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## **Outsourcing Practices and Organizational Performance in Rwanda: A Case of Ampersand Rwanda Ltd**

**Emma Stella Tuyisenge & Dr. Njenga Gitahi Samson**

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# Outsourcing Practices and Organizational Performance in Rwanda: A Case of Ampersand Rwanda Ltd

<sup>1</sup>Emma Stella Tuyisenge & <sup>2</sup>Dr. Njenga Gitahi Samson  
<sup>1</sup>School of Business and Economics, Mount Kenya University  
Kigali, Rwanda

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## Abstract

This paper examined the effect of outsourcing practices on performance of Ampersand Rwanda Ltd in Rwanda. The specific objectives were to determine the effect of human resource practices outsourcing on performance of Ampersand Rwanda Ltd, to assess the effect of accounting practices on organizational performance of Ampersand Rwanda Ltd, and to establish the effect of maintenance practices on performance of Ampersand Rwanda Ltd. The target population was 287 and the sample size was 182 respondents using Yamane formula. The study used simple random sampling and purposive sampling to choose respondents. The researcher collected data using questionnaire, interview guide and desk review from Ampersand reports. The researcher used descriptive (frequency, percentage, mean and standard deviation) and inferential statistics for statistical (correlation and regression analysis) information while qualitative data was analyzed using content analysis in terms of themes and subthemes. Findings on outsourcing human resource activities indicate strategic management at a mean of 4.333, service development at a mean of 3.666, and operational services at a mean of 4.000 have been outsourced as human resource activities. For strategic management, there was a positive insignificant relationship between strategic management and cost efficiency ( $r=0.049$ ,  $p=0.41$ ), strategic management and profitability ( $r=0.074$ ,  $p\text{-value}=0.233$ ). A significant relationship was between cost leadership and sales ( $r=0.231^{**}$ ,  $p\text{ value}=0.006$ ), rising investment ( $r=0.159^{**}$ ,  $p\text{-value}=0.043$ ), with net profit ( $r=0.174^{**}=0.014$ ). Results on outsourcing accounting demonstrated a mean of 3.33, human resources with a mean of 4.400, information resources with a mean of 4.00 were adopted by Ampersand Rwanda Ltd. There are significant correlations found between finance and cost efficiency ( $r=0.215$ ,  $p\text{-value}=0.048$ ), accounting and profitability ( $r=0.512$ ,  $p\text{-value}=0.036$ ). Human resources were insignificantly associated with cost efficiency. There is a significant correlation found between information resources and cost efficiency ( $-0.523^*$ ,  $p\text{-value}=0.031$ ). Results found that outsourcing security activities (mean of 3.833). Outsourcing work force activities (mean of 3.333), outsourcing cleaning activities (mean of 2.833) were adopted. Significant correlations were established outsourcing security activities and cost efficiency ( $r=.167^*$ ,  $p=.078$ ), outsourcing security activities and productivity ( $r=0.393$ ,  $p\text{-value}=0.000$ ), profitability ( $r=0.560^*$ ,  $p\text{-value}=0.056$ ). Outsourcing work force activities was negatively associated with cost efficiency ( $r=-.050^*$ ,  $p=.078$ ), and productivity ( $r=-.159^*$ ,  $p=.093$ ), but it was

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positively correlated with profitability). The researcher recommended the need to rely on primary activities, and to revise its policies. The firm should adopt maintenance activities outsourcing to increase flexibility and reduce weaknesses, which can be an appropriate outsourcing activity.

**Keywords:** *Accounting and Finance Outsourcing, Maintenance practices Outsourcing, Cost Efficiency, Operational Outsourcing, Practices, Organizational Performance, Human resource practices, Productivity, and Profitability*

## 1.0 Introduction

Outsourcing practices were studied by previous scholars worldwide as well as in Rwanda. Therefore, outsourcing contributes more to organizational success. Outsourcing researches outside of Rwanda demonstrated inconclusive findings of either significant or insignificant association between outsourcing and organizational performance for several companies (Murua, 2013). Previous research on subcontracting was based on theories. Concluding remarks give discrepancies in positions. In this regard, Brookes and Haines, (2015) demonstrate the contribution of outsourcing operations in reducing expenses, improving skills, innovativeness, and decrease follow up of the firm Kimura (2012) believe that outsourcing supports to save up to more than 40% of operation costs, 54% of time allocated to recruitment, 42% of reduction in overheads costs, and access to new technologies. According to the research (2019), Ampersand Rwanda Ltd has 205 persons are employed by the company at the end of December 2021; the number of customers was estimated to 745 persons while potential partners are 10 outsourced which makes 63% of Ampersand Rwanda Ltd business outsourced. However, no study yet has been carried out on assessing how outsourcing practice has affect the organization performance of Ampersand Rwanda Ltd from its inception to 2022. Reconsidering background and problem statement information, this study assessed the contribution of outsourcing practices on organizational success of Ampersand Rwanda Ltd.

### 1.1 Research Objectives

- i. To determine the effect of human resource practices outsourcing on performance of Ampersand Rwanda Ltd,
- ii. To assess the effect of accounting practices on organizational performance of Ampersand Rwanda Ltd,
- iii. To establish the effect of maintenance practices on performance of Ampersand Rwanda Ltd.

## 2.0 Literature review

### 2.1 Review of Empirical Studies

Earlier studies by Gilley et al. (2014), indicate that training and development of human personnel and outsourcing leads to better business performance. Unfortunately, previous studies did not discover influence on organizational success, a clear influence on organizational innovativeness success and stakeholder success. Jiang et al., (2016) ascertains the effect of outsourcing on organization success relied on a representative group of 51 organizations. Dissimilar to past researches on outsourcing impacts, they employed reports information to assess the success and testing for adjustment in functioning success as an outcome from outsourcing. Khaki and Rashidi (2012), did research on outsourcing practices in forty banking institutions in Kenya. Those scholars distributed research instruments and interview guides to the managers of banking

institutions and demonstrated the effective use of ATM. The client in process was the low operation in terms of numbers. This research assessed those strategies and challenges were related to outsourcing by taking sectors. According to Brednelow (2012), a structured interview guide to explore the influence of subcontracting functions on corporate success in the UK. Results show a positive association between procuring to suppliers on organizational success. The level of performance was recognized to reduce expenses, increase revenues, improve abilities, enhance quality and production and institutional success.

Pujals (2013) conducted descriptive research using 20 firms in the European Union. Results indicated that banks could subcontract a variety of activities for different reasons and challenges. Some of the reasons and challenges given by Pujals (2013) were cost control, the decrease of risks, accessibility to new technology, and focus on primary functions, quality amelioration and high degree of operations. The aforementioned research assessed associated factors that stimulate banks to outsource their core duties, knowledge, dynamic losses, issues related to culture and socio-economy challenges, the research are positively associated with outsourcing practices and success of organizations.

Research carried out by Wachida et al. (2013), utilizes a purposive sampling technique on the role of effect of outsourcing on income in Nairobi. This research discovered that outsourcing may produce highly insignificant results relying on challenges met in business conditions and the ability of willingness to do transactions. According to Kamanga and Ismail (2014), previous studies done on the effect of outsourcing on organizational success in Kenya evidenced that efficient use of resources, high quality of service delivery, and ICT use contribute more to the success of companies in Kenya. The study demonstrated an unclear correlation between challenges and success. A research done by Mohamud and Iravo (2015) show the provider's choice, staff skills, correlation with leaders, people, contract management and assets were key pertinent elements in outsourcing of related activities that affect institutional success in PPOA. The study felt that much research relied on outsourcing in firms. In accordance with observations, concluding remarks, and recommendations from research done by Musubika (2010). It was evidenced that firms subcontract with others to obtain experiences, fast, reduced expenses. This research suggests that firms would procure their duties in order to decrease expenses and focus on core responsibilities.

Research conducted by Shih, & Chiang, (2011), investigated the effect of subcontracting on firm success among houses that published books in Kenya relied on the way in which competition, customer needs for custom-made for firms to assess, increase operational success. The researcher targets 30 companies in the Kenyan publication sector. A questionnaire survey was adopted to obtain information from respondents. Results demonstrated that a significant number of those companies have outsourced photocopy and print out services, dissemination and transportation of books, marketing and technological services. The study revealed that when a company outsources core or associated duties, it contributes more in increasing the level of production, net profit, income and high quality of production. The scholar proposed that corporates must outsource further functions that they did not bear economical position in comparison with its rivals for increasing the success. Furthermore, a study carried out by Akewushola (2022), on the role of strategic outsourced services on the firm success in Nigerian manufacturing industry had a research problem consists in knowing if and how global competitiveness and industries contributed to the acceleration and improvement of corporate to produce much money via

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effective utilization of restricted assets. The research decided to use a proportional sampling strategy to draw 12 respondents. The researcher distributed a research instrument to obtain information from the sampled population. The results evidenced that companies have procured their core duties in order to reduce operational costs, increasing level of purchase, customer base and net profit and annual incomes.

## 2.2 Theoretical Framework

In conducting this paper, the research used relevant theories. These theories are: The research used outsourcing by focusing on several approaches including resource-based model, agency and cost economic theories. Resource Based Theory was pertinent in assessing and employing available assets and financial means more adequately in any institution (Valmohammadi & servati (2011). It assesses the correlation or interaction between internal and external devices of the organization, its conducive environment, therefore, it discards two classical anticipations on the porter neoclassical theory. It proposes that a suitable competitiveness advantage relies on the marketplace and predicts that organizations with weak internal capabilities and knowledge or assets were more practical to carry out outsourcing of its core activities (Valmohammadi & Servati, 2011).

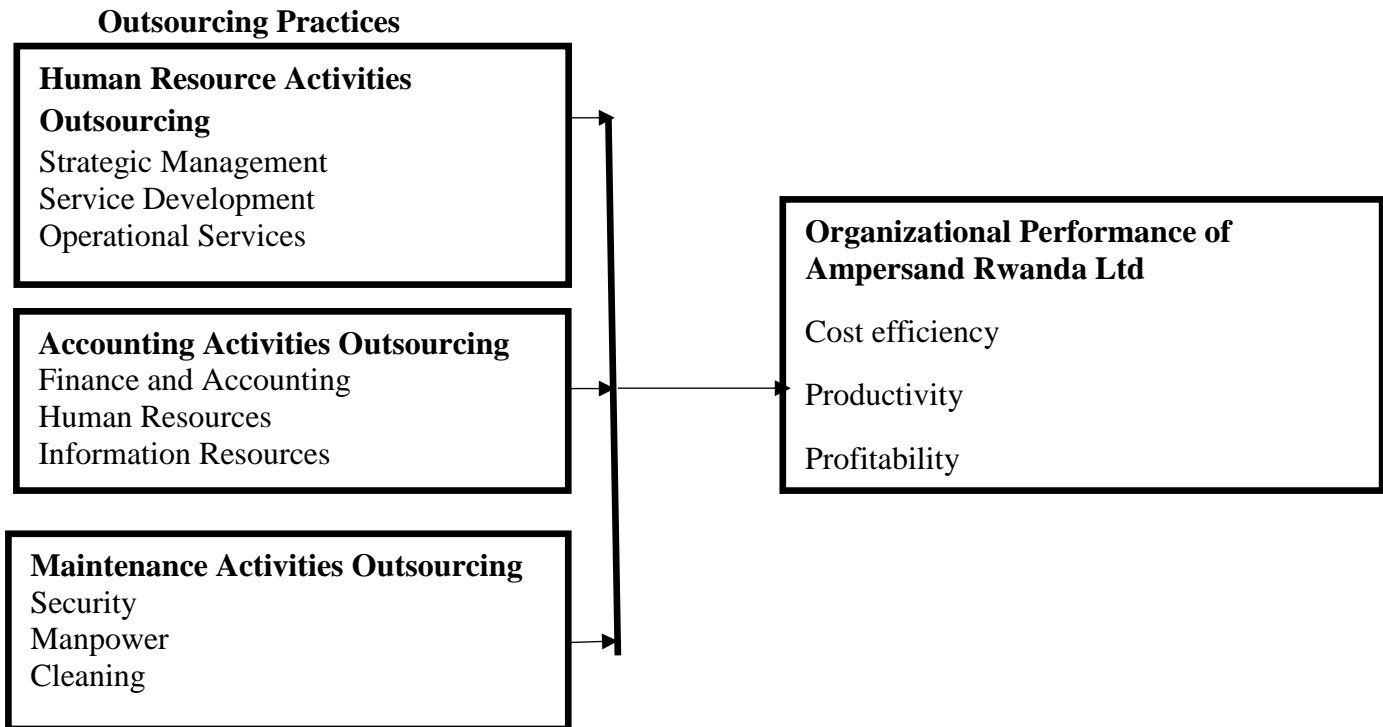
Transaction Cost Economics Theory argues that a company needs to balance transaction cost and production by outsourcing some duties (Mclaughlin & Sheng, 2014). This model economy was acknowledged to give the best decision-making tools to help companies to make decisions for outsourcing and prepare themselves for future outsourcing plans (Nicholas, 2012). This is helpful in making adequate decisions related to outsourcing, the fewer needs for asset transactions there was easier for establishing more comprehensive contracts or agreements and suitable opportunity to outsource some functions and vice versa (Popo & Zenger, 2012). To put it into practice, outsourcing whether a total income after enhancing revenue and decreasing costs was higher than the entire transaction cost for outsourced services. Thus, operational cost continues to be higher than due to the customers need to be planned, improved and monitored.

Agency Theory consists of establishing the interaction and link between principal and its agencies where for instance in this study, a company is considered as a principal as a whole while its primary, accounting, financial and Maintenance practices activities were considered as agencies (Gewald, 2010). Therefore, outside suppliers may not produce a low level of success, suppliers may produce more in the context of agency functions, except the absence of willingness to provide services as encapsulated in the contract signed during the outsourcing process (Odnokonnaya, 2017). The above theory enabled the researcher to establish the conceptual framework as follows:



**Independent Variable**

**Dependent Variable**



**Figure 1: Conceptual Framework**

**Source: Researcher (2023)**

The present study shows outsourcing practices (independent variable), organization performance (dependent) variable and facilitating factors as intervening variables. Indicators of outsourcing practices were measured through core duties, accounting and financial duties, and supporting activities (Back-Office activities). The Human resource practices outsourcing were conceptualized through strategic management, service development. The accounting and finance activities outsourcing were conceptualized through finance and accounting, human resources, and information Resources. The maintenance outsourcing was conceptualized through security, manpower, and cleaning. The organization performance is a dependent variable and was conceptualized in terms of efficient costs, level of productivity and net profit or income. Both dependent and independent variables were moderated by intervening variables in the context of government policies, policies of outsourced service providers and regulatory framework for labor.

**3.0 Materials and Methods**

This study used descriptive research design to explain what determines personal data. It was used to designate features of the population that were considered. It was used to construct both dependent and independent variables to reflect frequency and percentage from respondent’s perception. Furthermore, the researcher used correlation research design to establish a regression size effect between constructs of independent variables and constructs of dependent variables based on specific objectives. The researcher used correlation research design because it helped to

assess the link between independent and dependent variables without following up or changing them. Finally, a mixed approach (qualitative and quantitative approaches) was adopted. Information indicates 6 top managers, 12 middle managers and 178 employees at low level. Thus, 182 persons working at Ampersand Rwanda Ltd were targeted.

#### 4.0 Results and discussion

Results were presented according to three specific research objectives. The first part contains Human Resource Activities outsourced on organization performance of Ampersand Rwanda Ltd. Secondly, the researcher assessed the effect of the outsourced accounting services on organizational success with reference to Ampersand Rwanda Ltd. The third part assessed the relationship between maintenance Activities outsourced and organizational success of Ampersand Rwanda Ltd.

#### 4.1 Effect of Human Resource Activities Outsourced on Organizational Performance of Ampersand Rwanda Ltd.

**Table 1 Application of Human Resource Activities Outsourcing at Ampersand Rwanda Ltd.**

Human Resource Activities Outsourcing	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree	Mean	Standard Deviation
	%	%	%	%	%		
Strategic Management Service	3.0	1.3	11.4	36.9	47.5	2.83	0.98
Development	7.2	12.7	4.7	14.0	41.7	3.66	0.81
Operational Services	2.1	3.2	20.3	36.9	37.3	3.16	1.16

**Source: Primary Data (2023)**

Results show that strategic management (mean of 3.666) was used as an outsourcing practice in Ampersand Rwanda Ltd. In this regard, a clear discrepancy was found. For moderate responses, service development (mean of 3.1666), was application of Human Resource Activities outsourcing in Ampersand Rwanda Ltd. The study assessed the relationship between Human Resource Activities outsourcing and organizational success (efficient costs, higher level of production and net income or profit). The Pearson correlation analysis and inferential statistics were adopted to introduce the relationship between study variables.

**Table 2 Correlation Analysis between Outsourcing Human Resource Activities and Organizational Performance in Ampersand Rwanda Ltd.**

		Cost efficiency	Productivity	Profitability
Strategic Management	Pearson Correlation	.119*	.049	.074
	Sign (2-tailed)	.048	.414	.223
	N	178	178	178
Service Development	Pearson Correlation	.025	.007	.098
	Sign.(2-tailed)	.683	.910	.105
	N	178	178	178
Operational Services	Pearson Correlation	.121*	.102	.005
	Sig.(2-tailed)	.044	.091	.939
	N	178	178	178

**Source: Primary Data (2023)**

Results demonstrated the association between research variables. For strategic management, there is a positive insignificant relationship between strategic management and cost efficiency ( $r=0.49$ ,  $p=0.414$ ), strategic management, profitability ( $r=0.074$ ,  $p\text{-value}=0.223$ ). For service development, there is positive and significant relationship between service development and cost efficiency ( $r=0.119^*$ ,  $p\text{-value}$  was  $0.049$ ). Contrary to the non-significant relationship between service development and productivity ( $r=0.025$ ,  $p\text{-value}=0.685$ ), service development with profitability ( $r=0.007$ ,  $p=0.910$ ). Results on the correlation between operational services and organizational success, insignificantly associated with operational services with profitability ( $r=0.005$ ,  $p\text{-value}=0.919$ ). Meaning that increase of operational services did not affect profitability. However, operational services are positively correlated with cost efficiency ( $r=0.121$ ,  $p\text{-value}=0.044$ ) and productivity ( $r=0.102$ ,  $p\text{-value}=0.091$ ), meaning a statistically effect of operational services on cost efficiency or on productivity ( $r=0.119^*$ ,  $p\text{-value}=0.048$ ).



#### 4.2 Analysis of Accounting Services Outsourcing on Organizational Performance of Ampersand Rwanda Ltd

**Table 3 Extent to which Finance Activities is applied at Ampersand Rwanda Ltd**

Accounting & Finance activities Outsourcing	Strongly Disagree	Disagree	Not Sure	Agree	Strongly Agree	Mean	Std
	%	%	%	%	%		
Finance	0.0	3.0	19.1	28.8	49.2	3.33	.51
Human Resources	1.3	10.6	27.5	19.9	40.7	4.40	.54
Information Resources	1.7	7.6	6.4	37.3	47.0	4.00	1.26

**Source: Primary Data (2023)**

Results demonstrated that finance (mean of 3.33), human resources with a mean of 4.40, information resources with a mean of 4.00 were adopted by Ampersand Rwanda Ltd.

**Table 4. Correlation Analysis between Accounting Activities Outsourcing and Organizational Performance at Ampersand Rwanda Ltd.**

		Cost efficiency	Productivity	Profitability
Finance	Pearson Correlation Model	.215	0.244	.0512*
	(Sig.2-tailed)	.047	0.346	.036
	N	178	178	178
Human Resources	Pearson Correlation Model	-0.308	0.680**	0.31**
	Sig.2-(tailed)	0.229	.003	.000
	N	178	178	178
Information Resources	Pearson Correlation Model	-0.523*	-0.637	.986**
	Sig.(2-tailed)	0.031	.006	.000
	N	178	178	178

\*Correlation is significant at the 0.5 Level (2-tailed)

\*\*Correlation is Significant at 0.011(2-tailed)

**Source: Primary Data (2023)**

From correlation results through the use of statistical product and service solutions, significant degree at 5 percent and 10 percent. There are significant correlations found between finance and accounting and cost efficiency ( $r=0.215$ ,  $p\text{-value}=0.048$ ), finance and accounting and profitability

( $r=0.512$ ,  $p\text{-value}=0.036$ ). There is an insignificant relationship between finance and accounting and cost efficiency ( $0.244$ ,  $p\text{-value}=0.346$ ). It means that a change in finance and accounting did not automatically affect productivity and vice versa. For human resources and profitability ( $r=0.931$ ,  $p\text{-value}=0.000$ ) human resources and productivity ( $r=0.680^*$ ,  $p\text{-value}=0.003$ ) are associated with human resources and cost efficiency. There was a significant correlation found between information resources and cost efficiency ( $r=-0.523^*$ ,  $p\text{-value}=0.031$ ). Therefore, a statistically significant relationship was established between information resources and profitability ( $r=0.986^*$ ,  $p=0.000$ ).

### 4.3 Assessment Effect of Maintenance Activities on Organizational Performance of Ampersand Rwanda Ltd.

**Table 5 Application of Maintenance Activities Outsourcing at Ampersand Rwanda Ltd**

Maintenance Activities Outsourcing	Strongly Disagree %	Disagree %	Not Sure %	Agree %	Strongly Agree %	Mean	Sdv
Security	37.3	10.2	10.6	27.1	14.8	3.33	1.032
Manpower	30.1	14.4	19.9	11.0	24.6	3.33	1.632
Cleaning	14.4	1.7	5.5	8.1	70.3	2.83	1.169

Source: Primary Data (2023)

Results found that outsourcing security activities (mean score of 3.833) was the assessment that the highest level of adoption in Ampersand Rwanda Ltd to the high extent. Outsourcing manpower activities (mean of 3.333), outsourcing cleaning activities (mean of 2.833), low price (3.333) were adopted and used by Ampersand Rwanda Ltd to a moderate level.

**Table 6 Correlation Analysis between Maintenance Activities Outsourcing and Organizational Performance of Ampersand Rwanda Ltd**

		Cost Efficiency	Productivity	Profitability
Security	Pearson Correlation	.182	.393**	.560
	Sig.(2-tailed)	.078	.000	.056
	N	178	178	178
Manpower	Pearson Correlation	-.050	-.159	.182
	Sig.(2-tailed)	.602	.093	.078
	N	178	178	178
Cleaning	Pearson Correlation	.032	.058	-.041
	Sign.(2-tailed)	.741	.545	.669
	N	178	178	178

\*\*Correlation is Significant at the level 0.01(2-tailed)

Source: Primary Data (2023)

Significant correlations were established outsourcing security activities and cost efficiency ( $r=.182^*$ ,  $p=.078$ ), outsourcing security activities and productivity ( $r=0.393^{**}$ ,  $p\text{-value}=0.000$ ), with profitability ( $r=-0.560^{**}$ ,  $p\text{-value}=0.056$ ). A negative correlation was discovered outsourcing manpower activities and cost efficiency ( $r=0.50^*$ ,  $p\text{-value}=0.602$ ), productivity ( $r=-0.159$ ,  $p\text{-value}=0.093$ ), therefore, it was positively associated with profitability ( $r=0.182^*$ ,  $p\text{-value}=0.078$ ). Furthermore, a statistical significant association was established between outsourcing cleaning services and cost efficiency ( $r=0.032$ ,  $p\text{-value}=0.741$ ), outsourcing cleaning activities and productivity ( $r=0.058^*$ ,  $p\text{-value}=0.549$ ), outsourcing cleaning services with profitability ( $r=0.041^*$ ,  $p\text{-value}=0.669$ ). Therefore, human resource participants were not sure on full data to provide them and they have commitment and are capable of providing responses for subjective assessments. Client gratification indexes were usually utilized to identify success. Outsourcing was adequate for transactions owing to a certain condition that may be prevented. This implies that firms may offer their assets to generative activities unsupported and therefore to improve its success (Frayer *et al.* 2010). Finally, the performance execution of outsourcing strategies were endorsed with support to reduce cost (Lau & Hurley, 2017). Therefore, outsourcing did not produce some issues, outsourcing often decreases a firm's follow up on the ways to which some services were provided that in turn may increase the firm's obligation expenditure.

#### 4.4 Discussion of the Results

Data from this research concurs with the observation from a research done by Muweesi (2011) when he specified that the culture of outsourcing had led to high performance un the Ugandan telecommunication sector by reducing operational cost, increasing production and transaction but also improving net profit. Results demonstrated that finance (mean of 3.33), human resources with a mean of 4.400, information resources with a mean of 4.00 were adopted by Ampersand Rwanda Ltd. These results relate to some of the previous researches like Wachida *et al.*(2013), utilizes a purposive sampling technique on the role of outsourced services on net profit and income among companies in Nairobi. This study discovered that to outsource some services may produce highly insignificant results relying on challenges met in business conditions and the ability of willingness to do transactions. This research did not contradict the work of Kamanga and Ismail (2014) in a revision of previous studies on impact of outsourcing on success of Delmonte Kenya. Results showed that cost, quality, process transition, value addition and technology adoption have a positive correlation with organizational success. Research comprises that there is unclear correlation between challenges and success. Mohamud and Iravo (2015) undertook research on impact of sourcing on non-key activities to the success of organizations. Results that provider's choice, staff skills, correlation with leaders, people, contract management and assets were key pertinent elements in outsourcing of related activities that affect institutional success in PPOA. The study felt that very research relied on outsourcing in telecommunication organizations. This study did not contradict the work of Shih and Chiang, (2011), investigated the role of outsourced services and the success of firms in Kenya using a descriptive and correlational research design. The research argued that outsourcing contributed to high success of start-ups companies. Therefore, Bonasia (2010) suggests that institutional success is linked to opinion of adequacy. Firms would generate the right things and it would generate them utilizing few probable resources to attain a strong institutional success. These attempts to attain its target in terms of return on investment. They would be generating a good that is in demand, and they would be generating it

at a price that permits them to get hands on the market. Innovative strategies would be taken into consideration to associate to increase practices, processes and materials.

## 5.0 Conclusion

The study concludes that Ampersand Rwanda Ltd in Rwanda have outsourced primary activities. To the objective, the researcher concluded that Ampersand Rwanda Ltd Outsourced Human Resource Activities through strategic management, service development and operational services. These activities have affected positively the Ampersand Rwanda Ltd success. Ampersand Rwanda Ltd had outsourced accounting services which play a pertinent role to the organizational success. The accounting activities outsourced were accounting, human resources, and information resources. The start-ups companies in Rwanda outsourced accounting and finance activities had affected positively Ampersand Rwanda Ltd success. Ampersand Rwanda Ltd has outsourced maintenance Activities that contribute to organizational performance. In this regard, outsourcing security, manpower, and clearing activities. The performance was problematic to the organization's future, due to the fact that outsourcing maintenance Activities would be planned to give higher organizational performance. The study shows that outsourcing Human Resource Activities is more to increase organizational performance followed by outsourcing financial and accounting services outsourcing maintenance Activities outsourcing

## 6.0 Recommendations

There is a need to rely on obtaining Human Resource Activities outsourcing, therefore innovative companies operating on Rwanda market should consider this and improve its organizational performance. The firm should also adopt the maintenance Activities outsourcing in means for enhancing suppleness, powers or decreasing challenges, accessibility to market or technology, that may be adequate outsourcing activities on small markets in Rwanda. Additionally, for improving the level of completion, the government should revise competition policy, and contract duration for outsourcing activities. Future studies should consider conducting similar research in different types of companies for comparison of results with the aim of coming into consensus on the generalization of the results. Future research should be done in order to make comparisons with other start-ups companies to know whether results will be similar. Therefore, the same research should reveal different content. This study measured only three variables, however, there are many variables that may influence organizational performance growth, and other studies should assess the effect of variables such as corporate governance, resource allocation and so forth on organizational performance in the start-ups companies.

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