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IMPACT OF OUTSOURCING ON SMALL AND MEDIUM-SIZED BUSINESSES IN NIGERIA

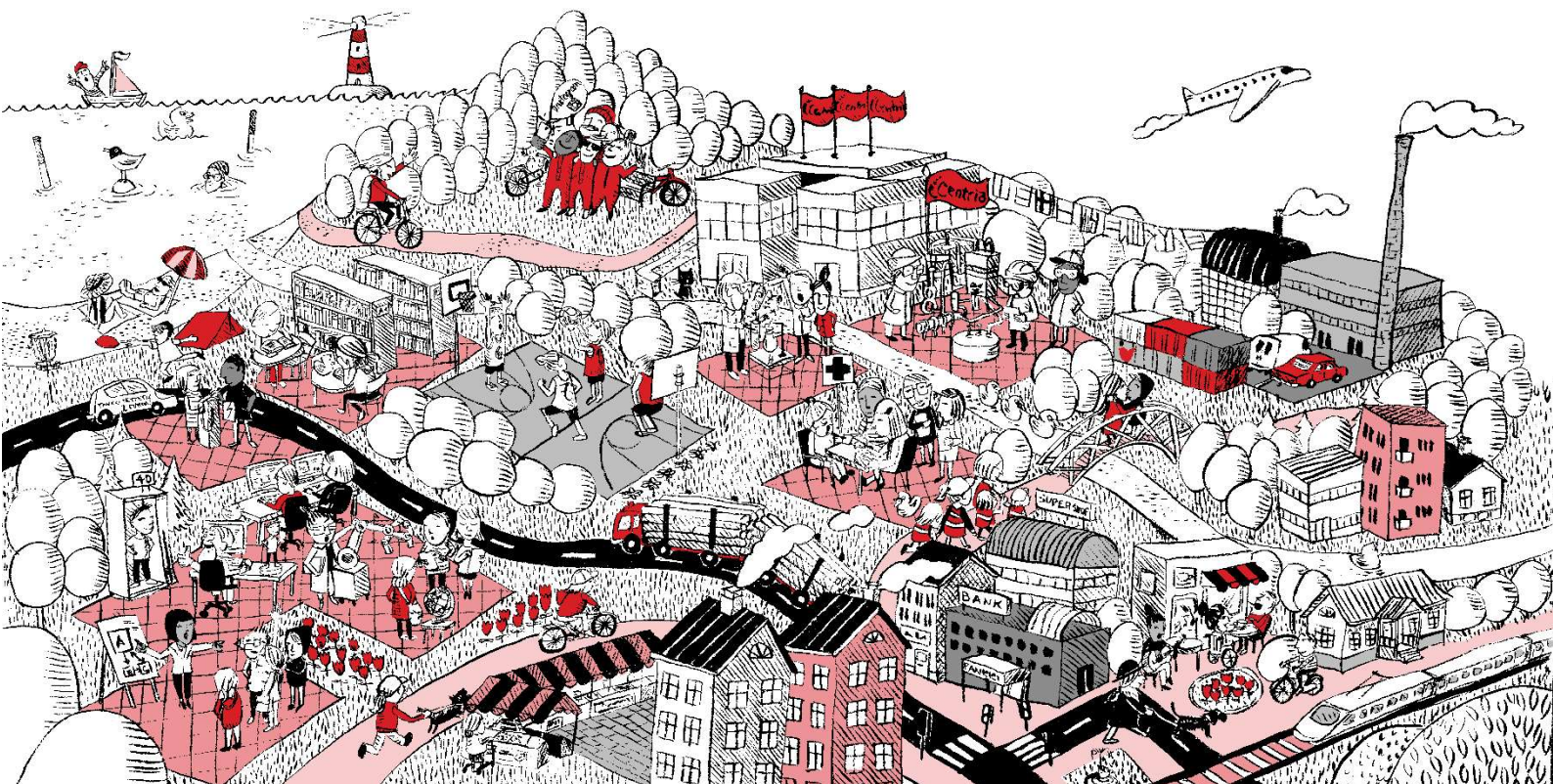
Strategic Outsourcing Ltd.

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ABSTRACT

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Name of thesis IMPACT OF OUTSOURCING ON SMALL AND MEDIUM-SIZED BUSINESS IN NIGERIA. A Case Study of Strategic Outsourcing Limited		
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<p>This thesis explores the impact of outsourcing on small and medium-sized enterprises (SMEs) in Nigeria. It primarily focuses on strategies that SMEs will employ to gain benefits in the global competitive market. It includes the pitfalls that the companies encounter as it attempts to adopt the outsourcing strategies and recommends ways that can enable them to facilitate economic growth and development. Although outsourcing allows the company to focus on core activities, reduces operation costs, and manages risk effectively, corruption, economic and cultural barriers, lack of sufficient managerial knowledge, and technology capabilities pose risks to the business when employing this strategy. The current study used a quantitative research method in which 75 participants from Strategic Outsourcing Limited (SOL) were surveyed.</p> <p>The research primarily focuses on SOL, an outsourcing firm commenced in 2006 in Nigeria, which delivers personnel, sales, and statutory compliance outsourcing services. The company has broken a record of excellent service delivery to its clients countrywide, including real estate, food and beverages, telecommunication, and manufacturing, among other business sectors. The current study employed a quantitative approach in which SOL managers were assessed using questionnaires. The result revealed that Nigerian managers supported outsourcing among SMEs because it positively impacted SMEs and led to the creation of more jobs, improved cost efficiency, and better concentration of core competencies. However, the Nigerian managers also expressed concerns about certain obstacles which hindered outsourcing among SMEs, including poor infrastructure and corruption and unfavorable government policies.</p>		

Keywords:

Core competencies, Economic growth, Outsourcing, SMEs, SOL, Performance

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1 INTRODUCTION

Small and medium enterprises (SMEs) often play a crucial role in job creation in a country's economy, which enables the formation of local capital as well as improvement of the general standards of living. SMEs in Nigeria have helped create employment, reduce the level of poverty, and make it one of the largest economies in Africa. Usually, outsourcing forms a key part of SMEs and involves companies hiring other firms to undertake activities that are considered less important to allow the parent company to focus on its core functions. One company that offers professional outsourcing services in Nigeria is Strategic Outsourcing Limited (SOL) and forms the current research focus.

The aim of this thesis is to explore the impact of outsourcing on SMEs in Nigeria. The specific objectives investigated include how SMEs utilize outsourcing services to maximize productivity and gain a competitive advantage. Additionally, the research seeks to examine the benefits and challenges experienced by Nigeria's SMEs while outsourcing services in the country. Another key aspect of outsourcing that will be extensively explored includes whether outsourcing enables a company to increase its profitability and customer satisfaction.

Social theories of commitment and trust are often used to explain the nature of outsourcing relationships. Essentially, secondary firms providing outsourcing services should not have a conflict of interest with the parent company. Trust should be fostered during outsourcing in which companies involved should agree on hidden costs, legal challenges, and how to manage any shared sensitive data during the process.

The current study will employ a case study of SOL Company to examine the indicated objectives. The results obtained from this study will be critical to SME managers in Nigeria since it will reveal the benefits of outsourcing to their companies. Additionally, the research findings will be crucial to stakeholders in SMEs since it will increase knowledge on outsourcing processes in developing countries such as Nigeria. Policymakers will also benefit from the outcome of this research as it will indicate the different policies which can be implemented to reduce challenges affecting SMEs during outsourcing.

SOL Company is the commissioner for the current study. The company is a leading outsourcing firm in Nigeria, with over 40,000 employees. The company has diversified its activities in different sectors

of the economy, including telecommunication, banking, food and beverages, and real estate. Formed in the year 2006, SOL Company has a qualified and diverse management team located in different locations in Nigeria. The findings obtained from this research will be crucial to SOL management since it will also reveal how they can improve the quality of their outsourcing services to meet the needs of SMEs.

2 THE COMMISSIONER

The commissioner of the current research is the Strategic Outsourcing Limited (SOL), which is an acclaimed firm instituted in 2006 in Nigeria. The company has demonstrated strong excellence and reputation with an employee base of 40,000 and a diverse clientele (Crunchbase 2020). SOL is a leading firm in outsourcing and delivers varied services across the globe with head office in Adebayo, off Olusesi Street in Lagos and other locations spread across Nigeria. Further, the firm strives to deliver high-quality services to its customers with the mission of fulfilling its corporate objectives. To achieve this, the firm has opened six geographical business zones to manage strategic outsourcing services (Crunchbase 2020).

The firm offers outsourcing services such as sales, personnel, statutory compliance outsourcing, and recruitment (Strategic Outsourcing Limited 2020). The company outsources services directly to companies that have enabled the delivery of excellent customer service delivery (Crunchbase 2020). SOL is among the top outsourcing companies with diverse service delivery, a qualified workforce, and international clientele. The company's logo is, as shown in figure 1 below.

SOL Company Logo



FIGURE 1. SOL Company logo (Strategic Outsourcing Limited 2020)

Among the clients served by the company include Fidelity bank, MTN, Microfinance bank, Credit Registry, and Wild Fusion. The company's mission is on personnel outsourcing and has expanded its service base over the decades to include domestic staff services, temporary staff, recruitment, and statutory compliance. Apart from SOL's management being accredited by the Chartered Institute of Personnel Management, the company is also a member of the Association of Outstanding Professional of Nigeria (Strategic Outsourcing Limited 2020). One of the reasons why the company has remained a preferred choice for outsourcing services in Nigeria is that it offers indemnity to their clients from all

forms of claims, demands, liabilities, costs, expenses, and losses incurred while dealing with third parties. On their website, the company's logo on domestic staff service portrays that they offer peace of mind to their clients. Essentially, the company strives to transform the outsourcing of domestic workers through professional management and organization, thereby providing security and financial solutions to the clients. Further, SOL conforms to the International Standards Organization (ISO) 9001 certification for quality management (Strategic Outsourcing Limited 2020.)

Some of the services that SOL offers to its clients include timely payment of staff remuneration, national pension, and NHF audit. Additionally, the company carries out timely remittance of PAYE and pension plans, enabling faster processing of compliance certificates by the clients. SOL also helps clients in timely tax filing and maintains the social insurance trust fund records, thus eliminating the risks associated with statutory compliance evasions. Complying with statutory requirements brings companies benefits such as structural error elimination, tax evasion errors, and possible regulatory penalties. Further, it also ensures that the company's exposure to regulatory and statutory risks is reduced; thus, the management can concentrate on other issues related to company management. In realizing all these, the company collaborates with the clients to enhance compliance and offer payroll management under state laws and accounting standards (Strategic Outsourcing Limited 2020.)

3 SME & OUTSOURCING KEY CONCEPTS

The current chapter discusses the main concepts and theory for outsourcing among small and medium-sized businesses. The definitions of various terms related to the topic are provided to give a clear meaning to the research. The chapter analyzes SMEs from a broader perspective, then narrows to the context of Nigeria, which is the main interest in the current research. Specifically, the history of SMEs in Nigeria is presented to obtain insight into how the industry has changed and the major influences.

In addition, this chapter analyzes the contribution of SMEs to the Nigerian economy, including how it has affected employment and job creation. The underlying goal is to reveal both the Nigerian financial, social, and legal framework that has shaped SME growth in Nigeria. In addition, suitable graphs are used to help in comparing SMEs in low-income, middle income, and high-income countries. In the reviews, previous studies are compared and contrasted to identify key arguments regarding SMEs.

3.1 Concepts of outsourcing in SMEs

Outsourcing is associated with several benefits, including higher profitability, reduced costs, improved efficiency, and increased productivity (Ejechi & Oshodin 2019). It is defined by Elegbede (2013) as the activity that a company undertakes to transfer the responsibilities of in-house to a subcontractor or external agents. Management, production, operations, and innovation activities may be subcontracted, thus transferring the responsibility of their delivery to the company for which they have been outsourced. The company for which the roles have been outsourced becomes an agent of the outsourcing company.

According to Agburu, J. I., Anza, N. C. & Iyortsuun, A. S (2017), outsourcing enables a company to address business dynamics by replacing in-house activities with an external agent, thus enabling the management to concentrate on its core business to enhance company efficiency and growth. On the other hand, Rajee and Akinlabi (2013) define outsourcing as a management tool in which a firm's non-core business activities are delegated to specialized service providers or manufacturers. Outsourcing, in turn, minimizes the workload, improves the sharing of knowledge and skills, and enables the outsourcing firm to concentrate on its core business activities. The strategy may also be used by a firm to gain access to more advanced technology and more specialized expertise to improve service and

product delivery. The factors that determine whether a firm will outsource include demanding a specific skill, advanced technology, and resource investment (Rajee & Akinlabi 2013).

The main advantage of outsourcing is that it enables the outsourcing firm to concentrate on its key competencies, thus add value to customers and attain a competitive edge (Muhonza 2017). As noted by Elegbede (2013), the core competencies of a firm may be unique technology, innovative skills, methods, and information that lead to value addition to customers. Other companies may also outsource to strengthen entry barriers, minimize organizational risks, and enhance service delivery. Elegbede (2013) further explored the link between corporate performance in Nigeria and outsourcing and reported that outsourcing tends to reduce operational costs, save resources that can be channeled to core business activities, increase sales turnover and streamline production. Similarly, Agburu et al. (2017) noted that SMEs' performance could be boosted through outsourcing.

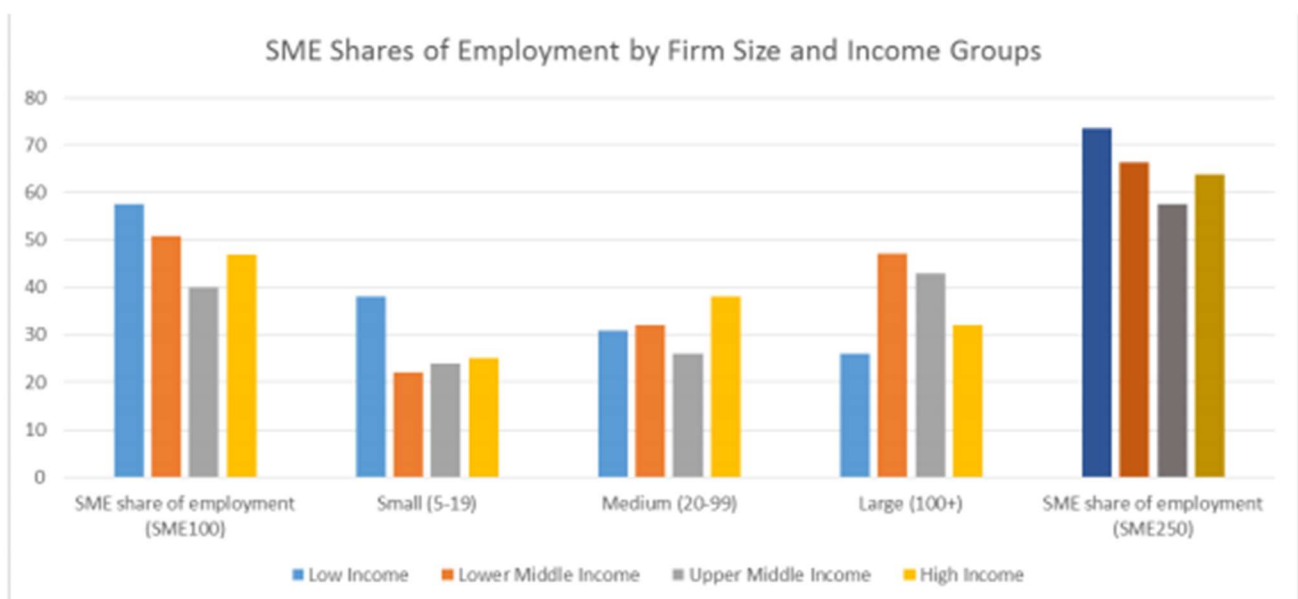


FIGURE 2. SME shares of employment by firm size and income groups (Kumar, 2017).

3.2 History of SMEs in Nigeria

The historical background of SMEs in Nigeria dates back as early as 1946, with the introduction of the ten-year plan (Fatai 2011). In developing and developed economies, cottage industries were the earliest manifestations of SMEs. According to Kenton & Brock (2020), cottage industries are small-scale, decentralized manufacturing businesses operated from home instead of intentionally built

facilities. Cottage industries also started advancing in Nigeria but were later transformed into high-tech industries, becoming a turning point in the growing advancement of the country in the 1960s. The main reason was the emphasis on SMEs for poverty and unemployment reduction. According to a study by Emezie (2017), a 2013 research survey indicated that Nigeria could be categorized as a small-scale, micro-cottage, and large-scale industries. Nigeria currently has the highest SMEs, which have immensely contributed to job creation. Further, SMEs in Nigeria have been making growth progress since the state government has utilized SMEs for economic development through policies formulated to encourage and sustain their growth (Ogechukwu & Oboreh 2013).

Moreover, according to Imeokparia and Ediagbonya (2014), SMEs have played a focal role in the economic development of Nigeria since their inception. Defining SMEs as a business owned and managed by one or a few people, the author noted that SMEs had played a major role in job creation and poverty alleviation. Little doubt exists that SMEs have contributed to economic development and advancement. SMEs remain an important sub-sector in Nigeria's economy. Similar sentiments were also given by Akingunola (2011), who noted that SMEs have sustainably enhanced human welfare and economic output and are an important indicator of economic advancement. The concept of SMEs in Nigeria has indicated that it is a tool for the promotion of economic advancement by making resources that aid in the execution of people-oriented projects available (Akingunola 2011).

3.3 Contribution of SMEs in Nigeria

Nigeria has attained high economic advancement, mainly attributable to the rise of SMEs. Compared to other emerging economies, SMEs contribute to much higher GDP in Nigeria (Oyelaran-Oyeyinka 2020). As one of the major drivers of economic advancement in Nigeria, the contribution of SMEs cannot be overlooked in the economic growth and development of any state in the country. According to Apulu and Ige (2011), SMEs have played a primary role in private sector development specifically and the economic growth of the nation as a whole. SMEs have also contributed to the creation of employment that is a key contributor to economic development and growth. The World Bank report indicated SMEs account for 78% of job creation in low-income countries and 68% in high-income countries, as indicated in figure 4 (Dalberg 2011).

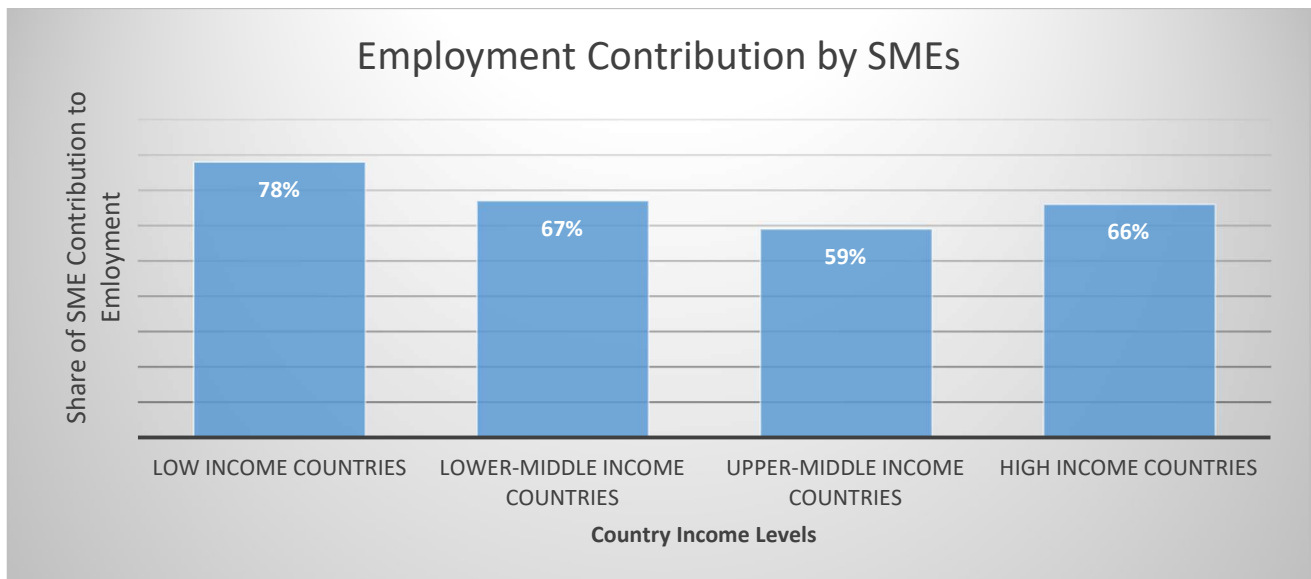


FIGURE 3. Employment contribution by SMEs (Dalberg, 2011).

Furthermore, the PWC (2020) survey report found out that the contribution by SMEs to the GDP is 48%, 84% to employment creation, and 96% to businesses in Nigeria. The Nigeria Bureau of Statistics also found out that SMEs contribute to 48% of Nigeria's national GDP over the past five decades (PWC 2020). However, despite the contributions that SMEs have to the economy, substantial challenges are still faced in terms of their performance. Some of the challenges are related to mismanagement hence low productivity. Currently, SMEs in Nigeria are distributed along with other large sectors in various economic areas, thereby enhancing operational and cost synergy (Oyelaran-Oyeyinka 2020).

The main challenges that SMEs face in Nigeria include financial constraints and lack of infrastructural facilities that hinder their expansion and growth. Low entrepreneurial skills also hinder the innovative development of SMEs from keeping up with the technological advancement of the economy. Therefore, there is a need for collaboration between SME management and the government to ensure their continued development. Financial support should also be advanced by the government to the SMEs for expansion and innovative development. Management training should also be offered to entrepreneurs to ensure that SMEs are properly managed, thus improve their chances of survival and growth hence continued economic development. The businesses should also consider outsourcing non-core activities to minimize unnecessary spending and create time to concentrate on core businesses, thus enhancing their competitive edge. Further, SMEs can also open up new markets and expand their brand supply to increase revenues and profit margins (Oyelaran-Oyeyinka 2020).

4 BENEFITS & CHALLENGES OF OUTSOURCING BY SMEs

In this chapter, the different benefits and challenges associated with outsourcing among SMEs are reviewed. Some of the subthemes covered include the creation of jobs, the concentration of core competencies, and poor infrastructure and corruption. Hidden costs of outsourced services can also pose a major challenge since it makes companies spend more than they planned for after beginning the project (Glaister 2014). In addition, losses that can be experienced in outsourcing are financial and loss of data security and privacy of individuals (Isaksson & Lantz 2015). Analyzing the benefits and challenges of outsourcing by SMEs helps to better understand the key issues Nigerian businesses should be aware of when initiating outsourcing activities. Also, the literature helps the researcher to develop an in-depth idea of issues to consider when developing a questionnaire for gathering primary data.

4.1 Benefits of Outsourcing by SMEs

Some of the key benefits of outsourcing to businesses are analyzed in the next subtopics. The main benefits of outsourcing among SMEs are concentration on core competencies, creating jobs, risk-sharing, and cost-efficiency. Susomrith and Brown (2013) explain that outsourcing improves the performance of firms since the vendors engaging in the implementation of new technologies as well demonstrate a higher level of expertise from a particular subject matter. Although the factors are discussed separately, they often occur in combination during outsourcing. According to Nyameboame & Haddud (2017), the most common services outsourced by firms include IT consulting services, logistics services, and infrastructure management, and they significantly impact an organization's performance. The discussion also compares the views of researchers regarding the benefits to understand how they impact SMEs.

4.1.1 Concentration on core competencies

The main benefit of outsourcing to SMEs is that it enables the business to focus on its key competencies. As noted by Agburu et al. (2017), SMEs should only consider contracting out those activities that do not form part of their core competencies. The resulting benefit is that the company

can concentrate on its core competencies rather than supporting other non-core competencies. Additionally, the researcher also noted that SMEs could also provide their customers with a unique value because of the ensuing specialization. However, SMEs must take the necessary checks to ensure that the vendors to which the duties are outsourced have the key competencies and expertise.

Similarly, Korrapati (2016) indicated that SMEs that outsource their services usually get an opportunity to concentrate on core production activities, thus improving the quality of services and product delivery. Further, Rajee and Akinlabi (2013) also noted that there had been pressure among Nigerian SMEs to improve their competencies to compete in local and international markets. Hence outsourcing can be leveraged to realize the intended competencies and improve their competitive advantage through superior service delivery. Thus, outsourcing is a key strategy that can be leveraged to improve performance and productivity. Outsourcing should be done with close supervision to prevent diversion from the aims of the main business.

4.1.2 Creation of Jobs

Outsourcing has also demonstrated a significant contribution to the creation of employment opportunities in Nigeria. According to Etuk, R. U., Etuk, G. R. & Michael, B. (2014), SMEs contribute up to 95% of the firms and 55% of GDP and employment, respectively. SMEs were found to contribute to the largest employment in most Nigerian states. The researcher noted that the SME sector in Nigeria corresponds to at least one SME per 1000 people, thus indicating a healthy SME sector in terms of job creation mainly attributable to their ability to outsource and expand. Consequently, Abeh (2017) noted that increased job opportunities also result in increased revenues for the country in the form of tax contributions to the economy. Well-managed SMEs also contribute to wealth creation among Nigerians, thus improving citizens' social well-being, which is significant in poverty alleviation.

Additionally, according to Oyelaran-Oyeyinka (2020), outsourcing contributes to the creation of self-employment. When SMEs outsource, there is significant leverage on the enhanced capacity to expand their operations, thus significantly employing many people. The employments are mostly created in the informal sector. As a result, Oyelaran-Oyeyinka noted that GDP is increased. Additionally, Rajee and Akinlabi (2013) also indicated that SMEs could employ a considerable number of employees as they expand through outsourcing. Outsourcing also leads to significant concentration on the business

core activities, which means employing more specialized personnel to perform the duties. The World Bank (2020) also found that a healthy SME sector corresponds with the total number of SMEs per one thousand people. Thus, outsourcing is an effective strategy for improving the economic growth of a given state.

4.1.3 Risk sharing

Outsourcing was also shown to result in significant sharing of business-related risks since most companies outsource to minimize the risks by transferring such risks to the vendor. As indicated by Somjai (2017), the outsourcing firms usually carry out a risk analysis that informs the best vendor with specialization to handle the risks. When the functions are transferred, the responsibility of the risks becomes that of the vendor, thus minimizing risks to the main company. Additionally, the costs also reduce the risks are minimized, thus increasing productivity and profit margins. Further, Rajee and Akinlabi (2013) indicated that a risk mitigation plan should be worked out before a decision to outsource is arrived at. The researcher noted that companies that employ outsourcing share business-related risks, including losses and economic risks. However, Etuk et al. (2014) demonstrated that factors related to costs were the main reasons driving the decisions to outsource. The cost factors were found to significantly influence the decision to outsource compared to risk factors. Thus, most SMEs outsource mainly as a strategy to enhance their strategic position, increase the business's flexibility, reduce organizational risk, and gain access to the latest technology, thus enhancing service delivery to customers.

4.1.4 Cost Efficiency

According to Korrapati (2016), cost efficiency is still the core reason why firms opt to outsource their activities. Outsourcing is mostly adopted to regulate costs associated with operations and resource use. The researcher noted that even though outsourcing may not be an appropriate strategy for all SMEs, it can significantly reduce human resource costs. When spending on salaries is reduced and functions are conducted more efficiently, significant cost savings are realized. Besides, Somjai (2017) also revealed that outsourcing saves costs related to staff hiring and training. Additionally, the need to hire in-house employees is also reduced, thus reducing the costs related to recruitment and operations. The cost of salary expenditure is also reduced significantly.

Similarly, Oyelaran-Oyeyinka (2020) also noted that outsourcing saves SMEs money as they spend less on salaries while it improves productivity. Outsourcing certain roles of in-house employees are likely to reduce salary expenditures and increase productivity. Besides, companies that outsource are likely to reduce the costs of hiring and training new workforces. The research conducted by Oyelaran-Oyeyinka (2020) explains that it costs a lot of money to recruit and train new staff than when involved in outsourcing. Therefore, outsourcing can reduce spending heavily on personal savings and save time and increase revenues.

4.2 Challenges of outsourcing on SMEs

Despite the various benefits of outsourcing, there are also significant challenges that SMEs face on outsourcing. Some of the challenges are internal and external environments, with financial constraints being the major problem affecting their business (Mafundu & Mafini 2019). According to Elegbede (2013), firms employ outsourcing to compete favorably. However, there are related costs of outsourcing that may pose a challenge to this. The challenges of outsourcing by SMEs are discussed in the next sections.

4.2.1 Financial challenges

According to a study conducted by Etuk et al. (2014), SMEs in Nigeria face significant financial challenges when outsourcing. The researchers indicated that SMEs have challenges accessing financial resources from financial institutions because they have a limited asset base and thus may not be able to secure a loan to expand. Additionally, Emezie (2017) also indicated that SMEs' contribution to economic growth is undermined by financial constraints, which reduce their effectiveness. Lack of access to financial services from financial institutions is a key challenge that needs to be addressed. SMEs should also be considered for grants from the government to expand and contribute more to the economy.

Since most banks demand collateral, very few SMEs can access loan facilities, thus limiting their global expansion and competition in international markets. Further, according to Somjai (2017), most SMEs tend to minimize risks, limiting their risk profile. As a result, they may not gain access to

financial facilities to outsource to improve their performance. Most SMEs rely on personal savings to expand and thus may not have much left to outsource. The researcher also noted that Nigerian SMEs were not attractive ventures for banks since they tend to minimize their risk profiles. As such, outsourcing may be considered an extra cost that most SMEs may not be willing to adopt.

4.2.2 Poor infrastructure and corruption

The infrastructural challenge is also a significant issue facing SMEs in Nigeria. According to Sitharam and Hoque (2016), infrastructural inadequacy contributed by poor economic conditions negatively affects SME's ability to expand both; locally and internationally. Infrastructural challenges are also significantly contributed by the high rate of corruption in most developing countries which hampers infrastructure expansion and improvement. Challenges related to infrastructural development hinder access to local and international markets, hence reducing SMEs' competitive advantage. To improve SMEs' ability to compete with other firms, the government should support infrastructure development and collaborate with states to improve grass root infrastructure.

Additionally, according to Ojekunle (2019), Nigeria's corruption perception index (CPI) of 26 shows that the country is grappling with corruption. Ojekunle attributed the slow pace of infrastructural growth in Nigeria to this high CPI. Nigeria was ranked position 144 in terms of CPI in 2018, showing that this is a significant problem that the country should address. Other African countries such as Somalia and Kenya also indicated significantly high CPI, which also means they are also struggling with infrastructural development hence a key challenge to SMEs' development and expansion. The CPI of various African countries can be seen from the graph on the next page.

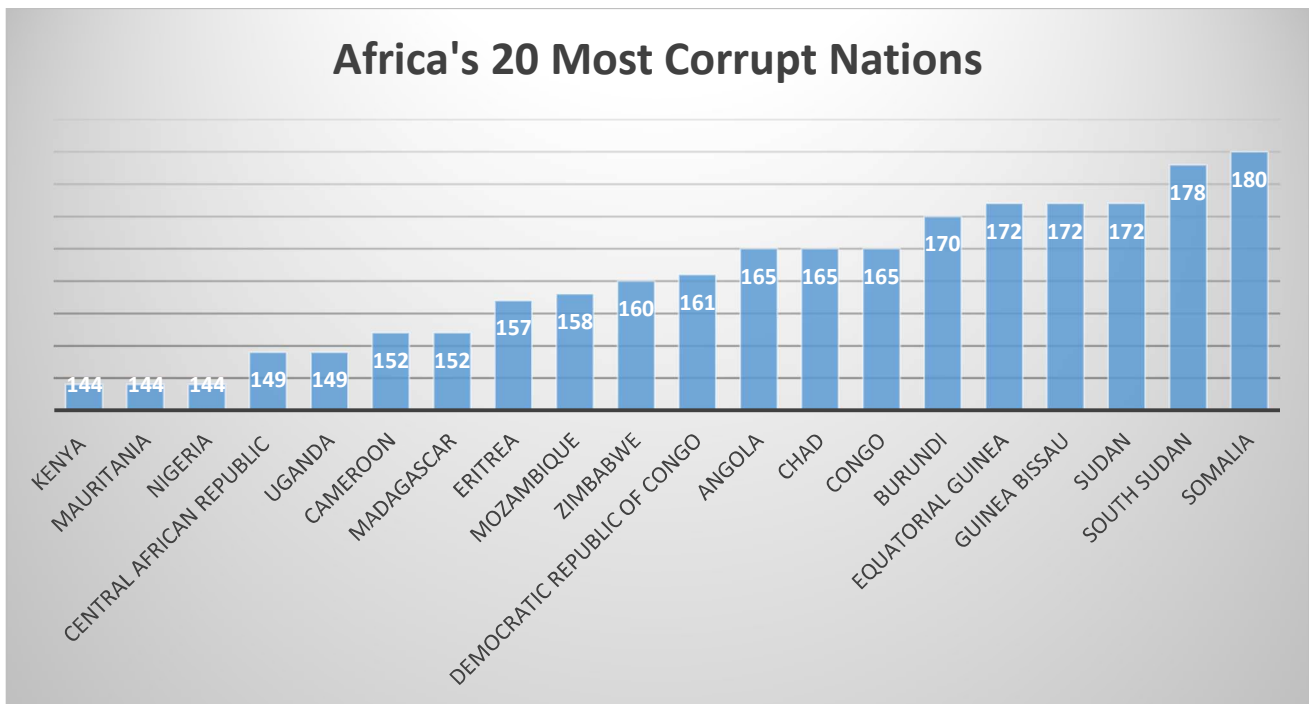


FIGURE 4. Africa's 20 most corrupt nations (Ojekunle 2019)

4.2.3 Unfavorable government policies

The government has also demonstrated little support to SMEs in terms of policy formulation to support their growth and development. Sitharam and Hoque (2016) indicated that the Nigerian government had shown little effort to implement effective fiscal policies to encourage SMEs growth, enabling them to outsource hence improve their performance and efficiency. Additionally, Nigerian SMEs also face challenges related to tariffs and tax measures that affect their growth. Thus, there is a general feeling among SMEs that the government does not support their expansion attempts. Delays in budget approvals and release of funding also affect their growth hence significantly hindering their contribution to the economy. Ojekunle (2019) also noted the need for favorable government policies to enable SMEs to expand into international markets.

Additionally, Somjai (2017) also indicated a need for the government to support SMEs' technological development. Technological support from the government can come in the form of technical training, the building of IT institutions to train entrepreneurs, and the donation of IT equipment to SMEs for use in their daily operations. Emezie (2017) also argued that such support would enable SMEs to expand into international markets through enhanced competitive advantage. SMEs' management should work

together with the government to ensure that policies related to the technological application are effectively developed and aligned to support SMEs' growth agenda.

5 RESEARCH METHOD

The current chapter indicates the steps which were undertaken to achieve the research objectives in the empirical part of the thesis. In the previous theoretical sections, existing secondary research on the topic of SME and outsourcing was reviewed to gain crucial insight into the key issues before conducting an empirical study. The strategy was crucial to enable the researcher to develop an appropriate and reliable questionnaire by including relevant questions. Goertzen (2017) indicates that documenting steps undertaken in research is crucial in improving research validity and reliability since it enables other researchers to replicate the study. In addition, Eti (2019) explains that providing a detailed methodology shows the context of a study, including research tools and data collection procedure which helps to show whether the data gathered was consistent with set objectives.

5.1 Research design

A quantitative research design was employed in data collection and analysis. Essentially, quantitative design entails the gathering of numerical data in which the emphasis is to measure the specific attributes of organizations or individuals. A key advantage of the quantitative design is that it saves them the time and effort required to conduct research (Eyisi 2016). Unlike the qualitative method that requires the researcher to extensively review all textual data and describe the main results, the quantitative method entails inputting data in a statistical analysis program such as SPSS for synthesis, saving resources and time. Besides, results from quantitative analysis can be generalized to related contexts. This contrasts with qualitative research, where responses are from a few participants and often narrowed to an individual's experiences. Quantitative research also allows the replicability of a study since the thesis follows clear steps in sampling and surveying participants (Apuke 2017). The researcher has less selection bias due to the many participants involved, which means that the results obtained are less affected by respondents' demographic characteristics, including religion, gender, and educational background. Moreover, quantitative research presents higher accuracy compared to qualitative methods because of a few variables in the data sets. In that respect, the method displays objectivity as the responses related to closed-ended information, ensuring consistency of the information gathered to the study subject. Additionally, the quantitative design was selected for the study because it is easier and faster to execute compared to qualitative or mixed methods. Quantitative survey questionnaires can be administered via automated digital platforms to thousands across the

world at the same time (Queirós, A., Faria, D. & Almeida, F. 2017). As such, it is cost-effective and less time-consuming. However, the method does not consider the reasons behind the opinions submitted, which makes it limited in terms of explanation.

5.2 Data collection methods

The data collection process began with the sampling of participants. A purposive sampling technique was used to recruit respondents to ensure that only those with knowledge of outsourcing are included. An advantage of purposive sampling is that considerable time is saved that could have been used for random selection of participants, then picking the relevant ones based on certain qualification features (Etikan, I., Musa, S. A. & Alkassim, R. S. 2016). In that regard, the participants sampled comprised of employees from SOL companies since they were familiar with outsourcing activities. The study sampled a total of 75 individuals, out of which all agreed to take part in the survey. Those who were willing to respond to the study were briefed on the study's research goals and roles in line with research ethical requirements.

For this study, the main data collection tools employed included questionnaires. The questionnaire consisted of two main parts, including demographic information of participants and assessment of participants regarding SMEs and outsourcing in Nigeria. In the assessment, a 5-point Likert scale was used to code the responses from strongly disagree to strongly agree. The assessment section consisted of 22 questions, of which 17 were closed-ended while the remaining five were open-ended. The questionnaires were administered to the participants through emails for convenience. Along with the questionnaire, an instruction sheet was sent on how to access the questionnaire online. Essentially, the questionnaire was part of the email but required a special QR-code to unlock. Emailing was selected as the means of distributing the survey questionnaires since it was readily available among the participants, cheap, and saved time of physical delivery. At the same time, it was the best and quick way for the participants to send in their feedback after filling up the questionnaires. Data collection for this study happened between 1 November 2020 10 November 2020. The participants were given one week to complete the questionnaire and return it for the evaluation of this study.

5.3 Validity and reliability

Reliability refers to the consistency of research measurements and is categorized into test-retest reliability, internal consistency, and inter-rater reliability (Mohajan 2017). Specifically, test-retest reliability defines the consistency existing across time, while inter-rater reliability is the consistency of measures across different researchers. On the other hand, internal consistency explains the reliability that exists across items. Essentially, internal consistency considers the similarity in responses given by people regarding an item or a group of items. Internal consistency assumes that the measures by items regarding a phenomenon are supposed to reflect the same trend such that the score of participants' responses should be closely linked to each other (Heale & Twycross 2015). For this study, internal consistency is considered by observing the nature of individual responses towards the impact of outsourcing in SMEs in Nigeria. To assess internal consistency, data must be collected and analyzed. In the present research, data will be collected from the sampled participants and internal reliability assessed using the split-half correlation approach of dividing the items into two as even and odd measurements.

Meanwhile, validity refers to the accuracy of research results in measuring the intended item (Taherdoost 2016). Validity tests are divided into three, including construct, content, and criterion validity. Concerning construct validity, the adherence of the results to existing knowledge or theory is assessed. On the other hand, content validity determines whether all the aspects of the concept measured are covered with the measurements, whereas criterion validity is to do with how close the results correspond to other valid results of the same topic. For this research, validity is tested construct basis in which the results are compared with the existing knowledge of outsourcing in SMEs. Outsourcing in SMEs has a wide history and theoretical background that projects the intended behavior in different economies. For instance, SMEs should observe growth with outsourcing.

5.4 Data analysis

The type of data collected in the present investigation is quantitative, which requires quantitative analysis. Essentially, quantitative analysis entails the transformation of the raw data collected from the respondents into meaningful bits through rational and critical thinking (Albers 2017). In that regard, there are several methods of analyzing quantitative data to derive sense from the set of numbers recorded. The methods include trend analysis, MaxDiff analysis, conjoint analysis, gap analysis, and

TURF analysis (Mertens et al. 2017). For this study, data analysis was performed using cross-tabulation and trend analysis. First, the results were represented in tables corresponding to the question stated in the questionnaires. Since the questions sent to the participants were similar, there was a possibility of establishing inferences between the sets of data. At the same time, tabulation provided an overview of the number of supports ascribed to a particular item score (Jung 2019). Based on the tables, statistical analysis was performed using software to determine the variance and standard deviation of each data-set.

The statistical analysis software utilized in the study was SPSS since it was readily available and provided a range of tools for data synthesis (Ong & Puteh 2017). The application of software in data analysis saves time that could have been used in the manual drawing of charts and performing tedious calculations (Ong & Puteh 2017). Moreover, the software allows the researcher to easily choose the most appropriate means of data described in terms of tables and diagrams. Concerning trend analysis, this study used the SPSS software to construct graphs of the tabulated data. From the graphical representation, the investigators were able to display the trend in responses about outsourcing in SMEs of Nigeria. Essentially, the tendency to agree and disagree with questionnaire statements was represented visually to have an overall understanding of the Nigerian perception about the aspect of small businesses outsourcing goods and services.

6 RESULTS

The current study was completed by conducting a survey using a questionnaire with a total of 22 statements. The respondents consisted of 75 SOL employees. Data collection happened between 1st November 2020 to 10 November 2020. The responses obtained were ranked on a scale of 1-5, where 1 is 'strongly disagree,' 2 is 'disagree,' 3 is 'neutral,' 4 is 'agree,' and 5 is 'strongly agree.' The current chapter will involve the presentation of the survey statements and answers. The presentation of the results was done in the form of tables, each representing the statement considered.

6.1 Demographic data

The first question involved establishing the gender of the participants. The participants' distribution based on gender, as observed from the data, is as presented in figure 6. The number of respondents was 75.

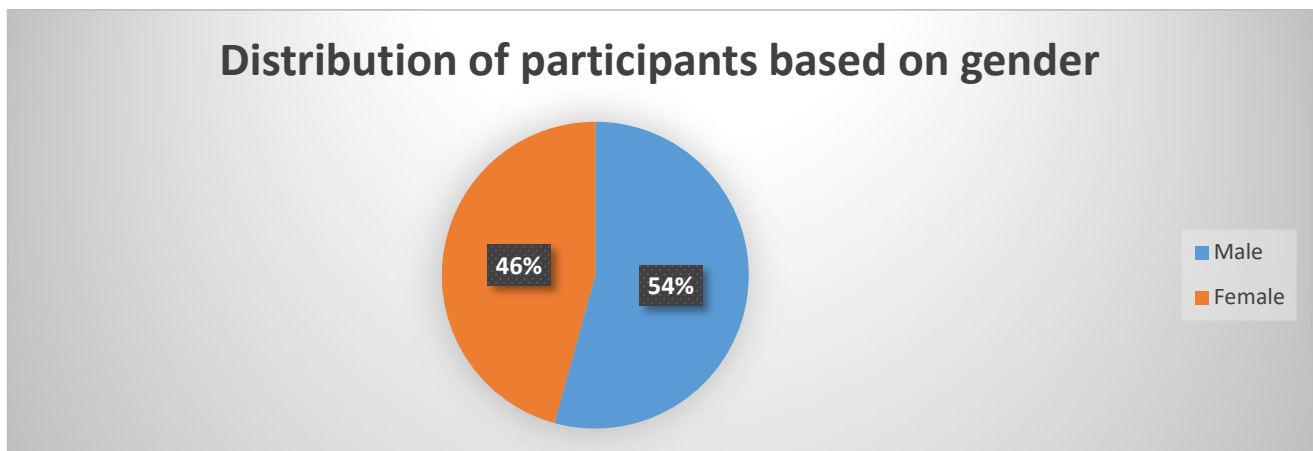


FIGURE 5. Distribution of participants based on gender

The largest group answering the survey based on gender was males. However, there was a small difference between the male and female participants, ensuring that the views obtained from the survey were not influenced by gender.

The second question aimed at establishing the age of the respondents. The distribution of participants based on age is presented in figure 6 below.

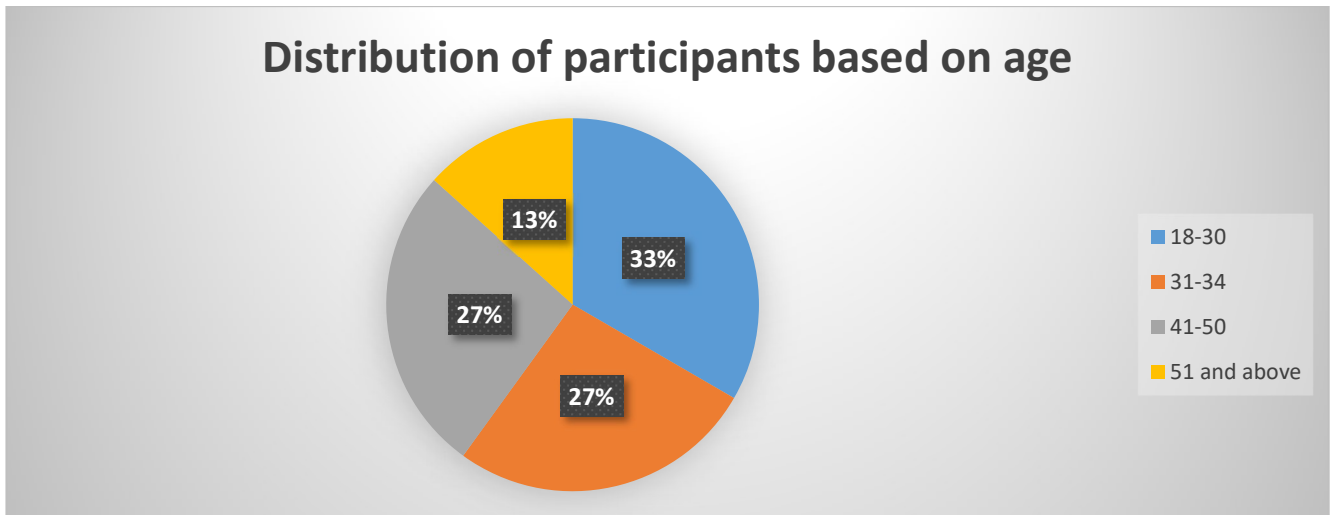


FIGURE 6. Participants' distribution based on age.

The largest group of respondents were noted to be between the ages of 18-30 years (33%). There was a small variation in age distribution.

The next question involved determining the nationality of the participants. The aim was to come up with an observation of the number of non-Nigeria citizens involved in the study. The distribution of participants based on nationality is as shown in figure 7.

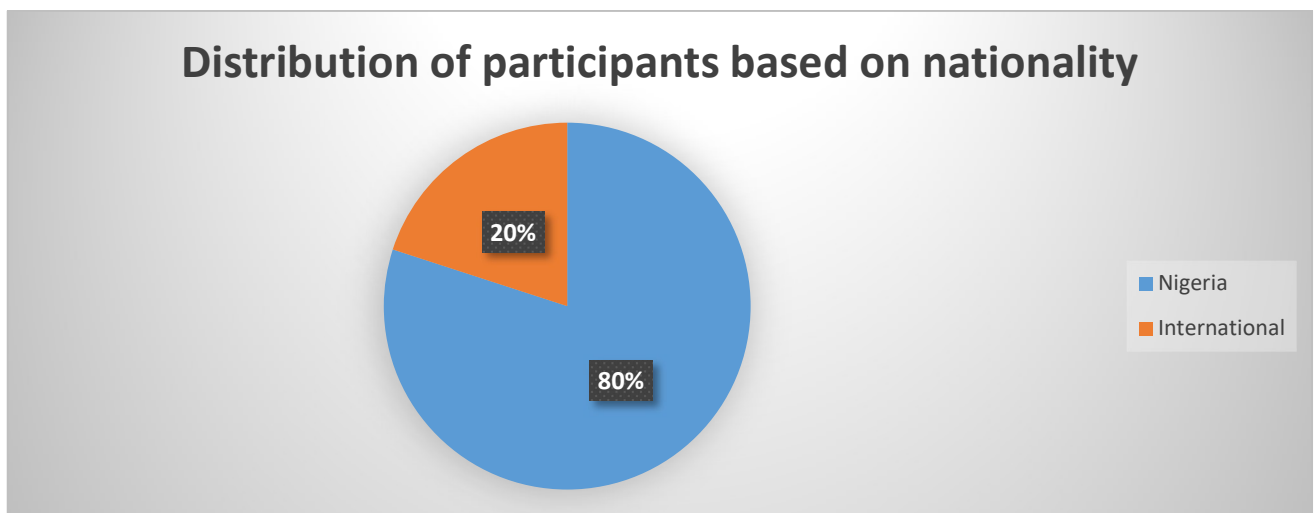


FIGURE 7: Distribution of participants based on nationality

From the results, most of the respondents (80%) were Nigerians while international citizens only made up 20%.

The next question sought to determine the participants' level of education. The aim was to observe if the participants had the relevant educational level to have relevant information on the study topic. The results obtained are shown in figure 8.

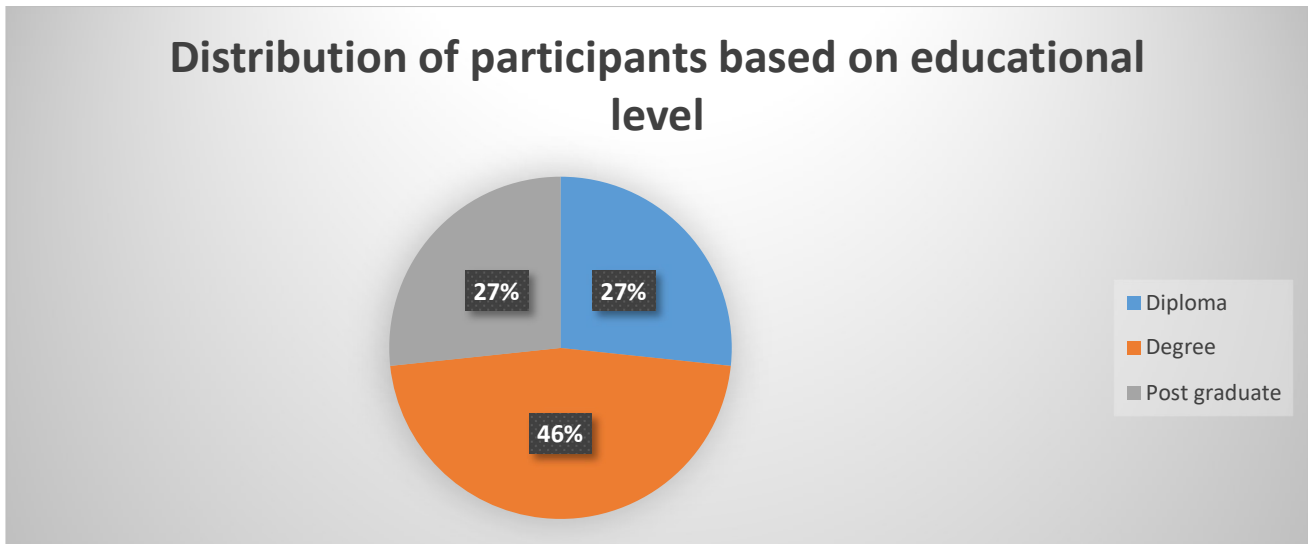


FIGURE 8. Distribution of participants based on educational level

From the results, it was observed that most respondents (46%) had a bachelor's degree, although the difference with respondents with a degree is not that large compared with the others. Thus, most of the participants had relevant knowledge of SMEs in Nigeria and outsourcing.

The next question sought to establish the level of education of the participants when joining the company. The aim was to come up with an observation of the greatest number of educational qualifications that SMEs and outsourcing vendors employ. The results are as represented in the figure on the following page.

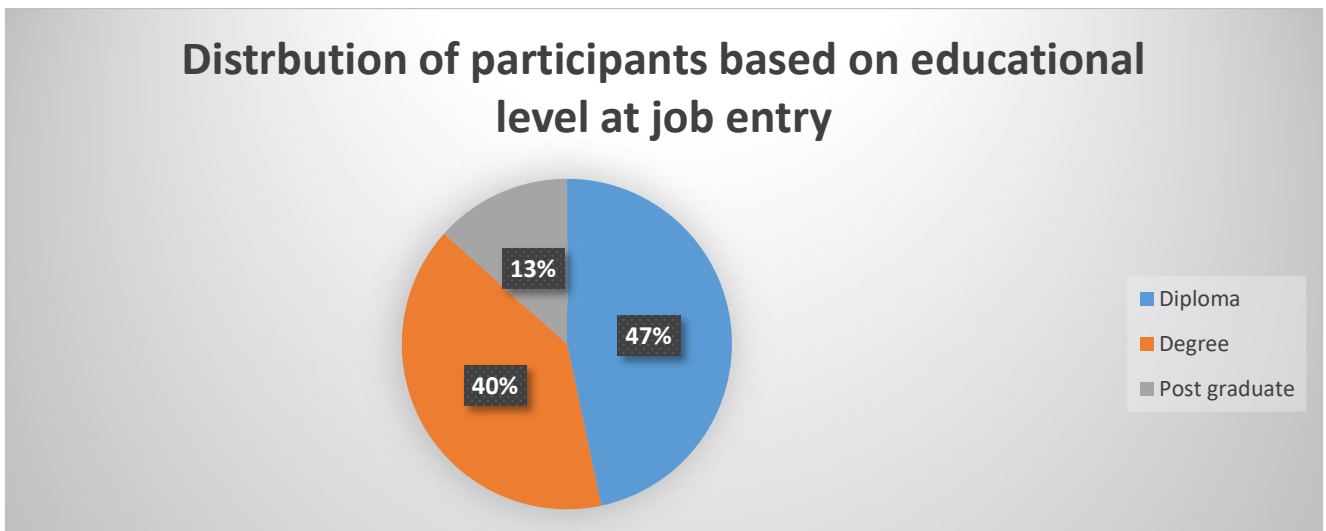


FIGURE 9. Distribution of participants based on the educational level at job entry

The results obtained indicated that most of the participants had a diploma when they entered the company. Thus, most SMEs and outsourcing vendors tend to employ diploma-level graduates. Besides, 40% of respondents entered the job with a bachelor's degree. Compared to the Diploma holder, this number is not ignorable at all.

6.2 Employment-related data of participants

The next question involved determining the position at which the participants entered the company. The aim was to observe entry-level positions for most employees of SMEs and outsourcing vendors. The results obtained are as indicated below.

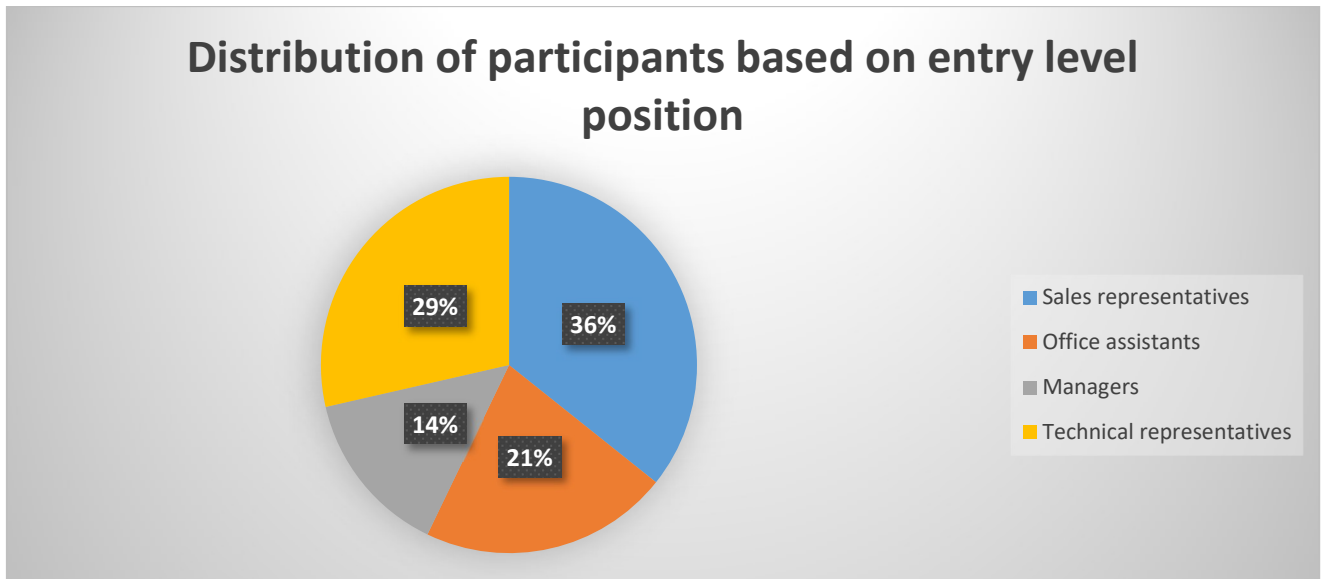


FIGURE 10. Distribution of participants based on an entry-level position

The figure shows that most participants enter SMEs and outsource vendor companies as sales representatives. Also, 21% of the participants entered as office assistants.

The next question was aimed at determining the duration in which the participants served at their entry position. The aim was to observe the rate at which individuals rise in SMEs. The results obtained are as represented below.

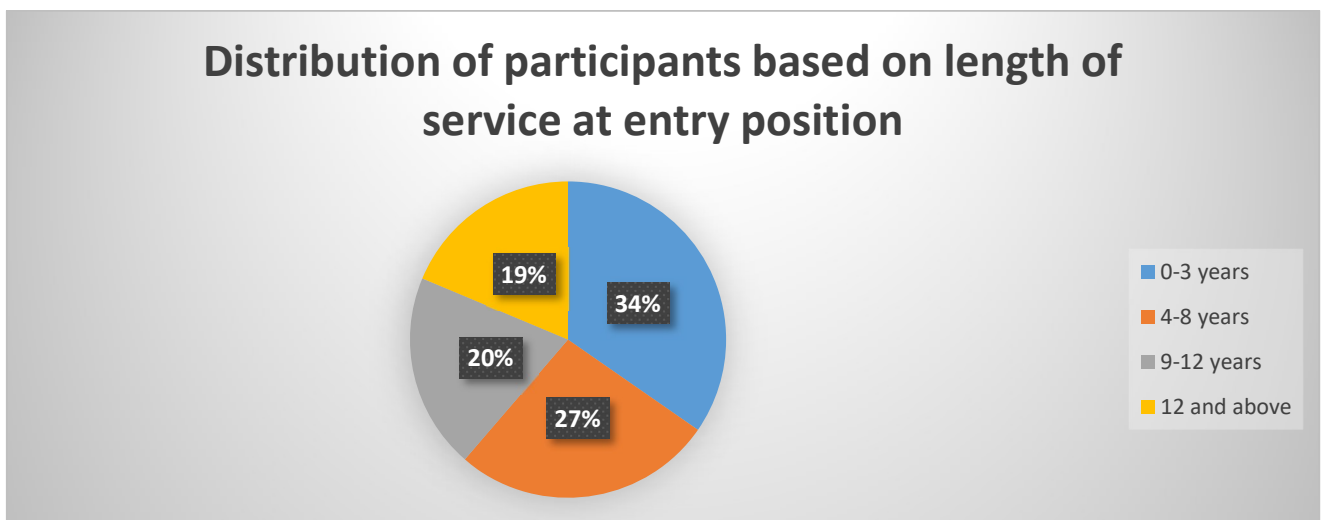


FIGURE 11: Distribution of participants based on length of service at entry position

From the figure, most of the respondents served at their entry-level position for a period of 0-3 years, which is not a big difference when compared with the 27% that served at the entry-level for 4-8 years. Hence, most SMEs accelerate career development at a faster rate.

The next question sought to determine the mode of employment for those employed in the companies. The aim was to observe if SMEs promote employment opportunities. The results obtained are as presented below.

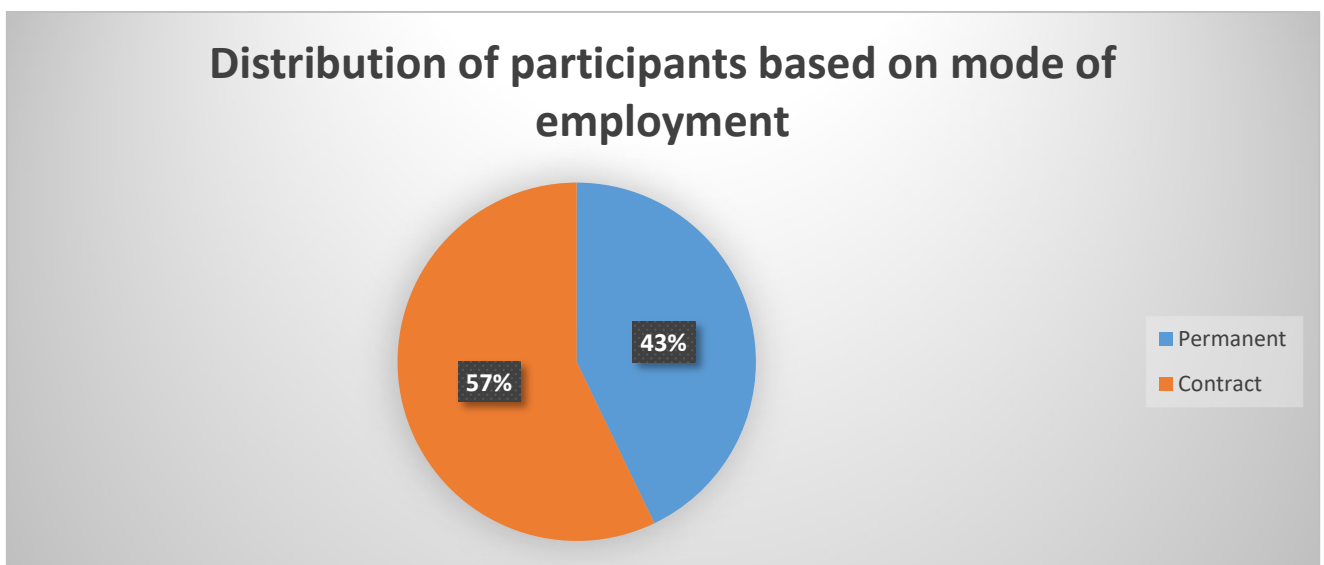


FIGURE 12. Distribution of participants based on the mode of employment

From the figure, it is observed that most of the companies employ individuals on a contract basis, as indicated by 57% of the respondents.

The next question sought to determine the nature of organization that the companies of the respondents served. The aim was to observe the distribution of most SMEs per industry. The results are as shown below.

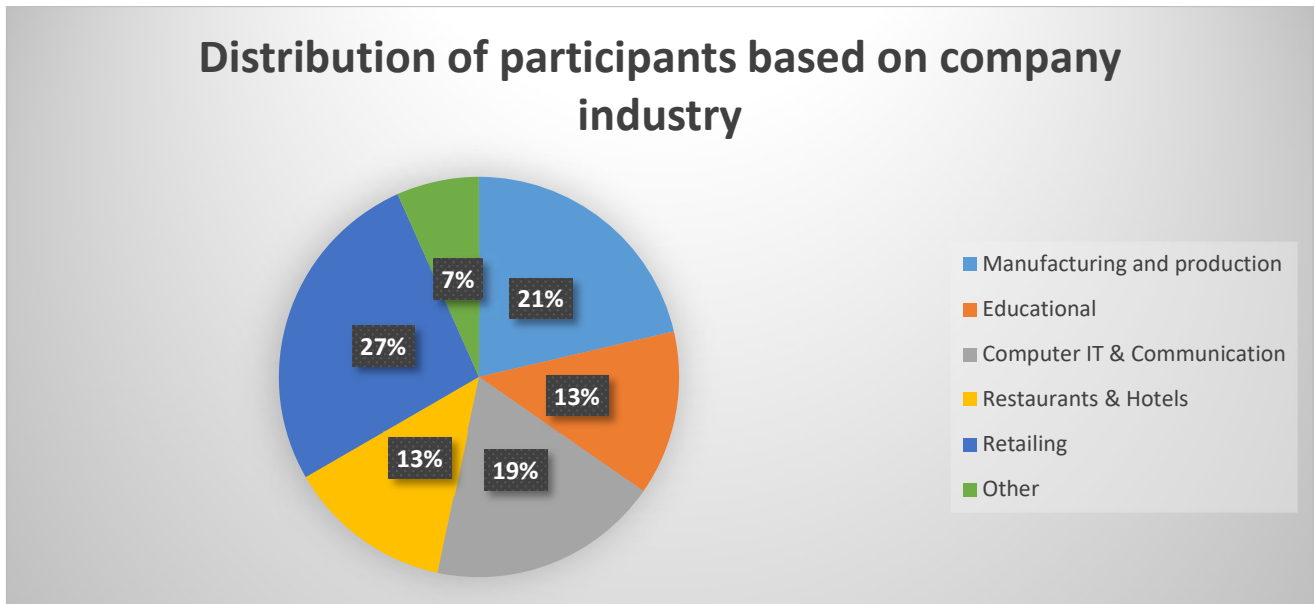


FIGURE 13. Distribution of participants based on company industry

From the figure, it was observed that most SMEs are concentrated in retailing, manufacturing and production, and computer and IT communication industries.

The next question was intended to observe the major product lines for various companies. The aim was to observe the various products that SMEs concentrate on. The results are as represented in the figure below.

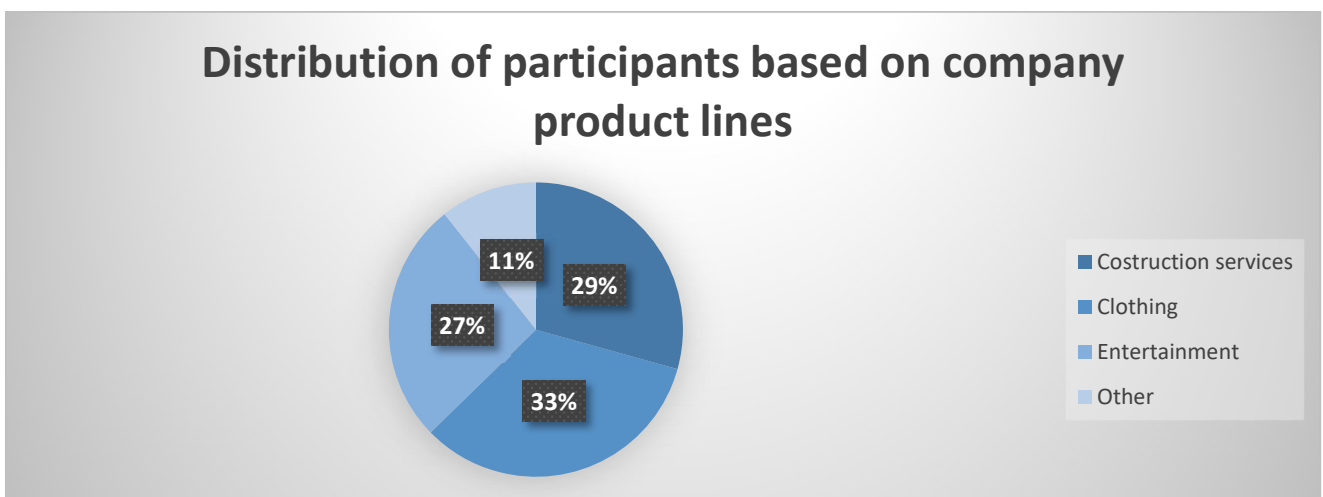


FIGURE 14: Distribution of participants based on company product lines

From the figure, it was observed that most participants (33%) belonged to companies dealing in clothing. 29% of the respondents confirmed that they belonged to companies dealing with the

construction services. And 27% of respondents informed that they belonged to companies dealing with entertainment industries.

6.3 Outsourcing primary activities

The first statement in a section aimed to come up with the challenges that SMEs face in their primary activities implementation. The results will help in gaining knowledge of the challenges that SMEs face. The results obtained were represented in figure 15 below.

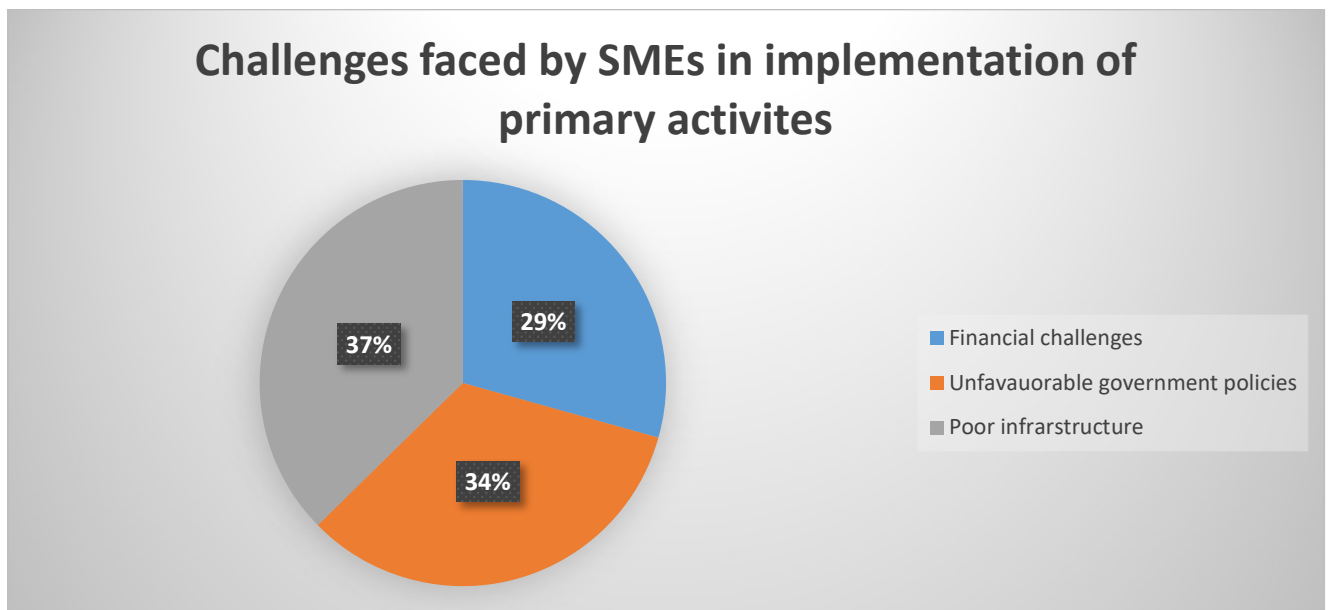


FIGURE 15. Challenges faced by SMEs in implementation of primary activities

From figure 15 the main challenges observed include financial challenges, unfavorable government policies, and poor infrastructure. Most of the respondents (37%) were of the view that poor infrastructure is the main challenge that SMEs face.

The next question aimed at coming up with an observation on the extent to which outsourcing influences the primary activities of SMEs. The results will help in establishing the extent to which outsourcing is advantageous to SMEs. The results obtained are as represented in figure 16 below.

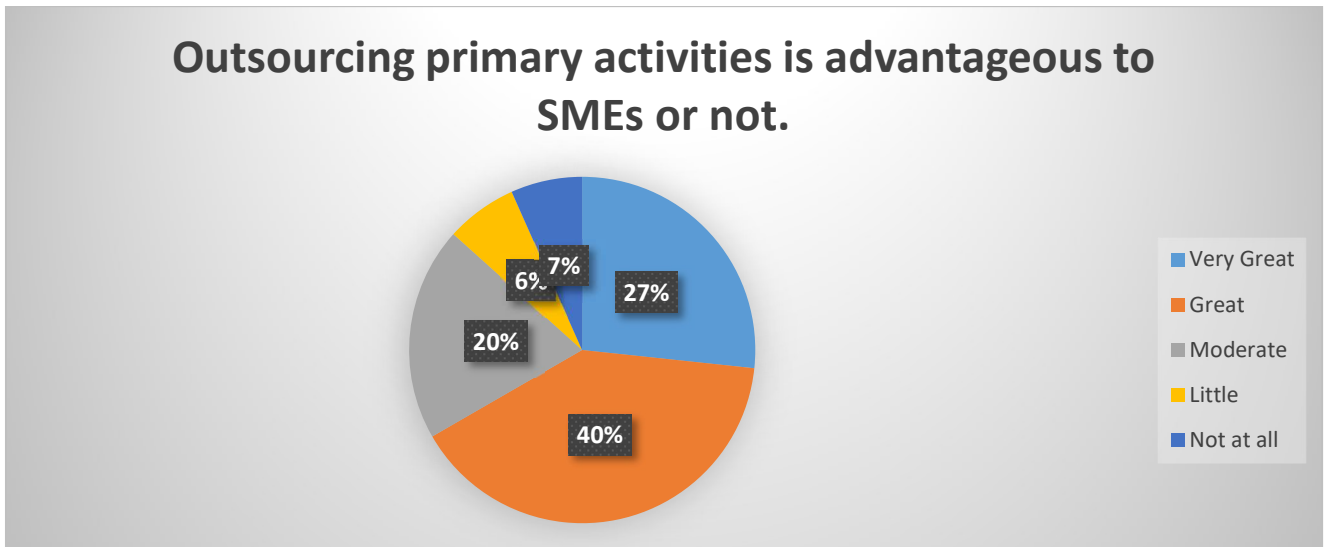


FIGURE 16. Extent to which outsourcing is advantageous to SMEs

As indicated in figure 16, the results obtained revealed that 40% of the respondents agreed that outsourcing of primary activities is advantageous to SMEs. 27% of respondents strongly agreed that outsourcing primary activities are advantageous to SMEs.

Question 14 contained statements detailing the extent to which the respondents agreed with the benefits of outsourcing by SMEs in various sectors. The aim was to observe the benefits of outsourcing to various SMEs in various sectors. The results obtained are as indicated below.

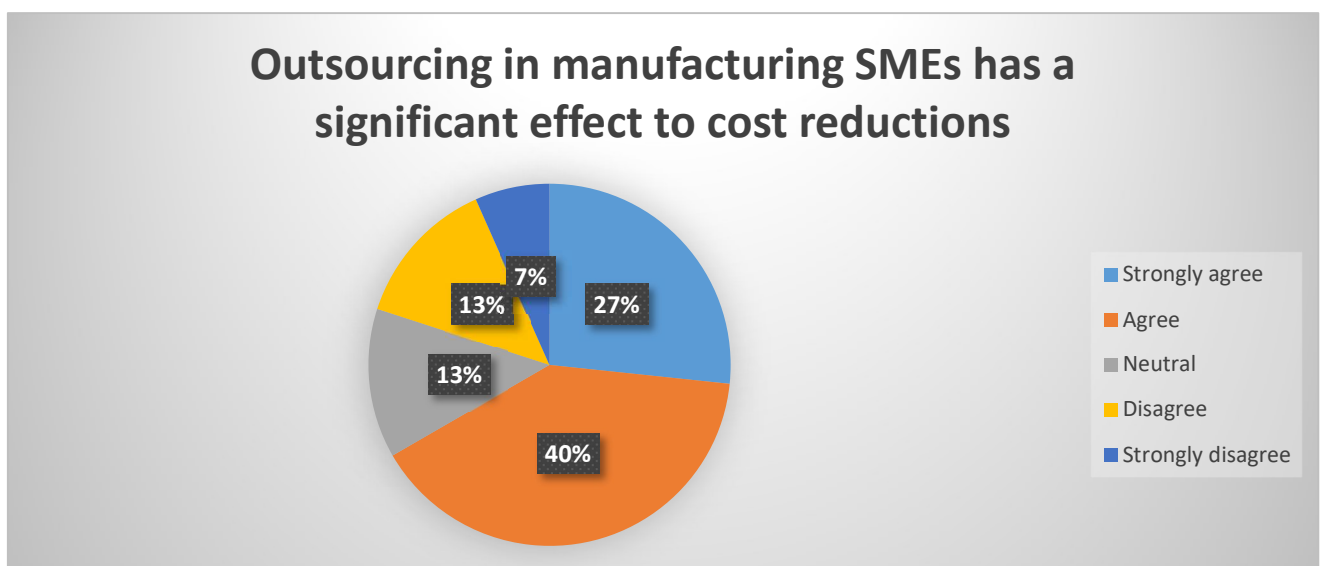


FIGURE 17. Outsourcing in manufacturing SMEs has a significant effect of cost reductions

The results indicate that most respondents (67%) agreed that outsourcing by SMEs results in significant cost reduction among manufacturing SMEs.

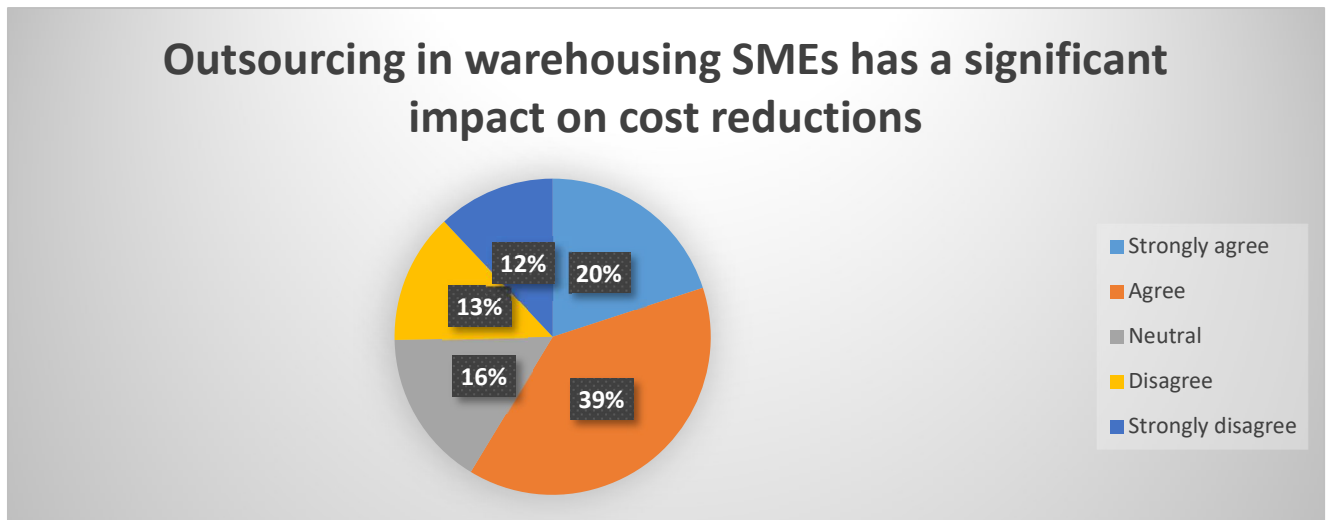


FIGURE 18. Outsourcing in warehousing SMEs has a significant impact on cost reductions

The results indicated that 20% of respondents strongly agreed with the statement that outsourcing in warehousing SMEs has a significant impact on cost reductions. 39% of respondents just agreed with the statement. On the other hand, 13% of respondents disagreed that outsourcing in warehousing SMEs has a significant impact on cost reductions.

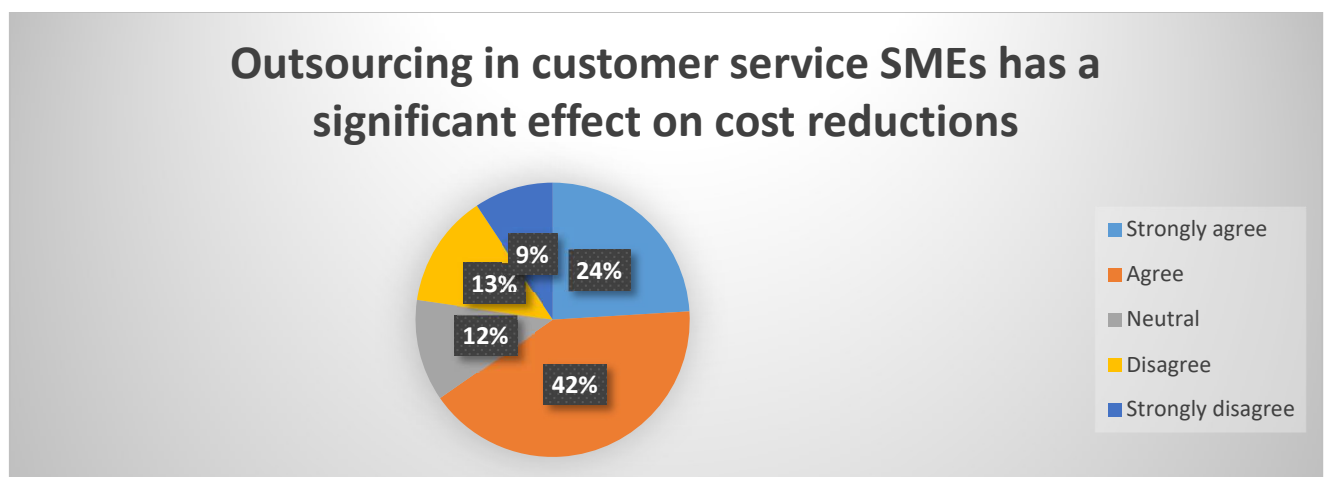


FIGURE 19. Outsourcing in customer service SMEs

The results indicated that 24% of the respondents strongly agreed, and 42% agreed that outsourcing in customer service SMEs has a significant effect on cost reductions.

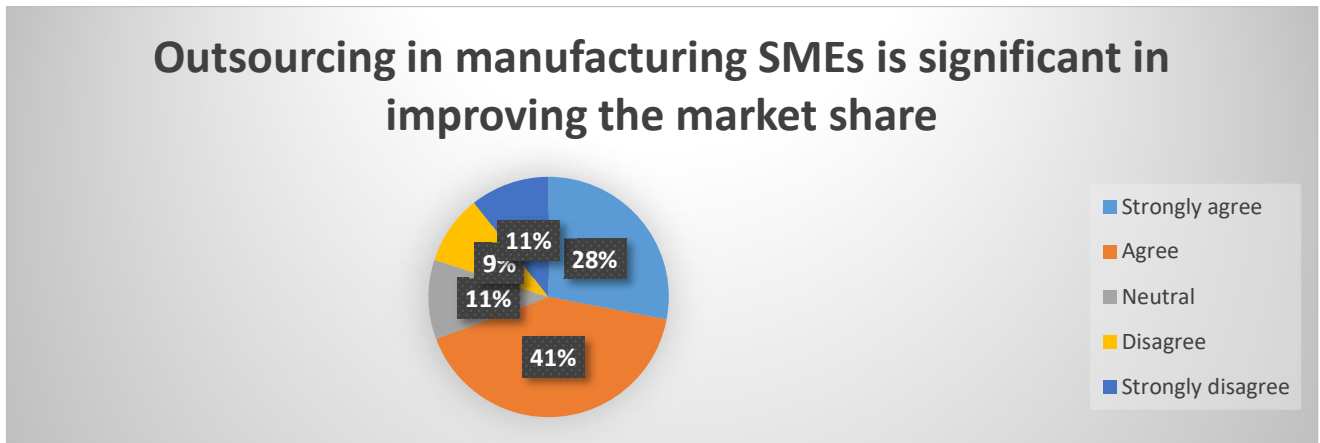


FIGURE 20. Outsourcing in manufacturing SMEs is significant in improving the market share

The results indicated that most respondents (69%) indicated that outsourcing in manufacturing SMEs is significant in improving the market share.

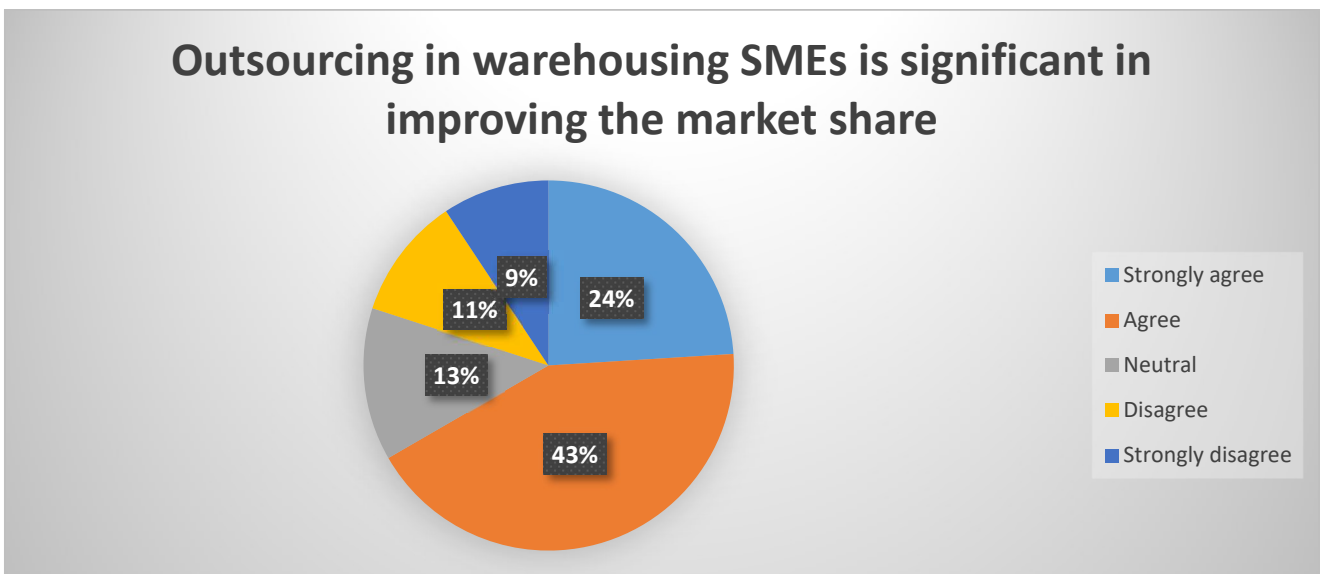


FIGURE 21. Outsourcing in warehousing SMEs is significant in improving the market share

The results indicated that most of the respondents (67%) agreed that outsourcing in warehousing SMEs is significant in improving the market share.

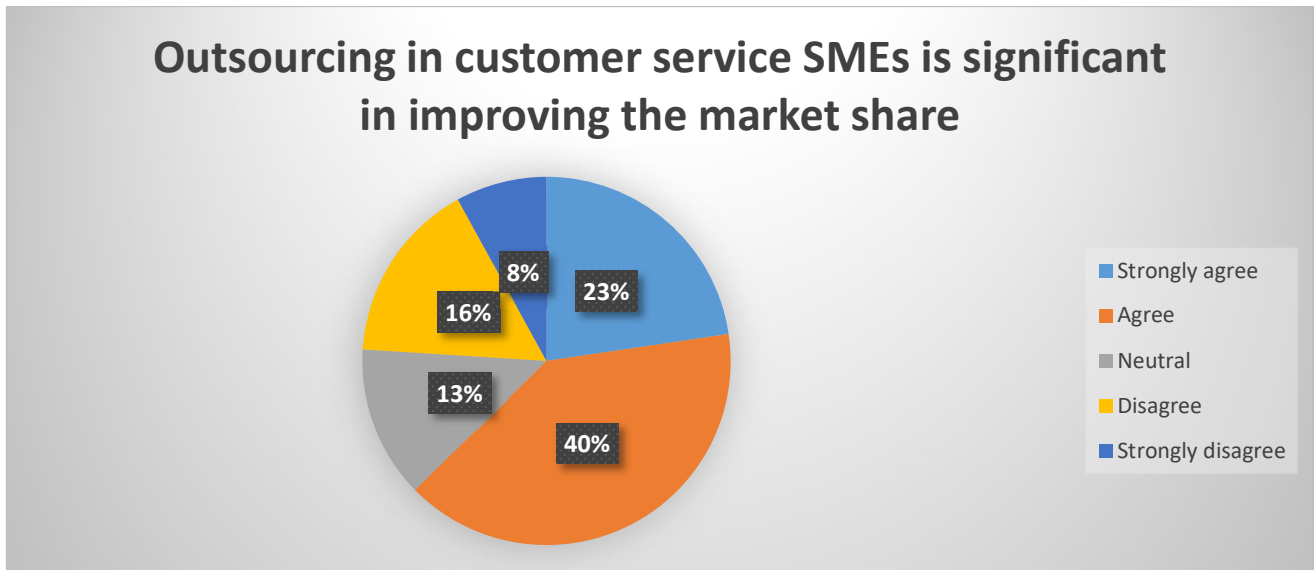


FIGURE 22. Outsourcing in customer service by SMEs is significant in improving the market share

The results indicated that majority of the respondents (63%) agreed that outsourcing in customer service SMEs is significant in improving the market share.

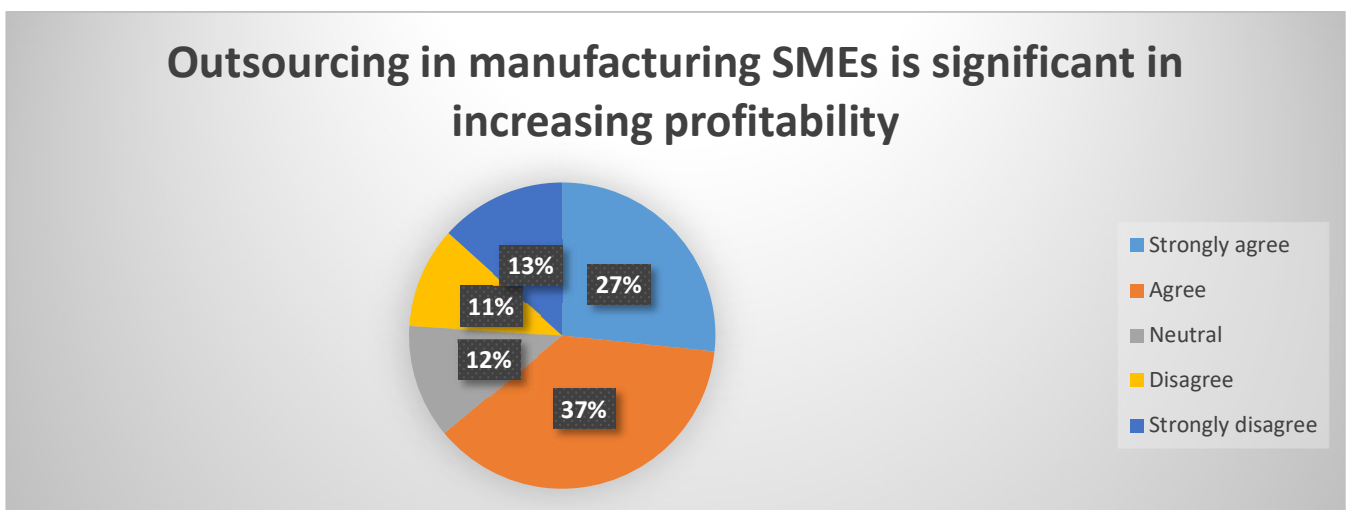


FIGURE 23. Outsourcing in manufacturing SMEs is significant in increasing profitability

From figure 23, most of the respondents (64%) believed outsourcing in manufacturing SMEs is significant in increasing profitability.

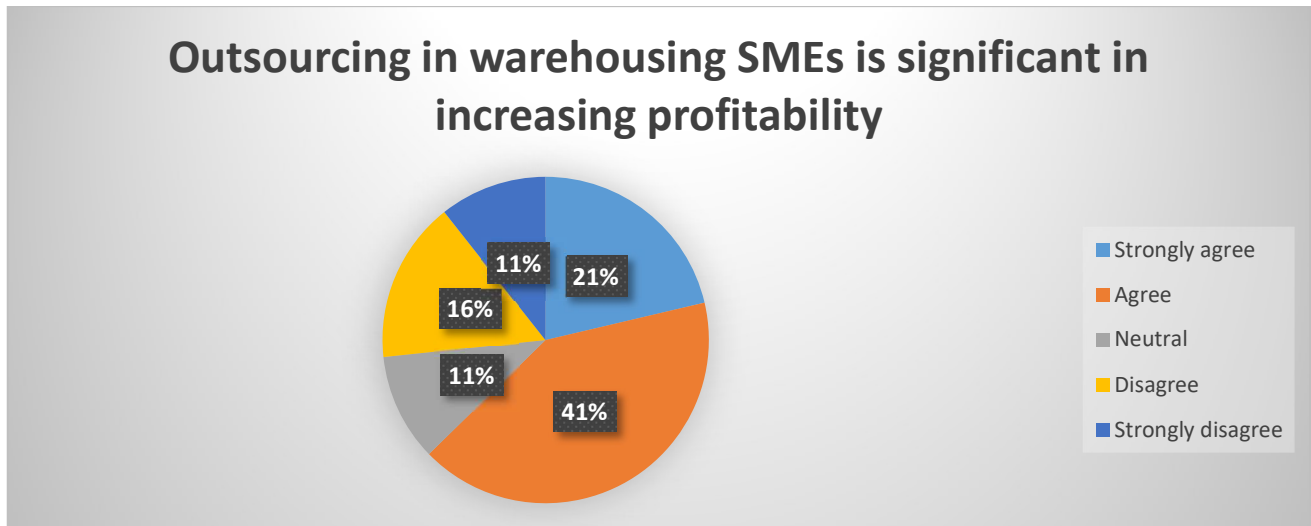


FIGURE 24. Outsourcing in warehousing SMEs is significant in increasing profitability

The results indicated that majority of the respondents (62%) agreed that outsourcing in warehousing SMEs is significant in increasing profitability.

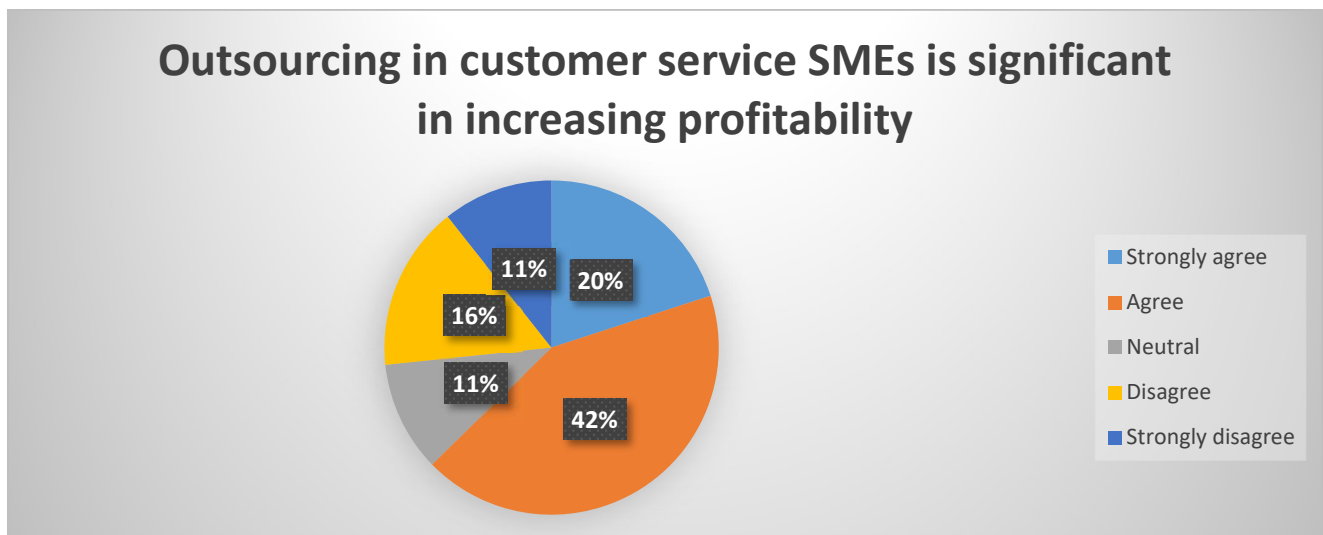


FIGURE 25. Outsourcing in customer service SMEs is significant in increasing profitability

The results indicated that most of the respondents (62%) agreed that outsourcing in customer service SMEs is significant in increasing profitability.

6.4 Outsourcing back-office activities

Question 15 aimed at determining the major challenges that SMEs face in implementing back-office activities. The results obtained are as follows.

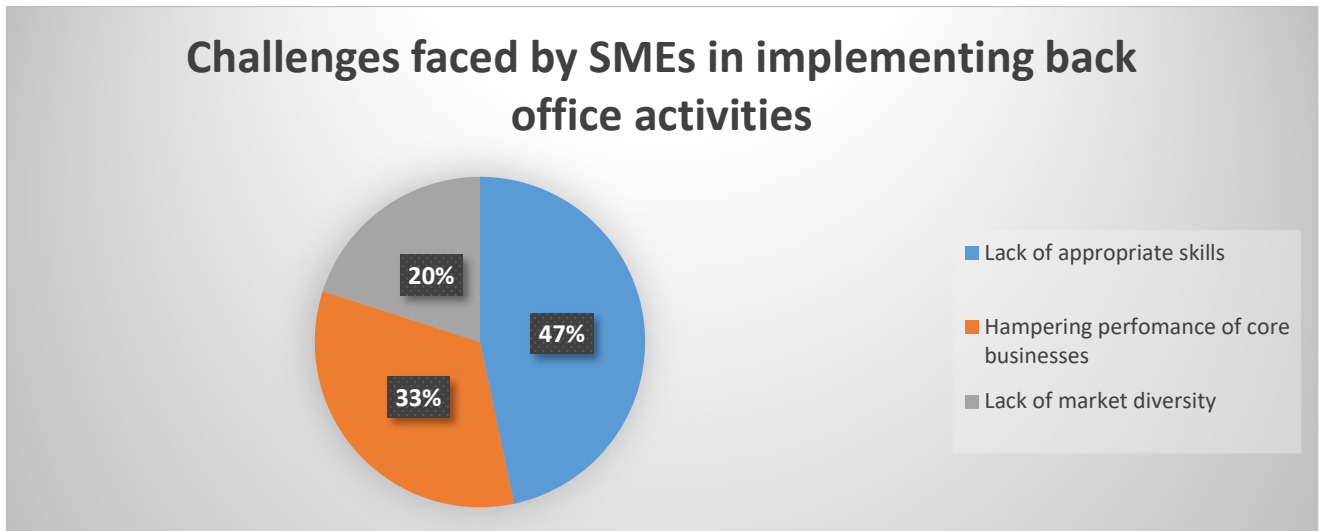


FIGURE 26. Challenges faced by SMEs in implementing back-office activities

The results show that 47% of SMEs face the challenge of the back-door activities hampering the performance of core businesses. 33% of SMEs faced challenges in the performance of core business.

Question 16 sought to determine the extent to which outsourcing of back-office activities by SMEs influences performance. The results obtained were as presented in figure 27 below.

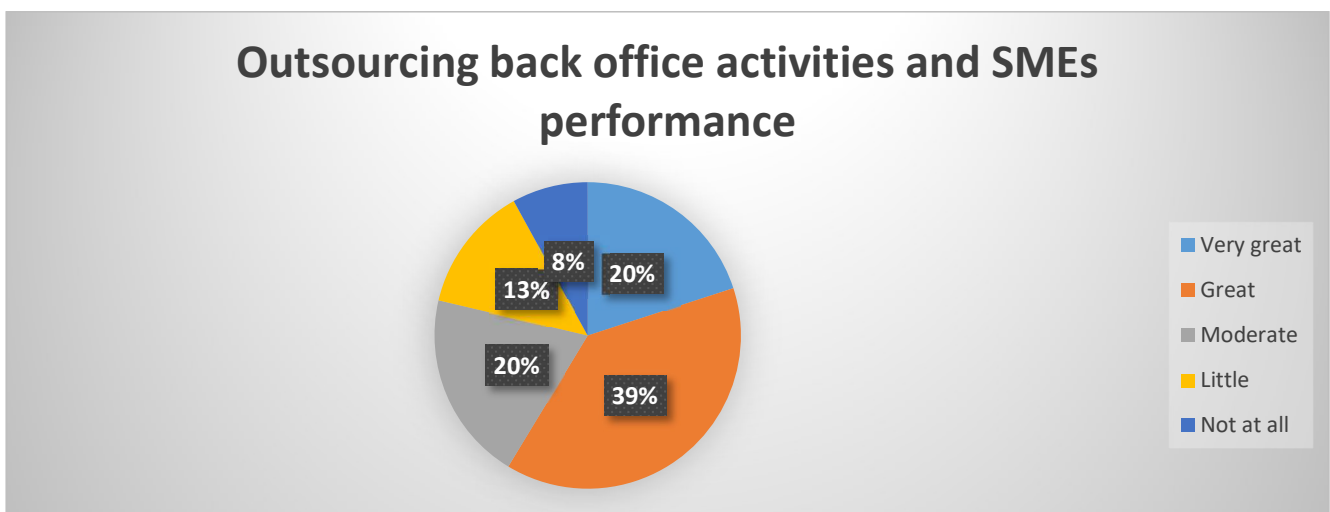


FIGURE 27. Outsourcing back-office activities and SMEs performance

The results indicated that 20% of the respondents strongly agreed, and 39% agreed that outsourcing back-office activities influence SMEs' performance.

The next question aimed at determining the advantages of various outsourcing services offered by SOL. The results are as indicated below.

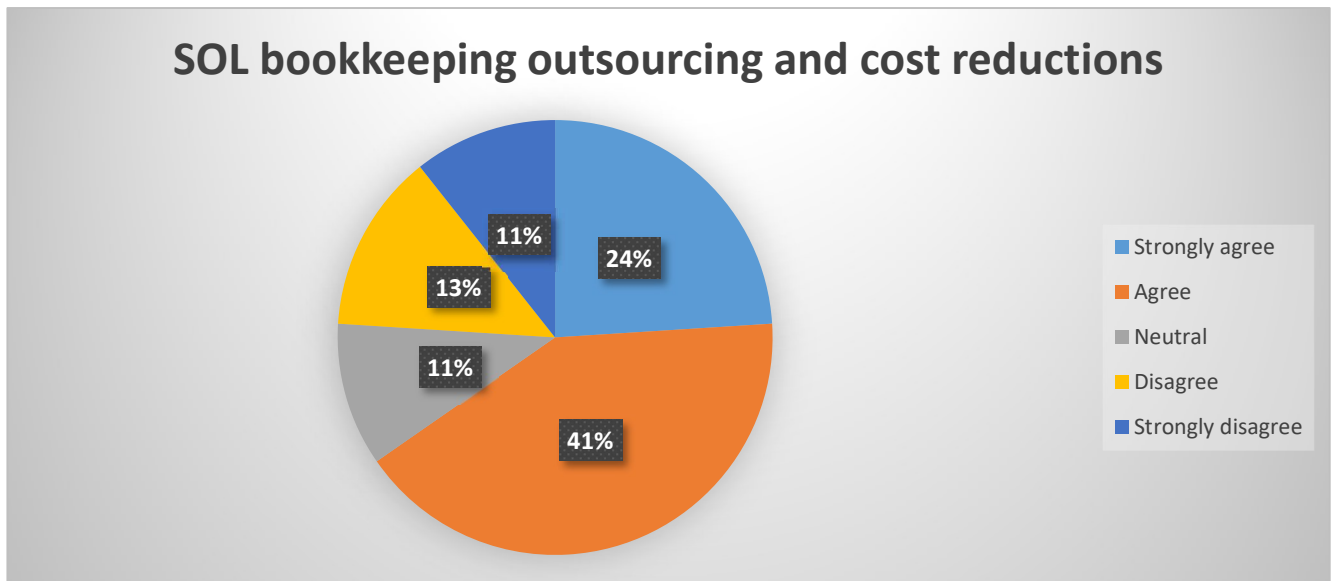


FIGURE 28. SOL bookkeeping outsourcing and cost reductions

The results indicated that 24% of the respondents strongly agreed, and 41% agreed that outsourcing bookkeeping services by SOL reduce costs.

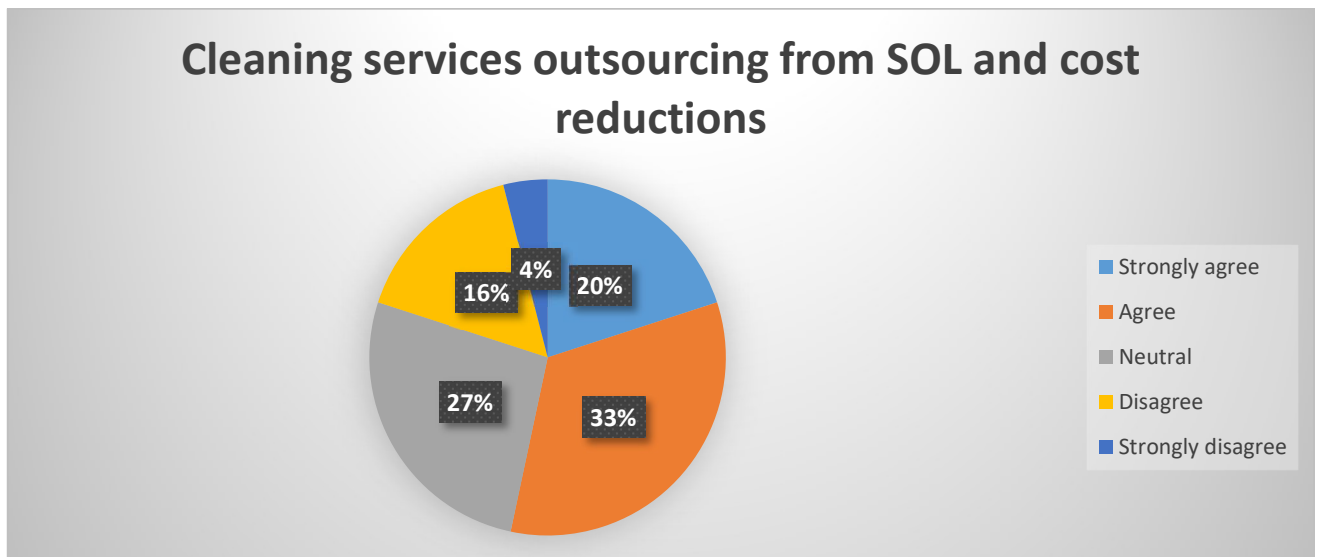


FIGURE 29. Cleaning services outsourcing and cost reductions

The results show that outsourcing cleaning services from SOL by SMEs significantly impact cost reduction. 20% of respondents strongly agreed with this statement. 33% of respondents only agreed

with the statement. On the other hand, 16% of respondents disagreed that cleaning services from SOL by SMEs significantly impact cost reduction.

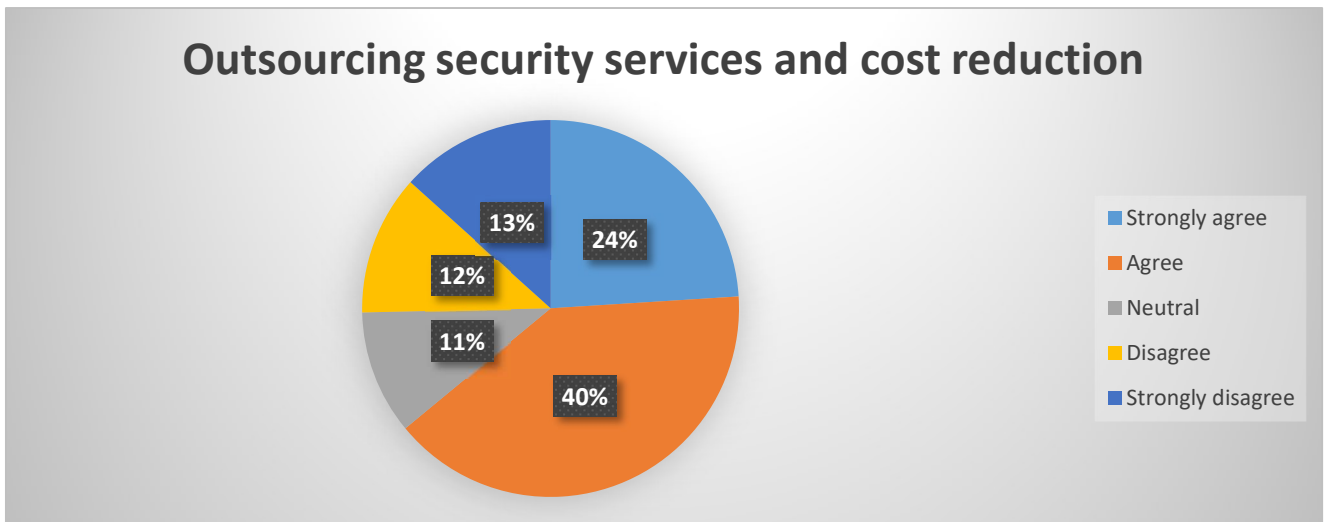


FIGURE 30. Outsourcing security services and cost reduction

The results showed that outsourcing of security services from SOL by SMEs significantly reduces costs, as shown by majority of the respondents (64%)

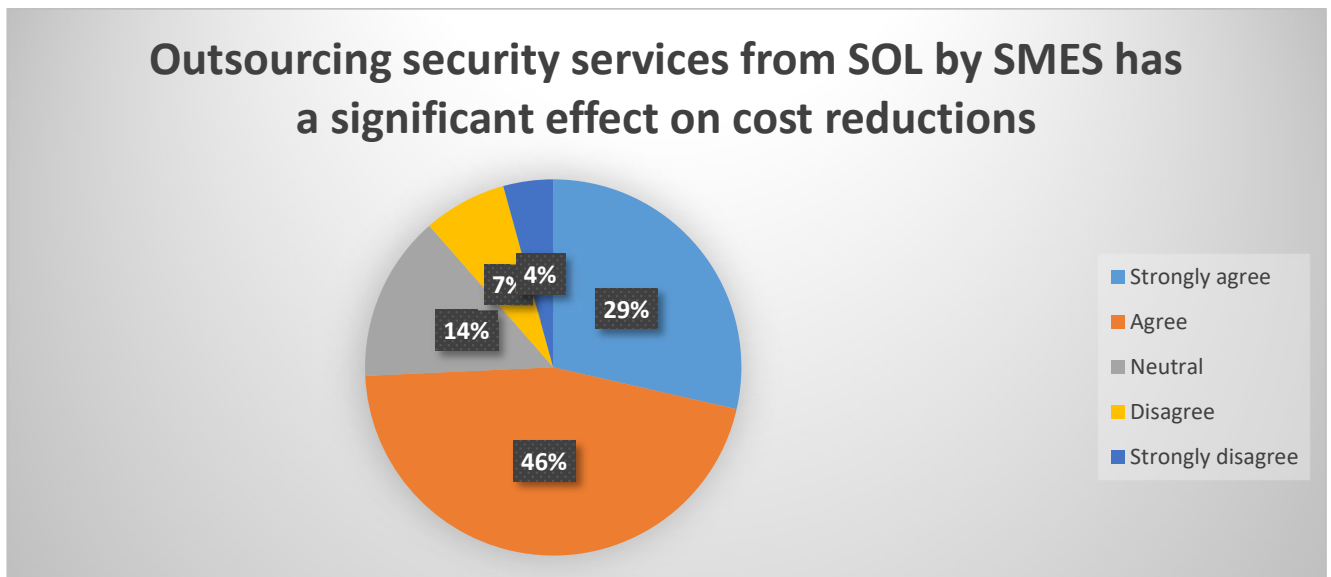


FIGURE 31. Outsourcing security services from SOL by SMEs

From the results, most respondents (75%) agreed that outsourcing has a significant effect on cost reductions.

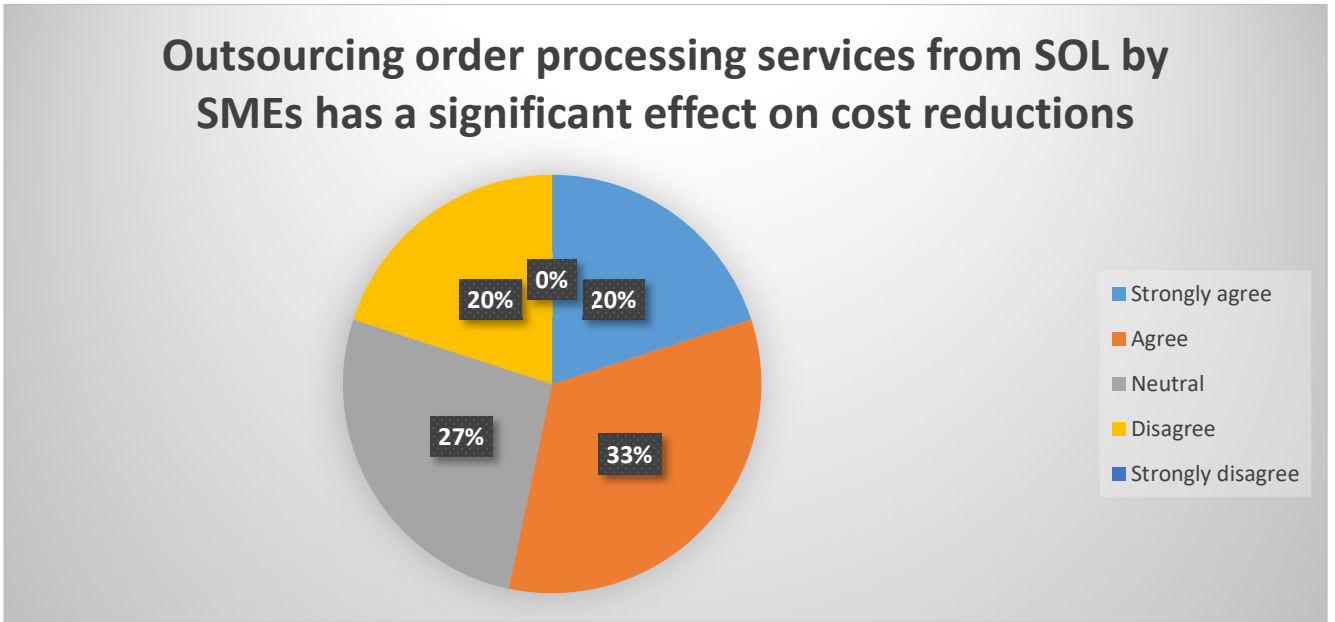


FIGURE 32. Outsourcing order processing services from SOL by SMEs

The results indicated that most respondents (53%) considered outsourcing order processing services from SOL by SMEs to significantly affect cost reductions.

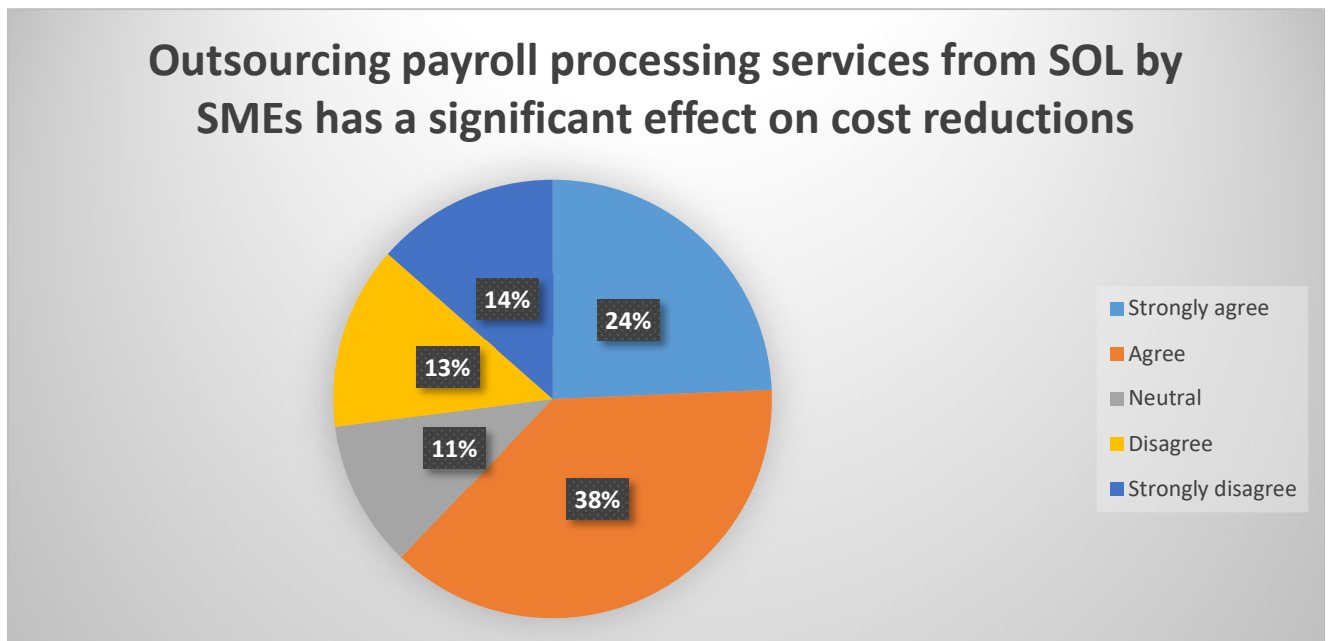


FIGURE 33. Outsourcing payroll processing services from SOL by SMEs

The results indicated that outsourcing payroll processing services from SOL by SMEs significantly affects cost reductions, as shown by 62% of the respondents.

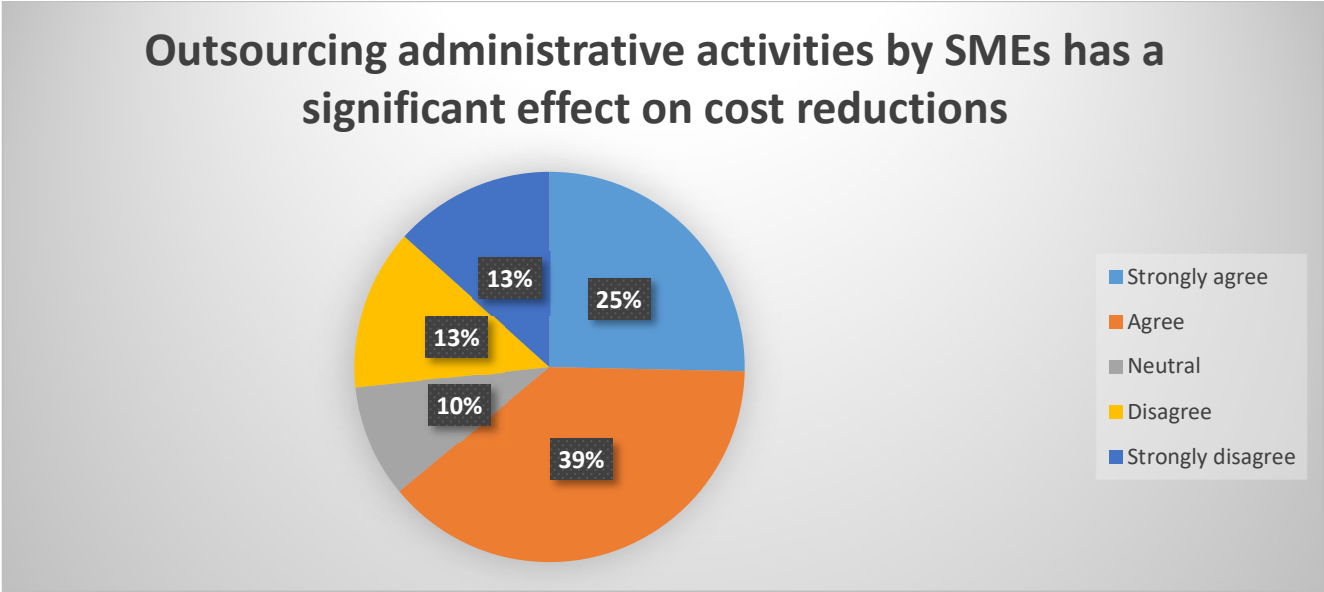


FIGURE 34. Outsourcing administrative activities by SMEs

The results indicated that majority of the respondents (64%) agreed that outsourcing has a significant effect on cost reductions.

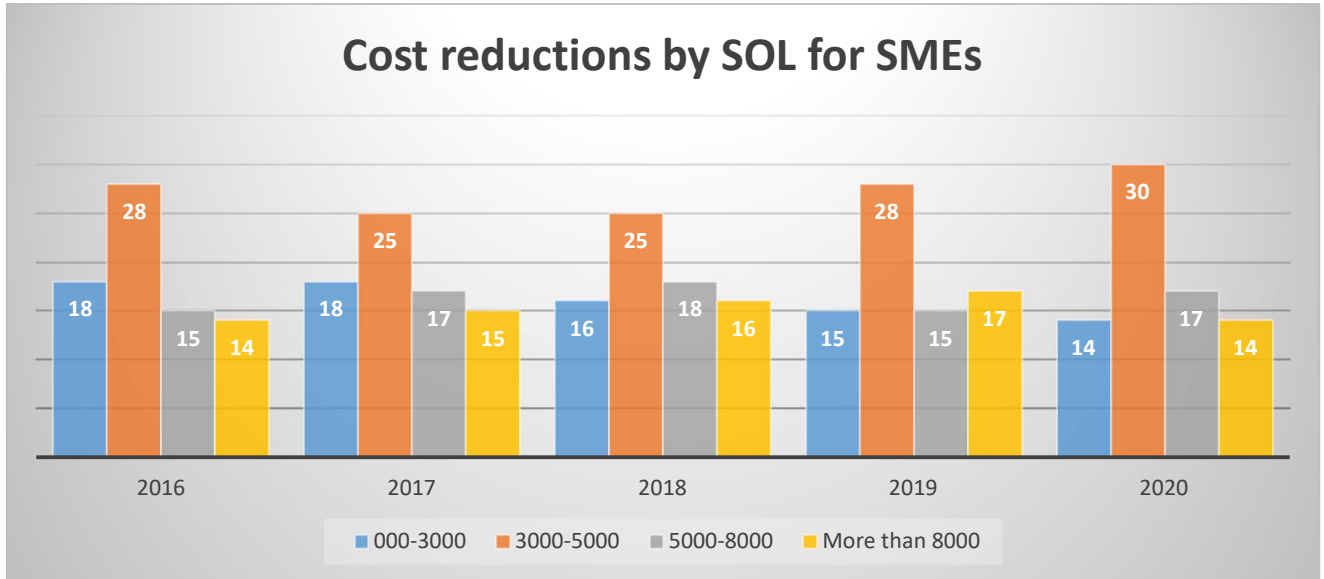


FIGURE 35. Cost reductions by SOL for SMEs over the years

The results indicate that most respondents believe that SOL has led to cost reductions of between \$ 3000-5000 for SMEs. As shown above, in 2016 and 2019 respectively with 37% of the respondents, while in 2017 and 2018 respectively 33% of the respondents, but in 2020 there was a bit increase with 40% respondents. On the other hand, 21% of respondents (on average) confirmed that SOL has led to cost reductions in the range of 5000- 8000 for SMEs.

Statement 19 sought to observe the market share improvement to SMEs as a result of outsourcing services to SOL. The results obtained are as below

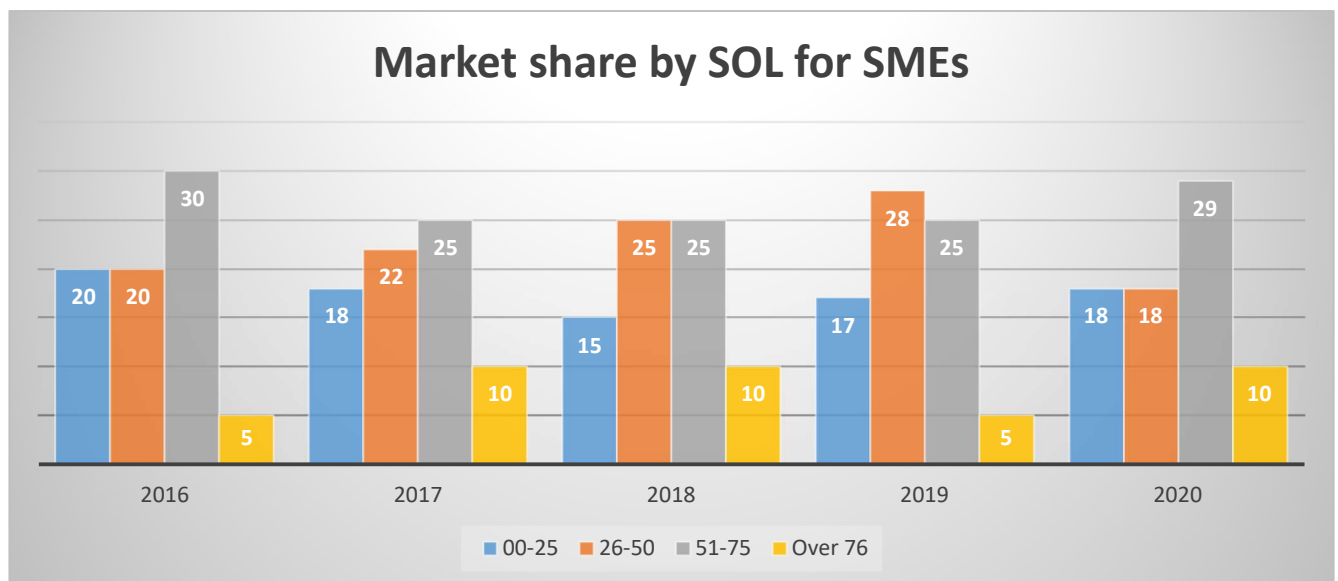


FIGURE 36. Market share by SOL for SMEs over the years

Among 75 respondents, most respondents (40% in 2016, 34% in 2017, 2018 and 2019) and 39% in 2020) confirmed that SOL's market share remained between 51-75%. In the case of the year 2019, most respondents commented that the market share remained between 26-50%. On the other hand, very few respondents (7% in 2016, 15% in 2017 and 2018, 7% in 2019, and 15% in 2020) commented that the market share went beyond 75%.

Statement 20 sought to observe if SOL has resulted in a significant increase in profits for SMEs over the last 5 years. The results are as indicated below.

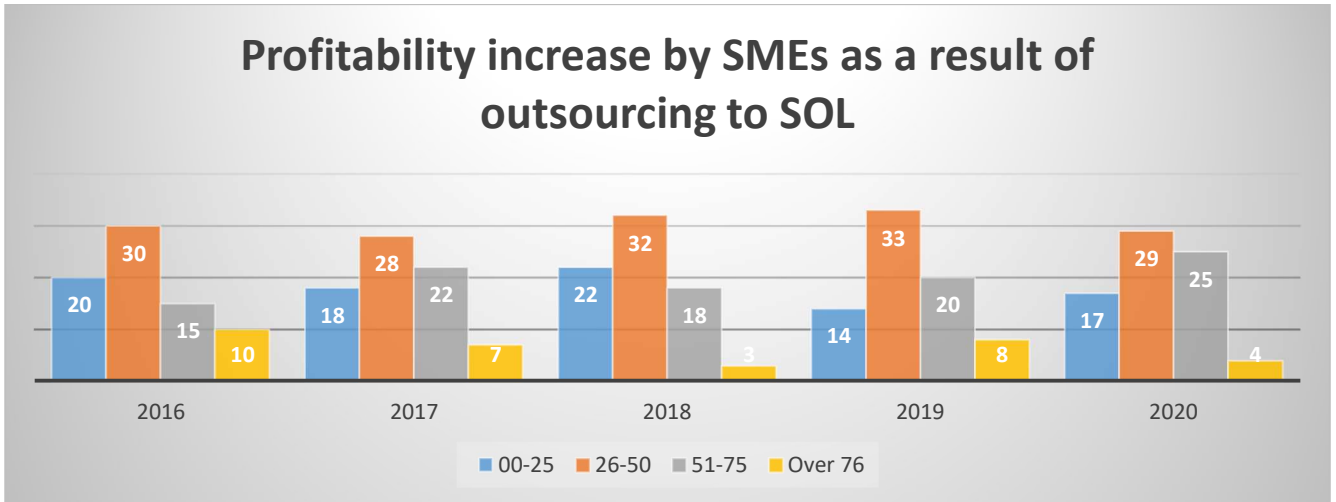


FIGURE 37. Profitability increase by SMEs because of outsourcing to SOL

The results indicate that most respondents are of the view that SOL has led to a profitability increase of between 26-50% for SMEs. For instance, 40% of respondents said that SMEs increased profitability in 2016 by 26-50%. 44% of respondents said that SMEs increased profitability in 2018 by 26-50%. 39% of respondents said that SMEs increased profitability in 2018 by 26-50%. On the other hand, very few respondents said that SMEs raised profitability by more than 75%. Besides, 34% of respondents confirmed that SMEs raised profitability, ranging between 51-75%, in 2020.

6.5 Outsourcing support services

Question 21 sought to observe the effectiveness of SOL to SMEs seeking their services. The results obtained are as indicated below.

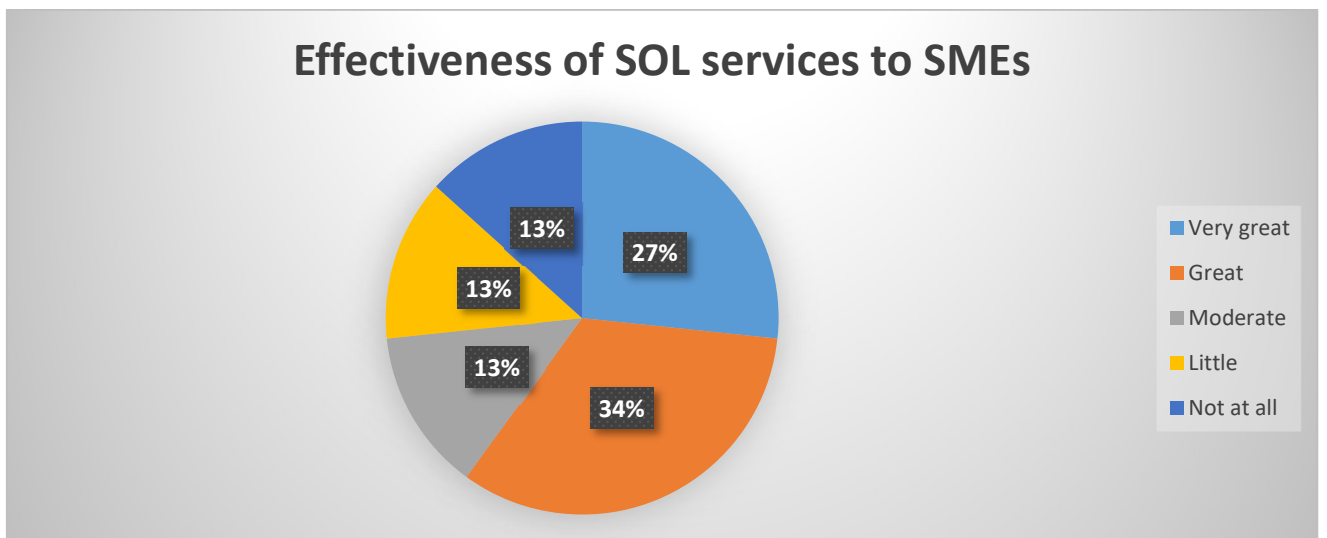


FIGURE 38. Effectiveness of SOL services to SMEs

The results indicated that most respondents (61%) agree that SOL has been effective to SMEs seeking their services to a great extent.

Question 22 was an open-ended question seeking to observe the departments that mostly seek to outsource to SOL. The results obtained include “payroll preparation departments,” “administrative activities”, “bookkeeping services,” and “security services” as the most outsourced to SOL.

6.6 Analysis of results

In the current chapter, the findings from the study are summarized. Further, the results that were unexpected or deviant, either positively or negatively, are also highlighted. The entire study will be looked at, and conclusions from the observations drawn and the study results are connected to the theoretical part of the thesis. The analysis will be critical in developing the trends from the various factors of outsourcing and SMEs. The analysis of the findings is as enumerated below to help gain an understanding of the trends observed.

An observation of the survey revealed general positive results on outsourcing by SMEs. However, there was considerable negative feedback from some of the respondents, which can be explained by their dissatisfaction with the outsourcing by SMEs in Nigeria. Additionally, the respondents were from the SMEs and outsourcing sector. The results also indicated a general view that outsourcing is a key strategy by SMEs in their daily operations. SOL's position in outsourcing and the benefits that trickle to SMEs is also clearly enumerated.

The first block of questions sought to obtain the demographic data of the respondents. Overall, females accounted for 46% of the total respondents while males accounted for 54% (FIGURE 5), thus indicating a negligible disparity in gender distribution. The participants' age distribution also indicated that the majority were between the ages of 18-30 years, as indicated in figure 7. The results on age are critical in ensuring that all the participants were of the majority age and to observe the age group that is mostly found in the SME sector. It is also important to ensure that age did not form a key role in influencing the results obtained by ensuring age does not form the bias of respondents' comments. Further, the participants' nationality was also investigated with the results revealing that most of the respondents (80%) were Nigerians while only 20% were international citizens. The participant's level of education was also indicated, with the results indicating that most of the participants (46%) were

bachelor's degree holders. The question was important in ensuring that the participants had relevant knowledge on the study topic. Similarly, participants' distribution based on the educational level was also investigated, with the results showing most of the respondents (47%) as having diploma level education. The question on participants' level of education was important in determining the greatest number of educational qualifications involved in the SME sector.

The participants' position of entry was also investigated, with the results showing that most people (36%) enter the SMEs employment sector as sales representatives. The question will be important in observing the level to which SMEs encourage career growth and progression. The question on the duration of service at the various positions will also crucially assist in career progression path in the SME sector. The results of the question showed that most people serve in their various positions for a period of between 0-3 years (34%). The mode of employment investigated also revealed that most people (57%) working in the SME sector work on a contract basis. The nature of the organization in which the various participants worked was also investigated. The question will be crucial in observing the distribution of SMEs in various sectors. The results revealed that most of the respondents were from SMEs in the retailing sector. The next question investigated the product lines of various SMEs. The results indicated that most SMEs deal in clothing. The observation is important in observing the products that most SMEs deal in.

The next section involved questions revolving around SMEs outsourcing of primary activities. The first question was intended to come up with the challenges faced by SMEs when implementing primary activities. When the respondents were asked about the challenges that SMEs face in implementing primary activities, many of them (34%) indicated unfavorable government policies as the main hurdle. The question will help in coming up with SMEs' deficiencies, thus establishing the need to outsource. The answer may be explained because SMEs have been observed to lack key policies to assist their operation (Akingunola 2011). The next statement concerned the extent to which outsourcing primary activities is advantageous to SMEs. The results obtained indicated that most of the respondents (40%) agree that outsourcing of primary activities is advantageous to SMEs to a great extent (FIGURE 16). The responses may be explained by the fact that most respondents considered outsourcing primary activities as a way of transferring them to individuals with more expertise, thus positively influencing performance.

The next question investigated if outsourcing in manufacturing SMEs significantly leads to cost reductions. From the observations, most of the respondents (67%) agreed with this statement (FIGURE

17). However, a significant percentage of 20% of the respondents also disagreed with this statement. This may be due to the respondents considering outsourcing as an extra expenditure which does not result in significant cost reductions. The reason could be due to the respondents' knowledge that outsourcing improves efficiency, which lowers production costs. Further, the next statement also sought to determine if outsourcing in warehousing SMEs significantly impacts cost reductions. Like the preceding statement, this statement also received most of the participants' positive responses at 59% (FIGURE 18). Those respondents who were neutral about the statement may be due to their inability to draw the line between the cost savings that result from outsourcing and the associated expenditure. Additionally, the next statement also sought to observe whether outsourcing in customer care service SMEs significantly affects cost reductions. The statement received a positive response from most of the respondents (66%). This may be explained by the fact that outsourcing vendors assist in customer management, thus reducing costs associated with customer dissatisfaction and product returns. Respondents who were negative about the statement may be explained from the fact they considered outsourcing as an extra cost on the expenditure by customers, thus resulting in a negative customer experience. Further, the respondents may have failed to associate the relationship between customer experience and outsourcing services offered by outsourcing vendors. The next question investigated if outsourcing in manufacturing SMEs significantly improves market share. The statement was aimed at observing the importance of outsourcing to manufacturing industries, thus resulting in no noticeable cost differences. The results indicated that most of the respondents (69%) agreed with this statement. The results can be explained by the fact that respondents consider outsourcing as a strategy to enter new markets, thus improving market share. The respondents who were neutral about the statement considered SMEs as mainly concerned with internal operations of SMEs as opposed to accessing new markets. The next statement investigated whether outsourcing in warehousing SMEs also improves market share. Like the preceding statement, the statement also received many positive responses (67%). The positive responses are due to market promotional services and market advice of outsourcing vendors, thus improving market share. The next statement investigated if outsourcing in customer service improves market share. The response rate was 63% positive responses. The results may be explained by the improved customer management, thus improving market share. Outsourcing also assists in the creation of products that are more customer-focused, thereby improving market share. However, outsourcing must be so strategically done that all the parties' interest is taken into consideration.

The statement on the importance of outsourcing in manufacturing SMEs in profitability improvement also received a 64% positive response. This may be explained by the fact that outsourcing improves

efficiency, which reduces operational costs hence increasing profitability. Additionally, outsourcing also increases market share, which in turn increases profitability (Giri & Sarker 2017). The market share increase is mostly due to improved delivery of services as well as improved customer engagement. Similar results were obtained for statements involving increased profitability due to outsourcing in customer service SMEs and warehousing SMEs.

The next section was on the outsourcing of back-office activities. The statements revolved around the improved efficiencies that outsourcing of back door services may create for SMEs. The first question sought to determine the challenges of SMEs in implementing back-office activities. The main challenges that were observed included lack of appropriate skills, hampering core businesses performance, and lack of market diversity at 47%, 33%, and 20% of the respondents, respectively (FIGURE 26).

The main reason for the observed response could be due to the insufficiency that most SMEs face in attempting to outsource back-office activities. Additionally, the respondents may have observed the skills gap that SMEs face hence reducing the efficiency of their services. SMEs may also have been seen to face significant difficulties due to poor infrastructure, which limits their ability to reach new markets or access the existing ones. Respondents who disagreed with the statement could have considered SMEs as entities that can operate with as little government interference as possible. Hence, the SMEs face little challenges concerned with attempts to reduce costs. The next statement postulated that the outsourcing of back-office activities improves SMEs' performance. The statement received a 59% positive response which may be due to the efficiency in performing back-office activities that outsourcing brings.

The specific benefits of outsourcing services by SOL were also investigated, with most of the respondents (65%) agreeing that SOL bookkeeping outsourcing results in significant cost reductions. The response may be explained by the fact that outsourcing improves performance efficiency, thus leading to significant reductions in production costs. Respondents who disagreed with the statements must have considered the outsourcing of bookkeeping services is risky and may result in extra costs for SMEs.

Similar observations were also made on outsourcing of cleaning services and security services by SOL which registered majority positive responses at 65% and 53%, respectively (FIGURE 29 and 30). The explanation of the results follows a similar format as those of outsourcing back-office activities by

SMEs. Generally, outsourcing the services will reduce the burden on SMEs, thus improving their ability to offer better services in core activities. The respondents may have also observed the efficiency with which SOL handles the outsourced activities, thus influencing their decision on the response. Outsourcing order processing to SOL by SMEs was also observed to reduce costs, which may be due to the faster rate at which the company processes orders, thereby reducing delays, reducing time costs.

Those who did not consider outsourcing of order processing services maybe because the respondents do not consider SOL as a market leader in order processing. The results are represented by a 53% positive response rate. The next statement also sought to observe if payroll processing services outsourcing to SOL significantly affect cost reduction. The results indicated a 62% positive response (FIGURE 33). The reason for this may be due to the errors that are eliminated by SOL which improves the accuracy and reduces the cost of payroll preparation. Those who were neutral about the improved effectiveness due to payroll processing outsourcing may be due to the extra costs that the services cost. Payroll outsourcing also ensures that all the employees of SMEs are duly registered for various statutory deductions, thus reducing operational inefficiencies.

The next statement also sought to investigate whether administrative activities outsourcing assists in cost reductions. The statement received a positive response from most of the respondents (64%), as indicated in figure 34. The finding may be explained by the fact that administrative activities outsourcing enhances operational efficiency by aligning all operations to the goals of the company. The strategic position of HR is also developed, thus enhancing human resource management (Reichel & Lazarova 2013).

The next statement sought to observe the number of cost reductions that SOL has made for SMEs seeking its services over the last 5 years. The observations made indicated that SOL has continually made cost savings of between \$3000-5000 over the years (FIGURE 35). The cost reductions originate from the efficiencies arising from operational improvements and management efficiency. Generally, SOL was observed to have resulted in considerable cost reductions to SMEs. Further, the study also asked the respondents what, in their opinion, was the market share by SOL over the last five years. The results indicated that most respondents think that SOL has a market share of between 51-75% over the period (FIGURE 36). Question 20 sought to determine the amount of profits that SOL has increased for SMEs over the last 5 years. The results indicated that most SMEs have resulted in a profitability increase of between 26-50%. The observation can be explained by the fact that SOL has improved the

efficiency of services that SMEs offer. Additionally, the results may also indicate that SOL has concentrated on improving market share for SMEs, thus improving the profitability of SMEs. The next set of questions sought to investigate the outsourcing of support services by SOL. The results indicated that most of the respondents (61%) are of the view that SOL has been effective in SMEs in the delivery of outsourced services (FIGURE 38). The results may be explained from the view that SOL has been effective in delivering SMEs' profitability, hence helping in improving the efficiency of SMEs' operations. The respondents who disagreed with the statement may have considered SOL as being limited in the amount of support that it delivers to SMEs. Further, the respondents may have also considered outsourcing to SOL as an extra expense to SMEs, which only results in a cost increase. Further, the contribution of SMEs to the effective operation of SMEs can also be due to the skills transfer that is made possible due to outsourcing. The neutral respondents may be explained from the view that they were not sure whether SMEs result in extra expenditure as they also save costs; hence, they could not establish a clear-cut difference. Question 22 sought to find out the various departments that are always outsourced by SMEs. The results indicated that SMEs mostly outsource administrative activities, bookkeeping services, and security services. The results may be explained by the fact that most SMEs outsource mostly the back-office activities to enable them to concentrate on their core businesses. Additionally, SMEs also outsource those services for which they may not have the appropriate expertise for their performance. Hence, the results were a testament that SMEs tend to improve their effectiveness by outsourcing back-office activities.

Generally, the results reveal that SMEs generally outsource to improve the efficiency of their service delivery. The SMEs can also significantly reduce the costs of operations as they improve the efficiency of operations. The results also indicate that SMEs lack the appropriate skills necessary to perform all the activities hence the need to transfer some of the activities to experts in the specific area. SMEs are only able to realize the full benefits of outsourcing if they can strategically consider outsourcing options. Strategic outsourcing engagement assists in selecting the most suitable vendors for the activities and reduces the possibilities of failure. All the stakeholders in the outsourcing decision should also be involved so that the decisions are amicably agreed on by all the parties. Various SMEs should make a consideration of their key activities in determining the services that should be outsourced.

7 DISCUSSION & SUGGESTION TO COMMISSIONER

In this section, the key findings obtained from data analysis are discussed. According to Etikan et al. (2016), a discussion of results should be done to explain the underlying patterns noted from the gathered data. In this regard, literature is used to explain the various findings as well as compare whether the obtained findings in this research are like those of previous researchers. Additionally, Apuke (2017) explains that findings from quantitative studies can be generalized to different contexts. As a result, the obtained results will be used to develop suggestions for improvement to the commissioner, SOL Company.

7.1 Nature of SMEs

The current study realized that most SMEs are concentrated in the retailing sector with other key sectors, including manufacturing and production, computer IT, and communication, as indicated in figure 13. The findings are like those of Akingunola (2011), who indicated that most SMEs in Nigeria's economy mostly deal with retail distribution, mostly serving the local market. SMEs mostly invest in areas of production or distribution that do not require a large initial capital outlay. Similar indications were also given by Apulu and Ige (2011), who indicated that SMEs are also concentrated in the ICT sector, mostly employing young graduates to develop their career progression.

The role of SMEs in Nigeria's economy has been both in wealth creation and developing employment opportunities thus tend to concentrate on these areas of the economy that do not require large investments to start. Further, the various product lines of the SMEs were also investigated, with the results indicating that SMEs are mostly involved in the clothing, entertainment, and construction services product lines. The findings may be explained from the arguments put forth by the PWC (2020) report, which observed that most SMEs are involved in the distribution of goods such as clothes. Most SMEs were also found to be involved in the provision of services such as entertainment and construction. Similar results on the main product lines of SMEs were also obtained by Oyelaran-Oyeyinka (2020), who argued that SMEs mostly concentrate on small sectors of the economy, offering simple services that can easily be rendered without any capital requirements.

7.2 Outsourcing primary activities

The study also sought to investigate the challenges that SMEs faced in implementing primary activities. The main challenges include financial challenges, unfavorable government policies, and poor infrastructure. The results obtained from the study are like those of Oyelaran-Oyeyinka (2020), who indicated that among the challenges that SMEs face are related to financial difficulties and lack of access to financial facilities. Since outsourcing requires an initial capital outlay, finances are critical in ensuring that the outsourcing decision is effectively made. Similar results on the financial implications of outsourcing were also obtained by Rajee and Akinlabi (2013). The researchers indicated that even though outsourcing is a strategy to improve organization performance, it is often limited by financial challenges. Thus, it can be recommended that SMEs outsource those services for which they may not have the expertise or the necessary resources to deliver.

The next finding obtained further indicated that outsourcing of primary activities by SMEs improves performance. The finding on performance improvement by outsourcing primary activities is similar to those of Muhonza (2017), who noted that outsourcing enables SMEs to improve their competitive advantage, expand their market share, and improve their performance. Korrapati (2016) also found similar results and noted that outsourcing partnerships expand the ability of SMEs to expand their market share hence create employment opportunities. The market share of the SMEs was also observed to be significantly improved through outsourcing. However, the results on outsourcing and risk reduction hence cost reductions, contradict those obtained by Elegbede (2013). The researcher found out that outsourcing reduces a company's control over the management of certain services. As a result, the company's exposure to liabilities is usually increased, which only increases the risk portfolio. The researcher recommended the need for a mindset shift among both the managers and employees to achieve the intended outcomes for which SMEs may decide to outsource. The results on improved market share are similar to those of Overby (2017), who found out that if best practices of outsourcing are implemented, the strategy can significantly reduce cost through improved operational efficiency. The improved efficiency, in turn, attracts more customers and improves customer loyalty hence increases the market share. Further, the result of improved profitability is similar to those of Somjai (2017). The researcher found a close association between outsourcing and reduced costs hence improved efficiency of operations, thus improved profitability. Business process outsourcing (BPO) should be done together with knowledge process outsourcing (KPO) to fully realize the benefits of outsourcing.

7.3 Outsourcing back-office activities

The section began by noting that SMEs face the challenges of lack of appropriate skills, lack of market diversity, and hampering of core businesses performance in implementing back-office activities. The results on the lack of necessary skills can be explained by Ogechukwu and Oboreh (2013), who noted that SMEs lack critical skills that enable them to effectively perform certain tasks. On the other hand, the results on back-office activities hampering the performance of core businesses are similar to those of Kumar (2017). The author noted SMEs who find it impossible to outsource non-core activities also register lower efficiency in performing their core activities. The study further found out that outsourcing of back-office activities also results in improved performance. The results are similar to Agburu et al. (2017), who found out that outsourcing of backup or supporting activities by SMEs enables them to concentrate on their areas of specialization enabling them to improve their primary operations' competency, thus improving efficiency. The study went further to specifically investigate the benefits that SOL has delivered to its outsourcing partners. The indications were that bookkeeping outsourcing, cleaning services outsourcing, payroll processing outsourcing, administrative services, and security services outsourcing, all done by SOL, significantly help in cost reductions for SMEs. The findings can be explained from the indications noted in the Strategic Outsourcing Limited (2020) website, which details that the company delivers support services to SMEs, thereby reducing costs associated with poor performance. At the international SME conference, Oyelaran-Oyeyinka (2020) also reported findings similar to those on the benefits of SOL services to SMEs. The researcher observed that outsourcing back-office activities such as bookkeeping, security, and administrative functions enhance the ability of SMEs to be more engaged in their main or core duties, thus enhancing service delivery.

From the foregoing, it can be recommended that SOL concentrates on delivering support services to SMEs and enhancing training in the delivery of core business practices. SOL can do this through strategic partnerships with SMEs to ensure that all parties stay on course as to the happenings of the outsourcing venture. The government should also formulate policies that not only improve the operational efficiency of SMEs but also make it easy for them to outsource. The policy formulations should be done in close link and consultation with the SME sector. Outsourcing plans would be well worked out to set up the necessary procedures that will ensure compatibility with the organization's aims and objectives. Further, it is also important the constant review of the outsourcing plan be done to ensure that everything stays on course as originally planned.

7.4 Suggestions to the commissioner

A key finding noted from the research is that outsourcing contributes to cost reductions in different departments, including warehousing, customer service, and manufacturing SMEs, which, in turn, leads to increased profitability. From the result, a recommendation that can be made to the commissioner, SOL Company, is that focus could intensify advertising efforts regarding outsourcing, not in all sectors but only the highlighted ones where it has been noted to significantly reduce costs. In marketing, the commissioner should focus on using a cost reductions strategy to convince clients to seek the company's services. Ejechi and Oshodin (2019) explain that outsourcing as a strategy reduces the number of risks that an SME is exposed to. The main reason for this is the fact that the risks are transferred to third parties who assist in managing the risks. Proper risk management, in turn, reduces the operation cost. However, when advertising outsourcing services, the commissioner should be careful to explain to clients the various risks involved to avoid the emergence of future hidden costs.

The other crucial finding noted from the research is that outsourcing can assist in increasing the market share of SMEs as well as positively influence long-term profitability. From the result, a recommendation made to the commissioner of SOL is that when providing outsourcing services, he should consider competing companies and agree on a non-disclosure agreement to ensure trade secrets about a company are not shared with firms from a similar sector which may also seek outsourcing services from SOL. Such a step is important in creating trust and ensuring different firms can benefit from SOL outsourcing services. Muhonza (2017) argues that outsourcing should be done with the end goal of gaining a competitive advantage to improve customer experience, develop superior products, and increase production to meet customer demands. As a result, in providing outsourcing back-office services such as administrative, security, and bookkeeping, the commissioner of SOL should create training programs intended to improve service delivery and confidentiality among SOL staff. In addition, the commissioner should seek the views of employees and organize workshops to explain to them the objectives of providing outsourcing for different companies.

The result also showed that poor infrastructure was a leading challenge among SMEs and affected primary activities' implementation. Therefore, the SOL commissioner should target companies affected by poor infrastructure and provide them with better outsourcing proposals to solve the problem. Sitharam and Hoque (2016) argue that poor infrastructure hampers efficient access to markets, undermining the SMEs' ability to compete. As such, the SOL commissioner should develop comprehensive logistical transportation outsourcing services to SMEs to address the challenge of

limited market access and develop an online marketing platform where they can help the SMEs market their products.

8 CONCLUSION

The process of writing the current thesis was both an educative and encouraging process. I decided to develop a thesis on the impact of outsourcing on SMEs in Nigeria with a case study of SOL. The various factors that SOL leverages to ensure that the outsourcing arrangement with their clients succeed are enumerated.

The study was conducted by applying a quantitative survey based on the assumption that the respondents would give honest answers to the statements formulated, especially due to upholding the anonymity principle. Altogether, the survey received 75 answers in a month's time. The answers were satisfactory even though their comprehensiveness was limited by the survey's few opportunities to elaborate on the responses. The questionnaires could be improved by adding more open-ended questions to assist in figuring out why the respondents gave responses.

The theoretical part of the current study focused on SMEs and outsourcing, with particular attention being paid to the strategies applied by SOL. The indications showed that outsourcing is a key strategy that SMEs can apply to improve the efficiency of their operations. SMEs that effectively outsource take advantage of the numerous benefits of outsourcing. SOL was noted to collaborate with its client in deciding the outsourcing needs.

The results of the study indicated that most of the respondents consider SMEs to have a great advantage on the economy, including improving GDP and employment creation. The respondents also agreed that SMEs have continually contributed to the net economic growth of Nigeria since their inception. Moreover, the respondents indicated that outsourcing helps in cost reductions in different sectors, including warehousing, customer service, and manufacturing. The findings showed that outsourcing helps in improving the market share and profitability of SMEs in warehousing and customer service. The study findings also indicated that outsourcing enables concentration on key competencies, enhances SMEs' job creation ability, reduces risk portfolio, and improves cost-efficiency. The statements received positive responses mostly due to the fact that outsourcing enhances sharing of responsibilities, thus improving operational efficiency.

However, substantial challenges that SMEs face in outsourcing were also observed. The challenge observed included financial challenges and unfavorable government policies. The result implied that

despite efforts made by SMEs to improve outsourcing, government support is still needed in the form of robust regulations. Additionally, poor infrastructure was noted to reduce the ability of SMEs to expand due to outsourcing. Overall, the adoption of outsourcing by SMEs was noted to enhance operations due to the numerous benefits of outsourcing. SMEs that are willing to develop their ability to outsource are more likely to expand and develop.

The aim of this thesis was to examine the impacts of outsourcing by SMEs in Nigeria. The study shows that outsourcing if effectively adopted, can result in a considerable benefit to SMEs. The study also revealed that appropriate outsourcing strategies, if selected, would increase the chances of the outsourcing arrangement becoming a success. Management of outsourcing vendors was also observed to be a key function that the outsourcing firm should engage in, reducing chances of business incompatibility.

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APPENDIX

Appendix A: RESEARCH QUESTIONNAIRE

Section A: Demographic Data characteristics *(please tick or fill where applicable)*

1. What is your gender?
 Male Female
2. What is your age?
 18-30 31-40
 41-50 51 and above
3. What is your nationality?
 Nigeria International
4. What is your level of education?
 Diploma Degree Post degree
5. At what level of education were you when joining the company?
 Diploma Degree Post degree
6. In what position did you start serving your company?

7. For how long have you served in your current position?
 0-3 years 4-8 years 9-12 years 12 - above
8. What is your mode of employment?
 Permanent Contract
 Other (please specify)
9. What recruitment process were you subjected to during the employment process?

10. What kind/nature of organizations does your company serve?
 Manufacturing & Production
 Educational
 Computer/ IT & communication
 Restaurants and Hotels
 Retailing
 Others (Please specify)
11. What are the major product lines for your company?
 (1):

(2):

(3):

(4):

Section B: Outsourcing Primary Activities

12. In your view, what three major challenges do SMEs face in the implementation of primary activities during their operations

a) _____

b) _____

c) _____

13. In your opinion, to what extent does outsourcing of primary activities by SMEs influences performance?

i) Very Great []

ii) Great []

iii) Moderate []

iv) Little []

v) Not at All []

14. Tick where appropriate the option that describes your level of agreement with the following statements.

Note: “(SA=Strongly agree; A=Agree; N=Neutral; D=Disagree; SD=Strongly Disagree)”

S/N	Statement	SA	A	N	D	SD
1	Outsourcing in manufacturing SMEs has a significant effect to cost reductions					
2	Outsourcing in warehousing SMEs has a significant impact on cost reductions					
3	Outsourcing in customer service SMEs has a significant effect on cost reductions					
4	Outsourcing in manufacturing SMEs is significant in improving the market share					
5	Outsourcing in warehousing SMEs is significant in improving the market share					
6	Outsourcing in customer service SMEs is significant in improving the market share					

7	Outsourcing in manufacturing SMEs is significant in increasing profitability					
8	Outsourcing in warehousing SMEs is significant in increasing profitability					
9	Outsourcing in customer service SMEs is significant in increasing profitability					

Section C: Outsourcing Back Office Activities

15. In your view, what three major challenges do SMEs face in the implementation of back office activities during their operations

- a) _____
- b) _____
- c) _____

16. In your opinion, to what extent does outsourcing of back office activities by SMEs influences performance?

- i) Very Great []
- ii) Great []
- iii) Moderate []
- iv) Little []
- v) Not at All []

17. Tick where appropriate the option that describes your level of agreement with the following statements.

Note: “(SA=Strongly agree; A=Agree; N=Neutral; D=Disagree; SD=Strongly Disagree)”

S/N	Statement	SA	A	N	D	SD
1	Outsourcing book keeping services from SOL by SMEs has a significant effect to cost reductions					
2	Outsourcing cleaning services from SOL by SMEs has a significant impact on cost reductions					
3	Outsourcing security services from SOL by SMEs has a significant effect on cost reductions					

4	Outsourcing payment processing from SOL by SMEs has a significant effect on cost reductions					
5	Outsourcing order processing services from SOL by SMEs has a significant effect on cost reductions					
6	Outsourcing Payroll processing services from SOL by SMEs has a significant effect on cost reductions					
7	Outsourcing administrative activities by SMEs has a significant effect on cost reductions					

Section D: Outsourcing and performance in SMEs

18. You work for SOL, in your view please indicate the approximate reduction cost that SMEs seeking your services have earned over the past five years.

Cost reduction rates

Category (\$US)	2016	2017	2018	2019	2020
000-3000					
3000-5000					
5000-8000					
More than 8000					

19. You work for SOL, in your view please indicate the approximate market share improvement that SMEs seeking your services have earned through external indices over the past five years.

Market share

Category (%)	2016	2017	2018	2019	2020
00-25					
26-50					
51-75					
Over 76					

20. You work for SOL, in your view please indicate the approximate profitability increase that SMEs seeking your services in your department have earned over the past five years.

Profitability

Category (%)	2016	2017	2018	2019	2020
00-25					
26-50					
51-75					
Over 76					

Section E: Outsourcing Support Services

21. How effective has SOL services been to the SMEs seeking their outsourcing services?

- i) Very Great []
- ii) Great []
- iii) Moderate []
- iv) Little []
- v) Not at All []

22. SOL provides different outsourcing services, in your view, which departments are more sought for their outsourcing services?

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