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DEDICATIONS

This piece of work is dedicated to my lovely mother, Loveness Machiya and my loving friend Kudzanai Sithole.

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God bless you all.

ABSTRACT

The main objective of this research was to explore motives, benefit, challenges and strategies for ensuring success of outsourcing at DHL Harare International Airport. Specific objectives were to explore the organizational determinants or motivators for outsourcing, to investigate on the benefits and opportunities arising out of outsourcing, to examine the challenges and risks that affect outsourcing and to establish the critical success factors of outsourcing. The researcher reviewed literature on motivation for outsourcing, benefits, problems faced and measure for ensuring success. Information was collected from both managers and general employees at DHL Harare International Airport. Census sampling technique was used to select all the 34 participants from all the four department which includes procurement, clearing, finance and operations. The study found out that DHL Harare International Airport outsource activities like customs clearing, transport, security and IT. Reasons for outsourcing include the need to focus on DHL's key competencies, need for flexibility and need to use specialized skills. As a result of outsourcing, managers are able to concentrate on strategic planning and management because other responsibilities are shifted to more skilled personals who are able to do it professionally. Some of the negative effects of outsourcing include transfer of knowledge, poor quality, hidden cost, loss of innovation, risking internal security and altering of information. The study pointed out that, to ensure success of outsourcing, transparency is vital, accountability is important, and there is also a need for effective communication. The researcher recommended that there was need for adoption of professional procurement practices and the other recommendation was the need to train procurement officers. In addition, there was a need to decentralize procurement so that decisions can be made in time. In having a centralized procurement policy has not managed to prevent corruption, but has actually perpetuated it. The researcher recommended further studies to be conducted on issue of outsourcing. This was due to fact that this study focused on DHL Harare International Airport only. A more encompassing study by a research institute would be desirable.

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LIST OF ACRONOMY

DHL	- Adrian D alsey, Larry H illblom and Robert L ynn
SFAAZ	-Shipping & Forwarding Agents Association of Zimbabwe
DGF	-DHL Global Forwarding
IT	-Information Technology
SG&A	- Selling, General and Administration
EBT	-Earnings before Taxes
ROA	-Return on Assets.

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CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

This research is concentrated on the effectiveness of outsourcing practices in ensuring organizational performance. In this introductory chapter, concentration is on the following key areas of the research; background to the study, statement of the problem, research objectives, research questions, significance of the study, delimitation of study, and definition of key terms.

1.1 Background to the Study

DHL is the global market leader in international express, overland transport and air freight. It is also the world's number one in ocean freight and contract logistics. DHL offers a full range of customized solutions from express document shipping to supply chain management. DHL was founded by Adrian Dalsey, Larry Hillblom and Robert Lynn; their names also represent the first letters of the company name. DHL was founded in 1969, when the three partners took a step that would have a profound impact on the way the world does business today.

The study is focused on the benefits, challenges, and opportunities for outsourcing at DHL Harare International Airport. DHL expertise is pooled from a number of companies acquired by Deutsche Post World Net. DHL opened its first office in Zimbabwe in 1984 with only 5 employees and to date has over 100 staff members and 11 offices countrywide. Within the concentrated period of this study 2013 to 2015, DHL confront solid rivalry in the Logistics and Customs Clearing business from its global competitors such as FedEx, SDV, Allen Wack & Shepard, Manica Freight, Speed Link to mention a few. DHL has adopted effective strategies for ensuring sustainability. Hatomen (2008) postulated that increased competition, as a result of globalization, and the emergency of specialized suppliers have resulted in organisations moving towards outsourcing more critical functions and processes. Whilst outsourcing has been adopted at DHL Harare International Airport, the company has since graduated from outsourcing peripheral activities like cleaning, catering and security to

strategic activities like IT, a mixture of 3rd party logistics (3PL) or physical logistic solution and 4th party logistics (4PL) or intellectual service model. This has left DHL with fewer activities like clearing of both small and large shipments and transportation of shipments that ranges to about 150 pounds and less only. Therefore, this study is going to evaluate whether the company is benefiting from outsourcing.

According to SFAAZ (2015) Zimbabwe has over 100 companies operating in the Logistics and Customs Clearing business which makes it highly competitive, DHL strive to be innovative and agile enough to meet customers' demands, increase sales and market share. Competitiveness, based on DHL capabilities and production strategies, may lead to quality, efficiency and flexibility. In the quest for 'mass customization', adaptability and scale economies are followed simultaneously. The search for a system's flexibility, responsiveness and reliability on one hand and low costs on the other, has led to the reconfiguration of the design and production activities and thus advocated the changes in the overall supply chain management (Suri, 1998). The reality of competing in a global supply chain environment has caused DHL to focus on strategic renewal and creative solutions to manage and mitigate the risks of operating in today's dynamic marketplace.

DHL Outsourcing from organisations like SWIFT, Mitchell Cost, Loadmaster and International airlines like KLM, South African Airways and Emirates is an increasingly popular method of achieving performance improvement in today's business. Puntra (2012) pointed out that the concept of outsourcing began in the mid-1980s. However, it is a management concept that is being perfected through continuous researches in order to suit current business management conduct and ethics. Mora (2005), defines outsourcing as the retention of responsibility for the delivery of services by an organisation, but the devolution of the day to day performance of the agreed services to an external organisation under a contract with agreed standards, costs and conditions. In the same breath, Lysons and Farrington (2000) define outsourcing as a management strategy by which major non-core functions are transferred to specialist and efficient external providers. From the foregoing, outsourcing entails a long term relationship with a high degree of risk sharing. The following attributes of outsourcing can be deduced from the above given definitions, that it involves make or buy decision, the autonomy of the supplier to perform their tasks is very high, and that there is transfer of responsibilities from an internal department currently performing the service within the organisation to a supplier.

DHL has not achieved all the desired benefits associated with outsourcing and experienced outsourcing failure in some situations like losing clients to its competitors due to delays by its outsourced parties. In 2015 DHL Harare International Airport experienced a huge loss when Econet gave half of its shipments to Speed Link due to delays by DHL Harare International Airport outsourced 4th party logistics (4PL) Gift Investments Transport. Despite the fact that organisations may expect to achieve many different benefits through successful outsourcing, there are significant risks that may be figured out if outsourcing is not successful (Luke and Anthony, 2010).

Many companies make mistakes in outsourcing Bailey et al (2008). DHL Harare International Airport has no formal outsourcing process and as it makes short term decisions based on reduction of head count and costs rather than managing the risks and security added value and continuous improvement. Bailey et al (2008) further stated that only 44% of clients understand what is involved in managing suppliers. Outsourcing at DHL Harare International Airport has resulted in the organisations encountering problems such as over-dependency on suppliers, poor staff training and divergent interests of the customer and the provider, just to cite a few. It is apparent from the foregoing that past researches have not thoroughly explored and examined the reasons why in many instances, outsourcing contracts are terminated prematurely. To a larger extent, this scenario presents divergent views on the need to outsource for both small and large organisations and hence forms the basis under which this research is premised; to examine the benefits, challenges and opportunities arising out of it.

1.2 Statement of the Problem

DHL seems not to have conducted an evaluation on whether it is benefiting from outsourcing or not. They appear to have problems of premature termination of outsourcing contracts, which has proven to be a cause for concern in many firms. Therefore, this study will provide answers on the critical success factors for outsourcing and to establish the extent of success that DHL Harare International Airport has achieved in outsourcing.

1.3 Research Objectives

The main objective of this research was to explore benefits, challenges and opportunities for outsourcing in DHL. Specific objectives were as follows;

- To explore the organizational determinants or motivators for outsourcing in DHL.

- To investigate on the benefits and opportunities arising out of outsourcing in DHL.
- To examine the challenges and risks that affect outsourcing in DHL.
- To establish the critical success factors of outsourcing in DHL.

1.4 Research Questions

- What are the organisational outsourcing factors or motivators?
- What are the opportunities and benefits of outsourcing?
- To what extent do outsourcing challenges or risks affect the outsourcing contracts?
- What are the critical success factors for outsourcing?

1.5 Significance of Study

1.5.1 To the Corporate World

The research is important in that it needs to scan the reasons why some businesses fail to get the benefits of outsourcing. The study focuses into factors to consider in increasing chances of success when outsourcing. The significance of this research is based primarily in the fact that outsourcing is presently being implemented by organisations, and as a result this investigation examined the benefits, deficiencies and opportunities in the current outsourcing processes. Outcomes in this research could form the basis for improving outsourcing management practices in accordance with international best practices.

1.5.2 To the student

The research is important to the researcher. The research will be carried out in partial fulfilment of the requirements of the Bachelor of Commerce (Honours) Degree in Retail and Logistics Management at Midlands State University (MSU). The researcher has an opportunity to have a deeper understanding of the theoretical and practical knowledge in the area of research. It also enhanced the application of theoretical concepts of the area under study. The researcher's knowledge will as a result be broadened.

1.5.3 To the organisation (DHL)

In addition, the research is important to DHL Zimbabwe. It will seek to improve efficiency in the management of outsourcing activities. The research endorsements could be valuable to the DHL senior management.

1.5.4 To the University

To Midlands State University, the study could become a future reference for those who may do research in related area. Scholars and students who want to conduct or further the research on outsourcing will find the information valuable.

1.6 Delimitation of the Study

The research is limited to DHL DGF Zimbabwe Harare International Airport. The researcher focused on evaluating the benefits, challenges, and success factors for outsourcing. Information will be collected from employees in the following major departments at DHL Harare International Airport which are procurement, human resources, finance, and operation department. Stratified random sampling technique will be used to select 20 participants from each of the four departments, with each department contributing five participants. The research will cover a period from 2013 to 2015 and the three year period will allow a trend analysis to be conducted. The scope of this research is limited to different frameworks of outsourcing that handle the whole outsourcing process such as the motives and benefits, challenges and success factors for outsourcing practices in ensuring organization performance from literature.

1.7 Limitation of study

The researcher is likely to face a number of limitations during the study and the following are expected to hinder the research:

- There is time constraint as the study will be carried out simultaneously with other courses. The researcher will work beyond normal working hours in order to complete the study.
- The researcher will also face constraints on transport, stationery and printing costs to cover the study. In order to overcome these impediments, the researcher confined himself to manageable means during the study which included the use of emails, cell phone and social media platforms instead of travelling.
- The study will only be conducted at one branch and this may affect the conclusion since it's not representing the whole company. This study is being undertaken by an inexperienced student and thus may not include all the necessary information due to

inexperience. To try and rectify the problem the researcher had to consult other people in the industry in order to fill in the gaps.

1.8 Definition of key terms

- **SFAAZ:** Shipping & Forwarding Agents Association of Zimbabwe
- **Outsourcing:** It is the sub-contracting of 3rd party logistics (3PL) or physical logistic solution and 4th party logistics (4PL) or intellectual service model to manage a business process more effectively and efficiently than what can be done internally. Outsourcing can be applied on any goods or services. Momme (2001) cited Griffiths who defined outsourcing as a strategic use of outside resources to perform activities traditionally handled by internal staff and the use of internal resources.
- **Procurement:** Is a process of identifying and obtaining goods and services and it includes sourcing, purchasing and it covers all activities of identifying potential suppliers to delivery from suppliers to the users or beneficiary. (Mangan, Lawani, and Butcher, 2008), cited that it is favourable that the goods/services are appropriate and that they are procured at the best possible cost to meet the needs of the purchaser in terms of quality and quantity, time, and location.
- **Sustainability:** Meeting the current needs of a business as well as ensuring continuity of business operations and there should be a balance in the short term and the long term. A sustainable business model should focus on the balance between the business's needs and those of environment.
- **DGF:** DHL Global Forwarding
- **IT:** Information Technology

1.9 Chapter Summary

The chapter focused on the background of the research, statement of the problem, objectives and significance of the research. It also covered the assumptions, limitations and delimitation of the research. The next chapter will cover the literature review of the study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter highlights information from other researchers who have carried out their research in the same field of study. The specific areas covered here are theoretical review, levels of outsourcing, benefits and challenges of outsourcing. Leedy (1980) agreed with Tuckman (1994) that the audit of hypothetical and related writing is worried with the examination of materials composed by other individuals that are identified with the exploration subject. The chapter will also discuss empirical studies on the topic and will conclude with a summary of the chapter.

2.1 Definitions of Outsourcing

Harrigan (1985), suggest that outsourcing is the make or buy decisions to obtain the necessary supplies of materials and services for the production of the goods and services. Furthermore, Loh and Venkatraman (1992), states that external vendors provision of physical and/or human resources associated with the user organization's information technology infrastructure. Lacity and Hirschheim (1993), argues that outsourcing consists conducting one or more organizational activities, using external agents. Likewise Quinn and Hilmer (1994) supported that external acquisition of activities, including those traditionally considered an integral part of any firm, provided that they do not form part of the firm's core capabilities. Rothery and Roberson (1996), proposed outsourcing as the act of turning to an external organization to perform a function previously performed in-house. It entails the transfer of the planning, administration and development of the activity to an independent third party.

Additionally Bryce and Useem (1998), argues that outsourcing can be described as the contracting-out of the company's major functions and activities to an external service or goods provider. Sacristán (1999), put forward that collaboration agreement between different types of firms in which one firm is a specialist in technology and makes a significant

contribution to the other by providing physical and/or human resources during a certain period in order to attain a determined objective is outsourcing.

Gilley and Rasheed (2000) sited outsourcing as the substitution of activities performed in-house by acquiring them externally, although the firm has the necessary management and financial capabilities to develop them internally. It is also an abstention from performing activities in-house. Furthermore, Campos (2001) analysed outsourcing as a process consisting of contracting an external supplier to perform a task previously executed by the organization itself, and may also even involve new activities. While Bailey et al. (2002) suggested that it is handing over some or all of that particular activity and related services to a third party management, for the required result.

According to Quélin and Duhamel (2003), outsourcing is the operation of shifting a transaction previously governed internally to an external supplier through a long-term contract, and involving the transfer to the vendor. Moreover, McCarthy and Anagnostou (2004), proposed that not only consists of purchasing products or services from external sources, but also transfers the responsibility for business functions and often the associated knowledge (tacit and codified) to the external organizationl.

There is not only one specific definition in literature for outsourcing. Definitions are different depending on the source. According to a broadest interpretation of outsourcing, it can be considered just a reliance on external resources (Mol, 2007). If this definition is accepted, the outsourcing refers to those activities that are undertaken by outside suppliers, no matter have those activities never been made in-house. In this study the concept of outsourcing refers to transferring activities previously conducted in-house to an outside supplier. Lonsdale and Cox (1998) provide the definition for outsourcing, which is accepted in this study. They define outsourcing as the process of transferring an existing business activity, including the relevant assets, to a third party (Lonsdale & Cox, 1998).

Consequently, according to this definition, outsourcing always incorporates a shift in company's boundaries. However, outsourcing is not the only way of adjusting the boundaries of the company (Lonsdale & Cox, 2000). Just to clarify the concept of outsourcing to the reader, it is worth stressing, that just re-locating facilities or founding a new production plant to other country is not outsourcing if the boundaries of business remain the same. This kind of relocation of activities is sometimes confused with outsourcing.

Outsourcing is a key business practice. The visibility of outsourcing has gone up distinctively in the few decades, particularly in Logistics and Customs Clearing Business Process. Nevertheless, there is little understanding among the scholastic researchers about the definition of ‘outsourcing.’ There are many of definitions of outsourcing in the literature, yet we have utilized just the most correlated of them in this study.

As indicated by Brown and Wilson (2005, p. 24) outsourcing is “the act of obtaining services from an external source.” Kern, Willcocks and Heck (2002) have defined outsourcing as “the practice of contracting out or selling the organization’s assets, individuals and activities to a third party supplier for monetary payments over a concurred time period. Kern, Willcocks and Heck (2000), definition can be related with Human Resource Outsourcing as it likewise takes people into consideration for outsourcing through a third party vendor.

In the book titled “The Outsourcing Process: Strategies for Evaluation and Management,” McIvor (2005, p.7) defined outsourcing as “... sourcing of merchandises and services previously produced internally within the sourcing organization from outside suppliers.” The essential part of this definition is that it does not consider that some HR processes are still performed internally. Linder (2004, p. 27) calls attention to that “outsourcing is acquiring ongoing services from an outside organization that an organization currently provides, or most organizations normally provide for themselves.” This definition expands the gamut of outsourcing, dissimilar McIvor (2005), to the certainty that organizations do provide some services for themselves. Going beyond the narrow definition of outsourcing, Lee and Hitt (1995, p. 836) gave a more extensive definition to outsourcing as “the dependence on external sources for the manufacturing of components and other value adding activities.” This definition envelops practically every activity so long as it is adding value to that activity. Mol (2007, p.3-4) defined outsourcing in three broad ways:

- a) “Outsourcing alludes to those exercises that are undertaken by outside suppliers.”
- b) “Outsourcing alludes to the transferral of activities and possibly assets from a firm to an outside supplier.”
- c) “Outsourcing alludes to those exercises that are undertaken by outside suppliers but could also be undertaken by the firm.”

This research embraces the more extensive meaning of outsourcing in accordance with Mol (2007) and (Kern, Willcocks and Heck, 2002). This study also does not include advertisement and independent auditing as these activities are universally outsourced by organizations.

These different types of definitions were utilized by different researchers to suit their specific context. In any case, there is some overlap of activities in each of these definition. These definitions of outsourcing, suggesting procurement of resources from an external organization to run the internal operations, do not capture the genuine strategic nature of the issue. It is way beyond the sourcing decisions of the organizations. All organization do buy and secure things to run their operations. Furthermore, outsourcing is a basic choice to negate the vertical incorporation of an activity within an organization. In the same way, outsourcing is strategic in nature and has an enduring impact on the general functioning of the organization (Gilley and Rasheed, 2000). As per the Outsourcing Institute (2001) “Outsourcing is a management technique by which an organization outsources major, non-core functions to specialized efficient service providers.”

To reflect its strategic significance, outsourcing is defined by Cooke et al., (2005, p.415) as “Sourcing of merchandises and services previously produced internally inside the sourcing organization from an external supplier.”

There are numerous similar terms in meaning to outsourcing. Some of them are examined below.

a) Outsourcing: is the activities undertaken by an outside supplier to take care of transfer of activities and possibly assets from a firm that had been in in-house already Domberger, (1998).

b) Out tasking: sometimes also called subcontracting, alludes to hiring an external service provider temporarily for supplementing resources e.g., design and delivery of a training activity (Friedman, 2006).

c) Consulting: Friedman (2006) consulting helps organizations in giving data about ‘how to do’ something, while outsourcing ‘does it.’ In the literature of Business Process Outsourcing (BPO) the qualification between the two is blurry. This is because of the fact that several HRO service providers are part of the larger management consulting and BPO firms.

d) Off shoring: is outsourcing across national boundaries Adler, (2003).

e) Contingent workers: Leasing individuals to an organization/service seeker by a HR services supply firm Domberger, (1998).

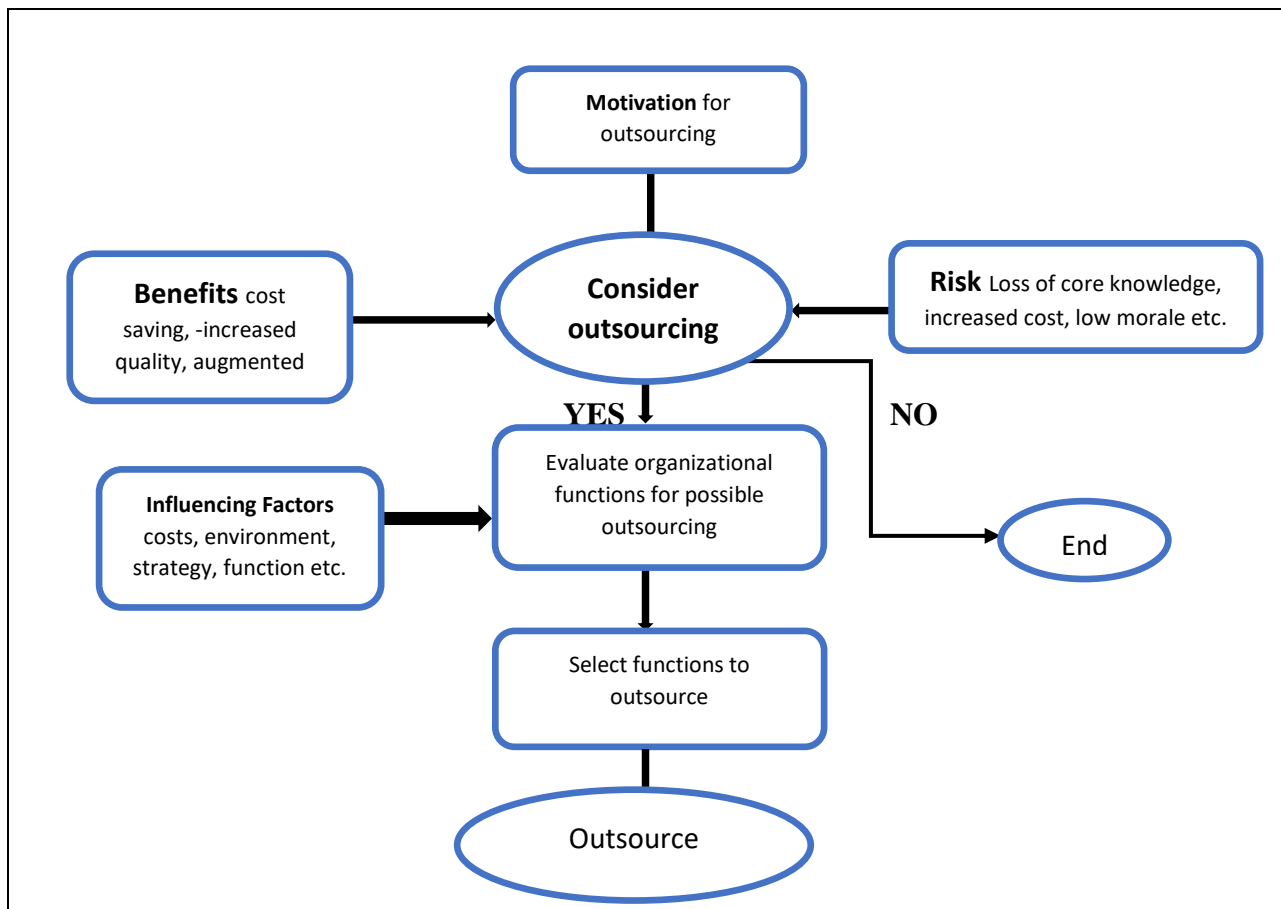
2.2 Conceptual Framework

Kremic and Tukul, (2003) defined outsourcing is a common practice among both private and public organizations and is a major element in business strategy. Maybe most business now

outsource some of the jobs they used to perform themselves. Due to extensive outsourcing practices, it has turned out to be a frequent topic in the literature. Various reasons to why outsourcing has originated have been identified by various researchers. Organizations may expect to achieve many different benefits through successful outsourcing, although there are significant risks that may be realized if outsourcing is not successful. There is a great quantity of outsourcing literature where many benefits, risks, motivators, and decision factors have been reviewed although the relationships, shared characteristics and differences among the contents of these literatures have not been examined.

Below, the review on the outsourcing decision framework given in Figure 1.1. The diagram below depicts the typical elements of the outsourcing decision and shows where the motivators, benefits, risks, and factors are typically encountered in such a decision. The examination of the advantages, difficulties and chances of outsourcing depends on the outsourcing choice system, adjusted from Kremic and Tuckel (2003).

Figure 1.1: Outsourcing Decision Framework.



Source: Kremic and Tuckel (2003), Outsourcing decision support

a) Motivations for outsourcing

There are three major categories of motivations for outsourcing: cost, strategy, and politics. The first and second normally drive outsourcing in private sector. Political motives mostly drive outsourcing in public sector (Kakabadse and Kakabadse, 2000)

b) Cost driven for outsourcing

Principally, outsourcing for cost reduction motives occur when suppliers or services providers costs are low enough that even with added overhead, profit, and transaction costs, providers can in any case still deliver the service at a lower price (Brandes et al, 1997)

c) Strategy-driven outsourcing

In recent times the primary drivers for outsourcing seem to be moving from cost to strategic issues, for example core competence and flexibility strategy (DiRomualdo and Gurbaxani, 1998), which may offer enhanced business performance on various dimensions Brandes et al, (1997)

d) Politically-driven outsourcing

There are numerous reasons why a public firm may behave in a different way than a private firm and consequently may have different outsourcing motivators. For example, Avery (2000) contends that the performance of a service by the public laboratory is not in the view of market demand or profitability. The issues may be more social than economic.

e) Expected benefits of outsourcing

The rapid growth of outsourcing suggests that both public and private organizations expect benefits from outsourcing. Actually various organizations in various conditions will expect different benefits. For instance, all organizations expect costs savings despite the fact that in government outsourcing, the typical cost savings are only about half of what the private sector realizes (Kakabadse and Kakabadse, 2000).

f) Potential risks in outsourcing

The literature also reviews various risks associated with outsourcing. Because outsourcing is a rather recent tool of managers the complete costs are not yet known, which poses a risk in itself. The texts cautions that there is an initial tendency to overemphasize benefits and that

the contractors are likely to perform better in the establishment of a contract to have a good first impressions (Schwyn, 1999). Lonsdale (1999), supports the fact that outsourcing failures are not due to an inherited problem in outsourcing but instead the absence of guiding methodology for managers.

2.4 Outsourcing Theories

Numerous authors identified significant number of theories that could clarify the outsourcing phenomenon (Gotttschalk and Solli-Saether, 2005). Below are some of the models on the outsourcing phenomenon:

2.4.1 Resource based theory (RBT)

According to Barney (1991) suggested this model to answer the question—Why do firms in the same trade vary systematically in performance over time? The RBT view of the firm to explain how firms gain sustainable competitive advantage through acquisition and nurturing resources. Davies (2000) proposed that strategy outlines how the company's goals and objectives will be attained. He observed strategy in a triangle with resources and policy. In this triangle, policy outlines the objectives that assist develop and sustain direction, whereas resources are the material and methods that provide the means for achieving policy. Davies (2000) describes outsourcing as a resource method. Amplifying this thinking, numerous scholars (Stalk et al., 1992; Ray et al., 2004) contended that resources can be utilized as competitive advantage if and only if they are exploited through business processes. Consequently, those activities and business processes that utilize valuable, rare, inimitable and non-substitutable resources can operate as sources of competitive advantage of the firm. Accordingly, RBT requires attention to the processes, resource leverage and intangibles. Thus the relevance of RBT to outsourcing is to understand the core and the non-core activities that can be outsourced or kept inside the firm.

2.4.2 Relational Theory

The Relational Theory gives clarifications on how enterprises may acquire and maintain up a competitive advantage with respect to their relationships with different organizations (McIvor, 2005). This model has been utilized to concentrate the phases of transition, relationship management and reconsideration. Along these lines, the Relational Theory is the just approach that might be connected to the investigation of all phases of the outsourcing procedure.

Willcocks and Choi (1995) investigated the conceivable outcomes of laying the foundation, through proper planning, for turning the outsourcing process from a simple association into a strategic alliance. Utilizing the Relational Theory, they inspected the elements that might be utilized to decide at the phases of planning and relationship maintenance, expecting to make choices that will contribute to the creation of strategic alliance. Espino-Rodríguez and Rodríguez- Díaz (2008) proposed a relational model expecting to analyse the effect of an organizations capacity to develop a relationship with vendor at the phases of vendors selection and relationship maintained for the improvement of competitive advantage, in view of technology (Sakas, Vlachos, Nasiopoulos, 2014).

Yahnhong (2011) portrayed an outsourcing model in view of the Relational Theory, expecting to translate the stages of Preparation, Vendor Selection and Relationship Maintenance. The research achieved the conclusion of the relevance of the outsourcing process as determined by the nature/quality of the relationship at its foundation and by the care given by contracting gatherings to the improvement of the relationship.

2.4.3 Knowledge-based View

The Knowledge-based View gives an understanding of how individuals cooperate to produce merchandise and to provide services. The Knowledge-based View establishes two methods for information-sharing among partners (Nasiopoulos, Sakas, Vlachos, 2014). These are knowledge generation and knowledge application. The Knowledge-based View applies to outsourcing in order to show that knowledge-sharing at the relationship management phase of the outsourcing process is positively identified to the success of the outsourcing agreement (Sakas & Kutsikos, 2014) (Kutsikos & Mentzas, 2012). The Knowledge-based View is the establishment of the model proposed by (Lee, 2001), which attempts to clarify the management of the relationship between the two contracting parties of the outsourcing procedure. The model, which likewise utilizes the Core Competences theory, achieved the conclusion that knowledge-sharing is one of the key success elements of an outsourcing process.

2.4.4 Neoclassical economic theory

The theory states that corporations will validate their sourcing strategy based on evaluating opportunities for production cost savings. Gottschalk et al, (2005), the question on whether to outsource or not is a question of whether the market can produce products and services at a

lower price than through internal production. Low cost leadership strategy focuses on gaining competitive advantage by having the lowest cost in the industry. In order to achieve a low cost advantage, an organization must have a low cost leadership strategy. In this view, Allen (2006), suggested that a firm must be willing to discontinue any activities in which they do not have a cost advantage and should consider outsourcing activities to other organizations with a cost advantage. Hence, outsourcing is implemented as a strategy to reduce in-house cost of production.

2.4.5 Agency Theory (AT)

The theory is based on the conceptualization of the firm as a link of contracts between principals or stakeholders and agents. Jensen and Meckling (1976) observed that the focus of agency theory originally was on the relationship amongst managers and stakeholders but had spread over the time on explaining the relationship between two inter-firm subjects. An example of Agency theory used in outsourcing is the choice of contract. When the perception of risk and uncertainty is low, a client favours to sign a fixed-fee contract. Otherwise, the client favours to sign time and material contract.

2.4.6 Transactional costs economics theory (TCE)

The theory has been the most utilised theory of outsourcing. It provides the best decision making tools to assist organizations to decide to outsource as well as preparing the firm for further outsourcing arrangements. The theory also gives an explanation of contractual complexity as another useful issue for outsourcing. However the theory has its disadvantages as mentioned by Lacity and Willcocks (1995) that the TCE mapping framework only explained a few IT sourcing decisions and generated much more anomalies in their sample. Furthermore, TCE is static which does not correspond to dynamics of current business environment.

2.4.7 The risk theory

According to Bauer (1967) the theory examines how a person subjectively associates with the costs of a decision and impact of that decision on the intention to complete a transaction. According to the theory, for as long as the perceived benefits offset the perceived risks, the decision maker will have a positive attitude concerning a particular decision. Pursuant to this theoretical framework, it can be debated that the decision to outsource is positively

influenced by perceived benefits of outsourcing and negatively influenced by perceived risks of outsourcing (Simon, 1957). Therefore, the risk benefit framework is to be applied to scan outsourcing decisions. In order to achieve the best result, the concept of risk-benefit analysis compares the risks related and benefits expected of a decision made. Therefore, if the concept is applied to outsourcing it needs the decision maker to evaluate all the potential risks and benefits that may arise from the outsourcing process before one resolves whether or not to outsource.

2.5 Motives and Benefits for Outsourcing

Most researchers recognized cost reduction or other cost related aspects as key factors for logistics outsourcing. Wilding and Juriado (2004) for instance conclude after a broad literature review that cost perspectives are most essential in this specified circumstance. Moreover, different variables related to costs are often mentioned. The reduction of assets owned by organizations themselves promote to changes in their cost structure, turning fixed costs into variable costs (Rao and Young, 1994, McGinnis et al., 1995, Van Damme and Van Amstel, 1996, Sink and Langley, 1997, Razzaque and Sheng, 1998, Weber and Engelbrecht, 2002, Langley et al., 2005). A similar impact prompts to a reduction of capital utilized (Van Damme and van Amstel, 1996, Weber and Engelbrecht, 2002, Lynch, 2004). Besides, logistics service providers are able to recognize economies of scale (van Damme and van Amstel, 1996, Jung, 2004), which empower them to perform logistics operations at lower costs. Since they pass a part of this cost advantage to their client, manufacturing companies can reduce their expenses as well. Beyond cost reduction Laarhoven et al. (2000) as well as Langley et al. (2005) have identified increasing transparency concerning logistics costs as benefit of outsourcing choices.

After cost aspects, the focus on organizations' centre capabilities is the second most mentioned intention for logistics outsourcing in literature and practice. Besides these perspectives, the improvement of service level or service quality is the third most mentioned benefit of logistics outsourcing (Table 1) below. Logistics service providers are regularly thought to be able to have the capacity to improve because of their experience and know-how as well as their superior equipment. Furthermore related to quality in the context of logistics is the speed of operation, which is seen by Weber and Engelbrecht (2002), and Razzaque and Sheng (1998).

On the management level, many organizations from the modern sector appear not to capacity to manage their logistics effectively, creating another quality-related motive for outsourcing (van Damme and van Amstel, 1996, Razzaque and Sheng, Weber and Engelbrecht, 2002, Langley et al., 2005). Moreover, many authors relate logistics outsourcing with an increase in flexibility.

Table 1: Motives for outsourcing

	Weber	Razzaque	Lynch	Van Damme	Lagarhoven	Sink	Boyson	Langley	Jung	McGinnis	Roa	Number
Cost Reduction	X	X	X		X	X	X	X	X	X	X	10
Improvement of service level /service quality	X		X	X	X	X			X	X	X	8
Focus on core business / core competencies		X	X	X	X	X	X		X	X	X	9
Changes in cost structure (elimination of fixed costs)	X	X		X		X		X		X	X	7
Gaining flexibility	X	X	X	X	X	X			X			7
Know-how transfer / usage	X			X		X	X					4
Labour Considerations			X			X		X		X		4
Capacity improvement												
Handle peaks	X	X						X				3
Customer demand												
Decrease of capital employed	X		X	X								3
Access to new information technology			X			X		X				3
Increase of speed	X	X										2
Company restructuring Development of supply chain partnership		X						X				2
Centralized facilities / distribution systems		X									X	2
Management and political considerations	X	X	X					X				4
Global capabilities		X	X									2
Service provider can realize economies of scale				X					X			2
Gaining more cost transparency		X		X								2
Change Implementation					X			X				2

Source: Wilding and Juriado (2004) *Journal of Physical Distribution & Logistics Management*

Perspectives which are mentioned by less authors are for example the transfer of providers 'know-how (van Damme and van Amstel, 1996, Sink and Langley, 1997, Boyson et al.,

1999, Weber and Engelbrecht, 2002), considerations linked to labour (Razzaque and Sheng, 1998, Weber and Engelbrecht, 2002, Langley et al., 2005), or the capacity to deal with limit bottlenecks by means of logistics service providers (Razzaque and Sheng, 1998, Weber and Engelbrecht, 2002, Jung, 2004). Additionally logistics outsourcing provides companies with access to up-to-date information technology and to the global capacities some service provider maintains (Sink and Langley, 1997, Lynch, 2004, Langley et al., 2005). Two reviews from Laarhoven et al. (1994, 2000) over a period of six years demonstrate that the motives for logistics outsourcing are not very exceptionally unpredictable. The significance of the investigated strategic reasons behind outsourcing stayed practically the same between 1993 and 1998. A similar conclusion is drawn by Razzaque et al. (1998) and Selviaridis and Spring (2007) in their literature based assessments.

Motives and benefits analysed in different articles are summarized in Table 1. Using as the criterion the number of times they were mentioned in the studies, cost reduction, improvement of service, and concentration on core capabilities give off an impression of being the most important factors.

Anderson and Weitz (2006) other scholars contend that an important source of cost reductions is the outsourcing organization's access to economies of scale and the unique skills that a specialized outsourced vendor can deliver. Fisher et al (2009), a new and complex production organization strategy is presently brought developed with reference to international empirical evidence. This approach is called fragmentation of production, favours the splitting up of production practices into more specific and discernible phases in order to attain the most efficient producer and location for each merchandise or component. According to Mora (2005), fragmentation of production that is not based on equity linkages is called outsourcing. It is formulated mostly by developed-countries' enterprises, which has competitive market where on the one hand, local customers demand high quality/value products. In the same perspective products coming from developing countries are very competitive due to lower labour and production costs. The main reason of adopting this tactic is to take advantage of specialization and scale economies in mechanisms or production tasks by external suppliers Cullen et al, (2009). Organisations that specialize in those activities or phases in which they have a competitive edge in quest to increase production efficiency, and consequently, their competitiveness.

The primary reason for developing outsourcing remains being cost efficiency. Organisations assess outsourcing to determine if current operation cost can be reduced and that if saved resources can be reinvested in more viable areas. Meanwhile these outsourcing contractors are typically servicing numerous clients; they often realize lower unit costs than doing everything as a company. Professional outsourced vendors are able to invest speedily in new technologies and innovative practices than many outsourcing contract granting firms Alexander and Young (2007).

O'Farrell et al (1993), the primary cause for outsourcing with evidence that suggests that it is a result of differences in demand which analysed by producers in Scotland and South East England for key strategic business services. The primary cause for outsourcing, according to the evidence it suggests that outsourcing is as a result of variations in demand. Girme and Gorg (2004) investigated the factors of outsourcing in the engineering and electronic manufacturing industries in the United Kingdom. They gave specific focus on plant characteristics, which they found that giving high wages was positively related to outsourcing. In their opinion, it therefore suggests that cost savings are vital in the organisation's decision to outsource. Additionally, this could show a specialisation process by skill intensive plants in which they are outsourcing their relatively low skill intensive process.

Cusmane et al (2006) examined outsourcing using information from a sample of firms from Lombardy in Italy. The results showed that outsourcing is unusually wide and interests all the industrial sectors with a similar extent. They additionally observed that organisations that have a higher specialisation in research and development, with experienced labour, forming part of a group or more exposed to international trade have a higher probability to outsource.

Subcontracting is aimed at improving efficiency and effectiveness of a firm's operations, and eventually guarantees sustainability. O'Rourke (2011) debates that sustainability is about long-term survival; environmentally, socially and economically. Business managers need to understand more thoroughly what makes business survive. Even though sustainability is now generally understood to be a combination of environmental, social and economic performance, O'Rourke (2011) argues that economic sustainability is the most significant element of sustainability and that organisations should be economically sustainable. According to Blues (2007), sustainability is needed to prevent the devastating and inefficient impacts of corporate premature death.

Accordingly, sustainability is vital; most businesses do not share information on how to be sustainable. According to (Spangenberg and Bonniot 2008), finding out how some businesses really stay in business is a different and altogether more difficult matter. It is an evident case that most businesses spent more time managing their economic performance pretty effectively, but the question is how they do it? According to (Spangenberg and Bonniot, 2008), Regardless of the excrescence of management handbooks purporting to share the secrets of highly effective business people, it is also the fact that few successful business strategists are prepared to share their techniques.

O'Rourke (2011) states that achieving sustainability involves industrial companies maximizing the efficiency and profitability from their operations through excellent control and drive maximum business value from all their industrial assets while reducing negative environmental impact and improving safety. One of the methods for guaranteeing sustainability is outsourcing. Jennings (2002) cited that there are a number of benefits of outsourcing and these are cost reduction, increased quality, improved flexibility, increased focus, and leverage and diversification. Furthermore Harland et al (2005) cited the following as outsourcing benefits, increased ability to meet changing market needs, provision of benefit through economies of scale, and ability to access best in class skills and capabilities.

Moreover, Puntra (2012) analysed the current information era, where information technology (IT) turn out to be a source of competitive advantage, the idea of outsourcing is also applied for the outsourcing of IT services. Nevertheless organizations outsource IT for many reasons, the growth of IT outsourcing can be attributed to two primary phenomena. The first reason is based on common understanding that sustainable competitive advantage can only be achieved through a focus on core competencies, thus the management of an organizations prefer to concentrate on what an organization does better than anyone else and outsourcing the rest. The IT role has been regarded as a non-core activity in various companies. Besides, many senior managers believe that IT vendors possess economies of scale and technical expertise to provide IT service more efficiently than internal IT department. The second reason is grounded on views that IT is a cost that needs to be minimized. Considering that outsourcing will help meet the IT needs of a business less expensively, companies tend to outsource it (Hirschheim and Jens, 2009).

Moreover, most organizations outsource for vital strategic management purposes. Quinn and Hilmer (1994) observed that the most referred to vital explanation behind outsourcing is to permit the organisation to better concentrate on its centre abilities. Outsourcing is viewed as a strategy that may offer enhanced business execution as propounded by Campbell (1995) who agrees with Embleton et al (1998) that outsourcing can support execution when utilized legitimately in the following ways; cost reduction, productivity growth, profitability increase and value improvement. For the most part, resources are scarce and therefore it becomes prudent for organisations to divert them to where they make the best beneficial outcome, that is, the association's centre capacities. As indicated by Kremic et al (2006) adaptability to manage demand swings constitute other strategic issues that support the thought of outsourcing. Adaptability is a vital driver in that organisations need to respond speedier to client necessities and outsourcing is seen as an administration apparatus to achieve this.

The desire to spare expenses has been distinguished in most literature accessible as the driver for why outsourcing occurs. Williamson (1981) argued that if using the markets resulted in lower costs than carrying out the transaction internally, then it ought to be purchased from the market.

Hypothetically, outsourcing for cost reasons can happen when suppliers' expenses are sufficiently low that even with added overhead and transaction costs, suppliers can still deliver a service for a lower price. Kakabadse and Kakabadse (2000) discovered that suppliers can achieve to supply at lower costs owing to specialization and economies of scale systems. Outsourcing might be driven by the desire to save on indirect costs. Fontes (2000) concurs with Hubbard (1993) that having fewer representatives requires less infrastructure and support systems which may result in a more efficient organisation. Abraham and Taylor (1996) proposes that there are three general considerations that may influence firm's decisions to outsource and these incorporate; wage costs savings, output cyclicalities and economies of scale.

Besides, firms may attempt to remove costs by contracting exercises to firms that work at lower costs. In a situation where it is sensible to pay efficiency wages to the firm's core workforce, there might be other more peripheral activities for which the payment of the above market rate efficiency wages may not be legitimized. These exercises could consequently be effectively contracted out to low wage makers (Mora, 2005). As per Luke

and Anthony (2010), if the firm's output is subject to heavy seasonal or cyclical fluctuations it may revert to outsourcing in order to smooth the workload for the centre workforce.

Abraham and Taylor (1996) additionally proposed that the outsourcing of specialised services, in the event that it is found that there are economies of scale in doing as such. They discovered that it may not be optimal for small or medium sized enterprises to provide a full range of support services, yet they might be in an ideal situation sourcing these from particular suppliers outside which can harvest scale economies

In addition, in its journal issued in January 2010, IBM did an examination on the long term impact of IT, application and business process outsourcing on companies, execution in the vicinity of 2001 and 2006. The investigation uncovered a connection amongst outsourcing and critical change in business execution. Results demonstrated that outsourcing firms consistently outflank their counterparts on critical financial metrics that include selling, general and administration (SG&A) costs, Earnings before Taxes (EBT) and Operating Income and Return on Assets (ROA).

2.6 Challenges of outsourcing

Regardless of the sensation rise in outsourcing in recent years, few empirical investigations on the challenges have been conducted. Basically whenever, there is an outsourcing decision there is risk associated with it. According to McIvor and Humphreys (2000), states that in the event that outsourcing pitfalls overshadows the benefits then a firm should avoid outsourcing those operations. Main obstacles and problems of outsourcing include: failure to realize hidden costs of contracts, risking internal security, transfer of knowledge, loss of innovation, altering of information, inadequate capability of service providers, poor quality and service degradation and legal, language and cultural barriers (McIvor and Humphreys, 2000).

a) Hidden costs

Hidden costs are a major challenge in outsourcing. Most of this is due to communication, the communication which takes place and the numerous opportunities for gaps in outsourcing carry the extra cost which appear to be hidden. Currency risk is another cost that is often underestimated or even overlooked. According Willcocks, Lacity & Fitzgerald (1995) in their examination they observed that the biggest hidden cost was currency risk were one currency

slips against the other causing an extra cost to the outsourcing firm. In all forms of business the assumption is that time is regarded as money and the loss of time in the outsourcing process result in hidden cost to the business. It is mostly as a result of delays and reverse logistics which may result in time loss and it comes as a hidden cost operations.

b) Security

Beside from risks associated to cost, security likewise turns to be major risk. Outsourcing is not simply sending requirements and specifications outside an organization: this is in fact opening up the organization permitting vendors to access inside. According to Joshi (2004), expressed that security is actually one of the top concerns organizations face when outsourcing services from external providers. By setting the management and facilitating of these services to an external provider. Companies surrender a significant part of the control over their own assets and information. The organization is vulnerable or exposes in secrets of how they strategically perform. In this way the outsourcing firm has great risk of security breach internally by outsourced parties.

c) Transfer of knowledge

Another significant risk concerns knowledge transfer. In spite of the fact that a product may be developed externally, it might require internal support. Hence the transfer of knowledge from both sides of the agreement is critical. At the point when a merchandise is delivered, if the transfer of knowledge is broken, the organization will end up depending on that particular vendor. Organizations need to transfer a lot of knowledge to a vendor in order for the merchandise or service to be delivered successfully. According to Wendy (1997), argued that most businesses experience a 20% decrease in profitability during the first year of the contract, to a great extent because of time spent transferring both technical and business knowledge to the vendor.

d) Loss of innovation

In addition, when jobs are exported, there is a likely loss of innovation. Collins and Montgomery (1995), gave an account of a review that shows that outsourcing organizations must push for innovations, coordinate the activities of different suppliers and see exactly what services have been supplied. Even though it is difficult to measure, the pool of workers

that help in setting a service or system, can be supplanted with people who might not have the organizations best interests. Consequently innovation and talent are being given to the wrong people who have little interest in organization development and have less contribution to the success of the organization.

e) Difficult to manage

Henry (1995) presented a discussion on the value of the informal human links within an organization and argues that outsourcing dramatically alters the informal structure of an organization within which human operates. Managing expectations and maintaining relationships with service providers is essential for the success of any outsourcing initiative. Although clear in concept, this is often very difficult to execute due issues ranging from corporate culture clash to the difficulties in managing an outsource provider across large distances and different time zones. Throw in regulatory concerns and proprietary information and relationship management becomes even more difficult. There is often disconnects between expectations at the management level and what's actually delivered at the process level. You also need to make sure the parties share a common understanding regarding critical interactions at the operational level (Shaw Pittman, 2003).

f) Inadequate capability of service providers

Absence of capability is another major problem of outsourcing which incorporate less effective transport systems, poor transport tools and outdated warehousing facilities, absence of qualified staff and inadequate capability in terms of IT. Furthermore, incapability of the service provider may incorporate issues, for example: poor quality service, failure to recognise expected cost reduction, are obstacle to outsourcing of activities (Mazzivvi, 2002).

g) Poor quality and service degradation

Quality of service is measured by an SLA in the outsourcing contract. Service Level Agreements (SLA) is an essential instrument for establishing and measuring service performance for an organization. Poorly drafted contracts mean that there is no degree of quality or SLA defined. Although the Service Level Agreement is defined, the level service previously offered may change with time and this might be caused by non-existence of proper and accurate measurement in drafting the SLA. According to Jennings (1997), suggested that service provider may lower quality through design to match the lower price. The outsourcing

organization will be interested in benefits, thus compromise on quality because of decreased costs to meet the contract conditions. The outsourcing organization lack flexibility to adapt to changes in the business environment, as the agreement is will be very specific and any changes to the agreement mean additional fee (Bucki, 2011). Organizations engaged in outsourcing frequently suffer service degradation and increased costs after a given period time. This has brought about challenges which has made other organizations to threaten to sue their outsourcing vendors for non-performance (Lacity Hirschheim & Willcocks, 1994).

h) Legal, Language and Cultural barriers

Legal, language and cultural barriers bring about serious problems. In trying to deal with the differences communication between outsourcing partners have great hindrance to effective and efficient outsourcing processes. Organizations need to consider and respect each other's cultures and find a common ground to create effective participation (Kakumanu & Partanova, 2006).The cost of arranging negotiations, managing and supervision of a contract can also be high if not properly considered.

Organizations frequently opt to outsourcing as a way to fight competition however they fail to consider the long term implications that can alter their future opportunities for short term benefits which might result in the loss transfer of critical learning opportunities (Thompson et al, 2007).

2.7 Strategies for Ensuring Success of Outsourcing

There are few issues that are frequently discussed as high-level factors contributing to successful and effective outsourcing Puntra (2012). In other words, they are the critical success factors in achieving outsourcing.

2.7.1 Careful choice of what to be outsourced

Each organization has its own centre capability and supporting activities. Organizations outsource some of their business procedures to concentrate on their centre capabilities to stay competitive. Cautiously selecting what processes to be outsourced surely can guarantee the result of the outsourcing process. Nevertheless, (Hirschheim and Jens, 2009) proposed that the company should also keep some internal IT processes in -house, particularly when it is

including the future IT plan for the organization, like strategic IT planning, since it is a business responsibility.

2.7.2 Choosing the correct specialist co-op

Selecting the right service provider is really vital for the success of outsourcing. A review by Cullen et al (2009) recommended that to select and leverage the right outsourcing specialist organizations, it should manage it as a life-cycle, which includes selection, engagement, transition, management, and regeneration, not as a one-off transaction. They also recommended organizations to focus on the provider's competencies and capabilities before considering their resources. Three critical capabilities to be assessed are delivery competency, transformation competency and relationship competency. Each one of them is utilized from their capabilities and resources.

2.7.3 Develop comprehensive contract with some flexibility

There is a solid connection between contract improvement and the effective of outsourcing project, particularly in relation to risk mitigation. Detailed contract will guarantee the service of appropriate IT technical expertise and deployment of IT infrastructure required for particular needs. It will likewise make the organization find it easier to monitor the outsourcing procedure congruity and quality of service according to contract agreement. Besides, flexibilities fabricated in the contract to some degree are required to foresee changes in business environment. A few specialists additionally recommend more worry in the length of the contract. In light of the way organizations and the organizations resources, the length of contract may be different. Frequently changing environment, shorter contract will be much advantageous. According to Puntra (2012), indicated that long term contract will be appropriate for more stable and steady industries like oil and gas.

2.7.4 Build relationship between the business and the outsourced organization

There is a need to fabricate long term relationship with contractors (Luke and Anthony, 2010). This would guarantee that supplies are ensured and that services are of high calibre.

In addition, Caldwell (2009) says that there are three important principles of outsourcing. The primary principle is transparency, which provides that all stages in the outsourcing procedures are fair and precisely archived. The second principle is that of responsibility and it cells attention to that there is need for accountability to financiers, who may require certain standards to be followed when utilizing the cash they have provided. Lastly, there is the

principle of efficiency and cost effectiveness and this standard is about meeting the „six rights“ of supply (right price, right time, right quantity, quality services, and delivery to the required places and from the most cost effective source).

Outsourcing has an imperative part to play and every organisation ought to set effective systems of outsourcing to protect shareholders funds according to Shaw (2010). The outsourcing capacity forms a key part of any management strategy. The specific elements of outsourcing are the financial plans included, the frequency of activities and technical complexity of the functions. Shaw (2010), recently argued that a function outsourcing has been complicated by the incorporation of, “manufacturing partnering” and by the acknowledgment that best value can’t be measured by price alone, however needs to assess time, quality and sustainability considerations as well.

Outsourcing action must, therefore, be considered as an internal part of the business planning process and must relate to the asset management strategy. Three main questions asked regarding the foundation of establishing good outsourcing practice and these inquiries as per Nakamura(2004), are as per the following;

- Does the venture meet organisation target?
- How does it fit into the development strategy, resource management strategy and the strategic business plan?
- Will setting upon the project undermine existing commitments?

Shaw (2010) brings up that the outsourcing procedure can be wrapped into three steps. These are the need for identification, planning and specification of goods or services required, and sourcing, awarding/granting, and supplier management to enable timely delivery.

1. Need for Identification: Outsourcing is done to longing to fulfil a particular task. Given that resources are continuously scarce, the undertaking to be accomplished should be significant to an organization (Nakamura, 2004).

2. Planning and Specification of Goods or Services Required: Once the needs have been recognized, the outsourcing division ought to create or impart an arrangement on the best way to convey the service or goods required. Shaw (2010) says the arrangement must be created in relationship with the other functions within the organisation, so that it is

coordinated into the organisation's strategy and in this way accommodated therefore adequately. To have the capacity to buy the merchandise or services, the specifications of what the organization needs must be clear. These specifications are utilized to impart to the supplier what is required and what ought to be provided. It is along these lines imperative to have clear, precise and accurate specifications. Most organizations have standard specifications for the most frequently procured merchandises and services such as medical and construction (Shaw, 2010). Specification is a detailed description of the design, the service, or materials. It describes in detail the requirements to which the supplies or services must conform (Thai, Araujo, Carter and Callender, 2005). The fundamental necessity of a good specification is to clearly identify the service or product to stakeholders. Specifications must be clear to all parties. That is the client, outsourcing and the provider. Thai et al, (2005) emphasizes variables to consider in specifying a product include physical properties, technical specification, and intended use.

3. Sourcing, Awarding, and Supplier Management; Hinson and McCue (2004) state that sourcing is the process of identifying sources of supply that can meet the organisation's immediate and future necessities for merchandises and services. The sourcing procedure embraced will depend on the circumstances and on the time accessible to do sourcing. For example, in a sudden on-set crisis the need to react rapidly to the crisis will mean there will be restricted time to accumulate sourcing data and favour suppliers, hence, an association may make utilization of existing suppliers.

2.8 Steps in the Sourcing Process

Below are six major steps to be considered in the sourcing process which include market enquiry, evaluation and awarding of contracts, placing orders and contracting, progressing/expediting, delivery and return and finally review

2.8.1 Market Enquiry

According to Shaw (2010), the process of inviting and assessing tenders or quotations will vary depending upon an organisation's own internal procedures. The table below, table 2.1 shows best practices to consider.

Table 1.2: Best Practices in Market Enquiry

Inviting and receiving quotations	Inviting and receiving tenders
<ul style="list-style-type: none"> ▪ A limited number of vendors are welcome to bid for supply of goods/services. ▪ Bids are returned within a predefined deadline. ▪ Receiving sealed bids relying upon the limits provided by the organisation. ▪ Use of tamper-proof box or lock fax machine for receipt of bids. 	<ul style="list-style-type: none"> ▪ Advertising in local and global channels. ▪ Setting due dates for response. ▪ Receiving sealed bids. ▪ Opening and registering receipt of the tenders. ▪ Use of tamper-proof box or lock fax machine for receipt of bids.

Source: Shaw, F.N (2008) The power of procure

2.8.2 Evaluation and Awarding

Maurer (2004) argued that the assessment of tenders and granting of contracts to suppliers is a critical phase of the outsourcing process. The procedure determines the real quality, reliability, delivery, etc. of the merchandises and services. The outsourcing department investigates and assesses bids, conducts verification of supplier capability and quality control/assurance processes, review product assessment results where necessary, and negotiates with vendors.

Furthermore, Shaw (2010) opposed that it is very important for the outsourcing department to evaluate and counsel on any big price variations, to dodge potential conflict of interest, undue influence, price fixing and favouritism, and to ensure consultative decision making and sharing of responsibilities. Likewise, the tender box should not be opened by one individual only, and the criteria used to assess bids should be tested and approved by the committee before reception of bids.

2.8.3 Placing Orders and Contracting

After assessing and granting of tender, the following step in the process includes placing orders for the merchandises or services with the supplier, or building up contracts which should be sent to suppliers. In crisis circumstances the endorsement levels and points of confinement are balanced, based on an appropriate process, to accelerate the process of purchasing merchandises and services. Under normal circumstances, the endorsement procedures may be more intricate. Shaw (2010) suggested that the orders establish contractual relationships between the organization and the supplier. Critical components of a contract or agreement include cost, specification/description, quantity, lead-time/delivery time, date of issue, and terms and conditions (including penalties for breach of contract). Place of conveyance ought to likewise be indicated on the contract (Shaw, 2010).

2.8.4 Progressing/Expediting

Bovis (2007) suggested that once the order is placed and the supplier has confirmed receipt and agreed to the contract terms and conditions, the role and the amount of work that staff in outsourcing need to embrace will be influenced by the performance of the suppliers. It is important therefore, for the outsourcing staff to monitor the progress of orders and the execution of the suppliers. Supplier performance will decide the amount of time and money that must be spent in expediting orders and the managing of suppliers. To guarantee a continuous stream of merchandises and services, expediting should be a continuous process, especially in emergencies. Shaw (2010), postulated that the constant monitoring empowers the organization to choose pick out break-down points in the system and rapidly identify solutions (Shaw, 2010).

2.8.5 Delivery and Return

Lewis and Roehrich (2009) discussed that outsourcing just encourages conveyance through expediting for timely delivery and trouble-shooting returns. The physical receipt and checking of goods takes place at the conveyance point. Outsourcing just has to realize that conveyance has occurred and that the supplier has delivered in accordance with the purchase order and fulfilled with delivery contract prerequisites.

Furthermore, whoever is in charge for receiving delivery and assessing the merchandise sought to understand the procedure to follow in the event that there are any issues or disagreements. For specific merchandises or commodities an independent inspection company might be utilized to check the nature of the products (Shaw, 2010).

2.8.6 Review

Shaw (2010) contends that it is very possible to overlook the review stage, especially when there is a great deal of outsourcing activity taking place as in the case of a crisis. Subsequently, the review stage is very vital and has got three main principle goals which are:

- An examination with the original user or recipient on whether the original needs they have been met.
- An evaluation of the performance of outsourcing in completing the outsourcing process, and
- An evaluation of the supplier performance.

In crisis circumstances, the review step happens considerably later in the crisis. Shaw (2010) emphasized that during the crisis is focused on obtaining the merchandises and services and addressing the necessities.

2.9 Chapter Summary

This chapter looked at related literature and concentrations on review of literature on outsourcing. There was a review of outsourcing hypotheses, determinants of outsourcing, and challenges faced in outsourcing. The chapter also deliberated on strategies for ensuring success of outsourcing. The next chapter will focus on the research methodology.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The chapter looks at research methodology. Kothari (2000) describes research methodology as a technique to systematically solve the research problem. Attention is on research philosophy, research design, population and sample, ethical consideration, research instruments, data collection procedures, data presentation and analysis and a conclusion that gives summary of the chapter.

3.1 Research design

The research design gives a guide or a framework used to gather information and measure the data obtained from research. It forms the conditions in which how research is to be carried out on how data is to be collected, measured and analysed to satisfy the study objectives. In coming up with a research design the researcher took into account type of tools and financial resources. The design is a blueprint that gives a conceptual structure in collecting, measurement and analysis of the research. It provides the platform to show how the researcher conducted the research from the objectives. The researcher utilized a descriptive which is focusing on the role of outsourcing practice in ensuring organizational performance. Saunders et al (2007) stated that descriptive studies provide a picture as it naturally occurs, may aim to draw a picture of a situation, person or event and to show how things are related to each other.

3.2 Population and Sample

3.2.1 Target Population

The target population is the group of interest to the researcher. Saunders et al. (2009), states that it is upon the group that the researcher would sum up the results of the study. The population incorporates all people whom the researcher is keen on acquiring the information

and making inferences on. The population for this study is 8 managers and 26 employees at DHL Harare International Airport.

Table 3.1 Total Population

Respondents	Management	Employees
Procurement	2	6
Clearing	1	5
Finance	2	3
Operations	3	12
Total	8	26

Source: Primary Data 2017

3.2.2 Sample size

A sample is a small proportion or a sub-group of those selected to participate in the study for observations (Zikmund, 2003). The sample includes both management and the general employees at. The total population at DHL Harare International Airport is too small which forced the researcher to consider the parent population as a whole. Therefore the researcher had to consider an appropriate sampling strategy that fits the decision of adopt the whole parent population of 34 participants. Regardless of having a sample size, in most cases there is practical considerations to consider the total population to obtain a true representation and statistical valid sample of the whole (Saunders et al, 2009). The data provided will give a true reflection from the group as whole. Concentrating on the entire considerable small group, the researcher will have more prominent control over information as there will be better precision of results and this will give a true reflection of the populace. Census sampling/survey process was to be used and each participant from both management and employees was considered from all the four departments which are procurement, clearing, finance and operations. All the respondents were selected and it aids in giving less biased information. According to Saunders et al (2009), suggested that a census is not necessarily better than a sample in all situations, but also considerable when the populace is either too small or too large.

3.2.3 Sampling

According to Saunders et al (2009), sampling is a process of selecting a considerable number of elements from the parent population such that information gathered from the group allows

the researcher to make conclusions about the total population. In this study the will consider to use the entire elements as the group is small.

3.2.4 Sampling Procedure

Sampling is the process of choosing units or a smaller picture from the populace of concern (Mpofu, 2011). Small population have comparable characteristics to consider that the whole population should be taken into account. Studying the entire group of population is affordable when the populace is relatively small. A census is a special type of survey to gather data on every member of a given population.

a) Census Sampling

Censuses are usually conducted by governments; participation is obligatory and so they give good coverage (Saunders et al, 2009). This process consists of everyone in the group to be considered and genuinely giving his own point of view to the study. Everyone in the group is chosen to participate in the study as the populace is relatively small. The population is too small that it has no need to be further sub-divided into sub-groups as it was relatively small. In this type of sampling everyone has an opportunity to give his/her own view and possibility of biased information given is reduced. Lewis (2012), states that a census usually clearly defined, well documented and of high quality. Hence in the same perspective the researcher considered to make use of census sampling as to capture each and every view in every individual in each department which includes procurement, clearing, finance and operations. Census gives data in great detail for a small group and mostly for a specific area of study, which samples fail to provide (Waksberg, 2002).

3.3 Sources of data

Data is unprocessed information and can be categorised into two which are primary and secondary sources as explained below:

a) Primary sources

Primary data is original and unprocessed information which is acquired from the direct source or respondents. It enable a researcher to get as close as possible to what is really on the ground or what actually something means to participating individuals, Ololube et al (2012). Two forms primary sources of data:

- Interviews

- Questionnaires

Primary data is critical in data collection as the researcher is involved in face to face basis and can get first-hand information which is current. The participants can actually give their indications and events of experiences to the topic under study.

b) Secondary sources

In a secondary source the researcher may have not be at the scene when the event happened but however, got the description of events from sources for example a survey, newspaper and or text book as cited by Barbie (2001). Secondary sources are essential in the research as the researcher can managed to use information from the company code, bank statement, financial statement and journal. Interviews were also conducted to the general management, middle managers supervisors, and general employees to compliment primary data obtained. Secondary data can either be internal or external. Internal data involves inventory reports, customer complains data and organization database of information. External sources are data created by sources outside the organisation which may incorporate industrial reports.

Secondary sources are promptly accessible and are clarified in detail hence it was straightforward to understand and analyse. It is also cheap and takes less time to collect data. Lastly they have supportive evidence which can be verified before being considered, therefore it is valid and effective as a complimentary tool to primary data.

3.4 Research instruments

a) Questionnaires

According to Saunders et al (2003) suggested that a questionnaire is a method of collecting data in which respondents are asked a set of questions in a pre-determined order. There are two forms of questionnaires which are the open ended questionnaires and close ended questionnaires. Open ended questionnaires gives opportunity for respondents to express how they feel and their own view toward the question asked. In open ended questionnaires the respondent is not influenced to answer in a specific way by the administrator. Close ended questionnaires are coordinated in a specific way to answers which will be on the questionnaires. The respondents answering to closed questionnaires has no room to express their own opinions.

The researcher utilized both open and closed ended questioners to allow for diversity. Close ended questions were mostly used due to the reason that they are simpler to use and save time that respondents will not feel the process as too long and time consuming. The administrator distributed the questionnaires physically and electronically. Distributing physically was done to those who work in the outdoor for example drivers and warehouse workers. These workers have limited access to the internet and barely make use of computers and those who took time in responding to their emails. Electronically distribution of questionnaires was given to those who have access and mostly office workers. The advantages of using questionnaires is that they are cheap to use and can reach numerous respondents electronically within a short period of time, hence it is cost saving. Respondents should complete the questioner at their own particular space of time and this was to be agreeable to a specific given time period. Thus they are convenient and flexible. The questionnaires will be kept confidential as they are not revealing respondents, thus they encourage honesty as respondents remain anonymous.

Questionnaires have a high response rate since respondents are familiar to them. The questions asked are uniform, therefore they have a better sequence similarity. Thus, encourage quick response as it easy to follow through series of the questionnaire.

Achieving a high respondent's rate which is fast and efficient the researcher had to self-administers the questionnaires and dispense electronically. On questions that required further explanation which respondents could fail to easily understand is encouraged to further ask the researcher for clarification either by email or directly. Physically dispensing the questionnaires gave room for the researcher to establish affinity. Hence, motivating respondents to complete the questionnaire and certainty that it reaches respondents. This procedure enhanced accuracy, validity and reliability on responses to be given by respondents. However physical distribution is a slow and costly process.

Electronically distribution of questionnaires is fast and much cheaper as it is done through emails. Questionnaires will distributed over a wide coverage as e-mails breaks geographical boundaries. However electronically distribution is only limited to individuals who can access emails daily as other respondents worked in areas like warehouse and aviation grounds that lacked accessibility. There was no guarantee that the questionnaire reached respondent in time.

b) Interviews

According to Ololube et al (2012) describes an interview as relational process which happens when the interviewer asks planned questions to a respondents in order to get answers to the issue under study. Basically people prefer to talk other than write down answers. The researcher used a mixture of in depth and semi structure questions and the researcher used personal interviews in which the researcher used face to face interviews. The advantage of utilizing interviews is that any misunderstands are immediately explained and rectified in no time and also the researcher is able to note facial expressions which helps in identifying the true feeling about the area of study.

The challenges that come with interviews is that they are costly and need time to travel to and from the place of meeting. Interviews are not smoothly done as they may be frequently interrupted and this is due to the fact that participants were busy with work and some may not give full attention. Ultimately there is always an element of bias in interviews were some participants are thrilled and may end up untruthful. In addition participants may be demotivated due to personal displeasures or manner in which question are asked. The participants may give socially suitable answers which are not objective and truthful.

The researcher utilized in-depth interviews to permit examining for new information and giving the interviewers room to express themselves fully without influence from the administrator. Interviews were in-person and face to face and the interviews were only for managers.

The interviews are expected to be done within 10 minutes with an allocation of 2 minutes per each interview question. The researcher used two tools to record the interviews which are a note book and phone to record all the information. The note book is be used to those managers who don't feel comfortable to be recorded on the phone, hence used for jotting down points. Those comfortable in phone recording, the researcher made use of such a facility to save time and paper work.

3.5 Data collection procedures

The researcher utilized different methods to collect data and the researcher made appointments through telephone/cell phone and emails to book respondents for interviews and questionnaire distribution. In this regard all respondent need to be informed formally as a way of notifying the people to be involved. Likewise less time wasting as all both researcher and respondents have agreed to certain specification like location of the meeting, date and

possibly time. Questionnaires were also be distributed and administered by both hand and electronic mail.

3.6 Validity and reliability

a) Validity

Validity asks the question on the instrument if it measures what it supposed to measure. The instruments used for measuring should be accurate for its purpose. The researcher insured validity by asking questions that were in line with research objectives and member checking by going back to the respondents and checking with them for verification. The researcher also had to ask the supervisor for assistance on how to enhance validity of instruments used in the research process. Validity is based on whether the instruments used are measuring what they want to measure and if they are accurate for measuring appropriate variable.

b) Reliability

Reliability is defined as the degree to which a questionnaire, test, observation or any estimation methodology that creates similar outcomes on repeated trials (Saunders et al, 2012). The results should be stable, precise and consistent. The researcher had to safeguard reliability by utilizing a small sample of the total targeted populace so that the data would be valid and reliable. Reliability will also be guaranteed by supervision by my research supervisor who cross checked the questionnaire use and distribution. The researcher enhanced reliability through information examination by rechecking for errors and also to pilot test the results. This include participant's feedback, which is done during the interviews whereby the researcher gives instant feedback when rephrasing the questions. The researcher pre-tested the instruments for reliability to improve quality of the questions and responses.

3.7 Ethical Considerations

Ethics define the good and bad conduct in research. Suggestions from Saunders et al (2012), ethics of research incorporate informed consent, confidentiality, protection of privacy, protection against harm, and protection against identity. Ethical considerations were observed when participants were educated about the study and assent was looked for. Participants were

additionally advised not to write their names on questionnaires and this guaranteed anonymity. Furthermore, participants were informed that information collected was to be utilized for academic purposes only and that the data collected would be dealt with as confidential.

3.8 Data presentation and analysis

It is a technique of summarizing data and conveying a valid meaning to the data. It is a procedure of preparing the data for analysis. The following techniques were utilized as part of data presented below.

3.8.1 Data presentation

- **Tables and figures**

Tables contain labelled rows and columns which can straightforwardly presents large amount of data. Measurement units are clearly represented and data can be easily be understood and deduced. The presentation was to be presented logically and easy to compare the data. Data is presented in a chronological order and the researcher clearly outlined the trend pattern of the data. Vague date was easy to analyse and compare. Figures were also be used as they plainly outlined percentage of respondents that favoured a specific answer in reference to a specific question asked.

3.8.2 Data analysis

After gathering raw data in the field, data processing is to follow. Ritchie and Lewis (2003) says raw data needs to be converted into a form suitable for analysis and interpretation. After collecting raw data, the data is tabulated, presented on pie charts, bar and line graphs to clearly show the common elements since excel was used. Data presentation and analysis is done through a series of logical steps exhibited below.

- **Editing**

Raw data will be edited in the completed questionnaires; the researcher will do this manually. The physical checking of questionnaires will be done to check for missing pages, blank pages and for completeness of questionnaires.

- **Coding**

This a process of identifying and assigning numeric character symbols to previously edited data. Codes will be assigned to response options for example

- **Tabulating**

Mercer (2002) says it refers to simply counting the number of elements or cases that fall into each coded category. Data will be tabulated through the use of tables.

- **Charting**

Tabulating and charting are known as data presentation methods. Charts offer a graphical and visual picture of tabulated data to help put across important points for data users. Graphs, charts and supportive descriptive statements will be used to chart the tabulated data.

3.9 Chapter Summary

This chapter took a gander at research methodology and gave details on research design, subjects, research instruments, and data collection procedures. Concentration was likewise on research ethics, validity and reliability, and data analysis and presentation procedures. The next chapter analyses the data from chapter three.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter will give findings from the research where the study goal was to establish the degree and benefits related with outsourcing services in DHL logistics and customs clearing and to establish the challenges linked to outsourcing in DHL logistics and clearing. The chapter will present an analysis and findings regarding to the objectives and discussion of the study. The findings depended on information gathered through questionnaires and interviews. Tables and figures were utilized to demonstrate the findings of the research.

4.2 Response Rate

4.2.1 Response Rate

The researcher got a good response from participants as shown by Table 4.1 which shows the response rate.

Table 4.1: Response Rate

Category of Participants	Management	Employees	Response	Response Rate
Procurement	2	6	6	75%
Human Resources	1	5	6	100%
Finance	2	3	5	100%
Operations	3	12	10	67%
Total	8	26	27	79%

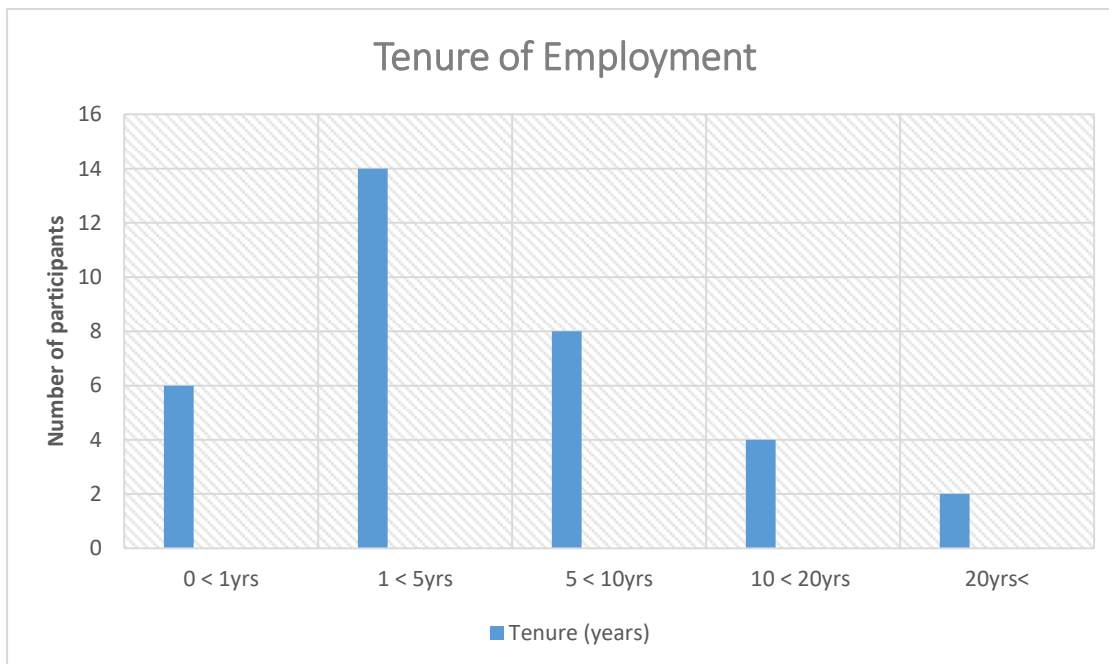
Source: Primary Data 2017

Table 4.1 demonstrates that, from the census of 34 participants, responses were only from 27 participants. The responses had a 79% response rate, which was satisfactory as it was well above 67% that is endorsed by Saunders et al (2012).

4.2 Tenure of Employment for the participants

The researcher requested data about age so as to establish maturity of participants. All 34 participants (100%) were above the age of 30 years and this could enhance the validity of their responses. The researcher also asked information about the tenure of employment at DHL Harare International Airport as shown by Figure 4.2 below.

Figure 4.2: Tenure of Employment at DHL Harare International Airport



Source: Primary Data 2017

The diagram above shows that that six participants (18%) have been at DHL for less than a year, fourteen participants (41%) with a tenure of between one and five years, eight participants (24%) have been employed at DHL for more than five to ten years. DHL has only four participants with an employment tenure of between ten and twenty years and with only two participants employed for more than twenty years. The data in Figure 4.2 shows that the majority of participants have been at DHL for a period long enough for them to appreciate outsourcing at DHL, its benefits, and challenges.

4.3 Determinants or motivators Outsourcing at DHL

In the interviews with managers, all the 5 managers (19%) of the total participants and all 22 respondents' form the general employees (81%) of the total participants were in agreement that outsourcing was aimed at cost reduction. The results obtained from the 27 participants

(100%) showed that outsourcing at DHL was done to enhance efficiency and effectiveness of organizations operations, and ultimately ensures sustainability. The requirement for management to give more time to strategic management provided rationale for outsourcing. Likewise, one way to reducing cost in operations is outsourcing and this is in line with many authors related to logistics outsourcing complied by Wilding and Juriado (2004) who concluded after a broad research that cost perspective is the most essential specific circumstance of outsourcing. The above findings have highlighted the main reason why DHL needed to make use of specialized skills in areas of interest, subsequently the requirement for outsourcing of the functions. DHL as the most international company in logistics has also to comply with its company policy requirements and this has given rise to outsourcing of external audit function. Different activities that are outsourced at DHL include warehousing, transport, customs clearing, catering and cleaning. The company is even looking forward towards outsourcing of human resource management activities like training.

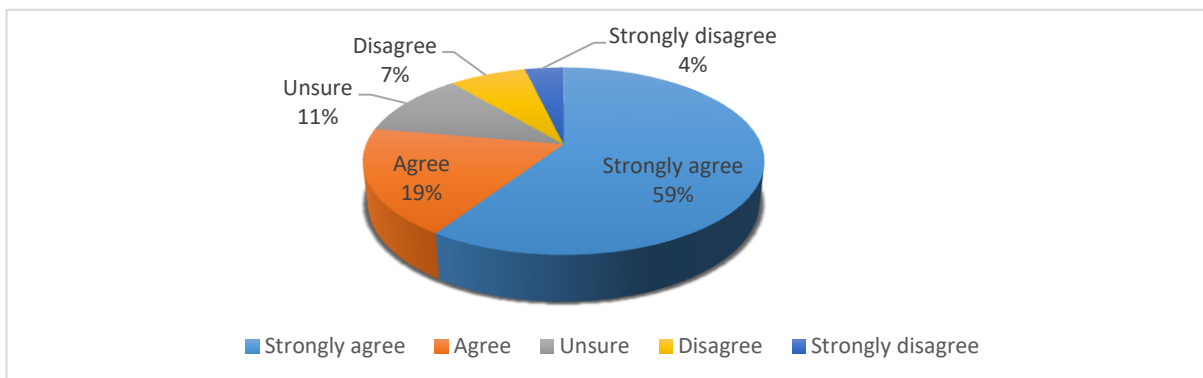
4.4 Benefits of Outsourcing

The findings reviewed the specific benefits attributed by outsourcing as explained below

4.4.1 Outsourcing practices leading to flexibility

Figure 4.3 shows how the participants respond to outsourcing on leading to flexibility of DHL

Figure 4.3: Outsourcing Leads to Flexibility



Source: Primary Data 2017

The results in figure 4.3 show that 5 managers (19%) and 16 general employees (59%) were in agreement that outsourcing leads to flexibility, while 3 general employees (11%) was not sure and 3 general employees (11%). Only 2 general employees (7%) were in disagreement. Those in agreement to outsourcing leading to flexibility were in line with O'Rourke (2011) who pointed out that organizations should be flexible in order to attain competitive

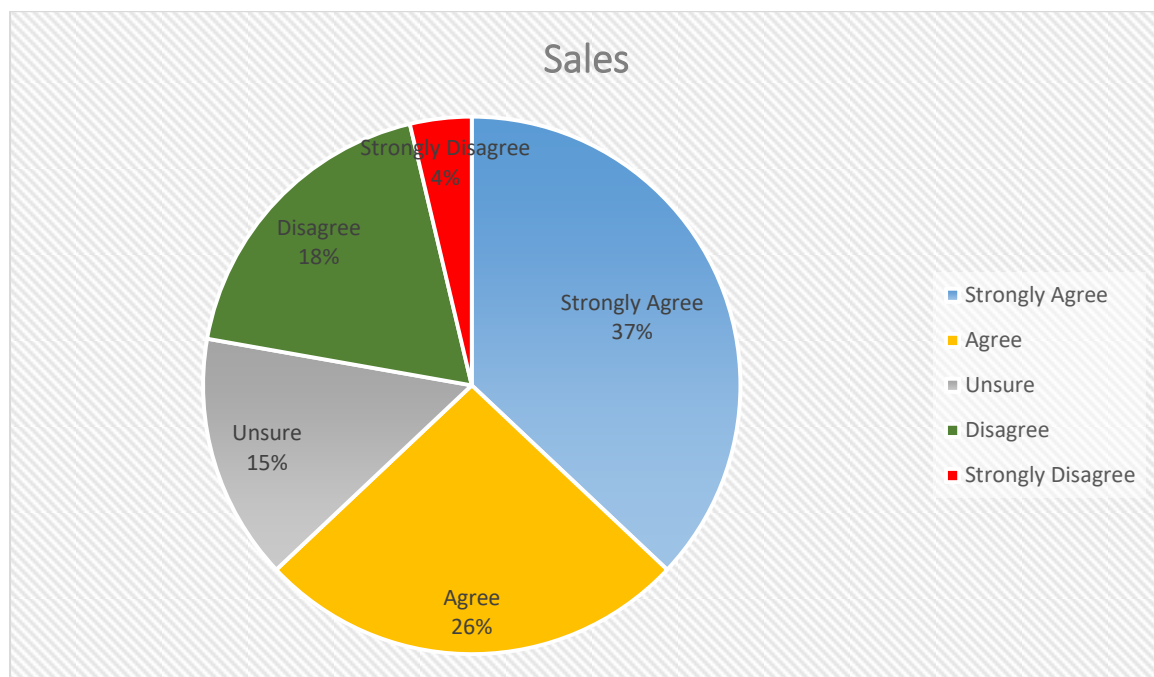
advantage. One of the ways for guaranteeing flexibility is outsourcing. Jennings (2002), indicated that benefits of outsourcing include cost reduction, increased quality, improved flexibility, increased focus, and leverage and diversification. Furthermore, Harland, Knight, Lamming and Walker (2005) also suggested the following as outsourcing benefits, that is increased ability to meet changing market needs, provision of benefit through economies of scale, and able to access best in class skills and experiences. Moreover, Kremic T et al (2006) states that flexibility to manage demand swings constitute other strategic issues that motivate the thought of outsourcing. Adaptability is an essential driver in that organisations need to respond quicker to customer requirements and outsourcing is perceived as a management tool to achieve such a scenario.

Results obtained are in relationship with other literature that outsourcing leads to flexibility as the organization increase the ability to meet changing market needs.

4.4.2 Improvements of production in terms of Sales.

In figure 4.4 it shows that 5 managers (19%) and 12 general employees (44%) claimed that outsourcing play a pivotal role in production in terms of sales and only 4 general employees (15%) were unsure of outsourcing process as to its contribution to sales. The other group of 6 general employees (22%) were in total disagreement to the fact outsourcing contributed to sales.

Figure 4.4 Improvements of production in terms of Sales.



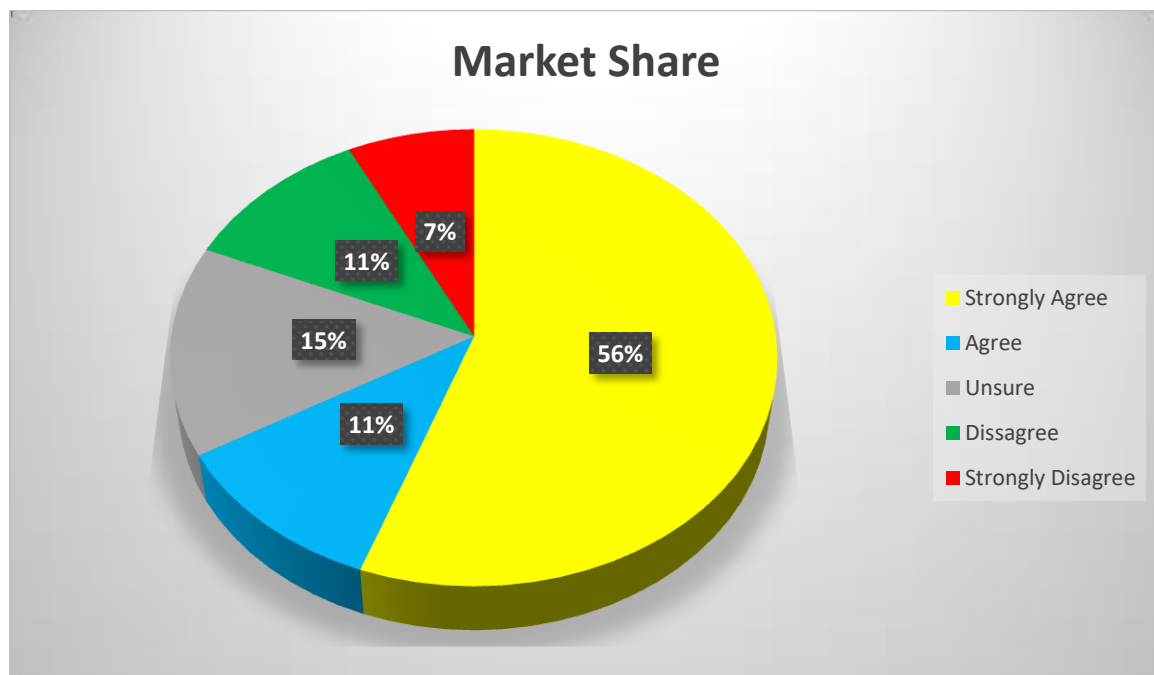
Source: Primary Data 2017

The positive relationship between sales and outsourcing shown by respondents is in full support of the view by Campbell (1995) who suggested that outsourcing can support execution when utilized legitimately in the following ways; cost reduction, productivity growth, profitability increase and value improvement. Results obtained show that outsourcing has a great impact on sales as it is indicated.

4.4.3 Improvements of production in terms of Market Share.

The researcher made enquiries about how outsourcing has improved the market share at DHL. Three managers (11%) and fifteen general employees' participants (56%) agreed that outsourcing has increased the market share of DHL, two managers and two general employees making (15%) of them uncertain about the changes and only five general employees (18%) of them were in disagreement. The data showed that the majority of the participants were in agreement to the fact that outsourcing was a tool to growth in terms of market share as shown in figure 4.5 below.

Figure 4.5 Improvements of production in terms of Sales



Source: Primary Data 2017

The results obtained supports the fact that there is a co-relationship between outsourcing and growth of the business in terms of market share. The growth mentioned and supported in the research are in line with Cullen et al, (2009), argues that the other reason of adopting outsourcing is to take advantage of specialization and economies of scale that leads to

growth. In an overview results obtained supports the fact that there is a co-relationship between outsourcing and growth. In the findings it indicates that outsourcing influences the performance of the firm and in a way result in the growth of its market share as reflected in the results.

4.4.4 Outsourcing improvements on quality services within DHL

The research interviews with all the 5 managers (100%) reviewed that, outsourcing enhance quality in areas of cleaning, catering, IT and security because of utilization of specialists in the fields. Focusing at IT, the findings are in line with Puntra (2012), who stressed that, in this information era, where information technology (IT) turn out to be source of competitive advantages, outsourcing of IT is vital to the fact that IT vendors retain economies of scale and specialized technical ability to provide IT service more efficiently than IT department internally. The second reason depends on the perspective that IT is a cost that should be minimized. Being certain that outsourcing will assist in meeting the IT needs of an organization cheaply, it has a tendency to be outsourced (Hirschheim and Jens, 2009).

Additionally, all the 5 managers and 22 general employees (100%) claimed that outsourcing enables DHL Harare Airport to maximize on its core competencies and resulted in increased profitability. DHL is able to save costs, for instance in terms of employing many people. The organisation transferred risks related with managing people to contractors. In this perspective which is in line with what was suggested by Fontes (2000) that having fewer employees involves less infrastructure and support systems which may result in a more efficient organisation.

4.5 Outsourcing reduction on cost

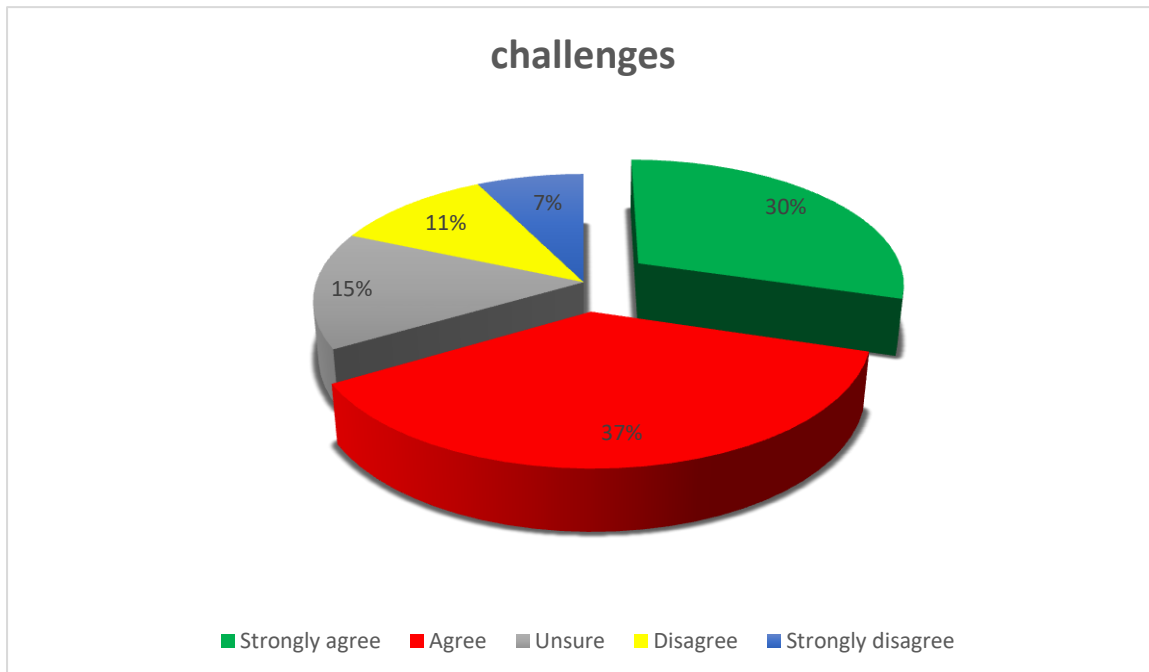
A recommendable number of 5 managers (19%) and 14 general employees (51%) agreed that outsourcing saves costs, as most respondents referred to the fact that outsourcing reduce cost of investment in areas like IT, security and transport. The other 8 general employees (30%) were in disagreement to the fact that outsourcing reduces costs, based on issues like contracting an external service provider is an additional cost to the organization rather than to facilitate the service internally by employing for themselves rather than outsource.

Moreover, it was held that organizations should have a clear understanding of the type and amount of all costs associated with the function to be outsourced. In order to avoid making

wrong decision, both long and short term costs should be considered. Franceschini and Galletto, (2003), suggest taking cognisance of both transactional (bargaining costs, monitoring costs, and contractual opportunism costs) and production (directly linked to process) costs. Overall when transactional costs are high, outsourcing is deemed to be relatively inefficient compared with internal hierarchical administration.

4.6 Challenges faced in Outsourcing

Figure 4.5 challenges faced in outsourcing.



Source: Primary Data 2017

Figure 4.5 shows a great number of participants which included 3 managers and 15 general employees (67%) pointed out that DHL have few challenges in outsourcing and 2 managers and 4 employees (18%) were totally in disagreement to fact that DHL outsourcing brought about challenges to the organization. Those who agreed point out the most significant challenge being leaking of confidential information. Likewise, it is difficult for managers at DHL to discipline or teach contractors' employees. Therefore, some disciplinary actions, which many be needed to be implemented may be delayed due to the fact that, firstly DHL has to inform the superiors at the contracting firm. One manager claimed that contracting bring about loses control over human resources to the organisations. These conclusions concur with Lysons et al (2006) who pointed out various challenges of outsourcing; these include overdependence on suppliers, cost escalation, lack of supplier flexibility, lack of management skills to control suppliers, and unrealistic expectations of outsourcing providers due to over-promising at the negotiation stage. Outsourcing does not only come with benefits but also bring about challenges which mostly arise in the long run and might affect the business negatively both internally and externally for example cost escalation and overdependence.

In addition, 20 general employees (74%) approved that there is a challenge of corruption in the tendering procedure and this view is in agreement with Shaw (2010) who state that outsourcing has been seen as a process of waste and corruption. He further suggested that there is a problem when outsourcing in both the private and public sectors.

4.7 Strategies for Ensuring Success of Outsourcing

Only 2 managers and 15 general employees (63%) reaffirmed that there is need for transparency, accountability, effective communication, and need for clarity on expectations when outsourcing. All the general employees pointed out the need for companies to carefully select what processes to be outsourced surely can ensure the result of the outsourcing process. Also, choosing the right service provider is really important for the success of outsourcing. A study by Cullen et al (2009) suggested that to choose and leverage the right outsourcing service providers, a company should manage it as a life-cycle, which includes selection, engagement, transition, management, and regeneration, not as a one-off transaction. Cullen et al (2009) also recommended that companies should focus on the supplier's competencies. Three important competencies to be evaluated are delivery competency, transformation competency, and relationship competency.

Furthermore, a holistic approach to outsourcing, one that evaluates both the risks and rewards is crucial. In the same breath, Jiang (2005), states that the awareness of possible risks incurred when outsourcing will enable decision makers and stakeholders to make informed decisions and draw up contingency and mitigation strategies. However, for the success of outsourcing, risk management measures like evaluation of risks of losing critical skills, evaluation of risk of access to private and sensitive data, and establishment of contingency and mitigation plans for the above mentioned risks have to be considered.

4.8 Chapter Summary

The chapter presented, analysed and discussed the findings of study. The findings show a number of benefits derived from outsourcing but there are also some demerits associated with it. The research findings provided measures for ensuring success of outsourcing. The chapter provides the study with a strong platform for the next chapter which will presents the study summary, conclusions and recommendations.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS OF FINDINGS

5.0 Introduction

This chapter concludes the research. The chapter presents the overall summary of the study, that is, an overview of the research objective, literature reviewed, research methodology and major findings. Conclusions that are in accordance with research objectives are also given. The chapter winds up by giving recommendations and suggestions.

5.2 Summary

The main aim of this research was to explore benefits, challenges and opportunities for outsourcing at DHL Harare airport. Particular objectives were to explore the organizational determinants or motivators for outsourcing, to investigate on the benefits and opportunities arising out of outsourcing, to examine the challenges and risks that affect outsourcing, and to establish the critical success factors of outsourcing. This research was vital in that it examined the reasons why some organisations fail to get the benefits of outsourcing. The research was also significant to researcher as it was carried out in partial fulfilment of the requirements of the Bachelor of Commerce (Honours) Degree in Retail and Logistics at Midlands State University (MSU). The study likewise permitted the researcher to have a deeper understanding of both theoretical and practical knowledge about outsourcing. The researcher reviewed literature on outsourcing. Concentration was on motivation for outsourcing, benefits, problems faced, and measures for ensuring success. Information was collected from both managerial employees and the general employees at DHL. Census sampling technique was used to select all the 34 participants from four departments, which are procurement, clearing, finance and operations.

The study discovered that the company outsourced transport, IT, warehousing facilities, security and clearing and forwarding and provides other services efficiently and effectively to the satisfaction of its customers. DHL Harare International Airport has been outsourcing transport services since its inception in the country in 1984 in order to reduce cost of

investment, reduce operating costs, reduce risk by transferring to transporters, concentrate on core business, reduce risk exposure to changing technology and/or changing buyer preferences, reduce lead times up to the final customer, cut down on capital expenditure, give more value add to the client, meet client demands with fluctuating volumes, meet client demand for specific type of vehicles, reduce the business operating assets as this normally attract a charge from the group, reduce loss of transit damages to be borne by outsourced transporters, expand easily and get additional clients, reduce the handling of the goods and thus cost of transit damages and reduce risk of investing.

5.3 Conclusions

The researcher concluded for each research objective as follows:

5.3.1 Determinants or Motivators of Outsourcing at DHL

The findings in the study indicated all the 5 managers and 22 general employees (100%) agreed that outsourcing was aimed at cost reduction. However the participants mentioned the criteria utilized by the organization when evaluating the organizations to outsource services to was the size of the fleet, conditions of the fleet, ability to maintain the required health and safety conditions, well trained and qualified drivers, its commitment to maintain the terms and conditions of DHL, healthy cash flow, more than five years' experience in the business, having a representative who will deal with coordination and handling of documents, vehicles meeting the legal requirements on transportation of goods, exhibiting dependability and consistent of past performance, staff being of high integrity and well trained to deal with traders, the prevailing internal requirements and the projected future customer demands. The services received by DHL were within their expectations and this enabled the company to concentrate on other activities which they have not outsourced.

5.3.2 Benefits of Outsourcing

The benefits which were highlighted in the findings showed that (63%) participants were in support to the fact that outsourcing increase productivity in terms of sales and also (66%) of the same participant agreed that outsourcing also increased productivity in terms of market share. Furthermore (78%) participants agreed that outsourcing increased flexibility and as a result flexibility presents the company with the opportunity to avoid the constraints of their own productive capacity in meeting changes in the volume of sales, increased focus upon a

set of core activities and reduction in the functional scope of the organization, enabling the development of a more focused organization capable of increased responsiveness to market change. The complementary use of outside resources can also provide opportunities for enhanced leverage of the organization's core resources. Outsourcing of transport services was mostly highlighted that it resulted in increased profitability as it enabled the company to have various experts while it may not pay for them, firms can "rent" their expertise without adding to their payroll and enables the company to have additional facilities through leasing to serve short term needs and avoid long term investment and this enables the company to reduce another cash drain and minimize the need for additional facilities.

5.3.5 Challenges faced in Outsourcing

The study found out that DHL's overall strategy was matched with the business outsourcing strategy; however the company encountered challenges in getting an organization with the required services, getting a subcontractor with a large size of fleet, most transporters would tend to have the same fleet size yet different fleet sizes are required, the volumes of clients keep fluctuating and in seasons of low volumes the subcontracted transporters do less trips which fail to cover their operating fixed costs, the subcontracted transporters may not consistently meet the key operating standards required by the customer, since the drivers are not employed by DHL but the subcontracted transporter, they become dishonest and pilferage goods, high capital requirements for purchase of vehicle assets to meet demand across the country business, high cost of information systems for vehicle tracking, fleet management and distribution planning, creating opportunities for value creation to the client that may not be properly handled by the subcontracted firm and information collection from the market is limited. Hence, these are some of the challenges mentioned by (67%) participants which included 3 managers and 15 general employees.

DHL selects the suitable supplier seriously as the problems of poor selection are high and they base their selection on factors like quality, transaction price, delivery time, technical capacity, service levels and satisfaction of outsourcing in terms of potential suppliers' evaluation. DHL has no specific department that deals with subcontracted transporters and ensures that all the issues pertaining to the contract are adhered to by the subcontractors in order to achieve the targeted objectives.

5.3.6 Strategies for Ensuring Success of Outsourcing

A sum of (63%) drawn from 2 managers and 15 employees in findings of the study concurred with literature that there is need for transparency in tendering. Equally, the need for accountability, effective communication, and clearly specifying expectations between the outsourcing and outsourced firm.

5.4 Recommendations

The researcher gave recommendations on each of the objectives as follows:

- **Adoption of Professional Procurement Practices**

In terms of motivators or determinants in outsourcing, there is need for adoption of professional procurement practices. As a matter of fact putting procurement and tendering in the rightful hands leads to the well management of critical resources within the organisation. If organisations in all sectors were to adopt the professional procurement practices, this would result in a positive impact on the Gross Domestic Product of the country since input (purchasing) costs constitutes about 30-40% of costs to every final product. Meaning that appropriate management of resources from the procurement point of view is not an option but a must for the organisations to invest by employing the right people.

- **Training**

There is need for training of procurement officers in order to benefit from outsourcing. Training would ensure that procurement practitioners are people who can make sound and credible decisions which can add value to the organisation. For example the Zambian Government made it mandatory that anyone to work in the procurement department in the public sector should have a Chartered Institute of Purchasing and Supply (CIPS) qualification as this would avoid unnecessary practices which would cost the nation. Locally the government through the Ministry of Higher and Tertiary Education has made it easier for locals to attain degrees in Bachelor of Commerce (Honours) Degree in Retail and Logistics at Midlands State University (MSU) and Supply Chain Management through the Chinhoyi University of Technology (CUT) who offer these qualifications at highest level. Not to mention also Polytechnics who offer the Higher National Diplomas (HNDs). It is only a matter of recognition and following the Zambian government directive which can help to ensure effectiveness in procurement.

- **Transparency**

There is need to ensure transparency in the awarding of tenders. Tenders should be given to deserving companies irrespective of nationality and political affiliation.

- **Disciplinary actions on outsourced employees**

The HR departments of both the outsourcing and outsourced companies need to work hand in hand by setting standards that should be followed by their employees. There is need of effective communication between the parties in the contract and quick response to an action that needs to be taken as to keep both parties satisfied within the contract.

- **Decentralisation**

There is need to decentralize procurement so that decisions can be made in time. Multi-layered bureaucracy frustrates in-house procurement processes at the grassroots levels. Additionally, having a centralized procurement approach has not figured out how to private corruption, but rather it really propagate it.

5.5 Suggestions for Further Research

This study is limited to a sample of only a branch in DHL Zimbabwe, the research recommends further study to be conducted on issues of outsourcing. A more incorporating study by a research institute would be desirable.

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Appendix 1

Employee Questionnaire

My name is Rodney George, a student studying towards attainment of Bachelor of Commerce, Retail and Logistics Management Degree. May you kindly assists me by completing the questionnaire; I am conducting an academic research on **an analysis on the effectiveness of outsourcing practices on organizational performance. The case of DHL Harare International Airport (2011-2015).**

Section 1: Personal Details

1.1 Age

Less than 25years

25 years < 30 years

30years < 40years

above 40 years

1.2 Tenure of employment at DHL

Less than 2 years

2 years < 5 years

5 years < 10years

above 10 years

Section 2: Determinants of Outsourcing (contracting a service from outside suppliers) at DHL

2.1 What are the activities are outsourced (contracting a service from outside suppliers) at DHL?

Activity	Reason for Outsourcing

Section 3: Benefits of Outsourcing (contracting a service from outside suppliers)

3.1 Are the outsourcing practices leading to flexibility (capable of adopting to any situations)?

1. Strongly agree 2. Agree 3. Not sure 4. Disagree 5. Strongly disagree

3.2 Comment on improvement of production in terms of Sales and Market Share as a result of outsourcing (contracting a service from outside suppliers).

	Sales	Market Share
Strongly Agree		
Agree		
Not Sure		
Disagree		
Strongly Disagree		

3.3 Is outsourcing resulting in improvements of quality services?

1. Strongly agree 2. Agree 3. Not sure 4. Disagree 5. Strongly disagree

3.4 DHL was able to save costs due to outsourcing (contracting a service from outside suppliers) and comment on your answer.

- Yes No

Comment on answer

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3.5 Outsourcing enabled DHL to maximize on its core competencies and this resulted in increased profitability.

1. Strongly agree 2. Agree 3. Not sure 4. Disagree 5. Strongly disagree

Section 4: Challenges faced in Outsourcing

Challenge	Strongly Agree	Agree	Not sure	Disagree	Strongly Disagree
Overdependence on suppliers					
Cost escalation					
Inability to control suppliers					
Leaking of confidential information					

Section 5: Strategies for Ensuring Success of Outsourcing

Strategy	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
Transparency in Tendering					
Accountability					
Effective communication with contractors					
Clearly specifying expectations					

Any additional information

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Thank you for your time and effort.

Appendix 2

Interview guide for Management

- 1) What are the activities outsourced at DHL Harare International Airport?
- 2) In your own view what are some of the challenges faced in outsourcing?
- 3) Is DHL benefiting from outsourcing, would you kindly quantify the returns in terms of the sales, customer satisfaction and market share?
- 4) To what extent has outsourcing has improved business performance?
- 5) What are the strategies for ensuring success in DHL outsourcing?