UNIVERSITY OF KWAZULU-NATAL

AN EXAMINATION OF THE BARRIERS IN THE EFFECTIVE USE OF OUTSOURCING IN THE PUBLIC SECTOR

By

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I, Mondli Msiya, declare that,

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Dedication

I dedicate this work to my siblings and children. To my siblings, Nonjabulo, Sneziwe, Phindile and Sanele, I wish to say that your understanding, tolerance and encouragement during the long hours of my absence from you as I pursued my studies have been a valuable contribution towards the completion of this work. To my children Iminathi, and Melokuhle, I can only say that despite my awareness of your need for my adequate company with you, I still proceeded with this project, consequently depriving you of your inborn right to have the time you needed to be with me. I shall ever be indebted to you.

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Abstract

The government of South Africa has strived to centralize the procurement of goods and services, to address inefficiencies in the outsourcing of non-core activities in the public sector. This is deemed necessary to improve the efficiency of outsourcing processes in the public sector. Public sector outsourcing has faced various challenges, including unethical practices such as corruption, fraud and price inflation, resulting in inefficiency and increased operational costs. This study examined the barriers facing the outsourcing of functions at the South African Social Security Agency, Umzumbe Local Office. The design of this study was of an exploratory nature and the researcher used a qualitative approach and a non-probability, purposive sampling method. The sample size for the study comprised forty-one employees from the South African Social Service Agency, in Umzumbe Local Office. Primary data was collected via in-depth face-to-face interviews with six senior government officials, and focus group discussions involved thirty-five discussants. The research instrument used for the study was an interview schedule. Data was analysed using content analysis. The findings of the study reveal inefficiency in daily operations, a lack of accountability, poor communication and proper planning, non-compliance with supply chain laws, poor monitoring and evaluation mechanisms, and a shortage of capable human resources. As such, the outsourcing of activities in the public sector does not achieve efficiency in its operations. The study recommends the hiring of skilled personnel in the SCM unit, that the department must work closely with law enforcement agencies, and that a consequence management approach be adopted to deal with inefficiency in the procurement unit, unethical practices, non-compliance with SCM laws, and poor monitoring and evaluation mechanisms. The study contributes to the existing body of knowledge on the barriers facing the outsourcing of functions in the public sector.

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List of Abbreviations

3PL	Third Party Logistics
BOP	Business Outsourcing Process
B-BBEE	Broad-Based Black Economic Empowerment
COSATU	Congress of South African Trade Unions
CCT	Core Competency Theory
CM	Contract Management
CPS	Cash Pay Master
GDP	Gross Domestic Product
IT	Information Technology
SASSA	South African Social Security Agency
SAPO	South African Post Office
PPPFA	Preferential Procurement Policy Framework Act
PFMA	Public Finance Management Act
R-BT	Resource-Based Theory
SONA	State of the Nation Address

Chapter One

Introduction and Overview of the Study

1.1 Introduction to the study

The South African government has been challenged by irregularities and fruitless expenditure in public sector outsourcing over the past decades (National Treasury, 2019). The National Treasury has relentlessly called for cost-cutting measures and the need to increase operational efficiency in public entities (National Treasury, 2019). Traditionally, outsourcing in the public sector has mainly focused on minor activities such as travelling, maintenance, catering, cleaning and security services. However, recent developments have seen activities such as marketing, supply chain management, human resource management, information technology, and others, being outsourced. In developed nations such as the United Kingdom, United States of America, Australia and New Zealand, public sector outsourcing plays a vital role in improving organisation performance and reducing operating cost ((Dhall 2013; Harland *et al.*, 2005 and Hien, 2005). Though it is well-established that outsourcing can help in overcoming various developmental challenges, there have been concerns in South Africa over outsourcing in relation to cost-cutting measures, as well as achieving developmental goals. Some schools of thought believe that the inability of outsourcing to address the national developmental challenges is attributed to various challenges associated with outsourcing. For example, the Congress of South African Trade Unions (COSATU) (2015), argues that public sector outsourcing does not reduce an organisation's operating costs but is aimed at profit maximization for the owner. In support of this, the South African 2019 State of the Nation Address (SONA) noted that public sector expenditure is expected to be reduced by R26.1 billion over the next three years through cutting non-core services (National Treasury, 2019). Literature has documented various challenges facing public sector outsourcing which include amongst others, organisational politics, employee morale, corruption and price inflation (Rispel, 2015; Jeppesen, 2015 and Osei-Tutu *et al.*, 2010).

Given the above, the main focus of this study is to identify the barriers facing the outsourcing of functions in a South African public sector organisation. The identified department is the South African Social Security Agency (SASSA). This chapter presents the background to the study, a statement of the research problem, the research questions, and objectives. In addition, the chapter discusses a preliminary literature review, and summarises the research methodology, significance, justification and contribution of the study. Furthermore, limitations are described and an outline of the rest of the chapters as well as the summary of the chapter is presented.

1.2. Background information on outsourcing and the case study organisation

Outsourcing of organisational functions in the public sector has been a trend over the years (Badenhorst-Weiss, 2012). Productivity and real gross domestic product (GDP) per capita have declined since 2015 (South African Reserve Bank, 2018; Kreuser and Newman, 2018). Moreover, South Africa has low economic growth which entrenches inequality and poverty (Aterido, Hlatshwayo, Pieterse and Steenkamp, 2019). This has triggered an increasing need for the South African government to cut down on spending (National Treasury, 2019). Arrowsmith (2010) argues that poor management, unethical practices, and lack of control mechanisms have caused major operational challenges and have resulted in budget cuts. The 2019 Budget confronts these challenges by revisiting public sector spending plans and reducing outsourcing of non-core activities, amongst others (National Treasury, 2019). The National Treasury (2019) announced a re-positioning of public entities to minimize wastage in daily operations. As noted earlier in Section 1.1, this study focuses on outsourcing practices in the South African Social Security Agency (SASSA).

The agency, SASSA, is mandated to ensure the provision of comprehensive social security services for the vulnerable and poor citizens of South Africa (SASSA, 2004). The objective of SASSA is to act, as the sole agent, to ensure the efficient and effective management, administration and payment of social assistance, as well as to serve as an institution to manage broader social security benefits within the constitutional and legislative framework (SASSA, 2015). The legislative mandates for SASSA are the Social Assistance Act (2004) and the South African Social Security Agency Act (2004). The Social Assistance Act (2004) is a national legislative framework for the provision of different types of social grants, social relief of distress, the delivery of social assistance grants by a national Agency and the establishment of an Inspectorate for Social Security, whilst the South African Social Security Agency Act, 2004, provides for the establishment of the South African Social Security Agency as a schedule 3A public entity in terms of the PFMA. The principle aim of the Act is to make provision for the effective management, administration and payment of social assistance and service through the establishment of the South African Social Security Agency. SASSA has its departments at provincial level, located in the nine provinces of South Africa.

Unique to other public sector entities, SASSA is facing challenges on outsourcing processes. Such challenges include but are not limited to price inflation, organisational politics, corruption and inadequate monitoring and control of suppliers (SASSA, 2018). SASSA outsources various activities, such as informing beneficiaries about the benefits of a new card, persuading beneficiaries to switch to the new card, and reminding beneficiaries about services offered by the agency. SASSA outsources their advertisement of tenders and vacancies to local newspapers in order to access high numbers of potential applicants and potential service providers (SASSA, 2012).

Currently, the service provider is charging R10 per head for the payment of a social grant (Cash Payment Services, 2017). Due to the challenges facing the department, SASSA decided to standardize operations by selecting one service provider to distribute pension grants in all nine provinces, which led to the appointment of Cash Pay Master Services (Overseas Development Institute (ODI), 2011). According to ODI (2011), the main objectives were to retain control over the service provider while reducing handling costs, and the creation of one standardized grant recipient database. However, Cash Pay Master Services illegally processed value-added services such as loans, bill payments and funeral policies, which was against the initial agreement between SASSA and CPS (Net1, 2015). As a result, SASSA dropped the services of CPS and outsourced payment services to the South African Post Office Bank (South African Post Office, 2018). The new contract between SASSA and the South African Post Office (SAPO) was signed with the focus on reducing costs and improving the quality of payment services, while protecting social grant recipients from loan sharks and unauthorized deductions (Department of Social Development, 2018).

The public sector has long outsourced activities, such as promotion and advertising campaigns (McGovern and Quelch, 2010). The outsourcing of activities has been considered a general practice in the public sector, which presumably allows organisations to focus on core competencies, increase customer service and reduce costs. The State of the Nation Address (2019) budget emphasizes the need to cut costs, especially those associated with outsourcing.

The outsourcing process requires consideration of costs, risks, quality, expertise, nature of demand and available capacity (Fawcett, Ellram and Ogden, 2012). As mentioned earlier in Section 1.1, this study seeks to identify the barriers facing the outsourcing of functions in the South African Social Security Agency at the Umzumbe local office in Port Shepstone. Umzumbe is a part of the Umzumbe Municipality and the local office is located in Umtwalume, a rural area of Port Shepstone on the South coast of KwaZulu-Natal (Statistics South Africa, 2013). The study specifically examined barriers to the effective use of outsourcing in the South African Social Security Agency.

1.3. Statement of research problem

According to the National Treasury, South African public entities have embraced the outsourcing concept but still struggle with achieving the benefits of outsourcing due to corruption, price inflation, organisational politics and recession (National Treasury, 2016). In addition to these challenges, the South African Social Security Agency (SASSA) at the national level experiences more challenges in the areas of monitoring and controlling service providers in all provinces. Such a challenge is evident in the payment of varying amount of social grants across the provinces, as pointed out in Section 1.2. The challenge associated with outsourcing has led to the government’s continual effort to reduce operational costs in the public sector. As a result, public entities have continued to implement various measures to contain operational costs and eliminate all non-essential expenditure (National Treasury, 2018). The reason behind government's outsourcing of functions is to reduce operational costs and obtain more specialist skills from service providers (Fawcett *et al*, 2007). The outsourcing of functions in the public sector has been considered a major concern for the effective and efficient running of organisations. Lately, government is realizing that the cost-cutting advantage of outsourcing is no longer being achieved (National Treasury, 2016). In view of the outsourcing challenges facing SASSA, this study addresses the question: What are the barriers affecting outsourcing functions in the South African public sector? Thus, it is anticipated that this study will assist SASSA and other public institutions to eliminate barriers associated with outsourcing while improving organisation efficiency and effectiveness.

1.4. The research questions

In view of the outsourcing challenges facing SASSA, this study addresses the question: What are the barriers affecting outsourcing functions in the South African public sector? Furthermore, secondary research questions derived from the main research question are:

- What are the barriers facing outsourcing of activities in the South African public sector?
- To what extent do challenges of outsourcing affect the organisation's operations?
- What are the monitoring measures in place and how do they affect the outsourcing activities in the South African public sector?

1.4.1. The aim and objectives of the study

The main aim of the study is to identify the barriers affecting outsourcing functions in the South African public sector. Subsequent research objectives emanating from the aim are:

- To investigate the barriers facing outsourcing functions in the South African public sector;
- To determine the extent that outsourcing-related challenges impact on the organisation's operations;
- To examine the existing monitoring measures and their impact on the outsourcing functions in the South African public sector.

1.5. Preliminary literature review

Pauw (2011) argues that cost reduction benefits of outsourcing activities in the South African public sector are not achieved due to high costs, a lack of adequate mandatory service standards and a lack of monitoring mechanisms for service providers. In addition, the public sector faces other challenges in outsourcing which include incompetence, a lack of accountability, corruption and the negligence of public servants (De Lange, 2011; Acevedo, Rivera, Lima and Hwang, 2010 and Osei-Tutu, Badu and

Owusu-Manu, 2010). The study adopted two theories deemed relevant to the research focus area, namely Relational View Theory and Core Competency Theory.

1.6. Summary of research methodology

The design of this study is of an exploratory nature in which the researcher used a qualitative approach and a non-probability purposive sampling method. The researcher adopted a purposive sampling method because of its advantages of getting relevant information and saving effort, money and time. This research used face-to-face interviews and focus group discussions. The sample comprised 41 employees from the South African Social Security Agency, Umzumbe Local Office. The primary data was collected using in-depth face-to-face interviews with 6 senior government officials and focus group discussions involved 35 discussants. Data was analysed using content analysis. Interview guided questions were constructed in line with the research topic and objectives of the study to ensure the reliability and validity of the study.

1.7. The significance, justification and contribution of the study

Research into outsourcing has been extensively studied by professionals and academic (Eyaa and Oluka, 2011). Research into outsourcing within the South African public sector is very important because of its strategic role in achieving transformation and socio-economic development. Although there are a growing number of studies in the area of outsourcing, there seem to be minimal studies focusing on the outsourcing of functions in the public sector in South Africa, more specifically in the bigger public sector entities such as the South African Social Security Agency. Therefore, the study contributes to a better understanding of the barriers affecting outsourcing functions in the public sector. From an academic point of view, the study contributes to further research in the context of outsourcing of activities.

1.8. Limitations of the study

The study focused on one SASSA local office in Umzumbe and findings are limited to the focus area and cannot be generalised outside the study area. Given that the study was conducted in only one of the SASSA local offices, the researcher feels that the incorporation of more SASSA offices would have provided more in-depth information about the research problem. As such, the researcher considers this a limitation for the study. Due to the limited office space provided for the focus group discussions, the researcher had to divide them into 3 groups, which added to the estimated time for data collection and increased travelling costs, though with relatively no negative impact on the quality of data collected.

1.9. The structure of the dissertation

The structure of the dissertation provides information on the layout of the content or chapters presented in the dissertation. This dissertation comprises of six chapters as follows:

Chapter One: Introduction and overview of the study

Chapter one provides an introduction and background to the study, a statement of the research problem, the research questions and objectives. Moreover, the chapter provides preliminary literature review, and a summary of the research methodology, significance, justification, contribution and limitations. In addition, the chapter discusses the limitations of the study, and the structure of each chapter.

Chapter Two: Review of relevant literature on outsourcing

Chapter two reviews current literature on the concept of outsourcing functions in the public sector. This chapter explores existing literature and provides in-depth knowledge on the area of outsourcing. The information covers a historical perspective on outsourcing, theoretical models underpinning the concept of outsourcing and emerging trends and factors driving outsourcing in the public sector context. In addition, this chapter addresses outsourcing activities, a perspective from SASSA, and outsourcing challenges in a public sector organisation. Further, this chapter discusses processes and procedures for outsourcing, dimensions, classification of outsourcing and a conclusion.

Chapter Three: Research methodology

Chapter three addresses the research methodology used in the data collection of the study. The chapter covers the introduction, research design and paradigms, approaches to the research study and research instruments adopted for the study. Finally, the chapter concludes by outlining the research population, sampling technique used in the study, data collection, analysis methods, reliability and validity of the study.

Chapter Four: Data analysis and discussion of findings

Chapter four covers the data presentation and analysis. It provide an introduction, presentation and analysis of data, response rate and the test of the research objectives. In addition, this chapter discusses the research findings.

Chapter Five: Conclusion and recommendations

Chapter five draws a conclusion and makes recommendations. The chapter provides a summary of all the chapters, and a summary of the research findings. In addition, this chapter discusses the study's recommendations and ethical considerations, and lastly, draws to a conclusion.

1.10. Conclusion

The outsourcing processes in the public sector have taken centre stage amongst professionals, academics and all stakeholders concerned due to its ineffectiveness in addressing the developmental challenges facing the nation. South African public sector outsourcing practices are characterised by, amongst others, corruption and inadequate control measures, resulting in the nation struggling with achieving various political and national mandates. This chapter provides information on the background to the study, a statement of the research problem, the research questions and objectives. Moreover, the chapter discusses a preliminary literature review, summary of the research methodology, significance, justification, contribution and limitations. In addition, the chapter discusses the limitations and provides a summary of each chapter in the dissertation. The next chapter, chapter two, presents information related to the general concept of outsourcing.

Chapter Two
Literature Review on the Concept of Outsourcing

2.1. Introduction

Outsourcing is a topic of debate amongst professionals, academics and various stakeholders (Turley and Perera, 2014). The concept has been embraced by many organisations in the quest to achieve competency and cost saving (Sani, Dezdar and Ainin (2013). The achievement of the benefits of outsourcing in the public sector has been a challenge for governments, mostly from developing countries. In South Africa, outsourcing is used as a mechanism and strategy to enable the government to implement transformation policies and socio-economic development (Eyaa and Oluka, 2011). South Africa, like other nations, still faces challenges associated with outsourcing, which include but are not limited to, corruption, incompetence and negligence, resulting in the wastage of public resources. This chapter reviews existing literature on the concept of outsourcing. It provides an historical perspective on outsourcing and theoretical models guiding the concepts of outsourcing, which includes the definition of outsourcing and information on the theoretical models adopted for the study, namely Relational View Theory and Core Competency Theory. Moreover, this chapter reviews emerging trends and factors driving outsourcing in the public sector, outsourcing challenges in a public sector organisation, and processes and procedures for outsourcing. Thereafter, the chapter reviews types of outsourcing, and dimensions and classifications of outsourcing before concluding the chapter.

2.2. A historical perspective of outsourcing

Literature has documented different perspectives on the emergence of the concept of outsourcing (O'Sullivan, 2013). While some scholars have traced outsourcing to the early 1950s, others posit that outsourcing emerged later due to changes in the business environment. Brewster *et al.* (2002) argue that the outsourcing phenomenon emerged between the 1950s and 1960s, a period when businesses started using diversification strategies to gain competitive advantages. According to Willcocks and Lacity (1995), outsourcing research emerged during the late 1980s to the early 1990s. Furthermore, to some scholars the outsourcing phenomenon gained importance in the last 20 years due to globalization and transformation (Potrafke, 2018; Pensiero, 2017; Jenson, 2007; Corbet, 2004). In the 1970s, outsourcing faced many challenges as organisations attempted to compete in the global market but failed because of a lack of agility that resulted from bloated management structures (Brewster *et al.,* 2002). Due to the rapid growth of technology and software, innovative models of outsourcing came about in the late 1980s and 1990s. In the early 1990s most organisations increased their flexibility and creativity by developing new strategies that helped organisations to focus on their core business (Handfield, 2006). According to McKee (2000), in the 20th century, the public sector focused on outsourcing most of its activities. In the 21st century, organisations experienced greater improvements in technology, communication and innovation, which made it easier for outsourcing to be successful.

There are many perspectives on the understanding and meaning of outsourcing. Outsourcing is defined as a process whereby a firm no longer wants to pursue activities internally and so acquires them from external suppliers (Ellram and Billington, 2001; Gilley and Rashood, 2000; Quinn and Hilmer, 1994). From another scholarly point of view, outsourcing is a process of hiring and managing a contractual relationship that had been previously in-sourced (Momme, 2001). Outsourcing can be defined as a process of transferring activities that are done internally to an external supplier (Schialfino and Berkowitz, 2015; Iqbal and Dad, 2013). Outsourcing occurs when an organisation contracts with another organisation to offer services of a major activity or function which may include manpower, skills, technology, knowledge, or services at a certain period and price (Belcourt, 2006; Fawcett *et al.*, 2007). The outside firms providing the outsourcing services are third-party providers, called service providers (Bera, 2017). Outsourcing does not mean the abandoning of responsibilities from the parent company to the service provider (Jensen and Stonewash, 2004). Rather, the parent company oversees the service provider. Outsourcing helps organisations to identify critical and non-critical processes that can be outsourced (Handfield, 2006). As such, both parties in outsourcing deals do not share the profits and efficiency contribution (Handfield, 2006). According to Kakabadse and Kakabadse (2000), outsourcing is very important in organisational strategies. Clear outsourcing strategies help organisations to achieve efficiency and reduce costs (Feeny, Lacity and Willcocks, 2005). Lately, organisations are focusing on outsourcing with more emphasis on cost-saving. There are many reasons for government to outsource functions rather than to in-source, which include specialized skills, better quality services, knowledge and competencies. Sometimes, the public sector relies on the private sector as government cannot be an expert in delivering all types of services. Outsourcing within the public sector is seen as a business strategy in which public entities strive to minimize costs and focus on core competencies, as well as improving the quality of services (National Treasury, 2018; Belcourt, 2006; Bhatia and Drew, 2006).

In South Africa, the use of outsourcing has been growing rapidly. Some studies have shown a positive impact, such as increases in efficiency and cost savings, while others show negative impacts resulting from contracting out and tendering (Bester, 2000). According to the National Treasury (2017), government departments need to minimize fruitless and wasteful expenditure through cutting operational costs, combating waste, eradicating corruption and increasing inefficiency. According to Sani, Dezdar and Ainin (2013), the outsourcing of functions in the public sector is increasingly becoming a strategic necessity. However, there are some indications that these benefits are not being realized. Lately, the public sector is realizing that the cost-cutting advantage of outsourcing is no longer being achieved, rather, organisations are incurring debt because of outsourcing. In South Africa, public sector outsourcing is fully guided by the Preferential Procurement Policy Framework Act and supported by the National Treasury (Ambe and Badenhorst-Wiess: 2012; National Treasury, 2005). Public sector outsourcing ensures the empowerment of Small, Medium and Micro Enterprises through Broad-Based Black Economic Empowerment. In addition, outsourcing is firmly rooted in the reduction of costs and gaining competitive advantage.

2.3. Theoretical models guiding the concept of outsourcing

The term "theory" can be defined as a hunch, idea, framework, concept or model that can help one to understand a topic of interest, describe a phenomenon or solve a problem (Sekaran and Bougie, 2016). Similarly, frameworks are strategies of inquiry that brings together claims being made on what constitutes knowledge (Creswell, 2014). Researchers have defined theoretical models from different perspectives but depicting similar contexts in its meanings (Tidwell, 2012; Sinclar, 2007; Widd and Diggines, 2010). Sinclair (2007) defines a theoretical model as a map or plan which helps a researcher to seek as much knowledge as possible using information from previous studies. Wiid and Diggines (2010) consider theoretical models as a group of ideas used to examine a topic from different viewpoints in order to seek answers on research questions. In essence, a theoretical model tests a theory using instruments and helps researchers to understand, predict, explain, and challenge a phenomenon or existing knowledge, thereby representing a researcher's beliefs in a relationship of certain concepts (Sekaran and Bougie, 2016; Sinclair, 2014; Creswell, 2014). A theoretical model plays an important role in a research process, providing support and a strong scientific research base to a dissertation (Wiid and Diggines, 2010).

2.3.1. Theoretical models adopted for the study

This study is guided by a theoretical and a legislative framework. The use of both a theoretical and a legislative framework stemmed from the researcher's quest to understand the nature of outsourcing activities and the successful management of outsourcing. The researcher believed that the use of both frameworks will provide a better understanding of the concept of outsourcing. For the purposes of this study, two models of outsourcing were adopted, namely Relational View Theory and Core Competency Theory.

According to Kraaijenbrink *et al.*, (2010), the Relational View Theory (RVT)/ Resource-Based View Theory (RBV), has been one of the dominant theories in strategic management since the 1990s. The Relational View Theory (RVT)/ Resource-Based View Theory (RBV) objective is to create and maintain a sustainable competitive advantage throughout the industry (Barreto, 2010). Furthermore, competitive advantages of an organisation can be gained through organisational capabilities, resources and competencies (Diez-Vial and Alvarez-Suescun, 2010). Organisational resources have an impact on management capabilities, which in turn are the sources of core competencies that ultimately lead to a competitive advantage (Kraaijenbrink *et al*., 2010; Barney and Hesterly, 1996). This means that competitive advantages are gained from internal resources as well as external resources through relational networks (Kraaijenbrink *et al.,* 2010). According to Kraaijenbrink *et al.*,(2010), RBV rests on two key assumptions: resources are different from any other organisation and may not be easily copied by other organisations. Moreover, the RBV theory has to be deployed in an appropriate manner in order to create a competitive advantage: to be unique from competitors; valuable in order to create a marketing positioning; not easily copied by competitors; and not easily substituted by customers (Barney *et al*., 2011; Kraaijenbrink *et al*., 2010; Diez-Vial and Alvarez-Suescun, 2010; Barney, 1991). Thus, the Resource-Based View in outsourcing builds from a proposition that an organisation that lacks valuable, rare, inimitable and organised resources (VRIO) will not survive in the global market (Kraaijenbrink *et al.,* 2010; Kaplan and Norton, 2004). The VRIO proposition addresses the exploitation of resources by the organisation to provide competitive advantages that cannot be easily copied by competitors. Therefore, the most prominent use of RVT/RBV is in the preparation phase of outsourcing processes, which compels the business to create a sustainable competitive advantage and transformation in a strategic manner (Diez-Vial and Alvarez-Suescun, 2010; Kaplan and Norton, 2005). Furthermore, RBV theory is applied in the procurement process to check the eligibility of a supplier (Kutsikos and Mentzas, 2011; Graf and Mudambi, 2005). RBV is a viable option for outsourcing when there is no strategic need to in-source a product or component (Kraaijenbrink *et al.,* 2010; Kaplan and Norton, 2005 and Barney, 1991). Moreover, a combination of RBT and TCE theories is appropriate for the interpretation of outsourced results (Nordigarden *et al*., 2014; Barthélemy and Quélin, 2006).

Similarly, the concept of Core Competency Theory (CCT) is developed alongside the Resource-Based View. According to Nasiopoulos, Sakas and Vlachos (2014), CCT is used as a tool to determine the success of an agreement. Furthermore, CCT is a combination of different skills which integrate various technological methods and analyse vendor competencies (Nasiopoulos *et al.,* 2014; Mehta *et al.,* 2006). Moreover, core competencies are defined as the ability of organisations to develop products or services that are not easily imitated (Fawcett *et al.,* 2012). In addition, core competencies can be achieved through understanding customer needs and developing products or services that will exceed those needs (Nasiopoulos *et al.,* 2014; Belcourt, 2006).

2.3.2. International frameworks guiding outsourcing

According to McIvor (2000), the outsourcing frameworks were developed to overcome the weaknesses of outsourcing. Sinclair (2007) stated that frameworks are formulated to develop, explain, predict or plan and examine a topic. According to Mclvor (2000), a good outsourcing framework should provide for an acceptable value chain perspective, core competency in thinking, a measure for performance, and cover an acceptable strategic context.

2.3.2.1. Value chain perspective

Value chain analysis is a process of dividing various business functions into primary and supporting activities, analysing business activities and assessing how to create competitive advantage (Ambe and Badenhorst-Weiss, 2012, 2016). According to Fawcett *et al.* (2012), international organisations use value chain analysis as a tool for identifying activities or functional areas within a firm that can be outsourced. Moreover, the value chain analysis helps international organisations to increase efficiency and review logistics and supply chains to create or maintain competitive advantages (Fawcett *et al.*, 2012).

2.3.2.2. Core competency

One of the outsourcing objectives in an organisation is to focus on core competencies (Fawcett *et al.*, 2012). Organisations within the United Nations (UN) identify service providers that best meet the organisation's needs, with the aim of increasing economies of scale, flexibility and improving organisational efficiency (UN, 2012). According to Fawcett *et al.* (2012), successful outsourcing allows organisations to concentrate on carrying out their core competencies, which usually leads to the efficient management of the efficiency and human resources of an organisation. Moreover, the outsourcing of non-core functions provides organisations with flexibility to re-direct resources to critical organisation functions (Fawcett *et al.*, 2012).

2.3.2.3. Performance measurement

Effective policy-making in outsourcing requires information on whether the organisation is achieving the intended results (Acevedo, Rivera, Lima and Hwang, 2010). Strong performance management systems help organisations to identify strengths, weaknesses and accountability (Acevedo *et al.*, 2010). The use of performance management ensures efficient, economical procurement, whether information should be recorded, and non-performance should be reported in information systems (Stemele, 2009).

2.3.2.4. Strategic context

According to the UN (2012), while outsourcing addresses cost-saving measures, it should also provide room for fairness, transparency and integrity through competition, best value for money, economy and effectiveness.

- **Fairness:** The UN posits that competition for outsourcing should be conducted in a fair manner that assures reasonable administrative procedures. This is to ensure that all interested parties can engage in fair and competitive tendering processes (UN, 2012). It is important for an organisation to ensure impartial treatment and fairness to all business partners and stakeholders, making the organisation's procurement free of bias and favouritism (Luyt, 2008).

- **Transparency and integrity through competition:** The UN emphasizes the need for organisations to comply with ethical procurement standards in order to eliminate fraud and corruption, avoid accepting gifts and deal with conflicts of interest with potential suppliers and current suppliers (Jeppesen, 2010). Transparency means keeping stakeholders informed on decisions taken and operational plans (De Lange, 2011). According to Jeppesen (2010), transparency allows diverse views and multiple perspectives to influence policy decisions in an organisation.

- **Best value for money:** Best value for money refers to selection offers that best suit the strategic objectives of outsourcing such as social and environmental costs, quality or other strategic objectives of the buyer (Ambe and Badenhorst-Weiss, 2012). According to Watermeyer (2011), price alone is not a realistic indicator and organisations look beyond the price factor because cheaper prices that meet mandatory requirements do not necessarily mean a good deal. To achieve best value outcomes over the procurement cycle, it is important to consider costs and benefits. The best value for money can be achieved internally through continuous improvement in internal systems and processes; avoidance of delays and unnecessary costs with suppliers; and controlling and monitoring supply arrangements to ensure that they provide the expected benefits (Pauw and Wolvaardt, 2009; Bolton, 2006).

- **Economy and effectiveness:** Economy and effectiveness means providing a suitable solution to the organisation's need with regard to the right price, quantity and quality (Watermeyer, 2011). According to Bolton (2003), effectiveness ensures that the interests of the end-user is met, while economy protects the organisation's budget.

2.3.3. Legislations underpinning outsourcing in South Africa

Legislation means "a set of rules" set by parliament and it has to be obeyed by everyone (Western Australia Parliamentary Counsel Office, 2011:2). Legislation is an important tool used by government in protecting and guiding society (Tukuta *et al.*, 2015). Adhering to legislation to some degree ensures value for money; open and effective competition; ethics and fair practice; reporting and accountability; and equity (National Treasury, 2017). The importance of legislation in outsourcing cannot be overemphasised. Legislation provides a structure of authority, smooth working, and fulfilment of the constitutional mandates of the public sector (Watermeyer, 2011).

In dissertation writing, legislation provides the reader with the information on legislative regulations related to the research focus area. In South Africa, the National Treasury provides all relevant policies addressing the concept of outsourcing with the aim of regulating how the public sectors operate in outsourcing processes (Kingpin, 2015). Moreover, outsourcing in the public sector is used to fulfil constitutional obligations through providing a fair and transparent procurement process (Turley and Perera, 2014). According to Eyaa and Oluka (2011), the public sector uses outsourcing for the socio-economic upliftment of the citizens. South African legislative frameworks for outsourcing are the Constitution of South Africa; Municipal Finance Management Act No 56 of 2003; Public Finance Management Act No 1 of 1999; Preferential Procurement Policy Framework Act No 5 of 2000; Broad-Based Black Economic Empowerment Act No 53 of 2003; Prevention and Combating of Corrupt Activities Act No 12 of 2004; Promotion of Administrative Justice Act No 3 of 2000; and the Promotion of Equality and Prevention of Unfair Discrimination Act No 4 of 2000.

The primary objective of the Republic South Africa’s Constitution, Act 108 of 1996: Section 217(1) is to ensure that outsourcing practices and processes in all of the public sector are cost-effective, unbiased, fair, transparent, competitive and accessible to all of the public (Watermeyer, 2011). The secondary objectives of the South African Constitution are to redress the mistakes of apartheid and implement transformation policies that are aimed at socio-economic development (Turley and Perera, 2014).

The purpose of the Municipal Finance Management Act (MFMA) No 56 of 2003 is to establish a regulatory framework for SCM, which includes outsourcing/procurement in municipalities and municipal entities (Watermeyer, 2011; National Treasury, 2003).

Similarly, the purpose of the Public Finance Management Act (PFMA) No 1 of 1999 legislation is to regulate public sector management of funds, minimize wastage of funds, and enforce lawful practices of moral efficiency management to minimise the mismanagement of limited public resources (National Treasury, 2005).

The Preferential Procurement Policy Framework Act (PPPFA) No 5 of 2000 aims to establish the manner in which the preferential procurement rules and regulations are to be implemented in the public sector. Moreover, the PPPFA ensures that all public entities need to follow standard criteria when evaluating suppliers and establishes the manner in which preferential procurement policies are to be implemented (National Treasury, 2017).

The Broad-Based Black Economic Empowerment Act (BBBEE) 53 of 2003 ensures that businesses owned by previously disadvantaged people have an equal chance of participating in the South African economy, such as Blacks, Coloureds, Indians and Chinese (National Treasury, 2005). The government of South Africa uses outsourcing in the implementation of transformation policies and redress of unfair practices of the past. Such policies and practices are evident in the Broad-Based Black Economic Empowerment (BBBEE) Act No 53 of 2003. The BBBEE Act ensures that businesses owned by marginalised groups, including women, have equal opportunity to participate in the country's economic activity (National Treasury, 2017). According to Van Weele (2005), BBBEE is a strategy aimed at redressing the exclusion of black people and women from participating in the South African economy, and supporting skill development, income equality and equal opportunities.

The Prevention and Combating of Corrupt Activities Act (PCCAA) No 12 of 2004 ensures that government criminalises corruption, fraud and other related activities as an offence (National Treasury, 2003). Furthermore, this Act restricts individuals or enterprises that are convicted of corruption, fraud and other unethical practices related to public sector contracts and tenders. Moreover, the PCCAA's duty is to ensure accountability and encourage whistleblowing on corrupt transactions related to procurement activities in the public sector (Ambe and Badenhorst-Weiss, 2012).

The primary objective of the Promotion of Administrative Justice Act (PAJA) No 3 of 2000 is to ensure that administration action is properly documented, procedurally fair and reasonable and lawful (National Treasury, 2003). Furthermore, PAJA imposes a duty on the state to ensure fair administrative procedures that permit those affected by unfair administrative action to request reasons for such administrative actions and remedies proceeding for judicial review (Bolton, 2003).

The Promotion of Equality and Prevention of Unfair Discrimination Act No 4 of 2000 prohibits unfair discrimination on the basis of gender or race by any person or organisation through the denial of access to contractual opportunities (National Treasury, 2005).

2.4. Emerging trends and factors driving outsourcing: A public sector perspective

Outsourcing is one of the most influential trends re-shaping management (Gurría, 2016; Uyarra and Flanagan, 2009; Kashap, 2004). According to Mol and Kotabe (2011), the process of outsourcing, that is, the organisational relocation of activities or entire functions outside a firm's boundaries, has been a key driver of business transformation over the past decades. Studies have shown various reasons for firms' outsourcing practices. For example, Andersson, Fransson and Rehme (2006) identified five analysis areas for outsourcing decisions which form the continuum between Transactions cost and

Resource-based theory. The identified areas by Michela and Carlotta (2011) are cost consequences, operational/capacity constraints, core competency, access to external resources, and financial motives.

2.4.1. Cost consequences

Outsourcing success depends on a supplier's ability to deliver service safely and timeously. The core consequences of outsourcing occur in the case where service providers fail to deliver services on time, which can affect the sales and reputation of the organisation (Iqbal and Dad, 2013). Kingpin (2015) argues that outsourcing processes do not provide solutions for every resource shortage, as there are situations where outsourcing is not a good idea. Core consequences of outsourcing include the case where costs of the service provider exceed the organisation's budget. Moreover, outsourcing production may lead to customers, citizens and communities boycotting the product. Furthermore, outsourcing in the public sector reduces public employment because the state relies on private contractors (Petersen, Hjelmaa and Vrangback, 2018). Despite the ever-growing outsourcing phenomenon in the public sector, it is difficult to come up with strategies that reduce problems and challenges facing public sector outsourcing (Choy *et al.*, 2005).

2.4.2. Operational or capacity constraints

Outsourcing is considered in the absence of competence, while insourcing is appropriate when there is an availability of capacity. There are uncontrollable elements when the business outsources globally. This includes the legal systems and politics of foreign markets, global economic conditions, social and cultural customs, and technological forces (Hugo, Baden-Horst-Wiess and Van Billon, 2004).

2.4.3. Core competency

Core competencies refer to a business strategic advantages/ main strengths of an organisation (Fawcett *et al.,* 2012). Moreover, the reasons for outsourcing stem from a company's quest to focus on the core business and cost-cutting (Farrell, 2010). According to Feeny *et al.* (2005), understanding customer needs helps organisations to align core competencies to best meet various organisational goals such as performance improvement and faster services.

2.4.4. Access to external resources

One of the advantages of outsourcing is accessing advanced technologies and highly skilled labour (Fawcett *et al.*, 2012). Moreover, access to an experienced service provider usually leads to better quality, prompt and faster delivery (Wongleedee, 2016). According to Poutvaara (2014), outsourcing is ideal when the organisation does not possess the necessary skills and technology to fulfil its mandate.

2.4.5. Financial motives

Organisations who master the art of outsourcing are achieving cost reduction in daily operations (Mclvor, 2005, Feeny *et al.,* 2005). Private sector organisations outsource different functions with the aim of increasing market share, accessing supplier's skills, exploiting business opportunities offered by the network of suppliers, and to focus on internal investments (Vintar, 2011). One of the outsourcing objectives in the South African public sector has been about minimizing wastage on government procurement (Belcourt, 2006; Kumar and Eickhoff, 2005; Kakabadse and Kakabadse, 2002; Kremic *et al.,* 2006). The public sector is not profit oriented and pricing is set by government regulators; usually prices are charged to break even, where the price is set to equal average costs (Pessoa, 2009). According to Bhatia and Drew (2006), organisations use outsourcing as a cost-cutting measure without considering the impact of the outsourced service on the overall process flow. Moreover, outsourcing presents financial implications to a parent organisation, which often leads to termination of agreements between both parties (Kavcic and Tavcar, 2008). Furthermore, the concept of cost savings has been a challenging factor facing outsourcing in the public sector (Arrowsmith, 2010).

2.4.6. Strategic tool

Outsourcing activity plays a vital role in enhancing an organisation's overall strategy (Dinu, 2015; Mclvor, 2005). Organisational decisions to outsource or in-source can be referred to as a make or buy decision (Fawcett *et al.,* 2012). Some considerations regarding outsourcing includes: costs, risks, availability, capacity, expertise, quality considerations and nature of demand (Fawcett *et al.,* 2012). According to Feeny *et al.* (2005), outsourcing is built around competitive advantages and cost reduction. In addition, some organisations may decide to use outsourcing to improve on performance, access low-cost labour, and benefit from outside expertise (Fawcett *et al.*, 2012). Outsourcing in some organisations is used as a strategy to get rid of an underperforming department, thus reducing the number of employees (Fawcett *et al.,* 2012). The parent organisation decides which part of the business function needs to be insourced and what can be outsourced (Wiesel, 2015). Outsourcing with a clear cut strategy yields good results for an organisation (McIvor, 2005; Feeny *et al.,* 2005). Furthermore, outsourcing leads to cost reduction through increased efficiency and lower labour costs resulting from an outsourced function (Kingpin, 2015). Denning (2013) argues that outsourcing does not always increase efficiency and lower costs, rather it increases wastage. Thus, the need to manage an organisation's resources effectively remains a challenge for organisational activities.

2.4.7. Socio-economic development purposes

Outsourcing in any organisation has to consider socio-economic developments, such as the well-being of the community and management of the environment (Bedy, Eklund and Najafi, 2008). In addition, outsourcing in the South African public sector has shifted drastically from cost saving to mechanisation and has become a strategic tool enabling government to implement transformation policies and socio-economic development, redress unfair practices of the past and promote ecological accountabilities (Turley and Perera, 2014; Eyaa and Oluka, 2011; Watermeyer, 2011; Bolton, 2006). Moreover, according to Mahmood (2010), the South African public sector spends billions of Rands on outsourcing, with the aim of addressing certain socio-economic disparities of the past, through promoting the empowerment of Small, Medium and Micro Enterprises (SMMEs).

2.4.8. Quality improvement

According to Kruger *et al.* (2007), quality is defined as meeting customers' expectations. Quality is regarded as a major driver of competitive strategy in any industry and it can increase organisational revenue, improve productivity and reduce costs (Kingpin, 2015). To achieve quality improvement, organisations and stakeholders need to understand various concepts of quality and implement those concepts throughout the organisation. In recent years, the public sector has outsourced different functions with the aim of improving service and quality attributes such as empathy, responsiveness and building a good reputation with customers (McIvor, 2005; Feeny *et al.*, 2005). Moreover, the public sector outsources different functions with the objective of improving quality and efficiency (Iqbal and Dad, 2015; Cook, 2014).

2.4.9. Business efficiency

According to Iqbal and Dad (2013), the objectives of outsourcing range and include improving operational efficiency, increasing returns on shorter investment cycles, accessing experience, innovative suppliers and modern technology, and the minimization of risk, improved control and better governance. Moreover, private provision tends to be more efficient than public provision due to competitiveness in the private sector (Poutvaara, 2014). Furthermore, organisational decisions to outsource may be affected by various factors such as cost savings, capital conservation, reliability, Broad-Based Black Economic Empowerment (BBBEE), improved services and organisational politics (Fawcett *et al.*, 2012).

2.5. Outsourcing activities: A perspective from SASSA

Government adopts outsourcing to improve public sector productivity through economies of scale and savings (Gurría, 2016). Moreover, outsourcing in the public sector has been used as a government strategy to promote social, environmental and industrial policies (Cane, 2004). Market research at SASSA is used for identifying relevant suppliers and products that best meet the entity's needs. The seriousness of market research depends on risk or the value of requirement. For small outsourcing activities, it is handled by internal researchers through searching previous contractors, and for more complex outsourcing, external researchers are hired to conduct extensive market analysis. Moreover, SASSA has outsourced different functions with the aim of increasing small business participation in the economy, equity, efficiency and quality of service (SASSA, 2016; Barlow, Roerich and Wright, 2013). SASSA outsources some non-critical activities such as market research, promotion, security, catering, cleaning, logistics, information technology and accounting with the aim of focusing on core competencies and saving organisational resources (SASSA, 2016).

Recently, SASSA and SAPO entered into an outsourcing agreement that costs R2.2 billion per year to provide payment services for all beneficiaries (SAPO, 2017). The service provider responsible is to distribute pension payments in all nine provinces, consolidate one beneficiary database, receive a correct amount, issue social grant cards, and ensure that all beneficiaries prevent fraud and corruption (SAPO, 2017). SASSA and SAPO are in a collaborative effort of promoting a new SASSA card that has no illegal deduction, has free cash withdrawals, is safe to use, and has unlimited pin resets (SASSA, 2017).

2.6. Outsourcing challenges in the public sector

Outsourcing in the South African public sector has been granted constitutional status and is recognised as a means of addressing past discriminatory policies and practices (Bolton, 2006). According to Ambe and Badenhorst-Weiss (2012), reforms in public sector outsourcing were initiated to promote good governance principles and a preferential system to address socio-economic objectives. The reformed process was initiated due a lack of accountability, fragmented processes, and a lack of supporting structures (Ambe and Badenhorst-Weiss, 2012). According to the National Treasury (2005), the fragmentation and deficiencies in terms of governance and the inconsistent interpretation and Preferential Procurement Policy Framework Act 5 of 2000 resulted in the introduction of supply chain management in the public sector as a policy implementation tool. This was the attempt by governments to achieve the desired strategic policy outcomes through outsourcing processes (Arrowsmith, 2010; McCrulden, 2004). Despite the employment of supply chain management and reformed processes as strategic tools, the South African public sector continues to face numerous challenges in its outsourcing practices (Smart Procurement, 2011; Jansen and Stonewash, 2004). Moreover, expenditure in the public sector continues at high levels in the face of ever-increasing concerns about outsourcing practices (De Lange, 2011). There are allegations of corruption and bribery, organisational politics, price inflating, loss of control, risks, hidden costs and quality problems (Smart Procurement, 2011; Jansen and Stonewash, 2004).

2.6.1. Corruption and bribery

Corruption in outsourcing occurs when a tender is given to individuals who are associated with a certain political partner or family members of the top decision-makers in the procurement function (Osei-Tutu et al., 2010). Increased corruption in the public sector and the mismanagement of tax-payers funds due to poor management in outsourcing processes has cost taxpayers million of rands each year (De Lange, 2011; Shaw, 2010; Mahlaba, 2004). About 20% of government's procurement budget is always missing every year (De Lange, 2011). Munzhedzi (2016) equates corruption and outsourcing in the South African public sector as inseparable twins. Outsourcing has blurred the lines of accountability between public sector and private service providers (Rispel *et al.*, 2015). Government has set up several commissions in both private and public sectors to probe allegations of widespread corruption (National Treasury, 2019). The problem of corruption, negligence and incompetence affects all levels in the organisation. In some parts of the public sector, supply chain management personnel are awarding contracts to their family members, friends or political partners (Osei-Tutu et al., 2010). Like any other public entity, SASSA faces similar challenges. SASSA outsources different activities, ranging from cleaning to security and different business operations (SASSA, 2015).

2.6.2. Organisational politics

The public sector operates in an intense environment, driven by advances in technology, political and public service delivery expectations and programme reviews (Eyaa and Oluka, 2011; Bolton, 2006). Once an outsourcing decision has been made, it is difficult to change that decision due to contract penalties. If organisations decide to in-source functions, they are required to hire well-trained and experienced staff or train existing staff and management so that they are able to control and monitor suppliers. Outsourcing has huge implications for staff morale, such as a loss of core competencies, fear of losing the job, and fear of moving from one company to another due to outsourcing decisions (Van Weele, 2005).

2.6.3. Price hike

Outsourcing was introduced to reduce operating costs, but recent trends in outsourcing indicate that developing countries use it to promote local economic development and opportunities for previously disadvantaged groups (Ambe and Badenhorst-Weiss, 2012; National Treasury, 2005). Moreover, Dhall (2013), claim that outsourcing reduces costs and improves organisational performance. In the process of ensuring economic empowerment, suppliers set prices very high which makes the system vulnerable to not achieving the benefits of cost reduction (Jeppesen, 2014; National Treasury, 2005).

2.6.4. Loss of control

Loss of management control in monitoring and controlling stems from the lack of managing people, processes, power in negotiations and contract management (Gulzhama, 2012). Organisations can lose control due to collusive tendering, complete dependence on external suppliers, and loss of control over the development, preparation and realization of the planned project (Khatik and Khanooja, 2013). To manage and control suppliers, it is important for both parties to understand deliverables, terms of the contract, compensation and dispute prevention (Du Plessis, 2005). Moreover, it is important to understand the supplier's future goals before signing any contract (Jianna Kleain, Tesch and Chen, 2015).

2.6.5. Risk

According to Hill (2001), risk is defined as the likelihood of a future event occurring. Sullivan and Ngwenyama (2005) define risk as issues which are not addressed appropriately that may lead to negative outcomes. Moreover, effective risk management is something that is important when the organisation decides to outsource in the 21st century (Dinu, 2015; Hood and Miller, 2009). Furthermore, contractors are becoming increasingly risk averse due to slow economic growth. To minimize the risks of poor quality, it is better to avoid a contractor with poor efficiency records (Ambe and Badenhorst-Weiss, 2012). Moreover, sharing risk helps an organisation to shift certain responsibilities to the service provider. According to the National Treasury (2018), outsourcing in the public sector has its own risks, such as a reduction of government accountability and responsibility. Given the increasing economic pressure on South African public entities to reduce spending without reducing the quality of service, the outsourcing process is becoming increasingly risky.

2.6.6. Hidden costs

According to Taylor (2006), hidden costs pose a threat in outsourcing and it generally affects organisations that are heavily involved in outsourcing functions. The organisation and service provider sign a contract that covers the details of the contract, and any costs that are not in the contract are additional costs (Liao and Reategui, 2013). Moreover, reviewing contracts inflicts large financial losses for both sides (Schniederjans *et al.*, 2005; Thoms, 2004). Hidden costs include costs such as the management and coordination of contractors; the cost of an outdated outsourcing strategy; the cost of sub-par inventory performance; the cost of unplanned logistics activities and premium freight; inappropriate sales and operations planning; poor or substandard quality; cost of warranty, returns and allowances; unplanned and unforeseen risks; costs of supplier management; and costs of cash flow (Taylor, 2006; Schniederjans *et al.*, 2005; Thoms, 2004).

2.6.7. Quality problem

Improved quality is one of the reasons for outsourcing, as failure to assure quality can harm the organisation's sales, marketing position and reputation (Ambe and Badenhorst-Weiss, 2012). According to Kruger *et al*. (2007), organisations need to adopt quality control measures, to inspect products or services and compare them with the specifications and set standards, to ensure that the product adheres to the proposed design and specifications. Furthermore, it is very important for organisations to select the best, most experienced supplier that does not compromise on quality, has an excellent track record, is more flexible in hiring qualified personnel, and rewards employees (Andersson *et al.,* 2006). However, choosing an unreliable service provider may lead to delays, sub-standard quality, deferred delivery time frames and defects in products. Van Slyke (2003) states that outsourced contractors are motivated, better paid, and management standards are generally higher, which leads to organisational efficiency.

2.7. Process and procedures for outsourcing

According to the South African procurement legislative framework, all public entities need to follow the outsourcing processes (Preferential Procurement Policy Framework Act 2000). The steps in public sector outsourcing/procurement include determining the need and specifications; finding, evaluating and selecting the supplier; finalising purchasing contracts; ordering and expediting the order; and lastly, follow-up and evaluation.

2.7.1. Determining the need and specification

Determining the need and specification in the outsourcing process refers to the need for specific goods or services required by the user department (Ambe and Badenhorst-Weiss, 20122). According to Johnson *et al*. (2011), specifications are described as the functionality and technicality of a product, as well as activities that the service provider has to perform. Furthermore, specifications include target budgets, quality specifications, logistics specifications, maintenance specifications, legal and environment specifications (Testa, Annunziata, Iraldo and Frey, 2016). In addition, determining the need and specification has to be through communication with the budgeting section, and the user department needs to plan ahead to avoid placing urgent orders, which often leads to wasteful expenditure (Johnson, Leenders and Glynn, 2011).

2.7.2. Finding, evaluating and selecting suppliers

Finding, evaluating and selecting suppliers is the second step in the outsourcing process aimed at searching for a qualified service provider. This step in the outsourcing process includes tendering, checking of eligibility and bid evaluations (Ambe and Badenhorst-Weiss, 2012).

2.7.2.1. Tendering

According to Weele (2005), a tender is defined as an offer to supply goods or to do work at a fixed price. Tendering is a core component in the outsourcing process, designed to ensure fair procurement practices (Ambe and Badenhorst-Weiss, 2012). According to Johnson *et al.* (2011), there are two types of tendering, namely closed and opened tenders. A closed tender is a tender with a limited number of suppliers and an open tender is a tender without pre-qualification. Moreover, it is the first stage in the outsourcing process involving an invitation of service providers to bid, requests for proposals and direct purchases from vendors (Johnson *et al.*, 2011). Furthermore, notification on tenders is usually placed in the media, such as newspapers, e-mails, organisational websites and noticeboards, just to mention a few (Roos *et al.,* 2008). In addition, the invitation to service providers to bid involves notifying interested parties to collect the document/s required for application. This includes the place and time for briefing and proposal submissions, closing dates and, lastly, the required documents (Ambe and Badenhorst-Weiss, 2012). Requests for proposals include notifying the most suitable service providers to submit proposals; proposals are evaluated based on organisational efficiencies, quality, capability, reliability, desirable qualities and black economic empowerment (Watermeyer, 2011). The required documents for tendering in the public sector include a valid tax clearance certificate, Broad-Based Black Economic Empowerment (B-BBEE) certificate, company registration documents, organisation's shareholders' certificate, three years' efficiency statements, letter of guarantee from an efficiency institution, proof of public indemnity and, lastly, a letter of good standing with the Department of Labour (National Treasury, 2016). Tendering helps organisations to examine suppliers, maintain competition in the market, comply with procurement policies and due diligence, and ensure better value (Johnson *et al.*, 2011).

2.7.2.2. Bid evaluation

Bid evaluation is a process of opening, identifying and selecting a service provider who will be awarded a contract (Roos *et al.*, 2008). Moreover, bid evaluation of a service provider refers to examination of the authenticity of the documents submitted by services providers, which includes checking references, BEE status, reliability, quality and capabilities, partnerships and the management of the selected supplier (Ambe and Badenhorst-Weiss, 2012). Furthermore, the eligibility of applications is evaluated by a Bid Committee in terms of B-BBEE status, proposals or plans of action, experience and qualifications, and most importantly, suppliers' pricing (Johnson *et al.*, 2011). In addition, the request for proposals enables organisations to compare supplier proposals, as it consists of the rationale of outsourcing, scope, specifications, partners' qualifications required, pricing and expected improvement from suppliers (Roos *et al.*, 2008). This step includes the selection of all the applications with the correct documents and informs unsuccessful suppliers in writing as per the Promotion of Administrative Justice Act (Roos *et al.*, 2008). Selection of a supplier is based on who best meets the requirements, such as timelines, quality, costs and dependability (Ambe and Badenhorst-Weiss, 2012). The company with the highest score in terms of the scorecard is selected and the accounting officer needs to be notified in writing, as do the Provincial Auditor-General and National Treasury (National Treasury, 2016).

2.7.3. The purchasing contract

The purchasing contract is a process whereby two parties enter into an agreement and sign the Service Delivery Agreement (Roos *et al.,* 2008). Prior to negotiation, both parties should be upfront about their strategies and have clear objectives set. In order for negotiations to be effective in the long run, they need to be given enough time to seek win-win results. After appointment of the company, the service provider negotiates the final terms and conditions of the Service Delivery Agreement. If, however, agreement was not reached between two parties, the organisation negotiates with the second best service provider. Managing outsourcing in the public sector requires paying close attention to deliverables, pricing, dispute prevention and terms of contracts (Ambe and Badenhorst-Weiss, 2012). In addition, purchasing contracts focus on measuring performance service level agreements; termination conditions; scope and volume; pricing; resource transitioning; standard performance; factors of production; and control and management (Ambe and Badenhorst-Weiss, 2012).

2.7.4. Ordering and expediting the order

Ordering and expediting are defined as the process of placing an order, and the delivery of goods or services (Edler *et al.,* 2015). This step focuses on awarding the tender to the successful service provider that met all the organisation's requirements (Ross *et al.,* 2008). The order form is considered a legal binding contract. It is important to ensure that information on the order form is correct. Before payment, management and supervisors need to ensure full compliance by contractors regarding conditions and terms of a contract, including criteria of accountability, vendor performance, as well as payments, quality assurance, inspection and other activities that need to be verified (Van Weele, 2009).

2.7.5. Follow-up and evaluation

As the last step in the outsourcing process, this step aims at the monitoring and evaluation of service providers. It is the duty of the buyer to evaluate the supplier's performance, ensuring compliance and recording the user's experience (Roos *et al.,* 2008). This step also ensures that there is a flow of communication throughout the outsourcing process amongst service providers, organisations and other stakeholders (Ambe and Badenhorst-Weiss, 2012).

2.8. Types of outsourcing

An organisation can adopt different forms of outsourcing, which may include the following: business process outsourcing (BPO); information technology outsourcing (ITO); professional outsourcing; manufacturing outsourcing; process-specific outsourcing; business process outsourcing; offshore outsourcing; re-shoring outsourcing; near-shoring; and third-party logistics (Bhagattjee and Hofmeyer, 2009). BPO refers to outsourcing services that do not requires much technical skill, such as marketing, procurement and human resources (Ambe and Badenhorst-Weiss, 2012). ITO refers to outsourcing functions that require high levels of technical skill, such as the management of infrastructure, organisational systems, application development and the maintenance of organisation systems, amongst others (Bera, 2017). Due to technology advancement and internet connections, outsourcing has developed immensely and has been an excellent solution for cost reduction and faster turnaround time whilst still sustaining quality (Javalgi, *et al.*, 2009). Outsourcing has resulted in the formation of various business alliances with the overall aim of achieving global sourcing and operations.

2.8.1. Professional outsourcing

Professional outsourcing refers to a business strategy whereby a firm hires a specialized company to provide a service (Ray and Ganguli, 2007). According to Bera (2017), professional outsourcing is a business strategy to reduce operating costs, and provide global access to talent while accessing quality service from the supplier. Moreover, professional outsourcing includes specialized services such as information technology, legal, procurement, sales and marketing and others. However, there are some challenges with this business strategy, such as the lack of exclusivity and management difficulties (Javalgi, *et al.,* 2009).

2.8.2. Manufacturing outsourcing

Manufacturing outsourcing is whereby an organisation hires a firm to produce a physical product at a cheaper price than they could have produced it themselves (Bhagattjee and Hofmeyer, 2009). Huge organisations like Nike and Apple are adopting this business strategy by manufacturing their products in China (Fawcett *et al.*, 2012). The benefits of adopting this strategy are cost saving, efficiency and innovation support. However, there are disadvantages, such as ethics and the economic impact in manufacturing outsourcing (Ok, 2011).

2.8.3. Process–specific outsourcing

Process-specific outsourcing refers to renting out a specific internal procedure to the other organisation (Javalgi, *et al.,* 2009). Moreover, it is commonly found in companies such as bakeries to outsource their products to specialized courier companies. According to Bera (2017), process specific outsourcing agreements involve timelines, customer contact details**,** termination conditions, scope and volume, pricing, resource transitioning and standards of performance. Furthermore, this type of business strategy helps the organisation to focus on their core competency and improve customer service, while reducing time and costs (Andone *et al.,* 2010).

2.8.4. Business Process Outsourcing (BPO)

Business Process Outsourcing refers to a strategy of hiring external suppliers to provide a specific operational activity (Andone *et al.*, 2010). It is a common practice in manufacturing and includes cleaning services, facilities management and landscaping. Organisations adopt this business strategy in order to focus on their core competency. Moreover, organisations may adopt BOP to gain access to highly skilled personnel and reduce operational costs (Javalgi, *et al.,* 2009).

2.8.5. Offshoring

Offshoring occurs when a company performs a production or service function in another country. In the beginning, offshoring motives were for cost savings, but now have become a widespread competitive strategy (Ok, 2011). The organisation needs to choose a supplier that possesses greater efficiency in order to achieve cost savings due to economies of scale. There is a growth in the number of companies that practice global outsourcing. Hence, the importance of environmental scanning of the global market is crucial. Competition in the economy is intensive and companies are forced to work even harder to maximize productivity and profitability (Javalgi, *et al.,* 2009). Furthermore, international outsourcing is often confused with offshoring. It refers to the relocation of goods manufacturing abroad and the organisation decides if they want control or a joint venture (Javalgi, *et al.*, 2009). The international outsourcing companies do not share profits (Belcourt, 2006). Therefore, organisations outsource goods or services from different countries, sometimes opening international offices and hiring local employees to work. In addition, the cost benefit does not realize immediately in offshoring (Martorelli, 2007).

2.8.6. Re-shoring outsourcing

Re-shoring refers to a process of transferring business operations back to its home country (Martorelli, 2007). In the recent past, organisations were outsourcing their production services globally to achieve reduced labor costs, tap into new markets and access unavailable talent locally. Currently, organisations are realizing that offshoring is not as cost-effective as it used to be due to political, socio-cultural, technological, economic and environmental factors. Hence, organisations are insourcing their production services back due to external regulations that prohibit certain activities within that country and the impact of shipping costs due to rising costs of oil (Martorelli, 2007).

2.8.7. Nearshoring outsourcing

Nearshoring refers to the relocation of business processes in a more profitable area (Javalgi, *et al.*, 2009). Businesses usually relocate business processes to the nearest countries that share similar cultures and geography (Andone *et al.*, 2010). For example, Apple companies outsource manufacturing processes to China to access highly skilled labour and lower costs in production (Andone *et al.,* 2010). According to Andone *et al.* (2010), the benefits of this business strategy are cost savings in terms of labour costs, tax and shipping costs, amongst others.

2.8.8. Third-party logistics (3PL) outsourcing

Third-Party Logistics outsourcing refers to the idea of combining different logistics activities such as distribution, inventory management, warehousing, customer services and procurement (Fawcett *et al.*, 2012). Logistics management helps organisations to access the right product at the right time and right place. Moreover, 3PL enables organisations to anticipate changes, assess and manage risk (Ambe and Badenhorst-Weiss, 2012). The benefits of adopting 3PL are specialization access, spreading of risks, core competency focus, gaining of competitive advantages and direct selling (Ambe and Badenhorst-Weiss, 2012).

2.9. The dimensions of outsourcing

The dimensions of outsourcing are viewed from a business perspective. Some organisations may consider outsourcing the staff or employees, the company being outsourced to, and the communication technology used, as fundamental dimensions. Other organisations may outsource to gain knowledge from a service provider, culture, government and economy.

2.9.1. The staff of outsourcing/outsourced organisations

Outsourcing is not loyal to employees. Usually, the staff of the outsourcing organisation are transferred to the outsourced organisation. Furthermore, outsourcing is used to reduce salary costs, staff employment and eliminate the rights and conditions acquired by employees through union negotiations. One of the major risks of staff outsourcing is the effect on employee morale and performance (Andone, Pavaloaia and Cuza, 2010). For example, human resource outsourcing usually involves restructuring and always displaces employees. Moreover, a reduction of quality and accountability is one of the weaknesses of staff outsourcing. Organisations give employees a sense of recognition and feeling of security and belonging. When these assurances are disrupted, employees feel bitter. Professionals oppose outsourcing because of the threat of losing jobs, and the worry that management believes outsiders to be more capable (Andone *et al.*, 2010).

2.9.2. The company being outsourced to

The company being outsourced to inherits new employees; this allows the organisation to achieve its desired objectives whilst lowering costs since the new employees do not require much training (Andone *et al.*, 2010). Moreover, it allows the new owner to choose the best candidates and train the new staff using the strategies desired, rather than relying on the previous strategy. At the same time, the disadvantages of inheriting new staff are providing accommodation, extra office equipment, space, and other office supplies. It also involves paying some part of the benefits of new employees such as medical aid, taxes, retirement plans and other social contributions (Andone *et al.*, 2010).

2.9.3. The communication technology used

Communication is defined as an act of exchanging ideas, and giving and receiving opinions and information so that the message can be clearly understood by both parties (Lamb, Hair and McDaniel, 2012). It involves the use of letters, faxes, emails, reports, phone calls, memos and meetings, amongst others. Communication is considered amongst the factors that create challenges in outsourcing. Therefore, both parties communicate frequently (Outsourcing centre, 2014). Outsourcing activities should be widely communicated to all potential suppliers through various means of communication (Orville, Walker and Mullins, 2012). New telecommunication, internet and networking technologies provide organisations with an ability to measure everything, optimize spending, syndicate information, and benefit from global reach 24 hours a day, instant communication, and the delivery of products or services (Orville *et al.,* 2012). Using all types of media, SASSA advertises procurement plans such as information on specifications for a standard product, in order to provide potential suppliers with all the necessary information.

2.9.4. The knowledge of a service provider

Knowledge is one of the vital factors in make or buy decisions, even if the organisation is getting lower labour cost benefits from outsourcing. Without proper knowledge or information, organisations need to in-source. Suppliers without experience and knowledge waste organisational resources. It is crucial for procurement and supply chains to empower themselves with knowledge and expertise in order to get value for money from service providers (Forrer *et al.,* 2010). There is no need for organisations to continue outsourcing their functions because it will be a waste of resources. Organisations with the necessary skills and experience should insource their function, because one of the reasons for outsourcing is to search for greater experience and knowledge (Qu and Brocklehurst, 2003).

2.9.5. Culture

Culture is defined as set of values, beliefs and behaviours commonly held by members of one organisation (Abu-Jarad, Younis, Yusof and Nikbin, 2010). Culture enhances organisational performance by the motivation of employees guiding other employee's behaviour. According to Abu-Jarad, *et al.* (2010), organisational performance is defined as an organisation's ability to achieve its goals using less resources efficiently. In addition, culture plays an important role in organisations' outsourcing; it includes organisational norms, values, religion, daily habits and beliefs of the suppliers (Hofstede, Hofstede and Minkov, 2010). However, it is important for both organisations and service providers to understand each other's cultural differences when entering into an outsourcing agreement (Winkler, Dibbern and Heinzl, 2008).

2.9.6. Government

The political stability of a nation determines, to a certain degree, the investment attraction of companies. Countries that are perceived to be politically stable tend to improve their economic and market share. Developing countries offer tremendous opportunities. For example, the Chinese economy is the fastest growing economy in the world, with a 25.1 trillion dollar GDP, followed by the United States of America with 20.2 trillion dollars, while India and Russia are in the top five with 5.5 and 4 trillion dollars' purchasing power parity respectively (International Monetary Fund, 2018). Government ensures political stability in a country in order to attract stable investments (Van Der Linden and Hengveld, 2008). In addition, laws and regulations from other countries can complicate outsourcing processes. For example, China has political and social unrest that increases manufacturing costs and disrupts manufacturing processes in the country (Burgman and Friedle, 2016). There have been calls to restrict Chinese and Brazilian imports in South Africa in an effort to boost South African manufacturing industries (Jurevicius, 2016). Furthermore, pollution and other environmental issues are facing outsourcing, especially in the manufacturing industry. Therefore, it is important to acquire local knowledge before entering any global business (Ambe and Badenhorst-Weiss, 2012; Alon, Herbent and Munoz, 2007).

2.9.7. Economy

Economy is defined as the marketplace that deals with flows of money, including trade, distribution, goods consumption and production of a state, organisation and individuals (Jurevicious, 2016). Moreover, organisations have to pay close attention to the prominent factors driving the economy of the country, such as natural resources, human resources, technological development, capital formation, political and social factors (Jurevicious, 2016). World global outsourcing is worth more than 88.9 million dollars and the larger portion of that outsourcing comes from emerging countries such China and India (Statista, 2017). Different countries around the world are using outsourcing to increase efficiency and reduce operating costs (Ukokobili, 2010). Market conditions or the economy have a great influence in outsourcing, as these determines whether the accomplishment of socio-economic objectives is achieved or not. In the South African public sector, outsourcing is a key mechanism and tool addressing transformation, environmental aims and socio-economic developments (Turley and Perera, 2014).

2. 10. Classification of outsourcing

For an organisation to benefit from outsourcing, it needs to classify outsourcing and choose an appropriate outsourcing strategy that can yield positive results. According to De Villiers *et al.* (2012), organisations can select from different outsourcing strategies such as tactical, strategic, traditional and solution outsourcing.

2.10.1. Tactical outsourcing

Tactical outsourcing refers to the hiring of a firm to perform a specific activity (Khan, 2014). Tactical outsourcing allows an organisation to keep control and oversight of the project or an activity (Galici, 2016). This type of outsourcing strategy is ideal for short-term projects, commonly for short-term manufacturing business. Moreover, technical outsourcing is usually a reactive or routine approach to purchasing and it skips the long outsourcing process of searching for a qualified supplier. The organisation is more knowledgeable of the project and maintains the planning process, such as gathering of requirements and designing a system for a supplier (Cohn, 2015).

2.10.2. Strategic outsourcing

Strategic outsourcing refers to business collaboration/partnerships between contractors and suppliers (Cohn, 2015). Strategic outsourcing is guided by three key components, namely; supplier selection/evaluation, market research and relationship management. Unlike tactical outsourcing, strategic outsourcing is ideal for a long-term project and it requires the organisation to search properly for a qualified supplier (Khan, 2014). According to Galici (2016), the benefit of strategic outsourcing is flexibility, operational cost reduction, and improved effectiveness and efficiency in business operations. Similarly, the disadvantages in strategic outsourcing are a lack of motivation from employees, decreased knowledge of the process, and a lack of control of the final product (Galici, 2016).

2.10.3. Traditional outsourcing

Traditional outsourcing refers to hiring service providers to provide basic activities (Plotkin, 2018). This type of outsourcing helps organisations to focus on performance improvement and the reduction of costs (Fawcett *et al.,* 2012). The focus has shifted from traditional outsourcing to automation and transformation.

2.10.4. Solution outsourcing

Solution outsourcing refers to partnering with a well-established service provider (Cohn, 2015). This type of outsourcing strategy allows a business to improve production standards, quality and efficiency (Ambe and Badenhorst-Weiss, 2012). Solution outsourcing allows the organisation to join forces with a service provider that has already invested in significant research and development. Furthermore, solution outsourcing can lower costs, improve production and is ideal for manufacturing projects (Axenic, 2016).

2.11. Conclusion

In recent decades, the concept of outsourcing has emerged as a major trend in organisations all over the world. Increasingly, more and more companies are focusing on outsourcing to ensure a competitive edge in their core businesses and improved economic development. This chapter provided an introduction, explored existing literature and provided in-depth knowledge on the area of outsourcing. The information provided covers a historical perspective on outsourcing, theoretical models underpinning the concept of outsourcing, namely Relational View Theory and Core Competency Theory, emerging trends, and outsourcing activities from a public sector perspective. In addition, this chapter addressed outsourcing activities narrowed to the case study organisation, and challenges facing outsourcing in the public sector. Further, this chapter discussed processes and procedures for outsourcing, and provided information on the types, dimensions and classification of outsourcing. The next chapter is research methodology and provides information on how the research was conducted.

Chapter Three
Research Methodology

3.1. Introduction

The previous chapter focused on a literature review of the concept of outsourcing. This chapter presents the way in which the study was conducted, commonly referred to as the research methodology. According to Sekaran and Bougie (2016), research methodology is defined as an overall strategy that integrates different components of the study in a logical way. The research methodology is important in conducting a study because it ensures that the research problem is effectively addressed. Given the information on research methodology, this section provides the introduction to the chapter, research design and paradigms, research methodology, and study sampling. The trustworthiness of the study is discussed in terms of reliability and validity, and lastly the conclusion is provided.

3.2. Research design and paradigms

Research design has been defined by scholars, from different perspectives. Vosloo (2014) defines research design as a plan or blueprint for the collection, measurement, and analysis of the data of the study, its nature, validity and reliability, which helps a researcher to answer research questions. In the view of Wiid and Diggines (2010), research design is simply the framework, plan or outline. From the above two definitions, research design deals with the gathering and analysis of data to answer the questions and objectives of the study. The term design in this context refers to the environment, such as people, places, activities or objects that are investigated (Fink, 2002). The aim of research design is to ensure that the data collected allows the researcher to efficiently address the research problem in a logical and critical manner (De Vaus, 2006). According to Wiid and Diggines (2010), research design provides the researcher with information about the sample to be used, groups and the necessary variables. The primary objective of the research design is to make sure that the problem is researchable by designing the study in a manner that will provide answers to specific questions.

The concept of the research paradigm is defined as a system that involves organised thinking and practices to define the nature of enquiry using methodology, epistemology and ontology dimensions (Terreblanche and Durrhiem, 1999). Research paradigms are characterized through methodology, epistemology and ontology (Guba, 1990). There are various types of research designs, namely exploratory, experimental, methodological, historical and descriptive. As an exploratory study, this study adopted an exploratory research design. The researcher’s reason for adopting the exploratory research design stemmed from the fact that not much is known about the situation at hand, or no information is available on how similar problems or research issues have been solved in the past. Exploratory research is flexible in nature. As a result, findings cannot be generalised (Sekaran and

Bougie, 2016). According to Creswell (2014), exploratory research often relies on a qualitative approach of data gathering, such as case studies, focus groups, interviews and informal discussions. The exploratory study also helps in gaining the insight needed about the phenomenon, problem or opportunity.

3.3. Research methodology

A research methodology is an analytical way of solving a research problem, a tool used to gain knowledge (Creswell, 2014; Denzin, 2010). From another school of thought, research methodology provides a plan on how to conduct the research effectively and techniques to be used for the collection of data (Silverman, 2011). It explores various themes such as data collection instruments and methods (Cohen *et al.,* 2013). There are four main approaches to a research study, namely quantitative research, advocacy, mixed approach and qualitative research (Sekaran and Bougie, 2016). Quantitative research is defined as a process of collecting large amounts of data, with more representative respondent samples and the numerical calculation of results (Cohen *et al.*, 2013; Monette, Sullivan and Dejong, 2011). According to Sekaran and Bougie (2016), the advocacy research approach is defined as a process of collecting data with the intention of providing argument or evidence to support a particular cause. A mixed approach is defined as a process of collecting data using both qualitative and quantitative research methods (Creswell, 2014; Monette *et al.,* 2011).

This research study adopted a qualitative approach. In line with Creswell (2014), the qualitative method is suitable for this study as it offers an in-depth understanding and rich information of the phenomenon. This method utilises all question types and generates rich detailed data, whether it is gathered from structured, unstructured and semi-structured interviews (Creswell, 2014). According to Silverman (2011), the qualitative research method is defined as a process of collection, analysis and interpretation of data that cannot be meaningfully quantified and summarised a data in the form of numbers. Sergi and Hallin (2011) state that qualitative research is used for non-numerical data, is less structured and therefore uses smaller sample sizes. Qualitative research relies on detailed descriptions by respondents to gain insight into a problem or phenomenon, explores issues, and grows understanding of the reason behind the issues (Sekaran and Bougie, 2016; Shannon, 2005). As such, qualitative research helps the researcher to explain and describe the current situation and therefore can be considered confirmable, dependable, transferrable and credible (Hair *et al.,* 2013). Qualitative research collects data using instruments such as material culture, analysis of documents, observations, in-depth interviews and focus groups (Bernard and Ryan, 2010). Moreover, qualitative methods allow a researcher to investigate the motives and the rationale for outsourcing functions in the public sector. This research study adopted a qualitative approach aimed at understanding the phenomena, exploring issues and answering the research questions. The main advantage of adopting qualitative research methodology is that it enables a researcher to have a clear understanding of the research problem (Sekaran and Bougie, 2016; Silverman, 2006; Tucker, Powell and Meyer, 1995). Lastly, qualitative research is well suited for this study because it permitted the researcher to identify the barriers related to outsourcing functions in the South African public sector at the South African Social Security Agency, Umzumbe local office.

3.4. Study Sampling

According to Martin (2005), sampling is defined as a process of selecting participants from a total population in a way that represents the whole population. Yin (2012) defines a sample size as the overall number of participants who take part in the study or the sample size that represents the population under study. Sampling processes usually include the population and sample of the study, sampling strategies, data analysis and reliability and validity of the study. The sampling frame includes the list of elements from which the sample is actually drawn (Yin, 2012; Cooper and Schindler, 2006). The following are addressed under this section: population, targeted population and sample size.

3.4.1. Population

Choosing the population is an important step in the research process, which allows the researcher to select an appropriate and representative sample (Monette *et al.*, 2011). According to Wiid and Diggines (2010), a population is a group of people from whom the data is needed. It may consist of a number of individuals, or items that can become objects for observation (Hair *et al.*, 2013). The population for this study are 300 employees from Umzumbe local office.

3.4.2. Targeted population

A target population involves a specified group of people or objects for which questions can be asked or observations made to develop required data structures and information (Monette *et al.*, 2011). The target population for this study are the 90 employees from all the five units at SASSA Umzumbe local office. The researcher considered only permanent employees who have been with the organisation for two or more years because of experience and in-depth knowledge of SASSA’s policies, processes, and procedures relating to outsourcing.

3.4.3. Sample size

A sample size is the total number of people or units or selected to participate in the study (Yin, 2009). In this study, the sample size is comprised of 41 permanent employees selected from management and non-management levels in the department. The sample were selected from the following departments: Supply Chain Management, Finance, Human Resources Management, Information and Technology and Marketing. The researcher conducted a face-to-face interview with six well experienced managers from the five identified units and focus group discussions with thirty-five junior staff at SASSA's Umzumbe Local Office.

3.4.4. Sampling strategies

According to Simons (2010), sampling strategies are defined as methods of selecting a sample within a general population with the aim of eliminating bias in the findings of the study. There are two types of sampling strategies, non-probability sampling and probability sampling (Hair *et al.,* 2013). In non-probability sampling, people and units are selected based on the researcher's judgement (Thomas and Brubaker, 2000). Yin (2012) states that a probability sampling strategy gives the researcher a chance to create a sample that truly represents the population. According to Cooper and Schindler (2006), non-probability sampling consists of three different methods, namely, purposive sampling, quota sampling and convenience sampling. Probability sampling consists of simple random sampling, cluster random sampling, stratified random sampling and systematic sampling (Creswell, 2014). For the purpose of this study, the researcher adopted the qualitative approach and a non-probability purposive sampling method. Purposive sampling concentrates on particular people within a population to be used for a study, which will provide relevant information on the study (Enkvillage, 2015). The purposive sampling method is considered the best method when the researcher is looking for a certain characteristic in the population (Business Analytics, 2015). The method is considered ideal for the study because only a limited number of people can serve as primary data sources.

The researcher chose a purposive sampling method to be able to gather data from respondents. The researcher believed that the selection of the respondents across the management level would provide in-depth knowledge into the research questions.

3.4.5. Data collection methods

For this study, primary qualitative data were obtained by means of focus group discussions and face-to-face interviews with employees at the SASSA Umzumbe local office. Interviews and focus group discussions allow the researcher to investigate issues in an in-depth way and follow-up on incomplete answers (Monette et al., 2011).The semi-structured interviews consisted of several key questions that helped to define the areas to be explored, but also allowed the researcher to use probing questions. Through the use of focus groups discussions and face-to-face interviews, the qualitative method assisted the researcher to capture a great deal of information and compare responses. Exact verbal accounts of the respondents' experiences and perceptions were recorded. Interviews and discussions were audio-recorded then transcribed and also the interviews held in English and Zulu, and then translated and transcribed. The researcher had direct contact with participants, hence, it was easy to understand the phenomenon under study.

According to Creswell (2014), a face-to-face interview refers to a data collection method that directly communicates with people personally as well as telephonically. Similarly, a focus group discussion refers to a process of collecting data on a particular concept or topic using group discussions (Monette *et al*., 2011). The researcher's reasons for adopting face-to-face interviews and focus group discussions are as follows:

- A face-to-face interview allows for direct interaction with the respondents and clarifies, re-phrases and adapts the questions as necessary;
- Focus group discussions provide an opportunity for free flowing and flexible discussions, and;
- Focus group discussions allow spontaneous and unstructured responses from respondents.

The research instrument adopted for this study is an interview schedule. The interview guide questions used for the study were comprised of three sections.

Objective one aimed to answer the research questions addressing the barriers facing outsourcing functions in the South African public sector. The researcher asked the respondents questions one, four, and six (See Appendix A) during the collection of data. These questions were formulated with the aim of identifying the barriers facing outsourcing functions in the public sector.

Objective two aimed to answer research questions addressing the extent to which outsourcing-related challenges impact on the organisation's operations. The researcher asked respondents questions three, five, eight and nine during data collection. These questions were formulated with the aim of determining the extent to which outsourcing-related challenges impact on the organisation's operations.

Lastly, Objective three aimed to answer the research question addressing the existing monitoring measures and their impact on the outsourcing functions in the South African public sector. The researcher asked the respondents questions two, seven, ten, eleven and twelve during the collection of data. These questions were formulated with the aim of understanding the existing monitoring measures and their impact on the outsourcing functions in the South African public sector.

3.4.6. Overview of data analysis

According to Sekaran and Bougie (2016), data analysis is defined as a process of unlocking the information hidden in raw collected data and transferring it into something meaningful and useful. The objective of data analysis is to discover meaning, themes, concepts and patterns (Yin, 2012). Data analysis has multiple facets and approaches, encompassing diverse techniques under a variety of names, in different business, science and social science domains (Yin, 2012). A data analysis process helps the researcher to summarize, organize and make sense of collected data. In the data analysis process, the researcher identifies themes, patterns and explanations, and interprets these with the aim of making sense of the collected data. Furthermore, in data analysis, the researcher is inspecting, cleaning, transforming and modelling data with the goal of highlighting useful information, suggesting conclusions and supporting decision-making (Bogdan and Biklen, 2003). According to Creswell (2014), it is important to check the quality of data collected and arrange data in a manner that allows smooth analysis. In the present study, questions were discussed, and notes were cross-checked for completeness and accuracy.

This study adopted content analysis to analyse the raw data obtained from the focus group discussions and face-to-face interview sessions with the respondents. Content analysis is a systematic, rigorous approach that analyses data obtained and generates meaningful information (Monette et al., 2011). According to Sprague (2005), content analysis involves classifying and coding data with an aim to make sense of the data collected. Content analysis enabled the collected information from both interviews and focus group discussion to be treated in a way that made it possible to interpret the barriers facing outsourcing activities in the public sector. Raw data obtained in data collection is converted into information that helps a researcher to answer a research question and make useful decisions (Monette *et al*., 2011). To obtain meaningful information, data emerging from a study were coded, analyzed and re-arranged to form themes, clusters, and categories. Content analysis is a highly flexible research method that has been widely used in different studies to achieve research goals and objectives (Monette *et al.,* 2011). According to Monette *et al.* (2011), content analysis can be employed with a wide range of analytic techniques to generate findings and put them into context. There are two general types of content analysis; relational and conceptual (Monette *et al*., 2011). The study adopted a relational analysis, where the researcher identified research questions and chose a concept, and explored the relationships between the concepts.

3.5. Reliability and Validity of the study

According to Sekaran and Bougie (2016), reliability and validity concepts are the most important step in a research process, and are applied by researchers to assess the quality of a study. Reliability is a characteristic of measurement concerned with accuracy, precision and consistency (Denzin and Lincoln, 2017). Reliability ensures a sense of standardisation and deals with the dependability, stability and consistency of the research instruments (Monette *et al.,* 2011; O'Leary (2004). Due to the fact that research studies face challenges of respondent biases, reliability addresses this challenge by applying a particular technique repeatedly to the same object in order to achieve a consistent unbiased results (Sekaran and Bougie, 2016; Neuman, 2012). Validity is defined as an instrument that measures truth and accuracy, as well as the truth and accuracy of the results drawn from the data (Sekaran and Bougie, 2016). According to Creswell (2014), validity concludes whether the research accurately measures that which it was planned to measure or how truthful the research results are. Nueman (2012) defined validity as the extent to which conclusions drawn from the research provide an accurate explanation and reason for what happened.

The types of reliability commonly used in research studies are inter-rater, test re-test and inter-method. The study addressed inter-method reliability, which refers to assessment of the degree to which test scores are consistent when there is a variation in the instrument or methods used (Denzin and Lincoln, 2017). Specifically, the researcher aimed for homogenous inter-method reliability. In this case, the researcher used the same questions for the face-to-face interviews and focus group discussions. The researcher chose this to stem shortfalls from the responses in either of the approaches. It also allowed for comparison of the views of the management and the non-management respondents.

In measuring the reliability of the research instrument, the respondents did not have issues answering the questions, thus reducing any bias or ambiguity. Furthermore, the supervisor reviewed the research instrument prior to data collection, to ensure proper alignment of the questions with the research objectives.

Validity is premised on the assumption that what is being studied can be measured; it confirms the accuracy and the truth of the measured and captured data and findings drawn from the data (Nueman, 2012). The types of validity commonly used in research studies are content validity, ecological validity, internal validity, construct validity and external validity (Sekaran and Bougie, 2016). Within the limits of this study, the researcher adopted content validity. Content validity refers to a replicable and systematic technique of compressing information into minimal content that fully covers the objectives of the study (Sekaran and Bougie, 2016). Straub *et al.* (2004) define content validity as the degree to which items in an instrument reflect the content universe to which the instrument will be generalized. Nueman (2012) further stated that the assessment of the overall validity of conclusions drawn from a study can be made by providing the following three aspects: validity of explanation, validity of measurement and validity for generalisation.

- Validity of explanation/internal validity – asks whether the contexts and conclusions derived from the research are correct.
- Validity of measurement – asks whether the research instrument measures what it supposed to
- Validity of generalisation/external validity – asks whether the conclusions drawn from a particular study can be generalised to other contexts or people.

In this study, the choice of a research design using triangulation of data, and the pre-testing and use of the questionnaire and interview schedules were found suitable to ensure reliability and validity of the research findings and conclusions made. Errors on the questionnaire were corrected and some questions were rephrased after pre-testing to make them easier for the respondents to understand. Furthermore, the secondary data were sourced for reputable journal articles, government publications, internet sources and textbooks.

3.6. Conclusion

This chapter has discussed the method used in gathering the information for the study. The chapter covered the research design and paradigms, research methodology, and study sampling. It discussed the reliability and validity of the study and the conclusion. The next chapter discusses the research findings of the study, based on the research objectives.

Chapter Four
Presentation and Analysis of Data

4.1. Introduction

The previous chapter presented the methods by which the research was conducted, explained the research design and highlighted the research approach used for the study. Moreover, it explained the data collection techniques adopted. Furthermore, this chapter includes the data presentation and analysis, response rate, test of the research objectives and a discussion of the research findings. The main aim of this chapter is to summarise the primary data and to interpret the data that were collected using face-to-face interviews and focus group discussions. This chapter presents an analysis of the findings. This study focused on the outsourcing of functions in the public sector. The study is guided by three research objectives, namely:

- To investigate the barriers facing outsourcing functions in the South African public sector;
- To determine the extent to which outsourcing related challenges impact on the organisation's operations, and;
- To examine the existing monitoring measures and their impact on the outsourcing functions in the South African public sector.

4.2. Presentation and data analysis

According to Sekaran and Bougie (2016), data analysis is a process of minimizing collected data to a manageable size. As mentioned earlier in chapter four, section 4.3.1, the research approach adopted for the study is qualitative in nature and content analysis was used in the interpretation of the data collected. Content analysis is defined as a method used to interpret text content through the systematic processes of classification, coding and the identification of patterns (Hsieh and Shonnon, 2005). According to Neuman (2012), classification refers to a process of categorising data according to types or groups. Identification of patterns refers to the identification of traits or recurring characteristics which help the identification of problems (Creswell, 2014). Sekeran and Bougie (2016) define coding as a process of analysis, re-arranging and reducing collected data from the semi-structured in-depth interviews and focus group discussions. The researcher used themes to examine and record patterns in the research. Themes are defined as patterns that emerge from examining, pinpointing and recording patterns in research (Creswell, 2014) (See Table 4.1). Research respondents were grouped under the following departmental categories; Supply Chain Management, Finance, Operations, Human Resource Management, Information Technology and Marketing

TABLE 4.1: Demographic of respondents of the Face-to-Face Interview session

Respondents	Interview schedule	Position	Units/Section	Gender	Years of experience	No. Targeted	No. sampled
R1	Face-to- face interview	Senior Management	Operations	Male	16 years	3	1
R2	Face-to- face interview	Senior Management	Supply Chain Management	Female	10 years	3	1
R3	Face-to- face interview	Senior Management	Marketing	Female	8 years	3	1
R4	Face-to- face interview	Senior Management	Finance	Male	12 years	2	1
R5	Face-to- face interview	Senior Management	Human Resources Management	Male	10 years	3	1
R6	Face-to- face interview	Senior Management	Information Technology	Male	9 years	2	1
Total						**16**	**6**

Source: Compiled by the researcher (2019)

As shown in Table 4.1, the study comprised six respondents who are working at SASSA. Amongst the six respondents in the study, the total number of females is two and four are males. Moreover, all the respondents have more than 2 years' working experience.

TABLE 4.2: Demographic of respondents of the Focus Group discussions

Respondents	Interview Schedule	Position	Units/Section	Gender	Years of experience	No. targeted	No. sampled
R1	Focus group discussion	Administrators and Supervisors	Supply Chain Management	8 males and 4 females	All above 2 years	35	12
R2	Focus group discussion	Administrators and supervisors	Marketing	5 males and 6 females	All above 2 years	28	11
R3	Focus group discussion	Administrators and Supervisors	Finance	7 males and 5 females	All above 2 years	27	12
						90	**35**

As shown in Table 4.2, the study comprised thirty five respondents who are working at SASSA. Amongst the thirty five respondents in the study, the total number of females is fifteen and twenty are males. Moreover, all the respondent have more than 2 years' working experience.

4.3. Response Rate

Response rate is defined as the number of people who participated in a study (Neuman, 2012). According to Bryman (2008), a response rate of 70% is considered very good for analysis, 60% is considered good, while 50% is considered enough. According to Creswell (2014), lower response rates are likely to have a greater risk of bias in the findings. For face-to-face interviews, sixteen senior management were targeted, and six management participated. Therefore, there was a 38% response rate. For focus group discussions, a total of ninety junior staff were targeted and thirty-five participated in the study, a 39% response rate. The overall response rate is therefore 77%.

4.4. Test of the Research Objectives

The researcher used the same questions for both the face-to-face (FTF) interviews and focus group discussions (FGD) (See Appendix A). The common findings from both approaches were presented together as per each research objective.

4.4.1. Test of Research Objective One:

Research objective one was structured to ascertain the barriers facing outsourcing in the public sector. The questions that provided answers for this research objective are question one, four and six (See

Appendix A). These questions were structured to ascertain the on-going challenges facing outsourcing in the South African public sector. The questions thus ask:

Question 1: *Do you think the number of staff working in the supply chain management is sufficient given the size and needs of the organisation?*

Data emanating from the FTF interview indicated human resource incapacity and a failure to replace and hire new staff. As one of the respondent noted (R7):

"No, there is no proper planning in a procurement unit and the unit is understaffed and if one of the staff members retires or leaves a job, it is not easy to replace them due to budget cuts regulations. Moreover certain procurement officers are taking strain by performing certain tasks which are not in their job description.

Further, FGD revealed concerns with the number of staff in the supply chain management unit. As one of the discussant noted (R8):

"Yes, the staff at the supply chain management section is not sufficient and there is a lack of capacity within the human resource department when hiring supply chain officers. This challenge leads to poor job execution resulting in a backlog in the procurement process."

As the discussion proceeded, the researcher asked a further question to ascertain the supply chain management unit educational capacity (See interview schedule, question four).

Question four: *Does management have proper qualifications and training in in relation to outsourcing?*

Data emanated from FGDs indicated that there is shortage of skills, knowledge and competencies in a procurement section. As put by one of the discussant (R6):

"Management in the procurement unit does not have proper qualifications and training in the supply chain management, which usually leads to selection of inefficient suppliers and appointment of incompetent individuals in the top positions."

Further, in the FTF interviews, data indicated concerns with the lack of proper supply chain management qualifications, skills and training, as noted by one of the discussants in a FTF (R7):

"There is a lack of skills in any of the top positions, but we have experience and other management related qualifications."

The researcher probed with a question aimed at evaluating the benefits and remuneration of government officials (see interview schedule, question six). The questions asks:

Question six: *How are managers and staff rewarded for achieving supply chain management objectives and improving the value delivered to clients?*

Data emanating from FGDs indicate concerns with salaries of government officials. As one of the discussants noted (R5):
"We are not getting paid enough compared to the private sector, that is why some of the government officials are leaving our department and they are not replaced due cost cutting measures, which ultimately affect the standard of service we provide to clients".

Data emanating from FTF interviews indicate that staff rewards in the public sector do not motivate. As one of the respondent noted (R7):
"We are not happy with salaries and benefits in public sector, the reason we are still working here is because of job security."

Emerging from the data are concerns around lack of proper planning, incompetency in the SCM unit, lack of qualifications, employees not being well paid compared to the private sector, and human resource incapacity. Thus the researcher grouped these under the "Theme Cluster 1: Barriers."

4.4.2. Test of Research Objective Two:

Research objective two was structured to ascertain the extent to which outsourcing-related challenges impact on the organisation's operations. Questions three, five, eight and nine provided answers for this research objective (See Appendix A). These questions were structured to ascertain the extent of outsourcing-related challenges and their impact in the South African public sector.

Question three: *Are the departments outsourcing of functions ensuring organisational continuity; if not, why does the department outsource?*

The data from FTF interviews with one senior manager indicated that the outsourcing of activities has a negative implication on the organisation's continuity. As put by one of the respondent (R6):
"No, outsourcing of activities does not yield the benefits and there are negative implications on the organisational continuity due to unethical practices, poor procurement management practices and

service provider control which affect the quality of service provided by suppliers. Moreover, department outsources with an aim of addressing socio-economic objectives."

The FGD data reveals concerns with rotations of suppliers and BBBEE validation criteria that ensures suppliers are able to meet the organisation objectives and achieve the socio-economic objectives with black-based suppliers from previously disadvantaged backgrounds. As one of the discussant noted:
"No, outsourcing of activities does not have positive implications in an organisation. The reason for outsourcing is to address the socio-economic challenges through selection of suppliers from previously disadvantage backgrounds."

The researcher probed a question aimed at evaluating the organisation's adoption of new technologies to improve outsourcing processes (see interview schedule, question five). The questions thus ask:

Question 5: *Does the organisation readily adopt new technologies to improve on the outsourcing processes?*

The data emanating from FGDs indicated that the organisation does not readily adopt new technologies to improve on the outsourcing processes. As one of the discussants noted (R9):
"The department is using Standard Chart of Account to capture purchase orders and invoices on Basic Accounting Systems; there is no alternative systems and if the system is down there is nothing an official can do."

The data emanating from FGDs indicated that the organisation readily adopts new technologies to improve on the outsourcing processes. As one of the respondent noted (R5):
"All the government departments are using Basic Account Systems and the system is updated frequently to ensure that it improves the procurement processes."

The researcher probed a question aimed at evaluating the impact of outsourcing functions (see interview schedule, question eight). The questions ask:

Question eight: *How would you rate the impact of outsourcing to the organisational goals and objectives?*

Data emanating from FTF interviews revealed that outsourcing of activities does not have a positive impact on the goals and organisation objectives. As one respondent noted (R1):

"The department outsourcing of activities does not have a positive impact on the organisation objectives and goals because inefficiency, lack of access to highly skilled service providers; and cost cutting advantages associated with outsourcing is not achieved due to price inflation, corruption and fraud in a procurement processes."

Similarly, FGDs also voice concerns about communication with various units and planning. As one respondent noted (R6):
"Outsourcing has a negative impact on the goals and objectives of the organisation due to poor planning and miscommunication between various sections."

The researcher probed with a question aimed at evaluating the organisation's effectiveness in communicating the value of outsourcing to all the stakeholders (see interview schedule, question nine). The questions ask:

Question nine: *Does the organisation effectively communicate the value of outsourcing to all the stakeholders?*

Data emanating from FTF interviews revealed that organisation does not effectively communicate the value of outsourcing to all the stakeholders. As one of the respondent noted (R6):
"*There is a lack of effective communication between the Finance and the Supply Chain Management department."*

Similarly, emerging from FGDs is concern with miscommunication with various units and planning. As one respondent noted (R8):
"The organisation is not effectively communicating the value of outsourcing to all the stakeholders due to poor planning and miscommunication between various stakeholders."

Emerging from the data are concerns around outsourcing challenges. There are challenges of poor procurement practices and unethical practices such as corruption, fraud and inflated pricing, lack of access to highly skilled service providers, poor planning and miscommunication. Thus, the researcher grouped these under the "Theme Cluster 2: Challenges and Impact."

4.4.3. Test of Research Objective Three:

Research objective three was structured to ascertain the existing monitoring measures and their impact on the outsourcing functions in the South African public sector. The questions that provided answers for this research objective are question two, seven, ten, eleven and twelve (See Appendix A). These questions were structured to ascertain the existing monitoring measures and their impact on the outsourcing functions in the South African public sector. The questions ask:

Question two: *Is there a clearly defined strategy in the processes and procedures related to outsourcing and how do you rate them? Please explain.*

The data emanating from FGDs indicated that there are concerns with efficiency and performance levels with outsourcing in the public sector. As one of the discussants noted (R9):

"There is a negative impact on the outsourcing of activities and productivity performance and efficiency levels is very slow due to political interference, inflated pricing and unethical practices in the procurement processes."

Similarly, emerging from the face-to-face discussions with one of the management concerns organisational efficiency and performance levels of outsourcing in the public sector. As one of the respondents noted (R4):

"Services conducted by suppliers are not up to standard due to the lack of accountable systems, poor procurement management practices and control in a public procurement process usually leads to the wastage of government resources. Moreover, the department fails to choose activities that will be outsourced. Moreover, the department is struggling to comply with South African National Treasury (2003) standard procedure, which specifies that a tender process should take about 90 days to be processed. This type of inefficiency jeopardises our daily operations and strategic planning of our office."

The researcher probed with a question aimed at determining how the department ensures that outsourced programs are unique and have higher value than alternatives (see interview schedule, question seven).

Question seven: *How does a department ensure that outsourced programs and services are unique and have higher value than?*

Data from the FGDs indicate that outsourced programs and services are not unique and do not add value to the organisation. As one of the discussants noted (R8):

"Service providers offer poor services at an inflated price and existing monitoring measures are not good enough to hold suppliers accountable."

Similarly, the FTF interviews indicate that outsourced programs and services do not add value to the organisation. As one responded noted (R6):

"Outsourcing in any public sector does not add value due unethical practices in procurement processes."

The researcher asked a question to evaluate how the organisation measures results and how they identify areas for improvement (see interview schedule, question ten). The question asks:

Question ten: *How does the organisation measure results? Do they actively identify areas for improvement?*

Data from FTF interviews indicates that the department has control measures in place to ensure that potential service providers ensure delivery of quality service. As one responded noted (R6):
"Appointed suppliers sign a service level agreement with the specifications to ensure they deliver quality service at the right time."

The FGD discussions also reveal concerns with compliance and background checks, such as tracing of references on the potential suppliers. As one discussant noted (R6):
"The department is failing to evaluate past performance of potential suppliers to ensure that the selected suppliers can deliver quality services."

The researcher probed with a further question to determine how the department maintains client satisfaction (See interview guide, question eleven).

Question eleven: *How does the department ensure that client satisfaction is maintained at a high level?*

The FTF interviews indicated no concern with the level of client satisfaction. As one of the respondents noted (R7):
"Clients are happy with our services but poor control, poor monitoring and evaluation mechanisms of service providers need to be looked at so we can continue to maintain high levels of client satisfaction".

While probing during the FGD, one of the discussants revealed concerns with the quality of the service provided to customers. As one the discussant noted (R8):
"*The quality of our service has decreased in past years due to unethical practices of some of our staff members and service provider and it has negative implications on the image of our department."*

Lastly, the researcher probed further with a question to determine the rate and impact of control measures on employee's attitudes and behaviours (See interview guide, question twelve).

Question twelve: *How do you rate the impact of the control measures on attitudes and behaviours of the employees?*

The data emanating from FGD discussions indicated that there are concerns with poor control measures and poor enforcement of laws and regulations that deals with corruption in procurement processes. As one of the discussants noted (R6):

"There are so many corruption cases in the public sector but there is a zero conviction rate so the corrupted employees have a negative attitude about the laws and regulations of South Africa."

Similarly, emerging from the face-to-face discussions with one of the management, there are concerns about poor control on procurement processes and their management which leads to corrupt employees doing as they please. As one of the respondents noted (R5):

"*There are poor control measures and all the corrupt officials are protected by senior management."*

Emerging from the data are concerns around poor procurement management practices and controls, lack of accountability systems, poor compliance, controls and enforcement of laws or regulations that deal with unethical practices such as political interference, inflated pricing, fraud and corruption, thus the researcher grouped these under the "Theme Cluster 3: Monitoring Measures and their Impact."

4.5. Discussion of research findings

Research findings refer to a process of arranging and reporting the results of the study conducted, based on the methodologies applied in the gathering of information (Sekaran and Bougie, 2016). Discussions on findings are presented as per each research objective.

4.5.1. Findings based on barriers affecting outsourcing

The findings showed that the barriers facing outsourcing in the South African public sector include: inefficiency; lack of proper planning and incompetency in the SCM unit; human resource incapacity; shortage of staff and lack of proper qualifications; and insufficient budget allocation in a procurement unit. Moreover, the employees in the procurement unit are not paid well.

The findings from the tested research objective one indicate concerns emerging from two variables, namely, inefficiency and shortage of resources.

Findings from focus groups discussion show that the supply chain unit is suffering from a shortage of resources such as lack of proper SCM skills, knowledge and competency, shortage of qualified personnel, shortage of budget, and lower salaries due to implementation of budget cuts policies by the South African government. Kingpin (2015) proclaimed that the public sector practices outsourcing as a cost-cutting measure without considering the impact of the outsourced service on the overall process flow.

Data from management shows that there is high inefficiency in procurement units, which is caused by lack of proper planning and budget cuts. A study conducted by Taponen (2017) confirmed that the purchasing unit did not achieve efficiency due to poor skills and incompetency of the officials working in the procurement unit. Moreover, the management agrees that they do not have proper SCM qualifications and skills but claim that they have years of experience in managing different units in the public sector. Furthermore, the management is not happy with their salaries. Gurría (2016), highlighted that lack of proper SCM skills, knowledge and competencies hinder consistent procurement practices and application of department policies into practices. The study conducted by Mamiro (2010) asserted that inadequacy of skills and qualifications in any unit increases inefficiency and interrupts organisational growth.

Given these finding, it is established that the department is inefficient and lacks proper planning, and there is incompetency in the SCM unit, human resource incapacity, shortage of staff and a lack of proper qualifications, and insufficient budget allocation in a procurement unit. It is essential, according to Hausman *et al.* (2008), to address the skills shortages with a combination of long-term educational reforms and short term solutions, such as easing up of immigration regulations for highly qualified individuals who can facilitate the rapid accumulation of skills.

4.5.2. Findings the effects of outsourcing on business operations

The findings showed that the effect of outsourcing on business operations are: poor procurement practices and unethical practices such as corruption, fraud and inflated pricing; lack of access to highly skilled service providers; poor planning; and miscommunication.

The findings from the tested research objective two, indicate concerns emerging from four variables, namely poor procurement practices, unethical practices, poor planning, and miscommunication

Findings from management interviews reveal that poor procurement management practices has affected the organisation's efficiency. SCM Review (2015) reveals that the public sector outsourcing is facing high levels of concern about current procurement practices. The findings agree with those of Mnguni (2012), which identify the challenges in the appointments of service providers, uniformity in procurement processes and good governance in the public sector. SCM legislative frameworks are used to guide procurement practices in ensuring fairness, equity, transparency, competitiveness and cost-effectiveness (National Treasury, 2014). Moreover, unethical practices in procurement processes are amongst the issues that create a negative impact on the business operation, and they have reduced productivity levels in the department (National Treasury, 2017). Some of the major challenges in the public procurement processes, according to Badenhorst-Weiss (2012), are fraud, inflated pricing, political interference and corruption. Research done by De Lange (2011) states that about 20% of the budget in the public sector is wasted each year due to unethical practices associated with procurement and the mismanagement of procurement processes.

Data from focus group discussions reveals the organisation's lack of efficiency due to poor planning and the reduced productivity and efficiency of the organisation. Smart procurement (2011) identified poor planning in a procurement unit as a major barrier that affects the organisation. Badenhorst-Weiss (2012) identified inadequate planning in the public sector as a key challenge that increases inefficiency in daily operations of the public organisation. Moreover, the procurement unit is failing to have proper communication with all relevant stakeholders. According to Mamiro (2010), poor communication between stakeholders has a negative impact on the organisation's procurement. In 2003, the South African Cabinet adopted a SCM policy to replace outdated procurement and provisioning practices. The aim was to implement a SCM function across all spheres of government, which would be an integral part of financial management and would conform to international best practices (National Treasury, 2005). O'Sullivan (2013) noted that the success of outsourcing solely depends on an enabling environment established at national level.

Given these finding, it is established that the department is struggling to access qualified service providers due to poor procurement practices and unethical practices in a procurement unit, and the procurement unit is struggling to communicate with other stakeholders.

4.5.3. Findings based on research objective three

The findings related to the monitoring measure and its impact show poor monitoring and evaluation controls, lack of accountability systems, poor compliance, and poor enforcement of SCM laws or regulations that deal with unethical practices in procurement processes.

The findings from the tested research objective three indicate concerns emerging from three variables, namely, poor monitoring and controls, lack of accountability systems, and poor compliance and enforcement of South African law when dealing with unethical practices.

Data from management reveals that the organisation has a poor monitoring and evaluation mechanism. The findings agree with those of Ambe and Badenhorst-Weiss (2012), which reveal that inadequate monitoring and evaluation in procurement processes are a key challenge in South African public sector. Bent (2014) notes that the public sector only focuses on the implementation phase of procurement and legislative compliance, and thus does not fully explore the performance phase of procurement processes. Selemi (2015) reveals that the South African government loses a lot of money due to a lack of capacity to monitor contractors. According to Acevedo *et al.* (2010), a strong monitoring and evaluation systems ensures the means to provide sound governance and accountable public policies. Moreover the study reveals that the department lacks accountability systems. Accountability is a central pillar to public sector outsourcing (Porteous and Naudé, 2012). According to Jeppesen (2010), without accountable and transparent systems, the vast state resources run the danger of being entangled with wastage and corruption. Furthermore, Ambe and Badenhorst-Weiss (2012) reveal that without proper accountability mechanisms, public entities will not account for their actions, which easily opens up the risk of increased fraud and corruption. Moreover, the study shows that the department has SCM compliance issues. According to Watermeyer (2011), SCM is guided by a number of related regulations and policies but compliance with these policies and regulations in a public sector is still a problem. Training and continuous capacity building are needed for effective monitoring and evaluation processes (Dlamini and Migiro, 2016).

Findings from the focus group discussions shows that the organisation has issues of enforcement of laws that deal with corruption and fraud. Munzhedzi (2016) explains that a lack of proper application of disciplinary procedures is the main driver of fraud and corruption. The application of corrective measures to these concerns increases costs in the organization.

The study adopted two theories, namely the Relational View Theory (RVT)/ Resource-Based View Theory and Core Competency Theory (CCT). According to Alvarez-Suescun (2010), RVT helps an organisation to achieve competitive advantage and efficiency through organisation capabilities, resources and competencies. The study's findings show that in the organisation, there is a lack of proper planning, incompetency in the SCM unit, human resource incapacity, shortage of staff, unethical practices, lack of proper qualifications and insufficient budget allocation in a procurement unit. Adoption of RVT can help the organization to achieve efficiency through evaluation, streamlining and accountability in the use of its internal resources as well as external resources and relational networks.

CCT is used as a tool to determine the success of an agreement with the suppliers. The findings of the study show poor procurement practices, poor monitoring and evaluation controls, lack of accountability systems, poor compliance and poor enforcement of SCM laws or regulations that deal with unethical practices in procurement processes. CCT can be used as a knowledge-sharing and knowledge application instrument to ensure the success of an outsourcing process (Nasiopoulos, Sakas and Vlachos, 2014). Moreover, this means that the department can apply CCT when they determine the success of an agreement with suppliers.

Given these finding, it is established that the department is struggling with monitoring and control of service providers. Moreover, the department does not have proper accountability systems to ensure that they hold suppliers accountable for their actions. In addition, the department has compliance issues. Furthermore, the department is failing to apply or enforce South African law when dealing with unethical practices in the procurement processes, and it has cost tax payers a lot of money.

4.6. Conclusion

This chapter provided the presentation and analysis of data, response rate and a test of the research objectives. Furthermore, it analysed the research findings. The next chapter provides a summary, conclusions and recommendations of the study.

Chapter Five
Summary, Recommendations and Conclusion

5.1. Introduction

This chapter presents the summary of all the chapters, and recommendations and conclusions based on the data analysed in the previous chapters. Chapter one provided an overview of the research under study. Chapter two served as a review of literature on the concept of outsourcing in the public sector. Chapter three covered the research design and methodology of the study. Chapter four discussed the presentation and analysis of the data collected. Chapter five provides the summary of chapters, recommendations and the concluding remarks of the research.

5.2. Summary of chapters

This section provides a synopsis of all the chapters presented in this dissertation.

5.2.1. Summary of chapter one

Chapter one provides an introduction, the background to the study and the case study organisation. In addition, the chapter provides information on the statement of the research problem, the research objectives and questions in line with the research problem and the objectives of the research problem. These questions aim to "identify the barriers facing outsourcing of functions in the South African public sector." Three questions were derived for the study to address the identified research problem. The research questions are:

- What are the barriers facing outsourcing of activities in the South African public sector?
- To what extent do challenges of outsourcing affect the organisation's operations?
- What are the monitoring measures in place and how do they affect the outsourcing activities in the South African public sector?

It was anticipated that a feasible solution would be found to control the barriers affecting the outsourcing of functions in the South African public sector. In addition, the chapter introduced the literature review, provided a summary of the research methodology, and presented the significance, justification, contribution and limitations of the study, and a summary of each chapter.

5.2.2. Summary of chapter two

Chapter two served as a review of the current literature on the concept of outsourcing in the public sector. This chapter explored existing literature and provided in-depth knowledge on the area of outsourcing. The information provided covers a historical perspective on outsourcing and theoretical models underpinning the concept of outsourcing. In addition, this chapter addressed emerging trends and factors driving outsourcing from a public sector perspective. The chapter addressed outsourcing activities, a perspective from SASSA and outsourcing challenges in the public sector, as well as the processes and procedures for outsourcing. Lastly, the dimensions and classification of outsourcing were discussed.

5.2.3. Summary of chapter three

Chapter three addressed and outlined the research methodology used in data collection for the study. The chapter covered the research design and paradigms, approaches to the research study and the research instruments adopted for the study. The chapter concludes by outlining the research population, the sampling technique used in the study, and reliability and validity of the study.

5.2.4. Summary of chapter four

Chapter four covered data presentation and analysis. It provided the presentation and analysis of data, response rates and the test of research objectives. In addition, the discussion of research findings was analysed.

5.2.5. Summary of chapter five

This chapter is the last chapter. It presents the summary of all the chapters, summary of research findings and the study recommendations. In addition, this chapter and describes ethical considerations.

5.3. Summary of findings on research objectives

The aim of this study was to examine the barriers in the effective use of outsourcing in the public sector. This section discusses all key findings from research objectives one, two and three.

5.3.1. Summary of key findings on research objective one

The key finding of research objective one is that there is inefficiency, lack of proper planning and incompetency in the SCM unit, human resource incapacity, shortage of staff and lack of proper qualifications, and insufficient budget allocation in a procurement unit. Moreover, the employees in the procurement unit are not paid well. In addressing the shortage of skills and lack of qualifications, the study recommends that the department needs to offer long term educational reforms, such as offering bursaries to young permanent and non-permanent employees, and that it hires highly skilled immigrants to facilitate the rapid accumulation of skills.

5.3.2. Summary of key findings on research objective two

The key finding of research objective two is that the department is struggling with poor procurement practices and unethical practices such as corruption, fraud and inflated pricing, lack of access to highly skilled service providers, poor planning and miscommunication.

5.3.3. Summary of key findings on research objective three

The key finding of research objective three is that the department is struggling with poor monitoring and evaluation controls, lack of accountability systems, poor compliance and poor enforcement of SCM laws or regulations that deal with unethical practices in procurement processes.

5.4. Study recommendations

This study highlighted challenges for which the researcher was able to offer recommendations for future studies. Some of these challenges were highlighted in chapter one of this dissertation. Based on the challenges encountered, the researcher recommends the following:

5.4.1. General recommendations from the study

Based on the research carried out, the researcher has found that the department is suffering from inefficiency, shortage of resources and unethical practices. This section discusses all recommendations from research objectives one, two and three.

5.4.1.1 Recommendation on research objective one

The department is suffering from inefficiency, lack of proper planning, incompetency and shortage of resources. The SCM procurement unit should have detailed procurement plans and the finance unit should apply for more funding from the National Treasury. The HR department should have knowledge and understanding of the skills and competencies required in SCM. Since the procurement unit does not have adequate staff, the HR department needs to hire more SCM staff with high ethical standards; and they could hire them on a contractual basis since the department is still struggling with budget cuts adopted by National Treasury. This will ensure that the procurement department is fully staffed at all time.

5.4.1.2 Recommendation on research objective two

The department is struggling with poor procurement practices and unethical practices, lack of access to highly skilled service providers, poor planning and miscommunication. The study recommends that the department work closely with law enforcement agencies and the criminal justice system to eliminate unethical practices in the public sector. Moreover, addressing the poor procurement practices in the public sector, the study recommends that the department needs to look for skilled individuals from around the globe. The study recommends that the department needs to go for team building to ensure that they communicate.

5.4.1.3 Recommendation on research objective three

The department is struggling with poor monitoring and evaluation controls, lack of accountability systems, poor compliance and poor enforcement of SCM laws or regulations that deal with poor monitoring and evaluation controls and unethical practices in procurement processes. The department is struggling with monitoring and evaluation of service providers. Therefore, the study recommends the adoption of consequence management in the public sector and the appointment of someone who will monitor the performance of existing suppliers.

5.4.2. Recommendations for future academic research

Based on the research carried out, the researcher has found areas that need to be improved in case of future studies. Future researchers should try to use a larger sample size instead of the small sample size used into this study, in order to explore the opinions of more individuals with the aim to have a much more in-depth conclusive result. Furthermore, future researchers can undertake this kind of study by using more than one department or unit as the basis of collecting data in order to identify the barriers facing the outsourcing of functions in the South African public sector.

5.4.3. Recommendations for policy-makers

It is important that policy-makers and the government ensure that they increase the budget in the public sector to increase efficiency and effectiveness. To deal with the challenges and barriers of outsourcing, such as fraud and corruption, government needs to strengthen law enforcement agencies and the criminal justice system to ensure that there are thorough investigations that lead to the arrest of all perpetrators of fraud and corruption in procurement processes in the public sector. To access highly skilled officials, the government needs to ease up on immigration regulations for highly qualified foreign individuals who can facilitate the rapid accumulation of skills. The government should monitor procurement processes in the public sector to stop the non-compliance of public officials and ensure adherence to all the National Treasury policies and regulations. Furthermore, there should be training and skills development for all the employees in SCM. The study recommends that the government needs to adopt consequence management for all the officials who fail to comply with procurement laws and regulations. This dissertation can be used as a starting point for data collection. However, there should be more studies to increase the pool of information that can be used to draft procurement policies.

5.5. Ethical considerations

According to Creswell (2014:92), "ethics is defined as a set of rules or values, norms and principles of an individual that govern a particular person's moral behaviour". All the necessary steps for obtaining ethical permission from the University of KwaZulu-Natal research office were taken. Ethical approval for this research was obtained from the University of KwaZulu-Natal's Ethics Committee. Prior to data collection, all respondents and discussants were informed about the purpose of the study, that their participation was voluntary, and they were requested to complete an informed consent form (refer to Appendix B). Furthermore, throughout the course of the study, all the rules and regulations were adhered to in ensuring that this study maintains highest levels of privacy, confidentiality and anonymity (see Appendix B). Furthermore, in ensuring anonymity or protection of the identity of the respondents, the records will be maintained by the School of Management, IT and Governance, UKZN.

5.6. Conclusion

The aim of the study is to identify the barriers facing the outsourcing of functions in the South African public sector. Findings show that there are inefficiencies, lack of proper planning and incompetency in the SCM unit, human resource incapacity, and shortage of staff, lack of proper qualifications and insufficient budget allocation in a procurement unit. Moreover, the department is struggling with poor procurement practices and unethical practices, such as corruption, fraud and inflated pricing, lack of access to highly skilled service providers, poor planning and miscommunication. Further, the department is struggling with poor monitoring and evaluation controls, lack of accountability systems, poor compliance and poor enforcement of SCM laws or regulations that deal with unethical practices in procurement processes. The department is struggling with monitoring and evaluation of service providers.

The literature review and primary data collected in the public sector have been able to investigate three questions surrounding the barriers facing the outsourcing of functions in the South African public sector. According to Vintar and Stanimirovic (2011), the outsourcing of functions should increase efficiency and effectiveness and can help organisations to focus on the core business, Indeed, as the present study has discussed, that was a key intention behind outsourcing in the public sector in South Africa. However, the present research with management and staff of one SASSA office in KZN shows otherwise, and in some instances confirms Munzhedzi's (2016) argument that outsourcing in the public sector does not yield positive results due to corrupt practices in the outsourcing processes. Government will continue to lose money if it does not deal harshly with perpetrators. Government is making an effort to improve outsourcing processes and ensure that value for money is achieved in all public entities but the challenges of unethical behaviour, such as fraud and corruption in the public sector, is still on the rise (National Treasury, 2018). In closing, outsourcing itself is not a panacea that guarantees efficiency, cost saving, quality or improved service in the public sector, but with rigorous implementation of the necessary controls and accountability measures, budgets to meet its objectives, and the appointment of highly skilled experts, it can be effective in resourcing the public sector to serve the people with integrity, and with quality service.

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Appendices

Appendix A: INTERVIEW GUIDE QUESTIONS FOR INTERVIEWS AND FOCUS GROUPS

I am a master's student registered with the University of KwaZulu-Natal in South Africa at the Pietermaritzburg campus. I am currently conducting a study titled: *an examination of the barriers in the effective use of outsourcing in the public secto*r. I will be grateful if you would take time to answer the following questions. It will only take 20-25 minutes to answer. The data you provide will be treated in the strictest confidence and will only be utilised for academic research purposes. Your anonymity is guaranteed and no reference to any respondent will be made within the research report. I look forward to your favourable consideration with regard to participating in the completing questionnaire at your earliest convenience.

1. Do you think the number of staff working in the supply chain management is sufficient given the size and needs of the organisation?
2. Is there a clearly defined strategy in the processes and procedures related to outsourcing and how do you rate them? Please explain.
3. Are the department's outsourcing of functions ensuring organisational continuity, if not why does the department outsource?
4. Does management have proper qualifications and training in relation to outsourcing?
5. Does the organisation readily adopt new technologies to improve on the outsourcing processes?
6. How are managers and staff rewarded for achieving organisation's objectives and improving the value delivered to clients?
7. How does a department ensure that outsourced programs and services are unique and more highly valued than alternatives?
8. How would you rate the impact of outsourcing to the organisational goals and objectives?
9. Does the organisation effectively communicate the value of outsourcing to all the stakeholders?
10. How does the organisation measure results? Do they actively identify areas for improvement?
11. How does the department ensure that client satisfaction is maintained at a high level?
12. How do you rate the impact of the control measures on attitudes and behaviors of the employees?

Appendix B: Informed Consent form

UNIVERSITY OF KWAZULU-NATAL

School of Management, IT and Governance

Dear Respondents

Research dissertation: Master in Commerce: Management

Researcher: Mondli Msiya (0813255168) email:m.msiya@yahoo.com

Supervisor: Dr O. E. Okeke-Uzodike (031 260 5736) email: okekeuzodikeo@ukzn.ac.za

Research Office: Humanities & Social Sciences Research Ethics Administration, Govan Mbeki Building, Westville Campus, Tel: + 27 (0)31 260 8350, Email: hssreclms@ukzn.ac.za

I, Mondli Msiya, am currently registered at the University of KwaZulu-Natal PMB campus for studies leading to a MCOM in Management. I am carrying out a study at the South African Social Security Agency at Umzumbe Local Offices. The study is titled: An examination of the barriers in the effective use of outsourcing in the public sector.

The purpose of this study is to examine the cost-effectiveness of outsourcing marketing functions in the public sector. To achieve the objectives of this research, the researcher needs assistance from you to answer the questions. The attached interview questions will take about 15 minutes to complete. Your participation in this project is voluntary. Please rest assured that your responses will be treated with the utmost confidentiality and will not be divulged to any other party. The researcher will ensure that the information that you will provide will not be used for any other purpose except for their research investigation only. Anonymity will be ensured in this research. Data from the respondents cannot be linked to a specific individual. The researcher will never injure or harm the people being studied, regardless of whether they volunteered to be part of the study or not. Privacy will be ensured in this study. Your participation will be highly appreciated.

If you have any questions or concerns about participating in this study, please contact me or my supervisor.

Sincerely

Researcher`s signature ………… Date …………………

This page is to be retained by participant

UNIVERSITY OF KWAZULU-NATAL

School of Management, IT and Governance

Researcher: **Mondli Msiya (Telephone: 0813255168), (Email: 215080154@stu.ukzn.ac.za)** **Supervisor: Dr O.E. Okeke-Uzodike, (Telephone number: 031 2605736), (Email:okekeuzodike@ukzn.ac.za) Research Office: Humanities & Social Sciences Research Ethics Administration, Govan Mbeki Building, Westville Campus, Tel: + 27 (0)31 260 8350, Email: hssreclms@ukzn.ac.za**

Protocol reference number: HSS/0014/018M

Informed consent

I …………………………………………………………….......... (Full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participate in the research project. I understand that I am at liberty to withdraw from the project at any time, should I so desire.

Signature of participant Date

UNIVERSITY OF KWAZULU-NATAL
INYUVESI YAKWAZULU-NATALI

25 August 2020

Mr Mondli Victor Msiya (215080154)
School of Management, IT & Governance
Pietermaritzburg Campus

Dear Mr Msiya,

Protocol reference number: HSS/0014/018M
New Project title: An examination of the barriers in the effective use of outsourcing in the public sector

Approval Notification – Amendment Application

This letter serves to notify you that your application and request for an amendment received on 24 August 2020 has now been approved as follows:

- Change in title

Any alterations to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form; Title of the Project, Location of the Study must be reviewed and approved through an amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

All research conducted during the COVID-19 period must adhere to the national and UKZN guidelines.

Best wishes for the successful completion of your research protocol.

Yours faithfully

[redacted]

....
Professor Dipane Hlalele (Chair)

/dd

Cc Supervisor: Dr OE Okeke-Uzodike
Cc Academic Leader Research: Professor Isabel Martins
Cc School Administrator: Ms Jessica Chetty

Dissertation

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