



**THE INFLUENCE OF OUTSOURCING THE CORE DELIVERABLES ON THE
BUSINESS PERFORMACE AT ESKOM DISTRIBUTION SOUTH AFRICA**

**A dissertation submitted in fulfillment for the requirements of Degree of
Master of Management Sciences: Business Administration**

**In the Faculty of Management Sciences, the Department of Entrepreneurial
studies and Management at the Durban University of Technology.**

Durban, South Africa

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NOVEMBER 2016

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DECLARATION

The Registrar (Academic)
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Dear Sir or Madam
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Hereby declare that the dissertation entitled:

**THE INFLUENCE OF OUTSOURCING THE CORE DELIVERABLES ON
THE BUSINESS PERFORMACE AT ESKOM DISTRIBUTION SOUTH
AFRICA**

Is the result of my own investigation and research and that it has not been submitted in part or in full, for any other degree or any other institution of higher learning. Subsequently, other sources are acknowledged giving explicit references.

Signed.....

Date.....

ABSTRACT

The execution of maintenance and repairs are the core business deliverables of the Power Plant Maintenance (PPM) department at Eskom Distribution South Africa (SA). However, external service providers are employed to similarly execute these deliverables. Given this background, this study aimed to determine the influence of outsourcing core deliverables on the performance of the PPM department at Eskom SA. This quantitative study sought to determine the prevalence of any statistically significant differences in the degree of respondents' responses regarding outsourcing the core business deliverables of their respective PPM departments in terms of profile factors such as gender, marital status, age, education qualification, designation and length of service. The study was carried out in eight out of nine PPM departments. A total of 135 responses were attained from a possible 152 participants, providing a response rate of 89 percent.

The study was successful in the achievement of all the objectives. The results of the chi-square and regression tests revealed the presence of significant factors contributing to the outsourcing of core business deliverables, accomplishing the first objective. The results of the chi-square and correlation tests revealed that outsourcing did effect business performance, though this was not generally an enhancing effect, accomplishing the second objective. Results of the chi-square tests also highlighted significant effects on the motivation of internal employees when the repairs and maintenance of the power plant equipment are outsourced, accomplishing the third objective.

The results of the correlation and chi-square also highlighted the effect of managing the core business deliverables on the business performance, the motivation of internal employees, as well as the alleviation of significant risks resulting from outsourcing core deliverables. The coefficient of determination (R-squared) revealed only 33 percent of the variations in the dependent variable that were explained by the independent variables. Finally, there was an indication of statistically acceptable reliability for the variables of the study.

DEDICATION

This study is dedicated to my first love and wonderful daughter Thando Magagula for the support, patience, strength and love displayed through the process of this study. Her positive influence contributed to the success of this project. She has been an anchor in challenging times and her presence propelled me to be persistent. “My daughter, I just had to conclude this because you are a star and require motivation to reach greater heights. An apple does not fall far from its tree; it is therefore my duty to ensure that I achieve greater things regardless of the circumstances, in order for you to ensure the same if not better. Your strength is amazing.”

ACKNOWLEDGEMENTS

Working on this master's dissertation has been a challenging and gratifying experience. I could not have successfully concluded this project without the succor of a number of individuals who deserve special attention. I would like to thank all who have supported and encouraged me throughout this journey.

Firstly, I would like to sincerely thank my dear Supervisor, Dr R.D. Zondo of the Durban University of Technology (DUT). I express my gratitude for your tenacity, believing in me, provision of unending support and guidance throughout the process. To Eskom Distribution South Africa for granting me the permission to conduct this study in the Power Plant Maintenance departments. To all participants for their valuable time in completing the questionnaires.

Secondly, I truly and deeply thank my entire family for the love and support in the most challenging phases I have encountered while performing this study. To my wonderful daughter, Thando, for her consistent support in my academic endeavors and encouragement throughout the challenging eras. A special gratitude goes to my precious mother Catherine Nkoko, for being loving and encouraging. You are the greatest thing that I have in my life. To my late loving and smart father, Christopher Letsosa for always pushing me hard and reminding me of my strengths, I know that you are proud and smiling where you are.

Next, I express my gratitude to my dear friends Landiwe Nene and Marliene Lottering for providing the love, support and means to complete this study. My partner, Robert Mateba for his love, patience and motivation through this eventful period.

Lastly, to Mr C Mlambo of the University of Fort Hare, for providing statistical expertise.

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LIST OF ABBREVIATIONS

AA	Ancillary Activities
ANOVA	Analysis of variance
BPO	Business Process Outsourcing
CAPEX	Capital Expenditure
DFM	Discretionary Fund Managers
DUT	Durban University of Technology
EOS	Economies of Scale
HCA	Highly Confidential Activities
HR	Human Resource
HRO	Human Resource Outsourcing
IFLP	Integrated firm level performance
IPO	Initial Public Offering
ISO	Information System Outsourcing
IT	Information Technology
ITO	Information Technology Outsourcing
KUSCCO	Kenya Union of Savings and Credit Cooperatives
MDA	Management Decision Activities
OPEX	Operational Expenditure (OPEX)
PPM	Power Plant Maintenance
RA	Routine Activities

RBV	Resource-based view
RESPECT	Recognition, Exciting Work, Security, Pay, Education, Conditions and Truth
R and D	Research and Development
SA	South Africa
SAACCO	Savings and Credit Cooperative Societies
SK	Specialised Knowledge
SM&S	Specialised Maintenance and Support
SOK	Specific Organisational Knowledge
SPSS	Statistical Package for the Social Sciences.
SWOT	Strength, Weakness, Opportunity and Threat
TCE	Transaction cost economics
US	United States
UK	United Kingdom

CHAPTER 1: INTRODUCTION AND ORGANISATION OF THE STUDY

1.1 Introduction

During the post-World War II boom the aim of big corporations was to become better-integrated and diversified. The economic and political upheavals of the 1970s left these big corporations stranded, unable to manoeuvre fast enough to follow the changing tides. Accordingly, the first wave of modern outsourcing was born, as organisations that had bulked up began to shed auxiliary deliverables in pursuit of lower costs, a tighter focus on core competencies, and increased agility (Gobble, 2013).

Salanta, Lungescu and Pampa (2011) describe outsourcing as a fully-fledged business megatrend around the world which involves the procurement of physical and service inputs from outside organisations, through cessation of a deliverable that was previously performed internally, including abstention from a deliverable that is well within the organisation's capability.

Thakur (2010) explains that traditionally organisations would retain control over their core business deliverables such as, Research and Development (R and D) and Information Technology (IT). He further specifies that these deliverables are sources of competitive advantage, however, they are now becoming more geographically and functionally dispersed. In addition, Michela and Carlotta (2011) note that outsourcing is increasingly adopted for deliverables that were considered inseparable from the organisation and thus not outsourceable. They further stipulate that an outsourcing strategy has gradually developed and it is found to be convenient to outsource even core competencies and deliverables such as specialised manufacturing, those requiring a particular technology, marketing and product design, all in the search for mastery. They explain that this outsourcing strategy has advantages such as quality improvement, greater focus on managing other core competencies, greater flexibility and leverage regarding resources.

Dhall (2013) observes that sharing core business deliverables has been proven to cut costs, reduce errors and improve productivity. Relph and Parker (2014) argue that focusing on controlling cost may result in losing sight of considerations and benefits, such as, network relationships or anticipating risks. They explain that the net result may be the opposite to what is intended, namely; attracting additional costs associated with loss of agility and flexibility to meet market dynamics. Dinu (2015) states that the organisations that choose to outsource should consider the benefits and risks very wisely. She further specifies that organisations that choose to outsource should take measures to mitigate the related risks and communicate to their personnel the benefits of outsourcing.

Santoshi and Santosh (2013) state that outsourcing has an impact on behaviours and feelings of internal employees. They specify that these aspects have a positive correlation to motivation, a factor which represents the degree to which an employee feels involved in the working environment procedures. They go on to say that when motivation is achieved, or seems likely to be achieved, employees demonstrate willingness to continue in the same organisation.

This is a quantitative research case study that investigated the impact of outsourcing core business deliverables on overall performance of the business operations in the Power Plant Maintenance (PPM) department at Eskom Distribution South Africa (SA).

1.2 Definitions and clarification of key concepts

This section provides the definitions of terms relevant to this study.

- **Outsourcing:** Outsourcing is defined as a management strategy where management utilises a special outsourcing supplier, forming strategic alliances with it to have the supplier operate certain functions of the organisation to reduce costs and risks, as well as improve efficiency (Sani, Dezdar and Ainin, 2013).
- **Performance:** Performance refers to the economic value that is captured from the commercialization of firms' capabilities (Tan and Sousa, 2015).

- **Core business:** Core business comprises the deliverables and services deemed fundamental to the continued existence of the organisation (Broady-Preston and Swain, 2012).
- **Core competence:** Core competence is a unique capability acquired by an organisation over a period in the form of a resource, operations facility, special skilled personnel, knowhow or delivery of service, which gives the organisation sustainable competitive advantage (Gupta, 2013).
- **Competitive advantage:** competitive advantage refers to a positional advantage over competitors derived from the exploitation of capabilities, including low-cost advantages, that is, lower costs than competitors and differentiation advantage, that is, products that are differentiated from competitive offerings (Tan and Sousa, 2015).
- **Motivation:** Motivation is a goal directed behaviour that takes place with respect to an individual's self-regulatory function (Schillen and Steinke, 2011).

1.3 Problem statement

Outsourcing decisions were originally limited to production that had modest technological content and was of marginal importance to the organisation. However, these decisions are increasingly adopted for deliverables requiring core competencies and belonging to the core business (Michela and Carlotta, 2011). In the biopharmaceutical manufacturing industry, Langer (2014) explains that a shift in outsourcing to a more strategic approach that involves deliverables which had previously been considered core to outsource has been noted. He specifies that outsourcing tends to be dominated by lower-value deliverables, seen as the easiest for facilities to gain comfort in handing off to external service providers. However, he emphasises that as the deliverables are increasingly outsourced, retrenchment of employees is also experienced correspondingly.

Rolph and Parker (2014) suggested numerous concerns that are associated with outsourcing the core business deliverables to an external service provider. They provided an illustration of outsourcing secondary transport to another organisation, and highlight that it leads to losing the direct interface with the customer resulting

in loss of control over the relationship. Lowe (2012) specifies that in the investment fraternity, Discretionary Fund Managers (DFM) are contracted to provide the same expertise as internal Financial Advisors. However, they indicate that risks prevail and business could be lost as outsourced clients opt to effectively cut them out to deal directly with the DFM. When exploring the manner in which the outsourcing of deliverables and decisions impact the well-being of internal employees, Schillen and Steinke (2011) identified trust, job satisfaction, motivation and stress to be potential threats to internal employees.

In this study, it was established that maintenance and repairs of the power plant equipment are the core deliverables of the PPM department at Eskom Distribution SA. However, external service providers are similarly employed to perform these deliverables. The subsequent section outlines the background of Eskom.

1.3.1 Background of Eskom

The electricity supply industry in SA consists of the generation, transmission, distribution and sales, as well as the importing and exporting of electricity (Eskom Company Information 2016). Eskom is a key player in the industry, as it operates most of the base-load and peaking capacity. It generates approximately 95% of the electricity used in SA and approximately 45% of the electricity used in Africa. Eskom generates, transmits and distributes electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. Additional power stations and major power lines are being built to meet rising electricity demand in SA. It is highlighted that Eskom will continue to focus on improving and strengthening its core business of electricity generation, transmission, trading and distribution (Eskom Company Information 2016).

The Eskom Quarterly State of the System Report (2015) specifies that more than 64% of Eskom's power stations are in their mid-life and require more preventative maintenance to improve their performance and ensure their safety. However, over the past few years a backlog of maintenance outages has developed, and Eskom has identified it as a priority to reduce the backlog as well as keeping up with the maintenance schedule. Eskom's Chief Executive said: "The focus of our maintenance drive is to ensure long-term reliability and sustainability of our power

generating plants. Going forward, we plan to continue with our maintenance programme to reduce the backlog that has accumulated over the past few years. Most importantly, we plan to execute the maintenance drive without having to implement load shedding” (Eskom Quarterly State of the System Report 2015).

In addition, the Distribution division’s mandate at Eskom is to operate its network assets and provide reliable electricity by building, operating and maintaining distribution assets, while also acting in the national interest by actively partnering with the wider industry in resolving distribution industry issues and enhancing stakeholder relations (Eskom Integrated Report 2014). The PPM department is among the five main departments in the Specialised Maintenance and Support (SM&S) department, a sector within the Distribution division spanning across nine provinces in SA. There are nine PPM departments in the Distribution division at Eskom SA.

The Figure 1.1 illustrates a categorised volume of core deliverables that are expected to be executed per month in the eight PPM departments at Eskom Distribution SA that granted consent to conduct the study.

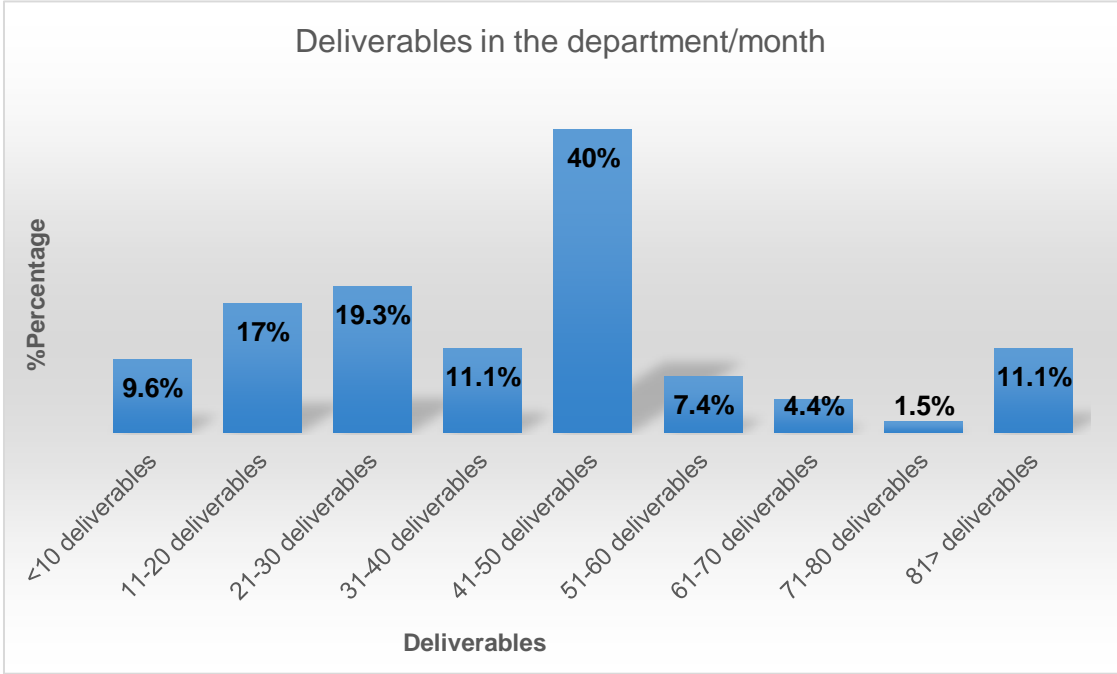


Figure 1.1: Number of deliverables in the departments per month

The departments that execute more than 81 deliverables take up 11,1 percent, while those in the 71-80 deliverables range are at 1,5 percent, 61-70 deliverables at 4,4 percent, 51-60 deliverables at 7,4 percent 41-50 deliverables at 40 percent, 31-40 deliverables at 11,1 percent, 21-30 deliverables at 19,3 percent, 11-20 deliverables at 17 percent, and less than 10 deliverables at 9,6 percent.

In addition, the frequency of outsourcing core business deliverables per month by the eight PPM departments at Eskom Distribution SA is demonstrated in Figure 1.2.

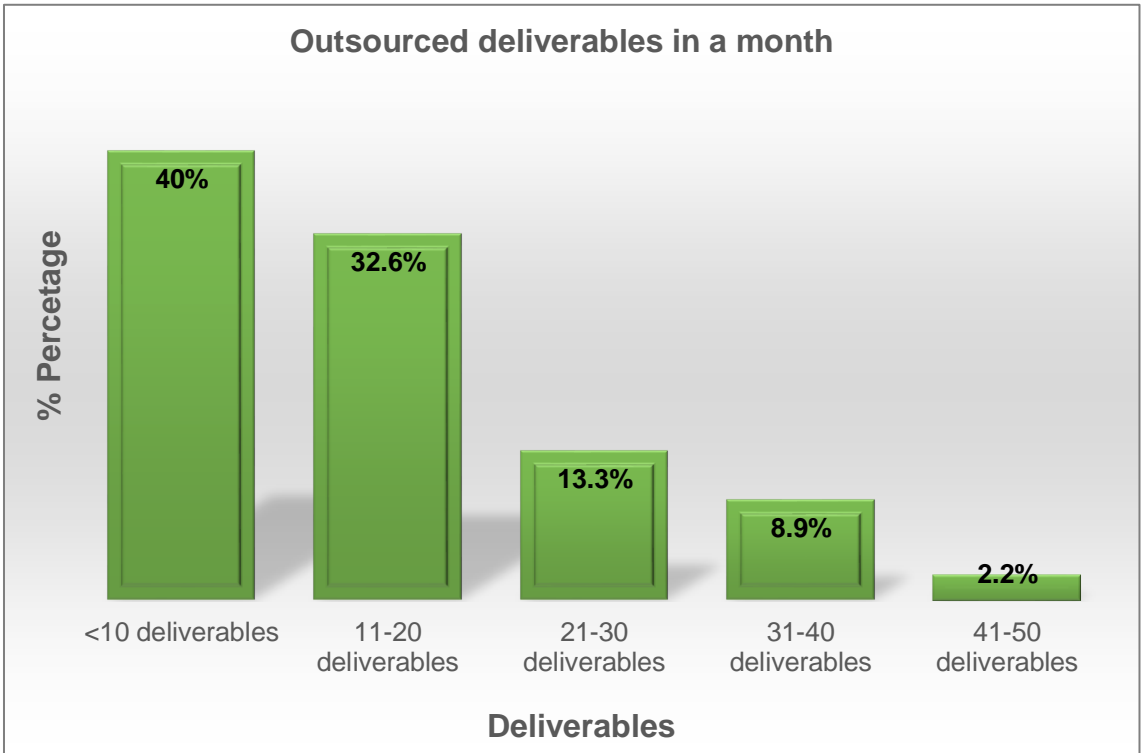


Figure 1.2: Outsourcing core business deliverables in the departments per month

The departments with 10 or less deliverables outsource 40 percent of the total number outsourced by the entire population, while those with 11-20 deliverables outsource 32,6 percent, those with 21-30 deliverables outsource 13,3 percent, those with 31-40 deliverables outsource 8,9 percent and those with 41-50 deliverables outsource 2,2 percent.

Consequently, a need arises to discuss the three sub problems listed below.

1.3.2 The sub problems

- Businesses experience a range of factors that influence core deliverables. Dinu (2015) states that the outsourcing phenomenon has become one of the most extensive and profitable areas of business in the world. She explains that during a crisis this strategy is turned to as a solution for organisations seeking to provide the same quality of services, while significantly reducing the budgets of certain segments.
- Outsourcing core deliverables has an effect on the performance of the business. Michela and Carlotta (2011) specify that in the globalised economy, multinational organisations have given rise to local firms that produce at a low cost and at acceptable quality levels. They further state that a growing number of organisations have outsourced production and manufacturing activities of all types to these firms, not only to reduce production costs but also to make their organisational structures more streamlined and flexible.
- The outsourcing of core deliverables has a negative impact on staff motivation. Elmuti, Grunewald and Abebe (2010) state that; as the outsourcing strategy continues, internal employees begin to feel insignificant and the level of participation in their respective work groups gradually declines. They specify that an increased level of anxiety including stress emanates and dissatisfied workers following the implementation of outsourcing strategy are more likely to leave the organisation than their satisfied colleagues.

1.3.3 Purpose of the study

The outsourcing of core business deliverables is fundamental in this research. The intended objective is to measure its influence on the business performance of organisations.

1.3.4 Primary research objectives

The aim of this study is to investigate if the outsourcing core business deliverables influences the overall performance of the business operations in the PPM department at Eskom Distribution in SA.

1.3.5 Secondary research objectives

The following, are the three objectives of the study:

- To determine the contributing factors to outsourcing of core business deliverables.
- contributing to the outsourcing the core business deliverables.
- To establish if outsourcing core business deliverables has an effect on the business performance.
- To evaluate the impact of outsourcing core deliverables on internal staff motivation.

1.3.6 Research question

The following main research question are answered during this study:

What influence does the outsourcing of the core business deliverables have on the business performance of an organisation?

This study sought to address the following sub-questions prior the main research question:

- What effect will the outsourcing of core business deliverables have on the performance of the business?
- How will outsourcing of core business deliverables impact on the motivation of internal employees?
- What are the business reasons and elements contributing to outsourcing of core business deliverables?

1.3.7 Research methodology

To address the research objectives of this study, both secondary and primary research was conducted.

1.3.8 Secondary study

The outsourcing of core business deliverables is common in organisations. Michela and Carlotta (2011), Relph and Parker (2014), Langer (2014) and Lowe (2012), in their respective studies in relation to outsourcing core deliverables, specify the following possible affects: retrenchment of employees which has a direct impact to motivation, loss of direct contact with customers, loss of core competence, loss of business and attracting additional costs associated with loss of agility including flexibility to meet market dynamics. Cruickshank and Ayling (2013) state that the United Kingdom's (UK) demand for outsourcing grows continuously and organisations are still keen on cutting operational costs and improving organisational flexibility.

The outsourcing decisions that were previously limited to non-core business deliverables are progressively adopted for deliverables belonging to the core business (Michela and Carlotta, 2011). According to Thakur (2010) recent changes in the techno-economic paradigm, such as cross fertilisation of technologies across disciplines and growing technological diversification of organisations, have led to an overall increase in outsourcing along deliverables of core competence.

However, Khatik and Khanooja (2013) state that outsourcing may result in loss of control or loss of core competence and may result in a power shift to supplier. They state further that the purpose of outsourcing is to take advantage of service provider expertise in non-core activity with economies of scale, to enable organisations to reduce their expenses and to provide better quality of services to their clients in this way.

The literature that has been referred to provides the basis for analysis of the research problem, that is; to explore the influence of outsourcing core deliverables on the business performance. The various articles on relevant literature about

outsourcing, as well as outsourcing of core business deliverables were reviewed. They were also used in formulating questions contained in the questionnaire. The following aspects were encountered and discussed in detail:

- Contributing factors to outsourcing of core business deliverables.
- Core deliverables, what they entail and their management.
- Effects of outsourcing on business performance where risks and benefits to outsourcing are particularised.
- The impact of outsourcing on the motivation of internal employees.

1.3.9 Primary study

The primary aspect of this study is quantitative in nature, and a case study. The study was conducted in cooperation with the eight PPM departments at Eskom Distribution SA. The study sought to address some of the existing gaps in the literature, by presenting an original empirical study.

1.3.9.1 Research Instrument

The research instrument used was a paper-and-pencil questionnaire with pre-coded questions.

1.3.9.2 Pre-testing the questionnaire

In pre-testing the questionnaire; on August 15, 2014, five individuals who are familiar with the outsourcing phenomenon, were requested to complete the questionnaire. The participants were also requested to highlight concerns, as well as grammatical and logical errors. The final end-user questionnaire was then refined following feedback from participants.

1.3.9.3 Sampling technique

Managers of the eight PPM departments that agreed to participate in the study, selected the sample. The sample size involved 152 employees at the top, middle and lower levels. Stratified random probability sampling methodology was used.

1.3.9.4 Administration of the questionnaire

The participants were requested to complete a questionnaire that was descriptive and comparative in nature. The process began on August 21, 2014 and remained open for a period of 70 days, that is, until October 31, 2014. The questionnaires were distributed in the PPM, Procurement, Finance and Plant Performance departments at Eskom Distribution SA, to volunteers that agreed to participate in the study, and collected from them.

1.3.9.5 Statistical testing

Subsequently the statistical package for the Social Sciences (SPSS) version 23.0 was used to analyse the data.

1.3.9.6 Reliability and Validity

It is vital that the research instruments used in the research project does measure what the researcher aspires to measure. According to Sekaran and Bougie (2013) reliability refers to the consistency of the measuring instrument used in the research project. Anderson (2010) states that the validity of research findings refers to the extent to which the findings are an accurate representation of the phenomena they are intended to represent. Pre-testing of the questionnaire helped to avoid obstacles in completing the questionnaire. Questions were written in a simple language and instructions were clearly understood. The research instrument proved its validity during the pre-testing stage of this study. Pre-testing results proved that the research instrument was reliable as participants clearly understood the instructions for answering the questionnaire. Cronbach's Alpha was used to measure reliability in this study.

1.4 Contribution of the study

Following the review of the literature, as presented in Chapter 2, it was found that there are a limited number of studies that focus on outsourcing of core business deliverables. As a result, this study aims to increase to the existing body of knowledge on this aspect of outsourcing of deliverables. It is intended that the results of this study could be used to reinforce the case study organisation's

knowledge on this subject. In addition, constructive aspects of the study are relevant to similar organisations engaging in outsourcing.

The importance of this research is the realisation that the outsourcing of core business deliverables has grown from a rare phenomenon to a standard in business strategies, as explained by Sani, Dezdar and Ainin (2013). They state that organisations often integrate outsourcing as a strategy in business planning.

This study will be beneficial to organisations in strategic decision making regarding the outsourcing of core business deliverables. By understanding the way in which core deliverables should be managed, the impact that outsourcing has on the motivation of employees and on overall business performance, as well as the benefits, risks, advantages, disadvantages and the reasons of outsourcing core deliverables, these organisations can be assured of the effective management of their businesses.

The study will provide practical value for managers in the engineering industry confronted with the decision of whether to outsource the maintenance and repairs deliverables of their organisations.

1.5 Division of chapters

The study is subdivided as follows:

Chapter 2: Literature review

This chapter presents an overview of existing literature relevant to the study and previous research on outsourcing processes, employee motivation in relation to outsourcing and on the nature of core deliverables. Subsequently, motivators for outsourcing in general, such as benefits and risks are presented. This chapter also brings forward essentials of relevant theories to create a theoretical framework.

Chapter 3: Research methodology

This chapter outlines the research methodology used in this study. The different research methods used in this thesis are presented and the empirical sources of data collected are described.

Chapter 4: Presentation of results

This chapter presents the findings and delivers the analysis and interpretation of the empirical research. At the end of the chapter an empirically grounded theoretical model is drawn together.

Chapter 5: Summary, conclusions and recommendations

This chapter of the study provides conclusions and recommendations. It also describes the achievement of the research objectives and summarises the theoretical conclusions. The research limitations are also taken into consideration.

CHAPTER 2 : LITERATURE REVIEW OF OUTSOURCING

2.1 Introduction

In Chapter1 it was noted that the study seeks to determine the influence of outsourcing core deliverables on the business performance of the PPM department at Eskom Distribution SA. This chapter presents a cohesive summary of the reviewed literature. The associated variables pertaining to the influence of outsourcing core deliverables on the business performance are critically reviewed and the key elements are exposed by analysing the variables that may have influenced this decision, considering that some of the outsourced deliverables lie at the very core of the organisation. Furthermore, this chapter attempts to extract aspects from literature in addressing the diverse perspectives on outsourcing. The outsourcing literature is reviewed with the objective of identifying those references that may provide guidance for organisations and researchers.

Pouder, Cantrell and Daly (2011) point out that the growth of outsourcing has a positive relationship to the studies that examine the decision whether to outsource a delivery or perform it within the organisation. They highlight that researchers often use transaction cost economics (TCE) and the resource-based view (RBV) theories to explain outsourcing decisions. They specify that TCE predicts that an organisation will perform deliverables in-house when it anticipates high transaction costs and will outsource when it expects low transaction costs. They emphasise that, in the RBV perspective, an organisation engages in outsourcing to access resources and capabilities that are more valuable than those it currently has. Subsequently, studies from the TCE and RBV perspectives suggest that organisations base their decisions on whether outsourcing reduces costs or builds strategic advantages. They explain that the former has generated much research on how engaging in outsourcing to cut costs or gain strategic advantages affects the organisational performance. They further specify that omitting the combined impact of both motives on the organisational performance has created a gap in the outsourcing literature. Subsequently in agreeing with Pouder *et al.* (2011) and to

bridge this gap, the need to perform the study that determines the influence of outsourcing core deliverables on the business performance was essential.

Finally, this section will proceed by discussing the contributing factors to outsourcing of core business deliverables, the outline of the management of core deliverables, the impact of outsourcing on internal employees' morale and motivation, the enhancing effect of outsourcing on business performance. The requirements of successful outsourcing including the risks and benefits, are delineated.

2.2 Contributing factors of outsourcing

Outsourcing activity has become one of the most extensive and profitable areas in the world, and in a crisis context, this strategy seems to be the solution for organisations who seek to provide the same quality of services but at a reduced cost (Dinu, 2015).

Dorasamy, Marimuthu, Jayabalan, Raman and Kaliannan (2010) have identified cost as one of the most important motivations for outsourcing. They further explain that cost saving refers to lower costs compared to in-house production. They further outline that, globally, organisations have opted to outsource their non-core business deliverables that are traditionally handled by internal employees and resources; and utilise external resources to perform these deliverables, in order to avoid huge capital investments. Khatik and Khanooja (2013) point out that capital expenses incurred by the outsourcing relationship should also be calculated. However, Lamminmaki (2011) stresses that significant cost savings can be achieved by outsourcing through gaining efficiency gain, and this need not lead to lower quality.

According to Zhang and Sun (2012), developed countries such as China have recently started to engage in outsourcing and emphasise that most people will accept the tool of contracting as long as it significantly improves service quality. Khatik and Khanooja (2013) write that the purpose of outsourcing is to take advantage of service provider expertise in non-core business deliverables with economies of scale so that organisations may reduce their expenses and also provide better quality of services to their clients. Lamminmaki (2011) states that

an organisation with limited access to funds could find outsourcing to be an easy way to expand the business or replace / upgrade assets or technology, as it avoids the need to raise investment funds.

Vilko (2013) proposes that the first question an organisation considering outsourcing a deliverable should ask is: “why are they doing it?” When an organisation can produce a service or product in-house, it should have a good reason for using an outside provider as outsourcing is just one option. The author further maintains that organisations outsourcing just because everybody is doing it may face unexpected costs and complications. In support, Maelah, Aman, Hamzah, Amiruddin and Auzair (2010) state that outsourcing decisions depend on when an organisation should outsource its deliverable, which organisation it should select and how much control ought to be given to the suppliers/vendors.

Muhammad and Su (2013) write that organisations outsource for a variety of reasons, including but not limited to: access to competitive production factors, economies of scale, higher innovation capabilities, higher quality products, lower operating costs, greater focus on critical processes and increased flexibility for coping with the current volatile business environment. Pe´rez-Reyes and Tovar (2010) state that organisations consider outsourcing as a solution in search of better operational efficiency, that is, purchasing operations from the private sector commonly thought to be more efficient and averting the need to address productivity problems.

Vilko (2013) has the view that it is not a question of whether “to outsource or not”, but rather concerns “what services to outsource and how.” He further states that it is close to impossible to survive without outsourcing in today’s highly competitive market and rapidly changing economic situation. Subsequently, when reviewing the outsourcing literature in this study, motives of engaging in outsourcing by various industries were identified and are highlighted in table 2. 1.

Table 2.1: Outsourcing motives – industry examples

Contributing factor	Industry	Source
Changes in industry	Bio/pharmaceutical industry	Miller 2013
Remain competitive	Kenya Union of Savings and Credit Cooperatives Limited (KUSCCO), Hotels	Oduk 2013; Sani <i>et al.</i> 2013
Cost reduction	Unilever, Kodak, Electricity Network Industry, Hotels, Business Process Outsourcing (BPO)	Pouder <i>et al.</i> 2011; Vilko 2013; Sani <i>et al.</i> 2013; Dinu 2015
Increased operating efficiencies	Unilever, Human resource outsourcing (HRO), (BPO)	Pouder <i>et al.</i> 2011; Glaister 2014; Dinu 2015
Access to skills/ expertise/ technique	Television service providers, HRO, (BPO), Hotels	Sauer 2013; Glaister 2014; Dinu 2015; Sani <i>et al.</i> 2013
Process control	HRO	Glaister 2014
Enhancing product development	Unilever	Pouder <i>et al.</i> 2011
Gain in market share	Kodak	Pouder <i>et al.</i> 2011
Development of new markets - Utilising the well-known brand name of the outsourcing supplier	Unilever, Hotels	Pouder <i>et al.</i> 2011; Sani <i>et al.</i> 2013
Optimum utilisation of internal resources	Hotels, HRO, BPO	Sani <i>et al.</i> 2013; Glaister 2014; Dinu 2015
Coping with globalisation	Hotels	Sani <i>et al.</i> 2013
Generating revenues	Hotels	Sani <i>et al.</i> 2013
Risk reduction of business failure	Hotels, Human resource outsourcing (HRO)	Sani <i>et al.</i> 2013; Glaister 2014

Source: Outsourcing motives - industry examples (Magagula 2014)

While some organisations view outsourcing as a fast track system in penetrating new regions rather than a trend for the future, others view it as a way to increase concentration on core-competencies, thus making it a more long-term approach (Elmuti *et al.*, 2010). The following section will deliberate on the manner that core business should be managed.

2.3 Management of core business

2.3.1 Outline of core business deliverables

Core business which is also interpreted as core competency, comprises deliverables and services deemed fundamental to continued existence of the organisation (Broady-Preston and Swain, 2012). Contractor, Kumar, Kundu and Pedersen (2010) specify that the characteristics of core deliverables include those elements that are of high strategic value to the organisation, sources of competitiveness, impossible to separate from the value chain and high transaction costs.

Ljungquist (2013) views core competence as a strategic platform linked to sustainable competitive advantage. His view is that core competence contributes significantly to the customer benefit of a product and to the customer-supplier relationship, which is based on past and current experience as well as expectations of future positive experience. He explains that the products an organisation develops using its core competence and the customers' expectations of future products, are how an organisation achieves competitive differentiation. He further specifies that core competence facilitates an organisation's growth, gives it access to a wide variety of competitive markets. Core competencies can be shared via integration and/or knowledge transfer.

According to Lorenz (2014), every business has a set of core concepts. Even when an organisation is totally unaware of what they are, they nevertheless exist and are present in a latent form. He states that one easy way to find out how together or scattered the business is, is to identify its core purpose and then ask others what the organisation's core purpose is.

Muhammad and Su (2013) are of the view that an organisation can have only one core competence at a time and this core competency is scattered across the organisation's small business units. They state that this core competence should be based on the organisation's specific capability or competency and not simply on any of its resources.

According to Shaabani, Ahmadi and Yazdani (2012), the ability of managers to identify and exploit the core competencies of the organisation has an influence on excellence. They state that all organisations have different types of resources that enable them to develop different strategies, but they can have a distinctive advantage when they develop strategies that their competitors are unable to imitate. Their view is that not all firm resources hold the potential of sustained competitive advantages. They further specify that to have this potential a firm's resource must add positive value to the firm, be unique among competitors, be inimitable and not being substituted with another resource by competing firms.

2.3.2 Organisations outsourcing core business deliverables

Outsourcing is no longer limited to peripheral and low-value-added deliverables as organisations are now relocating their core deliverables that were traditionally retained in-house (Thakur, 2010). Gupta and Dwivedi (2012) highlight a trend in Indian consumer durables organisations of appointing franchise services for after sales service and warranty, a crucial marketing component. Consumer durables organisations, such as those making home appliances and electronics, have recorded exponential growth. However, they point out that the rapid expansion of the consumer durable goods industry post-liberalisation led to a network of unskilled, untrained and ill equipped greedy service providers. Thus, what should have been a core competency of such organisations was hived off as non-core.

A study performed by Lin, Piercy and Campbell (2013) in the highly creative industry of fashion, revealed that the relationship between core competence and outsourcing is not simple as previously conceptualised. They pointed out that creativity, as the fashion's assumed competency, rather than being guarded within an organisation is instead often outsourced or borrowed and ordinary tasks such as marketing and logistics are what is retained.

Sani *et al.* (2013) also highlight that hotels engage in outsourcing of core business to cope with the competitive environment.

However, Gupta (2013) points out that core competency is a decision not an absolute. He further explains that it is about figuring out what one needs to meet

competition in the future and it may subsequently lead organisations to be wrapped in blanket of false security by ignoring disruptive innovations, emerging technologies and rising capabilities of competitors. He mentions that the most important aspect is that customers may change their taste altogether and leave the product and organisations.

Aman and Rahman (2011) maintain that the loss of core deliverables may result from outsourcing. Hamzah, Aman, Maelah, Auzair and Amiruddin (2010) have identified the loss of core deliverables as one of the risks that can be encountered when organisations are involved in outsourcing. Vilko (2013) also points out that core competencies or core skills could be either maintained or lost in strategic outsourcing alliances. Khatik and Khanooja (2013) also agree that outsourcing may result in loss of control or loss of core competence, as well as a power shift to supplier when proper care is not taken in implementing outsourcing, that is, poor contract or poor selection of outsourcing partner.

2.3.3 Internalisation of core business

While researchers and policy makers have long argued about what should be outsourced and what should remain in-house, Muhammad and Su (2013) suggest that anything that is not a core competency can be outsourced. They explain that by doing so, organisations can redirect resources to their core competency and improve their sustainability. They further illustrate that by outsourcing non-core deliverables and concentrating on core deliverables, organisations may increase their performance by becoming more flexible and innovative.

The RBV theory maintains that an organisation should attempt to build distinctive resources and capabilities that competitors find difficult to understand and copy; and when this is done successfully, the organisations may gain a competitive advantage (Pouder *et al.*, 2011).

Ljungquist (2013) states that for ideal core competence management, practicing managers should selectively assimilate external information and adapt external deliverables including processes, all to match the existing (internal) resource base. However, he emphasises that the deliverables and processes need to be core

competence-specific to make a difference. A core competence should be competitively unique and, as such, difficult for competitors to imitate.

Lamminmaki (2011) suggests that managers should consciously develop their core competencies to strategically block competitors and avoid outsourcing these or giving suppliers access to the knowledge bases or skills critical to the core competencies.

Maelah *et al.* (2010) propose that organisations should outsource only non-core business deliverables. For example, hotels should only outsource deliverables such as cleaning, laundry and housekeeping that are not core, as this would ensure that they remain in control of their core business.

Al-Azad, Mohiuddin and Rashid (2010) emphasise that keeping core competencies under internal control and outsourcing non-core deliverables simultaneously enables organisations to focus and flatten since they concentrate their limited resources on a few knowledge-based core competencies to develop "best in class" capabilities. This enables them to leverage their internal innovation capabilities.

According to Muhammad and Su (2013), by developing a web of specialised organisations for each non-core deliverable in a virtual production network, an organisation creates a virtuous circle of best performers that make it the most competitive in the marketplace. They assert that through outsourcing of non-core business deliverables, organisations can concentrate on core competencies and improve their productivity, competitiveness and sustainability in the marketplace.

Vilko (2013) also makes the point that one of the objectives of strategic outsourcing is to gain competitive advantage. He explains that an organisations can outsource some of its less significant deliverables, thereby placing more emphasis on its core deliverables and thus strengthening its competitive advantage. He specifies that the most commonly outsourced deliverables are not among the core and add very little to the value chain. He states that in such cases, outsourcing can encourage the streamlining of the production process and direct more resources to the core functions which matter most.

Responding to the question of whether outsourcing core tasks "hollows out" an organisation, reducing its innovative capability and profitability, Muhammad and Su (2013) state that internalising core deliverables enables an organisation to specialise, improving its innovative capability, competitiveness, strategy and profitability.

Al-Azad *et al.* (2010) state that the outsourcing of non-core deliverables also eliminates rigid fixed overhead, bureaucracy and physical plant-related costs by conscientiously tapping into the nimbler resources of their customer value chain downstream, as well as technology and supply value chain upstream.

A linear regression analysis performed by Muhammad and Su (2013) to establish the relationship between outsourcing and integrated firm level performance (IFLP) found that outsourcing of non-core deliverables and insourcing (internalisation) of core deliverables have a positive impact on an organisation's integrated performance. They state that corporate survival in the long term is dependent on the organisation's ability to exploit core competencies.

Vilko (2013) proposes that divesting from non-core and investing resources into core improves the specialisation of the organisation and offers opportunities for stockholders and stakeholders in the high value-added segments. He points out that organisations can procure non-core intermediate goods and services at lower costs from specialised organisations in low-cost advanced emerging countries like China and India.

However, Gupta (2013) maintains that a core competency is no guarantee of continued success and needs to be continually validated. Pouder *et al.* (2011), also highlight that an organisation might build peculiar resources and capabilities by combining its resources and capabilities with those of its vendor.

While attention has been on outsourcing as a means for an organisation to focus on its core competencies and is the most compelling reason for strategically motivated outsourcing, Pouder *et al.* (2011) warn that empirical studies have not examined how it affects organisational performance.

The third objective of this study is to shed light on this unexplored area.

2.4 Effects of outsourcing on the business performance

Outsourcing is a well-known practice among both private and public organisations and is an important element in business strategy as specified by Dinu (2015). She outlines that when an organisation desires to focus its resources on fundamental capabilities, it takes the decision to outsource some of its services that are not very profitable.

The findings of a study by Thakur (2010) which examined the offshoring and outsourcing of core deliverables in the pharmaceutical industry, suggest that performance does improve with the outsourcing of core business deliverables. Results of the study indicate that conducting clinical trials with domestic vendors is cheaper than domestic in-house. Dinu (2015) warns that organisations that decide to outsource, must consider the benefits and risks very wisely and take measures to mitigate the related risks and inform their personnel regarding the benefits of outsourcing.

2.4.1 Benefits of outsourcing

Previous studies have suggested that outsourcing provides organisations with various economic, technological and strategic benefits, such as reducing IT operation costs, improving technical competence and providing organisations with competitive advantages (Qu, Pinsonneault and Oh, 2011; Lacity, Rottman and Khan, 2010). Bertrand (2011) finds a positive correlation between outsourcing and overall deliverables. He outlines that in general, outsourcing enables organisations to become more flexible in adjusting production to fluctuations in market demand and to unforeseen changes. However, Elmuti *et al.* (2010) report that the outsourcing process usually results in the loss of productivity. They further outline that such lower productivity can exasperate an already unacceptable performance level and inspire additional outsourcing.

Michela and Carlotta (2011) specify that an outsourcing strategy has several advantages, including quality improvement, a greater focus on managing other core competencies, a greater flexibility and leverage regarding resources, along with the possibility of entering new markets, even ones with a high rate of

development. However, Relph and Parker (2014) argue that there is a need for commercial caution when evaluating the benefits of outsourcing. They emphasise that there are numerous critical factors an organisation needs to consider when deciding to outsource. An organisation needs to understand the total cost function of logistics and that costs are hidden in areas other than just the value of transport.

According to Callahan, Smith and Spencer (2013), outsourcing improves an organisation's responsiveness and "leads to the availability of higher quality goods and services by creating competition among suppliers". They explain that outsourcing can expand the organisation's capacities, especially when it does not possess all the necessary resources and competencies.

Dorasamy *et al.* (2010) specify that an organisation may be able to save up resources for other purposes by outsourcing certain deliverables to third parties, enabling an organisation to build up its resources and maximise revenue.

Khatik and Khanooja (2013) suggest that outsourcing creates opportunities for organisations to shift the burden of risk and uncertainty associated with the business to someone else.

Dinu (2015) lists the advantages of outsourcing as following:

- Specialising on the main object of activity which ensures the highest profit;
- Flexibility in the meeting the needs of services;
- Forwarding the organisation's resources to core business deliverables;
- Continuity and risk management;
- Lower costs;
- Access to skilled resources; and
- Faster and better services.

Caruth and Caruth (2010) also specify that the benefits to be derived from outsourcing include expense reduction, improved service quality, conservation of management time and effort, professional expertise, increased organisational competencies, flexibility and facilitation of expansion.

2.4.1.1 Expense reduction

Saving money is an aspect that has been identified by Noe, Hollenbeck, Gerhart, and Wright (2010) as a paramount reason for organisations to engage in outsourcing. They outline that outsourcing organisations may frequently perform deliverables better, cheaper and faster than an organisation can perform them in-house. On occasion, cost reductions can be obtained by combining deliverables for example, payroll and benefits administration. Specialised knowledge and expertise may be provided by external service providers, thus eliminating the need to maintain such knowledge in-house where it may be used only occasionally. An example provided by Panda (2012) illustrates how outsourcing can be cheaper – when a bank shifts work of a 1,000 people from the USA to India, it can save about 18 million \$US a year due to lower costs in India.

However, Caruth and Caruth (2010) warn that cost alone should never be the deciding factor in the selection of an outsourcing firm. There are many other factors such as reputation, organisational fit, including degree of experience which should be taken into consideration. They further emphasise that it is often advisable to meet those who will be performing the work. Handley (2012) indicates that to achieve aggressive cost savings objectives, many outsourcing arrangements are associated with organisational resources being disposed of, leading to a significant operational capability loss on the part of the outsourcing entity. Vilko (2013) points out that when the outsourced deliverables are cost-focused and on an operational level, benefits obtained tend to be lower in value than when they are on a strategic level. Lamminmaki (2011) highlights that significant cost saving can be achieved by outsourcing due to efficiency gains which need not lead to lower quality.

2.4.1.2 Improved service quality

The major factor driving outsourcing identified by Dorasamy *et al.* (2010), is resources. They accentuate that external service providers often have better infrastructure, knowledge and skills, as well as expertise. Dinu (2015) outlines that outsourcing allows an organisation to improve the quality of its products and services, thereby opening new opportunities to development in the long term.

2.4.1.3 Conserves management time and effort

Caruth, Pane Haden and Caruth (2013) point out that outsourcing saves conserves time and energy of management, in other words, repetitive problems become the responsibility of the outsourcing organisation thereby reducing in-house management involvement. Management can then shift their time and efforts away from none-core deliverables and focus on core competencies that distinguish the organisation from its competitors. In addition, the research in contemporary practice of the retail business has revealed that the application of outsourcing technique contributes to stronger commitment of management towards the deliverables that are the core of competitiveness (Lukić, 2012).

2.4.1.4 Increased organisational competencies

When organisations embark on outsourcing, they can offer better client service, produce a better product, and execute tasks more efficiently by placing those responsibilities in the hands of professionals (Hamzah *et al.*, 2010). However, Muhammad and Su (2013) about several negative outcomes associated with the practices of outsourcing. They explain that outsourcing can create a loss of organisational competencies, dependence on supplier organisations, and become vulnerable to opportunistic behavior.

2.4.1.5 Flexibility

Sani *et al.* (2013) outline that the purpose of outsourcing is to achieve aggressive growth objectives by gaining increased market access, to leverage on the service provider's best processes, capacity and systems. They further remark that embarking on outsourcing expands capacity to design, test and build new products and services, to stretch their limits in handling the increased volume of business and to manage demand efficiently through the outsider's automation, process maturity and the latest technology.

Sauer (2013) reports that in the television landscape, outsourcing management of the transformation of packaged services to meet viewer demand for access to content on any screen offers increased flexibility to cope with new technologies. He accentuates that Broadcast engineers are experts in linear technology, so with

multiscreen services relying on fixed or mobile internet, there is the potential for competency gaps to appear. Thus, integration with an external team that is experienced in working with IP-based technology enables engineers to become part of a dynamic and forward-looking environment. He further outlines that outsourcing helps broadcasters to reduce Operational Expenditure (OPEX) and Capital Expenditure (CAPEX) by assuming responsibility for personnel and technical platforms, and therefore to be able to focus on their core business - understanding the viewers, acquiring and packaging content, as well as, selling advertising.

Caruth and Caruth (2010) stipulate that an organisation must be specific in delineating what it wants. They specify that this expectation must be clearly communicated to the outsourcing firm. They further state that numerical measures of performance must be developed and implemented and expected results including actual results must be reported on a periodic basis, and that such reports will keep management apprised of the progress being made.

2.4.1.6 Professional expertise

Caruth *et al.* (2013) specify that external service providers offer depth of expertise and experience not often found in an organisation. However, Elmuti *et al.* (2010) warn that there are very limited opportunities for training and development, as well as promotions, where outsourcing is employed. Khatik and Khanooja (2013) warn that the supplier or outsourcer may not provide access to their best talent and this may result in the loss of customers and business opportunities.

2.4.1.7 Fast expansion facilitation

Tjader, Shang and Vargas (2010) state that outsourcing-related benefits include increased focus on the core deliverables of the organisation, cost reductions, increased flexibility, the emergence of a variable cost structure that may allow for the transformation of fixed costs in variable costs and improved productivity. Furthermore, they specify benefits such as increased competitiveness, access to external skills and competences, risk sharing, improved quality, preservation of own capital and stimulation of innovation. Muhammad and Su (2013) also state

that the perceived benefits of outsourcing encompass competitiveness, financial gain, strategic and stakeholder issues.

Salanta *et al.* (2011) add another noteworthy advantage to the list above, namely, that organisations considering international outsourcing have the possibility using time zones to their advantage, i.e. be available for their customers at any moment of the day or night. For instance, IT system malfunctions have to be dealt with in real time.

Al-Azad *et al.* (2010) maintain that organisations can expand their own knowledge and physical investment capabilities by exploiting the facilities and program investments of outside resources.

Salanta *et al.* (2011) observe that while outsourcing may prove highly beneficial for many organisations, it also has many drawbacks. They explain that the current prevailing trend in specialist literature is to overestimate the importance of outsourcing-related benefits. Their view is that more emphasis should be put on the risks now, since identifying and understanding them properly will enable maximisation of the benefits, thus securing the success of the whole process.

2.4.2 Risks of outsourcing

Despite the benefits of outsourcing there is also prevalence of risks. Ravi and Ramachandran (2011) highlight the importance of management understanding the various risks their organisations get exposed to when engaging in outsourcing. For example, for banking and financial services organisations outsourcing brings an additional set of risks related to regulatory violations and subsequent legal obligations including reputational risk.

Maelah, Aman, Amiruddin, Auzair and Hamzah (2012) point to the existence of two types of outsourcing risks namely, performance risks and relational risks. They describe performance risks as being those factors that may affect the vendor's ability to perform according to the outsourcing agreement, such as the availability of capital, technology and skills of the vendor. Relational risk is classified into two categories, namely, risks associated with cooperation and risks associated with the partner's behaviour. They further indicate that risks associated with

cooperation result from disorder existing in the relationship and risks associated with the partner's behaviour is associated with the likelihood of opportunism.

Dinu (2015) concedes that risks have to be taken in consideration by every organisation which decides to outsource a part of its business, as the failure of this arrangement can be very harmful. She indicates that to obtain the complete benefits that outsourcing can offer, organisations must be prepared for the risks and possible downfalls involved when forming the outsourcing relationship. Although outsourcing comes with its personal set of risks, the benefits of this process compensate the challenges. She states that risks can be mitigated by putting in place various protection while finalising the outsourcing arrangement, learning from previous failures and choosing an established and experienced service supplier to make the outsourcing project profitable.

In his case study of KUSCO, Oduk (2013) points out that some of the services outsourced by KUSCCO in an attempt to respond to the changing internal and external environment indicated an over reliance on outsourcing when it was not viable. When carrying out an evaluation of the relevance, as well as the quality of training offered by external consultants compared to that of internal employees, he found the outsourced training was lacking in relevance. Consultants employed lacked knowledge and their consultancy fees were prohibitive. Aman and Rahman (2011) observe that outsourcing creates the risk of being exposed to vendor staff with lack of knowledge which will hinder the good performance of a certain deliverables.

Salanta *et al.* (2011) portray that another serious threat emerges in the long term in which is the organisations' incapacity to perform the processes they have been outsourcing for a long time. They further accentuate that over the course of time; it has been demonstrated that many organisations lose their valuable know-how as a result of outsourcing and it makes the outsourcing contract extremely challenging to terminate in case of either party's discontent. In addition, they identified five additional risks, namely, staff pinching, shirking, opportunistic renegotiation, insufficient personnel and poaching. Dorasamy *et al.* (2010) also identified the perceived risk factors such as changes in supplier circumstances, supplier failure and loss of confidential information. They indicate that any sensitive

information is more vulnerable and an organisation may become very dependent upon its outsource providers, which could lead to problems should the outsource provider back out on their contract unexpectedly.

Dinu (2015) states that the choice to outsource is complex and risky. She explains that this is due to increased regulatory inquiry of organisation's relationships with their service providers and the variety of third party service providers available in terms of size, scope and geographical location. She lists the disadvantages of engaging in the outsourcing initiatives as follows:

- Loss of managerial control;
- The weakening of innovative and creative capacity;
- The actual economic costs of transactions;
- Social costs; and
- Threat to the security and confidentiality of the companies.

Maelah *et al.* (2010) are also of the view that the decision to hand over functions to external vendors leads to risks including loss of managerial control, and, in instances where data confidentiality is concerned, risks regarding security. They outline that it is more challenging to manage outside service providers than managing one's own employees working possibly in the same building. Subsequently, Salanta *et al.* (2011) highlight the major categories of the variety of risks as following:

- Risks related to provider's activity;
- Risks related to the relation with the provider;
- Risks related to the provider's capabilities; and
- Risk related to the hidden costs.

Lacity and Willcocks (2014) conducted a study in the BPO industry and found that the present generation of BPO clients expects more from BPO service providers than upfront cost savings and "green" service levels. They also expect longer-term results than one-time, big-bang effects. Furthermore, they indicate that contrasted to these demands is the reality that many BPO relationships disappoint clients. As a result of aggregating results across 615 BPO empirical findings Lacity *et al.* (2011) showed that BPO clients reported positive outcomes from outsourcing

business processes 56,0 percent of the time, negative outcomes 11,0 percent of the time and no changes in performance as a consequence of outsourcing business processes 33,0 percent of the time. However, they report that many client organisations find this track record unsatisfactory.

Salanta *et al.* (2011) emphasise that due to the large number of challenges and threats that organisations must consider both before and after an outsourcing decision, ways of alleviating outsourcing related risks must be explored.

2.4.3 Measures of successful outsourcing

The selection of the best external service provider for outsourcing needs of the organisation is a decision that should be well thought out and researched (Caruth *et al.*, 2013). An outsourcing organisation is an extension of one's organisation and therefore selecting a proper outsourcing party is crucial to the organisation. Furthermore, they specify that cost alone should never be the deciding factor in the selection of an outsourcing party and that a host of other factors such as reputation, organisational fit and degrees of experience should be taken into consideration. They emphasise that it is often advisable to meet those who will be executing the deliverables of the organisation.

Dinu (2015) explains that prior to outsourcing, organisations should take the interests of their customers including employees into consideration and then make an informed decision. She states that the outsourcing disadvantages can be evaded by partnering with the right external service provider. Dinu, emphasises that to ensure a successful outsourcing transaction, organisations must embark on detailed studies about vendors including current processes and customer references, rather than blindly believing their track record. She further specifies the following aspects:

- Poor selection of a vendor has a significant impact on the success of the outsourcing engagement.
- Process and quality standards incompatible with vendor. As a result, both parties should agree upon standards and processes that have to be part of the mandatory contract.

- Security gap with confidentiality and trade secrets. Organisations must require vendors to meet security standards and monitor with operative assessing.
- Legal and regulatory risks. Organisations should be aware of the specific laws and regulations of the region to be prepared in case of incompatibilities and allowable tradeoffs.
- Dependence on a single seller for all outsourcing needs. The main processes, deliverables designed to be accurately coupled with vendor's technologies, processes.
- Cultural differences. Organisations need to have an increased cultural awareness through specialised trainings.
- Lack of control or insight into vendor progress. There needs to be completed well planned milestones, immediate deliverables along with a suitable documentation plan.

Gulla and Gupta (2011) studied several surveys over a period of past 15 years studied and indicated that 70 percent of outsourcing engagements were unsuccessful. They report on a survey which estimated that about 70 percent of the ISO contracts would be restructured and 15 percent would be terminated. Further, Gulla and Gupta (2011) reveal that currently there is evidence of high interest in the outsourcing of IS services, which was further endorsed by the personal discussion undertaken with industry professionals during this study. They found that IS managers are currently passing through a learning phase and grappling with various issues, including keenness to know what it takes to make outsourcing successful. They signify that given the high interest being shown by organisations in ISO and the varied experiences with ISO as reported, it becomes critical for the decision makers to initiate the outsourcing process with sufficient clarity about how much to outsource in order to provide maximum benefit to the organisation. They further highlight that the success of ISOs depends upon the choice of what part of business to outsource and emphasise that this is made by ascertaining what will save most on overhead costs, and what makes the most long-term business sense.

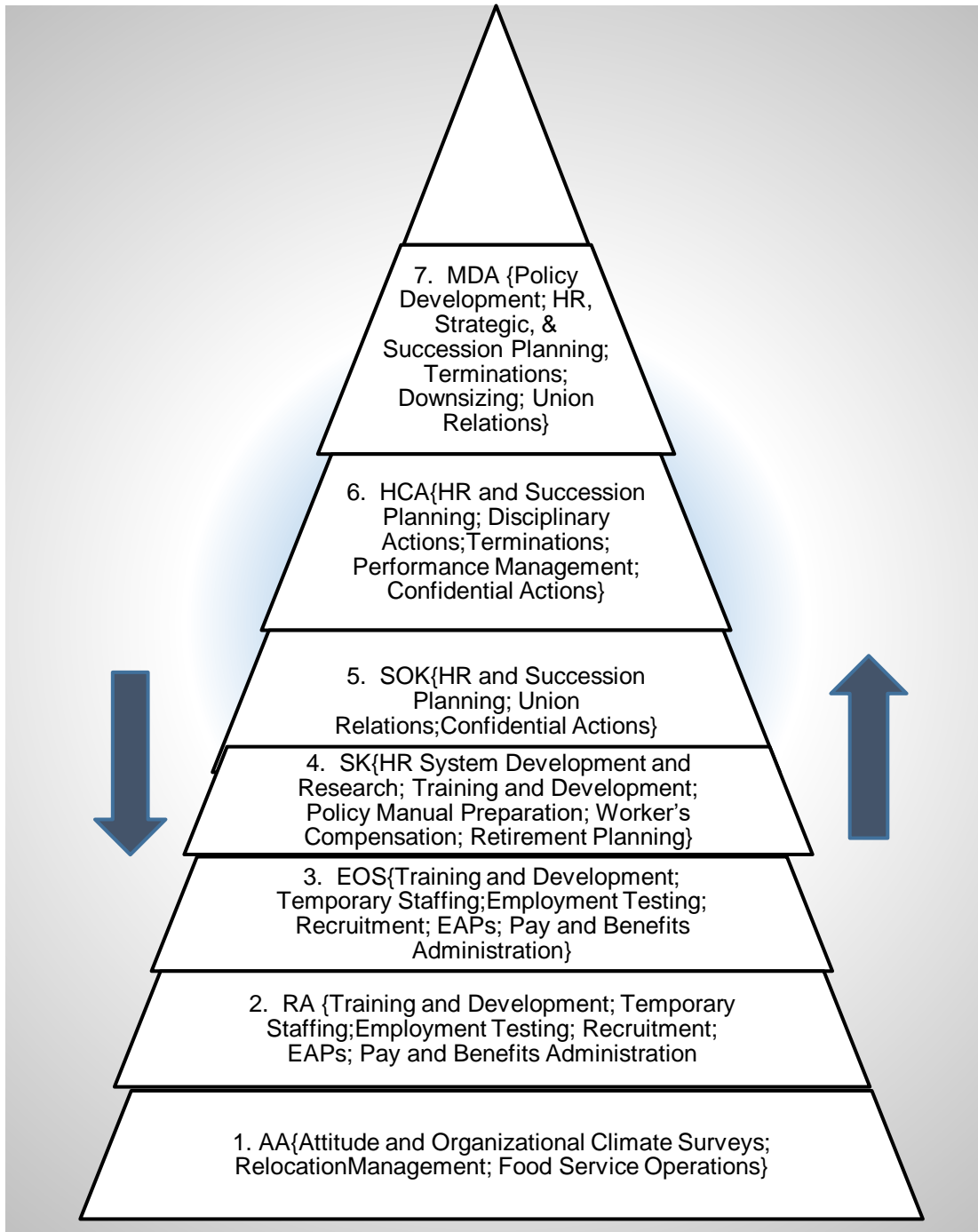
Arising from their study of high-performing BPO relationships, Lacity and Willcocks (2014) assert that the role of the leadership pair is essential for its success, i.e. one leader from the client organisation and a counterpart from the provider organisation. The right leadership pair emerged as the key catalyst for jumpstarting the dynamic innovation process. They found that in these cases the leaders were both strong as individuals; both leaders were experienced, capable and had high levels of credibility, clout and power within their own organisations. Consequently, effective leadership pairs enjoy working together, which some research participants described as “chemistry” (Lacity and Willcocks, 2014). They further signify that, effective leadership pairs displayed the following behaviors and held the following attitudes:

- Focus on the future; the leadership pair focused on where they wanted the BPO relationship to go, not where the relationship was in the past or present.
- Spirit of togetherness; the leadership pair presented a united front to stakeholders in their respective organisations.
- Transparency; the leadership pair was open and honest about all operational issues.
- Problem solving; the leadership pair sought to diagnose and fix problems; they did not seek to assign blame.
- Outcomes first; the leadership pair always did what was best for the client organisation and then settled a commercially equitable agreement.
- Action-oriented; the leadership pair was not afraid to exercise their powers; leaders acted swiftly to remove or workaround obstructions to innovation stemming from people, processes, or contracts.
- Trust, perhaps as a consequence of the former behaviors, the leadership pair felt secure and confident in the other person’s good will, intentions and competency.

A study on IT outsourcing among 650 organisations (representing Europe, Asia Pacific and the USA) conducted by Willcocks (2010) found that, given the quantum of outsourcing expenditure, as well as the strategic role that outsourcing plays in many businesses today, top management perceives outsourcing to be a highly

critical strategic decision that has direct impact on the overall market value of the organisation. Willcocks goes on to say that it can thus be understood that outsourcing decisions depend mostly on management's perception about the criticality of outsourcing given the nature and scope of their business and industry.

Caruth and Caruth (2010) explain that it is helpful to think about specific activities and their potential for outsourcing in more broad and general terms. They provide an illustration of the HR activities, and highlight that they can be grouped into one of seven categories. They specify that they can be arranged in a hierarchy that illustrates each category's potential for successful outsourcing, ranging from activities with the greatest outsourcing potential to those activities with the lowest potential for outsourcing. The details are illustrated in Figure 2.1.



KEY:

SK - Specialised Knowledge

MDA - Management Decision Activities

EOS - Economies of Scale

HCA - Highly Confidential Activities

RA - Routine Activities

SOK - Specific Organisational Knowledge

AA - Ancillary Activities

Figure 2.1: The hierarchy of HR outsourcing

Source: Caruth, and Caruth (2010)

Caruth and Caruth (2010) have arranged the HR activities in ascending order of the importance of the activities to the strategy, competitiveness and success of the organisation, as follows: (1) ancillary activities, (2) routine activities, (3) activities containing the potential for achieving economies of scale, (4) activities requiring specialised knowledge, (5) activities requiring broad organisational knowledge, (6) activities requiring high confidentiality and (7) activities requiring specific management decisions. Each of these activities is described in the subsequent section.

Level 1: Ancillary Activities (AA)

Ancillary activities are those tasks assigned to the HR department that are not necessarily HR tasks. These are activities that must be performed by the organisation but not necessarily by the HR department. Typical ancillary activities are food service, campus maintenance and janitorial services. While the performance of these activities is important to the organisation, the activities are not specifically related to HR management.

Level 2: Routine Activities (RA)

Routine activities are often important to the HR department but their nature is such that they can be handled through standardised procedures because there is little or no variance from transaction to transaction or case to case. Benefits administration is an example of a routine activity. Once the procedures are established, processing changes occur infrequently.

Level 3: Economies of Scale (EOS)

Economies of scale are operations wherein economies can be achieved by processing larger quantities of items (i.e., the higher the volume processed, the less the unit cost per item or transaction). Processing health care claims, conducting screening interviews and administering personnel tests are examples of activities having the potential for achieving some degree of scale economy.

Level 4: Specialised Knowledge (SK)

Some functions within an HR department require specialised knowledge for their performance. This knowledge may be gained through specific educational requirements, experience, or a combination of the two. The required specialised knowledge may not be needed or required on a full-time basis within an HR department; it may be required only as needs arise. To keep such knowledge on the payroll for only occasional use can often be an unnecessary expense. Preparing personnel policy manuals, conducting HR management research and presenting training and development programs are examples of activities requiring specialised knowledge.

Level 5: Specific Organisational Knowledge (SOK)

Lack of knowledge of an organisation's personnel, operational peculiarities, folkways, traditions and culture can be a factor that limits the outsourcing potential of certain types of HR activities. Specific organisational knowledge is required to make effective decisions. Human resource planning and succession planning are areas where such organisational knowledge is required and are therefore less conducive to successful outsourcing efforts. Outplacement, on the other hand, is an activity at this level that is frequently outsourced successfully.

Level 6: Highly Confidential Activities (HCA)

Secrecy is required in the performance of some HR management activities. Layoffs, plant closings and restructuring are examples of activities that must be kept confidential. These kinds of activities, obviously, have a much lower potential for being outsourced than those that do not have a need for secrecy or confidentiality.

Level 7: Management Decision Activities (MDA)

In addition, some HR management activities require the direct and specific involvement of top management. The structure of the HR department or the direction the HR function must take are examples of activities that require direction from top management. There is little opportunity for outsourcing decisions that must be made by the executive level of management in an organisation.

The hierarchy suggests that the lower the level of human resource activity, the greater the possibility of outsourcing it; the higher the level of activity, the less likely the possibility of outsourcing it. Examples of specific HR deliverables are provided in correspondence with their representative level in the hierarchy. Some method such as the classification proposed in this article must be used to identify or to distinguish those activities with the greatest outsourcing potential from those activities that should not be outsourced. In other words, outsourcing must be done systematically in order to ensure effectiveness (Caruth and Caruth, 2010).

Elmuti *et al.* (2010) observe that outsourcing entails dramatic changes in the nature of work, control and organisational design. They propose that productivity, quality, customer satisfaction and performance are likely to be improved by well implemented outsourcing programs tied to highly effective human resources strategies. On the contrary, Tate and Ellram (2009 cited in Salanta *et al.* 2011) warn that each outsourcing contract may generate further risks that are worthy of analysis including information risk, employees' reluctance to change and the need to reorganise specific departments. They further highlight the standards steps to reduce outsourcing risks in figure 2.2.

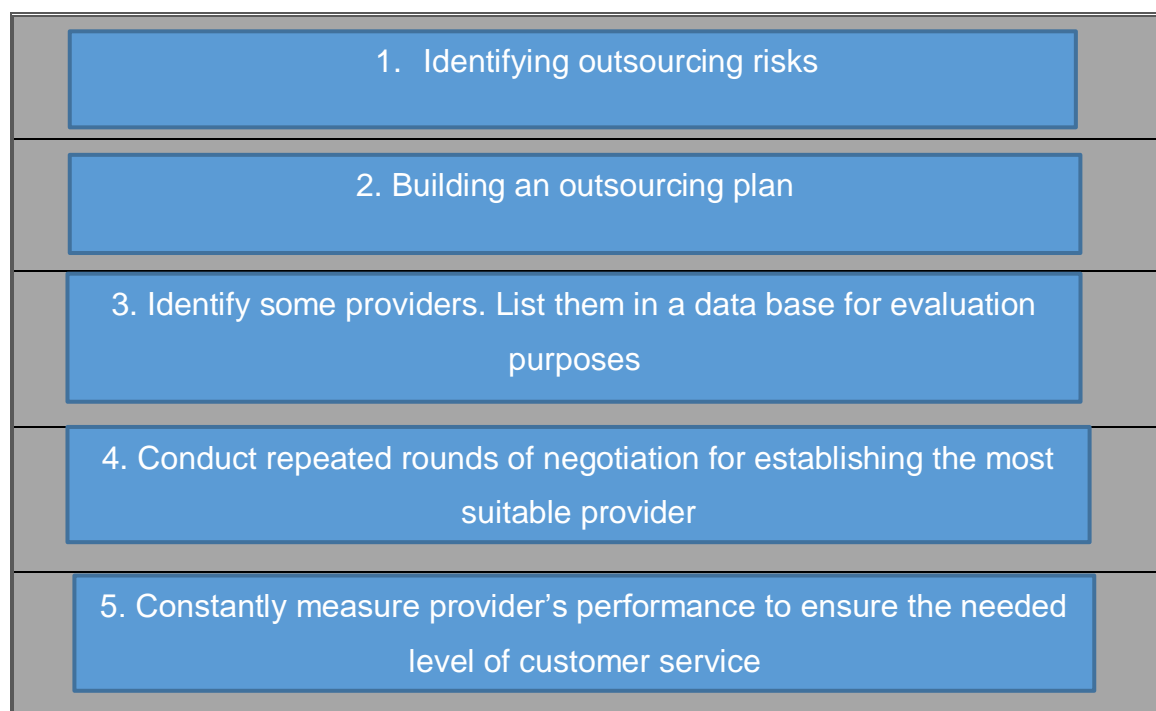


Figure 2.2: Standards steps to reduce outsourcing risks

Source: Salanta *et al.* (2011)

Tate and Ellram (2009 cited in Salanta *et al.* 2011) specify that no matter how we choose to classify or name these risks, they should be reckoned with and be given the proper amount of care, as they are real and quite pernicious if taken lightly. Schillen and Steinke (2011) also warn that outsourcing decisions put the well-being of inhouse employees at risk, ultimately affecting productivity and creating further costs to the employer. The following section will outline the impact that outsourcing of deliverables to the external service providers has on the motivation of internal employees of the organisation.

2.5 The impact of outsourcing on employee motivation

Motivation is a goal directed behaviour that takes place with respect to an individual's self-regulatory function and contributes to the achievement of collective as well as individual goals (Schillen and Steinke, 2011).

Quartey (2013: 179) states that besides the motives, reasons, trends and growth of outsourcing practices as an organisation-wide strategy, few researchers, including practitioners, have questioned its implications for employees, particularly for those whose jobs are mostly at risk.

Aman and Rahman (2010) point out that when an organisation embarks on an outsourcing strategy, the employees who previously performed those functions may not be needed and may have their services terminated. Thus, outsourcing may increase productivity but also may result in downsizing. According to the authors, increased productivity is a major reason for job losses in manufacturing. Schillen and Steinke (2011) indicate that a fall in employee morale and loss of internal coherence can be experienced when organisations are involved in outsourcing.

According to Dinu (2015), outsourcing results in reduced employee motivation as it is experienced as job loss. She emphasises that organisations must establish strategies for employee retention for example retention bonuses, performance maps etc. Quartey (2013) states that the repercussions of outsourcing are not only limited to unemployment issues but may also lead to several attitudinal and

behavioural aberrations such as low employee commitment, job dissatisfaction and high employee turnover.

The motivation of employees boils down to seven key elements, according to Wiley and Kowske (2011). These elements are summarised by the acronym RESPECT. These are the seven things that employees really want: Recognition, Exciting Work, Security, Pay, Education, Conditions and Truth. They specify that organisations that apply this acronym have more engaged employees, more satisfied customers and better shareholder returns. Böckerman and Maliranta (2013) conducted a study which examined the relationship between outsourcing and various aspects of employee well-being by devoting special attention to the role of occupational restructuring as a conveying mechanism, using linked employer-employee data. They found that outsourcing involves job destruction and in such circumstances, employees' job satisfaction is reduced.

In addition, the findings from a study conducted by Arubayi (2012) about the benefits and dangers of outsourcing employees in an emerging economy, suggest that although outsourcing has positive outcomes in achievement of organisational goals, employees are weakened by the negative impact as it increases job insecurity and demotivation in the organisation. However, Soltani and Esmaeely (2013) found in their study that outsourcing had a positive effect on all dimensions, including improved productivity and effectiveness of structure. Elmuti *et al.* (2010) point out that the consequences of outsourcing are not limited to unemployment, but can also result in the deterioration of morale among employees. They warn that displaced and unemployed workers have higher rates of child and spousal abuse, alcoholism, bankruptcy and divorce, among other factors.

Schillen and Steinke (2011) observe that when individuals perceive risk or challenges in their jobs related to outsourcing, motivation changes. The changes resulting from downsizing can impact workers' motivation which in turn impacts the productivity of the organisation. They explain that in the future, successful organisations will have to have well-qualified, motivated and healthy employees. Successful organisations according to Waldmann and Sowada (2012), require a shift in the attitude of owners from viewing employees as a mere cost factor, to viewing them as a necessary success factor for the organisation.

2.5.1 Intrinsic motivation

Intrinsic motivation is when an individual is motivated by internal factors as opposed to external drivers of motivation and this drives one to do things from the soul (Santoshi and Santosh, 2013). Factors such as self-esteem, authority connection, role, prestige inside the organisation and feelings of self-fulfillment arouse the instinct in an individual internally and authority is nothing but empowering people, as well as being a forceful source of intrinsic motivation. This is about the 'feel-good' factor that brings attachment to the work and enhances involvement.

In their study that aimed to explore the dimensions of employee willingness to stay in BPO organisations and to explore its determinants, Santoshi and Santosh (2013) highlight intrinsic motivation as a major contributing factor to the willingness of employees to stay in the BPO industry. They outline the items that are strongly associated with this factor, as follows:

- Opportunity for personal growth and development in current job position.
- Opportunity in job position to give help to other people.
- Feeling of self-esteem, a person gets from being at the position.
- Feeling of self-fulfillment, that is, being able to use one's own unique capabilities, realising one's potentialities.
- Individual's role at the current job position.
- Prestige of the job position inside the organisation.

The results of the regression model of their study shows that motivation and involvement significantly contribute to the sustenance of an employee in the organisation. They broadly classify employees into four categories as identified in Figure 2.3, which also highlights the proposed retention matrix.

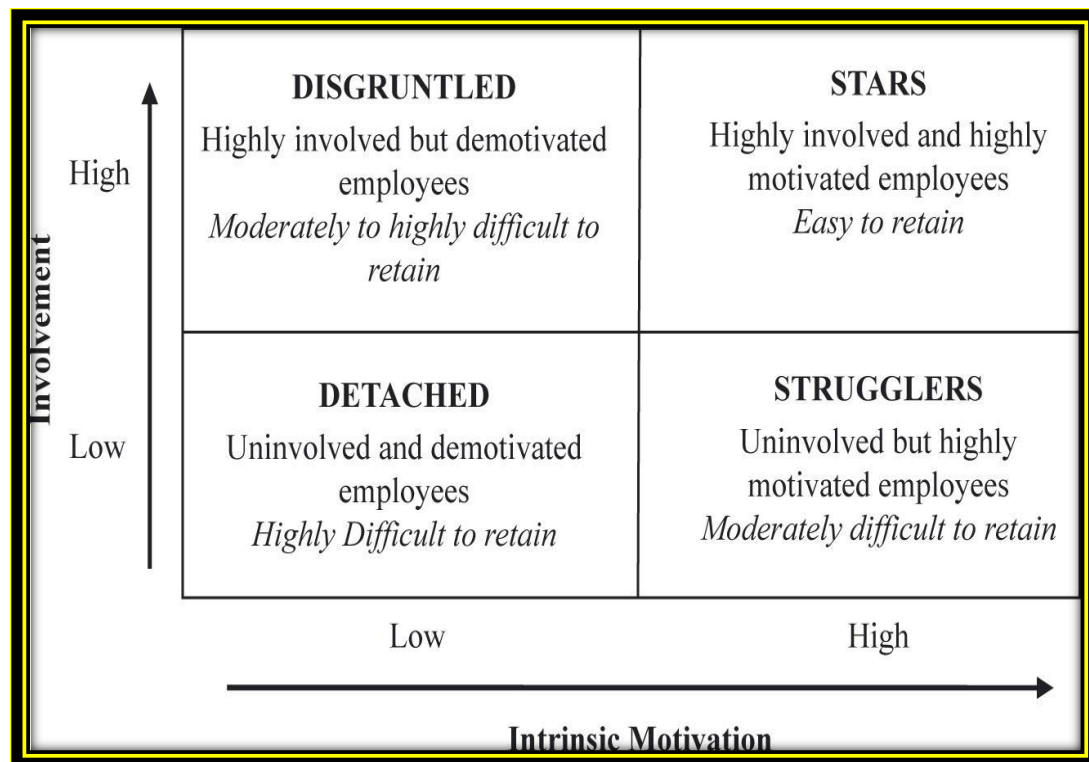


Figure 2.3: Intrinsic motivation matrix

Source: Santoshi and Santosh (2013)

The description of Figure 2.3 is delineated below.

Detached people: they are woefully inadequate in both dimensions, that is, neither are they involved in the work, nor are they motivated to perform. They leave the organisation for no rhyme or reason, hence are extremely difficult to retain.

Disgruntled people: they get involved in the given assignment but lack aspiring motivation and such people are moderately to highly difficult to be retained as they lack basic intrinsic motivation.

The strugglers: they lack involvement but have a high degree of intrinsic motivation, but since they struggle hard to work it is moderately difficult to retain them. Success lies in fulfilling their involvement needs by expanding their responsibilities, empowering them, making them involved in decision making.

The stars: “stars” are highly motivated and highly involved in the work and thus they are the easiest to be retained.

The disgruntled and strugglers are the focus segments, that an organisation would not want to lose; they need to be enhanced, protected, valued and retained by pulling away all the non-retentive forces and kicking the retentive forces into high gear.

Elmuti *et al.* (2010) clearly state that the reaction of the employees who participate in the outsourcing program should be taken into consideration. They point out that there will often be a marked decrease in motivation, engagement and productivity of employees that remain at the organisation as a result of downsizing and workforce reductions. However, they specify that outsourcing strategies can be used as effective tools for competitive positioning when organisations realise that people are not universal solutions to organisational problems and that they are not easy to develop and support.

2.6 Summary

Outsourcing of core deliverables of the organisation is a relatively new phenomenon that has become increasingly important in the past few decades. Traditionally, organisations have retained control over their core deliverables, however they are now becoming more geographically and functionally dispersed (Thakur, 2010). The benefits, as appealing as they may seem, are not guaranteed for all organisations that engage in outsourcing; and in cases where the outsourcing process takes place Aydin, Groot and Hillegersberg (2010) without proper research, the risks increase and overshadow the benefits of the process (Salanta *et al.*, 2011).

This chapter explored the contributing factors to outsourcing of core deliverables, the requirement of successful outsourcing, management of core deliverables including associated aspects, the impact that outsourcing has on employee motivation as well as known benefits and risks.

Han and Mithas (2014) suggests that outsourcing may assist to reduce other expenses such as sales, as well as general and administrative costs. Muhammad and Su (2013) state that outsourcing may enhance the performance of the organisations, as this helps it to operate more efficiently by reducing costs and

augmenting managerial focus on core competencies. Furthermore, as explained by Dinu (2015), it is possible that a deliverable originally thought to possess great potential for outsourcing may no longer seem viable if the anticipated risks associated with outsourcing outweigh the possible benefits. If, after close examination of the benefits and risks, the outsourcing of this particular core deliverable does appear to be a fruitful venture, the right external service provider should be selected to ensure a concrete affiliation with the organisation that is outsourcing the deliverable. Therefore, it is incumbent upon management to create the conditions that will lead to a successful long-term relationship (Dinu, 2015).

Lamminmaki (2011) emphasises that core deliverables of the business should not be outsourced. He states that an organisation generally delivers its competitive advantage through core deliverables so outsourcing the core deliverable of an organisation is almost to relinquish the ability to control one of the most important processes through which the organisation competes in the market place.

Relevant risks must be taken into consideration by every organisation which decides to outsource a part of its business because failure can be very harmful, according to Muhammad and Su (2013). They outline that, to obtain the complete benefits that outsourcing can offer, organisations must be prepared for the risks and possible downfalls involved when forming the outsourcing relationship. They further specify that although outsourcing comes with its personal set of risks, the benefits of this process compensate for the challenges, and the risks can be mitigated by practicing protections while finalising the outsourcing arrangement, learning from previous failures and choosing an established and experienced service supplier to make the outsourcing project profitable.

Employee involvement in the outsourcing decision is valuable; it signifies that every employee in an organisation is valuable and has worth. Employee involvement stimulates a sense of affiliation with the work and inspires employee satisfaction. Thus, when employees feel involved this generates loyalty within the organisation and promotes motivation (Santoshi and Santosh, 2013). The following chapter presents the research methodology used in this study.

CHAPTER 3 : RESEARCH METHODOLOGY AND DESIGN

3.1 Introduction

The previous chapter discusses the theoretical background of outsourcing and its related elements. The purpose of this chapter is to outline the methodology used in this quantitative study. Captured in this chapter is definition and explanation of the population, the sampling method, research instrument, administration of the questionnaire, the data collection and data analysis.

The primary research method for the purpose of this research project is a case study in a form of a questionnaire, conducted in eight PPM departments at Eskom Distribution SA. The purpose of the study is to tap into the thought processes and perceptions of the PPM's top, middle and lower level employees in the industry regarding the influence of outsourcing core deliverables on business performance. However, the influence of outsourcing core deliverables on the business performance is a relatively new field of research. The participants were selected based on their knowledge of outsourcing the business deliverables in the PPM department. The entire population comprised 270 employees, and the applicable sample size involved 152 participants. Therefore, the quality and quantity of resources regarding this subject are sufficient to provide good grounds for such a quantitative research method.

Macur (2013) observes that there are various benefits of using quantitative research instruments including detailed analysis of the importance of various dimensions and an analysis of factors influencing the views of respondents in a larger group. He describes quantitative research as conclusive in its purpose, since it seeks to quantify the problem and understand how prevalent it is by looking for results which can be projected to a larger population. In the case of this research, an applicable and significant sample size from a large population was used. Furthermore, this is a case study which is a method that allows for expanding

and generalising of theories by combining existing theoretical knowledge with new empirical insights (Vissak, 2010).

This chapter will present issues of ethical consideration and consent, outlines the primary data including the target population, sampling method, bias in the research, survey structure, measuring instrument, pre-testing of the questionnaire, data collection, data analysis, confidentiality and anonymity, as well as validity and reliability.

3.2 Ethical considerations

According to Henderson, Juengst, King, Kuczynski and Michie (2012), ethical considerations come into play at three stages of a research project, namely, when participants are recruited, during the intervention and the measurement procedure to which they are subjected and in the release of the results obtained. Ethical considerations are the general principles that are invoked in codes of research ethics which are: firstly, no harm should befall the research subjects and secondly, subjects should take part freely, based on informed consent.

3.2.1 Informed consent

In ensuring informed consent, the DUT research procedure was adhered to in obtaining ethical clearance and permission. The first step was to seek consent to utilise the PPM departments at Eskom Distribution SA to collect data for the study. According to the organogram of the organisation, the PPM department is one of the five departments within the Specialised Maintenance and Support (SM and S) department. Therefore, consent was sought from the managers of the SM and S departments in the nine provinces. Eight out of the nine managers provided such consent, highlighted in Annexure C. Consequently, the participants selected were contacted for agreement to participate voluntarily and signatures certifying the decision to participate were required on the consent form, specified in Annexure A. Furthermore, it was indicated in the consent form that participants had the freedom to withdraw from the study at any time without harming their relationship with the researcher.

3.2.2 Confidentiality and anonymity

Concerns regarding the matters of anonymity and confidentiality were taken into consideration. These matters are vital as they protect the respondent's identity and apparent repercussions. In order to ensure anonymity, the names of participants and provinces were not mentioned in the results of the research. In addition, participants completed the questionnaires without mentioning their names and respective provinces. The completed questionnaires were returned to the researcher. The participants were informed that their responses would be kept confidential. In ensuring maintenance of confidentiality and protecting the data collected, the researcher informed participants that the information they provided would only be used for research purposes, aggregated with other responses and only the overall information would be used. In addition, it was also specified that the identity of participants and individual answers would be kept totally confidential. The above were communicated in writing and also reflected in Annexure A.

3.3 Primary data

The primary part of this study is a quantitative design. The purpose of the questionnaire was to obtain statistical data on the influence of outsourcing core deliverables on the business performance of the PPM department at Eskom Distribution SA. The questionnaire was built upon core themes that were prominent in the academic literature.

3.3.1 Target population

The study was conducted in cooperation with the PPM departments at Eskom Distribution SA, as well as internal customers who provide expert service. The population included participants with high technical, financial and management engagement, as well as knowledge of the process of outsourcing of deliverables in the PPM department. The status and level of participants are summarised in Table 3.1.

Table 3.1: The status and the level of participants

Status	Level of participants	Department	Population
Power Plant Maintenance manager	Top	Power Plant Maintenance	8
Plant Performance Management manager	Top	Plant Performance Management	16
Procurement Senior Advisor	Top	Procurement	16
Finance Practitioner	Middle	Finance	10
Senior Supervisor	Middle	Power Plant Maintenance	35
Principal Technical Officials	Lower	Power Plant Maintenance	75
Senior Technical Officials	Lower	Power Plant Maintenance	110
TOTAL POPULATION			270

Table 3.1 indicates that the entire population comprised 270 employees. The levels of employees range from top, middle to lower and involves Managers, Senior Advisors, Senior Supervisors, Practitioners, Principal Technical Officials, as well as Senior Technical Officials. These employees were from eight different provinces within Eskom Distribution SA. The names of the provinces are North West, Northern Cape, Western Cape, Kwazulu-Natal, Free State, Limpopo, Mpumalanga and Gauteng.

3.3.2 Sampling method and size

The stratified random probability sampling methodology was used. The sample size was 152 participants which involved employees in the top, middle and lower levels, that is, 19 participants in each of the eight provinces. The target population of participants was provided by relevant PPM managers of departments. Table 3.2 provides details of the 19 stipulated participants from each individual province.

Table 3.2: The outline of participants in a province

Status	Department	Number of participants in each province
Power Plant Maintenance manager	Power Plant Maintenance	1
Plant Performance manager	Plant Performance Management	1
Procurement Senior Advisor	Procurement	1
Finance Practitioner	Finance	1
Senior Supervisor	Power Plant Maintenance	3
Principal Technical Officials	Power Plant Maintenance	6
Senior Technical Officials	power Plant Maintenance	6
TOTAL		19

Table 3.1 shows that in a single province; one Procurement Senior Advisor, one Plant Performance Manager, one Finance Practitioner, one PPM Manager, three PPM Senior Supervisors, six PPM Principal Technical Officials and six PPM Senior Technical Officials, participated in this study.

3.3.3 Steps taken to avoid bias

Researchers in both the educational and professional realm want their research to be an accurate reflection of reality and produce meaningful results. According to Hróbjartsson, Kaptchuk and Miller (2011), researcher bias can compromise the integrity of research. Researcher bias refers to the methods used, samples used for the research or anything that may affect the results positively and negatively. In addition, they state that bias constitutes deviation from the truth. In any study, bias can distort the results of the research. In this research project, subjective bias was avoided, including interpretation before recording the data. The methods used to avoid bias are delineated in the subsections below.

3.3.3.1 Subjectivity bias

Roulston and Shelton (2015) equate "subjectivity" with "bias," which they view as both a problem to be managed and a threat to the credibility of a study. Furthermore, in avoiding subjectivity, neutrality with regards to the theme under study was maintained. The researcher did not permit her perception, as well as the background of the outsourcing phenomenon to colour interpretation of the study results.

Furthermore, in ensuring that the review of the study's conclusions is genuinely critical and objective; the results including interpretation were discussed with knowledgeable individuals from different backgrounds and experience. The counter arguments from these individuals were given a fair hearing.

3.3.3.2 Question bias

In order to eradicate question bias, specific consideration was given to the questionnaire design. The sequence of the questions started with those of broad general interest and were easy for the respondents to complete. This approach is known as a funnel technique. Sekaran and Bougie (2010) define the funnel technique as an approach to ordering questions in a questionnaire so that general questions are asked before specific questions. In this study, questions pertaining to background and biographical information of participants were asked first. The specific questions were placed in the remainder of the questionnaire.

Furthermore, the use of a sophisticated writing style was avoided to ensure friendliness to the respondents. Sentences and choices that were simple for answers were decided on. The questions were phrased such that a particular answer was not favoured over others. Leading questions were not used in the questionnaire as they might influence the participants.

3.3.4 Measuring instrument

This study was conducted using a questionnaire (Appendix B) which is a paper-and-pencil instrument. Questions were pre-coded. Galton defines a questionnaire as a research instrument consisting of a series of questions and other prompts for

the purpose of gathering information from respondents (as cited by Cowan, 2011). The questionnaire was developed in line with the objectives of the study. The data analysis method was considered during the designing phase of the research instrument. The nature of the data obtained from the participants also informed the way in which the questionnaire was structured. The questionnaire contained seven sections, namely, Section A: Background Information, Section B: Biographical details, Section C: Contributing factors to outsourcing, Section D: Effect of outsourcing on business performance, Section E: Risks in outsourcing core deliverables, Section F: Managing core deliverables and lastly Section G, Impact of outsourcing on internal employee's motivation and morale. In addition, a 5-point likert scale of Disagree to Agree was utilised. For effective discussion and interpretation, the scale was collapsed to a 3-point scale. That is, 1-Disagree (originally 1 and 2), 2-Neutral (originally 3) and 3-Agree (originally 3 and 4)"

3.3.5 Pre-testing the questionnaire

Pre-testing the questionnaire provides substantial enhancement thereof, minimising difficulties in understanding the questions and perfecting the response options (Casado and Thuler, 2015). The researcher pre-tested the questionnaire to allow rectification of fundamental problems on a technical level and examination of any grammatical or logical errors. In pre-testing the questionnaire, the self-administered approach was used by the researcher. The suitability of the questionnaire was assessed with two participants at top level, one participant in the middle level and two participants in the lower level, who are all employees of Zone X at Eskom Distribution SA.

Subsequently, on August 15, 2014, the researcher distributed the five questionnaires and collected them on August 18, 2014, following completion by participants. The response rate was 100 percent. The feedback indicated that the questions were clear, easy to understand and had minimal logical errors. Based on this feedback, the final end-user version of the questionnaire was prepared. The responses provided by the pilot recipients were excluded from the final data analysis to ensure that the integrity of the data was not jeopardised.

3.3.6 Questionnaire structure

The study consisted of a questionnaire that is descriptive and comparative in nature. Each question dealt with a specific phenomenon related to the influence of outsourcing the core deliverables on business performance. This encompassed the contributing factors to outsourcing, the effect of outsourcing on the performance of the business, risks in outsourcing the core deliverables, managing the core deliverables, impact of outsourcing on internal employees' motivation and morale and other key themes in academic literature.

For the full set of questions, refer to Annexure B. The questions sought to map the perceptions of the recipients by providing a statement and analysing the degree to which they agreed with it. The completion of the questionnaire was designed to take 20 minutes. The questionnaire was available for 70 days. The completed questionnaires were received from 152 of the 270 potential participants. The questionnaire was available in English only (Annexure B).

3.3.7 Dependent and independent variables

The key to the designing of any experiment is to look at what research variables can affect the outcome. Shuttleworth (2013) explains that the independent variable is the core of the experiment and is isolated and manipulated by the researcher. He further specifies that the dependent variable is the measurable outcome of this manipulation and the results of the experimental design. The aim of the study is to determine the influence of outsourcing the core business deliverables on business performance. The variables of interest in this study are; outsourcing (dependent variable) and the business performance (independent variable). However, apart from the effect of outsourcing on the business performance, careful attention to other organisational aspects that could be associated with the variations in outsourcing were looked at. The other variables of interest that were included are; management of core business, the contributing factors of outsourcing, the effect of outsourcing on business performance, employees' motivation, number of employees in the department and the number of deliverables in the department.

The Figure 3.1 shows the conceptual framework, and a graphic representation of the variables proposed for this study.

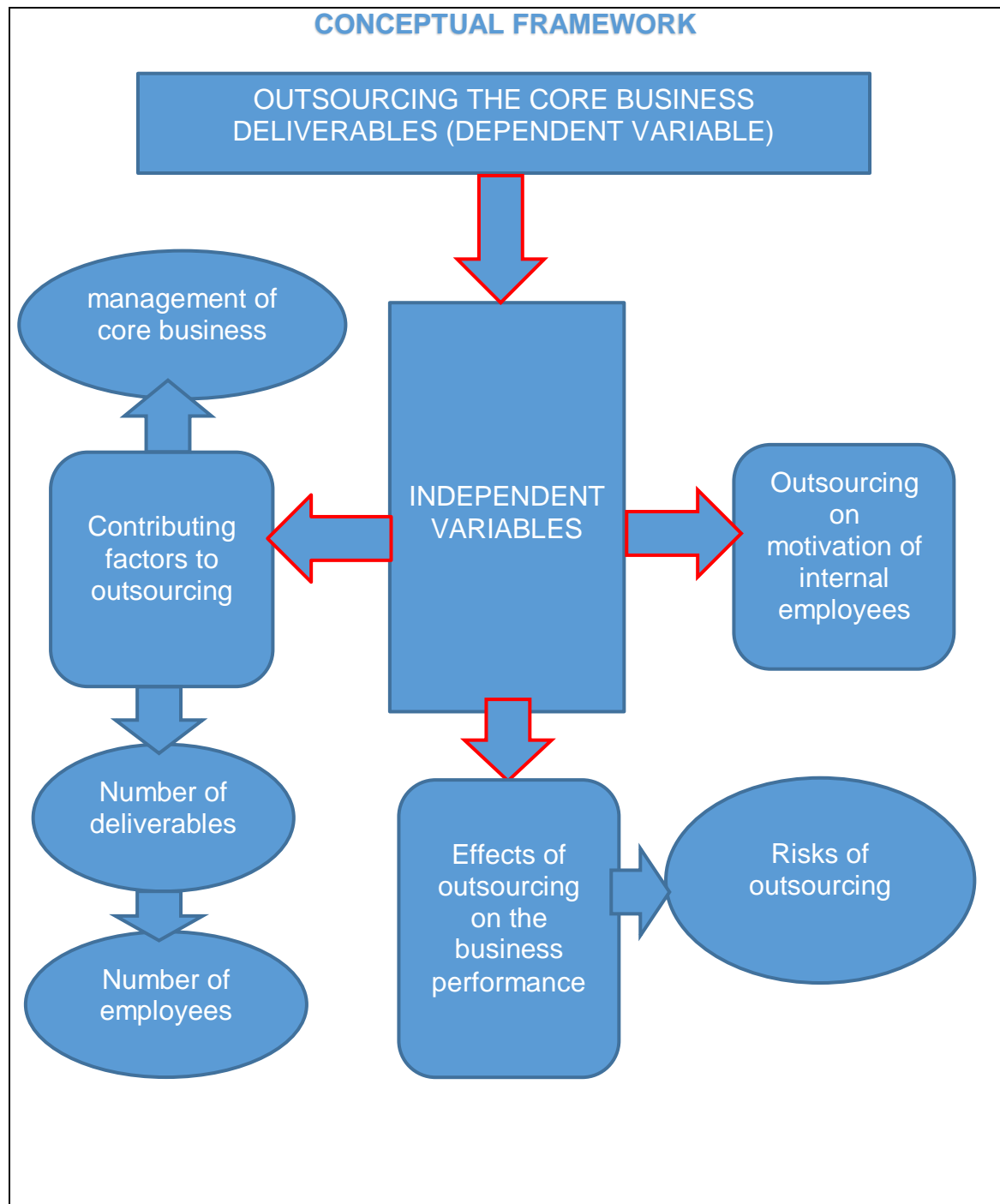


Figure 3.1: Conceptual framework of the study

Source: Conceptual framework of the study (Magagula 2014)

The figure 3.1 above, shows the variables that were used in this study and their respective relation. In addition, the dependent variable is highlighted and three main independent variables are outlined. The respective independent variables linked to the main ones are also presented.

3.3.8 Data collection

An e-mail seeking responses to the questionnaire was sent out to 152 of the Top, middle and lower employees, all working for the PPM department. The data was collected from the PPM, Procurement, Finance and Plant Performance departments in eight out of nine Provinces at Eskom Distribution SA. The process of completing the questionnaires began on August 21, 2014 and remained open for a period of approximately 70 days, until October 31, 2014. Only 135 questionnaires were completed during this period, highlighting 89 percent of the sample size of 152 participants. The 89 percent response rate exceeded the expectations of the researcher, and was a sufficiently significant sample to allow formation of critical assumptions about the influence of outsourcing core deliverables on the business performance of Eskom.

3.3.9 Data analysis

This study involved quantitative data analysis. Rowley (2014) explains that data analysis refers to the processes associated with finding meaning and understanding from the various data sets that may be collected during the research process. Creswell (2014) specifies that quantitative research methods attempt to maximise objectivity, replicability, and generalisability of findings and are typically interested in prediction.

In this study, descriptive statistics as well as inferential statistics data analysis techniques were done. The other statistical tests that were conducted include chi-square, correlations, regression, coefficient of determination (" R^2 " or R-squared) as well as the analysis of variance (ANOVA). The analysis of data is presented in Chapter 4 of this study. The descriptive statistics of data collected from the respondents were computed and statistical analysis was performed using the Statistical Package for the Social Sciences (SPSS) version 23.0, which is a data-analysis computer software package. This package enables a more detailed analysis of data than using a spreadsheet program such as Microsoft Excel (Abbott, 2011). The data analysis techniques and methods used were appropriate to ensure statistical validity and reliability.

3.3.10 Validity and reliability

Validity of research findings refers to the extent to which the findings are an accurate representation of the phenomena they are intended to represent, while the reliability of a study refers to the reproducibility of the findings (Anderson, 2010). Pierannunzi, Hu and Balluz (2013) stipulate that reliability is concerned with the findings of the research and relates to the credibility of the findings. They further outline that the findings of the study are reliable when the evidence and conclusions stands up to close scrutiny.

In this study, the reliability of the research instrument was measured using Cronbach' s alpha. Sekaran and Bougie (2010) describe Cronbach's alpha as a popular approach to measuring internal reliability of a research instrument and it is based on inter-item correlations. When items are strongly connected with each other, it suggests that their internal consistency is high.

The study employed a stratified systematic probability sample which allows for evaluation of the probability of the sample results deviating in varying degrees from the corresponding population values.

In addition, the following measures were employed to improve validity and reliability of the research instruments:

- The study included a large sample, the outcome of which is likely to be more accurate than a smaller one;
- There was a brief explanation of both the purpose of the study and the content of the questionnaire by the researcher prior to the administering of the questionnaire;
- Questions asked in the questionnaire were directly derived from the objectives of the study and each question was essential for fulfilling a specific objective;
- Questions were straightforward and easy to comprehend to cater for the different intellectual capacities of the various respondents; and
- The research instrument was pre-tested thereby obtaining information that was a valuable contribution to structuring the research instrument so that it could improve validity of the results.

3.4 Summary

This chapter illustrated the methodology used in conducting this research, which included the data-collection instrument, population, sampling method and analysis of data. The research design constitutes the base on which a research question is developed. The data collected for this study was done by means of a structured questionnaire. In addition, this study used a quantitative research method and the research format was descriptive. A stratified random probability sampling methodology was employed to identify the sample. The study included a large sample, the outcome of which is likely to be more accurate than a smaller one. Furthermore, questions for the study were formulated directly from all the research objectives. Among the measures taken to ensure the validity and reliability of results was the administering of pre-testing the study's questionnaire which provided learning points in improving reliability. The response rate of the study's questionnaire was satisfactory. The next chapter presents the findings of the study.

CHAPTER 4 : PRESENTATION OF EMPERICAL RESULTS

4.1 Introduction

The previous chapter presented research methods employed by the researcher to collect the relevant data. This chapter focuses on the perceptions of participants about the outsourcing phenomenon on the business environment at Eskom Distribution SA, in the PPM department. The explanation and presentation of the overall findings of this research is based on the analysis and interpretation of data obtained from participants. The data gathered from the questionnaires were entered in the Statistical Package for Social Sciences (SPSS) program and analysed by the use of descriptive statistics. The researcher utilised descriptive statistics to collate, summarise and explain quantitative research data in a simple as well as comprehensible manner (Marshall and Jonker, 2010).

The inferential statistics were also used to determine the relationship between the study variables, and make judgments of the probability that an observed difference between groups is dependable or might have happened by chance (Gupta, 2012). The other statistical tests that were conducted include chi-square, regression, coefficient of determination (" R^2 or R-squared), as well as Analysis of Variance (ANOVA) and Pearson's correlations.

In addition, the research questions as presented in Chapter 1, were tied to the research objectives and established the direction that the research took. The results of the study in relation to the research objectives are presented. Theory in relation to the outsourcing phenomenon has also been engaged with for the purposes of data interpretation. The objectives were:

- To determine the factors contributing to outsourcing of core business deliverables;
- To establish if outsourcing core business deliverables has an effect on the business performance; and

- To evaluate the impact of outsourcing core deliverables on internal staff motivation.

This chapter will begin with the presentation of the reliability measurement of the study.

4.2 Reliability statistics

It is imperative to guarantee that the research instruments used in the research project accurately measures what the researcher desires. In relation to the reliability of the research tool, a reliability analysis was done by determining Cronbach Alpha. Sekaran and Bougie (2010) describe Cronbach's alpha as a popular approach to measure internal consistency of a research instrument which is based on inter-item correlations. He highlights that when items are strongly connected with each other, this suggests that their internal consistence is high.

Table 4.1 shows the reliability of each scale as it relates to the variables measured.

Table 4.1: Cronbach's alpha for key study variables

Cronbach's alpha			
Variable	Valid N	Variables Used	Cronbach Alpha
Contributing factors of outsourcing	134	7	0,825*
Effect of outsourcing on the performance of the business	132	6	0,858*
Risks of outsourcing the core deliverables	132	7	0,855*
Managing the core deliverables	131	5	0,841*
Impact of outsourcing on internal employees' motivation	132	7	0,766*
* Significantly acceptable			

As it can be seen from Table 4.1, the reliability coefficient alphas, measures of the internal consistencies range from 0,766 to 0,858 which are all greater than the acceptable figure of 0,07. This is an indication of statistically acceptable reliability for the study variables.

Section 4.3 further presents the respondent's perception regarding the impact of outsourcing on the business environment. The various statistical tests that were used for analysing and interpreting of data are detailed.

4.3 Respondent's perception regarding the impact of outsourcing on the business environment

The demographic section developed for this study sought information pertaining to participants' gender, age, marital status, educational qualification, length of service, designation, and their quantity in the respective PPM departments. Participants were requested to provide their personal information and this was for research purposes. The section provides a presentation of descriptive statistics using tables, pie charts and bar charts to aid the analysis of data and ensure clear interpretation of results.

The section will begin with the presentation respondent' profiles.

4.3.1 Profiles of respondents by Gender

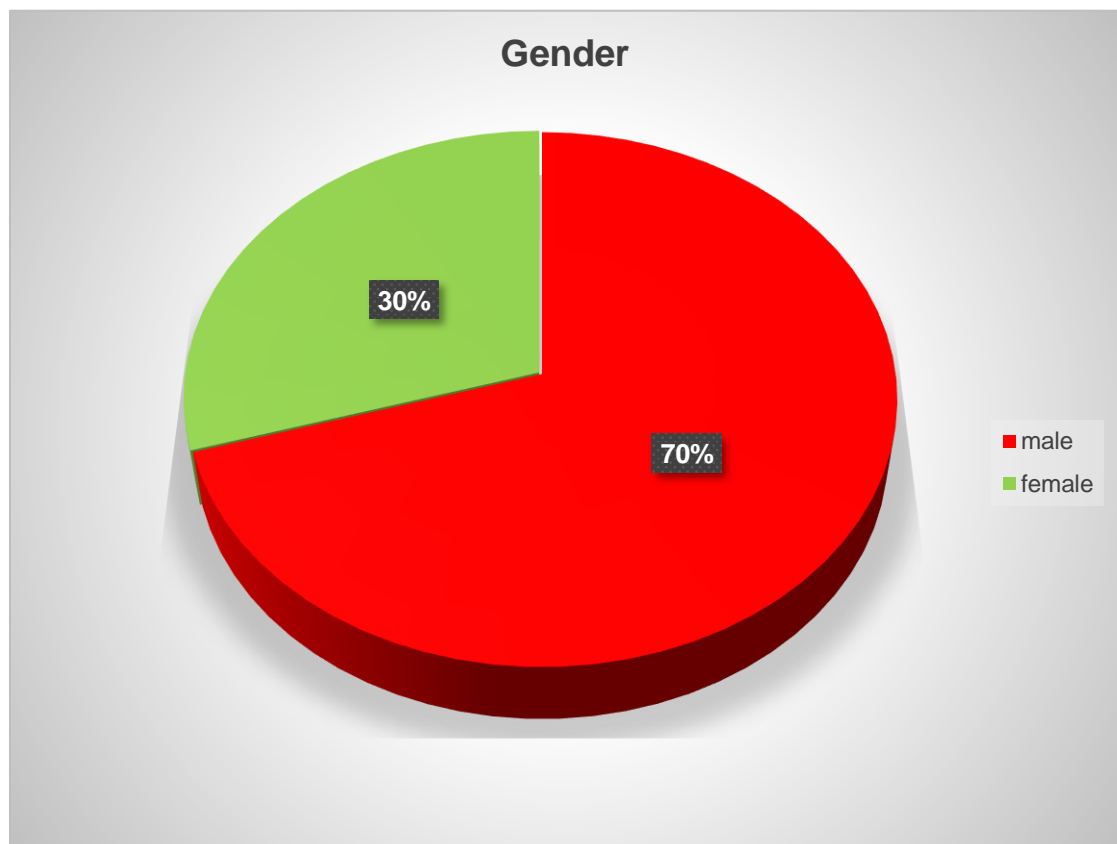


Figure 4.1: Distribution of respondents by gender

Figure 4.1 classifies respondents by gender. From the 135 individuals that participated in the study, 70 percent were males and 30 percent females. Therefore, there were more male respondents than female respondents in this study.

4.3.2 Age

Figure 4.2 classifies the respondents by age group.

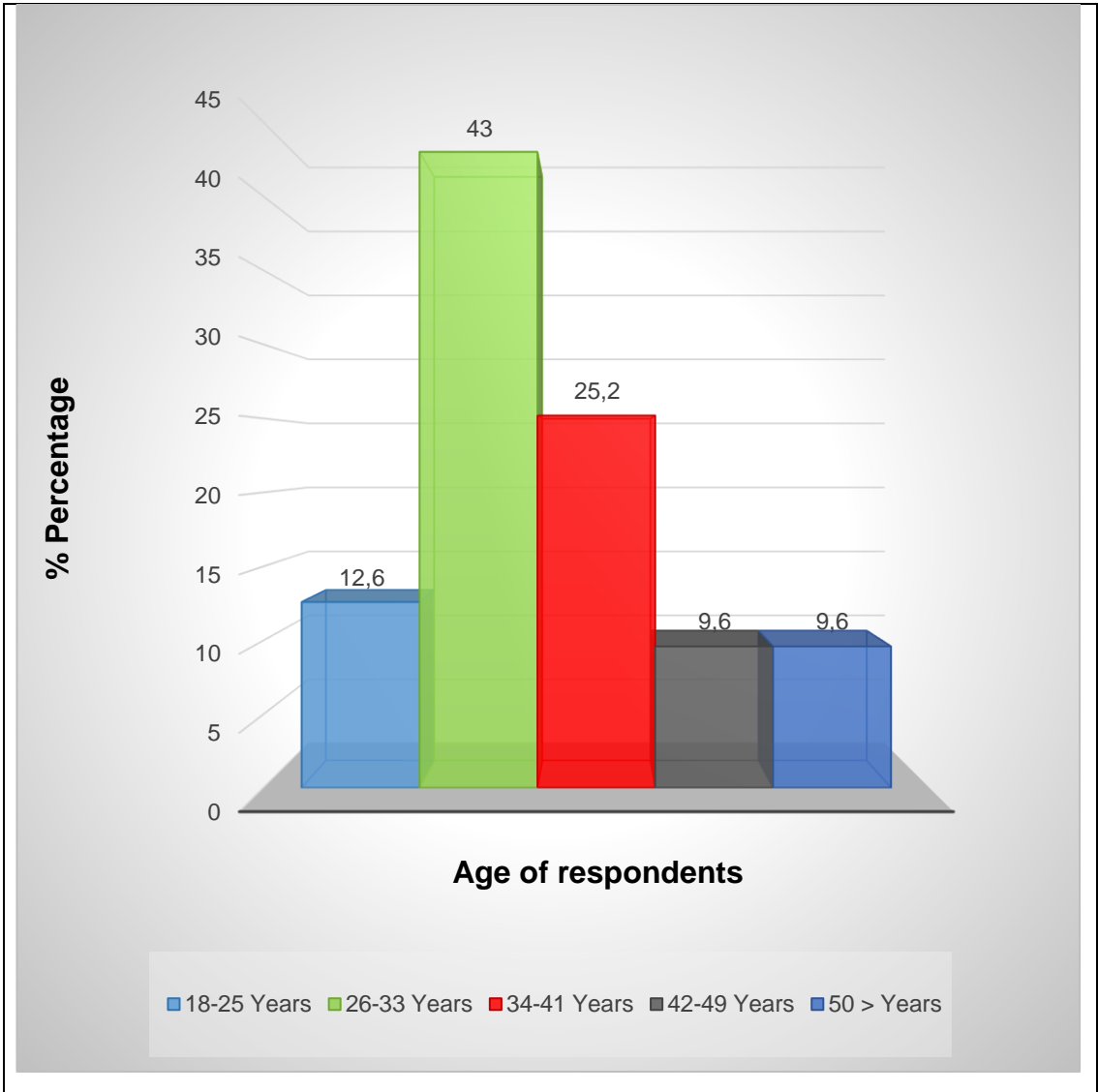


Figure 4.2: Distribution of respondents by age

The figure 4.2 provides an indication that 43,0 percent of the respondents were within the age group of 26-33, 25,2 percent within the age group of 34-41, 12,6 percent within the age group of 18-25 years, 9,6 percent within the age group of 42-49 years which was the same percentage as the age group 50 and more years.

4.3.3 Number of employees in the department

Figure 4.3 is an analysis of the number of employees in the department.

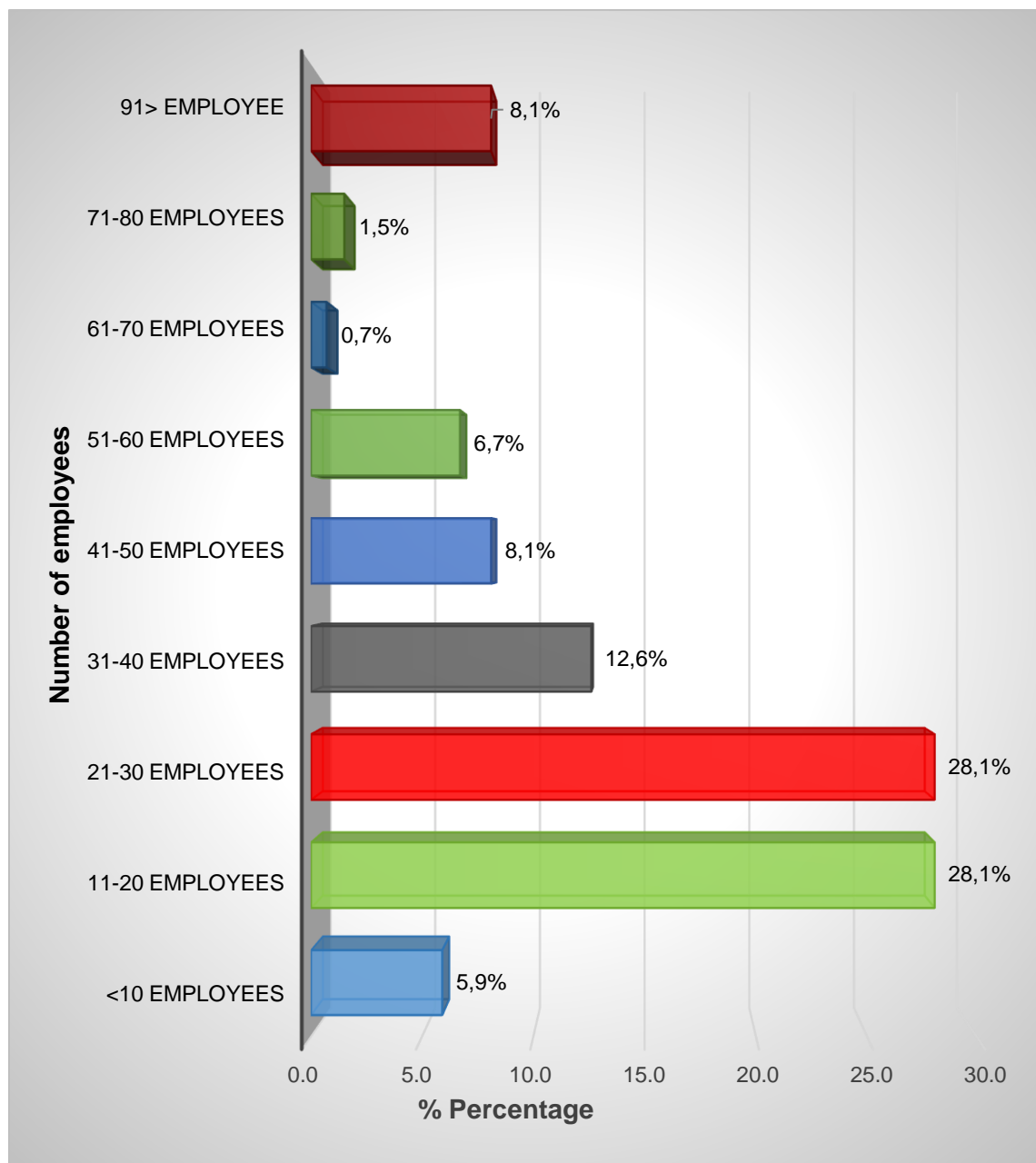


Figure 4.3: Analysis of the number of employees in the department

Figure 4.3 demonstrates that 28,1 percent of respondents were from departments resourced with 21-30 and 11-20 respondents; 12,6 percent from departments with 31-40 employees; 8,1 percent from departments with 41-50 and 91 and more employees; 6,7 percent from departments with 51-60 employees; 5,9 percent from departments with less than 10 employees; 1,5 percent from departments with 71-80 employees and 0,7 percent from departments with 61-70 employees.

4.3.4 Marital status

Figure 4.4 classifies the respondents by marital status.

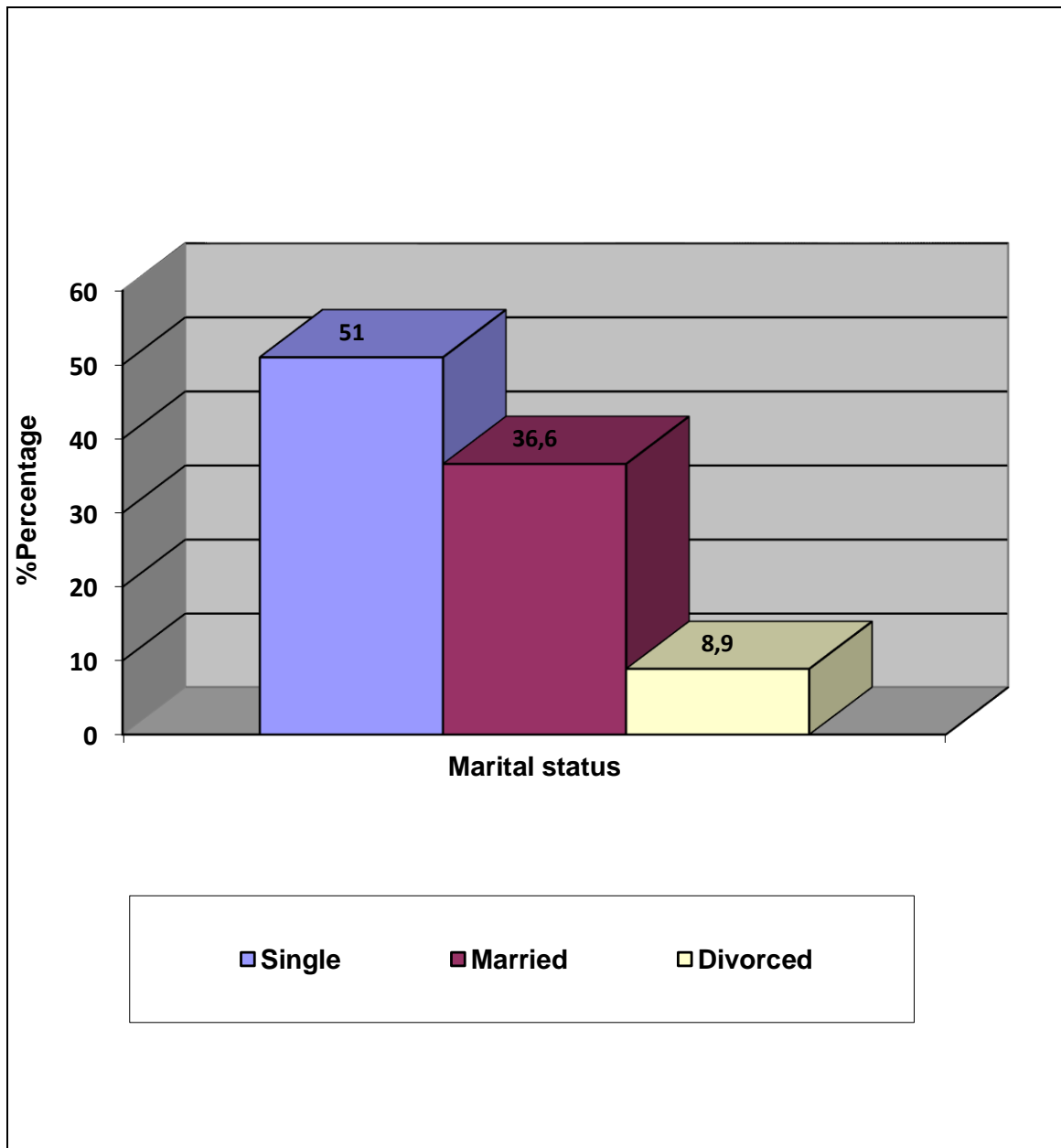


Figure 4.4: Distribution of respondents by marital status

The figure 4.4 shows that 51 percent of the respondents are single, while 36,6 percent are married. It also indicates that 8,9 percent of the respondents are divorced. As a result, more single respondents than married and divorced respondents are reflected in this survey.

4.3.5 Length of service

Figure 4.5 classifies the respondents by their work experience in the department.

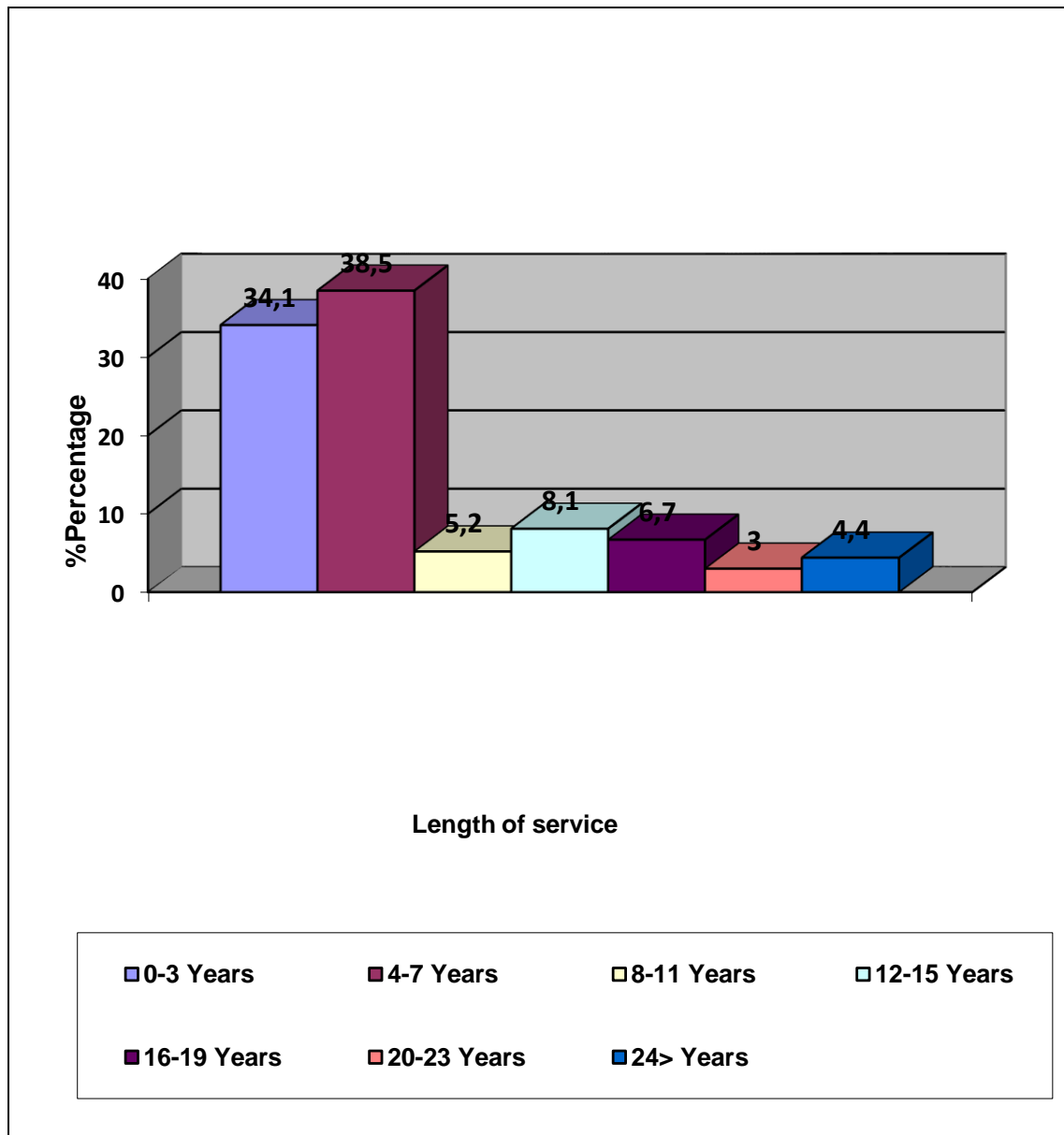


Figure 4.5: Distribution of respondents by length of service

The figure 4.5 shows that most of the respondents (38,5 percent) were within the work experience bracket of 4-7 years; 34,1 percent within the bracket of 0-3 years; 8.1 percent within the bracket of 12-15 years, 6,7 percent within the bracket of 16-19 years, 5,2 percent within the bracket of 8-11 years, 4,4 percent within the bracket of more than 24 years and 3 percent within the bracket of 20-23 years.

4.3.6 Educational qualifications

Figure 4.6 illustrates the education levels of the respondents.

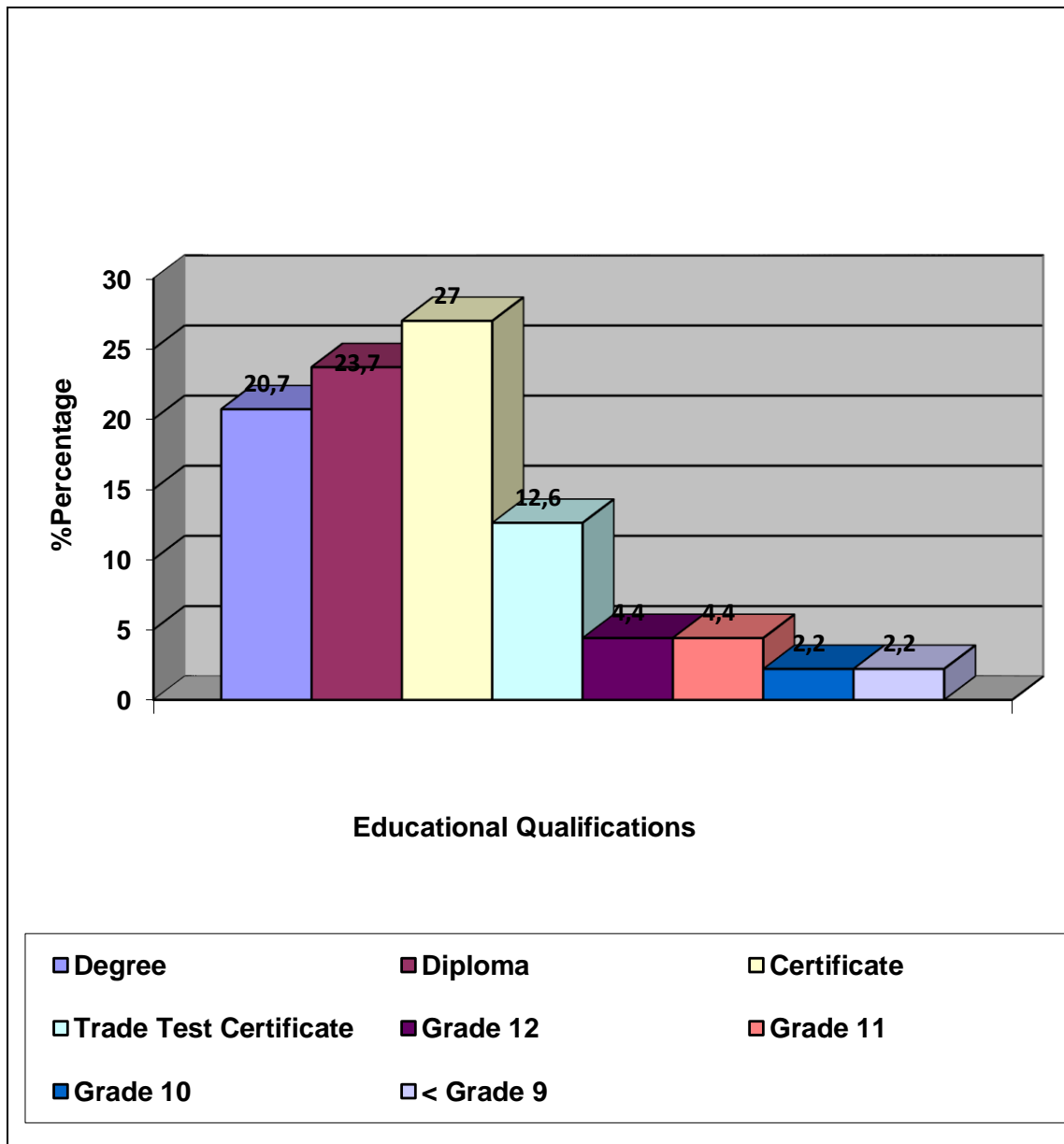


Figure 4.6: Distribution of respondents by educational qualifications

The figure 4.6 shows that the majority of the respondents, at 27 percent are in possession of certificates, 23,7 percent have diplomas, 20,7 percent have degrees and 12,6 percent possess trade test certificates. Respondents with Grade 12 and Grade 11 qualifications are at 4,4 percent each and those with Grade 10 and less than Grade 9 qualifications are at 2,2 percent each.

4.3.7 Designation

Table 4.2 classifies the respondents by their designation category.

Table 4.2: Distribution of respondents by designation

DESIGNATION	FREQUENCY	PERCENTAGE
Manager Power Plant Maintenance	8	10,5
Manager Plant Performance	6	4,4
Senior Supervisor	22	16,3
Principal Technical Official	44	32,6
Senior Technical Official	42	31,0
Senior Advisor Procurement	7	5,2
Officer Finance	6	4,4

The table 4.2 displays that most of the respondents at 32,6 percent are Principal Technical officials, 31,0 percent are Senior Technical Officials, 16,3 are Senior Supervisors, 10,5 percent are managers of the PPM department, 5,2 percent are Senior Procurement Advisors, 4,4 percent are Officers Finance and 4,4 percent are managers of the Plant Performance department.

The following sections provides the discussion and interpretation of data collected through questionnaires. The questions in the questionnaire were linked to a specific variable measured. In responding to a questionnaire, a 5-point likert scale of Disagree to Agree was utilised. To enable effective discussion and interpretation of data, the scale was collapsed to a 3-point scale. That is, 1-Disagree (originally 1 and 2), 2-Neutral (originally 3) and 3-Agree (originally 3 and 4). Furthermore, the chi-square test was conducted to describe the data recorded. Saunders, Lewis and Thornhill (2012) define the chi-square test as a statistical test determining whether there are statistically significant associations between the observed frequencies and expected frequencies of two variables. The chi-square test revealed the association between contrast statements and the objective of the study. The following explains the interpretation criteria for the chi-square test.

- When the p value is less than or equal to 0.05, there is a statistically significant relationship between two variables.
- When the p value is greater than 0.05, there is no statistical relationship between two variables.

4.3.8 Contributing factors of outsourcing core business deliverables

Table 4.3: Statistics on contributing factors of outsourcing core business deliverables

Contributing factors of outsourcing							
Survey questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Overall (%) Disagree Vs Agree	Chi-square
a) The Maintenance and Repairs of the Power Plant equipment are resource-intensive processes.	15,6	19,3	3,0	42,2	19,3	34,9 Vs 61,5	0,0001*
b) The Maintenance and Repairs of the Power Plant equipment consume extensive amount of resources when conducted in-house.	18,5	25,2	9,6	6,7	19,3	43,7 Vs 46,0	0,7762
c) The fundamental reason for outsourcing the Maintenance and Repairs of the Power Plant equipment is to reduce costs.	34,8	13,0	12,2	25,2	14,8	47,8 Vs 40,0	0,0072*
d) Outsourcing of core deliverables increases the department's capabilities to execute the deliverables in-house.	20,0	32,6	6,7	27,4	12,6	52,6 Vs 40,0	0,0653
e) A department with limited access to funds could find outsourcing as an easy way to expand the business.	16,3	31,1	8,1	34,1	9,6	47,4 Vs 43,7	0,5704
f) When a department realises that its in-house skill-set is inadequate for a given deliverable, it may then entrust this activity to a specialist external service provider who is competent.	11,1	23,0	4,4	48,1	12,6	34,1 Vs 60,7	0,0001*
g) When a department finds itself lacking in competencies to undertake a deliverable, such deliverable should be awarded to a third party vendor to execute it.	13,3	25,2	8,9	37,0	14,8	38,5 Vs 51,8	0,0649
N= 135. Statistically significant relationship (* p < 0,05).							

a) *The maintenance and repairs of the power plant equipment as resource intensive processes.*

Table 4.3 shows that the majority of respondents at 61,5 percent agree that the maintenance and repairs of the power plant equipment are resource intensive processes, while 34,9 percent disagree and 3,0 percent are neutral. The chi-square test result indicates a p value of 0,0001, which is less than 0,05. The result reveals that there is a statistically significant relationship between outsourcing core business deliverables and the intensiveness of the maintenance and repairs of power plant equipment processes. These two variables are dependent on each other. These results are consistent with available literature. Organisations might build particular resources and capabilities to execute given deliverables by collaborating with external service providers (Pouder *et al.*, 2011).

b) *Consumption of extensive amount of resources, when the maintenance and repairs of the power plant equipment is conducted in-house.*

The result illustrates that the majority of the respondents at 46,0 percent agree that when the maintenance and repairs of the power plant equipment is conducted in-house it consumes an extensive amount of resources, while 43,7 percent disagree and 9.6 percent are neutral. The chi-square test result indicates a p value of 0,7762, which is greater than 0,05. The result shows that there is no statistically significance relationship between outsourcing core business deliverables and the maintenance and repairs of the power plant equipment consuming an extensive amount of resources when conducted in-house. These two variables are independent of each other.

c) *Reduction in cost as a fundamental reason for outsourcing the execution of maintaining and repairing the power plant equipment.*

The majority of the respondents at 57,8 percent disagree that reduction in cost is a fundamental reason for outsourcing the execution of maintaining and repairing the power plant equipment, while 38,5 percent agree and a further 3,0 percent are neutral. The chi-square test result indicates a p-value of 0,0072, which is less than 0,05. The result reveals that there is a statistically significant relationship between

outsourcing core business deliverables and reduction in cost as a fundamental reason for outsourcing the maintenance, including, repairs of the power plant equipment. These two variables are dependent on each other. These results are inconsistent with those of Dorasamy *et al.* (2010), who noted that cost is the most important motivation for outsourcing. They further outline that globally, organisations have opted to outsource business deliverables that are traditionally handled within and utilise external resources to perform them in order to avoid huge capital investments.

d) *Outsourcing the core business deliverables as a factor that increases of the department's capabilities to execute the deliverables in-house.*

The result show that the majority of respondents at 52,6 percent disagree that outsourcing the core business deliverables increases the department's capabilities to execute the deliverables in-house, 40 percent agree and 6,7 percent are neutral. The chi-square test result indicates a p-value of 0,0653, which is greater than 0,05. The result reveals that there is no statistically significant relationship between outsourcing core business deliverables and outsourcing of core business deliverables as an approach to increase the department's capabilities to execute the deliverables in-house. These two variables are independent of each other.

e) *Outsourcing as an easy way to expand the business in a department with limited access to funds.*

The respondents at 47,4 percent disagree that a department with limited funds may engage in outsourcing to expand their business, 43,7 percent of participants agree, while 8,1 percent are neutral. The chi-square test result indicates a p-value of 0,5704, which is greater than 0,05. The result reveals that there is no statistically significant relationship between outsourcing core business deliverables and the department with limited access to funds view of outsourcing as an easy way to expand the business. These two variables are independent of each other.

f) *The department realisation about its in-house skill-set is inadequate for a given deliverable and entrusting it to a specialist external service provider who is competent.*

The result highlights that the majority of the respondents at 60,7 percent agree that when a department realises that its in-house skill-set is inadequate for a given deliverable, it may then entrust it to a specialist external service provider who is competent, while 34,1 percent disagree, and 4,4 percent are neutral. The chi-square test result indicates a p value of 0,0001, which is less than 0,05. Thus, the result reveals that there is a statistically significant relationship between outsourcing core business deliverables and the realisation of the department on the inadequacy of its in-house skill-set for a given deliverable and entrusting the competent external service provider to execute it. These two variables are dependent on each other. The results are in line with the findings of Callahan *et al.* (2013), who state that outsourcing can expand the capacity of an organisation when it does not possess all necessary resources and competencies.

g) *The lack of the department in competencies to undertake a deliverable and awarding it to a third party vendor to execute it.*

The results confirm that majority of the respondents at 51,8 percent agree that when a department finds itself lacking in competencies to undertake a deliverable, it should be awarded to a third party vendor to execute it, while 38,5 percent disagree and 8.9 percent of participants are neutral. The chi-square test result indicates a p-value of 0,0649, which is greater than 0,05. The result reveals that there is no statistically significant relationship between outsourcing core business deliverables and the department awarding its deliverable to a third party vendor to execute accordingly, when it finds itself lacking in competencies to undertake it. These two variables are independent of each other.

Arising from these results, the significant constructs that were revealed regarding factors contributing to outsourcing of core business deliverables are:

- i. *The processes of the maintenance and repairs on the power plant equipment are resource-intensive,*
- ii. *The fundamental reason for outsourcing the maintenance and repairs of the power plant equipment is not to reduce costs; and*
- iii. *The realisation of the respondents regarding the inadequacy of its in-house skill-set for a given deliverable is a reason for outsourcing.*

4.3.9 The effect of outsourcing core deliverables on the performance of the business

Table 4.4: Statistics of the effect of outsourcing on the performance of the business

Effect of outsourcing on the performance of the business							
Survey questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Overall (%) Disagree Vs Agree	Chi-square
a) Outsourcing of Repairs and Maintenance on the Power Plant equipment leads to enhancing the skill level of internal employees.	37,0	27,44	1,5	23,0	11,1	64,4 Vs 34,1	<0,0001*
b) Outsourcing saves management time in decision making.	26,7	31,9	4,4	28,1	8,9	58,6 Vs 37,0	0,0018*
c) Outsourcing organisations typically offer a depth of expertise that is not often found in departments.	23,7	27,4	9,6	31,1	5,9	51,1 Vs 37,0	0,0461*
d) External expertise allows an outside firm to perform deliverables more effectively than in-house.	25,9	37,8	8,1	20,0	8,1	63,7 Vs 28,1	<0,0001*
e) Outsourcing can provide flexibility to a department by enabling it to meet unexpected demand.	16,3	27,4	3,7	39,3	13,3	43,7 Vs 52,3	0,2575
f) Outsourcing of core deliverables provides competencies for the department, in terms of utilising outside expertise.	23,7	28,1	14,888	24,4	8,9	51,8 Vs 33,3	0,0066*
N= 135. Statistically significant relationship (* p < 0,05).							

a) *Effect of outsourcing the repairs and maintenance of power plant equipment on the skill level of internal employees.*

Table 4.4 shows that the majority of the respondents at 64,4 percent disagree that the outsourcing of repairs and maintenance of the power plant equipment leads to enhancing the skill level of internal employees, while 34,1 percent agree and 1,5 percent are neutral. The chi-square test result indicates a p value of less than 0,0001, which is less than 0,05. The result reveals that there is a statistically significant relationship between the enhancing effect of outsourcing on the business performance and the outsourcing of repairs and maintenance of the power plant equipment leading to enhancing the skill level of internal employees. These two variables are dependent on each other. The results are inconsistent with the findings of Al-Azad *et al.* (2010) who specify that organisations can expand their own knowledge and physical investment capabilities by exploiting the facilities and program investments of outside resources.

b) *Outsourcing as an entity that saves management time in decision making.*

The result shows that the majority of respondents at 58,6 percent disagree that outsourcing saves management time in decision making, while 37,0 percent agree and 4,4 percent are neutral. The chi-square test result indicates a p value of 0,0018, which is less than 0,05. The result reveals that there is a statistically significant relationship between the enhancing effect of outsourcing on business performance and outsourcing saving time in decision making. These two variables are dependent on each other. The results do not concur with the available literature, that outsourcing creates opportunities for organisations to shift the burden of risk and uncertainty associated with the business to someone else (Khatik *et al.*, 2013).

c) *External service providers as offering a depth of expertise that is not often found in departments within the organisation.*

The majority of the respondents at 51,1 percent disagree that external service providers offer expertise not found within the organisation, while 37,0 percent agree and 9,6 percent are neutral. The chi-square test result indicates a p value

of 0,0461, which is less than 0,05. The result reveals that there is a statistically significant relationship between the enhancing effect of outsourcing on the business performance and the depth of expertise not found in departments that are offered by external service providers. These two variables are dependent on each other. The results are inconsistent with those of Dinu (2015), who specified that outsourcing enables access to skilled resources and external service providers who may provide faster and better services.

d) External expertise allows an outside firm to perform the deliverables more effectively than in-house.

The majority of respondents at 63,7 percent disagree that external expertise allows an outside firm to perform deliverables more effectively than in-house, 28,1 agree and 8,1 percent are neutral. The chi-square test result indicates a p value of less than 0,0001, which is less than 0,05. The result reveals that there is a statistically significant relationship between the enhancing effect of outsourcing on the business performance and external expertise that permits an outside firm to perform deliverables more effectively than in-house. These two variables are dependent on each other. These results do not concur with Noe *et al.* (2010) who found that outsourcing organisations may frequently perform deliverables better, cheaper and faster than organisations performing them in-house.

e) Outsourcing as providing flexibility to a department by enabling it to meet unexpected demand.

The results portray that the majority of the respondents at 52,3 percent agree that outsourcing can provide flexibility to a department by enabling it to meet unexpected demand, 43,7 percent disagree while 3,7 percent are neutral. The chi-square test result indicates a p value of 0,2575, which is greater than 0,05. The result reveals that there is no statistically significant relationship between the enhancing effect of outsourcing on the performance of the business and outsourcing providing flexibility to a department by enabling it to meet unexpected demand. These two variables are independent of each other.

- f) *Outsourcing provides competencies for the department, in terms of utilising outside expertise.*

Respondents at 51,8 percent disagree that outsourcing core deliverables provides competencies for the department, in terms of utilising outside expertise, 33,3 percent agree and 14,9 percent are neutral. The chi-square test result indicates a p value of 0,0066, which is less than 0,05. The result reveals that there is a statistically significant relationship between the enhancing effect of outsourcing on the business performance and outsourcing core deliverables that provides competencies for the department, in terms of utilising outside expertise. These two variables are dependent on each other. The results are not in line with Lacity *et al.* (2010) who state that outsourcing improves technical competence of organisations and provides them with competitive advantages.

Arising from these results, the significant constructs regarding the enhancing effect of outsourcing on the performance of the business are as follows:

- i. *The outsourcing of repairs, as well as maintenance of the power plant equipment does not lead to enhancing the skill level of internal employees;*
- ii. *Outsourcing does not save management time in decision making;*
- iii. *External service providers do not offer a depth of expertise that is not often found in departments within the organisation;*
- iv. *External expertise does not allow an outside firm to perform deliverables more effectively than in-house; and*
- v. *Outsourcing core deliverables does not provide competencies for the department, in terms of utilising outside expertise.*

4.3.10 Risks of the business performance in outsourcing core deliverables

Table 4.5: Statistics of risks in outsourcing core business deliverables

Risks of outsourcing core business deliverables							
Survey questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Overall (%) Disagree Vs Agree	Chi-square
a) The department will suffer loss in business when external service providers are entrusted with the execution of core deliverables.	20,7	21,5	11,1	29,6	17,0	42,2 Vs 46,6	0,4768
b) The department stands to lose control over the outsourced deliverables.	20,0	34,8	2,2	25,2	17,8	54,8 Vs 43,0	0,0896
c) There is a challenge in managing outside service providers than one's own employees working possibly in the same building.	20,0	20,7	5,9	27,4	25,9	40,7 Vs 53,3	0,0891
d) The decisions on handing over the deliverables to the external service providers leads to loss of managerial control.	20,7	20,0	11,1	37,8	10,4	40,7 Vs 48,2	0,3193
e) When looking to outsource, a department should be careful not to farm out work related to its core competencies.	14,1	17,0	8,9	40,0	17,8	31,1 Vs 57,8	0,0001*
f) The loss of core deliverables can be encountered when departments are involved in outsourcing.	11,9	2,2	5,2	37,8	23,0	34,1 Vs 60,8	0,0001*
g) Allowing external service providers to execute the departmental core deliverables results in the leaking of confidential information.	14,8	24,4	5,9	34,8	20,0	39,2 Vs 54,8	0,0234*
N= 135. Statistically significant relationship (* p < 0,05).							

a) *The suffering of a loss in business when external service providers are entrusted with the execution of core deliverables of the department.*

Table 4.5 shows that the majority of respondents at 46,6 percent agree that the department will suffer a loss in business when external service providers are entrusted with the execution of core deliverables. However, 42,2 percent of respondents disagree and 11,1 percent are neutral. The chi-square test result indicates a p value of 0,4768, which is greater than 0,05. The result reveals that there is no statistically significant relationship between the risks in outsourcing core business deliverables and a department suffering a loss on business when external service providers are entrusted with the execution of core business deliverables. These two variables are independent of each other.

b) *The department stands to lose control over the outsourced deliverables.*

The result indicates that the majority of respondents at 54,8 percent disagree that the department stands to lose control over the outsourced deliverables, while 43,0 percent agree and 2,2 percent are uncertain. The chi-square test result indicates a p value of 0,0896, which is greater than 0,05. The result reveals that there is no statistically significant relationship between the risks in outsourcing core business deliverables and the department standing to lose control over the outsourced deliverables. These two variables are independent of each other.

c) *Challenge in managing outside service providers than one's own employees working possibly in the same building.*

The results show that respondents at 53,3 percent agree that there is a challenge in managing external service providers, while 40,7 percent disagree and 5,9 percent are neutral. The chi-square test result indicates a p value of 0,0891, which is greater than 0,05. The result reveals that there is no statistically significant relationship between the risks in outsourcing core business deliverables and the existence of a challenge in managing outside service providers than one's own employees working possibly in the same building. These two variables are independent of each other.

d) The decisions on handing over the deliverables to the external service providers as leading to loss of managerial control.

The majority of the participants at 48,2 percent agree that the decisions on handing over the deliverables to the external service providers leads to loss of managerial control, 40,7 disagree and 11,1 percent are neutral. The chi-square test result indicates a p value of 0,3193, which is greater than 0,05. The result reveals that there is no statistically significant relationship between the risks in outsourcing core business deliverables and the loss of managerial control. These two variables are independent of each other.

e) The department being careful not to farm out work related to its core competencies, when looking to outsource.

The majority of participants at 57,8 percent agree that when looking to outsource, a department should be careful not to farm out work related to its core competencies, while 31,1 disagree and 8,9 percent are neutral. The chi-square test result indicates a p value of 0,0001, which is less than 0,05. The result reveals that there is a statistically significant relationship between the risks in outsourcing core business deliverables and the department ensuring not to farm out work related to its core competencies. These two variables are dependent on each other. This result concurs with Khatik and Khanooja (2013) who state that the loss of core competencies could be encountered during outsourcing alliances.

f) The loss of core deliverables that is encountered when departments are involved in outsourcing.

The results reveal that the majority of respondents at 60,8 percent agree that loss of core deliverables can be encountered when departments are involved in outsourcing. while a percentage of 34,1 disagrees and 5,2 percent are neutral. The chi-square test result indicates a p value of 0,0001, which is less than 0,05. The result reveals that there is a statistically significant relationship between the risks in outsourcing core business deliverables and the encountering the loss of core deliverables when departments are involved in outsourcing. These two variables are dependent on each other. This result is in line with Salanta *et al.* (2011) who

found that when an organisation outsources a deliverable over an extensive period, there will be incapacity to perform this deliverable and a loss of a valuable know-how could also be encountered.

g) *Leaking of confidential information as external service providers are allowed to execute the departmental core deliverables.*

The results reveal that the majority of the respondents at 54,8 percent agree that allowing external service providers to execute departmental core deliverables results in the leaking of confidential information, while 39,2 percent disagree and 5,9 percent are neutral. The chi-square test result indicates a p value of 0,0234, which is less than 0,05. The result reveals that there is a statistically significant relationship between the risks in outsourcing core business deliverables and the leaking of confidential information when external service providers are allowed to execute the core deliverables of the department. These two variables are dependent on each other. The results are consistent with available literature; Dorasamy *et al.* (2010) state that loss of confidential information is a risk factor that can be encountered in an outsourcing alliance.

Arising from these results, the significant risks in outsourcing core business deliverables are:

- i. The department farming out work related to its core competencies;*
- ii. The loss of core deliverables can be encountered when departments are involved in outsourcing; and*
- iii. Allowing external service providers to execute the core deliverables of the department results in the leaking of confidential information.*

4.3.11 Effect of managing core business deliverables on the performance of the business

Table 4.6: Statistics of managing core business deliverables

Management core business deliverables							
Survey questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Overall (%) Disagree Vs Agree	Chi-square
a) Core deliverables of the department should not be executed by external service providers.	23,0	8,1	3,0	28,1	17,8	51,1 Vs 45,9	0,4793
b) When core deliverables are conducted by internal employees, it will prevent giving external service providers access to the knowledge bases to core competencies of that department.	14,1	25,9	3,7	38,5	17,8	40,0 Vs 56,3	0,0235*
c) Managers should consciously develop their core competencies.	14,9	12,6	0	41,5	31,9	26,7 Vs 73,3	<0,0001*
d) Keeping core business deliverables in-house will block competitors.	14,0	31,9	6,7	33,3	14,1	46,0 Vs 47,4	0,8873
e) Outsourcing of core business deliverables is effective when given to a host location service provider.	22,2	13,3	19,3	29,6	12,6	35,5 Vs 42,2	0,3844
N= 135. Statistically significant relationship (* p <0 ,05).							

a) Core deliverables of the department as not being executed by external service providers.

Table 4.6 shows that the majority of the respondents at 51,1 percent disagree that the core deliverables of the department should not be executed by external service providers and 45,9 percent agree, while 3,0 percent are neutral. The chi-square test result indicates a p value of 0,4793, which is greater than 0,05. The result reveals that there is no statistically significant relationship between the management of core business deliverables and the core deliverables of the department that should not be executed by external service providers. These two variables are independent of each other.

b) Internal employees conducting core deliverables of the department, as preventing giving external service providers access to the knowledge basis to core competencies of that department.

The results highlight that the majority of the respondents at 56,3 percent agree that when core deliverables are conducted by internal employees, it will prevent giving external service providers access to the knowledge basis to core competencies of that department, while 40,0 percent disagree and 3,7 percent are neutral. The chi-square test result indicates a p value of 0,0235, which is smaller than 0,05. The result reveals that there is a statistically significant relationship between the management of core business deliverables and the prevention of providing external service providers with the knowledge basis to core competencies of the department when the core deliverables are executed in-house. These two variables are dependent on each other. This result is congruent with Ljungquist (2013) who states that a core competence should be competitively unique to ensure a challenge in replicating it.

c) Managers consciously developing their core competencies.

The majority of the respondents at 73,3 percent agree that managers should consciously develop their core competencies, while 26,7 percent disagree. The chi-square test result indicates a p value of less than 0.0001, which is smaller than 0,05. The result reveals that there is a statistically significant relationship between the management of core business deliverables and the need for managers to consciously develop the core competencies. These two variables are dependent on each other. These results are consistent with those of Lamminmaki (2011), who maintains that managers should consciously develop core competencies of the organisation to strategically block competitors and avoid giving external service providers access to the knowledge basis or skills critical to the core competencies.

d) Keeping core business deliverables in-house will block competitors.

The majority of the respondents at 47,4 percent agree that keeping core business deliverables in-house will block competitors, while 46,0 percent disagree and 6,7 percent are neutral. The chi-square test result indicates a p value of 0,8873, which

is greater than 0,05. The result reveals that there is no statistically significant relationship between the management of core business deliverables and blocking competitors when keeping core business deliverables in-house. These two variables are independent of each other.

e) Outsourcing of core business deliverables as effective when given to a host location service provider:

The results indicate that the majority of respondents at 42,2 percent agree that outsourcing the core business deliverables is effective when given to a host location service provider, while 35,5 percent disagree and 19,3 percent are neutral. The chi-square test result indicates a p value of 0,3844, which is greater than 0,05. The result reveals that there is no statistically significant relationship between the management of core business deliverables and the effectiveness of outsourcing core business deliverables when given to a host location service provider. These two variables are independent of each other.

Arising from these results, the only significant constructs revealed are:

- i. When core business deliverables are conducted by internal employees, it will prevent giving external service providers access to the knowledge basis to core; and*
- ii. Managers should consciously develop their core competencies.*
- iii. Department involved in outsourcing its core business deliverables and functions will no longer be requiring only the internal employees who previously performed them.*

4.3.12 Impact of outsourcing core business deliverables on motivation of internal employees

Table 4.7: Statistics of the impact of outsourcing on motivation of internal employees

Impact of outsourcing the core deliverables on motivation internal employees							
Survey questions	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Overall (%) Disagree Vs Agree	Chi-square
a) When a department is involved in outsourcing its core business deliverables, the function will no longer need only the internal employees who previously performed those functions.	16,3	25,9	7,4	33,3	16,3	42,2 Vs 49,6	0,2564
b) Allowing external service providers to perform core deliverables leads to lack of motivation on internal employees.	13,3	26,7	0	30,4	29,6	40,0 Vs 60,0	0,0047*
c) Outsourcing of core business deliverables creates job dissatisfaction.	19,3	27,4	0	28,1	25,2	46,7 Vs 53,3	0,3961
d) Outsourcing of core deliverables leads to job security.	28,1	42,2	1,5	12,6	13,3	70,3 Vs 25,9	<0,0001*
e) Employee morale will be improved by the knowledge that well qualified outsiders are performing core deliverables of that department.	25,2	40,0	4,4	23,7	5,9	65,2 Vs 29,6	<0,0001*
f) Outsourcing of core deliverables will cause employees to feel that management has their interests in mind.	31,9	31,9	2,2	25,2	7,4	63,8 Vs 32,6	<0,0001*
g) Outsourcing enables focus on skill development of internal employees.	22,2	33,3	2,2	27,4	14,1	55,5 Vs 41,5	0,0477*
N= 135. Statistically significant relationship (* p < 0,05).							

Table 4.7 shows that the majority of respondents at 49,6 percent agree that when a department is involved in outsourcing its core business deliverables, the functions will no longer need only the internal employees who previously performed them, while 42,2 percent disagree and 7,4 percent are neutral. The chi-square test result indicates a p value of 0,2564, which is greater than 0,05. The result reveals that there is no statistically significant relationship between the impact of outsourcing on internal employee's motivation and morale and the function that will no longer need only the internal employees who previously performed them, when a department is involved in outsourcing its core deliverables. These two variables are independent of each other.

a) *Allowing external service providers to perform core deliverables as it leads to lack of motivation in internal employees.*

The result shows that the majority of respondents at 60,0 percent agree that allowing external service providers to perform core deliverables leads to a lack of motivation in internal employees, though 40,0 percent disagree. The chi-square test result indicates a p value of 0,0047, which is smaller than 0,05. The result reveals that there is a statistically significant relationship between the impact of outsourcing on internal employee's motivation and morale and the lack of motivation in internal employees due to allowing external service providers to perform core deliverables. These two variables are dependent on each other. The results are in line with those of Dinu (2015), who found that outsourcing creates a reduction in the motivation of internal employees as it is observed as a job loss.

b) *Outsourcing of core business deliverables as it creates job dissatisfaction.*

The majority of respondents at 53,3 percent agree that outsourcing the core business deliverables creates job dissatisfaction, while 46,7 percent disagree. The chi-square test result indicates a p value of 0,3961, which is greater than 0,05. The result reveals that there is no statistically significant relationship between the impact of outsourcing on internal employee's motivation and morale and the job dissatisfaction that is promoted by outsourcing of core business deliverables. These two variables are independent of each other.

c) *Outsourcing of core deliverables leads to job security.*

The respondents at 70,3 percent disagree that outsourcing core deliverables leads to job security, while 25,9 percent agree and 1,5 percent are neutral. The chi-square test result indicates a p value that is less than 0,0001, which is smaller than 0,05. The result reveals that there is a statistically significant relationship between the impact of outsourcing on internal employee's motivation and the outsourcing of core deliverables which leads to job security. These two variables are dependent on each other. These results are consistent with existing literature. Arubayi (2012) states that although outsourcing has positive outcomes in achievement of organisational goals, employees are weakened by its negative impact as it increases job insecurity and demotivation in the organisation.

d) *Employee morale as it is improved by the knowledge that well qualified outsiders are performing core deliverables of that department.*

The results reveal that the majority of respondents at 65,2 percent disagree that employee morale is improved by the knowledge that well qualified outsiders are performing core deliverables of that department, while 29,6 percent agree and 4,4 percent are neutral. The chi-square test result indicates a p value that is less than 0,0001, which is smaller than 0,05. The result reveals that there is a statistically significant relationship between the impact of outsourcing on internal employee's motivation and the morale of employees being improved by knowing that well qualified outsiders are performing their core business deliverables. These two variables are dependent on each other. This finding is similar to that of Schillen and Steinke (2011) who found that a fall in employee morale and loss of internal coherence can be experienced when organisations are involved in outsourcing.

e) *Outsourcing of core deliverables as it causes employees to feel that management has their interests in mind.*

The results show that the majority of respondents at 63,8 disagree that outsourcing of core deliverables will cause employees to feel that management has their interests in mind, while 32,6 percent agree and 2,2 percent are neutral. The chi-square test result indicates a p value that is less than 0,0001, which is smaller than

0,05. The result reveals that there is a statistically significant relationship between the impact of outsourcing on internal employee's motivation and the outsourcing of core deliverables that will result in employees to feeling that management has their interests in mind. These two variables are dependent on each other. The results are not consistent with those of available literature, which indicates that outsourcing results in the increased fears about job security and distrust of management (Price, 2011).

f) Outsourcing enabling focus on skill development of internal employees.

The respondents at 55,5 percent disagree that outsourcing enables focus on skill development of internal employees, while 41,5 percent agree and 2,2 percent are neutral. The chi-square test result indicates a p value of 0,0477, which is smaller than 0,05. The result reveals that there is a statistically significant relationship between the impact of outsourcing on internal employee's motivation and outsourcing which enables focus on skill development of internal employees. These two variables are dependent on each other. These results are inconsistent with existing literature. Dorasamy *et al.* (2010) state that an organisation may be able to save up resources for other purposes by outsourcing certain deliverables to third parties, further enabling an organisation to advance its capacity.

Arising from these results, the significant constructs are highlighted below:

- i. Allowing external service providers to perform core deliverables leads to lack of motivation in internal employees;*
- ii. Outsourcing of core deliverables does not lead to job security;*
- iii. Employee morale is not improved by the knowledge that well qualified outsiders are performing core deliverables of that department;*
- iv. Outsourcing of core deliverables does not cause employees to feel that management has their interests in mind; and*
- v. Outsourcing does not enable focus on skill development of internal employees.*

The last section answers the research question for this study. The next section presents test results from the regression analysis. The analysis of variance

(ANOVA) and (R^2 or R-squared) will also be presented. The section will start by the presentation of the regression analyses.

4.3.13 Regression analysis

The regression analysis was conducted in this study to test the linear relationship between the outsourcing of core business deliverables in the department which is the dependent variable, and the independent variables (D'Urso, Massari and Santoro, 2011). The independent variables include; the contributing factors of outsourcing, the effects of outsourcing on the business performance, the risks of outsourcing core business deliverables, the management of core business deliverables, the impact of outsourcing on the motivation of internal employees, the estimated number of employees in the department, and the number of deliverables in department.

The coefficients of the linear regression analysis on the outsourcing core business deliverables are presented in Table 4.8.

Table 4.8: Regression analysis of the outsourcing core business deliverables

Regression Coefficients ^a – Outsourcing core deliverables in the department					
Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1,464	0,672		2,178	0,032
a) Number of employees in the department.	0,110	0,054	0,223	2.023	0,046
b) Number of deliverables in the department.	0,032	0,051	0,077	0,620	0,536
c) Contributing factors of outsourcing.	0,014	0,017	0,087	0,835	0,405
d) Effect of outsourcing on business performance.	-0,001	0,018	-0,004	-0,040	0,968
e) Risks of outsourcing the core deliverables.	0,015	0,021	0,077	0,706	0,482
f) Managing core deliverables.	-0,025	0,022	-0,136	-1,108	0,270
g) Impact of outsourcing on employees' motivation.	-0,012	0,016	-0,073	-0,728	0,468

The regression test results in Table 4.8 revealed the following aspects:

- a)** The regression test result has a p value of 0,046, which is below the standard value of 0,05. The result reveals that there is a statistically significant relationship between the outsourcing of core business deliverables in the department and the number of employees in the department. These two variables are dependent on each other. This result agrees with Dinu (2015) who states that the lack of employees specialising in other parts of the business process is as a factor that has led to an increasing trend of outsourcing.
- b)** The regression test result indicates a p value of 0,536, which is above the standard value of 0,05. The result reveals that there is no statistically significant relationship between the outsourcing of core business deliverables in the department and the number of deliverables in the department. The number of deliverables in the department is, in fact, the reason to outsource. These two variables are independent of each other.
- c)** The regression test result indicates a p value of 0,405, which is above the standard value of 0,05. The result reveals that there is no statistically significant relationship between the outsourcing of core business deliverables in the department and the contributing factors to outsource. The contributing factors to outsource are, in fact, the reasons to outsource. These two variables are independent of each other.
- d)** The regression test result indicates a p value of 0,968, which is above the standard value of 0,05. The result reveals that there is no statistically significant relationship between the outsourcing of core business deliverables in the department and the effect of outsourcing on the business performance. The effects of outsourcing on the performance of the business are, in reality, the motives to outsource. These two variables are independent of each other.
- e)** The regression test result indicates a p value of 0,482, which is above the standard value of 0,05. The result reveals that there is no statistically significant relationship between the outsourcing of core business deliverables in the department and the risks of outsourcing the core deliverables. The risks of

outsourcing core deliverables are, in reality, present in an outsourcing engagement. These two variables are independent of each other.

- f) The regression test result indicates a p value of 0,493, which is above the standard value of 0,05. The result reveals that there is no statistically significant relationship between the outsourcing of core business deliverables in the department and the management of core business. The management of core business is, in reality, vital when engaging in outsourcing. These two variables are independent of each other.

Subsequently, equation (1) below illustrates the regression model tested.

$$F = \beta_0 + \beta_1 NEMP + \beta_2 NOD + \beta_3 CFO + \beta_4 BP + \beta_5 ROO + \beta_6 MC + \beta_7 EM + \varepsilon$$

... (1)

Where;

F is the frequency of outsourcing core deliverables,

NEMP is the number of employees in the department,

NOD is number of deliverables in the department per month,

CFO is the contributing factors to outsourcing,

BP is the effect of outsourcing on the business performance,

ROO is the risks of outsourcing core deliverables,

MC is the management of core deliverables, and

EM is the impact of outsourcing on internal employees' motivation,

ε was the error or disturbance term.

The results from the regression model can be represented as follows:

$$F = 1,464 + 0,110 NEMP + 0,032 NOD + 0,014 CFO - BP 0,001 + 0,015 ROO - 0,025 MC - 0,012 EM$$

The subsequent section presents the ANOVA test results.

4.3.14 Analysis of variance ANOVA test

Analysis of variance (ANOVA) was used to test perceptions of respondents on the outsourcing of core business deliverables on the business performance of the PPM department. McHugh (2011) explain that ANOVA is a statistical procedure used to determine whether there are any significant differences between the means of three or more independent groups. The ANOVA is a statistical procedure using the F-ratio in testing the overall fit of a linear. In other words, it is used to test whether group means differ significantly (Field 2009 cited in Mhlongo 2014).

The ANOVA test has been used in this instance to test the significant difference between the frequency of outsourcing core business deliverables with study variables relating to the business performance of the PPM department at Eskom Distribution SA. The related variables include:

- the impact of outsourcing on internal employees' motivation;
- the risks of outsourcing core deliverables;
- the contributing factors of outsourcing;
- the effect of outsourcing on the business performance;
- the management of core deliverables;
- the number of employees in the department; and
- the number of deliverables in the department.

The following explains the interpretation criteria of ANOVA.

- When the p value is less than or equal to 0.05, there is a statistically significant relationship between two variables.
- When the p value is greater than 0.05, there is no statistical relationship between two variables.

Table 4.9 highlights the summary of the ANOVA results on the outsourcing of core business deliverables.

Table 4.9: ANOVA model summary on outsourcing the core business deliverables

Summary of ANOVA ^a				
Model		Sum of Squares	df	Mean Square
1	Regression	12.277	7	1.754
	Residual	99.241	106	0.936
	Total	111.518	113	
a. Dependent Variable: Outsourcing the core deliverables in the department				
b. Predictors: (Constant), Outsourcing on employees' motivation, Contributing factors of outsourcing, Number of deliverables in the department, Risks of outsourcing the core deliverables, Number of employees the department, Effect of outsourcing on business performance, Managing core deliverables.				

The test results of ANOVA in table 4.9 revealed that the p-value is 0,081 which is greater than 0,05. The result implies that there is no statistically significant difference on the responses between participants towards study variables relating to the outsourcing of core business deliverables in the PPM department. The variables are; the contributing factors of outsourcing, the effect of outsourcing on the business performance, the impact of outsourcing on employee's motivation, managing core business deliverables, the risks of outsourcing core deliverables, number of employees in the department and the number of deliverables in the department.

The next section highlights the R-squared test results.

4.3.15 R-Squared

The R-squared is described as a statistical measure of how close the data are to the fitted regression line (Saleh, 2014). In statistics, the coefficient of determination " R^2 " is used in the context of statistical models whose main purpose is the prediction of future outcomes based on other related information. An " R^2 " near 1,0 indicates that a regression line fits the data well, while an " R^2 " closer to 0 indicates a regression line does not fit the data very well. R-squared is always between 0 and 100% and specifies the following aspects (Saleh, 2014):

- 0% indicates that the model explains none of the variability of the response data around its mean; and
- 100% indicates that the model explains all the variability of the response data around its mean.

The results of the summary of R-Squared test are shown in Table 4.10.

Table 4.10: R-Squared model summary

R-Squared model summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,332 ^a	0,11	0,051	0,9676
a. Predictors: (Constant), Outsourcing on employees' motivation, Contributing factors of outsourcing, Number of deliverables in the department, Risks of outsourcing the core deliverables, Number of employees the department, Effect of outsourcing on business performance, Managing core deliverables.				

The table 4.10 shows an R-squared value of 0,332. This indicates that only 33 percent of the variation of the dependent variable is explained by the independent variables.

4.3.16 Correlation test

The Pearson's correlation coefficient was conducted as inferential statistics to investigate the correlation between the study variables towards the outsourcing phenomenon on the business performance of the PPM department at Eskom Distribution SA. The Pearson correlation coefficient measures the strength of linear association between the two variables as explained by (Sedgwick, 2012). He goes on to explain that the Pearson correlation tests indicate the strength of the correlation between the study variables, and the guidelines on strength of relationship are shown in Table 4.11.

Table 4.11: Guidelines on strength of relationship of correlation test

Correlation Coefficient (r-value)	Strength of relationship
-1,0 to -0,5 or 1,0 to 0,5	Strong
-0,5 to -0,3 or 0,3 to 0,5	Moderate
-0,1 to 0,1	None or very weak relationship

Source: Sedgwick (2012)

Sedgwick (2012) further outlines that values of the correlation coefficient are always between -1 and +1. A correlation coefficient of +1 indicates that two variables are perfectly related in a positive linear sense, a correlation coefficient of -1 indicates that two variables are perfectly related in a negative linear sense and a correlation coefficient of 0 indicates that there is no linear correlation between the two variables. All significant relationships are indicated by a * or **.

Table 4.12 presents the Pearson's correlation test results of this study.

Table 4.12: Pearson's correlation results

Pearson's correlation					
		Risks of outsourcing core deliverables	Managing core deliverables	Outsourcing on employees motivation	Effect of outsourcing on business performance
a) Outsourcing core deliverables in the department	Pearson Correlation	-0,001	-0,115	0,038	0,002
	Sig. (2-tailed)	0,990	0,199	0,672	0,983
	N	128	127	128	128
b) Contributing factors of outsourcing	Pearson Correlation	-0,112	-0,135	0,103	0,450**
	Sig. (2-tailed)	0,204	0,126	0,243	<0,0001
	N	131	130	131	131
c) Effect of outsourcing on business performance	Pearson Correlation	-0,247**	-0,208*	0,225*	1
	Sig. (2-tailed)	0,005	0,018	0,010	
	N	129	128	129	132
d) Risks of outsourcing the core deliverables	Pearson Correlation	1	0,392**	0,044	-0,247**
	Sig. (2-tailed)		<0,0001	0,623	0,005
	N	132	128	129	129
e) Managing core deliverables	Pearson Correlation	.392**	1	-0,204*	-0,208*
	Sig. (2-tailed)	<0,0001		0,021	0,018
	N	128	131	129	128
f) Impact of outsourcing on employees' motivation	Pearson Correlation	0,044	-0,204*	1	0,225*
	Sig. (2-tailed)	0,623	0,021		0,010
	N	129	129	132	129
**. Correlation is significant at the 0.01 level (2-tailed). *. Correlation is significant at the 0.05 level (2-tailed).					

The following passages provide a brief interpretation of correlation test results as presented in Table 4.12.

The results of the correlation test in Table 4.12 indicate significant and non-significant statistical relationship between the study variables. The aspects that were revealed about variables with statistical significant relationship are the following:

- a)** The variable relating to the effect of outsourcing on business performance and the variable for the contributing factors to outsourcing have a p value of less than 0,001, which is less than 0,05. The variables have a statistically significant correlation. The positive sign indicates that both have a positive correlation and the Pearson product correlation coefficient r-value of 0,450 indicates a moderate correlation between both variables.
- b)** The variable relating to the effect of outsourcing on business performance and the variable for the risks of outsourcing have a p value of 0,005, which is less than 0,05. The variables have a statistically significant correlation. The negative sign indicates that both have a negative correlation and the Pearson product correlation coefficient r-value of 0,247 indicates a weak correlation between both variables.
- c)** The variable relating to the effect of outsourcing on business performance and the variable for the management of core business deliverables have a p value of 0,018, which is less than 0,05. The variables have a statistically significant correlation. The positive sign indicates that both have a positive correlation and the Pearson product correlation coefficient r-value of 0,208 indicates a weak correlation between both variables.
- d)** The variable relating to the effect of outsourcing on business performance and the variable for the impact of outsourcing on internal employees' motivation have a p value of 0,010, which is less than 0,05. The variables have a statistically significant correlation. The positive sign indicates that both have a positive correlation and the Pearson product correlation coefficient r-value of 0,225 indicates a weak correlation between both variables.

- e) The variable relating to the risks of outsourcing core deliverables and the variable for the management of core business deliverables have a p value of less than 0,001, which is less than 0,05. The variables have a statistically significant correlation. The positive sign indicates that both have a positive correlation and the Pearson product correlation coefficient r-value of 0,392 indicates a moderate correlation between both variables.
- f) The variable relating to the management of core business deliverables and the variable for the impact of outsourcing core deliverables on the motivation of internal employees have a p value of 0,021, which is less than 0,05. The variables have a statistically significant correlation. The negative sign indicates that both have a negative correlation and the Pearson product correlation coefficient r-value of 0,204 indicates a weak correlation between both variables.

Furthermore, the aspects that were revealed by the correlation test results presented in Table 4.12 on study variables without a statistical significant relationship are as follows:

- a) The variable relating to the outsourcing of core business deliverables in the department and the variable for the risks of outsourcing core deliverables have a p value of 0,990 which is more than 0,05. The variables do not have a statistically significant correlation.
- b) The variable relating to the outsourcing of core business deliverables in the department and the variable for managing core deliverable, have a p value of 0,199 which is more than 0,05. The variables do not have a statistically significant correlation.
- c) The variable relating to the outsourcing of core business deliverables in the department and the variable for the impact of outsourcing on the motivation of internal employees have a p value of 0,672 which is more than 0,05. The variables do not have a statistically significant correlation.
- d) The variable relating to the outsourcing of core business deliverables in the department and the variable for the effect of outsourcing on the business

performance have a p value of 0,983 which is more than 0,05. The variables do not have a statistically significant correlation.

- e) The variable relating to contributing factors of outsourcing the core business deliverables and the variable for the risks of outsourcing core deliverables have a p value of 0,204 which is more than 0,05. The variables do not have a statistically significant correlation.
- f) The variable relating to contributing factors of outsourcing the core business deliverables and the variable for managing core deliverable, have a p value of 0,126 which is more than 0,05. The variables do not have a statistically significant correlation.
- g) The variable relating to contributing factors of outsourcing the core business deliverables and the variable for the impact of outsourcing on the motivation of internal employees have a p value of 0,243 which is more than 0,05. The variables do not have a statistically significant correlation.
- h) The variable relating to the risks of outsourcing the core business deliverables and the variable for the impact of outsourcing on the motivation of internal employees have a p value of 0,623 which is more than 0,05. The variables do not have a statistically significant correlation.

4.4 Summary of empirical findings

The empirical findings of this study were presented in this chapter. The response rate for the study was 89%. Therefore, there were more male respondents than female respondents in this study, 70 percent were males and 30 percent females. The findings were presented, interpreted, and categorised according to sections used in the questionnaire. The empirical findings on demographic variables were presented using figures, tables and charts. The chi-square test was also done to describe the data recorded.

The findings of ANOVA test result revealed that there was no statistically significant difference between the participants on their responses regarding the outsourcing of core business deliverables towards; the contributing factors of

outsourcing, the effect of outsourcing on the business performance, the impact of outsourcing on the motivation of internal employees, the management of core business deliverables, the risks of outsourcing core deliverables, the number of employees in the department and the number of deliverables in the department. Furthermore, the R-squared test results highlighted that only 33 percent of the variation in the dependent variable is explained the regression model.

Finally, the Pearson's correlation coefficient determined the correlation between the study variables as well as the strengths of the affiliation. Table 4.13 highlights a summary of the revealed aspects about the variables.

Table 4.13:Summary Pearson's Correlation

Statistical significant correlations	Non- statistical significant correlations
The effect of outsourcing on business performance and the contributing factors of outsourcing have a positive moderate correlation	The outsourcing of core business deliverables in the department and the risks of outsourcing core deliverables
The effect of outsourcing on business performance and the risks of outsourcing have a negative weak correlation	The outsourcing of core business deliverables in the department and managing core deliverables
The effect of outsourcing on business performance and the management of core business deliverables have a positive weak correlation	The outsourcing of core business deliverables in the department and the impact of outsourcing on the motivation of internal employees
The effect of outsourcing on business performance and the impact of outsourcing on internal employees' motivation have a weak positive correlation	The outsourcing of core business deliverables in the department and the effect of outsourcing on the business performance
The risks of outsourcing core deliverables and the management of core business deliverables have a moderate and positive correlation	The contributing factors of outsourcing the core business deliverables and the risks of outsourcing core deliverables
The management of core business deliverables and the impact of outsourcing core deliverables on the motivation of internal employees have a have a weak negative correlation	The contributing factors of outsourcing the core business deliverables and managing core deliverables
	The contributing factors of outsourcing the core business deliverables and the impact of outsourcing on the motivation of internal employees
	The risks of outsourcing the core business deliverables and the impact of outsourcing on the motivation of internal employees

Source: Summary Pearson's Correlation (Magagula 2014)

Table 4.13 provided a highlight of six significant correlations between the variables of the study. There are two affiliations with moderate strength, and four with a weak strength. The affiliations with insignificant correlation were eight. The implications of these research findings and an overall conclusion are provided in Chapter 5.

CHAPTER 5 : CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The previous chapter presented and explained the findings based on the analysis and interpretation of data collected from the employees of the PPM department at Eskom Distribution SA by means of self-administered questionnaires.

Based on the findings of this study, this chapter draws conclusions and makes recommendations. The practical implications of the findings are also presented. Furthermore, the extent to which research objectives have been achieved is covered, a summary of all the previous chapters is provided and finally areas for future research are pointed out.

The objectives of this research project were:

- To determine the factors contributing to outsourcing of core business deliverables;
- To establish if outsourcing core business deliverables has an effect on the business performance; and
- To evaluate the impact of outsourcing core deliverables on internal staff motivation.

5.2 Overview of theoretical orientation for this study

The first chapter of the study drew the state of outsourcing core business deliverables by organisations around the world. A gap regarding the knowledge of whether the outsourcing of core business deliverables influences the business performance of an organisation was identified, forming the subject matter of this study. The reasons behind the outsourcing of core business deliverables were demarcated, including the risks, as well as the advantages and disadvantages thereof. In addition, the frame of mind and the impact on the behaviours of internal employees, as well as their correlation to motivation was emphasised. The definition of a core business deliverable was discussed.

In the literature review chapter, the pros and cons of outsourcing the core deliverables by organisations were discussed. The chapter presented various factors that are naturally encountered in the outsourcing decisions. It also brought essentials of the related theories regarding outsourcing together and the theoretical framework was created. This included the contributing factors to outsourcing, the theory regarding core competence, the effects of outsourcing on business performance including the risks and benefits, as well as the requirements of successful outsourcing. The different kinds of outsourced business deliverables which are core to the organisation were mentioned and discussed, including discussion of the impact on employee motivation of outsourcing of the deliverables which are traditionally executed by internal employees.

The following section evaluates if the study objectives outlined in Chapter 1 of this dissertation have been achieved. Each study objective is highlighted and the outcomes elucidated in terms of how the objective was achieved.

5.3 Achievement of the research objectives

Based on the findings of the study, it is important to explain how the research objectives were achieved.

5.3.1 To determine the factors contributing to outsourcing of core business deliverables

The study was successful in determining the above objective. Responses relating to the participants' perceptions in the PPM business environment at Eskom Distribution SA were positive. This demonstrates that participants understood the aspects associated with outsourcing core business deliverables. In verifying this finding, the result of the regression revealed a statistically significant relationship between the variable of outsourcing core deliverables in the department, and that of the number of employees in the department. This shows that the number of employees in the department are contributing to the outsourcing of core deliverables of the business. The results of the chi-square test indicated that there are significant factors contributing to the outsourcing of core business deliverables, and they are:

- The processes of the maintenance and repairs on the power plant equipment that are resource-intensive;
- To reduce costs; and
- The realisation of the department about the inadequacy of its in-house skill-set for a given deliverable.

Sixty-one-point five percent of participants viewed the processes of maintenance and repairs of power plant equipment as resource-intensive processes. Further, 60,7 percent of participants agreed that inadequacy of its in-house skill-set for a given deliverable is a contributing factor to outsourcing. Only 38,5 percent of participants who held that cost reduction is a fundamental reason that leads to outsourcing the execution of maintenance and repairs on power plant equipment.

5.3.2 To establish whether outsourcing the core business deliverables has an effect on the business performance

The study was successful in establishing whether there is an effect in the business performance of the PPM department at Eskom Distribution SA brought about by outsourcing the core business deliverables. This finding was corroborated by results of the correlation tests, which highlighted the following characteristics:

- A statistical significant, positive, and moderate affiliation between the variable relating to the effect of outsourcing on business performance and that of the contributing factors to outsourcing the core deliverables.
- A statistical significant, negative, and slightly weak affiliation between the variable relating to the effect of outsourcing on business performance and that of the risks of outsourcing core deliverables.
- A statistical significant, positive, and slightly weak affiliation between the variable relating to the effect of outsourcing on business performance and that of the management of core business deliverables.

In addition, the chi-square test revealed the following significant constructs regarding effects of outsourcing core deliverables on business performance:

- The outsourcing of repairs and maintenance of the power plant equipment leads to enhancing the skill level of internal employee (34,1 percent of participants upheld this view);

- Outsourcing saves management time in decision making (37,0 percent of participants upheld this view);
- External service providers offer a depth of expertise that is not often found in departments within the organisation (37,0 percent of participants upheld this view);
- External expertise allows an outside firm to perform deliverables more effectively than in-house (28,1 percent of participants upheld this view); and
- Outsourcing core deliverables provides competencies for the department, in terms of utilising outside expertise (33,3 percent of participants upheld this view).

5.3.3 To evaluate the impact of outsourcing the core business deliverables on internal employees' motivation

The study was successful in establishing the impact of outsourcing on the motivation and morale of the PPM employees at Eskom Distribution SA. This finding was validated by results of the correlation tests, which highlighted statistical significant, positive, a weak affiliation between the variable relating to the effect of outsourcing on business performance and that of the impact of outsourcing on internal employees' motivation.

The results of chi-square test also revealed significant constructs in relation to the impact of outsourcing core business deliverables on internal employees' motivation and morale, as highlighted below;

- Allowing external service providers to perform core deliverables of the PPM department leads to lack of motivation in internal employees (50 percent of participants);
- Outsourcing of core deliverables leads to job security (25,9 percent of participants);
- Employee morale are improved by the knowledge that well qualified outsiders are performing core deliverables of that department (29,6 percent of participants);

- Outsourcing of core deliverables in the PPM department will cause employees to feel that management has their interests in mind (32,6 percent of participants); and
- Outsourcing enables focus on skill development of internal employees (41,5 percent of participants).

The critical research question of the study was:

What influence does the outsourcing of core business deliverables have on the business performance of an organisation?

The findings of the study revealed that the critical research question was answered satisfactorily. This is confirmed by participant responses in relation to whether outsourcing of core business deliverables in the PPM department at Eskom Distribution SA does influence the performance of the business. The findings reveal that outsourcing core business deliverables has an effect on the performance of the business. In addition, the contributing factors of outsourcing core business deliverables, are reasons to outsource. Furthermore, there is an impact that the outsourcing of core business deliverables has on internal employees' motivation.

5.4 Limitations and scope of the study

Although this research was carefully prepared and reached its aims, there were unavoidable limitations and shortcomings, as follows:

- The study focused on all organisations that are outsourcing core business deliverables. However, due to financial and time constraints, the study was limited to the PPM department at Eskom Distribution SA including the supporting departments thereof which were Procurement, Finance and Plant Performance based on their knowledge in respect to outsourcing core deliverables in the PPM department. Therefore, to generalise the results to larger groups, the study should have involved more participants in different departments within this organisation and other industries within and outside SA.

- There is a lack of prior research conducted on outsourcing in the context of core business within the last decade. This posed a challenge in citing prior research studies to form the basis of the literature review. Subsequently, there were longitudinal effects; an excessive amount of time to complete the literature review was experienced.
- There seem to be a lack of exploration of some variables that could have contributed significantly to the findings of the study. This is corroborated by the findings of the R-squared which revealed only a 33 percent to which the total variation of the dependent variable of the study is explained by the independent variables. The perspective of internal employees' competence was not adequately explored. This notion is brought about by the finding of a statistically significant relationship between the number of employees in the PPM department at Eskom Distribution SA with the outsourcing of core business deliverables.

The subsequent section will discuss the implications of the research and recommendation for future research.

5.5 Implications of the study results

This study contributes to the theme of outsourcing with a precise focus on core business. Organisations, including the PPM department at Eskom Distribution SA as the only organisational component in this study, are expected to perform, meet or exceed the set targets and be profitable regardless of their imminent challenges. Hence, Dinu (2015) recommends that organisation should take advantage of the increased demand in their business and turn to outsourcing for help. She explains that outsourcing can allow organisations to specialise on their main object of activity, which will ensure the highest profit and flexibility in meeting the needs of services.

The implications of the results of the study regarding the PPM department at Eskom Distribution SA are as follows:

- Reduction in cost is not viewed as a reason for outsourcing core business deliverables. Further, recognition of the fact that the processes of the maintenance and repairs on the power plant equipment are resource-

intensive, and the realisation of inadequacy in the in-house skill-set for a given deliverable, are viewed as reasons for outsourcing core business deliverables.

- Outsourcing the execution of repairs and maintenance on the power plant equipment does not have an enhancing effect on the performance of the business. Outsourcing does not enhance the skill level of internal employees and is not seen as a way of saving management time in decision making. In addition, external service providers do not offer a depth of expertise that is not often found in the organisation, and external expertise does not permit more effective execution of deliverables than internal employees. Finally, the utilisation of external expertise does not provide competencies for the organisation.
- There are significant risks in outsourcing core business deliverables, and they effect the performance of the business. The risks include the loss of core business deliverables, as well as disclosure of confidential information. Furthermore, the eminent risks can be alleviated by the management of these core deliverables.
- Outsourcing the execution of maintenance and repairs on the power plant equipment can provide external service providers with access to the knowledge basis of these core deliverables; keeping core deliverables in the hands of internal employees can prevent this. Therefore, PPM managers should consciously manage the core business and this involves the development of the core competencies of the department. The management of core business will have an effect on the performance of the organisation.
- Allowing external service providers to perform core deliverables of the PPM department leads to lack of motivation of internal employees, job insecurity, and does not enable focus on skill development of the internal employees. In addition, the morale of PPM employees is not improved by the knowledge that well qualified outsiders perform core deliverables of the department. The employees do not feel that management has their interests in mind when they make outsourcing decisions. Furthermore, the management of

core business deliverables has an impact on the motivation of internal employees.

The following section presents recommendations for future research.

5.6 Recommendation for future research

The following are the recommendations for future studies:

- 1) In order to be able to generalise the results to larger groups, future studies should replicate this study and involve more participants in different departments within an organisation, as well as other industries within and outside SA. There should be adequate time and funding allocated to such research.
- 2) There are limited studies in relation to the outsourcing of deliverables in the context of core business. Therefore, more research should be conducted on a similar topic to permit adequacy in citing prior studies that are recent. Such studies will create further stimulus for more research in the field of outsourcing, particularly in the context of core business deliverables.
- 3) The limitation regarding exploring the perspective of internal employees' competence that was excluded as a variable of a study was highlighted as a limitation in this study. Therefore, research should be conducted which encompasses and explores the influence of internal employees' competence. In addition, to effectively quantify the effects of independent variables upon the dependent variables, careful attention to the other factors that affect the outcome of the investigation should be taken into consideration.

5.7 Concluding remarks

The study brought forward a strong viewpoint regarding the existence of factors contributing to outsourcing the execution of maintenance and repairs of the power plant equipment which are core deliverables. The results of the study show that the PPM department views outsourcing of core deliverables as a medium to alleviate internal challenges such as the processes of the maintenance and repairs on the power plant equipment that are resource-intensive, the recognition by the department of the inadequacy of the in-house skill-set for a given deliverable, and

the existing number of employees in the department. The researcher discovered that outsourcing the core deliverables of the organisation presents significant risks which can impact the performance of the business when not managed effectively. In addition, conscious management of the core business is essential to encourage development of the core competencies of the department, as well as the motivation of internal employees.

The study also highlighted an effect on the performance of the business as a result of outsourcing the core business deliverables in the PPM department, though not enhancing. The fact that the quantitative data used in the study was attained from employees at eight of the nine PPM departments at Eskom Distribution SA did not negatively influence the outcome of the study. The significant amount of data gathered from the participants enabled the researcher to reach the conclusions of the study.

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ANNEXURES

ANNEXURE A: LETTER OF INFORMATION AND CONSENT

A letter of information and consent

1259/11 Fig St
Ormonde Ext23
Ormonde

2091
31 October 2013

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LETTER OF INFORMATION AND CONSENT

The influence of outsourcing core deliverables on the business performance of Eskom: A case study of Eskom Distribution SA PPM Departments

Dear participant,

I am currently undertaking a research project as part of my studies towards a Degree of Master of Management Sciences: Business Administration, at Durban University of Technology. The study aims to investigate if outsourcing core business deliverables rallies the overall performance of the business operations.

I request that you complete a questionnaire for this study. The questionnaire will take approximately 20 minutes. Participation is voluntary and you are free to withdraw from the study at any time without giving reasons, and without prejudice or any adverse consequences. The information you give will only be used for research purposes and will be aggregated with other responses and only the overall or average information will be used. Your identity and individual answers will be kept totally confidential. Should you wish to discuss this further please feel free to contact me, my supervisor Dr Dumisani Zondo on telephone: 31 373 6831 /5147 or DumisaniZ@dut.ac.za), or the IREC Administrator, Lavisha Deonarian: 031 373 2900 or LavishaD@dut.ac.za).

Your assistance will be much appreciated,

Yours faithfully,

Marcia Magagula

Cell: 084 981 3111

Email: magagum10@gmail.com

Please complete the following as confirmation of your willingness to participate in this research project:

I,, have adequately discussed the study with the researcher, understand that I may withdraw from it at any time without giving reasons, and voluntarily agree to participate by completing a questionnaire.

Signature: Date:

ANNEXURE B: QUESTIONNAIRE

INSTRUCTIONS:

- The majority of the questionnaire contains a number of statements. You are requested to indicate the extent to which you agree or disagree with each. Simply place a cross “X” on the appropriate block.
- Should you encounter challenges in answering the questions, contact the researcher for clarification.

RESEARCH QUESTIONNAIRE:

Sections A and B of the questionnaire deal with the background and biographical information, respectively. Although I’m aware of the sensitivity of these questions, this information will help compare results from various groups of respondents. Furthermore, I assure you that your responses will remain anonymous. Your co-operation is highly appreciated.

SECTION A – BACKGROUND INFORMATION

1. Name of department.

2. Estimated number of employees in your department

< 10	1
11 – 20	2
21 – 30	3
31 – 40	4
41 – 50	5
51 – 60	6
61 - 70	7

71 – 80	8
81 – 90	9
91 and more	10

3. Estimated number of deliverables in your department per month

<10	1
11 – 20	2
21 – 30	3
31 – 40	4
41 – 50	5
51 – 60	6
61 – 70	7
71 – 80	8
81 and more	9

4. The frequency of outsourcing core deliverables (maintenance and repairs) in your department per month.

<10 deliverables	1
11 – 20 deliverables	2
21 – 30 deliverables	3
31 – 40 deliverables	4
41 – 50 deliverables	5
51 – 60 deliverables	6
61 – 70 deliverables	7
71 – 80 deliverables	8
81 and more deliverables	9

SECTION B - BIOGRAPHICAL DETAILS OF THE RESPONDENT

5. Gender

Male	1
Female	2

6. Marital status

Single	1
Married	2
Divorced	3

7. Age in years

<18	1
18 – 25	2
26 – 33	3
34 – 41	4
42 – 49	5
50 and over	6

8. Designation

Manager Power Plant Maintenance	1
Manager Plant Performance	2
Senior Supervisor	3
Principal Technical Official	4
Senior Technical Official	5
Technical Official	6
Senior Advisor Procurement	7
Officer Finance	8

9. Length of years in this department

0 – 3 years	1
4 – 7 years	2
8 – 11 years	3
12 – 15 years	4
16 – 19 years	5
20 – 23 years	6
24 and above	7

10. Level of education (Please indicate with X in all relevant fields)

< Grade 9	1								
Grade 9	2								
Grade 10	3								
Grade 11	4								
Grade 12	5								
Trade Test Certificate	6								
Certificate e.g. N1, Project management etc.	7								
Diploma	8								
Degree	9								
Professional registration, please specify below;	10								
<table> <tr> <td>Professional Technician</td> <td></td> </tr> <tr> <td>Professional Engineer</td> <td></td> </tr> <tr> <td>Technologist</td> <td></td> </tr> <tr> <td>Other</td> <td></td> </tr> </table>	Professional Technician		Professional Engineer		Technologist		Other		
Professional Technician									
Professional Engineer									
Technologist									
Other									

SECTION C – CONTRIBUTING FACTORS OF OUTSOURCING

11. Please indicate from a scale of 1 to 5 your perceptions about the contributing factors to outsourcing in your department.

	1	2	3	4	5
	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
The maintenance and repairs of the power plant equipment are resource-intensive processes.					
The maintenance and repairs of the power plant equipment consume extensive amount of resources when conducted in-house.					
The fundamental reason for outsourcing the maintenance and repairs of the power plant equipment is to reduce costs.					
Outsourcing core deliverables increases the department's capabilities to execute these deliverables in-house.					
A department with limited access to funds					

could find outsourcing as an easy way to expand the business.					
When a department realises that its in-house skill-set is inadequate for a given deliverable, it may then entrust it to a specialist external service provider who is competent.					
When a department finds itself lacking in competencies to undertake a deliverable, such should be awarded to an external service provider to execute it.					

SECTION D – ENHANCING EFFECT OF OUTSOURCING CORE DELIVERABLES ON THE PERFORMANCE OF THE BUSINESS

12. Please indicate from a scale of 1 to 5 your perceptions about the enhancing effect of outsourcing on the business performance.

	1	2	3	4	5
	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
The outsourcing the maintenance and repairs of the power plant equipment leads to enhancing the skill level of internal employees.					
Outsourcing saves management time in decision making.					
Outsourcing organisations typically offer a depth of expertise that is not often found in departments					
External expertise allows an outside firm to perform deliverables more effectively than in-house.					
Outsourcing can provide flexibility to a department by enabling it to meet unexpected demand.					
Outsourcing of core deliverables provides competencies for the department, by utilising external expertise.					

SECTION E – RISKS OF OUTSOURCING THE CORE DELIVERABLES

13. Please indicate from a scale of 1 to 5 your perceptions about the risks in outsourcing core business deliverables.

	1	2	3	4	5
	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
The department will suffer a loss on business when external service providers are entrusted with the execution of core deliverables.					
The department stands to lose control over the outsourced deliverables.					
There is a challenge in managing external service providers than one's own employees working possibly in the same building.					
The decisions on handing over the functions to the external service provider will lead to loss of managerial control.					
When looking to outsource, a department should be careful not to					

farm out work related to its core competencies.					
The loss of core business can be encountered when departments are involved in outsourcing.					
Allowing external service providers to execute the departmental core deliverables results in the leaking of confidential information.					

SECTION F – MANAGING THE CORE DELIVERABLES

14. Please indicate from a scale of 1 to 5 your perceptions about the manner which core deliverables of the department should be managed.

	1	2	3	4	5
	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
Core deliverables of the department should not be executed by external service providers.					
When core deliverables are conducted by internal employees, it will prevent giving external service providers access to the knowledge basis to core					

competencies of that department.					
Managers should consciously develop their core competencies.					
Keeping core deliverables in-house will block competitors.					
Outsourcing of core deliverables is effective when given to a host location service provider.					

**SECTION G – IMPACT OF OUTSOURCING ON INTERNAL EMPLOYEES’
MOTIVATION AND MORALE**

15. Please indicate from a scale of 1 to 5 your perceptions about the impact of outsourcing on the morale of internal employees.

	1	2	3	4	5
	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
When a department is involved in outsourcing its core deliverables, the function will no longer need only the internal employees who previously performed them.					
Allowing external service providers to perform core deliverables of the department leads to lack of					

motivation on internal employees.					
Outsourcing of core deliverables creates job dissatisfaction.					
Outsourcing of core deliverables leads to job security.					
Employee morale are improved by the knowledge that well qualified outsiders are performing core deliverables of that department.					
Outsourcing of core deliverables will cause employees to feel that management has their interests in mind.					
Outsourcing of core deliverables enables focus on skill development of internal employees.					

THANK YOU FOR YOUR CO-OPERATION IN COMPLETING THIS QUESTIONNAIRE.

ANNEXURE C: APPROVAL TO CONDUCT THE STUDY - COPIES OF LETTERS OF CONSENT



Date:
22 October 2013

Enquiries: Ayanda Noah Oliphant
Tel: +27 11 800 2094

I, Marcia Magagula (unique number 1076864), Line Manager for Power Plant Maintenance department under Operations and Maintenance in NWOU am proposing to undertake a study around "Factors influencing outsourcing of core business deliverables on the overall business performance" with the Durban University of Technology for my M-Tech: Business Administration dissertation.

This is a quantitative study involving a questionnaire that will require to be completed by 270 participants from Eskom Dx (PPM, Plant Maintenance, Procurement as well as the Finance departments). There will be very minimal travelling required, however telephone and email will be utilised extensively.

As part of the ethical considerations, consent to perform the study is required from Eskom and the Distribution Executive manager will best provide such.

Confidentiality and anonymity

In ensuring anonymity; the names of participants, departments and provinces will not be mentioned in the research. Participants will be requested to complete the questionnaire without indicating who and where it is from, and the printed out copies shall be returned to a common place indicated by the researcher.

In ensuring maintenance of confidentiality and protection of the data collected the following shall be adhered to;

The confidentiality of the records will be maintained by the researcher, who will be the only individual with knowledge of the provinces at which the information emanates from.

The results will not be matched to the participants and all information regarding individual Province will be removed. The names of the province will be removed and replaced with a unique identification number that only the researcher will have access to. The individuals will be identified with a unique numeric identification number.

The data will be stored manually in a file and the researcher is the only individual to have access. The manual data will be collected on the drop off point and will be discarded upon completion of the project.

Yours sincerely

Marcia Magagula

**Line Manager Power Plant Maintenance
North West Operating Unit**

North West Operating Unit
Eskom Distribution
235 Beyers Naude Street
PO Box 619 Rustenburg 0300
Tel +27 14 597 4530 Fax +27 86 539 9805 www.eskom.co.za
Eskom Holdings SOC Limited Reg No 2002/015527/06

Approved by applicant's OU SM&S Manager:

Initials and surname:	AB Morule	Unique no.:	1288933
Grade:	M18	Tel. no.:	Pax no.:
Job title:	Middle Manager Specialised Maintenance and Support	Department:	Operation and Maintenance
Signature:			

Approved by other OU SM&S Manager:

Initials and surname:		Unique no.:	
Grade:	M18	Tel. no.:	Pax no.:
Job title:	Middle Manager Specialised Maintenance and Support	Department:	Operation and Maintenance
Signature:			

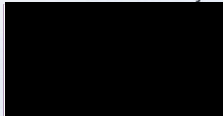


Date: 8 January 2014

Enquiries: Reggie Moleko
Tel: +27 51 404 2115

I, Reggie Moleko , Middle Manager Specialised Maintenance and Support department in the Free State Operating Unit, grant permission to Marcia Magagula an M-Tech in Business Administration study on "The influence of outsourcing core deliverables on the business performance of Eskom" at the premises of Eskom and the employees concerned.

Yours sincerely



Reggie Moleko
MIDDLE MANAGER SPECIALISED MAINTENANCE AND SUPPORT
FREE STATE OPERATING UNIT

Eskom Distribution
120 Henry Street ,Bloemfontein
Eskom Centre
Tel +27 51 404 2115 Fax +27 51 404 2018 www.eskom.co.za

Eskom Holdings SOC Limited Reg No 2002/01527/06





Date:
06 January 2014

Enquiries: Solly Matebula
Tel: +27 82 579 4334

PERMISSION FOR RESEACH PROJECT

I, Solly Matebula (Unique number 0932558), Middle Manager Specialised Maintenance and Support department in the Gauteng Operating Unit (JHB & Vaal Zones), grant permission to Marcia Magagula in conducting an M-Tec in Business Administration study on "The influence of outsourcing core deliverables on the business performance of Eskom" at the premises of Eskom and the employees concerned.

Yours sincerely

**Middle Manager Specialised Maintenance and Support
Gauteng Operating Unit – JHB & Vaal Zones**

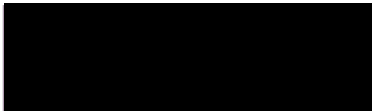
Gauteng Operating Unit
Eskom Distribution
01 Lower Germiton road
Tel +27 011 601 8490 Fax 011 601 8988 www.eskom.co.za

Eskom Holdings SOC Limited Reg No 2002/015527/06

Date: 15 January 2014
Enquiries: C.A. du Rand
Phone: 033 395 3724
Fax: 033 386 3236

I, Carel du Rand (unique number 0513827), Technical Specialist Group Manager in the KwaZulu-Natal Operating Unit, grant permission to Marcia Magagula in conducting an M-Tec in Business Administration study on "The influence of outsourcing core deliverables on the business performance of Eskom" at the premises of Eskom and the employees concerned.

Yours Sincerely



Carel du Rand

MANAGER: TECHNICAL SPECIALIST GROUP
Eastern Region

 Eastern Region
Technical Specialist Group
1 Portland Road Mkondeni PO Box 5 Mkondeni 3212 SA
Tel +27 (0)33 395 7006 Fax 086 218 5552 www.eskom.co.za





Date:
08 January 2014

Enquiries: Japie Myburgh
Tel: +27 13 755 9259

I, Japie Myburgh (unique number 134576), Specialised Maintenance & Support Manager in the Mpumalanga Operating Unit, grant permission to Marcia Magagula in conducting an M-Tec in Business Administration study on "The influence of outsourcing core deliverables on the business performance of Eskom" at the premises of Eskom and the employees concerned.

Yours sincerely



Japie Myburgh

Specialised Maintenance and Support Manager
Mpumalanga Operating Unit



Northern Region
Power Plant Maintenance
Eskom Park Cnr Jellicoe & Watermeyer streets Emalahleni (Witbank) PO Box 223 Emalahleni (Witbank) 1035 SA
Tel +27 13 693 3799 Fax +27 13 693 3660 www.eskom.co.za



Date:
06 January 2014

Enquiries: Kenneth Groenewald
Tel: +27 72 732 2759

I, Kenneth Groenewald (unique number 1272051), Middle Manager Specialised Maintenance and Support department in the Northern Cape Operating Unit, grant permission to Marcia Magagula in conducting an M-Tec in Business Administration study on "The influence of outsourcing core deliverables on the business performance of Eskom" at the premises of Eskom and the employees concerned.

Yours sincerely

Kenneth Groenewald/


Middle Manager Specialised Maintenance and Support
Northern Cape Operating Unit

Northern Cape Operating Unit
Eskom Distribution
235 Beyers Naude Street
PO Box 619 Rustenburg 0300
Tel +27 14 597 4530 Fax +27 86 539 9805 www.eskom.co.za

Eskom Holdings SOC Limited Reg No 2002/015527/06



Date:
08 January 2014

Enquiries: Genevieve Craven
Tel: +27 21 980 3184

I, Genevieve Craven (unique number 1237140), Middle Manager Specialised Maintenance and Support department in the Western Cape Operating Unit, grant permission to Jan van Bosch to be part of the sample population for the PPM case study which forms part of the M-Tec in Business Administration study that Marcia Magagula (Manager PPM NWOU) is undertaking about "The influence of outsourcing core deliverables on the business performance of Eskom" with the University of Durban Technology, at the premises of Eskom and the employees concerned.

Yours sincerely

Genevieve Craven

**Middle Manager Specialised Maintenance and Support
Western Cape Operating Unit**

Western Cape Operating Unit
Eskom Distribution
Eskom Brackenfell, Eskom Road, Brackenfell, 7560
PO Box 222 Brackenfell 7561
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Eskom Holdings SOC Limited Reg No 2002/015527/06



Date:
06 January 2014

Enquiries: Martin Pietersen
Tel: +27 82 826 5060

PERMISSION FOR RESEACH PROJECTS

I, Martin Pietersen (unique number 0355595), Middle Manager Specialised Maintenance and Support department in the Gauteng Operating Unit (Tshwane Zone), grant permission to Marcia Magagula in conducting an M-Tec in Business Administration study on "The influence of outsourcing core deliverables on the business performance of Eskom" at the premises of Eskom and the employees concerned.

Yours sincerely

Martin Pietersen

**Middle Manager Specialised Maintenance and Support
Gauteng Operating Unit – Tshwane Zone**

Gauteng Operating Unit
Eskom Distribution
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PO Box 36099 Menlo Park 0102
Tel +27 12 421 4804 Fax +27 86 539 7106

Eskom Holdings SOC Limited Reg No 2002/015527/06

ANNEXURE D: EDITING CERTIFICATE

DR RICHARD STEELE

BA, HDE, MTech(Hom)

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Practice No. 0807524

Freelance academic editor

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Glenwood, Durban 4001

031-201-6508/082-928-6208

Fax 031-201-4989

Postal: P.O. Box 30043, Mayville
4058

Email: rsteele@telkomsa.net

EDITING CERTIFICATE

Re: **Marcia Magagula (DUT)**

Master's dissertation: **THE INFLUENCE OF OUTSOURCING THE CORE DELIVERABLES
ON THE BUSINESS PERFORMANCE AT ESKOM DISTRIBUTION SOUTH AFRICA**

I confirm that I have edited this dissertation and the references for clarity, language and layout. I am a freelance editor specialising in proofreading and editing academic documents. My original tertiary degree which I obtained at UCT was a B.A. with English as a major and I went on to complete an H.D.E. (P.G.) Sec. with English as my teaching subject. I obtained a distinction for my M.Tech. dissertation in the Department of Homeopathy at Technikon Natal in 1999 (now the Durban University of Technology). During my 13 years as a part-time lecturer in the Department of Homeopathy I supervised numerous Master's degree dissertations.

Dr Richard Steele

27 June 2016

electronic