

# Journal of **Business and Strategic Management** (JBSM)

Strategic Outsourcing and Service Delivery at the Kenya Revenue Authority



## Strategic Outsourcing and Service Delivery at the Kenya Revenue Authority (KRA)



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Accepted: 30<sup>th</sup> Apr, 2025, Received in Revised Form: 10<sup>th</sup> May, 2025, Published: 12<sup>th</sup> May, 2025



### ABSTRACT

**Purpose:** The study's main objective will be to analyze the impact of strategic outsourcing on KRA's service delivery, with specific objectives focusing on ICT outsourcing, facilities management, customer support, marketing, and research and development. The study is grounded on the Resource-Based View (RBV) and Transaction Cost Economics (TCE) theories, which provide a framework for understanding how outsourcing enhances efficiency and reduces costs.

**Methodology:** A cross-sectional survey design will be employed, targeting KRA employees involved in outsourced functions, including ICT, facilities management, and customer support. A stratified random sampling technique will be used to select 306 respondents from a target population of 1,500 employees. Primary data will be collected using structured questionnaires, and both descriptive statistics (mean, standard deviation, percentages, and graphs) and inferential statistics (correlation and regression analysis) are used for data analysis.

**Findings:** The study findings indicate that ICT outsourcing, facilities management outsourcing, outsourced customer support services, outsourced marketing, and outsourced research and development do not significantly enhance the efficiency of KRA service delivery.

**Unique Contribution to Theory, Policy and Practice:** This study contributes to theory by expanding the understanding of strategic outsourcing in public sector institutions. It informs policy by providing insights into optimizing outsourcing practices for enhanced service delivery at KRA. In practice, it offers actionable recommendations for improving efficiency and accountability in outsourcing arrangements, benefiting both the public sector and service providers.

**Keywords:** *Strategic Outsourcing, Service Delivery Efficiency, ICT Outsourcing, Taxpayer Satisfaction*

## INTRODUCTION

### Background of the Study

This chapter provides an in-depth examination of the background, problem statement, objectives, hypotheses, significance, and scope of the study. It highlights the growing reliance on outsourcing as a means to enhance operational efficiency, reduce costs, and improve service delivery, while also identifying existing challenges such as vendor performance issues, data security risks, and inadequate monitoring mechanisms. Strategic outsourcing is a deliberate decision by an organization to delegate non-core functions to external service providers to achieve specific strategic objectives, such as cost reduction, improved efficiency, access to specialized expertise, and enhanced service delivery (Mutongerwa et al., 2024). This practice enables organizations to focus on their core competencies while leveraging external expertise for specialized tasks (Zhu et al., 2017). In the public sector, strategic outsourcing is increasingly aligned with national development goals, such as Kenya's Vision 2030, which emphasizes the role of private-sector partnerships in driving efficiency and innovation in government services (Mutegi, 2020). However, despite its growing adoption, the effectiveness of strategic outsourcing in improving public sector service delivery remains underexplored, particularly in developing economies like Kenya.

The Kenya Revenue Authority (KRA), a key government agency responsible for tax administration, has adopted strategic outsourcing to enhance its service delivery. Key outsourced functions include ICT systems (e.g., the iTax platform), wide area network services, internet services, facilities management, commercial backup power, call center services, security appliances, customer support services, marketing, and research and development. These outsourcing initiatives aim to streamline tax collection processes, improve taxpayer accessibility, and foster innovation in service delivery (Kipchumba, 2021). For instance, the iTax system has been lauded for enhancing data accuracy and reducing manual errors in tax filing, while outsourced customer support services have improved response times and taxpayer satisfaction (Ngugi & Ochieng, 2022). However, the interrelationship between these outsourcing dimensions and their collective impact on KRA's operational efficiency and service delivery outcomes remains poorly understood.

Empirical evidence suggests that ICT outsourcing can significantly improve operational efficiency by automating processes and enhancing data management (Mwangi & Kariuki, 2023). Similarly, facilities management outsourcing has been shown to optimize resource allocation by allowing organizations to focus on core functions (Omondi & Wambua, 2021). The outsourcing of wide area network services and internet services ensures secure and reliable connectivity, crucial for real-time tax processing and digital interactions with taxpayers (Kimani et al., 2023). Additionally, commercial backup power outsourcing enhances business continuity, preventing operational disruptions due to power failures (Nyakundi & Muturi, 2022). However, challenges such as

suboptimal vendor performance, data security risks, and weak contract management often undermine the potential benefits of outsourcing (Mtsweni et al., 2021). For example, a study by Yap et al. (2021) found that poor vendor selection processes and inadequate monitoring mechanisms are key barriers to effective outsourcing in public institutions. These challenges are particularly pronounced in the context of KRA, where the complexity of tax administration and the need for data security exacerbate the risks associated with outsourcing.

The context of this study is the Kenyan public sector, with a specific focus on KRA and its interactions with taxpayers, outsourced service providers, and other stakeholders. Taxpayers, including individuals, small and medium enterprises (SMEs), and large corporations, are the primary beneficiaries of KRA's services. However, their experiences with outsourced services, such as the iTax platform, customer support, and call center services, vary widely, with some reporting improved accessibility and others citing persistent challenges such as system downtime, delayed responses, and cybersecurity vulnerabilities (KRA Annual Report, 2023). This variability highlights the need for a deeper understanding of how different outsourcing dimensions influence service delivery outcomes in this context.

Despite the growing body of literature on strategic outsourcing, significant gaps remain. First, there is limited empirical research on the specific impact of ICT outsourcing on operational timeliness and customer satisfaction in public sector institutions like KRA (Ngugi & Ochieng, 2022). Second, the role of facilities management outsourcing in resource optimization and its indirect effects on service delivery performance have not been thoroughly examined (Omondi & Wambua, 2021). Third, while outsourced marketing and research and development are critical for fostering compliance and innovation, their effectiveness in the public sector remains underexplored (Zhu et al., 2017). Fourth, the impact of outsourcing network services, commercial backup power, security appliances, and call center services on operational efficiency and service quality remains insufficiently analyzed. Finally, existing studies often overlook the role of contextual factors, such as regulatory frameworks and organizational capacity, in shaping the outcomes of outsourcing initiatives (Mutegi, 2020).

This study seeks to address these gaps by examining the interrelationship between key outsourcing dimensions—ICT systems, wide area network services, internet services, facilities management, commercial backup power, call center services, security appliances, customer support services, marketing, and research and development—and their collective impact on KRA's service delivery outcomes. By focusing on the Kenyan context, the research aims to provide actionable insights into how strategic outsourcing can be optimized to improve operational efficiency, taxpayer satisfaction, and overall service delivery performance in the public sector.

### **Statement of the Problem**

The Kenya Revenue Authority (KRA) plays a critical role in the collection of national revenue, which is essential for financing government services and development projects. However, the



efficiency and effectiveness of service delivery at KRA have faced challenges, including delays in processing tax returns, poor customer service, and inadequate infrastructure. One potential solution that has gained traction in addressing these inefficiencies is strategic outsourcing, where certain non-core functions are delegated to external service providers. While outsourcing has the potential to improve service delivery by leveraging specialized expertise and technology, its implementation at KRA has not been without complications. The Kenya Revenue Authority (KRA) has increasingly relied on strategic outsourcing to improve service delivery and achieve its mandate. Outsourcing functions has the potential to enhance operational efficiency and taxpayer satisfaction. However, despite these efforts, KRA has consistently struggled to meet its tax collection targets. For example, in the first half of the financial year ending December 2024, KRA missed its tax collection target by Sh163.46 billion, a recurring issue that highlights inefficiencies in its operations and service delivery (Mutua, 2025).

There is limited research on how strategic outsourcing specifically impacts service delivery within public institutions like KRA. Existing studies have primarily focused on private sector outsourcing, offering insights that may not be fully applicable to the public sector context. As KRA continues to face growing demands for better service quality, timely tax processing, and enhanced taxpayer satisfaction, there is an urgent need to evaluate the effectiveness of outsourcing practices in improving service delivery.

This study seeks to fill this gap by investigating the relationship between strategic outsourcing and service delivery at KRA. It will examine how outsourcing affects operational efficiency, customer service, and overall service quality. Understanding these dynamics will inform policy decisions on outsourcing strategies, ensuring that KRA can meet its mandate while improving service delivery for taxpayers and stakeholders.

### **General Objective**

The study aims to analyze the impact of strategic outsourcing on service delivery at the Kenya Revenue Authority (KRA).

### **Specific Objectives**

1. To determine how ICT outsourcing enhances the efficiency of KRA service delivery.
2. To determine the contribution of facilities management outsourcing to the efficiency of KRA service delivery.
3. To determine the role of outsourced customer support services in improving the efficiency of KRA service delivery.
4. To determine the effectiveness of outsourced marketing in increasing the efficiency of KRA service delivery.

## **LITERATURE REVIEW**

### **Theoretical Framework - Theories**

#### **The Resource-Based View (RBV) Theory**

The Resource-Based View (RBV) theory, proposed by Barney (1991), is a strategic management framework that explains how organizations achieve a sustainable competitive advantage by leveraging their unique resources and capabilities. According to RBV, a firm's resources must be valuable, rare, inimitable, and non-substitutable (VRIN) to provide a lasting competitive edge. The theory emphasizes that organizations should focus on developing and utilizing their core competencies while outsourcing non-core activities to external providers who can perform them more efficiently. This strategic approach allows firms to allocate their resources more effectively, ensuring that they concentrate on functions that provide the greatest strategic value.

In the context of strategic outsourcing, RBV supports the notion that public sector organizations, such as the Kenya Revenue Authority (KRA), should identify their core competencies and delegate auxiliary functions to external specialists. By doing so, these organizations can improve operational efficiency, reduce costs, and enhance service delivery. For instance, functions such as IT infrastructure management, customer service, and logistics can be outsourced to firms with specialized expertise, allowing the public institution to focus on its primary mandate. This approach aligns with the principles of RBV, as it ensures that internal resources are directed towards mission-critical activities while leveraging external capabilities for enhanced efficiency.

RBV has been widely applied in both private and public sector studies, demonstrating its relevance in strategic outsourcing. Researchers have used RBV to analyze how firms create value through their internal resources and determine which functions should be retained in-house versus outsourced (Barney et al., 2021). The theory provides a structured approach for public organizations to assess their strategic priorities and develop outsourcing strategies that align with their long-term objectives. By applying RBV, KRA can enhance its service delivery efficiency by ensuring that outsourced functions contribute to overall organizational performance rather than merely reducing operational costs.

#### **The Transaction Cost Economics (TCE) Theory**

Transaction Cost Economics (TCE) theory, initially introduced by Coase (1937) and later expanded by Williamson (1975), provides a framework for understanding the implications of outsourcing decisions. TCE argues that organizations must evaluate the transaction costs associated with outsourcing, including search and information costs, bargaining and decision-making costs, and enforcement costs, before determining whether to outsource or retain a function in-house. The theory suggests that when transaction costs are high, firms should internalize the activity, whereas when transaction costs are low, outsourcing becomes a more efficient option.

In the public sector, TCE plays a crucial role in guiding outsourcing decisions by ensuring that cost-effectiveness is a primary consideration. Government agencies, such as KRA, must assess the financial and operational feasibility of outsourcing various functions by evaluating the risks and costs associated with contracting external service providers. For example, if outsourcing IT services results in high enforcement and monitoring costs due to frequent contract renegotiations, it may be more beneficial to develop in-house capabilities. Conversely, if outsourcing allows KRA to reduce operational inefficiencies and allocate resources more effectively, it becomes a viable strategic option.

TCE has been widely used in outsourcing literature to analyze the cost-benefit trade-offs associated with external service contracts. Researchers have applied this theory to assess how transaction costs impact outsourcing effectiveness and the conditions under which outsourcing leads to efficiency gains (Williamson, 2020). In the case of KRA, TCE can help determine whether outsourcing specific functions, such as data processing or customer support, will lead to cost savings and service delivery improvements. By applying TCE principles, KRA can minimize the risks of inefficiencies, contract failures, and high enforcement costs while optimizing its outsourcing strategy.

### **Core Competency Theory (Prahalad & Hamel, 1990)**

Core Competency Theory, introduced by C.K. Prahalad and Gary Hamel in their 1990 *Harvard Business Review* article "*The Core Competence of the Corporation*," argues that organizations should focus on their unique strengths—core competencies—while outsourcing non-core activities to specialized external providers.

In the public sector, institutions are mandated to provide specific services to the public and outsourcing non-strategic services like janitorial work, IT support, facilities management, marketing services and customer service allows them to concentrate on core functions.

Core Competency Theory justifies outsourcing in the public sector by advocating for a focus on what governments do best while leveraging private-sector efficiency for the rest. However, success depends on strong oversight to ensure alignment with public interest.

## Conceptual Framework

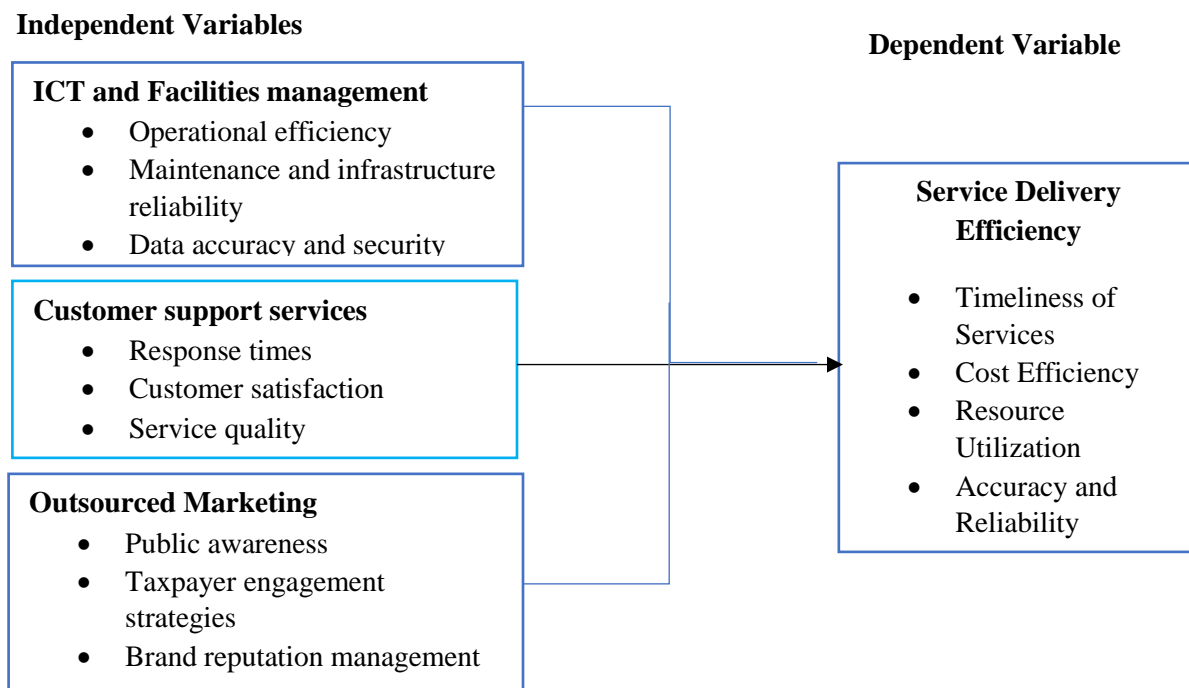


Figure 1. Conceptual Framework

## Empirical review

### ICT Outsourcing and Efficiency of Service Delivery

Information and Communication Technology (ICT) outsourcing involves delegating IT-related services to external providers, aiming to enhance organizational performance. Recent studies have explored its impact on service delivery efficiency. For instance, a study by Mtsweni et al. (2021) investigated the effects of outsourcing in-house IT services on organizational performance. The findings revealed that while outsourcing can lead to improved efficiency through access to specialized skills and technologies, it may also result in challenges such as loss of control over IT functions and potential security risks. The study emphasized the importance of understanding the operating environment to ensure that outsourced services add value to the organization.

Similarly, research by Nyameboame and Haddud (2017) examined the relationship between IT outsourcing and organizational performance. The study concluded that outsourcing IT services could enhance productivity and efficiency by allowing organizations to focus on core competencies. However, it also highlighted potential drawbacks, including dependency on external providers and challenges in managing vendor relationships. These findings suggest that while ICT outsourcing offers opportunities for improved service delivery, organizations must carefully manage outsourcing arrangements to mitigate associated risks.



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**Facilities Management Outsourcing and Efficiency of Service Delivery**

Facilities management (FM) outsourcing entails contracting external service providers to handle non-core functions such as building maintenance, security, and cleaning services. A literature review by Ikediashi (2018) compared outsourcing and in-house FM practices, highlighting that outsourcing can lead to cost savings, improved service quality, and access to specialized expertise. However, the study also noted potential disadvantages, including loss of control over service quality and challenges in managing service providers. The review emphasized the need for organizations to carefully assess their specific needs and capabilities when deciding between outsourcing and in-house FM services.

Further research by Modu et al. (2023) explored the use of outsourcing as a strategy for FM service delivery in social housing within a semi-arid climate. The study found that outsourcing FM services led to improved efficiency and effectiveness in service delivery. However, it also identified challenges such as difficulties in monitoring service providers and ensuring compliance with service level agreements. The authors recommended the development of robust FM strategies and the adoption of outsourcing to enhance service delivery in similar contexts.

**Outsourced Customer Support Services and Efficiency of Service Delivery**

Outsourcing customer support services involves engaging external providers to manage interactions with clients, aiming to enhance service quality and efficiency. A study by Mtsweni et al. (2021) examined the impact of outsourcing IT services, including customer support, on organizational performance. The findings indicated that while outsourcing customer support can lead to improved service quality and customer satisfaction, it may also result in challenges such as loss of control over customer interactions and potential misalignment between the organization and the service provider. The study recommended close collaboration between in-house teams and outsourced service providers to ensure smooth service delivery and process alignment.

Another study by Rajaeian et al. (2017) explored the reasons behind organizations' decisions to bring previously outsourced IT services, including customer support, back in-house. The research found that dissatisfaction with outsourcing arrangements, changes in organizational strategy, and the desire to regain control over customer interactions were key factors influencing this decision. These findings suggest that while outsourcing customer support services can offer benefits, organizations must carefully manage these relationships to ensure alignment with organizational goals and customer expectations.

**Outsourced Marketing and Efficiency of Service Delivery**

Outsourcing marketing functions involves engaging external agencies to manage activities such as advertising, public relations, and market research, aiming to enhance organizational performance. A study by Yap et al. (2021) examined the impact of outsourcing marketing services on organizational performance. The findings indicated that outsourcing marketing can lead to

improved efficiency, access to specialized expertise, and enhanced innovation. However, the study also highlighted potential challenges, including difficulties in managing external agencies, potential misalignment with organizational goals, and risks related to confidentiality and data security. The authors emphasized the importance of effective management and clear communication between organizations and external agencies to ensure successful outsourcing arrangements.

### **Outsourced Research and Development and Efficiency of Service Delivery**

Outsourcing research and development (R&D) involve engaging external entities to conduct research activities, aiming to drive innovation and improve service delivery. A study by Zhu et al. (2021) examined the impact of R&D outsourcing on organizational performance, revealing that outsourcing can enhance innovation capabilities and efficiency by providing access to specialized expertise and advanced technologies. The study found that organizations leveraging external research capabilities experienced faster product development cycles and improved service delivery outcomes. However, it also noted challenges such as intellectual property risks and the need for strong collaborative frameworks to ensure alignment between the organization and external researchers.

Similarly, a study by Arvanitis et al. (2022) explored the relationship between R&D outsourcing and service efficiency in public sector institutions. The findings suggested that outsourcing R&D can lead to enhanced service delivery by fostering innovation and operational improvements. However, the study cautioned against excessive dependence on external entities, as it may lead to loss of critical knowledge and reduced internal capacity for innovation. The authors recommended a balanced approach where public institutions retain strategic oversight while leveraging external expertise for specific research projects.

### **RESEARCH METHODOLOGY**

This study adopted a cross-sectional survey design, which involved collecting data at a single point in time to examine the relationship between strategic outsourcing and service delivery at KRA. The target population for this study comprised employees of the Kenya Revenue Authority (KRA) who were directly involved in outsourced functions. This included managers, supervisors, and operational staff within these departments. According to KRA's annual report (2024), the organization has approximately 6,000 employees, with an estimated 1,500 staff members working in the aforementioned departments. To determine an appropriate sample size for the study, Cochran's formula for sample size calculation was used. Thus, the final sample size was approximately 306 respondents. A stratified random sampling technique was employed to ensure representation across various departments involved in outsourced functions at KRA. To collect primary data, structured questionnaires were used. A pilot study was conducted before the main data collection process to test the reliability and validity of the research instrument. The pilot test involved 30 respondents from KRA that were not part of the final study sample.

Descriptive statistics were used to summarize and interpret the collected data. Measures such as mean, standard deviation, frequencies, and percentages were employed to describe the demographic characteristics of respondents and their responses to various questionnaire items. Data visualization techniques such as tables, bar graphs, and pie charts were used to enhance the presentation of results. Inferential statistical techniques were applied to test hypotheses and establish relationships between the study variables. Pearson correlation analysis was used to determine the strength and direction of relationships between strategic outsourcing and service delivery indicators. Additionally, multiple regression analysis was performed to assess the extent to which independent variables influence the dependent variable. The statistical significance of the regression model was evaluated using the F-test, while the t-test was used to assess the significance of individual predictor variables. Statistical tests were conducted at a 95% confidence level ( $p < 0.05$ ) to ensure accuracy and reliability of findings (Hair et al., 2020).

## RESEARCH RESULTS AND DISCUSSION

### Response Rate

Out of our target of 306 participants, we had 300 complete questions that we analyzed. The demographic profile of the study's respondents provides valuable context for understanding the survey results.

### Pearson Correlation

The Pearson Correlation analysis was conducted to explore the strength and direction of the linear relationships between the strategic outsourcing dimensions and the service delivery indicators. The correlation matrix presenting the Pearson Correlation coefficients and their significance values revealed that most of the correlations between the individual outsourcing variables (Q4 to Q17) and the overall effectiveness variable (Q19) were very close to zero. Furthermore, these correlations were not statistically significant (with significance values generally greater than 0.05), indicating weak or no meaningful linear relationships between these specific outsourcing aspects and the overall perceived effectiveness. Notably, there was one statistically significant correlation ( $p < 0.05$ ) identified: a weak negative correlation between the statement "Outsourced customer support has enhanced taxpayer satisfaction" and "Outsourced R&D has fostered innovation in service delivery" (Pearson Correlation =  $-.120^*$ , Sig. = .038). This suggests a slight tendency for higher perceived taxpayer satisfaction from outsourced customer support to be associated with slightly lower perceived innovation from outsourced R&D, although the strength of this relationship is minimal.

**Table 1: Correlation Analysis**

		1	2	3	4	5	6	7	8	9	10	11
1	Pearson Correlation	1	.104	-.050	.046	.022	.050	-.020	-.060	-.071	-.034	-.002
	Sig. (2-tailed)		.072	.389	.426	.709	.385	.734	.297	.219	.559	.976
	N	300	300	300	300	300	300	300	300	300	300	300
2	Pearson Correlation	.104	1	-.037	.071	.075	-.018	-.038	.068	.039	.028	-.108
	Sig. (2-tailed)	.072		.520	.221	.197	.755	.516	.238	.496	.626	.061
	N	300	300	300	300	300	300	300	300	300	300	300
3	Pearson Correlation	-.050	-.037	1	.010	.018	.038	-.071	-.042	.029	.035	-.102
	Sig. (2-tailed)	.389	.520		.859	.757	.511	.221	.473	.618	.550	.079
	N	300	300	300	300	300	300	300	300	300	300	300
4	Pearson Correlation	.046	.071	.010	1	.076	.002	-.006	.002	.031	-.041	-.055
	Sig. (2-tailed)	.426	.221	.859		.189	.967	.913	.969	.588	.481	.340
	N	300	300	300	300	300	300	300	300	300	300	300
5	Pearson Correlation	.022	.075	.018	.076	1	-.021	-.015	-.025	-.101	.083	.055
	Sig. (2-tailed)	.709	.197	.757	.189		.718	.798	.661	.080	.150	.343
	N	300	300	300	300	300	300	300	300	300	300	300
6	Pearson Correlation	.050	-.018	.038	.002	-.021	1	-.120*	.073	-.055	.002	.019
	Sig. (2-tailed)	.385	.755	.511	.967	.718		.038	.208	.339	.978	.740
	N	300	300	300	300	300	300	300	300	300	300	300
7	Pearson Correlation	-.020	-.038	-.071	-.006	-.015	-.120*	1	.013	.018	.043	.015
	Sig. (2-tailed)	.734	.516	.221	.913	.798	.038		.822	.755	.458	.792
	N	300	300	300	300	300	300	300	300	300	300	300
8	Pearson Correlation	-.060	.068	-.042	.002	-.025	.073	.013	1	.069	-.048	-.031
	Sig. (2-tailed)	.297	.238	.473	.969	.661	.208	.822		.232	.408	.588
	N	300	300	300	300	300	300	300	300	300	300	300
9	Pearson Correlation	-.071	.039	.029	.031	-.101	-.055	.018	.069	1	.035	-.062
	Sig. (2-tailed)	.219	.496	.618	.588	.080	.339	.755	.232		.542	.287
	N	300	300	300	300	300	300	300	300	300	300	300
10	Pearson Correlation	-.034	.028	.035	-.041	.083	.002	.043	-.048	.035	1	.053
	Sig. (2-tailed)	.559	.626	.550	.481	.150	.978	.458	.408	.542		.358
	N	300	300	300	300	300	300	300	300	300	300	300
11	Pearson Correlation	-.002	-.108	-.102	-.055	.055	.019	.015	-.031	-.062	.053	1
	Sig. (2-tailed)	.976	.061	.079	.340	.343	.740	.792	.588	.287	.358	
	N	300	300	300	300	300	300	300	300	300	300	300

\*. Correlation is significant at the 0.05 level (2-tailed).

1 - ICT outsourcing has improved operational efficiency at KRA

2 - ICT outsourcing has enhanced data accuracy and reliability

3 - Facilities management outsourcing has optimized resource allocation

4 - Facilities management outsourcing has improved service quality

5 - Outsourced customer support has improved response times

6 - Outsourced customer support has enhanced taxpayer satisfaction

7 - Outsourced marketing has increased taxpayer compliance

8 - Outsourced marketing has improved service accessibility

9 - Outsourced R&D has fostered innovation in service delivery

10 - Outsourced R&D has improved operational efficiency

11 - how effective is strategic outsourcing in improving KRA's service delivery?

## Multiple Regression

A multiple regression analysis was conducted to assess the predictive power of the strategic outsourcing dimensions (independent variables) on the overall effectiveness of strategic outsourcing in improving KRA's service delivery (dependent variable). The Model Summary indicated an R value of .189 and an R Square value of .036. This suggests that the ten outsourcing dimensions included in the model collectively account for only approximately 3.6% of the variance observed in the overall effectiveness of strategic outsourcing. This very low R-squared value implies that the model is not a strong predictor of the dependent variable.

**Table 2: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.189 <sup>a</sup>	.036	.002	1.377

a. Predictors: (Constant), Outsourced R&D has improved operational efficiency, Outsourced customer support has enhanced taxpayer satisfaction, ICT outsourcing has enhanced data accuracy and reliability, Facilities management outsourcing has optimized resource allocation, Outsourced R&D has fostered innovation in service delivery, Facilities management outsourcing has improved service quality, Outsourced marketing has improved service accessibility, Outsourced marketing has increased taxpayer compliance, ICT outsourcing has improved operational efficiency at KRA, Outsourced customer support has improved response times

Further examination of the ANOVA table revealed an F-statistic of 1.074 with a significance value of .382. Since this significance value is greater than the conventional alpha level of 0.05, the overall regression model is not statistically significant, indicating that the set of independent variables, when considered together, does not significantly predict the overall effectiveness of strategic outsourcing.

**Table 3: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.355	10	2.035	1.07	.382 <sup>b</sup>
	Residual	547.632	289	1.895		
	Total	567.987	299			

a. Dependent Variable: how effective is strategic outsourcing in improving KRA's service delivery?

b. Predictors: (Constant), Outsourced R&D has improved operational efficiency, Outsourced customer support has enhanced taxpayer satisfaction, ICT outsourcing has enhanced data accuracy and reliability, Facilities management outsourcing has optimized resource allocation, Outsourced R&D has fostered innovation in service delivery, Facilities management outsourcing has improved service quality, Outsourced marketing has improved service accessibility, Outsourced marketing has increased taxpayer compliance, ICT outsourcing has improved operational efficiency at KRA, Outsourced customer support has improved response times

The Coefficients table provided insights into the individual contributions of each independent variable; however, most of these variables exhibited non-significant p-values (Sig. > 0.05),



suggesting that individually, they are not significant predictors within this model. While the constant was statistically significant (Sig. = .000), its interpretation is limited as it represents the predicted value of the dependent variable when all predictors are zero. Importantly, the collinearity statistics (Tolerance and VIF) were within acceptable limits, indicating that multicollinearity was not a significant issue affecting the stability of the regression coefficients in this analysis.

**Table 4: Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
	3.521	0.53		6.64	0		
ICT outsourcing has improved operational efficiency at KRA	0.001	0.057	0.001	0.025	0.98	0.971	1.029
ICT outsourcing has enhanced data accuracy and reliability	-0.107	0.056	-0.111	-1.894	0.059	0.968	1.033
FM outsourcing has optimized resource allocation	-0.103	0.055	-0.108	-1.861	0.064	0.985	1.015
FM outsourcing has improved service quality	-0.045	0.056	-0.047	-0.812	0.417	0.984	1.016
Outsourced customer support has improved response times	0.058	0.057	0.06	1.016	0.311	0.969	1.032
Outsourced customer support has enhanced taxpayer satisfaction	0.022	0.057	0.022	0.381	0.703	0.971	1.03
Outsourced marketing has increased taxpayer compliance	0.005	0.056	0.006	0.095	0.924	0.976	1.024
Outsourced marketing has improved service accessibility	-0.022	0.057	-0.023	-0.386	0.7	0.975	1.026
Outsourced R&D has fostered innovation in service delivery	-0.044	0.057	-0.046	-0.78	0.436	0.971	1.03
Outsourced R&D has improved operational efficiency	0.052	0.056	0.054	0.918	0.359	0.981	1.019

a. Dependent Variable: how effective is strategic outsourcing in improving KRA's service delivery?

## CONCLUSIONS & RECOMMENDATIONS

### Conclusions

Based on the analysis of the study's findings, several key conclusions can be drawn regarding the impact of strategic outsourcing on service delivery at the Kenya Revenue Authority (KRA). Firstly, the strategic outsourcing dimensions examined in this study, both collectively and individually, were not found to be statistically significant predictors of the overall perceived effectiveness of strategic outsourcing in improving service delivery at KRA. Consequently, the study's results did not provide sufficient statistical evidence to support the rejection of the null hypotheses, leading to the conclusion that ICT outsourcing, facilities management outsourcing, outsourced customer support services, outsourced marketing, and outsourced research and development do not significantly enhance, contribute to, improve, or increase the efficiency of KRA service delivery, as perceived by the respondents and measured by the instrument. Furthermore, despite the theoretical potential of strategic outsourcing to enhance service delivery, its practical implementation at KRA appears to be significantly hampered by persistent operational

challenges across various outsourced functions, including issues related to performance, security, responsiveness, and innovation, which likely mitigate the expected positive impacts of outsourcing. The prevalence of these reported challenges strongly suggests that the problems highlighted in the problem statement—suboptimal vendor performance, data security risks/downtimes, and inadequate monitoring mechanisms—are real and experienced by employees, potentially explaining the lack of statistically significant positive relationships between outsourcing dimensions and overall service delivery effectiveness found in the inferential analyses.

### **Recommendations**

Arising from the conclusions of this study, the following recommendations are made to KRA and other relevant stakeholders to potentially improve the outcomes of strategic outsourcing and enhance service delivery:

1. **Strengthen Vendor Management and Oversight:** Given the reported frequency of challenges, KRA should prioritize strengthening its vendor selection processes, contract management, and performance monitoring frameworks across all outsourced functions. Implementing clear Service Level Agreements (SLAs) with measurable key performance indicators (KPIs) and establishing robust mechanisms for tracking and enforcing vendor performance is crucial to address issues like delayed responses, inconsistent service, and downtime.
2. **Enhance Data Security and Business Continuity:** To mitigate the risks of data security breaches and service downtimes, particularly in outsourced ICT and network services, KRA should invest in enhanced security protocols, regular security audits, and comprehensive business continuity and disaster recovery plans with its vendors. Proactive measures are needed to build taxpayer trust and ensure uninterrupted service.
3. **Improve Responsiveness and Service Quality:** KRA should work closely with its customer support and facilities management vendors to improve response times and overall service quality. This could involve reviewing staffing levels, training protocols, and communication channels to ensure taxpayer and employee needs are addressed efficiently and effectively.
4. **Optimize Marketing and R&D Outcomes:** To address challenges in marketing (lack of personalization, low reach) and R&D (delayed implementation, limited innovation), KRA should re-evaluate its strategies and collaboration models with outsourced providers in these areas. Focus should be placed on achieving tangible outcomes that directly contribute to increased taxpayer compliance and foster relevant innovation in service delivery processes.

5. Conduct Further Research: Given the non-significant findings in the predictive analysis, further research is recommended to explore the complex interplay between strategic outsourcing and service delivery at KRA. Future studies could employ qualitative methods to gain a deeper understanding of the root causes of the identified challenges, investigate potential mediating or moderating factors (such as internal organizational capacity, regulatory environment, contract specifics), or utilize different quantitative approaches or measures that might better capture the impact of outsourcing in the public sector context.

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