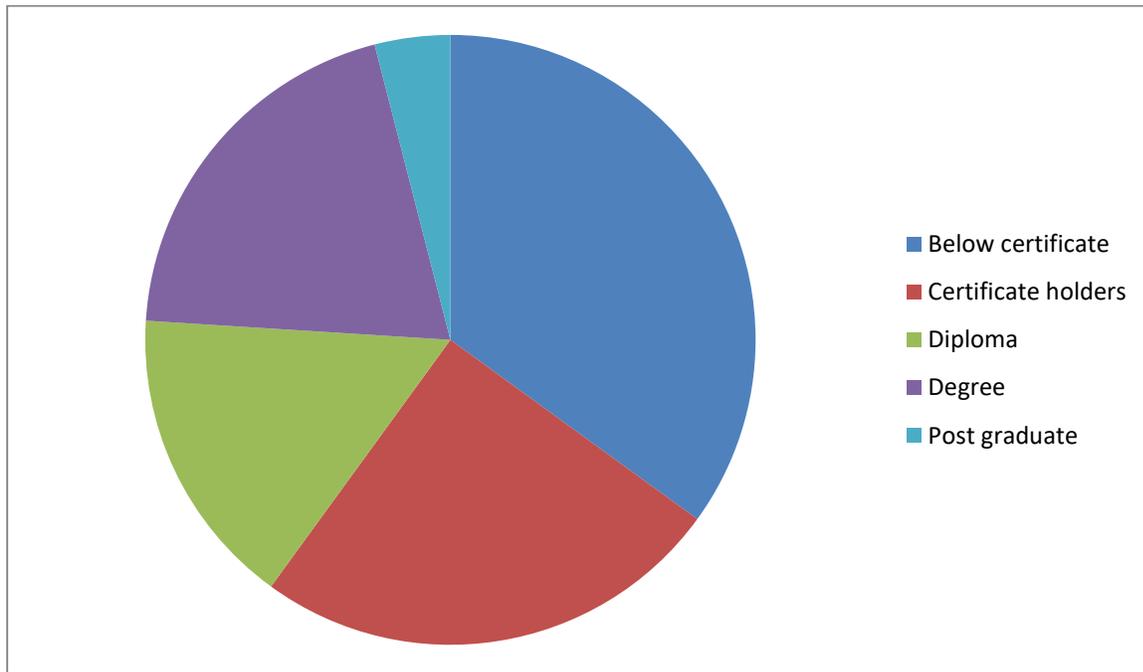


**Education Level**

With regard to education level, the researcher found out that IGTF employees many respondents were below certificate represented by 35% followed by

certificate holders (25%), the degree with 20% Diploma holders (16%) and lastly post graduate with 4%

**Figure 5: A pie-chart showing the Educational Level of Respondents**



**Department**

The results indicate that a bigger percentage of respondents of the study come from the production department (45%) followed by processing department

(21%) and the other departments include marketing (15%), finance (10%) and procurement (6%).

Figure 6: A graph showing the Departments of the Respondents

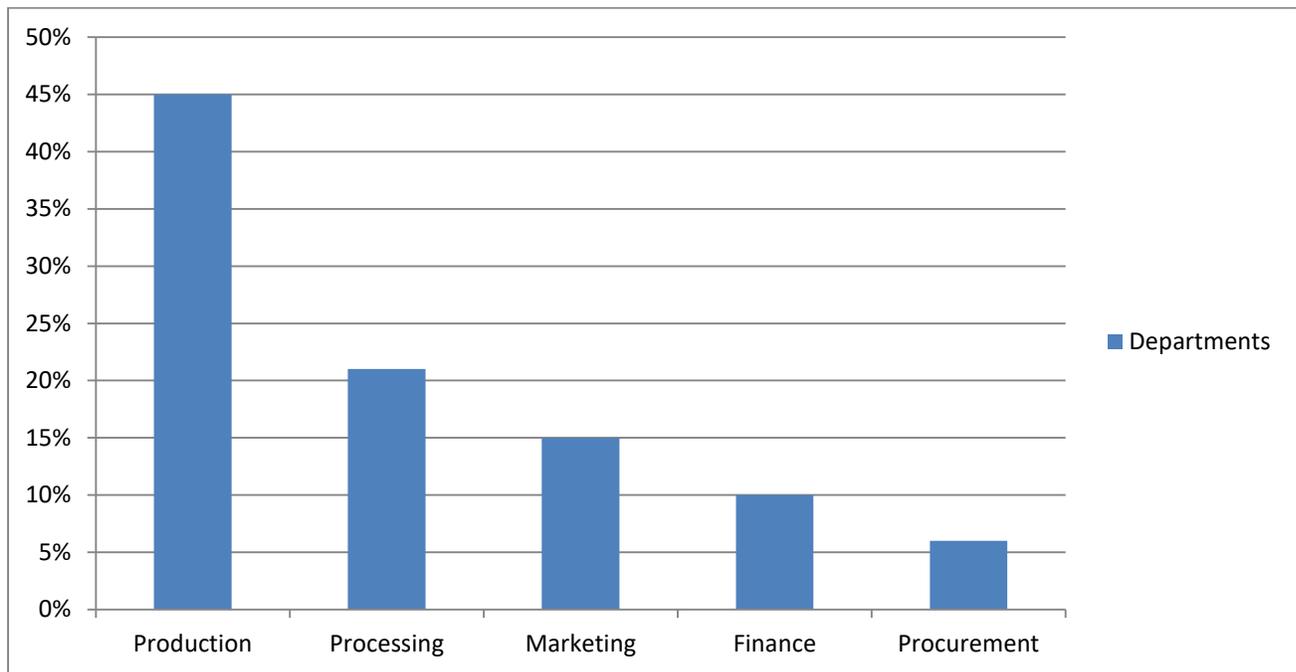


Table 5. The Effect Outsourcing on Financial Performance in Igara Grower's Tea Factory

Ways/ Means	Strongly agree	Agree	Strongly disagree	Disagree	Total Agreed (%)	Total disagreed (%)
Reduced expenses and operational costs	203	751	09	22	751+203=954(97%)	9+22=31(3%)
Improved efficiency in service delivery	189	780	06	10	189+780=969(98%)	6+10=16(2%)
High level profitability	215	760	-	10	760+215=975(98%)	0+10=10(2%)
Customer satisfaction has improved	210	759	06	10	210+759=969(98%)	6+10=16(2%)
Access to specialized personnel for quality services	11	954	-	20-	11+954=965(97%)	0+20=20(3%)
Improved productivity	284	682	4	15	284+682=966(98%)	4+15=19(2%)

Source: Primary Data 2015

From the table above, the researcher found out that a big number of respondents appreciate that out Igara Tea Growers Factory

The researcher found out that when Igara Grower's Tea Factory took up the outsourcing strategy, more trucks were hired and private organizations contracted

to collect plucked tea leaves and this is now done timely and farmers no-longer lose from delayed tea leaf collection. This has reduced the operational expenses of the factory as it was stated by most of the respondents (97%). The researcher found out that outsourcing has helped Igara Grower's Tea Factory to reduce on the overhead costs. It was found out that the hired / contracted service provider bears most of the overhead costs that would otherwise be met by Igara Grower's Tea Factory. For example, in an interview with a one of the respondents, it was found out that if the organization had to buy its own trucks to collect / transport green tea leaf from farmers, it would mean paying the Driver's salaries, providing these drivers accommodation, repairing / maintaining these trucks, bearing the risks of accidents and depreciation among others. The researcher found out that as a result of outsourcing, Igara Grower's Tea Factory has improved its productivity(98) agreed . This is due to the fact that with some inputs Igara Growers' Tea Factory finds it cost effective, and convenient to outsource than to do the work itself. With outsourcing however, this work has been eased and Igara Grower's Tea Factory management only does monitoring and supervision to see that these trucks and the contracted companies do the right work and in the right way.

98% of the residents agreed that Igara Grower's Tea Factory has improved its efficiency in service delivery as a result of outsourcing. Dialogue with respondents revealed the fact in the past, before Igara Grower's Tea Factory started outsourcing,

farmers would pluck tea leaves and more often tea would get spoilt as a result of delays in collecting it. Yet once tea has been plucked, it should be processed within 24 hours. Outsourcing has helped Igara Growers Tea Factory's to have access to specialized personnel to perform specific functions like sophisticated machine repair and fillings. The researcher found out that with the outsourcing strategy, the organization need not to employ such highly skilled personnel permanently. This would increase costs for salaries and other worker's benefits. With the out sourcing strategy, such people are hired / contracted to do specific tasks and they don't have to be permanent employees of the factory.

It was found out that outsourcing helps to promote customer satisfaction both at the supply and consumption ends. The researcher found out that with outsourcing, farmers are very satisfied with service delivery because their tea leaves are collected timely by the hired trucks. On the consumption end, when the quality of service delivery improves, organizational financial performance improves as well. However, the researcher found out that outsourcing cannot be taken for granted. For example it has its own short falls. With outsourcing, the factory is no longer able to control how certain services are delivered. The researcher found out that once services are outsourced and service providers contracted, the organization takes an increased task to monitor and do supervision outside its boundaries.

## DISCUSSION

### Bio data of respondents

The findings of the study show that 55% are males and 45% are females. This implies that the study tried to have almost a balanced representation of respondents by gender to participate in the study and enabled to capture issues that could rise because of gender. This agrees with [9] who stated that more males are involved in outsourcing than females. This is because if an organization is to outsource, it should hire strong people with a lot of energy and competence to perform a specific task that

cannot be internally performed by internal personnel of the organization. This implies that the study was able to capture views from all respondents. That is those who were married, single and divorced. [10],stated that financial performance of an organization can improve if it employs psychologically and mentally up right personnel without family and marriage problem especially legally and happily married personnel" This agrees with the findings of the study because many

respondents were found to be married (53%)

The results of the study agree with [11] who pointed out that the work force between 30 to 40 years are engaged more in outsourcing contracts than any other age bracket. This indicates that this is a working age bracket; it is composed of strong and young people with skills and competences necessary for good financial performance of Igara Growers Factory Tea. The results of the study indicated that this implies that Igara Growers Tea Factory is a heterogeneous organization and it employs all levels of education. However, data from the respondents in the sample indicate that the most employed education level is certificate. Other higher levels have less number of employees and this is based on the nature of work done. For example tea plucking has the biggest number of workers and most of them have certificate education level or even below. With the department which employs most workers, the researcher found out that the production department is the biggest employer of human resource. This is due to the fact that Igara Growers Tea Factory is a primary processing factory where much of the work is done by people tea plucking, processing and marketing employ a lot of people. The findings of the study agree with [12] who stated that outsourcing of services and products is mainly involved in production processing and marketing service providers.

This indicates that outsourcing has various advantages and therefore is a strategy for capital development in Igara Growers' Tea Factory. The researcher

#### **Effect outsourcing on organizational financial performance.**

Igara Tea Growers Factory is on the verge of collapse after making numerous losses which was precipitated by high levels of Stealing by its directors and senior managers and leaf clerks. The factory which makes an approximate profit of 10Billion annually is falling to pieces.. At least 2 Billion is lost in bad deals every leaf year. The company has been hijacked by mafia wealthy farmers including the Board Chairman Arthur Babu from Buhweju and Chairman Marketing Mr. Mbagirenta Naboth from Kyamuhunga. Some 20 clerks

found out that Igara Grower's Tea Factory cannot produce enough tea for sustainable production. It therefore outsources from out growers to increase and sustain its productivity. The researcher found out that outsourcing impact on the capital structure in organizations. From the respondent point of view, outsourcing has encouraged Igara Growers Tea Factory to increase its capital structure because it makes savings as part of its earnings. Because with outsourcing, Igara Growers' Tea Factors soloists more resources to promote production and profitability. Factory because of the high figures of respondents who strongly agreed and those who agreed. This implies that the level of profitability has improved due to outsourcing reducing on operational and costs and expenses and generally outsourcing has lead to improved service financial performance of Igara Grower's Tea Factory. This is because increase in value of products, increased sales, improved competitive position, cost reduction, investment innovative performance, are all positive and significant which led outsourcing to have a significant relationship on financial performance of an organization. However there was no significant relationship between outsourcing and financial performance the results indicated that though not significant, Increase in sales and outsourcing are positively related( $r$  value=0.039). The implication of this is that outsourcing may increase on the volume of sales of an organization and if the volume of sales increases, the financial performance of the organization is most likely to improve.

were implicated in an internal audit for declaring ghost tea leaves amounting to 1.3000.000kgs of tea leaves. General Manager Ejuku Robert is leading a faulty system and all is not well. There was a time when 50KG fertilizer bags supplied were less the declared weight by 5kg each. The researcher found out that when Igara Grower's Tea Factory took up the outsourcing strategy, more trucks were hired and private organizations contracted to collect plucked tea leaves and this is now done timely and farmers no-longer

lose from delayed tea leaf collection. This is in consonance with [13] and [2] who 'noted that when outsourcing is properly implemented; it helps to cut costs, increase capacity and improves the quality of service delivery'".

The researcher found out that outsourcing has helped Igara Grower's Tea Factory to reduce on the overhead costs. It was found out that the hired / contracted service provider bears most of the overhead costs that would otherwise be met by Igara Grower's Tea Factory. For example, if the organization had to buy its own trucks to collect / transport green tea leaf from farmers, it would mean paying the Driver's salaries, providing these drivers accommodation, repairing / maintaining these trucks, bearing the risks of accidents and depreciation among others. This disagrees with [10]. Who stated that outsourcing increases organizational costs because of high contractual costs. However, with the outsourcing strategy, all these costs and risks are met by the contracted service provider.

The researcher found out that as a result of outsourcing, Igara Grower's Tea Factory has reasonably reduced its operational costs and expenses. This is due to the fact that with some inputs Igara Growers' Tea Factory finds it cost effective, and convenient to outsource than to do the work itself. For example it was found out that most Lorries which collect and transport tea leaves from farmers to the factory are not factory owned. They have been hired / contracted to do this work. This means that if this was not so, Igara Growers' Tea Factory would have to procure fuel and maintain such trucks. With outsourcing however, this work has been eased and Igara Grower's Tea Factory management only does monitoring and supervision to see that these trucks and the contracted companies do the right work and in the right way. Igara Grower's Tea Factory has improved its efficiency in service delivery as a result of outsourcing.

On the influence of outsourcing on financial performance, the researcher concluded that outsourcing has an influence on organizational financial performance in a sense that when

Dialogue with respondents revealed the fact in the past, before Igara Grower's Tea Factory started outsourcing, farmers would pluck tea leaves and more often tea would get spoilt as a result of delays in collecting it. Yet once tea has been plucked, it should be processed within 24 hours. Outsourcing has helped Igara Growers Tea Factory's to have access to specialized personnel to perform specific functions like sophisticated machine repair and fillings. The researcher found out that with the outsourcing strategy, the organization need not to employ such highly skilled personnel permanently. This has increased costs for salaries and other worker's benefits. With the out sourcing strategy, such people are hired / contracted to do specific tasks and they don't have to be permanent employees of the factory. This has also improved the financial performance of IGTF

It was found out that outsourcing helps to promote customer satisfaction both at the supply and consumption ends. The researcher found out that with outsourcing, farmers are very satisfied with service delivery because their tea leaves are collected timely by the hired trucks. On the consumption end, when the quality of service delivery improves, organizational financial performance improves as well. [14], noted that outsourcing leads to customer satisfaction, quality services and all these increase the profitability of the organization, this agrees with the findings of this study.

However, the researcher found out that outsourcing cannot be taken for granted. For example it has its own short falls. With outsourcing, the factory is no longer able to control how certain services are delivered. The researcher found out that once services are outsourced and service providers contracted, the organization takes an increased task to monitor and do supervision outside its boundaries.

#### CONCLUSION

outsourcing is done, the organization is able to save funds because outsourcing cuts down the overhead costs, operational cost and costs related with depreciation of assets. In the same reasoning outsourcing

reduces risks because ownership to resources / assets used is by the hired / contracted agency. This means that outsourcing improves efficiency and profitability of the organization and this has a positive influence on the financial performance of the organization. The researcher however also concluded that outsourcing should not be taken for granted; it has its own short falls that may bring about negative effects on the

organization performance levels. This is based on the observation that when outsourcing is done it reduces the organization's control over how certain services are delivered which may in turn raise the organization liability resulting in losses and poor organization's financial performance. To this effect however the conclusion is that outsourcing does more good than bad is the organization and therefore it is desirable.

#### RECOMMENDATIONS

From the study findings and conclusions, the researcher recommends the following; On effect of outsourcing on financial performance the researcher recommends the following; Then careful selection of the suppliers should follow and contracts awarded to such suppliers /service providers should be so comprehensive to

cater for any divergences that can hinder effective service delivery and profitability. Before organizations outsource, they should first analyze critically the skills and capabilities of their current workers. This helps them to only outsource the services and skills that are internally not available and thus reduce costs related to outsourcing.

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