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Information System Outsourcing and Organizational Productivity of Manufacturing Companies in Rivers State, Nigeria

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Abstract: *This study examined the relationship between information system outsourcing and productivity of manufacturing companies in Rivers State, Nigeria. The study adopted a cross-sectional research survey design. Primary data was generated through self- administered questionnaire. The population for the study was the thirty-six manufacturing companies in Rivers State, Nigeria registered with the Manufacturers Association of Nigeria (MAN). A census sampling was adopted since the population was small. However, five (5) managers were selected from each of the 36 manufacturing companies which gave a total of 180 study respondents. The reliability of the research instrument was determined by the use of the Cronbach Alpha coefficient with all the items scoring coefficients above 0.70. The hypotheses were tested using the Spearman's Rank Order Correlation Statistics. The findings revealed that there is a significant relationship between information system outsourcing and productivity of manufacturing companies in Rivers State, Nigeria. The study, thus, concluded that information system outsourcing significantly influences productivity of manufacturing companies in Rivers State, Nigeria. The study therefore recommended that manufacturing companies should be cautious when dealing with the issue of human resource outsourcing in order to further improve organizational productivity. Particularly, the organization should outsource such services as advertisement, screening process and more so conducting interviews and selection procedures in order to not only save on costs but also enhance recruiting qualified and competent candidates able to integrate and fit in the organization. As such employee engagement would be enhanced.*

Keywords: *Information System Outsourcing, Human Resources Outsourcing, Organizational Productivity, Profitability and Quality Service Delivery*

INTRODUCTION

Making the decision to outsource selected functions and processes to a Third Party company can be challenging yet rewarding to the organization (Vining & Globerman, 1999). Business functions have grown increasingly complex with globalization, technology, and competition advancing at a rapid pace. Thoroughly examining the motivations, expectations, and justifications for outsourcing critical operations functionality enables organizations to make effective decisions which generate incremental profitability and shareholder value (Hokey, 2012). Careful consideration and analysis of cost factors, financial impact, and suitability for outsourcing yields superior outsourcing strategies and transition plans. Outsourcing ultimately requires trust. Rundquist (2007) noted that handing over various aspects of business operations to a partner can be difficult for organizations that do not typically view their suppliers as cooperative partners. Emerson (2001), entering a relationship with a third party company is like handing over your wallet to a business associate. Third part outsourcing is exactly like using a bank to handle your financial transaction management – you make deposits, you issue payment instructions, and you expect a perfect balance.

Several studies on outsourcing (Densai, 2012) have all confirmed that outsourcing is a business strategy in which one or more of a company's business process is contracted out to an outside service provider with the intention of reducing operating cost and focusing on core competencies of the firm. In today's business environment it is important for most organizations to identify their core business competencies and focus on these for their performance. This can assist organizations in outsourcing services to achieve the desired objectives of the organization. However, the view of Butler (1991) indicates that outsourcing is the shifting of a function either in whole or in part from a main organization to a third party. According to Baily *et al.* (1998) as cited in Yurong (2004) that outsourcing is a contractual relationship between an external vendor and an enterprise in which the vendor assumes responsibility for some or more of the business functions of this enterprise.

Information Systems (IS) Outsourcing means that the physical and/or human resources related to one organisation's Information Technologies (ITs) are supplied and/or administered by an external specialised provider. This situation can be temporary or for an indefinite period and can affect all the IS of the client-firm or only a part of it. It can include data centers, wide area networks, applications development and maintenance functions, end user computing and business processing (Cardinali, 1998). This type of service became very popular in the nineties after the success obtained by Eastman Kodak with the externalisation of its ISs. However, IS contracting dates back to the early years of the introduction of this technology in the business world, when it was common for several firms to use the same computer, because of the high financial investment that the purchase of that computer meant. In recent years, outsourcing has been one of the Information Services that has grown the most (Caldwell, 1996; Lacity and Willcocks, 1998) and this rising trend is seemingly going to be maintained in the near future.

There is growth in the utilization of information technology (IT) external service strategies due to increased global collaboration, improved IT capabilities, advanced technologies, the accessibility to widespread Information and communication services as critical component for the efficient operation of an organization and an easier way for firms to communicate globally. This has prompted organizations to invest a fair amount of time and resources to design and implement ICT solutions that are aligned to their set objectives (David and Shao, 2007; Hirschheim, 2006). The role that Information and Communications Technology plays as a tool in optimizing operations and implementing important organizational goals cannot be underestimated. With the advent of new Information and Communication Technologies (ICTs) including personal, networked computers, the Internet services, mobile telephony, and email applications, organizations start appreciating the potential use of ICTs in advancing there program implementation. ICT, especially the Internet platform, has accelerated globalization. They are powerful tools that can give the organizations and end beneficiaries access to information and resources that foster their economic and social development. Although many individuals and organizations are already frequent users of ICTs, much more needs to be done to enhance.

Successful adoption and implementation of an outsourcing strategy by organizations results in cutting on costs, increase in productivity, quality service delivery improvement, capacity improvement, increased profitability and financial performance, lower innovation costs and risks and improved organizational competitiveness profitability and effectiveness. Increased competition and emergence of modern technologies have led to high need of various commercial banks to access more advanced strategies to remain competitive in these dynamic markets. Therefore, the information system outsourcing drivers include cost saving, capital investment reduction, cost reduction, flexibility enhancement (Lynch, 2004).

A large stream of empirical research has examined the concept of organizational productivity using various predictor variables. Achieng, Ochieng and Owuor (2012) studied the effect of Job redesign on organizational productivity in Commercial Banks in Kisumu, Kenya. Mildred (2016) studied the effect of employee involvement on employee job performance at the Kenyan Medical Research Institute (Centre For Global Health Research) Kisumu. Also Njiru (2016) carried out a study on the Influence of Flexible Work Practices on organizational productivity in Public Sector: A Case of Ministry of Interior and Coordination of National Government, Embu County. Ikon and Chukwu (2017) studied Employee engagement and performance of selected private universities in Delta State, Nigeria. However, there has been relatively little empirical research report that details how firms can achieve organizational productivity, through outsourcing organizational productivity. Therefore, this study intends to empirically fill that gap by investigating the relationship between information system outsourcing and organizational productivity of manufacturing companies in Rivers State, Nigeria.

Furthermore**,** this study was guided by the following research questions:

i. What is the relationship between human resources outsourcing and profitability of manufacturing companies in Rivers State, Nigeria?
ii. What is the relationship between human resources outsourcing and quality service delivery of manufacturing companies in Rivers State, Nigeria?

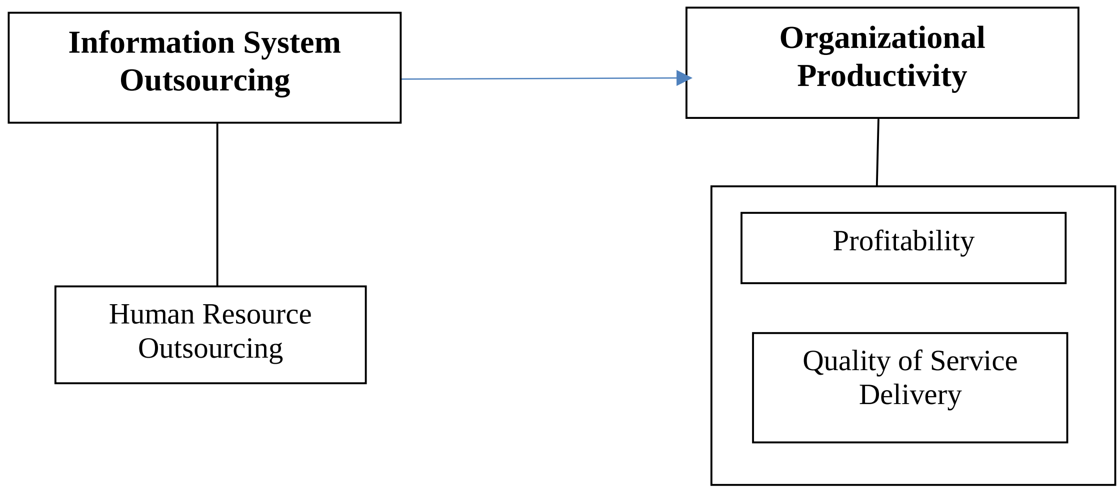

Fig.1 Conceptual Framework for the relationship Human Resource Outsourcing and Organizational Productivity
Source: Desk Research (2020)

LITERATURE REVIEW

Theoretical Foundation

Transaction Cost Economics Theory (TCE)

Transaction theory believes that transactions in organizations are basically attributed to production or manufacturing economics. According to this theory, firms are economic factors which make use of the supreme effective instruments for business dealings (Williamson,1981).It provides a diagnostic background used in making comparison between sub-contracting services and internal services (Lacity & Hirschheim, 1995). This theory facilitates the determination of outsourcing success in terms of economic benefits. TCE provides the finest judgment creating basis for supporting firms in making decisions on the services to be outsourced in addition to all necessary qualifications. Irregularity of constricting, eco-friendly and affiliation suspicions forms factors of the degree of contract price hence providing a ground for assessment of outsourcing decisions.

TCE deals with not only experiences but also outcomes of outsourcing. Ability expertise, trivial figures negotiating, and deficient facts are the experiences to outsourcing of which they have adverse connection to subcontracting. In respect to results of outsourcing, growth in contracting out has resulted to lower cost of production and more interesting increased expense of coordination during procuring products, materials and services from the market, hence it fails to factor the aspect of competitive edge especially during insignificant moments of prospective opportunism (Aubert,2004). Lacity and Willcocks (1995) enlightened that outsourcing leads to attainment of firm's primary objective of reducing the cost of operations due to substituting in-house production which enable firms to provide for reduced production cost which is capable of being provided by the market. In house operations tend to be more expensive especially when firm's lacks internal capabilities and expertise hence engaging market place through outsourcing practices incapacitates these inadequacies.

Information System Outsourcing

Information system (IS) outsourcing is an act of delegating or transferring some or all of the IT related decision making rights, business processes, internal activities, and services to external provider(s). The external providers develop, manage, and administer these activities in accordance with agreed 3 upon deliverables, and quality service delivery standards as set forth in the contractual agreement (Dhar, et al., 2004). Outsourcing is promoted as one of the most powerful trends in modern management. The rationale for outsourcing some functions and/or processes includes substantial financial economies, increased ability to focus on strategic issues, access to technology and specialized expertise, and an ability to demand measurable and improved service levels (David & Shao, 2007). In today's world of complex IT solutions, high competition and the world becoming a global village, many organizations have realised that they cannot operate in isolation. The need to focus on the core areas and leave other activities to those who have expertise in those functions is taking shape in most organizations.

IT outsourcing has gotten space at both the operational and strategic functions of organizations and as the services get more and more integrated to the core service of an organizations its role remain critical. Some of the main identified services outsourced are helpdesk support services, application development, Internet services provision and management, data backup services, Network infrastructure service, Staff training on IT issues and ICT security audits policy (Arshad, May-Lin, & Mohamed, 2007). These services are important to an organizations performance and its ability to meet crucial set objectives. Outsourcing has been identified to be of great benefit to profit making organizations that have embraced the concept (Wang, 2002). The benefits are classified as either short term while others are long term and are not realised immediately upon implementation. Some recognized benefits include the access to the state of the art technologies; the cost of operating IT services has also been significantly noted to reduce; flexibility of outsourced staff; improved focus on core business by senior management (Adams, Nelson, & Todd, 1992).

Outsourcing is promoted as one of the most powerful trends in modern management (Bendor Samuel, 2000). The rationale for outsourcing some functions includes substantial financial benefits, increased ability to focus on strategic issues, access to new technology and ability to demand measurable and improved service levels. Outsourcing differs from alliances, partnerships or joint ventures in that the flow of resources is one-way, from the vendor to the outsourcer; typically, profit sharing is not a common practice (Belcourt, 2006). In the mid-1960s there were computer service bureaus that ran a variety of programs, mainly financial and operational applications, but since the landmark Kodak IT outsourcing deal in 1989, when Kodak decided to source out substantial parts of their IT to a consortium headed by IBM, IT outsourcing has increased considerably worldwide (McFarlan &Nolan , 1995). The deal is regarded as the break through leading to all other mega-deals in later times as "imitative behaviour" of Kodak's decision (Mary &Lacity, 1993). After Kodak's decision the way was paved for the rapid growth of IT outsourcing. Among these have been, for instance, British Aerospace and Canadian Post Office who embraced outsourcing (Hirschheim & Lacity, 2000).

In theory efficient organisations will allocate their resources within the value chain to those activities that give them a comparative advantage (Belcourt, 2006). Outsourcing is expected to imply cost saving relative to internal production or internal service function (Quelin & Duhamel, 2003). Previous studies found that organizations choose to outsource to gain several potential benefits, outsourcing of repetitive and non-value adding activities allow firms to focus more on strategic activities like financial planning (Brown & Duguid, 2002). In other cases cost reduction and focus on strategic activities are often offered as reasons for outsourcing (Bendor-Samuel, 2000).

Organizational Productivity

There are many rising trends in organizational productivity. However, this study sought to establish whether Stima Sacco Society Limited had embraced conflict management and the influence this has on organizational productivity. Armstrong (2006) defines performance in output terms as the achievement of objectives and how these objectives are achieved. High performance results from appropriate behavior, especially discretionary, and the effective use of the required knowledge, skills and competencies. Performance may be understood differently depending on the person involved in the assessment of the organizational productivity for instance performance can be understood differently from a person within the organization compared to one from outside (Lebans& Euske2006).To define the concept of performance is necessary to know elements and characteristics to each area of responsibility. To report an organization's performance level, it is necessary to be able to quantify the results (Petkovic, 2008).

According to Gilbert and Ivancevich (2000), performance refers to the act of performing or carrying into execution or recognizable action, achievement or accomplishment in the undertaking of a duty. Cascio (2006) defines performance as working of individuals in an organization to be more effective. Zaman et al (2011) indicated that there is a significant and positive relationship between performance and reward. The other approach in defining organizational productivity that has in the recent past gained popularity in numerous organizations is the Balanced Scorecard (BSC) methodology by Kaplan & Norton (1992). In this method, performance of an organization is measured using four key perspectives financial, customer, internal processes, and Learning and Growth/innovation. In the Kenyan scenario it has been generally adopted by sixty nine per cent of the companies in a survey by Kiragu (2005).

According to Richard et al. (2009) organizational productivity encompasses three specific areas of firm outcomes: financial performance, product market performance and shareholder return. Stima Sacco for instance is expected to increase its financial performance in terms of annual income from 2.6 billion in 2015 to Shs.31.8 billion in 2020. According to Armstrong, (2000) performance is a means of getting better results from the whole organization or teams or individuals within it by understanding and managing performance within an agreed frame work of planned goals, standards and competence requirements. Performance is the accumulated end results of all the organization's work processes and activities (Santos & Brito 2012). It is about how effectively an organization transforms inputs into outputs (Robbins, 2009) and comprises the actual output or results as measured against its intended outputs. Liptons (2003) proposes that performance is the ability of the firm to prevail. There is hardly a consensus about its definition, and this limits advances in research and understanding of the concept of performance (Santos & Brito, 2012). As the debate on what organization performance rages on, the approach on how to measure it has attracted even more scholarly attention (Liptons, 2003).

Organizational productivity is one of the most important constructs in management research Trade (2000). Continuous performance is the objective of any organization because only through this, can organizations grow and progress. Moreover knowing the determinants of organizational productivity is important especially in the context of the current economic crises because it enables the identification of those factors that should be treated with an increased interest in order to improve the performance. Performance measurement estimates the parameters under which programs, investments, and acquisitions are reaching the targeted results (Perez et al., 13 2007). This study adopted the definition according to Trade (2000), that most performance measures could be grouped into six general categories effectiveness, profitability, cost, quality service delivery, timeliness, innovation and productivity. Therefore Organizational productivity is measured using the six parameters.

Measures of Organizational Productivity

Profitability

Profitability refers to money that a firm can produce with the resources it has. The goal of most organization is profit maximization (Niresh & Velnampy, 2014). Profitability involves the capacity to make benefits from all the business operations of an organization, firm or company (Muya & Gathogo, 2016). Profit usually acts as the entrepreneur's reward for his/her investment. As a matter of fact, profit is the main motivator of an entrepreneur for doing business. Profit is also used as an index for performance measuring of a business (Ogbadu, 2009). Profit is the difference between revenue received from sales and total costs which includes material costs, labor and so on (Stierwald, 2010). Profitability can be expressed either accounting profits or economic profits and it is the main goal of a business venture (Anene, 2014). Profitability portrays the efficiency of the management in converting the firm's resources to profits (Muya & Gathogo, 2016). Thus, firms are likely to gain a lot of benefits related increased profitability (Niresh & Velnampy, 2014). One important precondition for any long-term survival and success of a firm is profitability. It is profitability that attracts investors and the business is likely to survive for a long period of time (Farah & Nina, 2016). Many firms strive to improve their profitability and they do spend countless hours on meetings trying to come up with a way of reducing operating costs as well as on how to increase their sales (Schreibfeder, 2006).

Quality Service Delivery

Service delivery is a continuous, cyclic process for developing and delivering user focused services. It is further defined in four stages as user engagement, service design and development, service delivery and lastly assessment and positive change of service (Dachs*et al.,* 2004). Other scholars have propounded other definitions and according to Carrillat *et al.* (2007), service delivery is the physical access or reachability of services that meet a base standard. The later regularly requires detail as far as the components of service delivery, for example, essential equipment, medications and products, healthy workforce, and rules for treatment. Service delivery denotes the ability of the client to pay for the services where data can be collected by facility visits or by household interviews (Berghman *et al*., 2006). In this study, service delivery was defined as the willingness and readiness of a workforce to provide services in a dependable, accurate and responsive manner while utilizing the available resources.

The Servqual model was developed by Parasuraman *et al.,* (1988) to define service quality service delivery by means of the gap between the customers' perceptions and the expectations about organization's service quality service delivery performance. The model distinguishes five determinants of administration quality service delivery as effects, unwavering quality service delivery, responsiveness, confirmation and sympathy. It is measured administration conveyance since it is a settled instrument that has been utilized as a part of different reviews and its psychometric properties have been examined by some of the studies (Asubonteng *et al.,* 1996; Zhao *et al.,* 2010). Consequently, service quality service delivery is composed of perceived quality service delivery and expected quality service delivery. While perceived quality service delivery can be defined as the customer's judgment about the general position and excellence of the administration they get, expected quality service delivery clarifies the assumptions about the administration they have gotten. Baki*et al.* (2009) point out that on this scale, otherwise called the crevice examination, benefit quality service delivery is characterized as an estimation of the degree to which the offered benefit quality service delivery empowers to meet client desires. Assurance which is an aspect of service quality service delivery implies the employees' knowledge and courtesy levels and their ability to inspire trust and confidence (this dimension also includes competence, courtesy, credibility, and security.

Information System Outsourcing and Organizational productivity

ICT plays major role in the general organizational productivity. The relationship between IT and organizational productivity can be established by reviewing the various indicators. Some of the main indicators include the degree of organizational success, response time to disasters or emergence situations, standardization of processes, beneficially and donor satisfaction, and cost (Neely & Gregory, 1995). Outsourcing of IT services in humanitarian organisations is essential as it can enhance the profitability of the organisation and help bring innovative solutions to existing problems in the developing world (Fjermestad &Saitta, 2005). No matter how attractive ICT outsourcing and performance are portrayed, the early adopters were faced with quite a few problems, which overtime might have been addressed. Some of the challenges were legal, while others were purely on the operationalization of the outsourcing concept. The main problem has been the stability of the service providers.

In addition, several connectivity and access problems were noted (Schwyn, 1999). The pressure on CIOs to improve IT systems with an expectation of guaranteeing improvement in the overall organizations performance cannot be downplayed. A study aimed at identifying the relationship between an ERP implementation and organizational productivity was done, and conclusion drawn that the implementation of the ERP system has a positive effect on organizational productivity, the magnitude of its impact is smaller immediately after implementation, being intensified over time (Dehning & Richardson, 2002).

The study postulates the following hypotheses to be tested:

$Ho_{1:}$ There is no significant between human resources outsourcing and profitability of manufacturing companies in Rivers State, Nigeria.

$Ho_{2:}$ There is no significant between human resources outsourcing and quality service delivery of manufacturing companies in Rivers State, Nigeria.

METHODOLOGY

The study adopted the cross-sectional survey in its investigation of the variables. Primary data was sourced through structured questionnaire. The population for the study was the thirty-six manufacturing companies in Rivers State registered with the Manufacturers Association of Nigeria (MAN). A census sampling was adopted since the population was small. However, five (5) managers were selected from each of the 36 manufacturing companies which gave a total of 180 study respondents. The reliability of the research instrument was achieved by the use of the Cronbach Alpha coefficient with all the items scoring coefficients above 0.70. The hypotheses were tested using the Spearman's Rank Order Correlation Statistics. The tests were carried out at a 95% confidence interval and a 0.05 level of significance.

DATA ANALYSIS AND RESULTS

Bivariate Analysis

The Spearman Rank Order Correlation coefficient is calculated using the SPSS 21.0 version to establish the relationship among the empirical referents of the predictor variable and the measures of the criterion variable.

Table 1Correlation for Human Resource Outsourcing and the Measures of Organizational productivity

			Human Resource Outsourcing	Profitability	Quality service delivery
Spearman's rho	Human Resource Outsourcing	Correlation Coefficient	1.000	.771**	.685**
		Sig. (2-tailed)	.	.000	.000
		N	155	155	155
	Profitability	Correlation Coefficient	.771**	1.000	.604**
		Sig. (2-tailed)	.000	.	.000
		N	107	107	155
	Quality service delivery	Correlation Coefficient	.685**	.604**	1.000
		Sig. (2-tailed)	.000	.000	.
		N	155	155	155

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

Source: Research Data 2020 and SPSS output version 23.0

Table 1 illustrates the test for the third two previously postulated bivariate hypothetical statements. The results show that for

Ho_1: There is no significant relationship between human resourceoutsourcing and profitability of manufacturing companies in Rivers State, Nigeria.

The correlation coefficient (r) shows that there is a significant and positive relationship between human resourceoutsourcing and profitability. The *rho* value 0.771 indicates this relationship and it is significant at p $0.000<0.05$. The correlation coefficient represents a high correlation indicating a strong relationship. Therefore, based on this finding the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant relationship between human resourceoutsourcing and profitability of manufacturing companies in Rivers State, Nigeria.

Ho_2: There is no significant between human resourceoutsourcing system outsourcing and quality service delivery of manufacturing companies in Rivers State, Nigeria.

The correlation coefficient (r) shows that there is a significant and positive relationship between human resourceoutsourcing and quality service delivery. The *rho* value 0.685 indicates this relationship and it is significant at p $0.000<0.05$. The correlation coefficient represents a high correlation indicating a strong relationship. Therefore, based on this finding the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant relationship between human resourceoutsourcing and quality service delivery of manufacturing companies in Rivers State, Nigeria.

DISCUSSION OF FINDINGS

The results from the test of hypotheses revealed that there is a significant positive relationship between human resources out sourcing and organizational productivity of manufacturing companies in Rivers State, Nigeria. This finding is in line with Stear and Wecksell (1997), who suggest that the practice of contracting people from outside the organization to provide specific services is what is termed as outsourcing. The issue as to whether a firm should make or buy intermediate inputs; an issue that has a long tradition in economics, dating back to the seminal work by on the boundaries of a firm is addressed by outsourcing. Due to this fact, outsourcing can be used to economize on production cost, in particular labor cost by substituting in-house production with the buying-in of components. Outsourcing costs is determined by both the price of the bought-in components and also by transaction costs due to transport and incomplete contracting costs, and the possible implications of asset specificity for supplier and/or customer (Abraham and Taylor, 1996).

The finding agrees with a study on the rationale and effectiveness of recruitment outsourcing conducted Heikonnen (2012). The Finnish human resource professionals from different companies were considered for the study. It was indicated that outsourcing the acquisition of part-time employees was the most beneficial approach to recruitment process outsourcing. However, it was noted that only certain stages of the overall recruitment process were necessary for outsourcing such as processing of application materials but interviews done by the organization based on the number of the sampled applicants.

The finding of this study corroborate a study by Biney (2008) analyzed the challenges and expectations facing human resource service providers in outsourcing recruitment and selection activities in Ghana. Findings indicated that most of the multinational outsourced their recruitment portfolio with the anticipation that the service providers would recruit high quality and highly qualified candidates in a timely manner in order to reduce employee turnover and access cheap technology and expertise.

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

In another study, Cicek and Ozer (2011) analyzed the effect of outsourcing human resource on organizational performance. The author notes that human resource practices such as outsourcing training and payroll positively contribute to the expected organizational performance by means of organizational strategies and culture. Similarly the findings of Norman's (2009) study indicated that training and payroll outsourcing influenced firm performance. Gainey and Klass (2003) while looking into outsourcing of training and development in the context of client satisfaction established that outsourced trainings have strategic importance to an organization. It is noted that human resource practice of training outsourcing remains a challenging decision for organizations (Chaudhuri & Bartlett, 2014). The authors embarked into a study and sought to determine the relationship between training outsourcing and employee commitment to organization. The study considered information technology firms in India and United States where data was collected. The study findings indicated that there was a positive relationship between the measures of employee perception of quality, usefulness and supervisor support for outsourced training with organizational commitment.

CONCLUSION AND RECOMMENDATIONS

The study found out that most Manufacturing Companies in Rivers State, Nigeria outsource various services and these allows them to focus on their own core competences by relocating limited resources to strengthen their core product or service and to strategically use outside vendors to perform service, activities that traditionally have been internal functions. The study found out that outsourcing of human resources by the manufacturing companies resulted in freed internal capacity, reduced commitment to full-time human resource expenses, focus of core activities, reduced commitment to fixed-costs, it ensures tap on specialists knowledge needed for the project, reduction of capital investment, flexibility in terms of accommodation of changes, high quality service delivery products, reduction of development costs and it ensures speedy delivery of service. All this led to an increase in profitability and quality service delivery of the company.

The study found out that the effect of outsourcing of human resources by the manufacturing companies on performance was increased productivity, flexibility, better quality service delivery of products, reduction in the operating cost of the firm, technology advancement and customer satisfaction. In conclusion this study concludes that human resources outsourcing significantly influence organizational productivity of manufacturing companies in Rivers State, Nigeria.

Based on the foregoing conclusions, the following recommendations are suggested.

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

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