AN EXAMINATION OF THE IMPACT OF OUTSOURCING ON OPERATIONAL EFFICIENCY AND EFFECTIVENESS AT A FAST-MOVING CONSUMER GOODS COMPANY

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ABSTRACT

The study investigated the impact of outsourcing on operational efficiency and effectiveness at Pioneer Foods, determining the effect of outsourcing on enhancing the outcome of operations. The objectives involved analysing the drivers of outsourcing, understanding the challenges involved, and ascertaining the effect of outsourcing on operational efficiency and effectiveness.

The literature review covered fundamental concepts such as resource-based view theories and transaction cost economics, which illustrated that outsourcing has indeed allowed organisations to focus their attention on competencies by gaining greater flexibility while driving down costs. Such a theoretical framework forms the basis of how outsourcing contributes to an operational advantage within highly competitive markets. The research design was quantitative in nature, and the respondents were surveyed through a structured questionnaire. The target population was 30, and a representative sample was obtained by using probability sampling with a sample size of 28.

The findings show how outsourcing provided positive effects in matters of operational efficiency and effectiveness. In essence, businesses are better placed in leveraging their resources in specific strategic manners. However, other less-than-ideal factors were a loss of control concerning the outsourcing functions and over-reliance on suppliers.

Ultimately, outsourcing can create huge value for FMCG firms in operational results. The study provides actionable insights for Pioneer Foods and other similar companies on how strategic outsourcing of non-core activities will make a company more competitive and productive. These insights are useful for industry stakeholders who are interested in optimising operational performance through better outsourcing decisions.

Findings indicate outsourcing enhances operational efficiency but poses risks like loss of control. It is recommended that firms develop robust outsourcing strategies. Future research should explore outsourcing’s long-term impact on competitive advantage in the FMCG sector.

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- God omnipotent for allowing me the endowment of life;
- and my family for the help and love which gave me the motivation to challenge

everything throughout everyday life;

DEDICATION

This exposition is committed to my mother, Thandi Mthuli.

DECLARATION

I, Philisile Rejoice Khumalo, hereby declare that this dissertation is the result of my investigation and research, and that it has not been submitted in part or full for any degree or to any degree to any other university.

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Philisile Rejoice Khumalo Date

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LIST OF ACRONYMS AND ABBREVIATIONS

FMCG	Fast-Moving Consumer Goods
ICT	Information and Communication Technologies
RBV	Resource Based View
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
ROS	Return on Sales
TCE	Transaction Cost Economy

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CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

Today's competitive business landscape demands organisations to maintain their market position and profitability by achieving operational efficiency and effectiveness. This study provides practical insight into how outsourcing affects operational effectiveness. This chapter provides the background, problem statement, research objectives and questions. It also provides the study significance.

1.2 BACKGROUND

Operational efficiency and effectiveness are critical for both profit-oriented and non-profit organisations (Bardhan & Kroll, 2018). Efficient operations can enhance an organisation's image, competitive edge, and profitability (Steensma & Corley, 2018). In all business sectors, outsourcing is key to increasing operational efficiency and effectiveness (Lau & Hurly, 2017). Organisations must focus on efficiency and cost containment, rather than solely on revenue increases, to compete globally and improve profits, which is vital for economic growth.

In an increasingly competitive global marketplace, companies must reduce costs and maintain quality by using outside service providers for activities essential to their core business (White, 2016). To enhance efficiency, companies outsource traditional in-house functions like corporate strategy, information management, business investment, and internal quality initiatives to outside suppliers (Duncan & Groves-Rowan, 2017).

Despite various prior studies conducted on outsourcing, operational efficiency, and effectiveness (Bardhan & Kroll, 2018; Steensma & Corley, 2018), limited studies have been conducted on the influence of outsourcing on operational efficiency and effectiveness (White, 2016). Hence, this study can extend operational efficiency and effectiveness literature by examining the intervention of outsourcing as a solution to wastage within the organisation. Pioneer Foods, an FMCG company, cannot maintain sustainable operations due to global competition. During the 2008 recession and another that loomed in 2015/2016, the company could not maintain market-leading positions for its premium brands (Lee & Kim, 2015).

Outsourcing can be beneficial to an organisation's performance. The study contributes to the research environment by revealing the operational efficiency and effectiveness challenges faced in managing outsourcing issues at Pioneer Foods. The study has beneficial, sound practical implications for Pioneer Foods, which will also benefit greatly, and the information examined may positively impact its operations.

1.3 RESEARCH PROBLEM AND AIM

1.3.1 RESEARCH PROBLEM

The issue of inefficiencies and ineffectiveness of operations in manufacturing companies and the impact it has on a nation cannot be ignored. Organisations seek efficient and effective ways to reduce wastage and maximise profits (Chow & Heaver, 2019). Due to inefficiencies, production companies incur losses, experience undue employee accidents, and unnecessary regulatory penalties. Although outsourcing is integral in improving efficiency, most organisations still perform all organisational activities and experience small inefficiencies.

Jacobs and Chase (2019) state that inefficiencies in operations erode the profits, have adverse effects on quality, customer tastes, and the economy. Pioneer Foods, one of the leading FMCG companies in South Africa, faces consistent increases in inefficiencies in manufacturing operations (Douglason, 2019; Barrie, 2019). A wide range of branded food and beverages sold to wholesalers, retailers and informal segments by Pioneer Foods is slowly losing market share due to compromised quality. For example, in 2021, Pioneer Foods recalled its Liquifruit products after it found high amounts of the toxin patulin leading to high wastages (Eyewitness News, 2021).

Similarly, in 2019, Pioneer Foods’ earnings declined by 15%. Due to its poor performance, it has been recently bought by Pepsico for about $1.7 billion (R26 billion) (Republic of South Africa, 2020; Child, 2020) and is currently operating as a subsidiary. Although Pioneer Foods may have outsourced some business activities, for instance, security, auditing and packaging, the impact of outsourcing on its operational effectiveness and efficiency is still unknown. This study seeks to provide knowledge in that regard.

This is because efficient production is crucial in economic downturns when consumers prefer necessities at affordable prices over luxury items. As market conditions fluctuate, businesses are forced to create sustainable operations to ensure their relevance in the future (Beregszaszi & Hack-Polay, 2019). Organisations should thus examine outsourcing activities and their influence on operations to remain competitive in the market.

This study seeks to examine the impact of outsourcing on the effectiveness and efficiency of Pioneer Foods manufacturing operations. Outsourced resources may include some expertise and equipment from other specialised organisations both within and outside South Africa (Mullins, 2019). An increase in the outsourcing activities of production engineering equipment and experts in production from world-class organisations could result in the minimisation of wastage and improve the quality of powerful brands such as White Star, Ceres, Sasko, Weet-Bix, Safari, LiquiFruit, and Spekko rice, amongst others.

1.3.2 AIM OF THE RESEARCH

This study aims to examine the impact of outsourcing on operational efficiency and effectiveness at Pioneer Foods.

1.4 RESEARCH OBJECTIVES

The following are the objectives:

- To determine the factors that drive outsourcing at Pioneer Foods.
- To ascertain the challenges associated with outsourcing at Pioneer Foods.
- To establish the effects of outsourcing on operational effectiveness at Pioneer Foods.
- To examine the role of outsourcing in operational efficiency at Pioneer Foods; and
- To analyse outsourcing strategies that support operational efficiency at Pioneer Foods.

1.5 RESEARCH QUESTIONS

The following are the questions for the study:

- What factors drive outsourcing at Pioneer Foods?
- What are the challenges associated with outsourcing at Pioneer Foods?
- How does outsourcing affect the operational effectiveness of Pioneer Foods?
- What is the role of outsourcing in operational efficiency at Pioneer Foods?
- What are the outsourcing strategies that support operational efficiency at Pioneer Foods?

The research used a quantitative research design with the utilization of a structured questionnaire in garnering information from 28 respondents who were sampled using probability sampling (Bhardwaj, 2019). The research utilized a descriptive research design to investigate the interaction between outsourcing and effectiveness and efficiency in operations (Pawar, 2020). The questionnaire incorporated close-ended questions using the Likert scale to facilitate consistency and comparability of information (Moyo, 2021). Data gathering was centered on the major drivers of outsourcing, challenges, and its implications on operational performance. Statistical analysis was carried out to ascertain patterns and correlations and to ensure reliability and validity (Trochim & Donnelly, 2018). Ethical standards were followed to ensure data confidentiality and integrity (Malmqvist, 2019).

1.6 SIGNIFICANCE OF STUDY

There is a notable gap in the literature regarding the impact of outsourcing on FMCG operations efficiency and effectiveness, despite the acknowledged benefits of outsourcing. A comprehensive understanding of outsourcing's benefits on Fast-Moving Consumer Goods (FMCG) is key to understanding the impact of outsourcing. For organisations to maintain their competitive edge and profitability in today's highly competitive global market, they must continually seek ways to improve efficiency and reduce costs. Outsourcing enables companies to access external expertise and resources, which could transform their operational capabilities (Lau & Hurly, 2021).

The study contributes to literature on outsourcing and to businesses. The reasons driving outsourcing decisions, the challenges faced, and the consequences for operations will provide valuable insights for industry stakeholders (Bardhan & Kroll, 2018). Therefore, Pioneer Foods may decrease inefficiencies and improve the quality of its products. By identifying effective outsourcing strategies, the company can maintain its leadership position for premium brands despite economic challenges (Lee & Kim, 2020).

Further, the study's insights contribute to improved industry practices and competitive advantage for other FMCG companies facing similar challenges (Chow & Heaver, 2019). Overall, this research contributes to the academic discourse on outsourcing and operational efficiency, allowing business leaders and policymakers to optimize organisational performance in the FMCG industry (Jacobs & Chase, 2019). By using the knowledge gained from this study, companies in the industry can create more effective outsourcing strategies, thereby increasing profitability and sustainability.

1.7 CONCLUSION

The study examines outsourcing’s impact on operational efficiency and effectiveness at Pioneer Foods. It explores key drivers, challenges, and strategic outsourcing benefits. The research problem highlights inefficiencies affecting competitiveness, while the objectives and questions focus on identifying outsourcing’s role in improving operations. A quantitative approach with probability sampling was used to ensure data reliability. The study’s significance lies in offering insights for FMCG firms to optimize outsourcing strategies. Ultimately, findings will guide businesses in enhancing efficiency and competitiveness. The next chapter focuses on the literature review of the study.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

The previous chapter provided an introduction to the study. This chapter reviews relevant literature on outsourcing and its impact on operational efficiency and effectiveness. It explores key concepts, including outsourcing drivers, challenges, and strategic benefits. The chapter also examines theoretical frameworks such as the Resource-Based View (RBV) and Transaction Cost Economics (TCE) to understand outsourcing decisions. Additionally, it discusses outsourcing's role in supply chain management and its influence on organisational performance. By critically analyzing existing studies, this chapter establishes a foundation for the research, identifying gaps and areas for further exploration in outsourcing practices within the FMCG industry.

2.2 THE DEFINITION OF OUTSOURCING

A concept called outsourcing is commonly referred to as the outside resource in American terminology, according to Troaca & Bodislav (2018), referring to businesses sourcing their resources from the outside. When adapted to economic terms, the concept is used to develop a business strategy that takes advantage of external resources to achieve business objectives (Troaca & Bodislav, 2018).

According to Greaver (2019), outsourcing is transference some of an organisation's recurring internal activities and decision rights to outside providers as defined in a contract with them. Greaver (2019) asserts that outsourcing should not be viewed as a shameful activity. During the early years of business, a business' approach was to outsource primarily because of the lack of competence and capacity in executing internal business activities (Greaver, 2019). To elaborate, Mullins (2020) added that outsourcing is the process of reorganizing business decisions to achieve strategic competitiveness.

As a strategic tool, outsourcing can be used to enter into agreements with specialized service providers who can provide the same internal service with greater efficiency. Throughout the generations, the business approach has evolved from outsourcing to reduce the headcount in the organisational structure to viewing outsourcing as a value adding activity.

2.3 THE CONCEPT OF OUTSOURCING

Outsourcing is a sustainable practice. For instance, Lankford and Parsa (2019) stated that outsourcing operations will be the trend of the future, and organisations that have already outsourced are satisfied with the results. Outsourcing selected organisational activities is a key part of corporate strategy now.

The importance of identifying an organisation's core business and its core competence has been stressed in several outsourcing frameworks and models. Using the core competence paradigm, companies understand which skills and resources they need to own and control through internal contracts to maintain their business success (McIvor, 2018). The organisation should understand the business perfectly from every angle, including its operations, tactical and strategic, in addition to core competence.

The benefits, drivers, and advantages of outsourcing have been carefully examined and explained by many researchers since outsourcing has attracted many parties to investigate its possible benefits and profits (Jennings, 2020; Lankford & Parsa, 2019; McIvor 2018; Linder et al., 2020). Lankford and Parsa (2019) summarize outsourcing as a means of reducing costs, expanding services and expertise, enhancing employee productivity and morale, and creating a positive corporate image. The organisation can now focus on its core business, buy technologies that would be too expensive to reproduce internally, re-examine the organisations' plans, make them more efficient and save time and money while improving efficiency, and improve the plans' service level to employees by providing more consistent and available information. Even so, contracting out the right tasks is crucial to gaining the cost efficiency advantage (Behara et al, 2018).

The benefits of outsourcing include improving competitive pressures, improving quality and efficiency, improving access to functional expertise, and creating strategic business alliances and reducing internal administrative problems (Fill & Visser, 2020). In addition to market forces and technical considerations, the increasingly popular use of outsourcing has been attributed to a strategic shift in how organisations manage their businesses (Gupta, 2019). Taking advantage of strengths in the supply market is one of the benefits of outsourcing. In conclusion, it is possible to conclude that the advantages could benefit not just the end service receivers (customers) who can receive a much better value for their money, but also the numerous suppliers who can profit. By outsourcing, small companies will be able to expand their business opportunities and larger organisations will be able to make more money as a result.

Outsourcing is considered strategic when all other processes and functions are delegated to another company, except for those special activities that are a source of competition. Gavin and Matherly (2019) articulated three overlapping aspects that are associated with outsourcing: problems ranging from emotional and psychological stress to loyalty loss and internal expertise loss. In agreement, (2019) adds that outsourcing may also result in a decrease in morale and performance among the remaining employees.

2.4 THE EVOLUTION OF OUTSOURCING

In the Industrial Revolution, companies struggled to gain competitive traction. In the 20th century, well-established businesses handled their assets with efficiency and effectiveness (Mullin, 2020). Contrary to this, businesses were rigid in executing assets to gain economies of scale for competitive advantage. Most companies focused on multi-layering their management structures and diversifying their portfolio to ensure profitability whilst utilizing economies of scale.

The thinking of companies changed during the 1970s and 80s as more organisations applied creativity to their business approach. Rather than focusing on local competitiveness, businesses are seeking ways to gain international competitiveness in order to gain market share across national borders. Consequently, businesses were forced to think outside the box to gain traction in international markets by preparing their structures accordingly. A more flexible and creative business environment was enabled by it. By adopting a new market approach, businesses were able to concentrate on their core business functions and determine which functions were no longer as important. Many businesses were able to gain flexibility and competitiveness through outsourcing certain functions, while maintaining profitability and organisational performance as a result (Handsfield, 2018).

A lack of internal competencies led most companies in the 1980s to outsource functions they were unable to perform internally. In 1989, outsourcing was formally recognized as a business strategy (Mullin, 2020). At this time, the foundations of outsourcing were laid, especially when businesses procured external suppliers to provide them with ancillary services, which further cemented the outsourcing trend. A major trend in the nineties was businesses focusing their efforts on cost-saving measures and implementing non-core business activities to increase organisational performance. It was during this phase of the evolution that businesses outsourced mainly their human resources, security and cleaning services, plant maintenance, and accounting services. Managers are constantly seeking to improve their finances, so outsourcing components to affect cost savings in key functions is yet another step in the process (Handsfield, 2018).

A strategic partnership became a strategic advantage for businesses during the 20th century. In order to develop strategic partnerships with industry role players, businesses reduced ownership of certain business activities during this stage of evolution. Organisational performance would improve with the new approach to business thinking. Therefore, organisations are more likely to choose outsourcing based on who can deliver more effective results for a specific function, rather than if the function is core or commodity (Handsfield, 2018).

2.5 THE CONCEPT OF OPERATIONAL EFFECTIVENESS

Companies strive to achieve the desired competitiveness to improve and maximise service provision and production output levels in each production line by operating efficiently to gain a competitive advantage (Sanchez & Heene, 2019). To attain this, the management structures of these companies need to implement specific measures to manage their operations more efficiently. However, it is difficult for a company to determine whether it is being run efficiently without assessing its overall performance. Using a quantitative model to monitor business efficiency can be a tool to evaluate business productivity. The model could be used to expose the organisation's weak areas making it easier to pinpoint critical areas that need to be attended to or improved.

Organisations are increasingly operating more efficiently and ensuring that their operational processes are effective because of a variety of factors (Hill, 2020; Slack, Chambers & Johnston, 2018). For example, it means that one must deliver products and services of exceptional quality, on time, and at an affordable price to add value. As operational effectiveness is one of the primary drivers of business performance, organisations attempting to achieve these objectives must pay close attention to them (Wheelwright & Bowen, 2019). An organisation's operational effectiveness is determined by its ability to establish processes that work well based on its core capabilities (Porter, 2019). Operational effectiveness improves processes. Through these core processes, organisations can eliminate waste, adapt more appropriate technology, and perform better than competitors (Porter, 2019). A company's performance is benchmarked over a specified period. A proper measure of performance enables organisations to identify opportunities for improvement continuously and systematically.

As organisations tend to follow the principle that what gets measured gets done, measuring performance might cause paralysis by analysis. However, managers either lack a clear understanding of what it encompasses or are overwhelmed by costly measures and information, which do not improve effectiveness or response time. Traditionally, performance measurement has been referred to as the process of quantifying action, encompassing the selection of activities to be measured, as well as performance standards and benchmarks (Slack, Chambers & Johnston, 2018). Profit, return on investment and cash flow have been used to measure performance using management accounting systems. These types of measures rely only on financial performance and do not reflect the requirements that an organisation must meet in today's competitive business environment or operational requirements. To measure performance, three basic questions must be answered: what will be measured, how will it be measured, and why should it be measured (White, 2018).

According to White (2018), the question of what will be measured depends on the scope of interest and competitive priorities of the firm. According to Slack, Chambers and Johnston (2018), different performance measures have been proposed based on competitive priorities and their merging and categorising have resulted in a composite set of widely accepted objectives. Accordingly, it has been suggested that performance at a more operational level should reflect the extent to which an organisation is able to differentiate on five specific performance dimensions when satisfying market needs (White, 2018; Hill, 2020). A company can gain an advantage in the market by excelling at some of the objectives and being competitive on the others because developing competitive advantage does not happen overnight (Wheelwright & Bowen, 2019). In order for a firm to reduce waste, it must improve processes like purchasing, production, and staff performance (Russell & Taylor, 2020).

Disaggregating the cost components affecting an organisation's total cost performance allows the identification of areas for improvement (Slack, Chambers & Johnston, 2018). In addition, by competing on quality, organisations can bridge the gap between what they are able to provide and what customers demand. Rather than reducing defects and conforming to specifications without any clear market-oriented continuous improvement, quality should be viewed as the consistent provision of products and services that satisfy customers (Russell & Taylor, 2020). An organisation's third operational performance objective refers to its ability and extent of adapting to changes to respond to changing customer demands (Slack, 2021). Furthermore, competing on speed enables organisations to benefit from first mover advantage (Hill, 2020).

In addition, reliability indicates that firms' processes perform consistently over time (Corbett, 2020). After an organisation has identified the metrics, it needs to measure, it needs to determine how it will measure them. This refers to incorporating some steps that look at different stakeholders of the organisation as sources for improving performance.

As a first component, we must measure performance using internal data and external data, such as data gathered from customers, suppliers, and competitors (Keegan, Eiler & Jones, 2019; Cross & Lynch, 2018). The type of data that will be collected will play an important role in how performance will be measured. Flexibility can also be measured externally through measures such as offering more custom services. Data should be evaluated in terms of whether it is based on external perception or opinion, or if it is based on observable facts (White, 2018), which are typically more objective and come from within an organisation. The source and type of data are then compared with competitors or with other areas within the organisation to establish benchmarks. Benchmarking best practices enables us to set realistic improvement targets (Hill, 2020). The final step, according to White (2018), is to measure both process inputs and outcomes. Researchers in the field of business performance have explored the question of why measure performance, including Eccles (2021); Kaplan and Norton (2021); Neely (2019), and Bourne, Mills, Wilcox, Neely & Platts (2020).

The purpose of performance measurement includes improving productivity, identifying issues, and improving them, and determining whether planned improvements were carried out (Parker, 2020). Lebas (2018) also encourages a long-term thinking approach, which supports, and improves resource allocation as well as addresses company objectives, how those objectives are achieved, and knowing when they are achieved. During the past decade, organisations have had to adopt a more holistic and proactive approach to performance measurement due to factors affecting them, including changing business environments, increasing competition, changing organisational roles, and changing external demands (Neely, 2019). The framework for balance score cards established by Kaplan and Zairi (2020) includes not just shareholders' and customers' needs, but also other stakeholders' needs as part of setting performance measures holistically.

2.6 ORGANISATIONAL PERFORMANCE

Performance, in Wheele (2019), refers to the activities that are designed to meet the customer's needs. In addition to product availability and on-time delivery, these activities include inventory and capacity in the supply chain to deliver that performance promptly. As a fascinating topic for both academics and practitioners, performance is discussed in all areas of management, from human resource management to strategic management. The true results of the strategic management process can be found in the ultimate product, or performance. The success of a task is determined by its performance. Since strategic management can improve company performance, it is reasonable to use it (Wheelen & Hunger, 2020). The level of performance of an organisation is determined by how effectively it achieves its goals and objectives.

Organisational performance consists of three main components (Richard et al., 2019). To study organisational performance, several types of inquiry are necessary depending on the outcome of interest (Wheele, 2019). A wide range of outcome variables exist, but they can be roughly divided into two categories: monetary, such as return on investment (ROI), return on assets (ROA), return on equity (ROE), return on sales (ROS), sales, market share, and productivity; and non-monetary, such as employee engagement and customer satisfaction.

Non-financial outcome variables include employee attrition, absence, conflict, and product/service quality. According to Tang, et al. (2018), the first set of outcome factors focuses on the financial health of the company. Because businesses in different industries face numerous competing circumstances, knowing only absolute financial indicators such as sales, profitability, and cash flow does not provide much insight. Therefore, when assessing the performance of organisations that are similar in many industries, a strategy that is based on comparisons across those industries is crucial.

Business performance has been measured using a variety of financial indices and ratios; however, many studies have employed single-item measurements, which have limited capabilities as proxy measures. Despite their limitations, accounting metrics can be misleading because they cannot handle intangibles or assign value to competitive advantages. Accounting metrics are easy to deceive since business success is multidimensional. The most recent data suggest that accounting issues and market assets should be combined for a more comprehensive assessment of business performance aspects (Pollanen, 2020).

Evaluation of corporate performance is becoming increasingly popular due to a variety of motivations. Corporations are experiencing lower returns on higher revenues after a long period of global downsizing in many sectors. This is even though both the number of employees and operational efficiency have been reduced. There are several reasons for this. As a result, Morgan and Strong (2018) have focused on the aspects that will drive future growth (sales) as the development of such a concept is seen as a matter of market-based performance. The second trend is that analysts and investors want additional data to help them spot the subtle but persuasive qualities underpinning accounting-based performance.

As mechanisms of competition and innovation among businesses evolve, the importance of customers as decision-makers within businesses rises on the corporate agenda. This calls for a broadly inclusive definition of company success that considers market factors (Morgan & Strong, 2018). Van Weele (2019) defines performance as the sum of an organisation's efforts to achieve its goals. Performance is linked to how well those goals are achieved by this definition.

To be successful, a company must generate enough money, expand, and make a profit (Munyimi & Chari, 2018). Organisational performance can be evaluated by a range of stakeholders, each with their definition of success. Additionally, since each company operates under different conditions, performance evaluation is inherently contextual (Cameron & Whetton, 2018). Known as benchmarking (Jones, 2020), benchmarking is the process of comparing the performance of a company's products, services, operations, and processes with those of other companies that are considered the best-in-class or against the performance of the wider market.

According to Simos (2022), benchmarking includes the following factors: cost per unit, time to create, product or service quality, effectiveness, time to market, customer loyalty, and brand recognition. It's important to note that even if the companies one benchmarks against have a different business model or cater to a different demographic, the information and insights gained from benchmarking can still assist the organisation in understanding how it compares to the competition.

2.7 NEXUS BETWEEN OUTSOURCING AND OPERATIONAL EFFECTIVENESS

Outsourcing involves moving an organisation's internal responsibilities to an outside provider as part of the transfer of responsibility from within the organisation. As part of this process, the technology, the materials, the handling equipment, as well as operational amenities are all transferred to a third-party supplier (Jacobs & Chase, 2018). There is no doubt that the outsourcing model is beneficial for each organisation since it can result in a competitive advantage for each company. This competitive advantage gives the organisation a competitive advantage over its competitors and generates value from a strategic perspective for the organisation. Considering the fluctuating market conditions and the forecasted direction of an organisation, it is critical to focus on its core competencies to address the market's demands (McIvor, 2018).

There will be a shift from the traditional operating strategy to one where outside supplier will take over. This will result in outsourcing roles and responsibilities that would otherwise be performed in-house (Cicek & Ozer, 2018). The delivery of products and services will be improved if the organisation's core functions are strengthened by reallocating its resources (Lee & Kim, 2019).

2.8 NEXUS BETWEEN OUTSOURCING AND OPERATIONAL EFFICIENCY

In traditional organisation structures, outsourcing within an organisation has changed the way they manage their employees in a traditional manner (Jacobs & Chase, 2018). Ancillary and entry-level workers are prone to outsourcing than higher-level workers. Given this, it can be argued that it is essential for the manager to assess the potential effect an outsourcing model might

In established FMCG firms, there is an understanding that the risks are not restricted to only one segment in the industry but are spread across different sectors of the industry (Lee & Kim, 2018).

The motivation for outsourcing may be to do with eroding employee engagement than cost, risk, or quality if a company's employees become disengaged due to the decision to outsource (Jacobs & Chase, 2018). Emphasising on core activities for a company presents limited proof that focusing more on core activities might be an excellent way to ensure a more efficient operation for the company. This view is contested by the argument by some scholars that by relinquishing control over certain functions, it might bear the cost of uncertainty and must deal with it in the future.

2.9 DISCUSSION ON OUTSOURCING OF SUPPLY CHAIN ACTIVITIES

Outsourcing has caused some traditional organizational structures to change some of their traditional approaches. It appears that shop floor workers and entry level employees are more exposed to a high degree of outsourcing (McIvor, 2018). Management starts to focus on outsourcing's financial impacts more and more.

Established players in the FMCG industry suggest that there is a greater chance that the risk is diluted, and not confined to one segment of the business. In addition, when employees become disengaged due to outsourcing, it becomes evident that the reasons go beyond the cost, risk, and quality associated with the decision to outsource (Morgan & Strong, 2018). Focusing on core activities could not be the right solution for an organisation to ensure efficiency. It might mean relinquishing control of certain functions because of this focus.

2.10 BACKGROUND OF OUTSOURCING LOGISTICAL ACTIVITIES

Organizations traditionally focused on reducing financial burdens, but recently, they have focused on improving productivity and efficiency (Cicek & Ozer, 2021). As a result of increased speed and accuracy in operations, the organization became more flexible, allowing it to take advantage of new opportunities, new technologies and new skills (Elmuti, 2019). An organization may decide to outsource non-core competencies after assessing its skill levels and abilities (Slack, et al., 2018).

Outsourcing logistics activities is now a strategic imperative for organisations seeking to increase efficiency and competitiveness. Outsourcing logistics to third-party providers is gaining traction in firms to lower spending, achieve specialist knowledge, and improve the quality of service (Bhatia & Breen, 2020). Through outsourcing, companies can concentrate on core business functions and use external providers to manage the supply chain, warehousing, and transport (Christopher, 2018). This change enables flexibility and scalability to permit organisations to respond to market volatility and consumer needs (Hsiao et al., 2019).

Technological advancements, such as analytics and automation, have also affected outsourcing decisions to enable organisations to automate logistical activities (Gattorna, 2020). However, logistics outsourcing has challenges such as dependency on service providers, loss of control, and potential risks associated with supply chain failure (Mangan & Lalwani, 2019). Therefore, companies must establish effective partnerships, service level agreements that are complete in nature, and effective monitoring mechanisms to ensure business success (Sople, 2021).

In the FMCG industry, effective outsourcing of logistics is central to product availability and customer requirements fulfillment (Rushton & Walker, 2019). Through outsourcing logistical activities strategically, organisations are likely to increase overall productivity and gain a competitive edge in competitive market conditions (Lambert & Enz, 2019).

2.11 THE REASONS FOR OUTSOURCING

Outsourcing provides competitive advantages in the value chain because companies can be cost-effective and differentiate themselves from their competitors by utilizing the outsourcing model (Beregszaszi & Hack-Polay, 2021). It is Porter's theory that competitive advantage is derived from a company's ability to lead in terms of cost (Stonehouse & Snowdon, 2019). As a result, if an organisation makes use of a cost-effective platform, it results in the organisation being able to generate a strategic advantage (Beregszaszi & Hack-Polay, 2021).

Organizations entrenched in unfavorable markets become more cost-conscious as a result of innovation and globalisation, as well as innovative solutions. Organizational strategy is changed as a result of this, allowing it to adapt to market conditions more quickly. The influence of technology on businesses can result in accelerated performance, which in turn results in better customer service (Beregszaszi & Hack-Polay, 2021). Outsourcing decisions can be influenced by an organization's goals, corporate strategy, and market size (Birtch, et al., 2010).

To keep costs at a minimum, it is essential that organisations utilize rigorous selection criteria. According to some researchers, organisations need to consider the indirect costs and hidden costs of outsourcing. Additionally, these researchers are of the opinion that outsourcing certain business activities may be the most viable option because it transfers the risk to the service provider, thus making it the most viable option. The mitigation of risk acts as a driver, especially for small enterprise business owners that are more vulnerable to risk (Beregszaszi & Hack-Polay, 2021).

As a change agent or strategic partner in an organisation, one will be able to explore new opportunities for creating excellence by exploring a model that holds a strategic intent (Ulrich, 2018). The organisation needs to release itself from the activities which are not adding value to its business, to be able to focus on the activities that will ensure strategic wealth and value additions to its business. These are the core competencies of the company. As a result, the study focuses on the relinquishment of the organisation's non-core competencies and the cultivation of an outsourced model that facilitates the generation of more strategic direction for the organisation (Barney, 2021).

2.12 THEORETICAL FRAMEWORK

This study is informed by two theories which complement each other in explaining the relationship between the resource-based view and the transaction cost economics (TCE) theory.

2.12.1 RESOURCE-BASED VIEW

Organisations are seen as collections of productive resources (Barney, 2018). Using resources and capabilities effectively can create competitive advantages. Deploying resources can improve efficiency and execute business strategies (Barney, 2019).

As defined by Prahalad and Hamel (2020), core competencies are the coordination of diverse production skills and the integration of several streams of technology. Sanchez and Heene (2019) define core competencies as the skills, strengths, and abilities of people in an organisation In organisations that embrace and implement core competencies, the concept gained traction. Nicolai and Dauwitz (2019) stated that business strategies should be developed and built around core competencies. Concepts should be developed to support the retention of core competencies and the outsourcing of non-core competencies. There is a dilemma about outsourcing some functions. As Lee and Kim (2018) explain, outsourcing and organisational performance have an inverted relationship. Prioritising non-core competencies should be based on an organisation's core operations.

A significant contribution to RBV was made by Barney (1991) on strategic resources, leading to the development of an RBV-based theory based on resource-based analysis. In contrast, the standard RBV does not discuss the reasons and mechanisms by which certain businesses gain a competitive edge in an environment of unpredictable and rapid change (Adner & Helfat, 2022). According to an evolving RBV perspective, companies can gain a competitive advantage by not only utilizing essential assets, but also by building new potential capabilities over time through learning, skill acquisition, and accumulation of tangible and intangible assets.

s a result, companies can gain an advantage over competitors. According to resource-based logic, if a firm owns valuable resources that are difficult to replicate, it can generate a sustained competitive advantage over its rivals (Barney, 1991). Companies can gain a competitive edge by continuously recombining or reconfiguring a wide variety of resources and by developing new applications to satisfy consumer demand (Adner & Helfat, 2022). In Figure 2.1 below, resource-based theory is presented for generating a sustainable competitive advantage.

Figure 2.1: Resource-based theory

Source: [Resource-Based Theory – Mastering Strategic Management – 1st Canadian Edition]

According to RBV, a company's resources include its assets, its business processes, its capabilities, its attributes, knowledge, information, and so on. A company's resources can come from many sources, both within and outside the organisation. The internal resources include R&D capabilities, logistics, brand management, and low-cost processes (Kozlenkova, Samaha, & Palmatier, 2019). The role of suppliers (Lewis et al., 2020), customer demand, and technological change are examples of external resources

In an organisation, resources are divided into three categories: those that pertain to its physical capital, those that pertain to its human capital, and those that pertain to its organisational capital (Barney, 1991). As well as equipment and plant, physical capital resources also include raw materials, geographical location, as well as the technology a corporation employs in its operations.

The human capital resources in an organisation are composed of the experience, intelligence, training, judgement, relationships, and insights of employees, such as managers and workers.

Furthermore, organisational capital resources refer to both the formal structure of a corporation as well as its formal and informal systems, such as planning, managing, and coordinating. The informal interactions that occur between different divisions of a firm as well as the relationships that exist between a corporation and its various business settings also fall under the umbrella of organisational resources. The RBV theorycan also be used to categorize firm resources according to their tangible and intangible assets (Barney, 1991; Molloy et al., 2018). In tangible resources, all assets of an organisation are included, such as monetary profits as well as obvious contributions, such as merchandise and goods (Lyons & Brennan, 2019).

A company's intangible resources include all the assets it possesses related to the access it has to its capabilities and knowledge, as well as its strategic, organisational, and social advantages, as defined by Keranen and Jalkala (2022). The usage of tangible resources might deteriorate over time, and only intangible resources can be used in more than one way at the same time Intangible resources are difficult to trade for example, employee talents or knowledge of business procedures (Molloy et al., 2018).

How the resource-based view theory is linked to outsourcing

Johansson (2020) noted that two factors are considered by the resource-based view of the company: core competence and capability. It is possible to assert that both play a significant role in the decision-making process when it comes to deciding whether to use an external provider for the upkeep of an organisation's information and communication technology (ICT). To illustrate this conclusion, a study of three service providers was conducted along with one consumer associated with each provider.

Johansson (2020) examined the relationship between these characteristics and related those findings to the debate on how organisations maintain and build their competitive advantage. Taking a resource-based perspective on the company can be used to explain the choice, according to Johansson (2020). Furthermore, it improves previous information regarding outsourcing of ICT, for instance by using the transaction cost theory. The use of external providers for the delivery of information and communication technologies (ICT) is receiving attention (Lacity & Willcocks, 2021). During the past few years, outsourcing that occurs offshore has become increasingly popular (Robinson & Kalakota, 2019).

2.12.2 THE TRANSACTION COST ECONOMICS (TCE) THEORY

Businesses use transaction cost economics theory to make informed decisions about whether to outsource (Perunovic & Pedersen, 2019). Business units are conceptualised as organisational structures in transaction cost economics theory. An economist who focuses on transaction costs views alternative modes of arranging transactions (such as markets, hybrids, firms, and bureaucracies) as minimising transaction costs.

According to the transaction cost theory (Williamson, 2020), organisations should structure themselves to minimise exchange fees. The theory says that monitoring, controlling, and managing each type of transaction involves coordination costs. Williamson defines a business economic system's transaction cost as the cost of running it. A decision-maker can compare transaction costs with production costs and decide whether to use a firm structure or seek out sources on the market by comparing transaction costs with production costs. Cost is, therefore, a determining factor in such decisions.

2.13 IDENTIFYING STRATEGIES

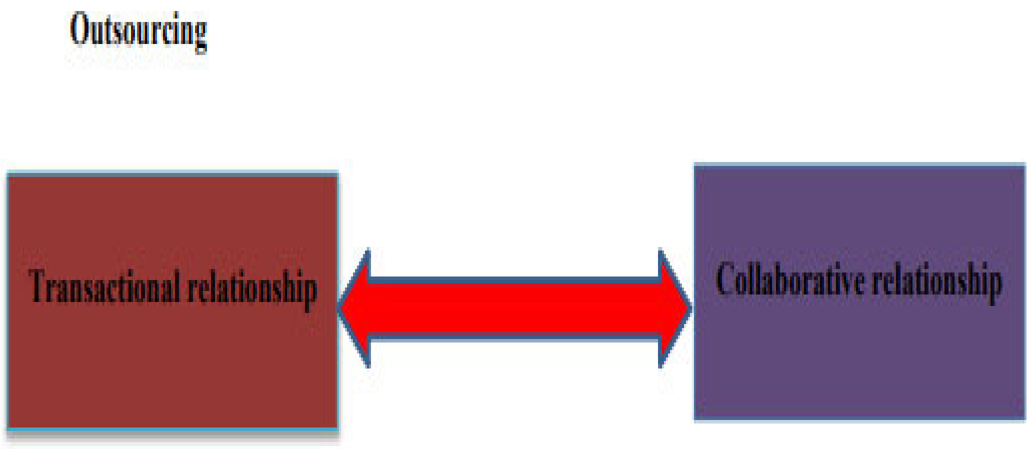
The purpose of this section is to outline the current outsourcing strategies used by the organisations.

2.13.1 BUYER SUPPLIER RELATIONSHIPS

Ulaga & Eggert (2019) define supplier relationship management as the process of evaluating the companies that provide raw materials, finished goods, and services to a company. Additionally, it involves assessing each vendor's dedication to continuous improvement and devising strategies to boost their performance. According to Spekman (2018), the supplier relationship discipline aids in determining the value of each supplier and is generally fundamental to corporate cohesion and continuity. Nagati and Rebolledo (2019) suggest that managers can improve their relationships with suppliers by considering the relative importance of each one.

The type of working relationship an enterprise should strive to build with its suppliers is determined by supplier management, based on how important the goods and services are (Krause, 2019). The ability to cultivate and maintain positive relationships with suppliers is an essential, yet delicate skill for procurement and supply chain managers. According to several studies on supplier relationships, global sourcing techniques allow organizations to access innovations, talents, and competences at lower costs (Jensen & Petersen, 2018; Brandes et al., 2018). Henke, Parameswaran, and Pisharodi (2019) argue that outsourcing has become increasingly important as businesses realize that suppliers play a significant role in their performance and ability to gain a competitive edge. Outsourcing, as illustrated in figure 2.3 below, varies from pure transactional to highly collaborative, according to Ellegaard & Ritter (2020).

Figure 2.3: Buyer supplier relationships



Source: Goffin et al. (2019)

The partnership must be long-term, both parties need to share information, and both parties need to assess its advantages and disadvantages. In light of the increased use of resources, Anderson and Katz (2018) state that ongoing maintenance is required because of the features discussed. Organizations need to determine their optimal mix of suppliers since close collaboration is not possible with the entire supplier base for some purchases. A company should determine its optimal supplier mix according to its results (Dyer & Chu, 2019; Gattorna, Kampstra & Ashayeri, 2019).

2.13.2 SELECTION OF SUPPLIERS

The selection of suppliers is made with consideration given to the likelihood that the selected suppliers have goals that are equivalent to those of the business that is trying to form a partnership with the supplier (Cox, 2021). The process is also ongoing, and management is involved. The goals are closely related to the goals of the organisations in question and are largely influenced by the social qualities of the community. Having a strategic link between two or more organisations will not only allow those organisations to share risk, but also profits and resources. A strategic partnership involves a supplier and a company working together for the common good rather than for their own individual interests. When selecting suppliers of high quality, it is worthwhile to go through this whole process, even though it requires a substantial amount of time and financial resources.

The process of selecting the most suitable provider requires more than simply screening a series of pricing lists (Crown, 2019). In addition to cost-effectiveness, value, dependability, and service level, many other characteristics will determine a company's preference. It is important to note that how a company assesses the significance of the numerous aspects discussed here will depend on its priorities and methodology. When choosing suppliers, a well-planned strategy can assist a business in understanding how potential customers make their purchasing decisions (Gurler, 2020).

2.13.3 SUPPLIER EVALUATION

It is quite common for vendors or contractors to provide raw materials or spare parts of poor quality. The issue of high-quality components or materials is an essential issue for many companies (Ashe-Edmunds, 2019). Several companies need access to suppliers who can provide them with high-quality materials or components. Along with the value of raw materials, price is another key factor that producers consider when making decisions. The reason for this is that it affects the final product's total cost. Despite the fact that the purchase price does not include the entire costs related to the materials and finished product, the procurement department would impose additional costs upon the supplier if the materials sourced are not of a high standard or if the deliveries of the purchases are delayed (Werner, 2018).

Due to this reason, all costs associated with purchasing need to be considered when evaluating suppliers. Apart from the unit price of acquired commodities, these costs also include losses incurred due to poor quality, late deliveries, and other problems. Before deciding to purchase items or services, it is important to evaluate the capabilities of a potential supplier. Further, a buyer is responsible for evaluating existing suppliers' capabilities and risks on a regular basis so that a high-quality standard is maintained, options for upgrading can be established, and any concerns can be handled proactively (Zavrnik, 2020) so that the future is not harmed. Vendors who go above and beyond to fulfil the needs of their clients have been praised by many purchasers.

Some of the additional services that may be provided include after-hours availability, training, and inventory management. A flexible order option allows firms to take advantage of opportunities and avoid crises resulting from rush hours. In some cases, making changes at the last minute is unavoidable, and flexibility is key to navigating those changes successfully (Gordon, 2019). When companies work with suppliers who have exceptional technical know-how, they can constantly improve their products' value and performance, as well as their competitive standing (Arsan, 2019).

2.13.4 SUPPLIER SEGMENTATION

For the management of sustainable supply chain relationships, supplier segmentation is an appropriate marketing technique (Ellram, 2019). During stratification, suppliers are classified according to a distinct set of criteria to gain an in-depth understanding of the buyer's supply base and its essential components, and as a result, resource allocations are adjusted according to the findings gained from the process (Ellram, 2021). To divide suppliers into relevant groups, a buyer must obtain a clearer and more comprehensive image of all of them; following this step, the buyer may focus their limited engagement resources on those groups. When an organisation uses a useful segmentation framework, it can identify suppliers who pose the greatest danger or opportunity for the firm. Supplier segmentation allows an organisation to categorize its suppliers into several categories, each with different requirements, traits, or behaviors (Thomas, 2020).

Differentiating suppliers from one another, establishing supplier stratification teams, cross-checking supplier segments, and establishing opportunities with suppliers are all important components of supply relationship management strategies. Commodity and service covenants are advancing, agreements are being reached, performance outcomes are quantified, and information about suppliers' profitability and expenditures is being prepared. Stratification of suppliers is one of these important components (Anderson & Katz, 2018).

2.13 CONCLUSION

This chapter reviewed the literature on outsourcing and related concepts. It focused on supply chain management and explored different theoretical perspectives on outsourcing. It then discussed why outsourcing could be crucial for organisations to survive. The following section presents the methodology used to present the results.

CHAPTER THREE:

RESEARCH METHODOLOGY AND DESIGN

3.1 INTRODUCTION

Research methodology is the specific procedures and techniques that researchers use to collect, analyses and interpreted data. This chapter gives an outline of the research methods that were followed, as well as the approach used to accomplish all the goals outlined in the first chapter.

This chapter describes the research design, research techniques, data collection procedures, data analysis, and presenting methods used. In addition, the chapter discusses the data collection instruments and how they were used to acquire information and thereby meet the research objectives. The research methodology focused on sampling strategies, data gathering, and data analysis.

3.2 RESEARCH PHILOSOPHY

According to Mgammal (2020), research philosophy refers to the set of beliefs, principles, and assumptions that guide the researcher's approach to conducting research. In addition, research philosophy encompasses fundamental concepts such as ontology, epistemology, axiology, and paradigms. Research philosophy is crucial as it influences the researcher’s worldview, choice of methodology, data collection techniques, and interpretation of findings (Mauthner, 2020). This allows the researcher to engage in critical reflection, challenge dominant paradigms, and contribute to the advancement of knowledge within their field. There exist various research philosophies but the main ones are positivism, pragmatism, and interpretivism (Turyahikayo, 2021). Positivism research philosophy was adopted to answer the research questions.

3.2.1 INTERPRETIVISM RESEARCH PHILOSOPHY

Interpretivism emphasizes the importance of understanding the subjective meanings and interpretations that individuals attach to their social reality (Tamminen & Poucher, 2020). In addition, Aithal (2022) posits that interpretivism acknowledges that reality is socially constructed and that researchers must interpret and make sense of this reality through the eyes of the participants. Interpretivism is used in qualitative research methods such as interviews, observations, and case studies where the focus is on exploring and understanding the complexities of human experiences, behaviours, and interactions (Turyahikayo, 2021). Researchers using interpretivism seek to uncover the multiple perspectives and meanings that individuals attribute to their lived experiences.

3.2.2 PRAGMATISM RESEARCH PHILOSOPHY

Pragmatism is a philosophical approach that emphasises practical consequences, problem-solving, and the integration of different perspectives (Park, Konge & Artino, 2020). Positivism research philosophy values the application of ideas in real-world contexts and focuses on what works in practice rather than adhering strictly to theoretical principles (Mauthner, 2020). Pragmatism is employed in mixed-methods research designs where researchers combine qualitative and quantitative approaches to address research questions comprehensively. Pragmatists value the flexibility to use multiple methods and theories to achieve research goals and emphasise the importance of adapting research strategies based on the specific context and objectives (Park, et al., 2020).

3.2.3 POSITIVISM

This research employed positivism research philosophy because positivism is a philosophical stance that emphasizes the use of empirical evidence, scientific methods, and objectivity in the pursuit of knowledge (Mauthner, 2020). In addition, positivism research philosophy assumes that there is an objective reality that can be observed, measured, and understood through systematic observation, measurement, and experimentation (Aithal, 2022). Positivism is used in quantitative research methods such as surveys, experiments, and statistical analyses where researchers aim to test hypotheses, establish causal relationships, and generalise findings to broader populations (Park, et al., 2020). This study adopted a quantitative research approach which is supported by the positivism research philosophy. Furthermore, positivism was used because Madden (2022) state that it prioritises objectivity, replicability, and the use of standardized procedures to ensure the reliability and validity of research outcomes.

3.3 RESEARCH DESIGN

According to Tomaszaweski, Zarestky, and Gonzalez (2020) research design refers to the overall strategy that outlines the approach to be used in integrating different study components in a coherent and logical way. A research design is crucial in management of research and practice as it provides a framework for conducting the study, ensuring that the research is systematic, well-organized, and effectively addresses the research questions and objectives (Siedlecki, 2020). There are different research designs, and the most common ones includes descriptive, exploratory, experimental, longitudinal, cross-sectional, action research, cohort, and casual design (Pawar, 2020).

A descriptive research design was used. According to Pawar (2020), a descriptive study involves studying phenomena and population characteristics. Descriptive research design allows the researcher to depict the status of the phenomenon in the areas or population being investigated (Kosie & Williams, 2020). Therefore, descriptive research design was selected because it showed the characteristics of the population regarding the patterns or links between outsourcing and operational efficiency and effectiveness.

3.4 RESEARCH APPROACH

This study adopted a quantitative research approach as part of its research methodology. Research approach refers to the specific framework or methodology used in conducting research studies (Creswell, 2015). Stratton, (2021) states that a research approach is important as it involves the systematic and structured plan that guides researchers in collecting data, analysing information, and drawing meaningful conclusions. There are various research approaches such as quantitative, qualitative, and mixed methods, each with its own set of principles and techniques (Cresswell, 2015). Qualitative research refers to exploring and understanding the underlying reasons, motivations, and opinions behind a phenomenon Pawar (2020). In addition, Kosie and Williams, (2020) state that qualitative research approach involves collecting non-numeric data such as text, images, and observations to gain insights into the subject matter. Qualitative research is typically used to uncover trends, patterns, and relationships, providing a deep understanding of complex issues.

According to Khathri (2020), mixed methods research approach involves a combination of both qualitative and quantitative research approaches. Mixed methods research approach seeks to provide a comprehensive understanding of the research topic by integrating the strengths of both qualitative and quantitative data collection and analysis methods (Kosie and Williams, 2020). Mixed methods research approach permits the researchers to gather both numerical data and subjective insights to form a well-rounded perspective on the research problem. Taherdoost (2022) views quantitative methods as methods for employing numerical values obtained from observations to explain and describe phenomena that the observations can reflect on them.

Quantitative research focuses on collecting and analysing numerical data to quantify relationships and patterns (Kathri, 2020). Pawar (2020) states that quantitative research approach aims to measure variables, quantities, and amounts to support hypotheses and predictions. Therefore, quantitative research was used because of its ability to conduct systematic empirical investigations based on quantitative data and their relationships. A quantitative approach was selected because it mathematically shows the relationship between outsourcing operational efficiency and effectiveness.

3.5 TARGET POPULATION

The target population is defined as a group of individuals the researcher aims to study (Babbie 2014). According to Majid (2018), a target population is a population of interest, while they are typically defined by their geographic location or other demographics. The target population was made up of 30 potential participants employed by Pioneer Foods (Pioneer Foods Handbook, 2022). The target population pool consisted of Pioneer Foods' operations management representatives, including top management, middle management, and supervisors in one of their distribution centres in Durban, KwaZulu-Natal.

3.6 SAMPLING AND SAMPLE

Sampling is defined as the process of selecting an individual or group of individuals from a large population for research purposes (Berndt, 2020). Sampling involves selecting a subset of individuals from a larger population to represent and study characteristics of that population (Maboee, 2022). Sampling is an essential tool in research, especially when dealing with large populations, as it allows researchers to gather data efficiently and effectively without having to study every single member of the population. The purpose of sampling according to Berndt (2020) is to select a subset of individuals from a larger population to gather data and draw conclusions about the population. According to Ustafa (2020), the two primary categories of sampling techniques are non-probability and probability. This study used probability sampling.

3.6.1 PROBABILITY SAMPLING

Probability sampling is a type of sampling method in research where each member of the population has a known and non-zero chance of being chosen in the sample Bhardwaj (2019). This method ensures that the sample is representative of the entire population allowing for generalisability of results. In this investigation, the probability sampling method was used because probability sampling allows for statistical inferences to be drawn about the entire set of operational effectiveness and efficiency measures, as well as outsourcing.

Probability sampling has four techniques which are stratified random sampling, simple random sampling, cluster sampling and systematic sampling (Bhardwaj, 2019). A simple random sampling technique was employed. Stratton (2021) states that in simple random sampling, participants are selected at random from the population which ensures that everyone has an equal probability of being chosen and involved in a study. In addition, Cooper, & Schindler (2014) concur that simple random sampling technique focuses on selecting a sample from a population in a way that every individual had an equal chance of being chosen. Through a lottery method, a computer generated a number for each member population and the numbers were randomly picked. Simple random sampling was used because of its merits which includes providing a representative sample, minimization of bias, and it allows for statistical inferences (Stratton, 2021).

3.6.3 DETERMINATION OF SAMPLE SIZE

Bhardwaj (2019) defines sample size as the number of individual subjects included in a study. The sample size is a crucial part of the research study as it determines reliability and generalizability of results (LoBindo-Wood & Haber, 2018). This was calculated using Yamane's (1967:886) formula, $n = N/1+N(e)^2$, where N represented the population size, n represented the sample size, e represented the level of precision with a 95% level of confidence.

$$n = \frac{N}{1+ N(e)^2}$$

n = sample size required

N = population size

e = alpha level, e = 0,05 when the confidence interval is 95%

$$n = \frac{30}{1+30(0.05)^2}$$

$$\frac{30}{1+30(0.0025)}$$

$$\frac{30}{1+0.075}$$

$$\frac{30}{1.075}$$

=27.906.

Therefore, n=28.

A sample of 28 respondents was selected using the Yamane sample size calculator.

3.7 RESEARCH INSTRUMENT

According to Oben (2021), a research instrument is defined as a scientific and systematic designed tool that is utilised in the collection, measurement and analysis of data related to research interests and alignments. A research instrument is selected based on the type of study that is being conducted (Maboee, 2022). The types of study can either be qualitative, quantitative, or mixed-method research. There are various types of research instruments which include surveys, tests, questionnaires, interviews, focus group discussions and experiment as well as observation forms (Oben 2021).

Since this research used quantitative research approach, a closed-ended questionnaire was used to collect the data. The design of the questionnaire had two sections; section A had 5 demographic questions and section B had 35 questions on outsourcing, factors driving outsourcing, challenges associated with outsourcing, operational effectiveness, and operational efficiency. The section B questions followed a five-point Likert Scale ranging from strongly agree, agree, neutral, strongly disagree and disagree. The researcher carefully crafted the questions in the questionnaire to enable them to ask for data which enable the research to fulfil its objectives. The questionnaire was used because its cost effective, data is quantifiable which makes it easy to analyse, respondents can complete it anytime, anywhere and at their convenience (Moyo, 2017).

3.8 PILOT STUDY

A pilot study is a smaller version of a study, used to test the effectiveness of the research design and the suitability of methods (Malmqvist, 2019). The study selected a sample of 20 homogeneous participants that were not part of the main study as the sample for the pilot study. Kumar (2014) states that the respondents selected for the trial run should be homogeneous and represents the target population about subject matter knowledge, intellectual ability, and attitude. The participants were selected to assist in the identification and correction of errors and to eliminate any ambiguity and biases that may have been associated with the research instrument. The results of the pilot study were used to make necessary changes to the research design before the study was conducted on a larger scale. The pilot survey was carried out before the main data collection.

3.9 VALIDITY AND RELIABILITY OF THE RESEARCH INSTRUMENT

Reliability and validity express different properties of the measuring instrument, yet they are closely related (Sűrűcű and Maslakçi, 2020). Validity and reliability are two significant components to be considered when evaluating the measuring instrument. According to Kellar and Locke (2018), it is important to ensure that the validity and reliability of research instrument to conduct a successful study. Mackey and Gass (2018) state that without validity and reliability, the results would not be trustworthy and could not be used to draw meaningful conclusions.

3.9.1 VALIDITY

Haig (2018) defines validity as the extent to which an empirical measure is an accurate representation of the concept that is being studied. There exist several types of validity tests that can be performed to assess the goodness of measures, which include content validity, criterion-related validity, and construct validity (Trochim & Donelly, 2018). The different types of validity and how it was ensured are discussed below:

- **Face Validity** refers to the extent to which a test is subjectively viewed as covering the concept it purports to measure, (Schmidt, 2018). The research instrument is said to have face validity when the included questions are unambiguous, clear reasonable and relevant. To ensure the research instruments used had face validity, the questions were closely related to the constructs being measured.

- **Content Validity** is defined as the extent to which a research instrument covers all relevant aspects of the concept being measured (Trochim, 2018). Content validity assesses whether a test is comprehensive and covers all the crucial aspects of the construct being measured. To ensure content validity, a pilot study was carried out to have experts review the research instrument for feasibility, reliability, and validity.

- **Criterion Validity** is established by comparing scores on an instrument with an external criterion known to measure the same construct (Terenzini, 2018). Criterion validity cannot be easily measured because it is difficult to find an external measure that perfectly aligns with the construct being measured. Due to this challenge criterion validity is usually used in conjunction with other forms of validity such as construct validity.

- **Construct Validity** is a way of assessing how well a research instrument measures the theoretical construct it is designed to measure (Allbright, 2018). To ensure construct validity this research used factor analysis. According to Byrne (2018), factor analysis is a psychometric technique used to reduce many variables to a smaller number of factors, with each factor representing a common source of variation among the observed variables.

3.9.2 RELIABILITY

According to Macnara (2018) reliability is defined as the extent to which a measurement produces consistent and accurate results. Reliability is a crucial consideration in any research study, as it guarantees that the results are not influenced by factors such as measurement error or inconsistencies in the data collection process (Mackey & Gass, 2018). Macnara (2018) states that to evaluate reliability, researchers can use a range of methods, such as test-retest reliability, parallel-forms reliability, internal consistency reliability, inter-method reliability, and inter-item reliability. Each of these methods has advantages and limitations, and the choice of a method to use will depend on the nature of the study. The methods are discussed in detail below:

- **Internal consistency** refers to the extent to which different items within a measure are related to each other (Bachman, 2018). Internal consistency was assessed using a measure called Cronbach's alpha, which is a statistical test that calculates the average correlation between all possible pairs of items within a measure (Brown, 2018). A Cronbach's alpha value of 0.70 or higher indicates good internal consistency (Brown, 2018).

- **Test-retest reliability** is the extent to which a research instrument produces the same results when administered multiple times (Bachman, 2018). Test-retest reliability is measured using a Pearson correlation coefficient, a statistical test that calculates the strength of the relationship between two sets of scores (Berg & Hagerty,2018). A Pearson correlation coefficient of 0.70 or higher indicates good test-retest reliability (Berg & Hagerty, 2018). Test-retest reliability was ensured by testing the research instrument during pilot study and during data collection producing the same results.

- **Inter-rater reliability** refers to the extent to which different observers provide the consistent ratings for the same set of data (McCrae & Costa, 2018). It is crucial to establish inter-rater reliability when multiple raters are involved in a research study, to ensure that the results are not influenced by rater bias (McCrae & Costa, 2018). The pilot study was used to determine the inter-rater reliability.

3.10 DATA COLLECTION METHOD

One of the most crucial decisions that each researcher must make is selection of a method for data collection (Mwita, 2022). Data can be collected physically or virtually (Taherdoost, 2022). The researcher physically gathered the data from the participants in person (Courtney & McCutcheon, 2018). The personal method was employed because it is associated with a high response rate. During the process of collecting data, messages requesting members of the population to participate were circulated via emails and phone messages notifying the participants about the date and time which the questionnaires were distributed and when they will be collected by the researcher.

The participants who expressed their willingness to participate were given a letter of information (Appendix B) which provided detailed information pertaining to the study, a consent form (Appendix C) and a questionnaire (Appendix E). A cover letter briefly outlining the study's aims was also enclosed with the questionnaire and physical copies were distributed to the participants. The participants signed the informed consent form to show that they were fully informed about the study details and they voluntarily participated. The questionnaire took an approximate of 15-30 minutes to complete and the participants were given 14 working days to complete the questionnaire after which the researcher collected the completed questionnaires.

3.11 DATA ANALYSIS

Data analysis is the process of creating a meaningful narrative, insight, patterns, trends, and conclusion about a phenomenon from the given data (Sattineni, 2015The primary data was captured to form a data set using Microsoft Excel and the analysis was conducted using the Statistical Package for the Social Sciences version 29. Data analysis was conducted through descriptive and inferential statistics. Descriptive statistics describe a dataset's properties. According to Goertzen (2017), researchers must use descriptive statistics before making formal inferences. Data was presented in the form of tables, pie charts and bar-graphs. Means, standard deviations and percentiles were the main tests that were used under descriptive statistics. Regression analysis and *t*-tests were the main tests employed for inferential data analysis to measure the relationship between outsourcing, operational effectiveness, and efficiency.

3.12 RESEARCH ETHICS

Ethical considerations in research refer to the principles that direct and guide the research project (Fleming and Zegwaard, 2018). The key focus of ethics is to protect the rights and welfare of participants while also ensuring that research is carried out in a responsible and ethical manner. There exist several research ethics principles that should be followed during research (Arifin, 2018). The following research ethics were observed.

Informed consent

Informed consent is one of the key research ethics, it refers to the process of adequately informing and explaining the research, its objectives, processes, and procedures to the participants as well as allowing them the freedom to choose whether they want to take part in the research or not (Kothari, 2020). The participants were given a letter of information (Appendix B) which provided detailed information pertaining to the study and a consent form (Appendix C) which they signed. This research ensured that the respondents' rights were adequately protected by obtaining informed consent and following the institutional ethical guidelines. The respondents were given a chance to ask questions and clarifications pertaining to the research.

Confidentiality and anonymity

According to La Bella (2018), the protection of data privacy and confidentiality is a cornerstone of the social contract between researchers and participants. As a result, the responses of the participants were treated confidentially, and no names or ethnicity, or any information that can be used to identify the respondents definitively were required for the data collection process.

Permission to conduct the study

Permission to carry out a study was secured from the Human Resource Manager of the selected Fast-Moving Consumer Goods Company. The approval was issued in the form of a letter known as the gatekeeper’s letter.

Data storage and protection

Collected information should be kept secure and should be stored away in a way that ensures confidentiality (Lazarus et al., 2018). The collected hard copy questionnaires will be kept in a locked safe for 5 years, as a measure for data protection. The captured data will also be stored in a password protected laptop for 5 years. Thereafter, the hard copies of the questionnaires will be shredded, and captured data will be permanently deleted.

3.13 CONCLUSION

This chapter provided a review of the research design and methodology. The quantitative research design was chosen as the relevant research approach. This was followed by a detailed discussion of the method used to collect primary data and techniques that were chosen for presenting the data collected for the study purpose. The next chapter (Chapter 4) presents and discusses the results considering the study objectives.

CHAPTER FOUR:

PRESENTATION AND DISCUSSION OF RESULTS

4.1 INTRODUCTION

The findings are shown and discussed in this chapter. At two distribution sites in KwaZulu-Natal, information was gathered from operations management representatives of Pioneer Foods, including executive, top, middle, and lower management. To provide inferential and descriptive statistics, the data was collected and examined using the Statistical Package for Social Science (SPSS version 28).

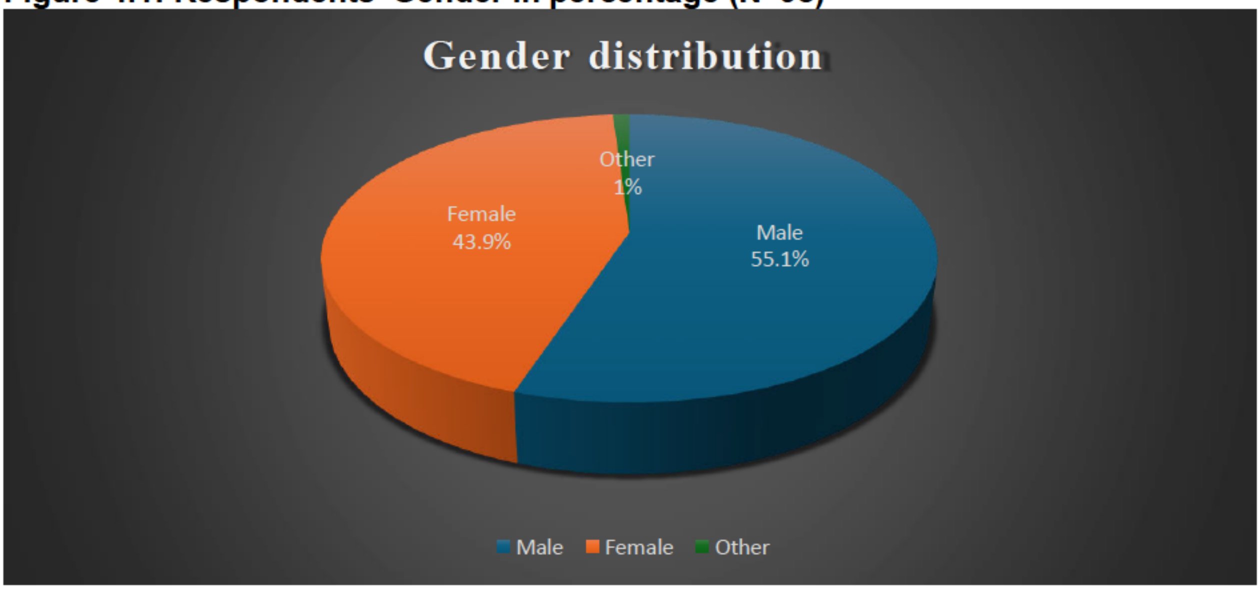
4.2 RESULTS

To achieve these goals, the questionnaire was divided into six sections, each including items on a 5-point Likert scale intended to elicit information from the respondents. Nonetheless, a section asking for the biographical details of the above-mentioned responses came before these six sections. The findings are now stated below.

4.2.1 Demographic Data

i. **Gender**

Figure 4.1: Respondents' Gender in percentage (N=98)



The data presented in Figure 4.1, shows that 55.1% of respondents identified as male and 43.9% as female. A 1% of the sample chose to identify as "Other." This distribution shows that there is an almost equal proportion of male and female respondents.

Women according to Padayachee (2019), have been dedicated to creating a diverse and inclusive workplace. This dedication extends beyond mere adherence to outsourcing business. Their aim as stated by Rudman and Aldrich (2021) is to establish a culture where each worker feels heard and appreciated. According to Blom, Jahed and Vyas-Doorgapersad (2023), encouraging diversity has allowed women to access a diverse array of viewpoints and ideas, which has sparked innovation and enhanced services delivery.

Figure 4.2: Respondents' Age Category in percentage (N=98)

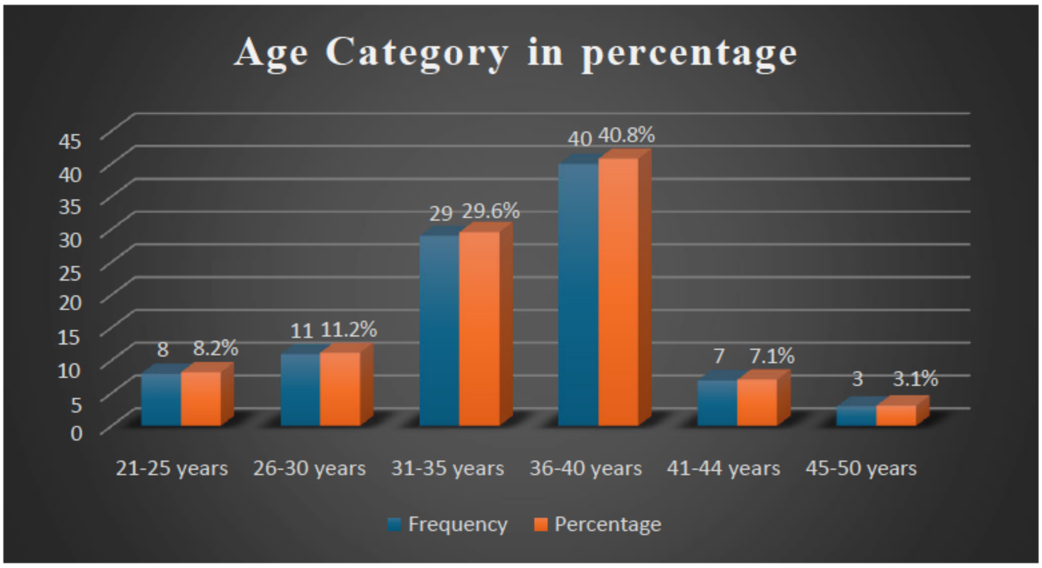
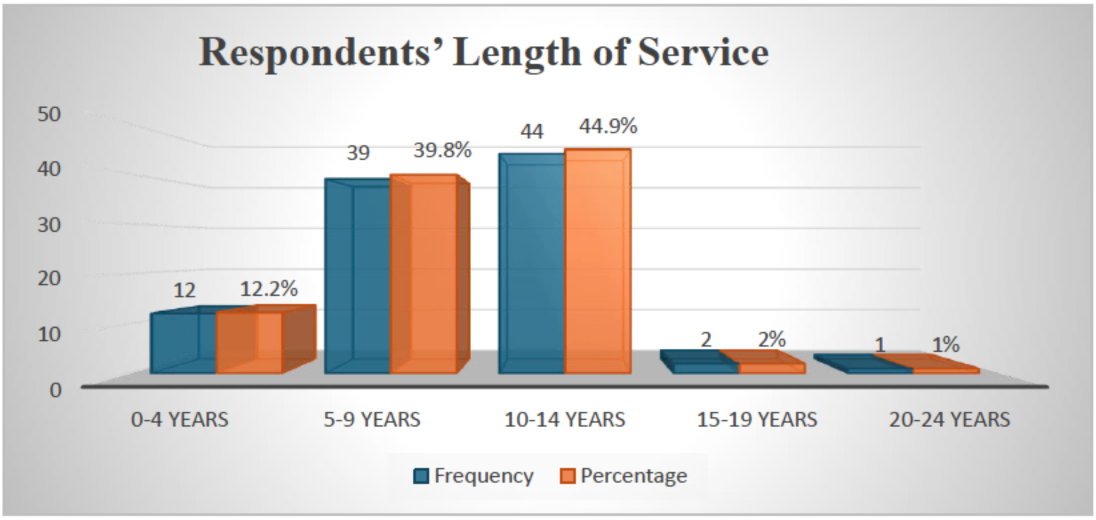


Figure 4.2 indicates that 40.8% of respondents are in the 36–40 age bracket, followed by 29.6% in the 31–35 age range. The younger age groups (21-25 and 26-40) make up 8.2% and 11.2% of the sample.

Young people according to Mseleku (2022), are eager to work, contribute, and share their ideas and opinions with others in outsourced operations. Developing them comes with sacrifice and commitment. Most of this engagement needs a substantial investment of time, energy, and funds. Because outsourcing gives businesses more time to train new hires and teach them about the company's goods and services, it can improve employee competency. Organisations must always motivate the employees and put their welfare at the forefront to inspire them to talent acquired from outsourced operations into use if they are to deliver their best ability (Mseleku, 2022).

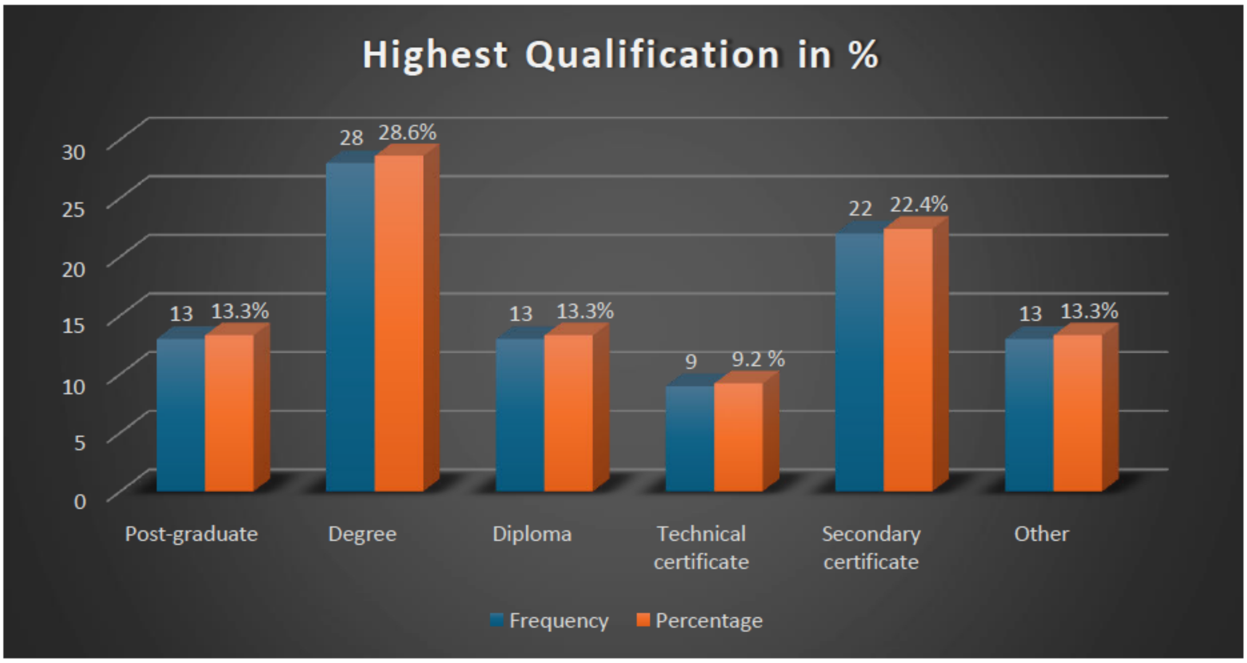
Figure 4.3: Respondents' Length of Service in Percentage (N=98)



The results in Figure 4.3 above specify that when reflecting the length of service, the largest group of respondents has worked for 10-14 years (44.9%), while 39.8% have worked for 5- 9 years. A smaller proportion, 12.2%, have worked for 0-4 years, and the remaining categories (15- 19 years and 20-24 years) have minimal representation. This suggests that most respondents are still in the process of acquiring their work experience.

According to Neall, Cooney and Oppert (2022), effective outsourcing rests on successfully engaging and supporting existing employees as they navigate the transformation. This starts at the top, with executive alignment on the strategy underpinning the outsourcing crucial to avoid pockets of resistance.

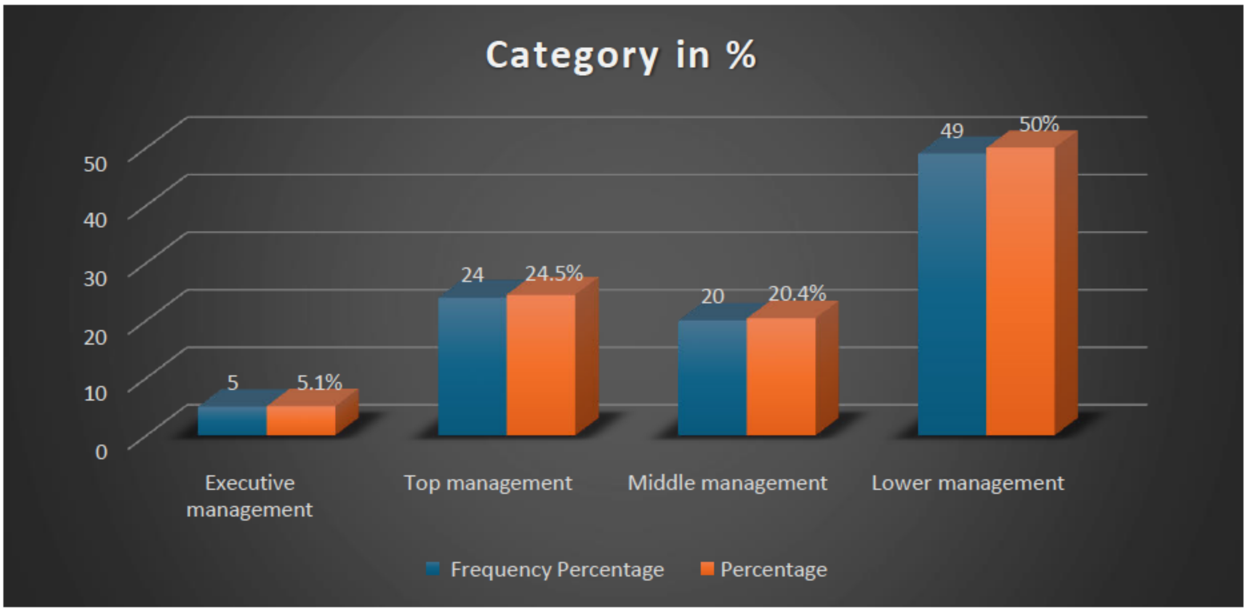
Figure 4. 4: Respondents' highest qualification (N=98)



A degree is the most prevalent qualification among responders (28.6%), as shown in Figure 4.4 above. In the sample, 22.4 percent have a secondary certificate, and 13.3 percent have a diploma or a post-graduate degree. Ninety-two percent of the group has a technical certificate. A combination of intellectual and technical skills is evident among respondents, as shown by their diverse educational backgrounds.

Outsourcing has proven by Aithal and Maiya (2023) to be advantageous since the use of education helps all parties involved. Having educational knowledge enables organisations, entities, and enterprises to concentrate on their core competencies, promote innovation, and fill up knowledge or skill gaps in particular fields. The advantages of outsourcing are also starting to be recognised by institutes. Educators concentrate on teaching, which is their primary competency; domain specialists, on the other hand, provide the most recent knowledge, resources, and abilities to assist learners in advancing their performance and skill set. The attained knowledge on outsourcing is a breath of new air, expanding each learner's horizons of opportunities to enhance student performance, school reputation, and business ventures (Aithal & Maiya, 2023).

Figure 4.5: The category you fall into within the organisation



Based on organisational categories (refer to Figure 4.5), 50% of respondents are in lower management, 24.5% are in top management, and 20.4% are in middle management. Just 5.1% of them are in executive management. This distribution shows a notable concentration of respondents in managerial and operational positions, especially in lower and upper management.

Balková, Lejsková and Ližbetinová (2022) have observed that lower-level managers place more focus on completing tasks and producing results. For those under their supervision, they serve as role models. They aid in resolving employee protests and organisational discrepancies.

4.3 CENTRAL TENDENCY MEASURES

The degree to which the distribution of the constructs is centred was evaluated using measures of central tendency (Cox, 2021). A 5-point Likert scale where the value 1 corresponds to "Strongly Disagree" and the value 5 corresponds to "Strongly Agree" was employed to assess the variables, outsourcing, factors that drive outsourcing, challenges associated with outsourcing, operational effectiveness, and operational efficiency. As a result of the data not being normally distributed, the study chose the median.

Moreover, the 5-point Likert scale utilised to assess the constructs, functions as an additional crucial metric for a central tendency. When placed in numerical order, the dataset's centre value is indicated by the median. In this instance, if the constructions' median score is 3, it means that half of the respondents gave a score of 3 or less, suggesting a propensity to be ambivalent or disagree with the claims. On the other hand, the other 50% of participants indicated a propensity to either agree with the claims or remain neutral by assigning a score of 3 or above. Thus, a median score of less than three denotes a tendency among respondents to be neutral or disagree with the statements about the constructs, while a median score of three or more denotes a tendency to be neutral or agree with the assertions.

4.3.1 OUTSOURCING

The following results relate to questions that aimed to test the respondents' knowledge of outsourcing at Pioneer Foods.

Table 4.1 Outsourcing

Outsourcing of back-office activities is crucial in our organisation					**Overall Median**	**Overall Std. Deviation**
	N	%	Median	Std. Deviation		
Strongly disagree	2	2	4,00	0,753	4,17	0,594
Disagree	3	3				
Agree	66	66				
Strongly agree	29	29				
Total	100	100				
Outsourcing of primary activities is crucial in our organisation.						
	N	%	Median	Std. Deviation		
Strongly disagree	1	1	4,00	0,680		
Disagree	4	4				
Agree	73	73				
Strongly agree	22	22				
Total	100	100				
Outsourcing of financial reporting is crucial in our organisation.						
	N	%	Median	Std. Deviation		

Strongly disagree	1	1	4,00	0,691		
Disagree	4	4				
Agree	71	71				
Strongly agree	24	24				
Total	100	100				
Outsourcing tax processing is crucial in our organisation.						
	N	%	Median	Std. Deviation		
Strongly disagree	1	1	4,00	0,706		
Disagree	4	4				
Neutral	1	1				
Agree	69	69				
Strongly agree	25	25				
Total	100	100				
Outsourcing of cleaning services is crucial in our organisation.						
	N	%	Median	Std. Deviation		
Disagree	5	5	4,00	0,672		
Agree	67	67				
Strongly agree	28	28				
Total	100	100				
Outsourcing of information technology is crucial in our organisation.						
	N	%	Median	Std. Deviation		
Strongly disagree	1	1	4,00	0,707		
Disagree	4	4				
Agree	68	68				
Strongly agree	27	27				
Total	100	100				
Outsourcing of legal services is crucial in our organisation.						
	N	%	Median	Std. Deviation		
Disagree	5	5	4,00	0,662		
Agree	69	69				
Strongly agree	26	26				
Total	100	100				
Outsourcing transportation is crucial in our organisation.						
	N	%	Median	Std. Deviation		
Strongly disagree	1	1	4,00	0,716		
Disagree	4	4				
Neutral	1	1				
Agree	67	67				
Strongly agree	27	27				

Total	100	100				
Outsourcing advertisements is crucial in our organisation.						
	N	%	Median	Std. Deviation		
Disagree	5	5	4,00	0,709		
Agree	58	58				
Strongly agree	37	37				
Total	100	100				
Outsourcing of security services is crucial in our organisation.						
	N	%	Median	Std. Deviation		
Disagree	5	5	4,00	0,682		
Agree	65	65				
Strongly agree	30	30				
Total	100	100				

Based on median assessments, Table 4.1 presents the respondents' opinions about how important it is to outsource certain business functions. A median score of 4 indicates that, for back-office operations, 29% strongly agree and 66% of respondents agree that outsourcing is essential. A median score of 4 is obtained for primary activities, wherein 73% of respondents agree and 22% strongly agree that outsourcing is significant. Strong support for outsourcing is also seen in financial reporting, with a median score of 4 indicating 71% agreement and 24% strong agreement. The constant median ratings seen in many categories indicate that most respondents saw outsourcing as an essential activity in their organisation. There is agreement regarding the importance of outsourcing across a range of functions, as evidenced by the overall median score of 4 and a standard deviation of 0.594.

Enhancing operational effectiveness and minimizing expenses according to Austin-Egole and Iheriohanma (2021) are the main objectives of back-office outsourcing services. Behind the scenes, back-office activities ensure smooth operations and are the intricate backbone of any organisation. These functions are crucial to a company's performance even if they do not require direct customer engagement like their front office or other client-facing equivalents.

Furthermore, workflows as stated by Dimaculangan and Marla (2024) are organized and systems designed to make jobs easier to use and integrate all of these functions. They can include everything from detailed customer support ticketing procedures to automated data management pathways. Due to client interactions, customer support may straddle the front office line at times, but its primary function is to guarantee that customers are completely satisfied, whether through problem-solving, return processing, or achieving service quality requirements (Sampson and dos

Santos 2023; Aladwan 2024).

4.3.2 FACTORS THAT DRIVE OUTSOURCING

The following section sought to address the first research objective: the factors that drive outsourcing at Pioneer Foods.

Table 4.2 Factors that drive outsourcing

We do not have adequate expertise to perform some work in this organisation.					Overall Median	Overall Std. Deviation
	N	%	Median	Std. Deviation		
Strongly disagree	1	1	4,00	0,672	4,08	0,578
Disagree	3	3				
Agree	69	69				
Strongly agree	27	27				
Total	100	100				
We do not have adequate technology to perform some work in this organisation.						
	N	%	Median	Std. Deviation		
Disagree	4	4	4,00	0,620		
Agree	71	71				
Strongly agree	25	25				
Total	100	100				
We do not have adequate time to perform some work in this organisation.						
	N	%	Median	Std. Deviation		
Disagree	5	5	4,00	0,737		
Neutral	2	2				
Agree	54	54				
Strongly agree	39	39				
Total	100	100				
We outsource some work to avoid corruption.						
	N	%	Median	Std. Deviation		
Strongly disagree	2	2	4,00	0,920		
Disagree	12	12				
Agree	67	67				
Strongly agree	19	19				
Total	100	100				
We do not have adequate specialised machinery to perform some work in this organisation.						

	N	%	Median	Std. Deviation
Strongly disagree	2	2	4,00	0,790
Disagree	8	8		
Neutral	1	1		
Agree	77	77		
Strongly agree	12	12		
Total	100	100		

Table 4.2 assesses the factors driving outsourcing decisions in the organisation. The findings yield a median score of 4, with 69% of respondents agreeing and 27% strongly agreeing that a lack of expertise is a justification for outsourcing. In a similar vein, 71% of respondents agree and 25% strongly agree that outsourcing is a result of inadequate technology, with a steady median score of 4. Another significant aspect that came to light was time restrictions, with 39% strongly agreeing and 54% agreeing, yielding a median score of 4.

All assertions combined have a median score of 4, and the standard deviation is 0.578, suggesting that most people confirmed that these issues have an impact on the organisation's outsourcing policies (Cox, 2021). Concerns about corruption may also influence outsourcing decisions, as evidenced by the 67% and 19% strongly agree responses to the statement, "We outsource some work to avoid corruption." Furthermore, concerning specialised machinery, the median score was 4, with 77% agreeing and 12% strongly agreeing that its absence requires outsourcing. Together, these findings point to important operational and resource-related aspects that affect the organisation's outsourcing practices.

Outsourcing as stated by Edvardsson, Óskarsson and Durst (2021) not only influences duties, overhead costs and efficiency, but it also affects the workforce. Outsourcing can be an excellent source for assisting in evading operative tension and conflict. However, to prevent distortion of the concept and employee anxiety regarding job security, the organisation or business leader's plan for outsourcing must be made explicit (Edvardsson, Óskarsson and Durst 2021).

4.3.3 CHALLENGES ASSOCIATED WITH OUTSOURCING

The following results relate to questions that aimed to test the respondents' ability to identify challenges associated with outsourcing.

Table 4.3 Challenges associated with outsourcing

There is a lack of sub-contractors with the necessary equipment and machines required in our organisation.					Overall Mean	Overall Std. Deviation
	N	%	Median	Std. Deviation		
Disagree	5	5	4,00	0,667	4,20	0,596
Agree	68	68				
Strongly agree	27	27				
Total	100	100				
Interchanging cost of commodities and supply from our sub-contractors affects us negatively.						
	N	%	Median	Std. Deviation		
Strongly disagree	1	1	4,00	0,694		
Disagree	5	5				
Agree	75	75				
Strongly agree	19	19				
Total	100	100				
We face difficulties in monitoring the legislative compliance of our sub-contractors						
	N	%	Median	Std. Deviation		
Disagree	7	7	4,00	0,700		
Agree	72	72				
Strongly agree	21	21				
Total	100	100				
We put extra effort into monitoring the service delivery of the sub-contractors						
	N	%	Median	Std. Deviation		
Disagree	7	7	4,00	0,723		
Agree	68	68				
Strongly agree	25	25				
Total	100	100				
We spend a lot of time vetting and selecting the best service provider.						
	N	%	Median	Std. Deviation		
Disagree	6	6	4,00	0,706		
Neutral	1	1				
Agree	67	67				
Strongly agree	26	26				
Total	100	100				

Table 4.3 reports the difficulties that come with outsourcing and identifies several important concerns. The highest percentage of agreement is observed in the item "We face difficulties in monitoring the legislative compliance of our sub-contractors," with 72% of respondents agreeing

and 21% strongly agreeing. This poses a significant concern regarding the ability to ensure that sub-contractors adhere to legal requirements. Another notable issue is "We put extra effort into monitoring the service delivery of the sub-contractors," where 68% agree and 25% strongly agree, indicating that monitoring service quality is a considerable challenge.

Additionally, "Interchanging cost of commodities and supply from our sub-contractors affects us negatively" shows 75% agreement and 19% strong agreement, reflecting the impact of fluctuating costs on the organisation. With a standard deviation of about 0.70 and an overall median score of 4.00 for these problems, there is a moderate degree of agreement between these concerns. Although individual responses may vary, the median indicates that respondents perceive these issues as substantial in general (Cox, 2021).

One tactical strategy as stated by Pereira, Munjal and Ishizaka (2019) for increasing corporate competitiveness and efficiency is outsourcing. However, an organisation may greatly improve its chances of having a successful outsourcing experience by identifying typical difficulties and putting the answers into practice. Solid collaboration, clear communication, and thorough preparation are essential for navigating the outsourcing environment and benefiting from its advantages.

4.3.4 OPERATIONAL EFFECTIVENESS

The results below pertain to questions that sought to test the level of operational effectiveness of the respondents.

Table 4.4 Operational effectiveness

We outsource some work to cut unnecessary costs					**Overall Mean**	**Overall Std. Deviation**
	N	%	Median	Std. Deviation		
Strongly disagree	1	1	4,00	0,677	4,22	0,579
Disagree	3	3				
Agree	68	68				
Strongly agree	28	28				
Total	100	100				
We outsource some work to comply with local laws.						
	N	%	Median	Std. Deviation		
Strongly disagree	1	1	4,00	0,707		
Disagree	4	4				
Agree	68	68				
Strongly agree	27	27				
Total	100	100				

Outsourcing improves our production process.				
	N	%	Median	Std. Deviation
Disagree	4	4	4,00	0,636
Agree	68	68		
Strongly agree	28	28		
Total	100	100		

Outsourcing helps us to cut costs and increase profits.				
	N	%	Median	Std. Deviation
Disagree	4	4	4,00	0,671
Agree	59	59		
Strongly agree	37	37		
Total	100	100		

Outsourcing helps us to save time and meet deadlines timeously.				
	N	%	Median	Std. Deviation
Strongly disagree	1	1	4,00	0,702
Disagree	3	3		
Agree	62	62		
Strongly agree	34	34		
Total	100	100		

Outsourcing assists in increasing diversity.				
	N	%	Median	Std. Deviation
Strongly disagree	2	2	4,00	0,753
Disagree	2	2		
Agree	58	58		
Strongly agree	38	38		
Total	100	100		

Outsourcing assists the organisation in adapting to the environment.				
	N	%	Median	Std. Deviation
Strongly disagree	1	1	4,00	0,726
Disagree	3	3		
Agree	54	54		
Strongly agree	42	42		
Total	100	100		

Outsourcing assists the organisation in improving transparency.				
	N	%	Median	Std. Deviation
Strongly disagree	7	7	4,00	1,210
Disagree	22	22		
Agree	54	54		
Strongly agree	17	17		

Total	100	100		
Outsourcing assists the organisation in improving fairness.				
	N	%	Median	Std. Deviation
Strongly disagree	6	6	4,00	1,193
Disagree	23	23		
Agree	54	54		
Strongly agree	17	17		
Total	100	100		

Table 4.4 relays how outsourcing affects the organisation's operational effectiveness. The highest significant level of agreement is observed in the statement, "Outsourcing helps us to cut costs and increase profits," with 37% strongly agreeing and 59% of respondents agreeing. The statement indicates a widespread belief that outsourcing improves financial results by cutting expenses and increasing revenue. Similarly, there is strong agreement on the statement "Outsourcing improves our production process," with 68% of respondents agreeing and 28% strongly agreeing, indicating that outsourcing raises production efficiency. Furthermore, when it comes to "Outsourcing helps the organisation adapt to the environment," 54% of respondents agree and 42% strongly agree, indicating that outsourcing is viewed as a calculated decision that helps an organisation stay flexible in a changing environment. While there is universal agreement on the benefits of outsourcing, there is some variation in the replies, as evidenced by the overall median scores for these assertions, which are constantly at 4.00 with standard deviations ranging from 0.636 to 1.210.

Mbanje and Tefera (2023) note that businesses are transformed by outsourcing because it modifies the basis of employment rules. They benefit from simple, flexible access to high-quality workers as well as simpler procedures, quicker, more accurate processing, and better results. Even if managers or superiors decide not to implement it in their operations, it is still crucial to grasp how it operates (Mbanje and Tefera 2023; Sampson and dos Santos 2023).

4.3.5 OPERATIONAL EFFICIENCY

Operational efficiency was tested using the statements below, the results of which are given hereunder.

Table 4.5 Operational efficiency

Outsourced expertise is cheap.					Overall Mean	Overall Std. Deviation
	N	%	Median	Std. Deviation		
Strongly disagree	1	1	4,00	0,750	4,167	0,685
Disagree	6	6				
Neutral	1	1				
Agree	70	70				
Strongly agree	22	22				
Total	100	100				
Outsourced machinery is cheap.						
	N	%	Median	Std. Deviation		
Disagree	7	7	4,00	0,708		
Neutral	1	1				
Agree	71	71				
Strongly agree	21	21				
Total	100	100				
Outsourced specialised areas are time-efficient						
	N	%	Median	Std. Deviation		
Strongly disagree	1	1	4,00	0,739		
Disagree	7	7				
Agree	75	75				
Strongly agree	17	17				
Total	100	100				
Outsourcing avoids wastage						
	N	%	Median	Std. Deviation		
Strongly disagree	1	1	4,00	0,767		
Disagree	6	6				
Neutral	1	1				
Agree	67	67				

	N	%	Median	Std. Deviation
Strongly agree	25	25		
Total	100	100		
Outsourcing reduces experimentation and hence minimises accidents.				
	N	%	Median	Std. Deviation
Strongly disagree	1	1	4,00	0,811
Disagree	6	6		
Agree	56	56		
Strongly agree	37	37		
Total	100	100		
Outsourcing minimises unnecessary administration.				
	N	%	Median	Std. Deviation
Disagree	7	7	4,00	0,808
Neutral	1	1		
Agree	48	48		
Strongly agree	44	44		
Total	100	100		

An overview of opinions about the operational effectiveness of outsourcing is shown in Table 10. The statement, "Outsourced expertise is cheap," had the highest degree of agreement, with 70% of respondents agreeing and 22% strongly agreeing. This suggests that there is a general agreement that outsourcing provides the company with affordable knowledge. In a similar vein, 71% of respondents state that "outsourced machinery is cheap," and 21% strongly agree, supporting the idea that outsourcing machinery has financial benefits. Furthermore, there is substantial support for the statement that "Outsourced specialised areas are time efficient," with 75% agreeing and 17% strongly agreeing. This indicates that outsourcing is seen as a critical component in enhancing time efficiency. Although there is significant disagreement on the advantages of outsourcing for operational efficiency, the median score for all these claims is consistently 4.00, with standard deviations ranging from 0.708 to 0.811.

According to Flinkman, Gullkvist and Teittinen (2024), choosing to use outsourcing involves weighing the risks involved while keeping in mind that this tactical choice aims to maximise an organisation's benefits, including efficiency, profitability, organisational performance, sustainability, cost savings, and resource optimisation.

4.4 EXPLORATORY FACTOR ANALYSIS (EFA)

The study employed an Exploratory Factor Analysis (EFA) to investigate the fundamental structure of the constructs under investigation. These are Outsourcing, Factors that Drive Outsourcing, Challenges Associated with Outsourcing, Operational Effectiveness, and Operational Efficiency. To determine how much an item loads onto its intended component and reflects the constructs it is supposed to measure, EFA was also utilised to empirically assess the validity of the scales utilised. To provide a more manageable assessment of the structure of these variables based on theoretical assumptions, the main goal of this factor analysis is data reduction or the consolidation of many variables into a smaller set of coherent factors.

Bartlett's Test of Sphericity and the Kaiser-Meyer-Olkin (KMO) measure was computed to ensure that the data were suitable for factor analysis before moving forward with the process. By stating if the data are suitable for identifying unique and dependable factors, the KMO index evaluates the sufficiency of sampling. According to Table 4.6, the KMO value is 0.925, which is well above the recommended threshold of 0.6, indicating that the sample is indeed adequate for factor analysis (Pallant, 2020). Additionally, Bartlett's Test of Sphericity yielded a highly significant result (χ^2 = 3384.545, df = 595, $p < 0.001$), confirming that the correlation matrix is not an identity matrix and that relationships exist between the variables, justifying the use of EFA (Pallant, 2010). These results support the validity of doing factor analysis, demonstrating that the data structure is sufficiently resilient for identifying relevant factors that fit with the theoretical assumptions of the study.

Table 4.6. KMO Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0,925
Bartlett's Test of Sphericity	Approx. Chi-Square	3384,545
	df	595
	P. Value	0,000

In conclusion, the significant Bartlett's test and high KMO value offer compelling proof of the dataset's applicability and validate that using EFA to investigate the factor structure is the right course of action. To verify the scale items and evaluate the alignment with the theoretical model, more analysis will be done on the resultant factor loadings.

Table 4.7 Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	19,079	54,511	54,511	19,079	54,511	54,511	8,998	25,708	25,708
2	2,855	8,157	62,669	2,855	8,157	62,669	6,441	18,402	44,110
3	1,663	4,752	67,420	1,663	4,752	67,420	4,488	12,823	56,933
4	1,408	4,022	71,442	1,408	4,022	71,442	3,950	11,287	68,220
5	1,009	2,882	74,325	1,009	2,882	74,325	2,137	6,104	74,325
Extraction Method: Principal Component Analysis.									

The total variation in the factor analysis explained via the extract components is shown in Table 4.7. Principal Component Analysis (PCA) was employed as the extraction approach in the analysis. The table is ordered into three sections: Initial Eigenvalues, Extraction Sums of Squared Loadings, and Rotation Sums of Squared Loadings. These sections represent various phases of the factor extraction and rotation procedure.

Initially, five components were identified with eigenvalues greater than 1, which is the commonly used threshold for retaining factors based on the Kaiser criterion. Component 1 accounts for the highest proportion of variance, with an eigenvalue of 19.079, explaining 54.51% of the total variance. This indicates that this component captures most of the shared variance across the items, making it the most influential factor in the model.

The second component has an eigenvalue of 2.855, contributing an additional 8.16% to the total variance, bringing the cumulative variance explained by the first two components to 62.67%. The remaining components, although contributing less variance individually, together explain a total of 74.33% of the variance, which is satisfactory for social science research (Hair Jr, Page & Brunsveld 2019). After applying Varimax rotation to improve interpretability, the variance distribution across components was more balanced. The first component, after rotation, explains 25.71% of the variance, while the second, third, fourth, and fifth components account for 18.40%, 12.82%, 11.29%, and 6.10% of the variance respectively. The rotation optimizes the factor structure, making it easier to distinguish between the underlying constructs, as it redistributes the explained variance more evenly across the components.

With a cumulative variance of 74.33%, the extracted components offer a thorough depiction of the data, accounting for most of the dataset's variability. The substantial variance that the components account for highlights the factor solution's resilience and verifies that the items are in good alignment with the corresponding structures. The findings of the factor analysis show a robust factor structure, with five components accounting for a sizable share of the variance. The distribution of variation following rotation demonstrates the significance of these parameters and offers a strong basis for additional research in this area.

Table 4.8. Rotated Component Matrix

	Component				
	1 (OUTSOURCING)	2 (OPERATIONAL EFFICIENCY)	3 (THE FACTORS THAT DRIVE OUTSOURCING; OPERATIONAL EFFECTIVENESS)	4 (CHALLENGES ASSOCIATED WITH OUTSOURCING)	5
6.1	0,697				
6.2	0,752				
6.3	0,805				
6.4	0,844				
6.5	0,714				
6.6	0,771				
6.7	0,730				
6.8	0,793				
6.9	0,631				
6.10	0,804				
6.11			0,598		
6.12			0,721		

6.13			0,416		
6.14				0,832	
6.15				0,815	
6.16	0,669				
6.17				0,484	
6.18				0,602	
6.19				0,570	
6.20				0,552	
6.21			0,515		
6.22		0,446			
6.23			0,680		
6.24			0,648		
6.25			0,465		
6.26			0,485		
6.27			0,530		
6.28					0,869
6.29					0,874
6.30		0,649			
6.31		0,824			
6.32		0,762			
6.33		0,807			
6.34		0,795			
6.35		0,791			
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.					
a. Rotation converged in 7 iterations.					

The rotated component matrix presented in Table 4.8 provides insight into the underlying structure of the constructs. The Principal Component Analysis (PCA) with Varimax rotation was applied to enhance the interpretability of the factor loadings by redistributing the variance more evenly across the components. This rotation method ensures that each factor is defined by a smaller subset of variables, making it easier to interpret and label the components. The analysis identified four main components, which align with the theoretical constructs: Outsourcing, Operational Efficiency, Factors that Drive Outsourcing and Operational Effectiveness, and Challenges Associated with Outsourcing. The loading patterns indicate how strongly each item correlates with a particular component, allowing for a clear categorization of items.

Raju and Prabhu (2019) recommend considering factor loadings above 0.3 as meaningful and components with at least three items as robust. The results in Table 4.8 meet both criteria, confirming the validity of the factor structure. The identified components align well with the theoretical framework and exhibit strong loadings, supporting the reliability of the measures used. The rotated component matrix in Table 4.8 presents the distribution of items across four reliable components. The factor analysis with Varimax rotation highlights which items load most strongly onto each component, aiding in the identification and naming of constructs.

- **Component 1: Outsourcing**

Items 6.1 through 6.10, 6.16, and 6.18 load strongly onto this component. Given the concentration of loadings, this component is labelled as "Outsourcing."

- **Component 2: Operational Efficiency**

Items 6.22 through 6.35 load onto this component. The consistent loadings across these items support labelling this component as "Operational Efficiency."

- **Component 3: Factors that Drive Outsourcing and Operational Effectiveness**

Items 6.11 through 6.13, 6.21, and 6.23 through 6.27 load primarily onto this component, leading to the identification of this construct as "Factors that Drive Outsourcing and Operational Effectiveness."

- **Component 4: Challenges Associated with Outsourcing**

Items 6.14 through 6.20 load onto this component. These loadings define this component as "Challenges Associated with Outsourcing."

- **Component 5:**

This component includes only Items 6.28 and 6.29. Since Raju and Prabhu (2019) recommend that a reliable component should have at least three items, Component 5 does not meet the criteria to be considered a robust factor. As a result, it is excluded from further interpretation.

4.5 RELIABILITY STATISTICS

According to Abu-Bader (2021), reliability is a measure of how consistently a measure produces steady and consistent outcomes. The reliability analysis was conducted on the constructs identified through exploratory factor analysis, including Outsourcing, Factors that Drive Outsourcing, Challenges Associated with Outsourcing, Operational Effectiveness, and Operational Efficiency. Cronbach's alpha was used to evaluate the internal consistency of the items within each construct. Given Walliman (2021), a Cronbach’s alpha of 0.7 is considered the minimum acceptable value, though a threshold of 0.6 can sometimes be deemed sufficient.

Table 4.9 Reliability of constructs

Constructs	Items	Corrected item-total correlation	Cronbach's alpha	The final number of items
Outsourcing	6.1	0,818	0,959	10
	6.2	0,835		
	6.3	0,883		
	6.4	0,847		
	6.5	0,810		
	6.6	0,820		
	6.7	0,800		
	6.8	0,799		
	6.9	0,744		
	6.10	0,831		
Factors that Drive Outsourcing	6.11	0,779	0,855	3
	6.12	0,724		
	6.13	0,692		
Challenges Associated with Outsourcing	6.17	0,799	0,902	4
	6.18	0,811		
	6.19	0,798		
	6.20	0,715		
Operational Effectiveness	6.21	0,696	0,908	6
	6.23	0,738		
	6.24	0,716		
	6.25	0,786		
	6.26	0,752		
	6.27	0,787		
Operational Efficiency	6.30	0,767	0,951	6
	6.31	0,887		
	6.32	0,851		
	6.33	0,873		
	6.34	0,877		
	6.35	0,852		

With Cronbach's alpha values over the widely recognised cutoff of 0.7, Table 4.9's results show that all the constructions have excellent internal consistency. The strong reliability scores show that each construct's elements accurately measure the underlying factors.

4.6 STANDARD MULTIPLE REGRESSION

Since the dependent variable is continuous, standard multiple regression was used, which is consistent with the analysis's underlying assumptions. The objective of the analysis was to assess how the dependent variables (Operational Effectiveness and Efficiency) and the independent variable (Outsourcing) related to one another. The assumptions of multi-collinearity and normalcy were evaluated before the regression analysis was performed (Raju & Prabhu, 2019).

- **Assumption of Normality**

The normality of the data distribution was examined to ensure that the residuals of the model follow a normal distribution. While normality is assumed in regression, the test results indicated that the data was not perfectly normally distributed. Although this deviation from normality could influence the interpretation of results, standard multiple regression is generally robust against minor violations of this assumption.

- **Assumption of Multi-collinearity**

The assumption of multi-collinearity assesses whether independent variables are highly correlated with each other, which can distort the regression results (Raju & Prabhu, 2019). However, multi-collinearity was not a concern since only one independent variable (Outsourcing) was included in the analysis. As a result, a formal assessment for multi-collinearity was not conducted.

4.7 SPEARMAN CORRELATION ANALYSIS

To find out how the independent variable, outsourcing, and the dependent variables, operational efficiency, and operational effectiveness, related to one another, a correlation test was performed. For non-normally distributed variables, Spearman's correlation can be used as a legitimate method. P-values < 0.05 indicate the significance of the association between the variables. The variables all have a significant link if their p-value is less than 0.05 (Raju & Prabhu, 2019). The values that have 95 or 99 confidence intervals around them (**) and (*) imply a significant link between the constructs.

Table 4.10. Correlations

		OUTSOURCING	OPERATIONAL EFFECTIVENESS	OPERATIONAL EFFICIENCY
OUTSOURCING	ρ	1,000		
	p-value			
OPERATIONAL EFFECTIVENESS	ρ	0,344**	1,000	
	p-value	0,000		

OPERATIONAL EFFICIENCY	rho	0,321**	0,336**	1,000
	ρ	0,001	0,001	
ρ Spearman Correlation Coefficient				

Spearman's correlation analysis was conducted to determine the strength and direction of the relationships between the independent variable (Outsourcing) and the dependent variables (Operational Efficiency and Operational Effectiveness). This non-parametric test is appropriate given the non-normal distribution of the variables, as identified earlier. The correlation coefficients (ρ) range between -1 and +1, where positive values indicate a direct relationship and negative values indicate an inverse relationship (Pallant, 2020). In interpreting the significance of the relationships, a p- value of less than 0.05 was used as the threshold for statistical significance. Correlations marked with (**) and (*) denote significant relationships at the 99% ($p < 0.01$) and 95% ($p < 0.05$) confidence levels, respectively. Indication from the table above shows that significant positive correlations suggest that outsourcing plays a supportive role in enhancing both operational effectiveness and efficiency within the organisation.

4.8 REGRESSION ANALYSIS

A standard multiple-linear regression analysis was performed to assess the effect of the independent variable (outsourcing) on the dependent variables (operational effectiveness and operational efficiency). Table 4.11 displays the results of the regression study and sheds light on how well outsourcing can predict operational effectiveness and efficiency.

Table 4.11. Regression Analysis

Independent Variable	Dependent Variables	R Square	F	B	Beta	t-value	P Value
OUTSOURCING	OPERATIONAL EFFECTIVENESS	0,617	156,216	0,755	0,785	12,499	0,000
	OPERATIONAL EFFICIENCY	0,391	61,511	0,720	0,625	7,843	0,000
B = Unstandardized regression coefficient; β = Standardized regression coefficient; F = F-statistic for the overall model fit; t-value = t-statistic for the predictor; p-value = Significance level							

The first regression analysis displays that outsourcing significantly predicts operational effectiveness (R^2 = 0.617, F= 156.22, p < 0.05). Outsourcing can impact operational effectiveness, explaining 61.7% of its variability (Raju & Prabhu, 2019). This signifies that increasing outsourcing significantly improves operational effectiveness. The standardized beta coefficient (β=0.785) denotes a strong positive relationship between outsourcing and operational effectiveness. The unstandardized coefficient (B= 0.755) suggests that for every one-unit increase in outsourcing, operational effectiveness increases by 0.755 units. The t-value (t=12.499, p<0.005) further confirms that the predictor is statistically significant.

A further significant predictor of operational efficiency in the second regression study is outsourcing (R2= 0.391, F= 61.51, p < 0.05). Additionally, outsourcing moderately improves operational efficiency, which accounts for 39.1% of its variability. This implies that operational efficiency is significantly enhanced by outsourcing (Pallant, 2020). The standardized beta coefficient (β= 0.625) shows a moderate positive relationship between outsourcing and operational efficiency. The unstandardized coefficient (B= 0.720) suggests that for every one-unit increase in outsourcing, operational efficiency increases by 0.720 units.

It can therefore be concluded that outsourcing is a strong and significant predictor of both operational effectiveness and efficiency, as indicated by the high R^2 values and significant F-statistics (Raju & Prabhu, 2019). Overall, outsourcing is a significant predictor for both operational effectiveness and operational efficiency, but its impact is stronger on operational effectiveness.

4.9 APPLICATION OF THE TWO FRAMEWORKS

The study's findings align with the Resource-Based View (RBV) and Transaction Cost Economics (TCE) theories, reinforcing the strategic significance of outsourcing. The RBV suggests that firms achieve competitive advantage by leveraging unique resources and capabilities (Barney, 2018). In this study, outsourcing allowed Pioneer Foods to focus on core competencies, such as product innovation and brand management, while outsourcing non-core functions like logistics and security to specialized firms, improving efficiency (Prahalad & Hamel, 2020).

Similarly, the TCE framework explains outsourcing decisions based on cost minimization and efficiency (Williamson, 2020). The study found that outsourcing reduced operational costs and improved service delivery, aligning with TCE's premise that firms outsource when external providers can perform tasks more cost-effectively than in-house operations (Perunovic & Pedersen, 2019). However, the study also highlighted risks such as over-reliance on suppliers and loss of control, consistent with TCE’s view that outsourcing can increase transaction costs due to monitoring and contract management (Masten et al., 2018).

4.10 CONCLUSION

This chapter analyzed questionnaire responses from 28 participants using SPSS version 28. Reliability was assessed with Cronbach's alpha, and statistical methods included descriptive and inferential analysis, with ANOVA identifying biographical variations. Findings showed outsourcing improves efficiency but raises compliance concerns and corruption risks. Outsourcing enhances productivity and cost reduction but requires strict oversight. Results were contextualized within the study framework, supporting the literature. The chapter informs recommendations for KwaZulu-Natal distribution sites on optimizing outsourcing for operational effectiveness, with final conclusions and suggestions provided in the next chapter.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 INTRODUCTION

This chapter concludes the study that examined the impact of outsourcing on operational efficiency and effectiveness at Pioneer Foods. The study was motivated by operational inefficiencies and ineffectiveness in the FMCG and was based on Pioneer Foods as a case study. The following section summarises the objectives, research questions and the findings.

5.2 RESEARCH OBJECTIVES

5.2.1 Analyse Outsourcing Strategies that Support Operational Efficiency at Pioneer Foods

The first objective was to analyse outsourcing strategies that support operational efficiency at Pioneer Foods. Respondents agree that outsourcing is important and perceive it as an essential activity because it tremendously contributes to their business achievements.

5.2.2 Determine the Factors that Drive Outsourcing

The second objective was to determine the factors that drive outsourcing. Many respondents concurred that they lack adequate expertise to carry out certain tasks. Similarly, they have not embraced technology to improve work or productivity and insufficient time to complete work- related tasks led to the outsourcing of various tasks to stop corrupt practices like partiality, thievery, lying, and laziness. Above all, there is insufficient specialised equipment for work execution to produce desired and efficient results.

5.2.3 Identify the Challenges Associated with Outsourcing

The third objective ascertained the challenges associated with outsourcing. Participants indicated that Pioneer Foods could not sufficiently monitor the legislative compliance and service delivery of the subcontractors. According to Karakolias (2024), monitoring and supervision are vital for decreasing the outsourcing legal risks. Establishing protocols for supervision and overseeing the outsourced services is crucial for businesses.

5.2.4 Assess the Effects of Outsourcing on Operational Effectiveness

The fourth objective established the effects of outsourcing on operational effectiveness at Pioneer

Foods. The respondents' comments indicate a widespread belief that outsourcing improves financial results by cutting expenses, increasing revenue, and improving the production process and efficiency. This caused the FCMG to stay flexible in a changing environment.

5.2.5 Examine the Role of Outsourcing in Operational Efficiency

The last objective captured the inquiry about the role of outsourcing in operational efficiency at Pioneer Foods. The findings drawn from the respondents' responses demonstrate that outsourcing enhances their production processes.

5.3 RECOMMENDATIONS FOR THE FMCG COMPANIES BASED ON THE RESEARCH'S FINDINGS

The following suggestions are provided to the Fast-Moving Consumer Goods Company considering the findings.

5.3.1 FACTORS THAT DRIVE OUTSOURCING

To address issues about the factors that drive outsourcing, FCMG companies are advised to:

- Offer regular workshops and training to broaden the scope of knowledge on functions to be outsourced. This is because majority of the respondents affirmed that they do not have adequate expertise to do some work in their organisation. The FCMG must encourage the workers to put into practice the training they invested in them. In so doing, this will enable employees to make critical judgements on issues like risk assessment, problem identification and solutions, address task delegated, planning, and goal setting in addition to being able to think rationally.

- Invest in technology to such as such as artificial intelligence, blockchain, and robotics to promote the efficiency of their operations because as specified by majority of respondents there is no adequate technology to perform some work in their workplace. Because business operations have been completely transformed by developing technology to improve teamwork, automate procedures, and expedite workflows it crucial that FMCG embrace the use of technology to stay ahead of the competition. Digital transformation is a major factor in corporate success. Hence, FCMG companies advise investing in new technology to gain from increased productivity, improved profits, and cheaper expenses.

- For both operatives and FCMG companies to attain success in the workplace, efficient time management is essential. Working smarter and harder is the key to getting activities done in less time. The respondents, precisely fifty-four percent of confirmed that they do not have adequate time to perform some work in their organisation. It is recommended that FCMG company encourage their workers to work extra hours to meet deadlines and increase productivity when the need arises. When time is managed effectively, the effect can promote an environment of productivity and success that is advantageous to all.

- Corruption in a business is devastating. It erodes workers' trust in a company's leadership and encourages other forms of corporate wrongdoing, including financial fraud, embezzlement, employee theft, and anti-competitive conduct. To deal with the issue of corruption, FCMG companies must include anti-corruption in their operations and corporate culture. They must demonstrate to their staff, clients, and vendors that their ventures do not tolerate subornment or exploitation.

5.3.2 CHALLENGES ASSOCIATED WITH OUTSOURCING

To address challenges associated with outsourcing, FCMG companies are advised to:

- FCMG companies are advised to see that that their subcontractor selections are in line with the project's objectives.

- Mitigate price risk, cost uncertainty must be decreased because majority of the respondents stated that the interchanging cost of commodities and supply from the sub-contractors affects FCMG companies negatively. Hence, FCMG companies must base their commodity purchases on market prices while practicing hedging with money and supply plans to reduce risk. The practice of financial hedging by FCMG if employed successfully can help to eliminate uncertainty by guarding against unfavorable price movements. FCMG may employ a cooperative partnership method or use a few suppliers to guarantee competitive pricing and lessen the impact of future price hikes.

- Consult with industry-specific legal experts or compliance specialists for advice and to obtain insightful guidance that can assist their business through legal obstacle.

- Following the confirmation of sixty-eight percent of respondents on putting extra effort into monitoring the service delivery of the sub-contractors, FCMG companies are advised to monitor the performance of their subcontractors using a variety of tools and techniques, including dashboards, reports, audits, check-ins, and project management software. In line with their project objectives, they can set up measurements and key performance indicators (KPIs).

- The confirmation of majority of respondents affirmed that FCMG companies spend a lot of time vetting and selecting the best service provider. To minimize vetting and selecting the best service provider, FCMG must take responsibility for conducting adequate research and due diligence before selecting the outsourcing company they will collaborate with. By choosing the correct outsourcing partner, FCMG can lower risks, provide a seamless working relationship, and prevent problems down the road. FCMG can minimize the time of vetting and selecting the best service provider by clearly defining the work's scope, considering the technical proficiency of the prior experience working on challenging projects, and project zeal when evaluating possible partners. The quality of a partner's service can be significantly impacted by their reputation in the market. FCMG must endeavour to do customer reviews to assert that their partner has a track record of on-time deliveries and courteous collaboration that fits with their company's goals.

5.4 PROPOSED FUTURE RESEARCH

Subsequent research on outsourcing in the Fast-Moving Consumer Goods (FMCG) sector should be expanded to examine key areas that are not yet comprehensively known. The following research directions could create more knowledge of the outsourcing dynamics and their impact on business effectiveness and efficiency:

Comparative Studies among Different FMCG Companies

A broader study in several FMCG firms, as compared to a case study of a firm, would provide comparative data on how different firms outsource. This would allow one to identify best practices, what are the challenges, and the determinants of success or failure of outsourcing programs in the industry.

Regional and Provincial Analysis of Outsourcing Practices

Studies in different provinces or regions would provide a clearer picture of how geographical, economic, and regulatory variations influence outsourcing decisions. Certain areas may have unique logistical issues or regulatory limitations, impacting outsourcing efficiency differently. This would provide valuable insights to tailor outsourcing strategies based on local circumstances.

Longitudinal Study on the Long-Term Effects of Outsourcing

A longitudinal study of the long-term implications of outsourcing on business performance, cost savings, and operational efficiency would be crucial in enlightening us on sustainability and strategic decision-making. It would be highly beneficial for business executives to know whether outsourcing yields consistent returns and whether its effectiveness diminishes with time due to changes in market conditions.

Incorporating Technology into Outsourcing Partnerships

With the speed at which technology is developing, there is a need for future studies to investigate the use of digital transformation in outsourcing. This entails the assessment of how automation, artificial intelligence, and data analytics can make outsourcing partnerships more efficient and effective. Studying how organizations utilize these tools to streamline outsourced activities would yield pragmatic advice on boosting productivity.

Through the examination of such research directions, industry practitioners and academics are better placed to develop a wider perspective on outsourcing within the FMCG sector and thereby make more enlightened choices and enhance organizational efficiency.

5.5 LIMITATIONS OF THE STUDY

While this study adds to the body of knowledge on how outsourcing impacts operational effectiveness and efficiency within the context of Pioneer Foods, there are limitations that should be highlighted. Firstly, the study was conducted in a single FMCG company, and as such, the results may not be applicable to other companies in the industry. A bigger sample size involving a number of companies would provide a more comprehensive perspective.

Second, the study followed a quantitative approach to research, which, while convenient for statistical purposes, does not show the more in-depth, qualitative perspectives on employee attitudes and managerial choices. Future research can incorporate qualitative methods such as interviews or case studies for a more complete image.

Third, the research was confined to a single geographical location that may not reflect provincial differences in outsourcing pros and cons. Broader coverage of multiple provinces or countries could provide more assurance of diversity in input. For all of these, notwithstanding the limitations, the conclusions and recommendations provided in the findings form a solid foundation for practical applications and follow-up studies.

5.6 CONCLUSION

The study examined the impact of outsourcing on operations effectiveness and efficiency in Pioneer Foods. The findings indicate that outsourcing is important in enhancing business operations through cost reductions, increased productivity, and allowing businesses to focus on areas of core competencies. Risks of noncompliance, dependency on third-party vendors, and loss of internal expertise are, however, issues that must be adequately addressed. The study emphasized the significance of the right choice of reliable outsourcing partners and having sound monitoring systems to ascertain the quality of service as well as ensuring contract compliance.

There is room for further studies to explore outsourcing approaches within a variety of FMCG organizations, perform regional analysis, or explore the long-term implications of outsourcing on company sustainability. There is also room to further examine the contribution of technology to outsourcing alliances.

Overall, outsourcing is still a strategic vehicle for attaining operational effectiveness, but success will be determined by proper planning, ongoing monitoring, and integration with organizational objectives.

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APPENDICES

APPENDIX A

LETTER OF INFORMATION

LETTER OF INFORMATION

Title of the Research Study: Examining the influence of outsourcing on operational efficiency and effectiveness at a selected Fast-Moving Consumer Goods company.

Principal Investigator/s/researcher: Ms. Philisile Rejoice Khumalo

Co-Investigator/s/supervisor/s: Dr. R. Utete

Brief Introduction and Purpose of the Study: This study seeks to examine the impact of outsourcing on operational efficiency and effectiveness at a selected Fast-Moving Consumer Goods company. In the past few years, operational efficiency and effectiveness has been moving on a downward trajectory, outputs decline and wastage rises at an alarming rate. This results in unprecedented losses and meagre profits in various organisations. Lack of expertise in certain areas of the business, unavailability of funds to purchase production equipment, lack of time poor extra duties and the need for fairness and transparency, has prompted the quest to consider outsourcing as a panacea to operations efficiency and effectiveness challenges. Extreme inefficiencies in operations at Pioneer Foods is matter for concern. These inefficiencies have resulted in the company recording poor profits and profuse losses over the past year.

Greetings: Good day

Introduce yourself to the participants: I am registered student doing Master of Management Sciences Degree specialising in Business Administration at Durban University of Technology

Invitation to the potential participant: I would like to invite you to participate .

What is Research: Research is a systematic search or enquiry for generalized new knowledge.

To partake , you are encouraged to ask as many questions as you wish because it is important that you comfortable and fully understand the study objectives and what is expected of you as a volunteer participant. You are also welcomed and entitled to discuss the study with family and friends as you under no obligation to commit at this stage.

Outline of the Procedures:

After receiving an approval letter from the Institutional Research Ethics Committee (IREC) at DUT, I will request the management of Pioneer Foods to inform all of you about the study. You will be given the contact details of me for updates and planning of the survey. You will be asked to participate . If you are interested in participating will be given an informed consent form to sign and the questionnaire to complete. This study will use a quantitative research approach, with a random sampling technique preferred where you will have an equal chance to participate . Data will be collected from you using closed-ended questionnaire. The questionnaire will take 15 to 20 minutes complete. The questionnaire will be distributed by the me. I will personally hand deliver the questionnaire to you. You will have your own session to answer the questionnaire to ensure your comfortability during the process. If you have any questions during the process, you can ask anything to ensure that you understand the study.

Risks or Discomforts to the Participant: There are no risks and discomforts if you participate .

Explain to the participant the reasons he/she may be withdraw : Participation is voluntary, and you are entitled to withdraw at any time should you wish to do so.

Benefits: The findings will help you as the study will provide recommendations to the Pioneer Foods management regarding outsourcing.

Remuneration: You will not be remunerated for participating .

Costs: You do not need to pay anything to participate .

Confidentiality: The information that will be obtained from you through the survey will only be accessible to the researcher only. Your confidentiality and anonymity will be preserved, and your personal information will not be included findings. The survey data will be kept in the passworded computer and saved in an encrypted folder that has a password. The data will be stored for a period of five years and thereafter it will be deleted.

Results: I will disseminate a summary of the key findings to you and your management. Findings will also be disseminated through compilation of a journal article.

Research-related Injury: You will not be exposed to any kind of injuries during your participation .

Storage of all electronic and hard copies including tape recordings: The hard copies will be retained on a safe locked cabinet and captured data will be stored on a password-protected computer for a period of five years. After five years, all hard copies will be shredded, and captured data will be permanently deleted.

Persons to contact in the Event of Any Problems or Queries: (Ethics Administrator on 031 373 2375. If you have any questions about the study, please contact the reseacher - Philisile Rejoice Khumalo on 073 402 5320 or supervisor -Dr. Reward Utete 073 0641668. Complaints can be reported to the Acting Director: Research and Postgraduate Support on researchdirector@dut.ac.za.

APPENDIX B:

LETTER OF INFORMED CONSENT

CONSENT

Full Title of the Study: Examining the influence of outsourcing on operational efficiency and effectiveness at Fast-Moving Consumer Goods company.

Names of Researcher/s: Ms. Philisile Rejoice Khumalo

Statement of Agreement to Participate in the Research Study:

- I hereby confirm that I have been informed by the researcher, **Ms. Philisile Rejoice Khumalo** about the nature, conduct, benefits and risks - Research Ethics Clearance Number:_,
- I have also received, read and understood the above written information (Participant Letter of Information) regarding the study.
- I am aware that the results, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.
- In view of the requirements of research, I agree that the data collected during this study can be processed in a computerised system by the researcher.
- I may, at any stage, without prejudice, withdraw my consent and participation .
- I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate .
- I understand that significant new findings developed during the course of this research which may relate to my participation will be made available to me.

Full Name of Participant	Date	Time	Signature

(name of researcher) herewith confirm that the above participant has been fully informed about the nature, conduct and risks of the above study.

Full Name of Researcher	Date	Signature

APPENDIX C

QUESTIONNAIRE

Instructions

1. This questionnaire comprises two sections.
2. You are kindly requested to answer alI statements.
3. Please mark **(X)** next to the relevant pre-coded response.
4. Please mark **(X)** for one response only.

Section A: Biographical information

1. Please indicate your gender.

1.1	Male	1
1.2	Female	2
1.3	Other	3
1.4	Prefer not to say	4

2. What age group do you fall in?

2.1	21-25 years	1
2.2	26-30 years	2
2.3	31-35 years	3
2.4	36-40 years	4
2.5	41-44 years	5
2.6	45-50 years	6
2.7	> 51 years	7

3. Length of Service.

3.1	0-4 years	1
3.2	5-9 years	2
3.3	10-14 years	3
3.4	15-19 years	4
3.5	20-24 years	5
3.6	>25 years	6

4. Your qualification.

4.1	Post-graduate	1
4.2	Degree	2
4.3	Diploma	3
4.4	Technical Certificate	4
4.5	Secondary education	5
4.6	Other	6

5. The category you fall into within the organisation.

5.1	Executive Management	1
5.2	Top management	2
5.3	Middle management	3
5.4	Lower management	4

Section B

	Item	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
Outsourcing						
6.1	Outsourcing of back-office activities is crucial in our organisation	1	2	3	4	5
6.2	Outsourcing of primary activities is crucial in our organisation	1	2	3	4	5
6.3	Outsourcing of financial reporting is crucial in our organisation	1	2	3	4	5
6.4	Outsourcing of tax processing is crucial in our organisation	1	2	3	4	5
6.5	Outsourcing of cleaning services is crucial in our organisation	1	2	3	4	5
6.6	Outsourcing of information technology services is crucial in our organisation	1	2	3	4	5
6.7	Outsourcing of legal services is crucial in our organisation	1	2	3	4	5
6.8	Outsourcing of transportation of goods is crucial in our organisation	1	2	3	4	5
6.9	Outsourcing of advertisements is crucial in our organisation	1	2	3	4	5
6.10	Outsourcing of security services is crucial in our organisation	1	2	3	4	5
The factors that drive outsourcing						
6.11	We do not have adequate expertise to perform some work in this organisation.	1	2	3	4	5
6.12	We do not have adequate technology to perform some work in this organisation.	1	2	3	4	5
6.13	We do not have adequate time to perform some work in this organisation.	1	2	3	4	5

6.14	We outsource some work to avoid corruption	1	2	3	4	5
6.15	We do not have adequate specialised machinery to perform some work in this organisation.	1	2	3	4	5
Challenges associated with outsourcing						
6.16	There is a lack of sub-contractors with the necessary equipment and machines required in our organisation	1	2	3	4	5
6.17	Interchanging cost of commodities and supply from our sub-contractors affects us negatively	1	2	3	4	5
6.18	We face difficulties in monitoring the legislative compliance of our sub-contractors.	1	2	3	4	5
6.19	We put extra effort into monitoring the service delivery of the sub-contractor.	1	2	3	4	5
6.20	We spend a lot of time vetting and selecting the best service provider	1	2	3	4	5
Operational effectiveness						
6.21	We outsource some work to cut unnecessary costs.	1	2	3	4	5
6.22	We outsource some work to comply with local laws.	1	2	3	4	5
6.23	Outsourcing improves our production process	1	2	3	4	5
6.24	Outsourcing helps us to cut costs and increase profit	1	2	3	4	5
6.25	Outsourcing helps us to save time and meet deadlines timeously	1	2	3	4	5
6.26	Outsourcing assists to increase diversity	1	2	3	4	5
6.27	Outsourcing assists the organisation to adapt to the environment	1	2	3	4	5
6.28	Outsourcing assists the organisation to improve transparency	1	2	3	4	5
6.29	Outsourcing assists the organisation to improve fairnes00000s	1	2	3	4	5

	Operational efficiency

6.30	Outsourced expertise is cheap					
		1	2	3	4	5
6.31	Outsourced machinery is cheap	1	2	3	4	5
6.32	Outsourced specialised areas are time efficient	1	2	3	4	5
6.33	Outsourcing avoids wastage	1	2	3	4	5
6.34	Outsourcing reduces experimentation and hence minimises accidents	1	2	3	4	5
6.35	Outsourcing minimises unnecessary administration	1	2	3	4	5

APPENDIX D:

GATE KEEPER'S LETTER

PIONEER FOODS

16 May 2024

Dear Ms P Mtuli

PERMISSION TO CONDUCT RESEARCH AT PIONEER FOODS

I hope this email finds you well and safe.

I am pleased to inform you that the management at Pioneer Foods has granted full permission for you to conduct your research, "Examining the influence of outsourcing on operational efficiency and effectiveness at a selected Fast-Moving Consumer Goods Company".

The management of Pioneer Foods may impose any other condition it deems appropriate in the circumstance having regard to the nature and extent of access to and use of the information requested.

We would be grateful if your key research findings can be submitted to the management of Pioneer Foods upon completion of your studies.

Kindest regards

General Manager
Kurt Hoggan

9 Otto Volek Rd,
Mountain Ridge,
New Germany, 3610

Tel. 031 904 2233

enquiries@pioneerfoods.co.za

APPENDIX E

TRAINING CERTIFICATE

TRREE

Zertifikat

Certificado

Certificat

Certificate

Promouvoir les plus hauts standards éthiques dans la protection des participants à la recherche biomédicale
Promoting the highest ethical standards in the protection of biomedical research participants

Clinical Trials Centre
The University of Hong Kong

Certificat de formation - Training Certificate

Ce document atteste que - this document certifies that

philisille mtuli

a complété avec succès - has successfully completed

Introduction to Research Ethics

du programme de formation TRREE en évaluation éthique de la recherche
of the TRREE training programme in research ethics evaluation

Release Date: 2023/06/06
CID : XVOEzXibeW

Professeur Dominique Sprumont
Coordinateur TRREE Coordinator

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[REV : 20220217]

APPENDIX F

Editor's Letter

The Dissertation Design Master

Phone: +27780248617
Email: mketiwae@yahoo.com
Email: saniphetinvestments@gmail.com
Web: https://thesis-reports-proof-reading-and-editing.business.site/

This is to confirm that the thesis entitled

AN EXAMINATION OF THE IMPACT OF OUTSOURCING ON OPERATIONAL EFFICIENCY AND EFFECTIVENESS AT A FAST-MOVING CONSUMER GOODS COMPANY

Authored by

PHILISILE REJOICE MTULI

Student number: 21960095

was edited according to Durban University of Technology's specifications.
The student received a detailed report with suggested changes together with their thesis with track changes. The thesis will be fit for submission when the student attends to all suggested changes (**that should be reviewed together with the supervisor**) and obtains permission to submit from the supervisor. This certificate does not warranty permission to submit if the supervisor has not agreed with the student.

Report prepared by:

Elizabeth Mnyandu

____
Signature over printed name

Date: 29 November 2024

Qualified Copy Editor

Contact Number
+27780248617

https://thesis-reports-proof-reading-and-editing.business.site/

APPENDIX G

TURNITIN REPORT

10% Overall Similarity

The combined total of all matches, including overlapping sources, for each database.

Filtered from the Report

- Bibliography
- Quoted Text

Exclusions

- 2 Excluded Sources

Match Groups

96 Not Cited or Quoted 6%
Matches with neither in-text citation nor quotation marks

63 Missing Quotations 4%
Matches that are still very similar to source material

0 Missing Citation 0%
Matches that have quotation marks, but no in-text citation

0 Cited and Quoted 0%
Matches with in-text citation present, but no quotation marks

Top Sources

5% Internet sources
3% Publications
9% Submitted works (Student Papers)

Integrity Flags

0 Integrity Flags for Review

No suspicious text manipulations found.

Our system's algorithms look deeply at a document for any inconsistencies that would set it apart from a normal submission. If we notice something strange, we flag it for you to review.

A Flag is not necessarily an indicator of a problem. However, we'd recommend you focus your attention there for further review.

PROOF OF REGISTRATION
To Whom It May Concern

22-Feb-2025

It is hereby confirmed that the under mentioned person is a registered student at DURBAN UNIVERSITY OF TECHNOLOGY.

Surname: KHUMALO
Student Number: 21960095
Registration Year: 2025
Block: POST-GRAD ANNUAL REGISTRATIONS
Department: APPLIED MANAGEMENT (MIDLANDS)

First Names: PHILISILE REJOICE
Qualification: MMBSM1 M MANAGEMENT SCIENCES (BUS ADMIN)
Offering Type: Pietermaritzburg Full-time
Period of Study: Study period 3
Faculty: FACULTY OF MANAGEMENT SCIENCES

Subject	Description	PreReq/Exp	Block	Class Group	Offering Type	Exam Year	Exam Month	Cancel	Amount
	Registration Fees/Levies								3630.00
	P0 POST-GRAD ANNUAL REGISTRATIONS								
RSBS531	RESEARCH (3RD REGISTRATION)		P0	A	P1	2025	11	N	0.00
								Subtotal:	3630.00
								Total:	3630.00

* Subjects with Requisites will be cancelled if the requisite rules are not met in mid-year exams. Refer to Department handbook.

Outstanding Balance: 38661.00

Please verify and rectify the above registration details with the Faculty Office to avoid academic and financial penalties before the dates published in the General handbook.

Faculty Officer