



## OUTSOURCING AND THE PERFORMANCE OF FEDERAL MEDICAL CENTRES, OWERRI AND UMUAHIA, SOUTHEAST, NIGERIA (2014-2021)

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### Abstract

*Nigeria as a signatory to the United Nation's (UN) Millennium Development Goal on health has over the years adopted various health care reforms to achieve this goal, among which was the introduction of the National Outsourcing Policy and Regulatory Framework for Nigeria (NOPRFN) in January, 2022. Sixteen years after the NOPRFN was introduced, it became imperative to ascertain the extent of its success. Hence, the major objective of study therefore, was to examine the effect of outsourcing on the performance of the Federal Medical Centres (FMC), Owerri in Imo State and Umuahia in Abia State, Southeast, Nigeria (2014-2021). The research was guided by two hypotheses which were drawn from the statement of problem and the objective of study. The study adopted the descriptive survey research design and data were sourced from both the primary (questionnaire and the interview) and secondary sources available. Simple statistical methods such as table, frequencies and percentage were used to analyze the responses from the questionnaire and multi-paragraph summary was used for the interview while chi-square ( $X^2$ ) and Horizontal Analysis were used to test the hypotheses formulated. The findings indicated that outsourcing has effect on management control system in Federal Medical Centres (FMCs), Umuahia and Owerri, due to the fact that the chi-square test results from the responses of the staff in FMC Owerri and Umuahia show that the calculated figures of 4.354 and 3.192 are greater than the Chi-square table values of 0.859 and 0.526 respectively. More so, the study found out that outsourcing has improved the financial management of Federal Medical Centres (FMCs), Umuahia and Owerri, reason being that the both organisations had five years of surpluses and two years of deficits each, of their financial statements in the years under review for the study. Finally, the study recommended among other things that managements should employ, monitor and maintain an adequate management control System in order to enhance their level of effectiveness, improve their revenue and enhance the overall performance of their organization.*



**Keywords:** Outsourcing, Management Control, Financial Management, Internal Control, Federal Medical Centre and Performance.

### Background to the Study

The history of outsourcing is linked to the growth of modern business enterprise resulting from the effect of globalisation. Outsourcing emanated as a reaction to the over diversification of the 1970s and early 2019s which led many enterprises to review their core activities and concentrate on their core competences, that is what organizations believe they do best (Lysons & Farrington, 2019). The activities most easily outsourced are those that are: resource intensive (high labor or capital costs), those requiring specialist competences, those subject to rapidly changing technology and those requiring expensive investment (Kayamba, 2019). Public sector, like the private sector outsources some of its activities and this varies substantially across OECD (Organisation for Economic Co-operation and Development) countries. In Japan, the Netherlands, Germany, and Australia, outsourced production accounts for more than 50% of the total costs of publicly provided goods and services. At the other end of the scale, Mexico, Greece, Norway, and Latvia outsource between 28% and 33%. In 2017, the average share of public sector outsourcing in OECD countries was 42% of the total costs of publicly provided goods and services, or 9% of GDP. As a share of GDP, public sector outsourcing increased by more than two percentage points between 2022 and 2017 in Finland, Japan, Germany, and Australia, whereas it decreased by more than 1.5 percentage points in Greece and Ireland (Pautvaara and Jordan, 2022).

The word outsourcing originated from two words, out (refers to external) and source (means derivation or supply) and in terms of business, it can be seen that specific services are not obtained from within the firm (Teng, Cheon, & Grover, 2021 cited in Tang, Bashir, Ghuzanafa & Dar, 2021). To improve competitive position of an organization, widely used method is allowing some services to be provided by vendors outside the firm (Maiga & Jacobs, 2018) and according to many leaders of organisations, outsourcing is one of the tools that give a company an edge over others. Kolawole and Agha (2020) see outsourcing as a decision by organizations to have an external supplier to perform a function that would have otherwise been performed internally by organization staff.

The concept of outsourcing is gaining grounds all over the world especially in the health sector. In the USA, more than 90% of the hospitals in the US have outsourced at least one IT service to optimize their processes. The most common IT outsourcing healthcare services include healthcare coding and billing, medical transcriptions, insurance claim processing, virtual assistants, and customer support. In the second quarter of 2020 outsourcing healthcare IT cloud services increased by 11% due to scalability and remote care enablement (Deloitte Global Healthcare Outlook, 2021). While in England Goodair and Reeves (2022), pointed out that outsourcing NHS contracts to an external market has been a conscious policy decision, one which was furthered in 2019 when the Health and Social Care Act was introduced. These reforms aimed to stimulate competition between profit making organisations and non-profit making organisations (public providers) in the belief that this has an aggregate beneficial impact on public service provision. Though there are, understandably, structural and funding problems that contribute to poor service delivery in Nigeria public health institutions, as in other MDAs; effective, efficient, and committed workers will make the most of available resources to deliver acceptable quality service, vice versa. It was apparently due to budgetary pressures arising from huge funds by the government in maintaining the MDAs, the need to enhance the quality of service delivered by to



the citizens, and to diversify the economy (in the face of dwindling oil reserves) that the Federal Government of Nigeria was encouraged to introduce the National Outsourcing Policy and Regulatory Framework for Nigeria (NOPRFN) in January, 2007.

Narrowing the study down to my study areas, that is, Federal medical Centres Owerri and Umuahia, we observed that they outsource their consultancy services (medical- a senior physician, especially a specialist, who is asked to confirm a diagnosis or treatment or to provide an opinion), security services (contracting a third-party that is willing to meet their security needs at any hour of the day), laundry services (hiring a third party to perform their laundry task) to name but a few, with one of the primary benefits that it offers a more cost-effective solution than maintaining an in-house department. When you outsource, it shifts many expenses from them and provides the scalability and flexibility to only pay for the services they need, when they need them. This can free up a significant amount of capital and overhead expenses that would otherwise be devoted to staff salaries, benefits, and training (Buchanan, 2022). Another benefit as pointed out by Petrus and Jude (2021) for outsourcing the above functions is that “by outsourcing healthcare service functions for your facility, they tap into a wider pool of talent than might be available to them otherwise, especially if they are located in a remote or tertiary market where talent pools are thin. Outsourcing some of your healthcare services gives you a better chance of finding the right person for the job, and also helps to ensure that you have the necessary skills on staff when you need them”.

Sixteen years after the policy was introduced, it becomes reasonable to ascertain whether the outsourcing of these services- security, cleaning, catering, laboratory, consultancy and laundry services have improved the performance of FMCs Owerri and Umuhia, both in the southeast because the problems arising from the practice of outsourcing cast doubts on its expected effectiveness. For instance, it is argued that many service providers pay the contract staff as little as 20 per cent of the amount outsourcing organizations pay contractors for these services (Idehen 2019). The resulting distrust, frustration, complaints, protests and in some cases, strike actions are capable of demotivating contract workers at the workplace. It is observed that there is paucity of studies that specifically assessed outsourcing in Federal Medical Centres in the South-East, Nigeria as it affects their performance, which is not very surprising considering the relative newness of the strategy in public service management in the country. Hence, the purpose of this work is to fill this gap by assessing the effect of outsourcing as it affects the performance of Federal Medical Centres (FMC) Owerri, and Umuahia, in Southeast, Nigeria as guided by these objectives:

1. Determine the effect of outsourcing on management control in Federal Medical Centres, Owerri and Umuahia.
2. Ascertain how outsourcing has improved the financial management of Owerri and Umuahia Federal Medical Centres.

## **2. Review of Related Review**

### **2.1. Outsourcing: Its Historical Overview and Relevance to Organisations.**

The concept outsourcing emerged in the 1950s and it was not until the 2019s that it began to be perceived as an attractive business strategy. The growth of outsourcing in the 2019s was largely driven by the “focus on core competency” strategy that was developed in the 1970s. Since then, outsourcing has had a significant and positive impact on businesses and in most cases helping them compete effectively (Usifo, 2022). In absence of developed external markets, companies traditionally conducted all their activities in-house. They transformed raw materials into final products in their own factory and distributed it via their trucks to the company-owned stores. The



company did its own payroll and taxes, etc. However, during the second industrial revolution increased specialization led to the first wave of outsourcing. Sourcing out work to external suppliers, because a company chooses not to or is no longer able to manufacture it in-house, is not a new phenomenon. Although outsourcing was already practised in these early days, it took companies till the 2019s before they embraced outsourcing as a strategy (Gunnawiek, 2019).

Following the extensive literature review of Hätönen & Eriksson (2021) on the development of outsourcing, three eras are identified in which different outsourcing objects and ways of managing the outsourcing relations are prevalent. See table 2.1 below for an overview of the development of outsourcing. This first era is titled as the Big Bang because of the sudden breakthrough and the adoption of the outsourcing strategy by many companies in the 2019s. Companies predominantly began outsourcing low-tech manufacturing processes to become more cost efficient and maximize profits. The objects were first transferred to independent domestic parties, but enhanced infrastructures and lower logistics costs resulted in an increase of outsourcing manufacturing across borders (Slack, 2021). In addition, better education and advanced capabilities of some low-wage countries made outsourcing of high-tech manufacturing more attractive for companies.

Success stories from companies that already practised outsourcing, impelled other companies to ‘jump the Bandwagon’ in the early 2020s. It was in the beginning of this era that outsourcing really became popular (Morgan, 2022). Companies began outsourcing to expert suppliers in order to provide value to strategically important organisational processes of which they lack the resources, skills or competences. Furthermore, companies focused on their core competences to gain competitive advantage and therefore also outsourced peripheral activities. The outsourcing of strategic activities required closer company-supplier relations. This was established by means of strategic alliances. By the end of this era, outsourcing was practised in nearly all industries.

Due to the popularity, it gained in the preceding Bandwagon era, outsourcing became more common and the practice as such was no longer a source of competitive differentiation (Lawton & Michaels, 2018). Therefore, the focus of companies changed to developing new adaptive business models that generate a competitive advantage and changes the industry’s rules of the game (Engardio, 2022). More knowledge-intensive and creative activities like IT, product development and R&D will be outsourced and this is realised by means of collaborative relationships with suppliers.

**Table 2.1. The Development of Outsourcing**

Big Bang	Popular Believe	Hindrances	Companies
Period of Time	2019 - 2020	2020 – 2019	From 2019 onwards
Major Intention	Cutting costs	Costs cutting, enhancing capability, process improvement	Transformational Social entity
Byword	Outsourcing	Strategic outsourcing	Transformational outsourcing
Outsourcing	Location	Local	Worldwide Global
Outsourcing relations Management	Arm’s length transactions	planned alliances	Joint development



Social Entity	Effective/Efficient social entity	Organization that is focused	Remote organization
competences of an organisational	Management of key strategic business units (SBUs)	core competences (major competences)	Dynamic competences and network competences
Rationalization of Strategic	Profit maximizing	Technical and competitive edge	Sustainability/Survival
Objects of Outsourcing	Organised and well-explained technical manufacturing processes	organisational processes that are paramount and important	Projects that have very innovative and require high competency
Major theories of outsourcing	View Organisational Theories	Transaction Cost Theory	Resource Based

**Source:** From “30+ years of research and practice of outsourcing – Exploring the past and anticipating the future”, by J. Hätönen & T. Eriksson, 2021, Journal of International Management, Vol. 15, No. 2, p. 145.

## 2.2. Relevance of Outsourcing

It is of utmost necessity to understand the concept Outsourcing Medical outsourcing before looking at the benefits to the health sector. For Bean (2021), outsourcing medical consultancy is the process in which a healthcare provider, spanning the provider continuum from individual physician to a health system, contracts with a third party located either domestically or internationally to provide medical services. Axelsson and Wynstra, 2019 defines outsourcing medical consultancy as a decision and subsequent transfer process by which medical services that constitute a function that earlier have been carried out by a health institution are instead handled by an external supplier. However, a more acceptable definition for the intent of this study will be by Yalokwu (2022), as he defines medical consultancy outsourcing as the process of hiring a third party to perform the medial tasks and services such that such operations and services are delivered on a more lesser cost or better (or both).

Research shows that there are different reasons for firms to engage in outsourcing medical consultancy. Due to the development of outsourcing as a business strategy, these reasons may range from tactical to more strategic. Weele (2017) classifies the benefits of outsourcing medical consultancy into three major components. This includes costs, competency focus and revenue. Where costs are concerned, he states that the reason for outsourcing includes reduction of operating costs, reduction of capital investment, turning of fixed cost into variable costs, meeting of downsizing requirements, reduction of development costs and obtaining of intelligence of competitiveness.

Cost savings has been cited as a prime benefit for outsourcing as firms aim always to achieve cost advantage. This point of reasoning has been expanded by an avalanche of literature both empirically and coceptually (Kakabadse & Kakabadse, 2021; Domberger, 2019) and empirically by (Kakabadse & Kakabadse 2021; Bailey, Massonand & Raeside, 2021). However, outsourcing most importantly for saving cost is a disquiet to many researchers. Lonsdale and Cox



(2019), and Melvor (2019) see saving of cost as an aim of outsourcing as a short-period time happening in an ad-hoc manner.

For the purpose of competency focus, Weele (2017) states that most businesses will focus on core areas, embrace latest technology outside the organisation, gain access to needed skills, provide alternative to building capability, create additional capacity, provide backup capabilities and align with policy, philosophy and culture. This point of view has also been loudly reiterated by (Quinn & Hilmer, 2020) and Quinn (2022) as the generally accepted and most planned gain or benefit the company can gain from hiring a third party.

For the purpose of revenue, Weele (2017) states that outsourcing would increase flexibility and responsiveness, increase speed to market, improve quality, reduce customer response time, grow revenue and gain access to markets. Outsourcing also includes other benefits that are not always talked about. For instance, increase of competition among outside suppliers is one thing it intends to do. The key drive for relevance and customer satisfaction may lead to the provision of more quality goods and services which can stay in the future (Kotabe & Murray, 2020). Other benefits as stated by other scholars include getting rid of problem functions as expressed by Melvor (2019), increased speed (Drew, 2021), availability of skills and talent (Blumberg, 2019; Campbell, 2021) etc. Other scholars pointed out that outsourcing improves the organisation's flexibility to cope with changing business environment, demand for products, conditions, services and technologies (Greaver, 2022), by selecting and retaining creating fewer workforces that can adjust to circumstances (Patterson & Pinch, 2021). Greaver (2022) also underscored the possible advantage of improving credibility and image by associating/engaging superior providers.

### **2.3. Conceptualization of Management Control System and its Benefits to organizations**

Determining what management control systems (MCS) actually means appears to be an appropriate starting point for a review of the literature on the MCS construct (Libby, Libby, & Short, 2021). This way, scholars are armed with the knowledge of what other scholars' definitions of the MCS construct are, and they thereby gain a deeper understanding of the construct. A plethora of definitions of MCS exists as a construct embedded in the managerial accounting discipline. Libby et al. (2021) define MCS as a system that provides the information needed by business owners and senior managers in making decisions pertaining to new investments, leasing, purchasing, advertisement and promotion expenses, and other activities. Anthony (2018) defined MCS as the processes that allow managers to secure resources and then deploy them well in the achievement of the objectives of organization. Similarly, Simons (2021a) defined MCS as the means by which managers successfully implement strategies that allow them to utilize managerial measures to sustain or alter arrangements in organizational activities by using information-based practices that are formal. However, Simons (2021c) also argued that the most important fact is not the identification of the types of controls firms use but rather how they are used, thereby referring to his levers of control framework in which he distinguishes between the problem-solving and the collaborative use of controls.

In the same vein, Thoren and Brown (2018) cautioned that the difference between problem-solving and collaborating control systems is not their procedural design features but rather the ways managers adopt and apply these structures. The ways managers in a formal organisation use MCS may in fact be the key factors underlying the differential variations in organizational performance across companies that design and implement MCS. To address this empirical question, Lee et al. (2019) investigated the nexus between culture of an organization and the implementation and practice of MCS. Lee et al. concluded that the missing linchpin was



differences in organizational culture across firms. With these scholarly opinions on the definitions of MCS in mind, I shift attention to another conceptual issue scantily discussed in the management control literature: How does the need for MCS arise in organizations? This question may be reframed as follows: What structural events occur in organizations to lead to the adoption and use of MCS? This critical question is inescapable if one wants to understand the root causes of management control design and use in the organization.

### **2.3. MCS and Performance of Health Institutions**

In the MCS literature, some studies suggested a positive relationship between MCS and performance (Herath, 2022; Ittner and Larcker, 2022; 2021; Merchant, 1982). MCS is used by management to achieve the desired goals and to ensure that the activities or organization are functioning by the organizational policies. It is also a process by which managers influence other members of the organization to implement the organization's strategies to achieve the goals and objectives (Anthony and Govindarajan, 2022) by encompassing both financial and non-financial performance measures, which, in turn, might affect the organizational performance. Also, Chenhall (2021) characterized MCS as a broader term that covers management accounting systems in achieving goals, and as a tool that provides external and internal information to assist managerial decision-making. All of these descriptions imply that MCS is a tool that is used in decision-making and managerial action processes.

For many researchers and scholars, MCS is a part of the performance management process (Anthony and Govindarajan, 2022; Chenhall, 2021; Chenhall and Euske, 2022; Rashid, 2022) that readily lends itself to real-world applications of the management process as it leads to achieving the goals and objectives of the organization. This applied control process incorporates performance management techniques to describe and predict outcomes based on management experience. Thus, it was proven that performance management would affect the performance of both private and public sector organizations (Chenhall and Euske, 2022; Ittner and Larcker, 2022; Verbeeten, 2021). This is consistent with Otley (2022) and Heinrich (2021) who state that the organization must organize its performance management properly to ensure the MCS could be developed successfully in the process of defining goals, selecting strategies, allocating resources, and measuring and rewarding performance to obtain better organizational results.

### **2.4. Conceptualization of Financial Management**

Financial management is one phrase that may be used to refer to the process of managing the financial resources of an organization, as stated by Mange (2019). This term is one of many that can be used. Felix (2023), defines financial management as the designing, organizing, planning, directing, coordination and controlling the financial activities such as procurement and utilization of funds of the enterprise. It means applying general management principles to financial resources of the enterprise. For Lynn (2023), financial management is about controlling the flow of money in and out of the organization because every business needs to sell products or services, pay expenses, balance the books, and file taxes. Financial management encompasses all of this, along with more complex processes, such as paying employees, buying supplies, and submitting reports to government agencies to show they are submitting to pertinent laws and regulations.

This process includes accounting, financial reporting, forecasting, and budgeting, in addition to capital budgeting decisions, which include selecting whether to lease or purchase assets, as well as deciding whether to issue debt or equity. In short, this process includes everything from accounting to financial reporting to budgeting. These many decisions are all a part of the



process of capital budgeting. The process of capital budgeting will serve as the backdrop for every one of these decisions to be made. In addition to this, Lynn stated that the financial management framework is composed of the processes, systems, internal controls, and practices that are associated with the manner in which the division manages its revenues, costs, assets, liabilities, and potential outcomes. He said this was the case because the framework is made up of the processes, systems, and practices that are associated with the manner in which the division manages its financial information. This statement was made in the context of his outlining what the framework for financial management is. He said that the structure for effective financial management is comprised of each and every one of these component sections.

According to Marembo (2019), the components of efficient financial management practices include the management of capital structure, accounting processes, cash budgeting, working capital management, management of non-current assets, and risk management methods. In addition, effective financial management practices include the utilization of cash flow forecasting. In addition, effective approaches for financial management and administration include cash budgeting. The implementation of a cash budget is another one of the effective strategies of financial management that should be used by firms.

Hanafi and Abdul (2018) offer a detailed explanation that the aim of making choices about one's financial resources is to acquire cash at the lowest feasible cost. This idea is presented as the motivation for making decisions regarding one's financial resources. This is the end goal of the process of making choices about one's financial resources. They refer to this as the reason why one should give serious ISSN: 2067 – 9211 Performance and Risks in the European Economy 153 consideration to the decisions that will have an effect on one's financial resources. It is possible to make money for either a short or a long length of time, and the many sorts of financing that are available correlate to these two unique time periods. Long-term finance refers to funding for a period of time that is at least three years in the future, while short-term financing refers to funding for a time frame that is less than a year in the future.

According to Cui, De Jong, and Ponds (2020), in order to make a financial option, one must first identify when, where, and how much money a firm need in order to carry out its operations and earn a profit. This is necessary in order to make an informed decision. In order to choose the right path of action, it is vital to do this first. The method of financing that was selected is favorable because it reveals the extent to which the total assets backed by the loan have an effect on the financial performance of the firm. This is an important piece of information. This is helpful since the option of financing provides benefits. The relevance of this piece of information should not be overlooked by those who are investors. Measures of performance that are utilized frequently include Tobin's Q, the return on assets (ROA), the return on equity (ROE), the return on sales (ROS), the earnings per share (EPS), the growth in market capitalization, the gross and net profit margins, economic profit, and the return on sales (ROS).

## **2.5. Financial Management Practices**

### **Annual Budget Process**

Budgets are the measurable functional plans in strategic plans to help guide resource allocation and monitor affairs in organizations (Burke & Modarresi, 2019). Budgeting originated from governments, but has been adapted universally to all other organizations as a tool for planning and control of the limited resources in pursuit of the organization's goals and objectives. Budgets play a critical role in policy planning and formulation, as well as monitoring the direction such policy implementation takes (Premchand, 2018). It stipulates which activities and programs should



be actively pursued, emphasized or ignored in the period under scope, considering the limited financial resources available to the organization. Best practices outline three important objectives that good budgets should attain: (a) instill financial discipline, (b) the achievement of allocative, and (c) the achievement of operational (technical) efficiency. According to Wagacha (2019), all the arms of the government participate in the budget process, together with various ministries and other agencies. New approaches to the budgetary process have seen an increased role in legislative budgeting, which encompasses new responsibilities to the longstanding appropriation processes, and to political relations with government. Historical evidence also indicates that legislatures had fiscal powers before the executive, and the result was that legislative action became an inadequate means of fiscal control. This means that the legislature's role must be defined more in terms of policy, accountability and performance, and less in terms of control and restriction (Wagacha, 2019).

The annual budgetary process culminates in the betterment of the social welfare through the provision of public goods. Annual budgets therefore are intended for authorizing actions and providing ceilings for management actions (Allison & Kaye, 2018). This is unlike in for-profit organisations (private firms) whose main goal is shareholder wealth maximisation. Budgeting in the private sector is thus geared towards the conscious effort to achieve desired results, and puts limitations to maximize such chances. According to Lewis (2018) the basic reason for requiring estimates from subordinate officials is that higher officials do not have enough detailed information, time or specialized skills to prepare the plans themselves. It is the decision maker at the subunit level who has the relevant facts to effectively classify activities into various categories according to their importance. It is also at this level, that projects and activities requiring attention and hence financial support can be identified and prioritized. Financial Reporting and Tracking: Based on financial accounting, financial reporting refers to the best of analyzing past historical financial transactions, analyzing them and availing them to the diverse users of such economic information in various forms. This information is presented in financial reports (Flint, 2019) and consists of statements such as the statement of earnings for a period of time, the statement of financial position as at a given date, the statement of cash flows between two distinct dates, and a statement of shareholders' equity for a given period. There are notes and supplementary schedules that support such, although a published annual report may include information about plans, new products, projected capital expenditures, and the like, this is generally presented in such a way that it is definitely separated from the ordinary financial statements. Financial statement preparation has to conform to stringent standards set under the International Accounting Standards (IAS) and reported under the International Financial Reporting Standards (IFRS).

According to Zadek (2018), financial statements show an overview of an organisation's past performance, as well as the short and long-term financial condition of such an organisation. For public institutions like parastatals (SCAMA), these statements are often complex and may include an extensive set of notes to the financial statements and management discussion and analysis. The notes typically describe each item on the balance sheet, income statement and cash flow statement in further detail. Notes to financial statements are considered an integral part of the financial statements (Zadek, 2018). There are several users of financial statements and they include owners and managers who use the statements to assess the performance of their organisation that help them in making future business decisions. There is extra financial analysis that is conducted to provide more specific and detailed understanding of the figures in the financial statements. Employees through trade unions use financial reports in making collective bargaining agreements



(CBA) with the management. Government entities (tax authorities) need financial statements to ascertain the propriety and accuracy of taxes and other duties declared and paid by a company. Vendors who extend credit to a business require financial statements to assess the creditworthiness of the business. Media and the general public are also interested in financial statements for a variety of reasons (Mautz & Sharaf, 1991).

## 2.6. Outsourcing and Performance of Health Institutions

Outsourcing affects several dimensions of organizational performance, including innovation, quality, profitability, revenues, and efficiency (costs). We focus on organizational efficiency because outsourcing of public services will make health institutions more efficient (Boyne, 2021; Levin & Tadelis, 2017). Organizational efficiency is the ability of the organization to perform its activities at a lower cost. In service sectors like health, efficiency has been defined in terms of the cost of servicing customers (Weigelt & Sarkar, 2019). Efficiency can come from direct cost reductions, such as eliminating excess capacity; through innovation, such as new technologies that enable fewer resources to produce the same output; or through operational processes, such as those built through process codification, standardization, and formalization (Lawrence & Lorsch, 2022). By routinizing activities and setting procedures in place, the organization is able to efficiently allocate and utilize its resources.

There are numerous mechanisms through which outsourcing affects organizational efficiency. First, outsourcing can provide more immediate increased efficiency by reducing upfront investment costs. Outsourcing reduces the required investment in employees, expertise, and assets required to perform an activity (Bettis et al., 2023). This reduces the risks associated with technological obsolescence, excess capacity, and exit barriers (Rothaermel et al., 2022). By contracting private vendors to deliver products or services, an external source is availed the opportunity of engaging sophisticated technology without investing significant amounts of capital in that technology. Second, outsourcing can be used as a means of reducing production costs (Quinn, 2022). Suppliers can have specialized expertise, capabilities, or scale advantages in the provision of services, which enables suppliers to provide the services at a reduced cost (Quinn, 2023). Outsourcing spreads risks and can enhance organizational flexibility as organizations are able to switch suppliers to those that provide higher quality and cost-efficient goods and services (Quinn, 2023). Particularly in rapidly changing environments, outsourcing can reduce innovation and adaptation costs, allowing the organization to quickly respond to the local environment without getting locked into its existing technologies or strategies (Harrigan, 1985; Dess et al., 2021). From an administrative perspective, outsourcing can reduce bureaucratic costs. Bureaucratic costs are the costs of managing activities (Jones and Hill, 1988). Performing a large set of activities in house increases bureaucratic costs (Jones and Hill, 1988). Due to market competition, external suppliers are under pressure to keep bureaucratic costs from the coordination and administration of activities down. Finally, outsourcing can be used as a mechanism for benchmarking internal costs and to learn from third parties how to perform activities more efficiently (Dyer & Singh, 2019). From knowledge and information gained from outsourcing partners, the organization can implement new processes and procedures to increase efficiency.

In the face of the various opinions by different management scholars on the concept of outsourcing, proof of its effects on performance on literatures is still scanty. Although arguments have been made by different authors, some are for and others are against outsourcing as a technique adopted for a realizing long-term competitive advantage. In another sense, by giving



out some services to specialist organizations, entity's most especially health institutions can focus more on their core activities or most value-creating activities, thereby taking full advantage of the potential effectiveness of those services (Dess et al., 2021; Kotabe and Murray, 2020; Quinn, 2023). Furthermore, as more and more organisations engage in outsourcing, there may be decline in cost and reduction in equipment, facilities and manpower (Bettis et al., 2023). Conversely, circumstantial evidence suggests that increased dependence on outsourcing may lead to reduced innovation (Kotabe, 2023), finally competition from vendors (Bettis et al., 2023), and the control of the task in question may reduce. Thus, the performance effects of outsourcing are uncertain in health sectors in Nigeria.

## 2.7. Empirical Review

Organization performance is a wide concept and an open question with limited research studies on definitions and measures. Organization performance is an important parameter mostly defined as a dependent variable which seeks to produce variations of performance. Organization performance may be compared or measured in terms such as; production output, profitability, sales turnover, market share, and many other accounting ratios. Organization performance is the extent to which the organization achieves a set of pre-determined targets that are in line with its mission. The most common performance drivers include: customer value, team performance, talent management, and strategic focus all which are achieved through, proper planning, evaluation, implementation and control. The critical success factors for organization performance consist of access to right knowledge and skills, proper planning, innovation and flexibility. Organization performance measures consists of return on equity, profit, return on assets, market share while non-financial performance measures consist of corporate social responsibility, innovation, responsiveness and employee development.

From the study of Gathungu and Mwangi, (2020), sensing the capabilities of the firm is useful in the identification and assessment of opportunities within the firm's environment through exploring technology, probing markets and listening to customers. Outsourcing success can be measured in terms of the impact outsourcing has on organization performance and customer satisfaction. Organization performance can be measured by assessing the degree of achievement of the strategic, economic, output and other technological benefits of outsourcing contract. Customer satisfaction can be viewed as the level of acceptance or fitness between a customer requirement and outsourcing outcome.

However, Grover et al., (2022) identified outsourcing success as the benefits from outsourcing gained by a firm as a result of adopting an outsourcing strategy. Outsourcing success can be measured by use of items such as; access to skilled personnel, economies of scale in human and technological resources, risk reduction in technological obsolescence and increased access to key information technologies. The major factors that influence outsourcing are resources and capability. Capability is derived from all the firm resources, which are organized to achieve the objectives of the business functions (Stalk, 2021). A firm which has the ability to exploit the right resources and turn them into capabilities is able to increase its competitive advantage while firms that lack resources and capabilities may outsource certain functions in order to optimize the performance and increase its competitiveness. Other reasons why firms outsource include obtaining resources unavailable internally, risk sharing and to gain world class capabilities. When repair service and maintenance of equipment's is taken as an in-house activity the firm has to maintain (stock) all the relevant spare parts, train the maintenance personnel and upgrade their



knowledge on changing technologies periodically (Murthy & Eccleston, 2022). All these activities lead to higher operating costs hence the need for outsourcing contract is to reduce the cost and idle time of equipment's by using efficient and effective maintenance strategies offered by the service provider which also improve equipment, availability and increases their lifespan, Teng et al, (2021).

Outsourcing brings about flexibility, firms are free to reorganize and rationalize resources, and can become more innovative as it focuses on what it does best. The firm can improve efficiency by making sure the service provider adhere to the service level agreement. According to Cooks, (2021) outsourcing has become one of the most broadly adopted strategies of this globalization era. Due to this business process outsourcing (BPO) has emerged to be a critical method/system used to deliver high quality services to customers in service industry (Revi et al., 2019). Firms have continued getting tougher competition from other industry players, (Geward, 2021). In order to maintain their competitive capabilities, the firms have been looking for ways to re-engineer their internal processes in order to improve their service levels. This has led to an increasing trend for firms to outsource some of their operations to other services providers in order to improve their business performance.

Hence, many firms are now considering service outsourcing as a strategy to reinforce their core competencies and improve their performance (Quinn, 2021; Gewald, 2020). However, outsourcing is now considered as an innovative strategy which makes use of latest technologies and management techniques to put firms in sustainable leadership positions (Bush & McIvor, 2021). Findings from research shows that the size of spending on outsourcing makes outsourcing decisions more strategic in an organization today more than it was before (Will Cocks, 2018). As far as way back in 2019s the outsourcing trends has been growing in firms with non-core functions increasing to a level of advanced strategic and transformational outsourcing (Schniederian et al., 2020). Outsourcing decision can be seen as a rational decision by management, Lacity et al, (2022). European Journal of Logistics, Purchasing and Supply Chain Management Vol.4, No.3, pp.32-58, June 2021 \_\_ Published by European Centre for Research Training and Development UK (www.eajournals.org) 44 ISSN 2054-0930 (Print), ISSN 2054-0949 (Online) In order to improve organization performance, firms outsource others which have state of the art skills that are not currently available in the organization. They are therefore able to improve critical areas of the business which leads to improved organization performance. Also when non- critical business functions are outsourced the firm is able to focus on its core business which improves organization performance (Smith & McKeen, 2021).

Outsourcing is a key component of a total workforce strategy and is unique since it focuses on the client-provider relationship on the work product being delivered rather than practically any other element in the talent supply chain (Joe, 2017). The frequently outsourced services are skill specific such as "Information Technology, legal and accounting. This type of outsourcing saves a great deal of money and time (Outsourcing Insight, 2018). This type of outsourcing offers increased cost reduction leading to increased cost savings hence making outsourcing in these areas a common trend. Companies gain access to high quality resources and do not pay beyond the services 14 used leading to reduction in a company's overhead costs (Daven, 2017).Some of the services under PSO are Legal process outsourcing, accounting outsourcing and IT outsourcing. Legal process outsourcing (LPO) is the process of allocating law-related tasks to an outside firm (globally) with the ability to handle those tasks efficiently. Factors that encourage legal outsourcing are globalization, increasing price of legal services, development of the internet,



automation, improved security, and legal software. Outsourcing legal services solve law firm's problem and provide them every single solution (Cooper, 2017).

According to Maslow (2020), as companies in the U.S. Continue to reduce their organizational costs, many organizations are turning to offshore legal analysis outsourcing due to discovery and records management issues. Using the best of the best lawyers from developing countries can save up to 80% on legal discovery costs. The initial goals of managing legal costs are: minimizing the cost per hour of a lawyer's time, and minimizing the number of hours of lawyer time required by the Company for outside lawyers (Gregory, 2020). This can be easily reduced via outsourcing Legal services. Process outsourcing seems to occur in almost all quarters of the legal industry. Duties previously done by lawyers, practitioners, secretaries and litigation support personnel is increasingly being performed by service providers across the globe (Sally, 2017). Outsourcing is quite a risky strategy due to issues of data confidentiality, lack of control, quality assurance, and complex ethical issues of conflict of interest. Comnet, (2020) and Vinita, (2017) outlined the disadvantages of outsourcing services as confidentiality issues, cultural and communication barriers, hidden costs, quality assurance and supervision, and conflicts of interests. The uniformity of 15 industry accounting processes and reporting, and outsourcing these activities, lead to better efficiencies, reduction of cost, and a higher-quality product (EKS & H, 2018). Outsourcing accounting services is one feature of business that has directly benefited the operating cost to the oil marketing Companies. Through outsourcing accounts, companies have access to specialists with the knowhow of complicated tax systems, reporting audits and industry standards. The frequent audits ensure third party endorsement and that financial records are compliant with regulatory requirements (Menuel, 2022). Outsourcing accounting services in the oil industry is quite beneficial in times of transition, outsourcing your company's oil accounting is a reliable solution for the short term.

### **3. Theoretical framework**

#### **Overview of the Core Competencies (Resource Based) Theory**

Core Competencies Theory is a management theory propounded by Prahalad and Hamel in the year 2020 on the foundation of the Resource Based Theory which postulates that major services should remain in house. The salient idea of this theory is enhancing the core competence of the organisation in order to develop sustainable competitive advantage, which outsourcing is positioned to achieve. The resource-based perception suggests that, valued firm assets (comprising tangible and intangible elements) are usually lacking in direct substitutes, imperfectly imitable, and scarce. The idea is basically to obtain the most value from one's current materials, capabilities and resources by combining these with others' sources of advantage and, in this, ensuring complementarities is paramount. The choice of these two theories will stem from the fact that FMCs, Owerri and Umuahia outsource both the primary and secondary activities. The focus of every management in organisations is the achievement of objectives at a lesser cost. When one achieves a goal, the first question that comes to mind is how? How much was spent in realizing the goal? Is there any better way of doing it thereby incurring less cost? Outsourcing here is looked at as a "make or buy" decision where the decision maker looks at the cost of carrying out an activity and outsourcing it and goes for the more efficient one. This leads to achievement of customers' needs

#### 4. Research Methodology

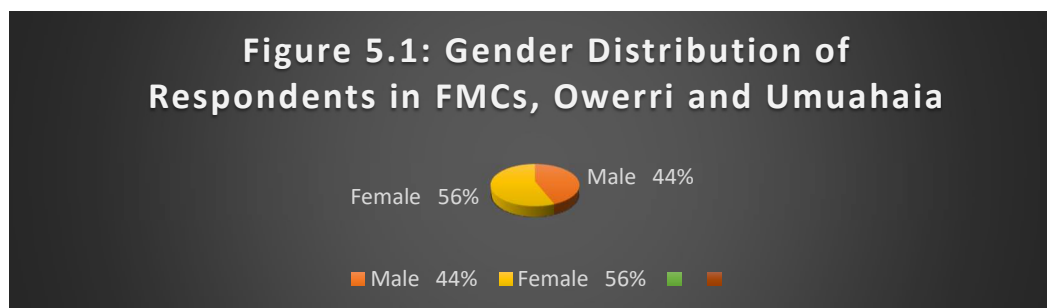
The research design used for this study is descriptive survey research design, which blends quantitative and qualitative data to provide the researchers with accurate information about the population that is being studied. The population for the study includes all the senior staff and Junior Staff at the Federal Medical Centres, Owerri and Umuahia totaling 3487. The official records of senior and junior staff in the Personnel Department of FMCs, Umuahia and Owerri as at November, 2022 reads 1643 and 1844 respectively. Based on the target population of 3487, a normal confidence level of 95% and error tolerance of 5% was used. We therefore, determined the sample size of 358 using Taro Yamane's (1967) formula. In other to determine the proportional contribution of each of the firms under study to the sample size, the Bowley proportional allocation formula was used to ascertain the percentage of the proportion of each organisation in the sample size, that is 169 for FMC Umuahia and 189 for FMC Owerri. The sampling procedures that was used to select a representative part of FMCs Owerri and Umuahia staff population are probability sampling technique (Stratified) and Non-probability sampling technique (Purposive and Convenience Sampling). In the course of carrying out this research work, the data were gotten from two major sources- The primary and secondary sources. Data was analyzed using software designed specifically for statistical analysis, namely, Statistical Package for the Social Science (SPSS) version 21.0. Indeed, the availability of computer-assisted analyses has made knowing step-by-step computational procedures for complex analyses less important (Shaughnessy, Zechmeister & Zechmeister, 2019). SPSS was used to execute both descriptive and inferential statistical analyses where appropriate. In order to realize the specific objectives and test the formulated hypotheses of this study, a number of statistical tools was employed in analyzing data obtained for the study. These include the use of descriptive statistics such as frequencies, charts, tables, figures and percentage for the specific objectives while the Chi-square was used to test the hypothesis one and hypothesis two was interpreted using the horizontal data interpretation.

#### 5. Data Presentation and Analyses

##### Personal Data of Respondents

##### 5.1. Gender Distribution

The study sought to determine the gender distribution of the respondents of in of both organisations combined together in order to establish if there is gender balance. The findings were as indicated in Figure 5.1.



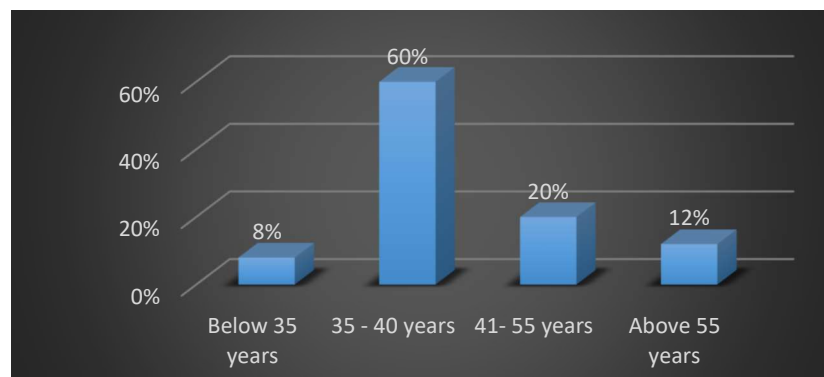
Source: (Fieldwork, 2023)

From the findings as indicated in Figure 5.1, majority (56%/178) were female respondents with (44%/142) being males respondents from a total population of 320. This implies there were more female than male respondents involved in the study. Besides the perception of female of what outsourcing means has a different meaning of how the female colleagues in the same organization see it. Though the meaning of outsourcing as understood by the male staff gave credence on the authenticity of job.

### 5.2: Respondents Age Distribution

The study further established respondent's age distribution categorized in a certain range. This was to determine how age relates to outsourcing decision based on life experience. The findings were as indicated in Figure 5.2. From the findings, majority (60%/192) indicated that they ranged between 35-40 years, followed by those who indicated that they range between 41-45 years (20%/64) with few (12%/38) and (8.00%/26) indicating that they ranged between below 35 years and above 45 years respectively. This implies that majority of the respondents were at their productive age and therefore able to handle the outsourcing decisions strategically and responsibly.

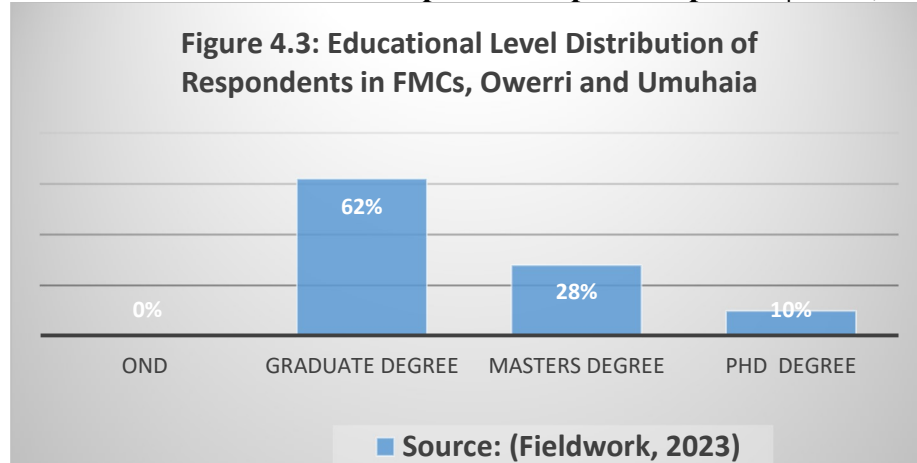
**Figure 5.2: Age of Respondents of Respondents in FMCs, Owerri and Umuahia**



Source, Fieldwork, 2023

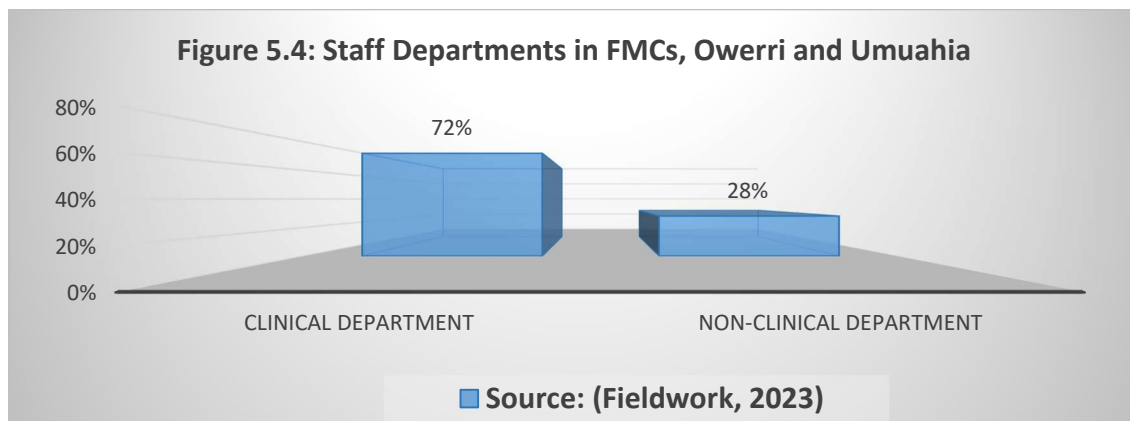
### 5.3: Respondents Level of Education Distribution

The study further found it of paramount to determine the respondents' level of education in order to ascertain if they were well equipped with the necessary knowledge and skills in their respective areas of specialization. From the study findings as seen in figure 5.3, majority (62%) indicated that they had university first degree, followed by 28% of the respondents who indicated that they had masters' qualification with few (10%) indicating that they have PhD and 0% have diploma. The findings therefore indicate that the respondents have the capacity, skills and management acumen to conduct outsourcing decision activities successfully in their organizations. This finding is as observed by Williamson (2021) that those with higher education or specialized skills are more successful as they have more knowledge and have modern managerial skills making them more conscious of the reality of activities in the organisation.

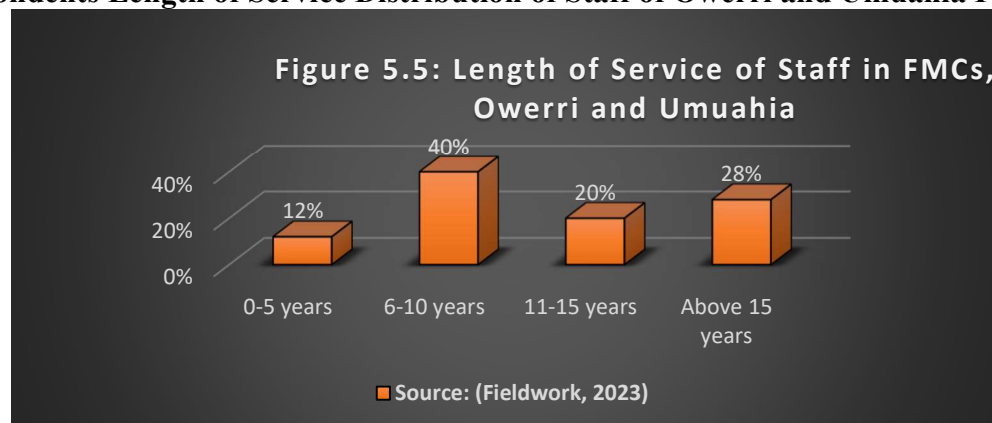


#### 5.4: Respondents Department Distribution

According to the analysis of the findings in figure 5.4, majority (72%) of the respondents indicated that they are in the clinical department while 28% are from the non-clinical department. This implies that most of the information needed to carry out the research are elicited from the clinical department not ruling out the fact that the information from the non-clinical department also aided the study.



#### 5.5: Respondents Length of Service Distribution of Staff of Owerri and Umuhia FMCs.





The findings as seen in figure 5.5 shows that majority (40%) of the staff indicated that they have worked in the hospitals for 6 -10years, 28% have worked for above 15years, 20% have worked between 11-15years and 12% of the staff have worked between 0-5years. The findings therefore indicate that the respondents especially those that have stayed longest in the organization, which is between 6-10years have the necessary experience, idea and knowledge about the benefits and reasons why the organization has decided outsource some of its services, of which the information was relevant to the study.

**Table 5.1: Opinion of Respondents if Outsourcing affects Management control System in FMCs, Owerri and Umuahia.**

	N	Minimum	Maximum	Mean	Std. Deviation
Q1.Management control System are core/critical to the hospital’s mission of delivering health service	320	1.00	3.00	4.5125	.66236
Q2. Enhancement of management control System.	320	1.00	55.00	4.8094	3.11804
Q3. Outsourcing improves service delivery to the patients by evaluating staff performance	320	1.00	55.00	3.8094	3.11804
Q5. Outsourcing can take away unwanted load off the hospital management and enable them to focus on their core mandate	320	1.00	3.00	3.5125	.66236
Q6. Outsourcing has enabled the hospital to reduce the rate of mortality by giving the staff opportunity to access adequate resource and current information to accomplish task.	320	1.00	55.00	4.8094	3.11804
Q7. Outsourcing can allow the hospital to bring in vendors with newer capabilities and knowledge for delivery of the outsourced service, as a result ensuring that the organization is property and adequately staffed.	320	1.00	55.00	3.8094	3.11804
Q8.Outsourcing has improved staff knowledge and	320	1.00	5.00	3.7719	1.07457
Q9.Outsourcing has improved management quality control plan to address fraud among staff of the organization	320	1.00	5.00	3.7719	1.07457
<b>Outsourcing affects Management control System</b>	320	1.00	5.00	4.5125	1.66236

Source: (SPSS, 2021)



From the results above, most staff believed that Outsourcing has enabled the hospital to reduce the rate of mortality by giving the staff opportunity to access adequate resource and current information to accomplish task with a mean of 4.80. They also believed that Outsourcing enhances management control System in the hospital to achieve costs saving and control with a mean of 4.80, Management control System are core/critical to the hospital’s mission of delivering health service with a mean of 4.51. The above findings agree with Sam Ashe-Edmunds, (2018) who stated if organizations outsource their services, they can reduce their labor costs significantly. Apart from savings on salaries and hourly wages, they can also save on payroll taxes and benefits. Overtime laws might also be less stringent if outsourcing from another country thus this allows the company to add a shift or offer workers longer hours without increasing the hourly pay rate.

However the staff slightly agreed that outsourcing can be used by a hospital to deliver improved service to the patients by evaluating staff performance with a mean of 3.80, outsourcing can allow the hospital to bring in vendors with newer capabilities and knowledge for delivery of the outsourced service, as a result ensuring that the organization is property and adequately staffed with a mean of 3.80, outsourcing has improved staff knowledge and comprehension of their duties making them never too busy to respond to requests and are more willing to help their patients with a mean of 3.77, outsourcing has improved management quality control plan to address fraud among staff of the organization with a mean of 3.77 and outsourcing can take away unwanted load off the hospital management and enable them to focus on their core mandate with the lowest mean of 3.15. The findings are in line with Mary, (2018) who pointed out the advantages of hospitals to outsource as to lower costs, get skilled workforce, security and control concerns.

**Table 5.2: Descriptive Statistics of Opinions of Respondents if Outsourcing affects Financial Management in FMCs, Owerri and Umuahia.**

	N	Minimum	Maximum	Mean	Std. Deviation
Q1. Outsourcing has improved financial management of the organisation.	320	1.00	3.00	3.5125	1.66236
Q2. The organization has an accounting system that allows for the proper recording of financial transactions.	320	1.00	55.00	3.8094	2.11804
Q3. Through outsourcing, the organization has improved on the planning of its financial resources.					
Q4. The reporting of the finances of the organization which include bank transactions, loans and other source of funding have been enhanced due to outsourcing.	320	1.00	55.00	3.8094	2.11804
Q5. There are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained.	320	1.00	3.00	3.5125	1.66236



Q6. Outsourcing can allow the hospital to bring in vendors with newer capabilities and knowledge for managing the financial resources of the organization.	320	1.00	55.00	3.8094	2.11804
Q7. The hospital has gained quick and continuous access to the latest financial technological as a result of outsourcing.	320	1.00	55.00	3.6094	1.11804
Q8. Outsourcing can take away unwanted load off managing its finances and enable them to focus all energies/resources on the core mandate of improved service delivery.	320	1.00	5.00	2.7719	1.07457
Q9. Outsourcing has enhanced the functions of ordering, receiving, accounting for, and paying for goods and services which are appropriately segregated.	320	1.00	5.00	2.7719	1.07457
<b>Outsourcing and Financial Management</b>	<b>320</b>	<b>1.00</b>	<b>5.00</b>	<b>2.7719</b>	<b>1.07457</b>

Source: (SPSS, 2021)

From the results in Table 5.2 above, most staff of FMC Owerri and Umuahia Strongly Agreewith a mean of 3.80, 3.80, and 3.80 that the organization has an accounting system that allows for the proper recording of financial transactions, the reporting of the finances of the organization which include bank transactions, loans and other source of funding have been enhanced due to outsourcing and outsourcing allows the hospital to bring in vendors with newer capabilities and knowledge for managing the financial resources of the organization. This implies that due to the engagement of both organisations in outsourcing, their financial management have improved.

It was also observed that the staff of the organisation agreed to the fact that outsourcing has improved financial management of the organisation, there are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained and the hospital has gained quick and continuous access to the latest financial technological as a result of outsourcing with a means of 3.51, 3.51 and 3.60 respectively. The above findings tally with Business Money (2022), where it was noted that by recording all information in a systematic manner, one can observe the collective impact of their organization's departments on their general financial health. It helps in eliminating guesswork and estimated values and makes room for comprehensive data that increases clarity about financial matters.

The staff were slightly unsure whether outsourcing can take away unwanted load off managing its finances and enable them to focus all energies/resources on the core mandate of improved service delivery and if Outsourcing has enhanced the functions of ordering, receiving, accounting for, and paying for goods and services with a mean of 2.77 and 2.77 respectively. This



implies that outsourcing has not really improved the functions of ordering, receiving, accounting for, and paying for goods and services and also not enabled the takeaway of unwanted load of managing finances. The findings contradict a study by Gilley et al. (2018) on outsourcing where he found significant implication of activities like payroll and training. Results showed that outsourcing does not have a positive impact on the financial management of firms leading to organizational effectiveness in general process outsourcing in the German banking market.

**5.5: Testing of Hypotheses Using Statistical Analysis**

**5.5.1: Test of Hypothesis One (1).**

This hypothesis was tested differently in the two organizations that is FMCs, Owerri and Umuahia having different sample sizes. Tables 4.9 and 4.10 below represents the case summary of respondents and Chi-square test figures from SPSS and was used to test hypothesis one in FMC, Owerri which states that “Outsourcing has no effect on Management control in FMC, Owerri”.

**Test of Hypothesis (One) in FMC, Owerri**

**Table 4.3: Chi-Square Tests for FMC, Owerri.**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.364 <sup>a</sup>	4	.859
Likelihood Ratio	6.117	4	.191
Linear-by-Linear Association	.807	1	.369
N of Valid Cases	165		

Source: (SPSS, 2021)

After necessary calculations and computations in Table 4.3, the following were obtained:

- i. Chi-square ( $X^2$ ) alpha/calculated value = 4.364
- ii. Degree of freedom (df) of 4
- iii. Level of significance 0.05 (5%)
- iv. Chi-square ( $X^2$ ) P/tabulated value = .859, which is obtained with df of 4 at 0.05 level of significance in the chi-square table of sampling distribution

**Hypothesis:**

**H<sub>a</sub>:** Outsourcing has effect on management control in Federal Medical Centre FMC, Owerri.

**H<sub>o</sub>:** Outsourcing has effect on management control in Federal Medical Centre FMC, Owerri.

**Decision**

Reject H<sub>o</sub>, if chi-square alpha or calculated valued is greater than chi-square p or table value, accept H<sub>o</sub> if other wise

**Conclusion**

X<sup>2</sup> Calculated / Alpha Value is 4.354

X<sup>2</sup> table/ P- Value (0.05, df) is .859

Therefore, our Null hypothesis (H<sub>o</sub>) is rejected because 4.354 is greater than 0.859. The implication is that the alternative hypotheses (H<sub>a</sub>) is upheld. This means that Outsourcing has effect on management control System in Federal Medical Centre FMC, Owerri.

**Test of Hypothesis One (1) in FMC, Umuahia.****Table 4.4. Chi-Square Tests, FMC, Umuahia**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.192 <sup>a</sup>	4	.526
Likelihood Ratio	4.905	4	.297
Linear-by-Linear Association	.361	1	.548
N of Valid Cases	155		

**Source:** (SPSS, 2021)

After necessary calculations and computations using the SPSS in 4.4, the following were obtained:

- i. Chi-square ( $X^2$ ) alpha/calculated = 3.192
- ii. Degree of freedom (df) of 4
- iii. Level of significance 0.05 (5%)
- iv. Chi-square ( $X^2$ ) P/tabulated = .526, which is obtained with df of 4 at 0.05 level of significance in the chi-square table of sampling distribution.

**Hypothesis One:**

**H<sub>a</sub>:** Outsourcing has effect on management control in Federal Medical Centre FMC, Umuahia.

**H<sub>o</sub>:** Outsourcing has effect on management control in Federal Medical Centre FMC, Umuahia.

**Decision**

Reject H<sub>o</sub>, if chi-square alpha or calculated valued is greater than chi-square p or table value, accept H<sub>o</sub> if other wise

**Conclusion**

X<sup>2</sup> Calculated / Alpha-Value is 3.192

X<sup>2</sup> Table/ P-Value (0.05, df) is .526

Therefore, our Null hypothesis (H<sub>o</sub>) is rejected because 3.192 is greater than 0.526. The implication is that the alternative hypotheses (H<sub>1</sub>) is upheld. This means that Outsourcing has effect on management control in Federal Medical Centre (FMC), Umuahia.

**5.5.2: Test of Hypothesis Two (2)****Test of Hypothesis Two (2) in FMC, Umuahia**

Table 4.5 below contains items on the financial statement of Federal Medical Centre, Umuahia from 2014-2021. Our concentration was on the total income and total expenditure of each year under review to ascertain if the organization had a surplus or deficit budget. In 2014, FMC Umuahia had a **Total Income** of N3,473,083,242 (Three billion, Four Hundred and Seventy Three Million, Eighty Three Thousand, Two Hundred and Forty Two Naira only), **Total Expenditure** of N3,588,321,127 ( Three Billion, Five Hundred and Eighty Eight Million, Three Hundred and Twenty One Thousand, One Hundred and Twenty Seven Naira only) and a **Deficit** of N115,237,885 (One Hundred and Fifteen Million, Two Hundred and Thirty Seven Thousand, Eighty Hundred and Eighty Five Naira Only).



**2020** reveals that a **Total Income** of **N4,194,925,347** (Four billion, One Hundred and Ninety-Four Million, Nine Hundred and Twenty-Five Thousand, Three Hundred and Forty-Seven Naira only) was made by FMC, Umuahia, **Total Expenditure** of **N4,121,264,041** (Four Billion, One Hundred and Twenty-One Million, Two Hundred and Sixty Four Thousand and forty One Naira Only) and a **Surplus** of **N73,661,306** (Seventy Three Million, Six Hundred and Sixty One Thousand, Three Hundred and Six Naira Only). **In 2021**, a **Total Income** of **N4,896,936,330** (Four billion, Eight Hundred and Ninety Six Million, Nine Hundred and Thirty Six Thousand, Three Hundred and Thirty Naira only), **Total Expenditure** of **N4,864,287,383** ( Four Billion, Eight Hundred and Sixty Four Million, Two Hundred and Eighty Seven Thousand, Three Hundred and Eighty Three Naira only) and a **Surplus** of **N32,648,947** (Thirty Two Fifteen Million, Six Hundred and Forty Eight Thousand, Nine Hundred and Forty Seven Naira Only). **In 2017**, a **Total Income** of **N5,562,896,062** ( Five Billion, Five Hundred and Sixty Two Million, Eight Hundred and Ninety Six Thousand, Sixty Two Naira only), **Total Expenditure** of **N5,502,526,220** (Five Billion, Five Hundred and Two Million, Five Hundred and Twenty Six Thousand, Two Hundred and Twenty Naira only), and a **Surplus** of **N60,396,842** (Sixty Million, Three Hundred and Ninety Six Thousand, Eight Hundred and Forty Two Naira Only).

**2018** shows that a **Total Income** of **N5,830,441,957** (Five billion, Eight Hundred and Thirty Million, Four Hundred and Forty One Thousand, Nine Hundred and Fifty Seven Naira only) was made by FMC, Umuahia, **Total Expenditure** of **N5,758,380,752** (Four Billion, Seven Hundred and Fifty Eight Million, Three Hundred and Eighty Thousand and Seven Hundred and Fifty Two Naira Only) and a **Surplus** of **N72,061,205** (Seventy Two Million, Sixty One Thousand, Three Hundred and five Naira Only). **2019** reveals that a **Total Income** of **N6,191,180,828** (Six Billion, One Hundred and Ninety One Million, One Hundred and Eighty Thousand, Eight Hundred and Twenty Eight Naira only) was made by FMC, Umuahia, **Total Expenditure** of **N6,531,783,921** (Six Billion, Five Hundred and Thirty One Million, Seven Hundred and Eighty Three Thousand and Nine Hundred and Twenty Two Naira Only) and a **Deficit** of **N340,603,093** (Three Hundred and Forty Million, Six Hundred and Three Thousand, Ninety Three Naira Only).

In the year **2020**, a **Total Income** of **N7,788,396,414** (Seven Billion, Seven Hundred and Eighty Eight Million, Three Hundred and Ninety Six Thousand, our Hundred and Fourteen Naira only), **Total Expenditure** of **N7,728,096,035** (Seven billion, Seven Hundred and Twenty Eight Million, Ninety Six Thousand, Thirty Five Naira only), and a **Surplus** of **N60,300,379** (Sixty Million, Three Hundred Thousand, Three Hundred and Seventy Nine Naira Only). **In 2021**, a **Total Income** of **N7,781,102,475** ( Seven Billion, Seven Hundred and Eighty Two One Million, One Hundred and Two Thousand, Four Hundred and Seventy Five Naira only), **Total Expenditure** of **N7,731,030,602** (Seven Billion, Seven Hundred and Thirty One Million, Thirty Thousand, Six Hundred and Two Naira only), and a **Surplus** of **N50,071,87** (Fifty Million, Seventy One Thousand, Eighty Seven Naira Only).

#### **Table 4.5: Federal Medical Centre, Umuahia Financial Statement (2014-2021)**

##### **Hypothesis Two (2)**

**H<sub>a</sub>**: Outsourcing has effect on financial management in Federal Medical Centre FMC, Umuahia.

**H<sub>o</sub>**: Outsourcing has effect on financial management in Federal Medical Centre FMC, Umuahia.

##### **Conclusion**

Apart from the years 2014 and 2019 where deficits were recorded in the Financial Report of FMC, Umuahia other years of 2020, 2021, 2017, 2018, 2020 and 2021 the organisation had surpluses.



S/N	ITEMS	2014 (N)	2020 (N)	2021 (N)	2017 (N)	2018 (N)	2019 (N)	2020 (N)	2021 (N)
1	Personnel Grant	3,169,914,207	3,479,100,370	3,919,232,073	4,609,705,566	4,819,403,240	5,176,966,112	6,308,994,731	6,294,90,207
2	Overhead Grant	57,770,395	54,098,110	28,597,285	30,252,084	32,111,050	27,075,940	42,306,668	100,767,996
3	Non-Tax Revenue	145,300,640	659,727,867	897,157,972	920,8898,411	977,123,667	985,098,776	961,514,564	884,484,446
4	Rent on Government Quarters	100,098,000	1,999,000	1,999,000	2,040,000	1,804,000	2,040,000	2,040,000	2,040,000
5	Special Grants for Covid-19 & DRTB							473,540,451	498,900,826
6	<b>Total Revenue</b>	<b>3,473,083,242</b>	<b>4,194,925,347</b>	<b>4,896,936,330</b>	<b>5,562,896,062</b>	<b>5,830,441,957</b>	<b>6,191,180,828</b>	<b>7,788,396,414</b>	<b>7,781,102,475</b>
7	Staff Salaries & Allowances	2,788,000,127	3,463,841,873	4,110,579,990	4,361,109,232	4,567,143,211	5,139,999,224	6,570,969,957	6,094,959,365
8	Overhead Cost	700,021,900	490,519,441	559,466,752	939,290,062	956,340,111	1,090,980,228	841,937,717	1,402,382,572
9	Depreciation	100,299,100	166,902,727	194,240,641	202,126,927	234,897,430	300,804,409	315,188,361	233,688,665
10	<b>Total Expenditure</b>	<b>3,588,321,127</b>	<b>4,121,264,041</b>	<b>4,864,287,383</b>	<b>5,502,526,220</b>	<b>5,758,380,752</b>	<b>6,531,783,921</b>	<b>7,728,096,035</b>	<b>7,731,030,602</b>
11	<b>Surplus/Deficit</b>	<b>115,237,885</b>	73,661,306	32,648,947	60,396,842	72,061,205	<b>340,603,093</b>	60,300,379	50,071,873

SOURCE: (FMC UMUAHIA FINANCIAL REPORT, 2023)

**N.B. The plain boxes under item 11 represent surplus while the dark or shaded boxes represents deficit.**

Therefore, the Null hypothesis (Ho) was rejected because the years of surpluses are more than the years of deficits in the financial statement of FMC, Umuahia. The implication is that the alternative hypotheses (H<sub>a</sub>) is upheld. This means that Outsourcing has effect on financial management in Federal Medical Centre, Umuahia, Umuahia, Abia State.

### Test of Hypothesis Two (2) in FMC Owerri.

Table 4.6 below contains items on the financial statement of Federal Medical Centre, Owerri from 2014-2021. Our concentration was on the total income and total expenditure of each year under review to ascertain if the organization had a surplus or deficit budget. In **2014**, FMC Owerri had a **Total Income** of **N4,823,083,248** (Four Billion, Eight Hundred and Twenty Three



Million, Eighty Three Thousand, Two Hundred and Forty Two Naira only), **Total Expenditure** of **N4,618,421,138** ( Four Billion, Six Hundred and Eighteen Million, Four Hundred and Twenty One Thousand, One Hundred and Thirty Eight Naira only) and a **Surplus** of **N204,662,113** (Two Hundred and Four Million, Six Hundred and Twenty Two Thousand, One Hundred and Thirteen Naira Only).

**2020** reveals that a **Total Income** of **N4,705,625,447** (Four billion, Seven Hundred and Five Million, Six Hundred and Twenty Five Thousand, Four Hundred and Forty Seven Naira only) was made by FMC, Owerri, **Total Expenditure** of **N4,690,363,841** (Four Billion, Six Hundred and Ninety Thousand Million, Three Hundred and Sixty Three Thousand, Eight Hundred and forty One Naira Only) and a **Surplus** of **N15,261,606** (Fifteen Million, Two Hundred and Sixty One Thousand, Six Hundred and Six Naira Only). **In 2021**, a **Total Income** of **N5,547,127,735** (Five Billion, Five Hundred and Forty Seven Million, One Hundred and Twenty Seven Thousand, Seven Hundred and Thirty Naira only), **Total Expenditure** of **N5,684,284,683** ( Five Billion, Six Hundred and Eighty Four Million, Two Hundred and Eighty Four Thousand, Six Hundred and Eighty Three Naira only) and a **Surplus** of **N137,156,948** (One Hundred and Thirty Seven Million, One Hundred and Fifty Six Thousand, Nine Hundred and Forty Eight Naira Only).

**In 2017**, a **Total Income** of **N6,107,292,731** ( Six Billion, One Hundred and Seven Million, Two Hundred and Ninety Two Thousand, Seven Hundred and Thirty One Naira only), **Total Expenditure** of **N5,502,526,220** (Five Billion, Five Hundred and Two Million, Five Hundred and Twenty Six Thousand, Two Hundred and Twenty Naira only), and a **Surplus** of **N48,159,919** (Forty Eight Million, Three Hundred and Ninety Six Thousand, Eight Hundred and Forty Two Naira Only). **2018** shows that a **Total Income** of **N6,026,463,890** (Six Billion, Twenty Six Million, Four Hundred and Sixty Three Thousand, Eight Hundred and Ninety Naira only) was made by FMC, Owerri, **Total Expenditure** of **N6,312,759,561** (Six Billion, Three Hundred and Twelve Million, Seven Hundred and Fifty Nine Thousand, Five Hundred and Sixty One Naira Only) and a **Deficit** of **N286,295,671** (Two Hundred and Eighty Six Million, Two Hundred and Ninety Five Thousand, Six Hundred and Seventy One Naira Only). **2019** reveals that a **Total Income** of **N7,145,381,248** (Seven Billion, One Hundred and Forty Five Million, Three Hundred and Eighty One Thousand, Two Hundred and Forty Eight Naira only) was made by FMC, Owerri, **Total Expenditure** of **N7,125,784,861** (Seven Billion, One Hundred and Twenty Five Million, Seven Hundred and Eighty One Thousand and Eight Hundred and Sixty One Naira Only) and a **Surplus** of **N19,595,387** (Nineteen Million, Five Hundred and Ninety Five Thousand, Three Hundred and Eighty Seven Naira Only).

In the year **2020**, a **Total Income** of **N7,934,672,927** (Seven Billion, Nine Hundred and Thirty Four Million, Six Hundred and Seventy Two Thousand, Nine Hundred and Twenty Seven Naira only), **Total Expenditure** of **N8,268,455,469** (Eight Billion, Two Hundred and Sixty Eight Million, Four Hundred and Fifty Five Thousand, Four Hundred and Sixty Nine Naira only), and a **Deficit** of **N333,782,542** (Three Hundred and Thirty Three Million, Seven Hundred and Eighty Two Thousand, Five

Hundred and Forty Two Naira Only). **In 2021**, a **Total Income** of **N7,730,093,375** ( Seven Billion, Seven Hundred and Thirty Million, Ninety Three Thousand, Three Hundred and Seventy Five Naira only), **Total Expenditure** of **N7,599,089,602** (Seven Billion, Five Hundred and Ninety Nine Million, Eighty Nine Thousand, Six Hundred and Two Naira only), and a **Surplus** of



N131,003,773 (One Hundred and Thirty One Million, Three Thousand, Seven Hundred and Seventy Three Naira Only).

**Hypothesis Two:**

**H<sub>a</sub>:** Outsourcing has effect on financial management in Federal Medical Centre FMC, Owerri.

**H<sub>o</sub>:** Outsourcing has effect on financial management in Federal Medical Centre FMC, Owerri.

**Conclusion**

Apart from the years 2018 and 2020 where deficits were recorded in the Financial Report of FMC, Owerri other years of 2014, 2020, 2021, 2017, 2019 and 2021 the organisation had surpluses. Therefore, the Null hypothesis (H<sub>o</sub>) was rejected because the years of surpluses (5years) are more than the years of deficits (2 years) in the financial statement of FMC, Owerri. The implication is that the alternative hypotheses

(H<sub>a</sub>) is upheld. This means that Outsourcing has effect on financial management in Federal Medical Centre, Owerri, Imo State

**Table 4.18: Federal Medical Centre, Owerri Financial Statement (2014-2021)**

S/N	ITEMS	2014 (N)	2020 (N)	2021 (N)	2017 (N)	2018 (N)	2019 (N)	2020 (N)	2021 (N)
1	Personnel Grant	4,169,914,207	3,879,100,370	4,512,232,073	5,119,715,636	5,019,603,140	6,106,766,112	6,418,094,731	6,204,500,777
2	Overhead Grant	77,770,395	64,098,110	35,647,285	45,052,184	37,333,250	37,275,900	44,123,501	150,767,996
3	Non-Tax Revenue	345,300,640	759,727,867	996,457,977	940,189,411	967,423,000	999,098,736	981,414,364	863,584,546
4	Rent on Government Quarters	230,098,000	2,699,100	2,799,400	2,340,500	2,104,500	2,240,500	2,440,000	2,340,000
5	Special Grants for Covid-19 & DRTB							488,600,331	508,900,026
6	<b>Total Revenue</b>	<b>4,823,083,248</b>	<b>4,705,625,447</b>	<b>5,547,127,735</b>	<b>6,107,292,731</b>	<b>6,026,463,890</b>	<b>7,145,381,248</b>	<b>7,934,672,927</b>	<b>7,730,093,375</b>
7	Staff Salaries & Allowances	3,688,000,127	3,963,541,873	4,720,477,290	4,900,309,500	5,060,222,200	5,609,400,224	5,970,699,957	6,094,559,265
8	Overhead Cost	805,121,901	450,019,441	759,466,752	1,003,120,123	978,340,111	1,190,580,228	1,041,937,211	1,050,685,472
9	Depreciation	125,299,100	176,802,527	204,340,641	252,028,027	274,397,230	325,804,409	555,818,301	453,808,865
10	<b>Total Expenditure</b>	<b>4,618,421,138</b>	<b>4,690,363,841</b>	<b>5,684,284,683</b>	<b>5,502,526,220</b>	<b>6,312,759,561</b>	<b>7,125,784,861</b>	<b>8,268,455,469</b>	<b>7,599,089,602</b>
11	<b>Surplus/Deficit</b>	204,662,113	15,261,606	137,156,948	48,159,919	286,295,671	19,595,387	333,782,542	131,003,773

SOURCE: (FMC OWERRI FINANCIAL STATEMENT, 2023)

**N.B. The Plain Boxes in item 11 represent Surplus while the Dark/Shaded Boxes represent Deficit.**



## 6. Summary and Conclusion

Outsourcing as a concept is gaining grounds all over the world especially in the area of health. Nigeria as a supporter to the United Nation's (UN) Millennium Development Goal on health has for the past years adopted various reforms on health care to achieve this goal and it included the establishment of the NEEDS, NACA, NAFDAC, and of recent. In spite of the resources expended, the provision of valuable, accessible and cheap health care have continued to be an unsurmountable challenge. On individual bases, several hospitals and health care institutions in the country have embraced outsourcing to gain access to some of its perceived benefits as part of their technique for improving service delivery. Sixteen years after the policy was introduced, it becomes reasonable to ascertain whether the outsourcing of services have improved the performance of Federal Medical Centres, Owerri and Umuahia, both in the southeast because the problems arising from the practice of outsourcing cast doubts on its expected effectiveness. Consequently, the study examined the effect of outsourcing on the performance of FMCs, Owerri and Umuahia with the major findings.

1. Under objective one, the findings show that FMCs Owerri and Umuahia engage in outsourcing practices and the chi-square test results show that outsourcing has effect on management control system in both organisations because the chi-square calculated result figures of 4.354 (FMC Owerri) and 3.192 (FMC Umuahia) are greater than the Chi-square table value of 0.859 and 0.526 respectively, Also from the answers gotten through the questionnaire, the research found out that most staff believed that outsourcing has enabled the hospital to reduce the rate of mortality by giving the staff opportunity to access adequate resource and current information to accomplish task. The above findings agree with Sam Ashe-Edmunds, (2018) who stated if organizations outsource their services, the management will have adequate control of their staff to ensure they concentrate on their main task to achieve more productive, and efficient service with greater quality service.
2. For objective two, the findings show that outsourcing has improved the financial management of Federal Medical Centres (FMCs), Umuahia and Owerri because both organisations had five years of surpluses and two years of deficits each, of their financial statements in the years under review for the study.

### 6.2. Recommendations

As in any other scholarly empirical research, recommendations are drawn heavily from the limitations of the focal study as well as findings of the study (Chenhall, 2021; Creswell, 2020). With this statement in mind, the following recommendations were made:

1. For the fact that outsourcing has a positive effect on management control System in Federal Medical Centres, Owerri and Umuahia, managements should employ, monitor and maintain an adequate management control System in order to enhance their level of effectiveness, improve their revenue and enhance the overall performance of their organisation. Also managers should be aware of the strategic importance of management control system, both formal and informal, of which building trust among business partners is a critical informal MCS, as some scholars have demonstrated.
2. Organisations should provide additional budget that allows the quality department to increase quality and procedural training so that most operational personnel, operational supervision and management will have their performance enhanced to the best of their abilities so they can accomplish what they are able with the skills and knowledge they possess. Besides, that effort



needs to be coupled with the training and necessary resources that management will provide to meet the goals of the organization.

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