

**AN INVESTIGATION ON THE IMPACT OF OUTSOURCING  
STRATEGIES ON ORGANIZATIONAL PERFORMANCE IN  
A VUCA ENVIRONMENT IN ZIMBABWE: A CASE OF  
UNILEVER ZIMBABWE**

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## **DEDICATION**

All the effort is dedicated to the late Foebbie Mutesva, our heroine

## **ACKNOWLEDGEMENTS**

This research would not have been completed without the support and expertise of many people.

On an individual basis, firstly, I owe an enormous debt of gratitude to my supervisor, Dr Zinyemba. Her experience, insights and knowledge, combined with limitless patience and a sense of humor I am still attempting to unravel, made the journey rewarding and unforgettable.

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## **ABSTRACT**

The emergence of globalization has made outsourcing to become one of the widely embraced business strategy for delivering outstanding services to consumers in the Fast-moving consumer goods (FMCG) sector. However, despite the increasing trend in outsourcing arrangements, there is limited literature underpinnings on how outsourcing activities affect organization performance in FMCG sector in a VUCA environment. To bridge that gap this research sought to investigate the impact of outsourcing strategies on organizational performance in a VUCA environment in Zimbabwe, a case of Unilever Zimbabwe. The research objectives were to ascertain the impact of outsourcing human resources, information technology, and key inputs of production on organizational performance and to determine the mediating impact of turbulence on the relationship between outsourcing and organizational performance.

The researcher used descriptive research design method in carrying out his study. Stratified random sampling was used to pick a sample size of 301. Data was collected from primary sources through survey method by use of questionnaires. The quantitative data was analyzed through descriptive statistics and inferential analysis by use of statistical package for social sciences (SPSS) version 21 software. Both correlation and regression analysis were done, and the results revealed that, IT outsourcing and production outsourcing have a significant strong positive relationship with organizational performance. There is a weak negative relationship between organizational performance and human resources outsourcing. VUCA has presented Leadership with an opportunity to use outsourcing as a strategic tool to increase production output, reduce costs on Human Resources and tap into new technologies and improve quality and efficiency in the long run.

Based on the study findings, the researcher made the following recommendations: The outsourcing decision-making process must be linked with the organization's overall business strategy. Organizations must have robust performance measurement systems in place to evaluate and manage outsourcing effectively.

Future research could be continued to measure various performance variables such as productivity, sales, revenues, career opportunities, manifest in power struggles, change jobs,

change organizational cultures in multiple case companies, which affect with the success or failure of outsourcing arrangements.

**KEYWORDS:** Outsourcing, outsourcing strategies, Organizational performance, VUCA, FMCG.

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## **ABBREVIATIONS AND ACRONYMS**

ANOVA – Analysis of variance

ASP – Application service provider

BPO – Business Process Outsourcing

FMCG - Fast moving consumer goods

HR – Human Resources

IT – Information technology

ITO – Information technology outsourcing

KPO - Knowledge process outsourcing

PEO - Professional employer organization

PM – Project Management

RBV – Resource based view

SPSS – Statistical package for social sciences

TCE – Transaction cost economies

VUCA – volatile, uncertain, complex and ambiguous environment

# **CHAPTER ONE**

## **STUDY BACKGROUND**

### **1.1 INTRODUCTION**

Several organizations have embarked on outsourcing strategies over the years, but many still suffer in terms of their goal achievement while some have experienced low productivity both in terms of quality and quantity, their profitability has not been stable, and their capacities are grossly underutilized. This research work aimed at studying the effect of outsourcing back office activities, primary activities, accounting activities and supporting activities on the organizational performance of companies in the fast-moving consumer goods sector considering an unstable environment in Zimbabwe.

#### **1.1.1 OUTSOURCING**

The concept of outsourcing has been evolving over decades, from the age of companies collaborating with external providers for services like cleaning and catering, to include everything that is not considered value added. The most common forms are information technology outsourcing (ITO) and business process outsourcing (BPO). ITO is a company's outsourcing of computer or Internet related work. BPO is the outsourcing of the work that does not require much of technical skills. ITO services include application development and maintenance, infrastructure management, help desk, independent testing and validation, data center management, managed security and cloud computing. BPO services are payroll, human resources (HR) and accounting.

Tayauova (2012) states that, outsourcing is made up of two words – ‘out’+ ‘sourcing’, sourcing refers to the act of transferring work, responsibilities and decision rights to someone else. Companies must source out work because there are others who can do it cheaper, faster, and better (Muthoni, 2016). Ndungu and Ismail (2016) gave the definition of outsourcing as the allocation of risk and responsibility for performing a function or service to another entity.

Outsourcing entails three most important elements, which are:

Outsourcing must be part of the organization's strategy with the aim of gaining and maintaining competitive advantage

- i. There is need for the firm to identify activities and business processes that are ideal for outsourcing and the suppliers to provide them must have capabilities and skills superior to the firm
- ii. There should be the concept of business processes, implying that resources can only be a source of competitive advantage if they are exploited through business processes.

### **1.1.2 CONTEXTUAL BACKGROUND**

Unilever Global was founded in 1929 through a merger of two companies, Margarine Unie and Lever Sunlight. A dual structure involving two headquarters in London and Rotterdam was established with a common board of directors where a British citizen would head British PLC branch and a Dutch citizen heading the Dutch NV branch.

**Table 1: Unilever important production sites**

EUROPE	UK, Germany, and Netherlands
NORTH AMERICA	France
LATIN AMERICA	Brazil
SOUTH ASIA	India
ASIA AND PACIFIC	China, Japan, Australia, Philippines, Thailand and Indonesia
Africa and Middle East	Ivory Coast, Ghana, Nigeria, Kenya and South Africa

Unilever is a multinational company with major production plants across the whole world. In Africa, major plants are in South Africa, Kenya, Ghana, Nigeria and Ivory Coast.

### 1.1.2.1 Products and Divisions

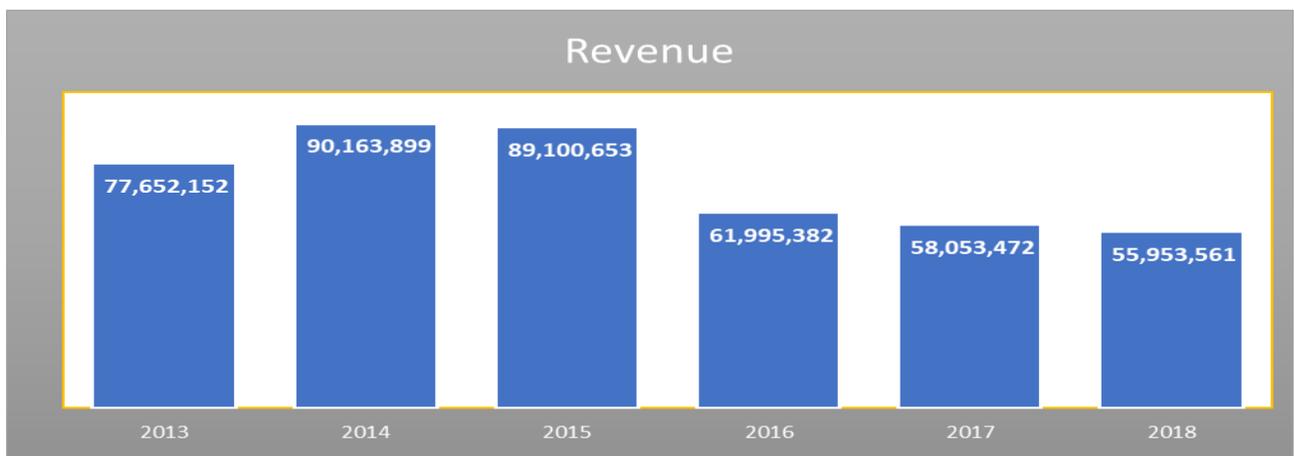
Foods, Home and Personal care are the major product divisions with a limited number of core-product ranges.

**Table 2: Unilever Product Categories**

	<b>Foods</b>	<b>Home and Personal Care</b>
<b>Superior Growth</b>	Tea, Culinary and Ice Cream	Hair care, skin care and deodorants
<b>Steady Growth</b>	Spreads and cooking products	Oral care, laundry and household care
<b>Selective Growth</b>	Frozen foods	Fragrances

### 1.1.2.2 Unilever Zimbabwe

Unilever Zimbabwe is part of Unilever East and Southern Africa (ESA) which reports to Unilever Africa, Middle East and Turkey (AMET) and directly reports to Unilever headquarters in UK and the Amsterdam, Netherlands. Unilever Zimbabwe has a manufacturing site in Harare and a distribution depot in Bulawayo. It employs more than 350 people. Unilever Zimbabwe manufactures many brands locally which include Omo, Key Blue, Geisha, Royco and Vim and imports the rest from sister companies.



**Figure 1: Unilever Revenue Performance**

Source: Researcher (2019)

The company revenue and profitability has been a major concern from 2014 to date. It has been on a free fall from 90million to 55 million by close of 2018. However, despite the decrease in revenue, profit margins have grown from -8% to 2% by close of December 2018, and plans are to continue growing in a positive trajectory.

### **1.1.2.3 Mega-environment**

The global environment in which fast moving consumer goods companies are operating in has become hyper competitive due to changing technology, consumer tastes, rising competition and consolidation of the industry. Globalization has resulted in the opening of markets to allow for the free movement of goods and services between producers and consumers from different nations at lower cost.

Digitalization has led to a rise in online transactions and online grocery stores for consumer goods. Technologies such as cloud computing, internet of things, machine learning and indoor mapping have revolutionized the way in which retail business is being conducted.

According to Schmeisser (2013), digital ecosystems can be developed making use of artificial intelligence that will enable companies to better understand their customers making it possible to meet their ever-rising demands.

### **1.1.2.4 Macro-environment**

The macro environment is made up of the political, economic, societal and technological factors. The introduction of Statutory Instrument 64 of 2016 made it difficult for Unilever to import its major brands such as Vaseline, Omo, and Sunlight Washing Powder noodles that are produced in sister companies in South Africa and Kenya. Import licences also hampered the smooth operation of the business and delays in payments to foreign suppliers hampered the stock levels to meet the demand in the market

The economic environment was rather subdued for the period under study as massive company closures and retrenchments was the order of the day. Consumer confidence and spending was also reduced due to limited disposal income resulting from price hikes and the introduction of the 2% transaction tax on all transactions. Sales for any organisation are driven by economic growth and in the case of Zimbabwe there hasn't been any meaningful growth for the period under study.

The technological environment has changed rapidly with serious new developments being introduced at a faster rate. Recent changes include the introduction of online shops, the use of mobile and electronic money when transacting, bar code scanning at till points, the convergence of banking and supermarket systems, the use of digital inventory and supply chain systems that has helped change the fast-moving consumer goods industry.

#### **1.1.2.5 Meso-environment**

The meso-environment determines the competitive position of the industry of the organization under study and can be best explained through Porter's five forces. The five forces entail threats of new entrants, and substitutes, bargaining power of buyers and suppliers and industry rivalry.

Threat of new entrants in FMCG sector is very high. The newcomers are not setting up production facilities, they are acting as big warehouses, buying from outside the country and selling at cheaper prices locally. FMCG sector has a very high threat of substitutes as the switching costs of moving from one brand to the other is very minimal. Due to the rapid price changes, constraints in product supply and shrinking disposable income, consumers are now switching brands to meet their capacity and need.

FMCG sector offers generic products with low switching costs, hence bargaining power of buyers is very high, the bargaining power of suppliers for the period under study is very high because of product shortage, suppliers are now demanding payment upfront and sometimes the payment need to be made in foreign currency which is in acute shortage.

Competitive rivalry depends upon the number of operators. The degree of rivalry is high in the Zimbabwean FMCG sector because customers have low switching costs because of fierce

competition for clients as witnessed in trade through the fight for market share, gondola ends, and shelf space.

#### **1.1.2.6 Micro-environment**

The micro-environment is made up of the organisation's internal factors such as the consumers, competitors, suppliers, dealers, distributors and the public. A SWOT analysis can be used as a tool for analysis elements of the micro-environment.

##### **Strengths**

Unilever boasts of well-known and established brands, people will always buy them irrespective of the price. (Geisha, Royco, Omo, Sunlight Washing Powder, Domestos, Lifebuoy, Handy Andy, Sunlight Dish Washing Liquid). Unilever has an established distribution network across the country and the company can leverage on its status as a multinational and bring in products from sister companies to meet the demand in the local market. Finally, Unilever has a healthy bank balance and can buy foreign currency at interbank rate and pay off suppliers to get raw materials for production.

##### **Weaknesses**

Heavily outsourced production of key inputs and hence acute foreign currency shortages and import licenses has affected restocking levels and led to missed opportunities in the market.

The organisation also suffers from increased transport costs from use of Distribution Centre to supply customers with billed products.

##### **Opportunities**

There is demand in the market as the organization has previously not been able to saturate the market with products. A lot of opportunities in partnering social welfare organizations to provide relief to the strained masses and drive brand visibility through corporate social responsibility

## **Threats**

Worsening unemployment poses serious threats to the organisation's viability by creating a negative effect on consumption. There is also the depressed consumer demands due to harsh economic environment. Shortage of foreign currency in the market limits the ability to import and the organisation is exposed to high competition from grey traders.

### **1.1.3 VUCA ENVIRONMENT**

Schick et al (2017) stated that the VUCA concept was first introduced by the U.S. military after the end of Cold War to describe the conditions of a World ever more difficult to predict and rely on, shaped by Volatility, Uncertainty, Complexity and Ambiguity. The concept was quickly embraced by other fields such as strategic decision-making, risk management, and situational problem-solving. Business and management science adopted the VUCA concept after the financial crisis in 2008-9, when societies, companies, and organizations all over the world suddenly found themselves faced with similar conditions in their social and economic environments and models (Bennet and Lemoine 2014)

Hall (2016) elaborates that the acronym VUCA (Volatility, Uncertainty, Complexity, Ambiguity) has been used to describe the turbulence of modern world of work. A VUCA world requires organizations to be agile and be able to do different things in different ways quickly in response to change, implying an ability to learn.

The business environment in Zimbabwe is that of the VUCA type in which organizations are faced with dilemmas rather than problems. The environment demands Unilever to adopt transformational strategies to survive. The government, regional and continental blocks continue to push for reforms that allow free trade and such interventions have disruptive powers that can result in many casualties of which Unilever is not an exception.

While the obtaining VUCA business world seems to be a monster, Unilever can see itself enjoying the benefits of managing at the edge of chaos. Burnes (2009) argued that organizations are also complex systems which, to survive, need to operate at the edge of chaos and must respond

continuously to changes in their environments through just such a process of spontaneous self-organizing change.

To remain profitable in the VUCA environment, Unilever has downsized to get a lean structure, and outsourced many of its other activities to third parties to cut operational costs and focus on core activities.

#### **1.1.4 OUTSOURCING IN UNILEVER GLOBAL**

Outsourcing within Unilever started fully in 2005, as part of transformative ‘One Unilever’ strategy. Unilever had companies in different countries of Europe, all of which had different processes, technological infrastructure, financial systems and human resource policies. These countries were costing a lot of money to run, and services were overlapping. There were a lot of enterprise resource planning (ERP) systems, about 80 of them, all conducting the same processes in different ways.

Unilever has embarked on several outsourcing agreements over the past decade with several notable vendors such as IBM, HP, BT and Accenture. They have outsourced several of their non-core business operations to these third-party providers, and the nature of these agreements are outlined as follows:

- Unilever signed a seven-year application outsourcing agreement with Accenture in 2005, which covers the development of applications, their implementation and support for Unilever across the whole of Europe. The contract cost £500m and entails Accenture deploying a unified European IT platform and the provision of IT services to Unilever’s operations in 20 European countries (Personnel today, 2006; Accenture, 2010).
- IBM in December 2005 also signed a seven-year finance transactional services outsourcing deal with Unilever across Europe. This transition affected 750 staff across 20 European countries and entailed the handling of Unilever’s Purchase to Pay, General Accounting and Bill to Cash functions (Silicon.com, 2005). In 2008, the agreement was extended to procurement outsourcing in which IBM assisted in integrating and standardizing the procurement practices across all regions within Latin America (ComputerWeekly.com, 2008).

- In 2006, Unilever signed an additional seven-year HR BPO outsourcing deal with Accenture that covered areas such as payroll administration, reward administration, performance management, workforce reporting and core HR administration across 100 countries in more than 20 languages, delivered through centers in Bangalore, Manila, Dalian, Bucharest, Prague and Curitiba (Unilever, 2006).
- In 2006, Unilever also extended a BT outsourcing contract for an additional three years, for an extra fee of £270 million. This outsourcing contract covered areas such as voice, mobile, Internet, DSL, VPN, audio and videoconferencing solutions within Unilever Europe (Silicon.com, 2006). Later in 2006, Unilever outsourced its global firewall management systems to BT over a 6.5 years period for £10.5 million (ComputerWeekly.com, 2006).
- HP and Unilever in 2008 announced that they had signed a seven-year outsourcing contract in which HP was to manage the infrastructure of Unilever operations across the Americas, Asia, Africa, Turkey and Middle East. This arrangement included the standardizing, virtualizing and optimizing of existing enterprise infrastructure, and was predicted to enable the company work more effectively (Networkworld.com, 2008).

### **1.1.5 OUTSOURCING IN UNILEVER ZIMBABWE**

Unilever Zimbabwe is bound by outsourcing activities done at Global level and are extended through shared services. Over and above the world outsourced activities, Unilever Zimbabwe has its local activities that they outsource, from production, route to market, sales and advertising, human resources and information technology services. Unilever follows a strict four-step approach to outsourcing, which involves: prioritizing, selection, trust and monitoring.

Below is a summary of services that are being outsourced by Unilever Zimbabwe

**Table 3: Outsourced Services by Unilever**

<b>Function</b>	<b>Services outsourced</b>	<b>Service Providers</b>
Production	Packaging material, sugar, salt, corn starch, bottling, labels and out casing	Hunyani, Flex labels, CPL and Hullets
Sales	Distribution of finished products	Evolution enterprise, Brand Power Pvt Ltd, Daytone Investments, Molsky Distributors, and Henslow Marketing Pvt Ltd.
Marketing	Billboards, banners, digital printing, branding concepts, business cards and merchandising	Askeland, Kingsport, Dariro, Dandemutande, Focus field marketers and Haylett
Human Resources	HR services, psychometric test, student on attachment	Staffing solutions and Industrial Psychology Consultants
IT	Distribution systems Solution, Voice, mobile, internet, DSL, VPN, audio and videoconferencing, laptops, desktops, mobile handsets, repairs and maintenance of hardware, Business support centers, Local printers, Office 365, Fixed voice, WAN, LAN, Hardware Issue resolution, hardware register	Centegy Systems, Unisys, British Telecoms', Dimension Data, Nashua, Microsoft.
Transport and Logistics	Warehousing of finished products and transporting of staff and merchandize, Shunting, Fork Lifts, and Bridging	BAK Logistics, Mini Taxis, DHL, Allan Wack and Shepherd, Rollex, Premier Fork Lift, and Swift.

This paper investigates the impact on organizational performance of outsourcing human resources, information technology and production of key inputs in a VUCA operating environment with focus on manufacturing companies in Zimbabwe.

An evaluation of the mediating impact of a VUCA environment on the relationship between outsourcing and organizational performance will be done.

## **1.2 PROBLEM STATEMENT**

Unilever Zimbabwe is in the Fast-Moving consumer goods industry. Organizations in the FMCG sector are operating in a VUCA environment. There is cut-throat competition. Sales volumes are declining, and profits margins are decreasing.

The declining revenues have forced Unilever to explore various opportunities that creates and capture value along its value chain systems.

Through shared services and following the global model, Unilever Zimbabwe has implemented outsourcing agreements across procurement, finance, distribution, human resources, information technology and infrastructure management functions. According to Eggert et al (2017), outsourcing yield cost advantages driven by economies of scale or labour cost arbitrage. Raassens et al (2014) further postulated that outsourcing leads to superior service quality by leveraging partners' capabilities.

However, according to Tayauova (2012), several issues are associated with outsourcing, and they comprise of:

- Security vulnerability – Outsourcing firewall to external parties
- Employee resentment – Cutting staff and transferring a large portion to third party clients.
- Change management difficulties – Inability of retained staff to quickly recognize and blend in with newly established partners and processes.
- Inability to calculate cost savings and efficiency progress, and effectively manage contractual relationships with several third parties.

While outsourcing is expected to lower costs, reduce capital requirements and allow management to focus on core strategic issues by delegating non-functions to independent firms, the increasing complex and uncertain operating environment in Zimbabwe has altered this relationship. Many

local companies especially small to medium enterprises which are critical to the functioning of Unilever value chains are closing, presenting potential challenges on Unilever reliability on outsourcing.

Outsourcing concept has not received a remarkable attention and support which can be favorable for improving organization growth and performance in Zimbabwe. The effects of outsourcing on organization performance is not well documented. This is supported by the fact that previous outsourcing studies give contradicting outcomes. While some give positive relationships between outsourcing and performance results, other reports give no significant or sometimes negative results. Studies carried out by Deloitte (2014) found that most large firms that had outsourced failed to achieve the expected cost saving. Even though outsourcing enhanced improved quality and lowered costs, it led to loss of in-house talent and jobs.

The impact of outsourcing on organizational performance have been buttressed with empirical evidence mainly focusing on outsourcing of information technology and business process in developed countries. These past studies did not factor the impact of turbulence on the relationship between outsourcing and organizational performance.

While outsourcing is a broad subject covering IT, Finance, production, procurement, tax, legal, and human resources, this study will focus on outsourcing of production key inputs, outsourcing information technology and human resources moderated by a VUCA environment in the context of FMCG sector in Zimbabwe.

## **1.3 RESEARCH AIM AND OBJECTIVES**

### **1.3.1 AIM**

To investigate the impact of outsourcing strategies on Organizational performance in a VUCA environment in the fast-moving consumer goods sector: A case of Unilever Zimbabwe.

### **1.3.2 OBJECTIVE**

To address the main research aim, the objectives of the study were as follows:

- a) To ascertain the impact of outsourcing human resources on organizational performance

- b) To ascertain the impact of outsourcing information technology on organizational performance
- c) To determine the impact of production outsourcing of key inputs on organizational performance
- d) To determine the mediating impact of turbulence on the relationship between outsourcing and organizational performance.

## **1.4 RESEARCH QUESTIONS**

### **1.4.1 Main Research question**

What is the impact on organizational performance of companies operating in a VUCA environment that outsource finance, production, human resources and information technology in the FMCG sector?

### **1.4.2 Research questions**

The main research question was addressed through the following sub-questions;

- a) What is the effect of outsourcing human resources on the performance of Unilever Zimbabwe?
- b) What is the impact of outsourcing information technology on organizational performance of Unilever Zimbabwe?
- c) What is the impact of outsourcing production of inputs on the performance of Unilever Zimbabwe?
- d) How does business environment impact on the effectiveness of outsourcing?

## **1.5 RESEARCH HYPOTHESIS**

The research tested the following hypothesis:

H1: There is a positive relationship between outsourcing human resources and organizational performance

H2: There is a positive relationship between outsourcing information technology and organizational performance

H3: There is a positive relationship between outsourcing production of key inputs and organizational performance

H4: A VUCA environment mediates the relationship between outsourcing and performance.

## **1.6 SCOPE OF THE STUDY**

The scope of this study is showing the impact of outsourcing strategies on organizational performance in a VUCA environment, the case of Unilever Zimbabwe. Although there are wide areas that are being outsourced by Unilever, the assessment area was delimited to outsourcing on production key inputs, human resources and information technology. The study targeted senior executives in procurement, finance and production as these are key to decision-making on outsourcing. The study was carried out at Unilever Zimbabwe as a case study.

## **1.7 SIGNIFICANCE OF THE STUDY**

### **1.7.1 Scholars and Researchers**

This research is of benefit to scholars in that it provides both theoretical and empirical literature to field of outsourcing. Furthermore, the study equips researchers with a broad view of the various schools of thought on the composition of the entire spectrum of outsourcing.

### **1.7.2 Legislatures and Policy Makers**

This study is of informational benefit to legislatures and policy makers in guiding them in the formulation of an appropriate regulatory framework for the governance of outsourcing in the manufacturing sector. This study helps these regulators and policy makers understand the trends in outsourcing and thereby formulate appropriate proactive future oriented policies.

### **1.7.3 Outsourcing Firms**

Outsourcing firms finds this study important to their operations in determining which processes to outsource to improve their performance, and which processes to undertake in-house to ensure optimal performance of the firm.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

This chapter reviews a wide spectrum of key literature on outsourcing, organization performance and turbulent environments as well as cover definitions, theories, models, measurement and components. Various theories such as the Transaction Costs Economics (TCE), Incomplete Contract Theory, Resource Based View (RBV), and Core Competencies are thoroughly reviewed to evaluate how they explain business performance.

While much study has been conducted on the impact of outsourcing on organizations worldwide the review analyze how literature address the context of these studies especially as it relates to the mediating impact of a VUCA environment on the relationship between outsourcing and organizational performance. The literature review identifies the major authors in this subject and understand how previous authors have looked at the key concepts of outsourcing in a VUCA environment and measured their variables. It will synthesize the ideas of other authors and give the author's view on the subject.

To provide a coherent review of the literature, the sections have been organized as follows: the researcher start by reviewing theoretical literature on outsourcing before an in-depth review of the three components of human resource, information and production outsourcing which are the focus of the study. Secondly, a review of theoretical literature on the contextual environment by analyzing turbulence of business environment. This was followed by in-depth analysis of empirical research on the three modes of outsourcing and business performance, culminating in definition of the research gap. Finally, a conceptual framework of the study will be reviewed.

#### **2.2 EXPLANATION OF THE SEARCH STRATEGY**

To review the literature on the topic, several web sites and journals such as Taylor and Francis, EBSCO Host Research databases, SAGE, Springer, Wiley Online libraries, JOSTOR Libraries and Emerald have been searched. The reviewed papers were mostly published between 2000 and

March 2019. The keywords used in literature review were Business Process Outsourcing, outsourcing risks and pitfalls, outsourcing framework, outsourcing methodology, outsourcing and Human Resources, outsourcing and organizational performance, outsourcing and production of key inputs, outsourcing and information technology, VUCA environment and organizational performance.

## 2.3 DEFINITION OF THE PHENOMENON

### 2.3.1 OUTSOURCING

According to Sarrifuzzaman (2012), Outsourcing Institute define outsourcing as the strategic use of outside resources to perform activities traditionally handled by internal staff. Table 1 highlights the evolution of outsourcing definitions. This research follows Kahai et al (2011) broad specification of outsourcing, which indicates that " hiring other firms to perform tasks that were originally performed in-house ".

Table 4: Outsourcing Definitions

<b>SOURCE</b>	<b>DEFINITION OF OUTSOURCING</b>
(Kotabe, 1992)	Products supplied to the multinational firm by independent suppliers from around the World.
(Arnold, 2000)	He referred to it as using outside resources
(Kakabadse and Kakabadse, 2000)	An external means of obtaining services and goods previously being provided by the company
(Sanders et al., 2007)	Choosing a third party or an outside supplier to perform a task, function, or process to incur business-level benefits
(Handley and Benton, 2009)	Reversing a prior decision to “make”

(Hatonen and Eriksson, 2009)	Conducting processes and functions using external resources
(Kroes and Gosh, 2010)	Allocating internal business activities to outside sources
(Kahai et al., 2011)	Hiring other firms to perform tasks that were originally performed in-house
(Tayauova, 2012)	Outsourcing is made up of two words – ‘out’+ ‘sourcing’, sourcing refers to the act of transferring work, responsibilities and decision rights to someone else
(Muthoni, 2016)	The allocation of risk and responsibility for performing a function or service to another entity

Source: Researcher (2019)

### 2.3.2 ORGANIZATION PERFORMANCE

Organization performance is a wide concept and an open question with limited research studies on definitions and measures. It is an important parameter mostly defined as a dependent variable which seeks to produce variations of performance. Organization performance may be compared or measured in such terms as; production output, profitability, sales turnover, market share, and many other accounting ratios.

Odhiambo (2014) defined organizational performance as an achievement of an enterprise with respect to some criterion. It encompasses three specific areas of the firm that include: financial, product market and shareholder return performance.

Kaplan and Norton (1996) advocated for the use of balanced score cards as ultimate measure of organizational performance. The Balanced scorecard clearly covers the sections of financial, customer outcome, innovation and internal process.

Organization performance is the extent to which the organization achieves a set of pre-determined targets that are in line with its mission. The most common performance drivers include: customer

value, team performance, talent management, and strategic focus all which are achieved through, proper planning, evaluation, implementation and control. The critical success factors for organization performance consist of access to right knowledge and skills, proper planning, innovation and flexibility.

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Muchuki and Aosa (2011) defined organizational performance as an achievement of an enterprise with respect to some criterion, organizational performance encompasses three specific areas of the firm that include: financial, product market and shareholder return performance.

Zameer (2015) indicate that there are two views on how organizational performance is measured, the first highlights that organizational performance is measured in financial terms while the second idea promotes both financial and non-financial measures of organizational effectiveness. Non-financial measures include customer satisfaction, quality, productivity, and market share.

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Organization performance measures consists of return on equity, profit, return on assets, market share while non-financial performance measures consists of corporate social responsibility, innovation, responsiveness and employee development (Sarifuzzaman and Chowdhury, 2012).

Therefore, from the literature organization performance is a dependent variable that is measured in both financial and non-financial terms, financial encompass all accounting ratios and non-

financial terms include customer satisfaction, motivation, quality, corporate social responsibility, innovation and employee development.

### **2.3.3 VUCA**

According to Kinsinger and Walch (2012) VUCA was first introduced by the United States Army college to describe the volatile, uncertainty, complexity, and ambiguous World which resulted from the Cold War. The acronym was later adopted by strategic business leaders to describe the turbulent, chaotic and rapidly changing environment that has become the 'new normal'. By all accounts, the chaotic 'new normal' in business is real. The financial crisis of 2008-2009, for example, rendered many business models obsolete, as organizations throughout the world were plunged into turbulent environments like those faced by the military. At the same time, rapid changes marched forward as technological developments like social media exploded. The world's population continued to simultaneously grow and age, and global disasters disrupted lives, economies, and businesses.

According to Bennett and Lemoine (2014), VUCA is an acronym that refers to; volatility, uncertainty, complexity, and ambiguity. Raghuramapatruni and Kosuri (2017) noted that, the VUCA World encompass four distinct challenges which are:

***Volatility*** The nature, speed, volume, magnitude and dynamics of change. The situation is unstable and may be of an unpredictable duration. However, it is not an unanticipated situation as knowledge about a similar challenge was already predicted. For instance, a share price fluctuation for an organization following a change in its leadership, or after an internal scam has been exposed.

***Uncertainty*** The lack of predictability of issues and events. Despite the lack of much information, the basic causes and likely effects of the event are known, and the outcome generally results in a substantial change. For instance, the sudden launch of a similar, yet superior, product offering by a close competitor.

***Complexity*** The confounding of issues and the chaos associated with this. Some information regarding the nature of complexity is available or can be predicted. However, the sheer volume

and the nature of the problem could prove to be overwhelming. For instance, the unique tax and regulatory environments, tariffs and cultural expectations associated with doing business in several countries.

**Ambiguity** The haziness of stark reality! Herein, the causal relationships are unclear. The situation is unprecedented, and one must brace himself to face the unknown. For instance, you decide to enter uncharted territory by exploring immature or emerging markets or launch products out of your core competency.

### **2.3.3.1 The Antidote - VUCA Prime**

VUCA prime proposes that *volatility* can be combated by having a clear sense of *vision*. When things are changing rapidly, people need to know where they should be heading, even if the path may be modified en route. A clear sense of vision helps to keep people focused on what is essential to do and what are the priorities amongst the myriad of activities, demands and opportunities that may emerge. When people have a clear sense of vision, not only do they focus their energy in the right direction and make informed choices about what they do or do not do, they also feel more engaged because of knowing what is the goal that their efforts are contributing to.

According to Bennett and Lemoine (2014b), VUCA prime antidote to *Uncertainty* is *Information*, it also suggests combating *complexity* with *clarity*. Finally, VUCA prime proposes *Agility* as an antidote to *Ambiguity*. If the situation is not clear, then we need to have the flexibility to respond to whatever occurs. Individuals all have their own tolerance level for ambiguity, which is determined to a large extent by personality.

## **2.4 UNDERPINNING THEORIES**

Underpinning theories for this research include the following: Resource Based View, Transaction Cost Economics, Core Competency, and contractual Theory.

### **2.4.1 RESOURCE BASED VIEW (RBV) THEORY**

Outsourcing can be explained from the dimension of relationship between service receiver and service provider. The resource-based view (RBV) analyses other aspects, considering internal

strengths and weaknesses. A firm's resource perspective generates the core competencies and competitive advantage for specific business activity. RBV defines resources as tangible and intangible assets within the firm. According to Ndungu and Ismail (2016) the resource based view is based on the concept of productive resources.

In view of RBV theory of the firm, outsourcing is taken as a strategic decision which can be used to fill gaps in the firm's resource and capabilities (Brewer, Ashenbaum and Ogden, 2013) Normally firms establish their specific resources which they keep on reviewing in order to respond to shifts in the changing business environment. Hence, firms must come up with dynamic capabilities which are adaptable to the environmental changes (Pedersen, 2007).

RBV theory puts more emphasis on the firm's internal resource rather than external opportunities and threats created by industry conditions. The theory maintains that to generate sustainable competitive advantage a resource must provide economic value and must be presently scarce, difficult to imitate, non-substitutable and not readily obtainable from markets. The theory also relies on two key points; first that resource are determinants of firm performance and second that resources must be rare, valuable, difficult to imitate and non-substitutable by other rare resources. When the latter occurs, a competitive advantage has been created (Kroes and Gosh, 2010).

#### **2.4.2 TRANSACTION COST ECONOMICS**

The Transaction Cost Economics (TCE) theory has traditionally been the most widely-used outsourcing theory. It is considered to provide the best decision-making tools to assist organisations in deciding which of their operations should be outsourced and, thereafter, to prepare themselves to implement the necessary organisational changes arising from outsourcing.

On the other hand, transaction cost economics (TCE) or theory views the relationship between service receiver and service provider as a model that allows economic transactions to take place (Tayauova, 2012). Transaction costs include time, money, human resources, contract issues negotiation matters, risks e.tc. Hence the relationship between service receiver and service providers is closely integrated due to cost considerations (Shaharudin et al, 2014).

However, according to McIvor *et al.*, (2008), the two theories RBV and TCE can be combined to form a combined view through which outsourcing decisions can be based upon as RBV and TCE complement each other.

### **2.4.3 CORE COMPETENCIES THEORY**

Kahai *et al.* (2011), defined core competency as the collective learning in the organization on how to coordinate diverse production skills and integrate multiple streams of technologies. This theory suggests that firm activities should either be performed in house or by external service providers. It is based on make or buy decision. Non-core activities should be considered for outsourcing to the best suited service providers who are experts in that field. However, some few non-core activities which have a big impact on competitive advantage should be retained in house. Core competencies refer to the collective knowledge of the production system concerned knowledge of procedures and how to best integrate and optimize them.

The process of outsourcing non-core competencies continues to gain importance as it transfers responsibilities such as maintenance and transport functions, in the hands of suppliers most capable of performing them most successfully (Mohiuddin, 2011). Vendors competence is an important factor that influences the success of an outsourcing arrangement (Mwelu *et al.*, 2014)

### **2.4.4 CONTRACTUAL THEORY**

For an outsourcing strategy to be implemented, it requires a legally bound contract which sets the institutional framework in which each party's rights, duties, and responsibilities are clearly defined. The goals, policies, practices, and strategies on which the arrangement is based are also specified in the contract. The purpose of the outsourcing contract is to facilitate proper exchange of services between the two parties, prevent misunderstanding, prohibit moral hazards, and the protection of proprietary knowledge. Properly written contracts prevent risks arising from non-performance and misunderstanding and reduces uncertainty likely to be faced by firm decision-making process. The contract sets a procedure for conflict resolution (Saputra *et al.*, 2018). Legal experts emphasize the

need for comprehensive contract which can serve as a reference point specifying how the client and the vendor relate (Babin et al, 2017)

## **2.5 IMPORTANCE OF THE SUBJECT**

### **2.5.1 Cost Reduction and Economies of Scale**

According to Brewer et al. (2013) economies of scale and cost reduction are among the most cited reasons to outsource. They also agree that short term cost saving is the prime motive of most of the western companies particularly to save IT-cost. There are several other drivers/motivators described by researchers but to achieve operational cost efficiency is the most considered factor so far.

### **2.5.2 Technology Advancements**

Charles (2011) argues that the globalization and technology advancements created a global workforce, with a blend of different cultures and nationalities working for the common objective across the globe. However, according to Hellen et al. (2014) controlling of the outsourced activities will be central to the organization and risks posed by vendors must be taken into consideration for the success of the projects. Outsourcing now days has been done in almost every sector. From government departments to Banks and other Financial Institution, and health care sector.

### **2.5.3 Focus on Core Competencies**

The recent trend or multinationals strategy to outsource non-core business is motivated by the competence-based view (Kakabadse and Kakabadse 2005). The driving forces of outsourcing or offshore outsourcing are most primarily lower labour cost and firm's motives to focus on core business competences. Core competences are however, not easy to identify and certainly poorly defined business to outsource would have an adverse impact on the firm's overall performance. According to Windrum et al. (2009) Dell and Tesco, successfully identified core competences, for example Dell identified R&D as core a competence and Tesco identified Online Shopping as a

core competence. Whereas Dell outsourced buying process of customer, Tesco outsourced online banking.

#### 2.5.4 Access to Global Talent

Sharma and Loh (2009) argue that firms aggressively seek global talent. For example, AOL employed top university graduates in its contact centre based in Bangalore India. India and China have been attractive destinations for multinational companies as far as outsourcing is concerned.

#### 2.5.5 Advantages and Disadvantages of Outsourcing

According to Iqbal (2013), about 65% American companies have outsourced their Information Technologies (IT) operation to an offshore location, not only to benefit from the low cost but also reaching the global talent. There are number of advantages of outsourcing along with potential risks and disadvantages.

Table 5: Advantages and Disadvantages of Outsourcing

<b>Advantages</b>	<b>References</b>
<b>Cost Reduction</b>	Sharma and Loh (2009)
<b>Focus on core competences</b>	Wu and Park (2009)
<b>Focus on customer relationship</b>	Owens (2010)
<b>Economies of scale</b>	Wu and Park (2009)
<b>Quality improvement</b>	Aird and Sappenfield (2009)
<b>Increase in operating cash flow</b>	Herath and Kishore (2009)
<b>Proximity to markets</b>	Aird and Sappenfield (2009)
<b>Advantage of the Global sources</b>	Sharma and Loh (2009)
<b>Access to new technology</b>	Herath and Kishore (2009)
<b>Access to global talent</b>	Simon et al. (2009)

<b>Disadvantages / Risks</b>	<b>References</b>
<b>Social cost in terms of job losses</b>	Herath and Kishore (2009)

<b>Increased monitoring cost</b>	Wu and Park (2009)
<b>Loss of loyal employees</b>	Simon et al. (2009)
<b>Transferring the required knowledge to the vendor</b>	Simon et al (2009), Wu and park (2009)
<b>Loss of control and security issues</b>	Wu and park (2009)
<b>Possible creation of competitors</b>	Aird and Sappenfield (2009)
<b>Cultural issues (mismatch between cultural values and norms)</b>	Herath and Kishore (2009)

Source: Adopted from Iqbal (2013)

**2.6 DISCUSSION OF EXISTING MODELS/Frameworks AND KEY CONCEPTS**

**2.6.1 OUTSOURCING Frameworks**

There are only few frameworks depicting the actual stages and the layout of the overall process of outsourcing. According to Pederson (2016), outsourcing frameworks stages can be grouped into the following sequence: preparation, vendor(s) selection, transition, managing relationship, and reconsideration. Each of the stages must provide an answer on various questions, thus emphasising the complexity of the outsourcing process and arguing for a need that it must be managed carefully throughout all its life cycle.

All things considered, the reviewed frameworks and methods have emphasized that enterprises should analyse the strategic effects of outsourcing and hold their core functions as core competency. However, nowadays, with increasing globalization it is very difficult to recognize what core business processes are.

Many efforts have been made towards this direction. Greaver, (1999), proposed the division of the outsourcing process into seven stages. Momme (2002), followed with a structure of six phases, which was further refined by Cullen and Willcocks (2003) into a circular process of eight stages. However, Franceschini et al. (2003) proposed a very limited structure of 3 phases based on the principles of total quality management. Click and Duening, (2005) model comprised of five

phases, finally McIvor (2005) introduced a structure of six phases to analyse the outsourcing process.

**Table 6: Outsourcing Frameworks**

	<b>Preparation</b>	<b>Vendor Selection</b>	<b>Transition</b>	<b>Managing Relationship</b>	<b>Reconsideration</b>
Greaver (1999)	- Planning initiatives - Exploring strategic implications - Analysing cost and Performance	- Selecting providers - Negotiating terms	Transitioning resources	Managing relationships	
Momme (2002)	Competence analysis	-Assessment and approval -Contract negotiation	Project execution and transfer	Managing relationship	Contract termination
Cullen and Willocks (2003)	Internal and External benchmarking analysis	Contract negotiation		Outsourcing management	
Corbett (2004)	-Idea -Assessment -Implementation		Transition	Management	
Click and Duening (2005)	Analyse opportunities	-Select the vendor. -Develop contract.	Transition	Operate	
McIvor (2005)	- Determine the current boundary of the organization. - Activate importance analysis. - Capability analysis. - Analysis of the strategic sourcing options.	Developing the relationship strategy		Establish, manage and evaluate appropriate relationships	
Outsourcing Frameworks, adopted from Pederson (2016)					

A detailed insight into the contents of the phases are given in the table below:

**Table 7: Activities of outsourcing process**

Phase	Key Activities	Some Key Issues
Preparation	<ul style="list-style-type: none"> <li>-Strategy</li> <li>-Sourcing Options</li> <li>-Approach</li> <li>-Configuration</li> <li>-Screening of potential vendors</li> <li>-Preferred relationships</li> <li>-Drafting the service level agreement</li> </ul>	<ul style="list-style-type: none"> <li>-Underlying Philosophy.</li> <li>-Why and what to outsource?</li> <li>-Big Bang, Incremental, or Piecemeal</li> <li>-Many Suppliers, preferred suppliers, prime contractor with subcontractors, sole supplier (one stop shop)</li> <li>-Contractual or collaborative</li> </ul>
Vendor(s) selection	<ul style="list-style-type: none"> <li>Announcing outsourcing</li> <li>Choosing the vendor</li> <li>Negotiating</li> <li>Finalising the contract</li> </ul>	<ul style="list-style-type: none"> <li>RFP Evaluation</li> <li>Creating a win-win situation</li> <li>Type, flexibility and content of the contract</li> </ul>
Transition	<ul style="list-style-type: none"> <li>Defining Communication and exchange of knowledge and communication</li> <li>Transferring assets, people, information, knowledge, hardware, software</li> <li>Human resources Management</li> </ul>	<ul style="list-style-type: none"> <li>Change management</li> <li>Reengineering</li> <li>Adopting structure and processes</li> </ul>
Managing Relationships	<ul style="list-style-type: none"> <li>Type of relationship</li> <li>Maintaining relationship</li> <li>Handling meetings and communication</li> <li>Performance monitoring and evaluation</li> <li>Applying incentives and penalties</li> <li>Solving problems</li> <li>Re-negotiating and managing variations</li> </ul>	<ul style="list-style-type: none"> <li>Reciprocal, client dominant, Vendor dominant, preferred vendor</li> <li>Contracts, trust, and hostages</li> <li>Economic factors, character of the exchange, co-operation between buyer and supplier</li> </ul>
Reconsideration	<ul style="list-style-type: none"> <li>Reconsidering</li> </ul>	<ul style="list-style-type: none"> <li>Continue, change vendor, back source and switching costs</li> </ul>

Source: Adapted from Pederson (2016)

## **2.7 DISCUSSION OF THE KEY VARIABLES**

### **2.7.1 OUTSOURCING**

There are three basic types of outsourcing as described by Mark et al (2009). The outsourcing forms include the following: Business process outsourcing (BPO), Knowledge process outsourcing (KPO) and Information technology outsourcing (ITO).

Calia and Pacei (2017) alluded that, the most commonly outsourced business activities can be classified into three general categories based on the type of activity. The first category requires highly skilled expertise or executive positions, such as accounting or financial activities. The company, most especially a start-up one, does not have to pay a monthly finance officer salary. Instead, there are qualified professionals that you can temporarily hire, only when necessary, to accomplish financial statements, provide financial analysis and perform general billing functions.

The second category comprises of highly repetitive business tasks, such as secretarial or clerical duties, accounts payable, shipping inventory, distribution, human resource, sales and marketing.

The last category is outsourcing highly specialized business functions, such as Information Technology (IT), Project Management (PM), engineering, construction or customer support. IT is one of the largest areas of outsourcing that involves the right skill set from professionals that will constantly adapt to the changing needs of the company ICT outsourcing can be carried out in many combinations depending on the component of services scope that is outsourced, and the responsibilities attached to the outsourced contract. Different authors describe ICT outsourcing arrangements differently.

#### **Tactical outsourcing**

Outsourcing is considered tactical (or traditional) when companies use it as a tool to reduce costs. Tactical outsourcing mainly addresses operating costs, increasing efficiency and ensuring competitiveness in the market (Pellicelli, 2018). It is usually based on a short-term perspective to cope with a problem faced by the company at a certain time. About tactical outsourcing, companies

are continuously looking for new available suppliers that can offer the same process or service at a lower cost. Thus, there is no need of establishing a long-term relationship with the supplier (McTernan, 2015)

### **Strategic outsourcing**

The outsourcing company might aim at developing a strong and lasting relationship with an external provider. In that case, outsourcing is considered strategic (Javalgi *et al.*, 2009). Reducing costs is not the main goal of the outsourcing company, and in fact strategic outsourcing may even cause new costs for the company (Bengtsson and Dabhilkar, 2009) Nevertheless, the outsourcing company has the purpose to leverage supplier knowledge, technology, and specialised capabilities to increase its performance or enhance its competitive advantage (McIvor, 2009). The company and the supplier set up cooperation to develop new knowledge or innovative products that can contribute to their mutual growth (Edvardsson, 2011).

## **2.7.2 INFORMATION TECHNOLOGY OUTSOURCING**

According to (Han and Mithas, 2017), IT outsourcing refers to the use of a third party vendor to provide IT services that were previously provided internally. With an increase in offshore outsourcing and the emergence of cloud computing, IT out-sourcing is gaining even stronger momentum.

Gwebu and Wang (2015) stated that in 1989, Kodak initiated a landmark ten-year IT outsourcing agreement for \$250 million contract with three providers. Since then, the growth of the IT outsourcing phenomenon in practitioner circles has intensified.

The most common outsourced IT services include: Application development and maintenance, Infrastructure management. Help desk. Independent testing and validation. Data center management. Systems integration. Research and Development. Managed security and, Cloud computing.

### **2.7.3 PRODUCTION OUTSOURCING**

Agburu et al. (2017) emphasized that, the primary activities of outsourcing practice stems more from the resource availability and cost advantage. The resource-based view of the firm and transaction cost economics provides a comprehensive explanation of the conditions which lead firms to resort to the outsourcing of primary activities and of the reasons why such outsourcing has grown in importance in recent years. Production Outsourcing include; manufacturing, purchasing, warehousing, salesforce, and customer service (Isaksson and Lantz 2015).

Many organisations today outsource even their primary activities. The activities which are directly related to the primary operations are manufacturing, purchases, warehousing, Sales force and customer service (Isaksson and Lantz 2015).

### **2.7.4 HUMAN RESOURCES OUTSOURCING**

According to Geare et al (2009), HR outsourcing involves contracting out parts or the whole of HR to outside providers, it ranges from transferring simple activities like payroll and benefits, to outsourcing training, recruitment and HR strategic planning.

Seth and Sethi (2011) suggests that, the need for HR departments to play a much more strategic role has driven these changes. HR managers are expected to be more agile, efficient and to contribute to the strategic decisions of their organisations. As a response to these changes, organizations are now outsourcing to meet the demands.

Many studies proffer that firms should keep critical and core activities in-house and only outsource non-core activities to external providers (Pederson 2016; Sharma and Low, 2009; Wu and Park, 2009). These non-core activities are considered to have a minimal impact on organizational performance.

According to Shao and David (2009), Non-core functions are transactional activities (benefits administration, record keeping) and traditional (performance management, training and

recruitment) that are administrative and routine which can easily be replicated and duplicated. Core functions are transformational (strategic planning, organisation development).

There is a general conclusion from studies that organisations should perform core functions themselves and outsource non-core functions to their organisations, what is considered core and non-core varies between organisations. Hence, the decision as to which HR functions to outsource should be driven by the organisation's business strategy.

#### **2.7.4.1 Categories of HR Outsourcing Services**

According to Seth and Sethi (2011), HR outsourcing Services could fall into one of the following five categories:

##### Professional Employer Organization (PEO)

If the company prefers to focus solely on their core business, or if they have no HR capabilities, then a PEO may be right for them. A PEO recruits, hires, and employs on company's behalf. It becomes the employer of record for their employees, whom they essentially lease back from the PEO. It also manages all HR functions for these employees, from employee relations and staffing to benefits administration and payroll.

##### Business Process Outsourcing (BPO)

BPO refer to all fields, but specifically for HR, a BPO would ensure that a company has access to latest technologies.

##### Application Service Provider (ASP)

ASPs host HR software, on web and rent it to users. ASPs can provide a range of support; the "continuum" offered by ASPs includes: disaster recovery and business continuity, remote systems management, hosting, remote application management and, managed application services.

E-services are those HR services that are web-based

Hybrid Outsourcing firms

The company will use a combination of both PEO and BPO in hedging against risk and deriving much needed benefits from HR outsourcing.

## **2.8 LITERATURE SYNTHESIS**

In a research to explore outsourcing strategies among small manufacturing firms, and to test how these strategies can be linked to financial performance (Return on Investment and Return on Equity), Isaksson and Lantz (2015) applied multiple regression on the data collected through a stratified sample of 700 small (<50 employees) manufacturing firms in Sweden and realized that, there is no significant relationship between the strategies (Back office activities, Primary activities, Accounting activities, and Support activities) and financial performance measured in terms of return on investment (ROI) and return on equity (ROE). This research however, did not delve into the effect of these strategies on SMEs profitability. Also, the research was carried out in Sweden whose business environment is better established and so different from that of Zimbabwe.

To find out the strategies in the outsourcing process, the challenges associated with outsourcing in the hotel industry and what benefits are derived from outsourcing of non-core functions, Broni et al. (2014) used a descriptive approach to analyse and evaluate the impact of outsourcing in the hotel industry in Ghana. Questionnaires were administered to fifty (50) respondents comprising core management staff and other key heads of the departments and the main crew. At the end of the research, they concluded that, Hotels have been concentrating on their core functions in the areas of accommodation, food and bar services and housekeeping and have outsourced most of their non-core functions. This research was carried out with a very limited sample of only 50 respondents and, did not point out clearly the various strategies embarked upon by the organizations.

To examine outsourcing services as a strategic tool for organizational performance in the Nigerian food, beverage, and tobacco industry, Suraju and Hamed (2013) used two estimators: naive estimator and the weighted estimator Proposed by Dehejia and Wahba and modified by Nanfosso and Mbassi were used for the analysis. Data were obtained from the questionnaires administered for period of two weeks to cross-sections of 15 companies in food, beverage, and tobacco industry

in Nigeria. At the end of the research, they realized that, the more an organization outsourced, the higher its organizational growth. The paper also revealed that outsourcing is beneficial to organizational performance and enhances firm's financial economies and competitive advantage in the market place. This research considered outsourcing as a generic strategy instead of pointing out specific outsourcing strategies embarked upon by these organizations.

According to Yeboah (2013) who examined the relationship between outsourcing and organizational performance in the services sector using SPSS to correlate the variables and data obtained from a population of fifty organizations operating in insurance sectors of the economy of Ghana reported that, there is no significant correlation between outsourcing and organizational productivity, but there is a statistical significance on correlation between outsourcing and quality, there is statistically significant correlation between outsourcing and competitive advantage. This research however fails to consider the effect of the strategy on organizational profitability.

To examine the relationship between outsourcing strategy and organizational performance in Nigeria manufacturing sector, Akewushola and Elegbede (2013) adopted a stratified sampling technique to arrive at 120 sample elements for the study. Some of the top and middle level managers of Cadbury Nigeria Plc and Nestle Foods Plc responded to the questionnaire administered and were interviewed to further elicit information on the key variables. Data obtained were analysed using Regression analysis, the researchers realized that, firms that outsource experience reduced average cost, increased sales turnover and profitability, enhance expertise, improve service quality, reduce staff strength, streamline the production process, reduced administrative burden and save time for core activities. This research however, is limited to the manufacturing sector of Nigeria.

To ascertain the effect of outsourcing strategy on project success, Ireferin et al. (2012) administered copies of questionnaire to staff of Nestle Nigeria PLC using stratified sampling techniques and interviewed some to authenticate the information derived. Data obtained was analysed using frequency distribution and Chi-Square analysis. The research found out that, Firms outsourced their production process to manage cost, reduce time-to-market, boost bottom line, increase sales turnover and profitability, enhance expertise, improve service quality, reduce staff, streamline the

process, reduce the administrative burden and save time for core activities. This research gives a very good background for the assessment of the effect their outsourcing activities had had on the performance of their enterprises.

Another examination on the propensity to outsourcing and its impacts on operational objectives including cost reduction, improved quality, flexibility and better service and organizational performance, which includes financial performance and non-financial performance, Nazeri et al. (2012) an analysis of feedback of questionnaires distributed among the board of directors, quality managers, operational administrators, and lower managers using SPSS and Minitab software based on deductive and descriptive statistics was done. The results of the survey indicated that outsourcing could lead to reduced cost, improve quality, increase flexibility, better financial and non-financial performance and services.

To examine the relationship between the outsourcing process, and perceived organizational performance, Bolat and Yilmaz (2009) surveyed Eighty (80) hotels in Turkey and realized that, Outsourcing has a positive effect on organizational performance (organizational effectiveness, productivity, profitability, quality, continuous improvement, quality of work life, and social responsibility levels).

To analyse the effect of outsourcing of human resource (HR) activities (payroll and training outsourcing) on firm performance, Rashidi et al. (2012) sampled 94 manufacturing firms in U.S.A and found out that, outsourcing had no effect on financial performance, but there was a small positive effect on firm's innovation performance (Research and Development outlays, process innovation and product innovations) and stakeholder performance (employment growth & morale, customer and supplier relations). This research was also carried out in a developed nation as such serves as a background for this research.

As noted here, previous research findings have proved contradictory results on the effect of outsourcing strategy on performance. While some including those of Gyemang, et al. (2014); Suraju and Hamed (2013); Akewushola, and Elegbede (2013); Irefin, et al. (2012); Awolusi (2012); Rashidi et al. (2012); Hayes, et al. (2000), presented a positive effect, those of Isaksson

and Lantz (2015); Yeboah (2013) and Gilley, et al. (2004); found out no effect or relationship between outsourcing and performance.

Also, most of the research were carried out in relatively strong economies and developed nations and so, their findings cannot be imported directly and said to represent what is obtainable in a developing country/economy like Zimbabwe.

### **2.8.1 RESEARCH HYPOTHESIS**

Whereas past studies have investigated the impact of outsourcing on business performance, the researcher focused on outsourcing as a strategic response to turbulence in the operating environment, the researcher has not found any empirical research that looked at the impact of the turbulence itself on the envisaged relationship between outsourcing strategies and business performance in the context of the fast moving consumer goods sector in Zimbabwe. This has created a gap which this research sought to fill. The research therefore made the following hypotheses:

**H1:** There is a positive relationship between outsourcing human resources and organizational performance

**H2:** There is a positive relationship between outsourcing information technology and organizational performance

**H3:** There is a positive relationship between outsourcing production of key inputs and organizational performance

**H4:** A VUCA environment mediates the relationship between outsourcing and performance

### **2.8.2 CONCEPTUAL FRAMEWORK**

For this research the following conceptual framework will be used to analyse the impact of outsourcing on Organizational Performance of Manufacturing companies in Zimbabwe. The turbulent environment will be regarded as the moderating variable.

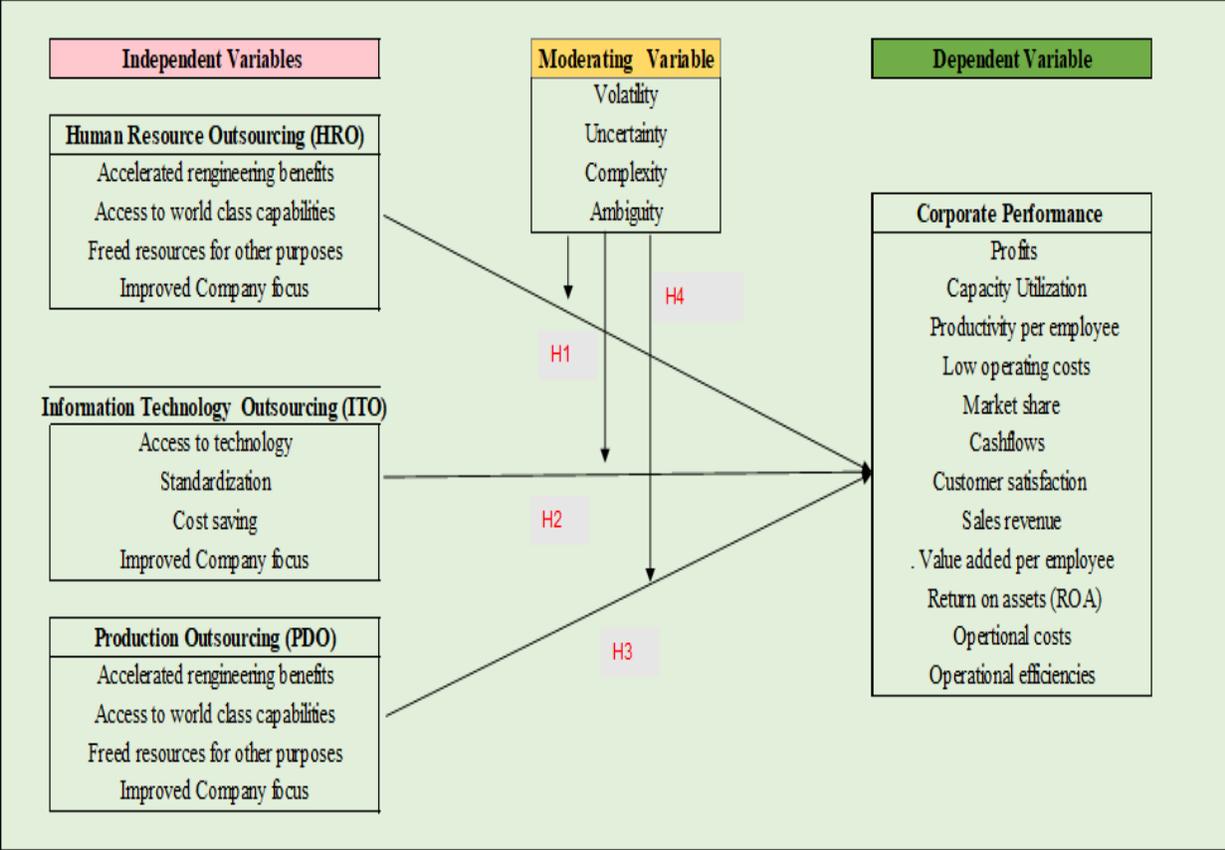


Figure 2: Conceptual Framework

**2.8.3 INDICATIONS OF THE RESEARCH METHODOLOGY**

The researcher employed a quantitative research methodology by obtaining research evidence from a large sample of more than 300 employees working for Unilever Zimbabwe on the specifically defined variable, human resource outsourcing, information technology outsourcing, business performance and VUCA factors. The researcher used quantitative research methodology because he sought to quantify and test the strength of the relationship between human resource, information technology and business process outsourcing on business performance. The variables are subjected to statistical manipulation through descriptive statistics, regression analysis, analysis of variance (ANOVA) and inferential analysis through hypothesis testing.

## **2.9 CHAPTER SUMMARY**

The chapter examined outsourcing concepts and the theory behind outsourcing. It was recognized that there is limited literature on outsourcing by FMCG companies in Zimbabwe. However, the concepts used in analysing outsourcing in other industries and in other nations could be adapted and used in Zimbabwe. The next chapter dissects the methodology that was used to carry out the research study.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION TO THE CHAPTER**

This research seeks to investigate the impact of outsourcing HR, IT and production outsourcing on Business performance in a VUCA environment with a focus on Unilever Zimbabwe.

The research outlines research methodology beginning with a discussion on the proposed research design. The chapter progresses to discuss methods of data collection, research instrument, population and sampling techniques, questionnaire administration, data gathering, processing and analysis, and research limitations. The chapter is concluded with a discussion of the procedures to ensure validity and reliability of the instrument as well as the ethical considerations associated with the research.

#### **3.2 RECAP OF RESEARCH AIM, MAIN STUDY OBJECTIVE, MAJOR QUESTION, HYPOTHESES**

The research was carried out to investigate the impact of outsourcing strategies on Business Performance in a VUCA environment in the fast-moving consumer goods sector: A case of Unilever Zimbabwe.

The study was based on the following objectives:

- a) To ascertain the impact of outsourcing human resources on business performance
- b) To ascertain the impact of outsourcing information technology on business performance
- c) To determine the impact of production outsourcing of key inputs on business performance
- d) To determine the mediating impact of turbulence on the relationship between outsourcing and business performance.

#### **RESEARCH QUESTIONS**

The main research question that was answered is;

What is the impact on business performance of companies operating in a VUCA environment that outsource finance, production, human resources and information technology in the FMCG sector: A case of Unilever Zimbabwe?

The main research question was addressed through the following sub questions;

- a) What is the effect of outsourcing human resources on the performance of Unilever?
- b) What is the impact of outsourcing information technology on business performance of Unilever?
- c) What is the impact of outsourcing production inputs on the performance of Unilever?
- d) How does business environment impact the effectiveness of outsourcing?

## **RESEARCH HYPOTHESIS**

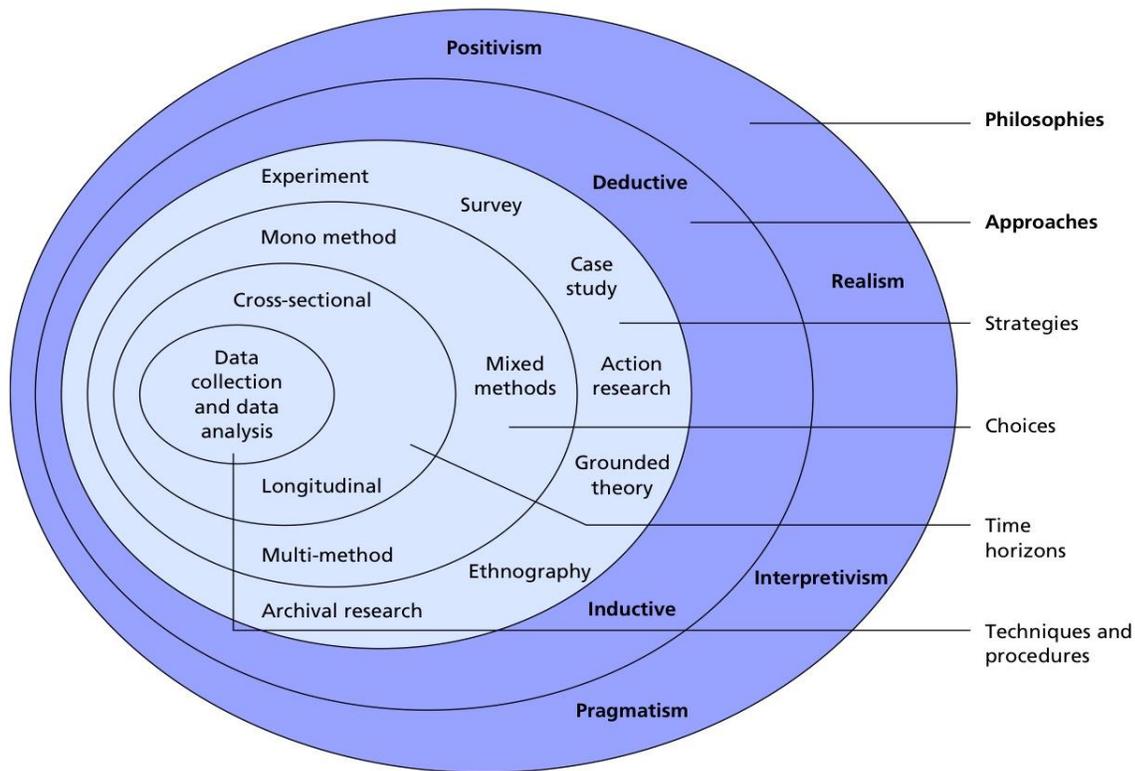
The research tested the following hypothesis:

- a) H1: There is a positive relationship between outsourcing human resources and business performance
- b) H2: There is a positive relationship between outsourcing information technology and business performance
- c) H3: There is a positive relationship between outsourcing production of key inputs and business performance
- d) H4: A VUCA environment mediates the relationship between outsourcing and performance.

## **3.3 RESEARCH DESIGN**

Research design outlines procedures and methods for collecting and analyzing required information (Creswell, 2012). Research design facilitates the execution of the study by clearly outlining what comes first and the next step to take.

This research was organized along the research onion model shown in figure 3 below:



**Figure 3: Research Onion, adopted from Saunders et al (2009)**

The research onion model clearly outlines all the steps involved in research methodology.

### 3.3.1 Research Philosophy

According to Saunders et al (2009), there are four research philosophies namely: positivism, realism, interpretive and pragmatism. The researcher took the positivism research philosophy, premised on that fact that the research sought to test set hypothesis. According to Bhattacharjee (2012), positivist view is premised on the view that reality is relatively independent of the context and can be analyzed using objective techniques such as standardized measures. A positivist approach is very scientific and objective, quantitative, deductive, predictive and uses statistical methods to forecast the result. The impact of outsourcing on organizational performance will be addressed in a quantitative approach.

### **3.3.2 Research Approach**

According to Saunders et al. (2009), there are two approaches to research which are deductive and inductive. Deductive approach involves deducing a hypothesis from a known theoretical position and testing the hypothesis while inductive approach involves collecting data and developing a theory from the data analysis.

The researcher adopted a deductive research approach because variables of the study are already known, and a hypothesised relationship has been established from prior researches.

### **3.3.3 Research Strategy**

According to Saunders et al, (2009), strategies that a researcher can use include experiment, survey, case study, action research, grounded theory ethnography and archival research. Survey strategy was used for this research. The researcher chose this strategy based on the objectives to be achieved and the philosophy, which was explained in the sections above.

Survey method is a descriptive study which is non-experimental but makes inference about behavior from data collected via questionnaires and interviews. Surveys help with assessing attitudes and opinions on a variety of subjects, however their limitation arise from the reliance on a self-report method of data collection which can be distorted by intentional deception or miscomprehension of certain questions.

Survey applicability to a large group of respondents influenced the researcher to adopt the strategy given that data was going to be collected from Unilever sites in Bulawayo and Harare. The author also selected this strategy due to its time efficient and cost effective as explained by Saunders (2009).

To improve response rate, personal distribution of the questionnaire was done to the workers, a letter of support from the graduate school of management was obtained, clearly articulating the benefits of the study and promising to share the results of the study with the organization.

### **3.4 METHODS OF DATA COLLECTION**

Quantitative research methodology is used because it tests the strength of the relationship between human resources, information technology and business process outsourcing on business performance. The variables are subjected to statistical manipulation through descriptive statistics, regression analysis, analysis of variance (ANOVA) and inferential analysis through hypothesis testing.

### **3.5 Research instrument (Questionnaire)**

The questionnaire was considered the most ideal instrument because it allows the researchers to collect unbiased data from a diverse sample in quantitative manner. The questionnaires were structured in nature, containing 55 closed-ended questions. The questionnaire consists of five sections. The first part (Part A) which contains 5 questions requires respondents to provide their general information. Part B contains 6 questions and focuses on drivers of outsourcing. Part C has 33 questions, 8 focuses on the perceived impact of human resource outsourcing on the performance of the manufacturing companies, 6 questions ask respondents to evaluate the impact of information technology outsourcing on business performance while, 7 questions deal with business process outsourcing and business performance and 11 questions deals with advantages and disadvantages of outsourcing. Part D contains 6 questions aimed at measuring aspects of VUCA environment. The final part of the questionnaire, Part E contain 6 questions measuring business performance. Part B, C, D, E and F will be designed using a Likert scale which range from strongly disagree to strongly agree (*1=strongly disagree, 2 = disagree, 3 = agree and 4 = strongly agree*).

Items measuring information technology outsourcing, business process outsourcing, and business performance will be adapted from the study by Weigelt (2009) and Guistanino (2013) while items measuring VUCA will be developed by the researcher. However due to the differences in research focus, the researcher will customize the research questions to suit the current study by adding questions requiring responses on the VUCA contextual environment. Weigelt's instrument focused exclusively on information technology and hence needed some changes to reflect the current research focus.

The Likert scale was chosen as it is easy to administer to a large group such as the 301 respondents. By providing standard responses, it is easy to score and tabulate and convert the data into quantitative data which is more objective and reliable. The disadvantage however is that instrument does not provide for collection of in-depth responses on various components of outsourcing.

### **3.5.1 Questionnaire development**

Highly structured questionnaire was used for this study and this gave room for improved reliability, standardization, ease of administration and allowed for easy tabulation and analysis. Every questionnaire administered comprised of a covering letter for the attention of the respondent and was designed to be completed anonymously by the respondents. Responses permitted to respondents were predetermined on a 1- 4 Likert scale.

### **3.5.2 Pilot Testing**

For the researcher to make necessary adjustments to the questionnaire, pilot testing was done on 15 respondents from sales and distribution to assess validity and reliability. According to Saunders et al (2009), pilot testing enables the researcher to redefine the research instrument so that the target respondents will have no issues in answering the questions and hence no problem in recording and analyzing the data.

## **3.6 POPULATION AND SAMPLING TECHNIQUES**

Saunders et al., (2009) define the population as the group of interest to the researcher. The results of the study were generalized upon Zimbabwe population. Creswell (2012), further alluded that the population can be divided into two categories, the target and the study populations. The researcher will use the target population to generalize results.

### 3.6.1 Population

For this study, the target population was made up of the 1186 Unilever employees. The sampling frame which is defined by Saunders et al (2009) as a comprehensive list of members of the population from which a sample is drawn, was the list of all Unilever employees.

### 3.6.2 Sample sizes

The population size is finite and known, so the researcher used the Yamane's formula to arrive at a sample size of 301.

$n = N / (1 + N(e)^2)$ , where N = population size, e = margin of error

$$= 1186 / (1 + 1186 * 0.05^2) = 301$$

### 3.6.3 Sampling methods

Sampling is appropriate when the population to be used is large and both the time and cost associated with obtaining information is large (Zikmund, 2012). There are two distinct types of sampling techniques namely probability sampling and non-probability sampling.

The study will utilize simple probability random sampling method to draw elements from the sampling frame. Random sampling design will be chosen due to the quantitative nature of the study to avoid bias and thus enable us to generalize our findings.

Ratios according to percentage contribution was used to find total number of respondents to be drawn from each department. Simple random sampling was then used to select the members for the study.

**Table 8: Sample Size**

Population					Sample	
Strata	Size	Location	Male	Female	Size	Sample selection
Supply Chain	486	Unilever	90	33	123	Stratified and random
Engineering	54	Unilever	12	2	14	Stratified and random

Brand Building	15	Unilever	2	2	4	Stratified and random
Human Resources	12	Unilever	1	2	3	Stratified and random
Customer development	63	Unilever	6	10	16	Stratified and random
Finance	22	Unilever	2	4	6	Stratified and random
Customer marketing	23	Unilever	1	5	6	Stratified and random
Sales and Distribution	501	Unilever	80	47	127	Stratified and random
Information Technology	10	Unilever	1	1	2	Stratified and random
<b>Total</b>	<b>N=1186</b>		<b>195</b>	<b>106</b>	<b>n=301</b>	

### 3.7 QUESTIONNAIRE ADMINISTRATION

Personal distribution of the questionnaire was done to the workers, aided by a letter of support from the graduate school of management, clearly articulating the benefits of the study and promising to share the results of the study with the organization.

### 3.8 DATA GATHERING, PROCESSING AND ANALYSIS

The data obtained from the survey through questionnaires was edited, coded and tabulated and captured into the Statistical Package for Social sciences (SPSS) version 21. The quantitative data was analyzed through descriptive statistics and inferential analysis such as correlation analysis, multiple regression analysis, analysis of variance and hypothesis testing. Multiple regression analysis and correlation analysis was used to quantify and test the relationship between the independent variable (HRO, ITO, BPO, VUCA) and the dependent variable (business performance).

Regression model: the equation was expressed as follows:

$$Y = a + \beta_1 (X_1) + \beta_2 (X_2) + \beta_3 (X_3) + e$$

$Y$  = Organizational performance

$a$  = Constant (coefficient of intercept)

$X_1$  = Human resources outsourcing

$X_2$  = IT outsourcing

$X_3$  = Production outsourcing

$e$  = Error term

$\beta_1, \beta_2, \beta_3$  = Regression coefficient for three variables

### **3.9 RESEARCH LIMITATIONS**

The research has the following limitations which may affect results of the study:

- Limited time in carrying out the research. A better well researched study needs ample time to be completed. This study was carried out in a period of 6 months and results were required within this period. However, the results were satisfactory to proceed with the study and provided most important information.
- The research was carried out at Unilever Zimbabwe only and could have spread to other companies in the FMCG sector.

### **3.10 VALIDITY AND RELIABILITY**

To ensure credibility of the research instrument the study addressed both validity and reliability concerns.

#### **External validity**

For external validity to draw a large sample of 301 workers through a random sampling method which was both large and representative to allow for generalization of research finding. A pilot study to pretest the questionnaire was conducted with 15 respondents before actual research in a bid to remove bugs in the instrument and to affirm the suitability, clarity and validity of the research instrument (Saunders et al, 2009).

#### **Internal validity**

In-order to ensure construct validity the researcher executed a correlation analysis on the three themes of human resource outsourcing, information technology outsourcing and business process outsourcing. Divergent validity will exist if there is weak or not correlation among the themes (constructs) that is  $r < 0.7$  while convergent validity will exist if the items under each of the three constructs are highly correlated that  $r > 0.7$ .

#### **Reliability test**

To test for reliability of the instrument which is measure of the internal consistency, the researcher used Cronbach's alpha as extracted from SPSS. To be reliable the minimum threshold for the Cronbach's alpha is 0.7.

**Table 9: Reliability Tests**

Variables	Number of Items	Minimum acceptable
Human resource	8	>0.7
Information technology	6	>0.7
Production Processes	7	>0.7
VUCA	6	>0.7
Organizational Performance	6	>0.7
Overall Cronbach's Alpha	33	>0.7

### **3.11 ETHICAL CONSIDERATIONS**

In line with our axiological belief that ethics are of paramount importance and should be taken seriously the researchers implemented the following ethical strategies. The researcher informed the participants the pertinent issue covering the research and allowed the respondents to make informed decision on whether to participate in the study.

The researcher appreciated the information to be obtained from the respondents is confidential as most of it centered around the company's business strategies and competitive advantage. The researcher pledged to keep the information confidential.

### **3.12 CHAPTER SUMMARY**

The researcher employed a quantitative research methodology by obtaining research evidence from a large sample of 301 workers on the specifically defined variable, human resource outsourcing, information technology outsourcing, business performance and VUCA factors. The researcher used quantitative research methodology because he seeks to quantify and test the strength of the relationship between human resource, information technology and business process outsourcing on business performance. The variables are subjected to statistical manipulation

through descriptive statistics, regression analysis, analysis of variance (ANOVA) and inferential analysis through hypothesis testing.

**CHAPTER 4:**  
**DATA ANALYSIS, FINDINGS AND DISCUSSION**

**4.1 INTRODUCTION**

The chapter analyses and presents research findings in relation to objectives as outlined in Chapter 1. The chapter presents facts, discusses and interprets research results using references from relevant literature as discussed in Chapter 2. SPSS was used in compiling, validating and analysis of the results. Findings were presented using narratives, charts and graphs.

The closed ended questions with Likert scale rating were analysed using SPSS. Coding was first done on the questions and responses into numerical representations. Data capturing was then done using the assigned codes to each question and response. All objective-related questions were coded according to Likert scale ratings used in the research instrument (1=strongly disagree: 2=disagree: 3=agree: 4=strongly agree).

**4.2 RESPONSE RATE.**

**Table 10: Response rate**

	Executive	Senior Management	Middle Level Managers	First Level Supervisors	Support staff	Totals
Questionnaires	5	9	20	66	300	<b>400</b>
Responses received	4	8	16	40	233	<b>301</b>
Response rate	<b>80%</b>	<b>89%</b>	<b>80%</b>	<b>61%</b>	<b>78%</b>	<b>75%</b>

Source: Research data (2019)

A total of four (400) structured questionnaires were sent out and of these, 301 were returned to give an overall response rate of 75%. This response rate was excellent and representative, and it conforms to Muthoni (2016) stipulation that a response rate of 50% is adequate, a response rate of 60% is good and a response rate of 70% and over is excellent for analysis.

Given their small number, Senior management had the highest response rate. This was of paramount importance because management is clear about the company’s strategic focus. The response rate was high as expected due to the bond between the researcher and the support staff at Unilever Zimbabwe.

### 4.3 DESCRIPTIVE ANALYSIS

A descriptive analysis quantitatively describes the main features of a collection of information. The most common methods used include measures of central tendency and measures of dispersion. Hence, it was necessary to use this analysis to come up with mean, standard deviation, frequency distribution tables and percentages.

#### 4.3.1 Demographic Analysis

**Table 11: Cross Tabulation of gender and qualification**

		Highest qualification								Total
		Certificate		Diploma		Degree		Masters		
Gender	Male	63	32%	48	24%	71	36%	18	9%	200
	Female	26	26%	12	12%	63	62%	0	0%	101
Total		89	29%	60	20%	134	45%	18	6%	301

Source: Research data (2019)

Findings from Table 4.2 show that most respondents (200) were male compared to the female respondents (101). This implies that there are more male staff members at Unilever Zimbabwe compared to female staff members.

A large portion of the respondents (45%) have a degree as highest qualification compared to the respondents with certificate (29%), diploma (20%) and masters (6%). The qualification is of interest because it shows that the respondents understand strategic issues, outsourcing strategies being implemented and VUCA environment Unilever is operating in.

#### 4.3.2 Drivers of outsourcing

Table 4.3 below shows the mean response for each possible reason obtained from the results, with 3.09 being the highest mean and 2.99 being the lowest mean.

**Table 12: Drivers of Outsourcing**

	The purpose of outsourcing is to improve company focus, focus attention on core activities	The purpose of outsourcing is to gain access to World class capabilities	The purpose of outsourcing is to free internal resources for other purposes	The purpose of outsourcing is to share risks, reduce the risk in investments	The purpose of outsourcing is to increase access to skills and new technologies
N Valid	301	301	301	301	301
Missing	0	0	0	0	0
Mean	3.0133	3.0399	3.0963	2.9900	3.0465
Std. Deviation	.36491	.32415	.45536	.45815	.21094

Source: Research data (2019)

The respondents identified freeing internal resources for other purposes and the need to increase access to skills and new technologies as the top drivers for outsourcing at Unilever Zimbabwe.

Reasons for outsourcing (in the order of importance)

- a) To free internal resources for other purposes
- b) To increase access to skills and new technologies
- c) To gain access to world class capabilities
- d) To improve cost, quality, service and speed
- e) To share risks, reduce the risk in investments

These reasons are congruent with findings of Lacity and Willcocks (2009) who put forward the summarized major drivers for outsourcing as:

- a) contract specialization,
- b) cost savings
- c) flexibility, and
- d) market discipline

### 4.3.3 Effect of Human Resources outsourcing on Organizational Performance

Eight statements about effect of HR outsourcing on organizational performance were presented to respondents at Unilever Zimbabwe. Findings are presented in Table 4.4 followed with an analysis and interpretation.

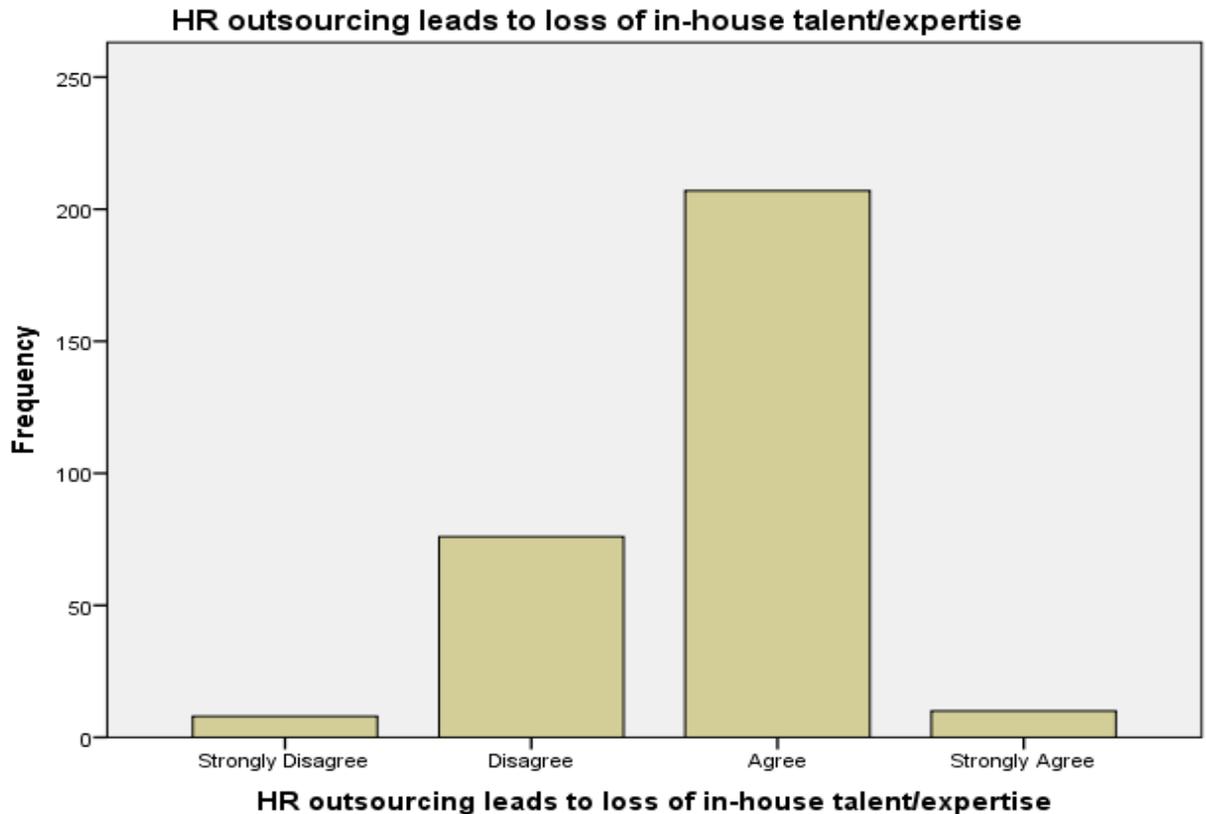
**Table 13: Human Resources Outsourcing**

		HR outsourcing helps in reduction of HR Cost	HR outsourcing helps in improvement of HR Services	HR outsourcing helps with the increase in HR efficiency	HR outsourcing allows HR to focus on core business functions	HR outsourcing allows HR to be perceived as strategic business partner	HR outsourcing leads to loss of in-house talent/expertise	HR outsourcing leads to decrease in employee morale	HR outsourcing leads to decrease in quality level
N	Valid	301	301	301	301	301	301	301	301
	Missing	0	0	0	0	0	0	0	0
Mean		2.8804	2.6312	2.5249	3.0332	2.9468	2.7276	2.8505	2.7674
Std. Deviation		.32504	.48328	.50021	.31447	.56317	.56469	.49757	.54687
Variance		.106	.234	.250	.099	.317	.319	.248	.299

Source: Research data (2019)

The respondents identified that outsourcing allows HR to focus on core business functions as shown by (Mean=3.03), HR outsourcing allows HR to be perceived as a strategic business partner (Mean=2.95) and that HR outsourcing helps in reduction of HR cost (Mean=2.88), which will eventually lead to the reduction of business costs as the major contributions of outsourcing HR to organizational performance.

This is supported by Sethi and Sethi (2011) who alluded that, the top reason why many employers outsource HR is the desire for more services at a lower cost, perceived savings stem from having fewer in-house HR staff. Haveckin (2012) further said that companies outsourced HR functions to save money or reduce operating cost, and to reduce the number of HR staff and related expenses.



**Figure 4: HR and in-house talent**

Source: Research data (2019)

From the findings, respondents identified that HR outsourcing leads to a decrease in employee morale (Mean 2.85), loss of in-house expertise (Mean 2.72), and decrease in quality levels Mean (2.76). From figure 4.1 above, 220 respondents agree that HR outsourcing leads to loss of in-house talent.

The drawbacks of HR outsourcing agree to a certain extent with the findings of Sethi and Sethi (2011) who alluded that outsourcing results in mediocre quality of services as outsourced employees are not properly motivated. Jobs of outsourced employees is not secured because of easy of replacement and sometimes the outsourced employees are provided poor salary and benefits.

#### 4.3.4 Effect of Information Technology outsourcing on Organizational performance

The study sought to find the effect of outsourcing Technology on organizational performance in Unilever.

From the findings it is evident that Unilever has embraced outsourcing in their Information technology. This has increased access to skilled resources as shown by Mean 2.97. IT outsourcing has increased efficiency and productivity as shown by Mean 2.96. Outsourcing technology has enabled Unilever to have access to the most recent technology (Mean 2.79) that they use in their distribution systems hence minimum risks have been incurred in operation as shown by Mean 2.71.

Analysis however shows that IT outsourcing meets downsizing requirements with Mean = 2.81. This supports the notion that the company is outsourcing IT to bridge the gap left by experienced workforce and to tap into new technologies. The findings are in harmony with Gulla and Gupta (2011) who postulated that, in analyzing strategic values of outsourcing, the company should consider impact of outsourcing on strategic interests of the organization and its effect on the operations of the organization in the form of short, medium, and long-term effects.

The same argument can be extended to outsourcing in the turbulent environment where there should be a clear alignment between the outsourcing goals and the strategic direction of the company.

**Table 14: IT outsourcing on organizational performance**

		Through IT outsourcing, our company has gotten access to the most recent technology	IT outsourcing has minimised risks incurred in operation	IT outsourcing has increased efficiency and productivity in our firm	IT outsourcing has led to the transformation of some fixed costs into variable cost	IT outsourcing has increased access to skilled resources	IT outsourcing meets downsizing requirements
N	Valid	301	301	301	301	301	301
	Missing	0	0	0	0	0	0
Mean		2.7940	2.7110	2.9668	2.9269	2.9734	2.8140
Std. Deviation		.40509	.45407	.17952	.26072	.30434	.45307
Variance		.164	.206	.032	.068	.093	.205

Source: Research data (2019)

### 4.3.5 Effect of Production outsourcing on organizational performance

**Table 15: Production Outsourcing**

		Production outsourcing has reduced business operation costs	Production outsourcing has led to well-developed manufacturing processes	Production outsourcing has led to quality improvement	Production outsourcing has led to access of new technology	Production outsourcing meets downsizing requirements	Production outsourcing creates additional capacity	Production outsourcing reduces capital investment
N	Valid	301	301	301	301	301	301	301
	Missing	0	0	0	0	0	0	0
Mean		2.8339	2.6877	2.8505	2.9734	2.7442	2.7708	2.9169
Median		3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000
Std. Deviation		.37280	.46420	.35718	.16111	.43704	.42104	.43560
Variance		.139	.215	.128	.026	.191	.177	.190

Source: Research data (2019)

The study sought to establish the effect of production outsourcing on organizational performance in Unilever. The growth in production outsourcing practice has been contributed by the firms need for varied and excellent quality products in order not only for survival but also for excelling in the fast-paced external environment (Lacity and Willcocks, 2009)

From the findings in table 4.6 it is evident that Unilever have embraced increase in efficient production. This is as per majority respondents (Mean 2.97) who agreed that use of production outsourcing has led to access to new technology. This has reduced the need for capital investment (Mean 2.91) and have led to quality improvement (Mean 2.85) which has reduced business operation costs (Mean 2.83)

#### 4.3.6 Merits and Demerits of Outsourcing

**Table 16: Advantages of Outsourcing**

Item Statistics			
	Mean	SD	N
Cost reduction	2.9668	.29251	301
Focus on core competence and customer relationships	2.9236	.35234	301
Quality improvement	2.8937	.30875	301
Access to new technology and global talent	2.7874	.47043	301
Increase in operating cash flow	2.5515	.49817	301

Source: Research data (2019)

Through outsourcing Unilever has moderately realized cost reduction (Mean 2.97), managed to focus on core competence and customer relationships (Mean 2.92), an improvement in quality and access to new technology and global talent (Mean 2.78). However, there was no increase in operating cash flow.

Through outsourcing the company has moderately realized more customer satisfaction (Mean 2.53) and higher reliability and service competence resources (Mean 2.83). The findings of this study are supported by Haveckin (2012) who found that successful outsourcing contract quality is influenced by business understanding, benefit and risk sharing, conflict and commitment.

However, if outsourcing is not handled well will lead to transfer of required knowledge to the vendor, possible creation of competitors, loss of loyal employees and increased monitoring costs.

#### 4.3.7 VUCA environment impact on organizational Performance

**Table 17: VUCA impact**

Item Statistics			
	Mean	SD	N
VUCA environment has encouraged critical and strategic thinking	3.1296	.33639	301
Ambiguity has affected research and development	3.1030	.38213	301
Uncertainty has affected pricing and profitability	3.0897	.28623	301

Volatility in the environment has affected business profitability	3.0631	.33566	301
Complexity have disturbed outsourcing benefits	3.0631	.33566	301
VUCA environment have led to investment in new technologies	3.0166	.26405	301

Source: Research data (2019)

The study sought to establish the effect of VUCA environment on organizational performance in Unilever.

From the findings in table 4.8 it is evident that VUCA environment has encouraged critical and strategic thinking (Mean 3.13) that has led management to outsource many functions since ambiguity has affected research and development (Mean 3.10). The environment has affected pricing and profitability (Mean 3.09) and to an extent has diluted some benefits being realized from outsourcing (Mean 3.06).

This is supported by (Anita 2015) who buttressed that, one of the major lessons of the VUCA world is that leaders need to engage all employees at all levels to gain their trust and contribution in dealing with the great range of challenges that VUCA poses. Seen from this point of view VUCA becomes an opportunity for development and greater collaboration, rather than a risk to be mitigated.

For Unilever Zimbabwe, VUCA has presented Leadership with an opportunity to use outsourcing as a strategic tool to increase production output, reduce costs on HR and tap into new technologies and improve quality and efficiency in the long run.

#### **4.3.8 Outsourcing and Organizational Performance**

From the findings in Table 4.9, its evident that Unilever has realized a wide collection of benefits arising from outsourcing activities in the company. Among the listed include (in order of importance);

- a) Increase in production output
- b) Innovation and employee development
- c) Increase in market share
- d) Improved efficiency
- e) Reduction in business costs

f) Increase in profitability of the firm

The findings of this research are concurrent with Willcocks (2010), that to improve organization performance, firms outsource to others who have state of the art skills that are not currently available in the organization. They are therefore able to improve critical areas of the business which leads to improved organization performance. When noncritical business functions are outsourced the firm can focus on its core business which improves organization performance.

**Table 18: Organizational Performance**

		Outsourcing have reduced business costs	Outsourcing have improved efficiency	Outsourcing have led to an increase in production output	Outsourcing have increased profitability of the firm	Outsourcing have led to an increase in market share	Outsourcing have led to innovation and employee development
N	Valid	301	301	301	301	301	301
	Missing	0	0	0	0	0	0
Mean		2.8937	2.9136	3.2027	2.7973	2.9302	3.0000
Std. Error of Mean		.02591	.02394	.02321	.02321	.02694	.03645
Median		3.0000	3.0000	3.0000	3.0000	3.0000	3.0000
Std. Deviation		.44944	.41535	.40265	.40265	.46739	.63246
Variance		.202	.173	.162	.162	.218	.400

Source: Research data (2019)

#### 4.4RELIABILITY TESTS

According to Saunders (2007) reliability refers to the degree of consistency with what an instrument measures and the attribute it has been designed to measure, and validity as the ability of the research instrument to measure what it was designed to measure .Cronbach's Alpha coefficient is the commonly used indicator of internal consistency; Cronbach's Alpha coefficient checks the extent to which the items on the data collection instrument in this case a questionnaire is all measuring the same construct. Cronbach's Alpha coefficient of a data collection instrument should be at least 0.70 for it to be considered reliable.

The Cronbach's Alpha coefficient for the questionnaire was 0.730 which is greater than the threshold of 0.70 which implies that the questionnaire was a reliable data collection tool

consistently measuring the same construct therefore the data instrument is reliable. The table below shows the reliability test results.

**Table 19: Reliability Test**

Reliability Statistics	
Cronbach's Alpha	N of Items
.730	50

Source: Research data (2019)

#### 4.5 CORRELATION TESTS

Correlation analysis studies the joint variation of two or more variables for determining the amount of correlation between two or more variables (Kothari 2013). The term correlation refers to the strength of the relationship between two or more variables with coefficient ranging from -1.00 to +1.00 where -1.00 is a perfect negative correlation, +1.00 is a perfect positive correlation and 0.00 means there is no relationship between variables being tested (Kothari 2013).

Table 4.11: illustrate the correlation matrix among the study variables. Correlation was used to explore the relationship among the group of the study variables. Since the independent variables were measuring the same dependent variable, it was expected that there existed some association between the predictor variables even if the relationship is not significant

**Table 20: Correlation between the variables**

Correlations					
		BUSINESS_PERFORMANCE	HUMAN_RESOURCES_OUTSOURCING	IT_SOURCING	PRODUCTION_OUTSOURCING
BUSINESS_PERFORMANCE	Pearson Correlation	1	-.117*	.053	.478**
	Sig. (2-tailed)		.043	.357	.002
	N	301	301	301	301
HUMAN_RESOURCES_OUTSOURCING	Pearson Correlation	-.117*	1	.063	.292**
	Sig. (2-tailed)	.043		.278	.000

	N	301	301	301	301
IT_SOURCING	Pearson Correlation	.053	.063	1	.561**
	Sig. (2-tailed)	.357	.278		.000
	N	301	301	301	301
PRODUCTION_OUTSOURCING	Pearson Correlation	.478**	.292**	.561**	1
	Sig. (2-tailed)	.002	.000	.000	
	N	301	301	301	301
*. Correlation is significant at the 0.05 level (2-tailed).					
**. Correlation is significant at the 0.01 level (2-tailed).					

Source: Research data (2019)

From the above table, it is shown that there was a significant weak negative relationship between organizational performance and human resources outsourcing ( $r = -0.117$ ,  $p=0.043$ ). The more the organizational performance increases, the lesser the need to continue outsourcing human resources and vice versa.

There was a significant moderate positive relationship between organizational performance and production outsourcing ( $r = 0.478$ ,  $p=0.002$ ). The more we increase production outsourcing the more the production output increases with improved quality and cost is reduced on products and services.

IT outsourcing and production outsourcing have a significant positive large relationship as explained by Pearson correlation coefficient of 0.561 and a p value of 0.000. This can be interpreted to mean that the more the company adapts to new technologies in production and delivery of its goods and services the more the business realize more production output, at high quality levels thereby reducing costs.

There was also a weak positive but significant relationship between production outsourcing and human resources outsourcing ( $r=0.292$ ,  $p=0.000$ ). The more we outsource production, the more the need to outsource human resources and vice versa.

Finally, the results show that there is an insignificant positive weak relationship between IT outsourcing and organizational performance ( $r=0.053$ ,  $p=0.357$ ). This is interpreted to mean that increased IT outsourcing does not necessarily lead to an increased organizational performance.

## 4.9 REGRESSION TESTS

**Table 21: Model Summary**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.197 <sup>a</sup>	.049	.039	.46430
a. Predictors: (Constant), PRODUCTION_OUTSOURCING, HUMAN_RESOURCES_OUTSOURCING, IT_SOURCING				

Source: Survey data (2019)

The adjusted R square was 0.39 meaning that outsourcing of business activities influenced up to 39% of the organizational performance. The remaining 61% are explained by other factors not in the model.

Analysis of variance (ANOVA) was done to establish the fitness of the model used. The ANOVA table shows that the F-ratio ( $F=9.301$ ,  $p=.002$ ) was statistically significant. This means that the model used was appropriate and the relationship of the variables shown could not have occurred by chance.

**Table 22: ANOVA**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.323	3	.108	9.301	.002 <sup>b</sup>
	Residual	8.018	297	.027		
	Total	8.341	300			
a. Dependent Variable: BUSINESS_PERFOMANCE						
b. Predictors: (Constant), PRODUCTION_OUTSOURCING, HUMAN_RESOURCES_OUTSOURCING, IT_SOURCING						

Source: Research data (2019)

**Table 23: REGRESSION COEFFICIENTS**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.484	.261		13.370	.000
	HUMAN_RESOURCE_S_OUTSOURCING	.066	.062	.064	1.074	.044
	IT_SOURCING	.076	.090	.059	.848	.097
	PRODUCTION_OUTSOURCING	.199	.075	.193	2.663	.008

a. Dependent Variable: BUSINESS\_PERFOMANCE

Source: Research data (2019)

The above table gives the results for the regression coefficient for the multiple linear equation.  $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$  which by supplying the coefficients becomes:

$$Y = 3.484 + 0.066X_1 + 0.076X_2 + 0.199X_3$$

- Y = Organizational performance
- X1 = Human resources outsourcing
- X2 = IT outsourcing
- X3 = Production outsourcing

From the findings in Table 4.14 it is evident that from the regression equation established, holding all independent factors constant then organizational performance will be 3.484 units. From the regression equation holding all other independent variables a constant, a unit increase in human resources outsourcing will lead to a 0.066 improvement in organizational performance. A unit change in IT outsourcing will lead to 0.076 improvement in organizational performance, and a unit increase in production outsourcing will lead to a 0.199 improvement in organizational performance

However, at 5% level of significance and 95% level of confidence, human resources outsourcing, and production outsourcing has a significant influence on the organizational performance with p-values of 0.044 and 0.008 respectively and therefore their coefficients should be retained in the final model. The P-value associated with IT outsourcing is 0.97 an implication that though IT

outsourcing has an influence on the organizational performance, its effect is insignificant and so it may be dropped in reporting the final model.

The results further infer that of all the predictors considered in this study production outsourcing contributes the most to the organizational performance followed by human resources outsourcing as implicated by their larger coefficients.

#### **4.7 CHAPTER CONCLUSION**

From the findings, VUCA has presented Leadership with an opportunity to use outsourcing as a strategic tool to increase production output, reduce costs on HR and tap into new technologies and improve quality and efficiency in the long run.

The view of the respondents was that outsourcing affects organization performance by creating room for internal resources to be redirected to perform core activities, reducing overhead and fixed costs, improve efficiency, reduce costs, improve quality levels of products and less investment in assets and giving an opportunity for capital funds to be used in boosting core activities.

From the correlation analysis, IT outsourcing and production outsourcing have a significant strong positive relationship as implied by ( $r=0.561$ ,  $p=0.000$ ). The more the company adapts to new technologies in production and delivery of its goods and services, the more the business realize more production output, at high quality levels thereby reducing costs and increasing profitability of Unilever Zimbabwe.

The findings of this study support Suraju (2013) that Cost reduction and efficiency improvement have frequently been reported as the major drivers of outsourcing hence concurring with a study by McTernan (2015) entitled “outsourcing for operational efficiency” which is done with a clear objective of saving money through reductions in staff and other resources.

## CHAPTER FIVE

### CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 INTRODUCTION

This chapter discusses the achievement of objectives, research questions, conclusions, limitations, summary, recommendations, and suggestions for further studies.

#### 5.2 ACHIEVEMENT OF RESEARCH AIM AND OBJECTIVES

The main aim of the research was to investigate the impact of outsourcing strategies on Organizational performance in a VUCA environment in the fast-moving consumer goods sector, a case of Unilever Zimbabwe. For this purpose, the study identified four main objectives that impact on outsourcing in consumer goods sector.

**Findings about hypothesis one which is in line with objective one.** This hypothesis states that there is a positive relationship between outsourcing human resources and organizational performance. Based on the correlation result, it is shown that there was a significant weak negative relationship between organizational performance and human resources outsourcing ( $r = -0.117$ ,  $p=0.043$ ). The null hypothesis was rejected, and research objective have not been met. Increasing HR outsourcing is relevant but has no direct impact on organizational performance. As organizational performance increases, there is need to cut on HR outsourcing

**Findings about hypothesis two which is in line with objective two.** The hypothesis states that, there is a positive relationship between outsourcing information technology and organizational performance. Based on the correlation result, there was a significant moderate positive relationship between organizational performance and production outsourcing ( $r = 0.478$ ,  $p=0.002$ ). The null hypothesis was accepted, and research objective have been met. The more we increase production outsourcing the more the production output increases with improved quality and cost is reduced on products and services.

**Findings about hypothesis three which is in line with objective three.** The hypothesis states that, there is a positive relationship between outsourcing production of key inputs and organizational performance. Based on the correlation test result, the results show that there is an insignificant positive weak relationship between IT outsourcing and organizational performance ( $r=0.053$ ,  $p=0.357$ ). The null hypothesis is accepted, and research objective have been met. This is interpreted to mean that increased IT outsourcing does not necessarily lead to an increased organizational performance.

**Findings about hypothesis four which is in line with objective four.** The hypothesis states that, a VUCA environment mediates the relationship between outsourcing and performance. Based on descriptive analysis, it is evident that VUCA environment has encouraged critical and strategic thinking (Mean 3.13) that has led management to outsource many functions since ambiguity has affected research and development (Mean 3.10). The environment has affected pricing and profitability (Mean 3.09) and to an extent has diluted some benefits being realized from outsourcing (Mean 3.06).

Seen from this point of view VUCA becomes an opportunity for development and greater collaboration, rather than a risk to be mitigated. For Unilever Zimbabwe, VUCA has presented Leadership with an opportunity to use outsourcing as a strategic tool to increase production output, reduce costs on HR and tap into new technologies and improve quality and efficiency in the long run. Therefore, based on this analysis the null hypothesis was accepted and objective validated.

### **5.3 CONCLUSION**

The study attempted to explore and understand the impact of outsourcing strategies on organizational performance in an FMCG sector. It started out with understanding the drivers for outsourcing. Freeing internal resources for other purposes and increasing access to skills and technologies came up as the top drivers, other drivers included to gain world class capabilities, improve the cost, quality, service, speed and to reduce the risk in investments.

Through outsourcing Unilever has moderately realized cost reduction, managed to focus on core competence and customer relationships, an improvement in quality and access to new technology and global talent. The findings of this study are supported by Lacity and Willcocks (2009) who stated that, by adopting this strategy through allowing outside specialist organizations to concentrate on specific tasks, manufacturing firms may increase their quality in production processes by focusing more narrowly on the things they do best.

Respondents identified transferring knowledge to the vendor, possible creation of competitors and loss of loyal employees as main disadvantages of outsourcing, this is supported by Gao et al. (2014) who argued that the strategic decision for outsourcing may reduce firms' innovation, may transfer valuable knowledge or expertise to the supplier organizations and may reduce controlling power over a firm's activities. There is also a major threat of declining innovation by the outsourcing firms through a reliance on outsourcing activities. It can trigger to a loss of long-run research and development competitiveness as firms often use outsourcing as a substitute for innovation (Schmeisser, 2013).

VUCA environment has presented Leadership with an opportunity to use outsourcing as a strategic tool to increase production output, reduce costs on HR and tap into new technologies and improve quality and efficiency in the long run.

From the regression equation established, holding all independent factors constant then organizational performance will be 3.484 units. From the results, holding all other independent variables a constant, a unit increase in human resources outsourcing will lead to a 0.066 improvement in organizational performance. A unit change in IT outsourcing will lead to 0.076 improvement in organizational performance, and a unit increase in production outsourcing will lead to a 0.199 improvement in organizational performance

However, at 5% level of significance and 95% level of confidence, human resources outsourcing, and production outsourcing has a significance influence on the organizational performance with p-values of 0.044 and 0.008 respectively and therefore their coefficients should be retained in the final model. The P-value associated with IT outsourcing is 0.97 an implication that though IT outsourcing has an influence on the organizational performance, its effect is insignificant and so it may be dropped in reporting the final model.

The results further infer that of all the predictors considered in this study, production outsourcing contributes the most to the organizational performance followed by human resources outsourcing as implicated by their larger coefficients.

#### **5.4 ANSWER TO RESEARCH QUESTIONS**

The main research question was:

What is the impact on organizational performance of companies operating in a VUCA environment that outsource finance, production, human resources and information technology in the FMCG sector?

Results revealed that there was a negative weak but significant relationship between human resources and performance, further it stated that there was a positive relationship between information technology and production outsourcing with organizational performance.

##### **What is the effect of outsourcing human resources on the performance of Unilever Zimbabwe?**

Results revealed a negative relationship between outsourcing HR and organizational performance. Due to company downsizing, workers are less motivated, and new workers who are outsourced lacks motivation due to lower remuneration and packages proffered to them from employment agencies and outsourcing firms

##### **What is the impact of outsourcing information technology on organizational performance of Unilever Zimbabwe?**

Information technology has enabled the firm to tap into new technologies in the market place and drive efficiency in production and working environment

##### **What is the impact of outsourcing production of inputs on the performance of Unilever Zimbabwe?**

There has been increased capacity and more production output. However, the company is facing challenges with import licenses and paying suppliers in foreign currency hence there is still demand to be met in the market.

### **How does business environment impact on the effectiveness of outsourcing?**

VUCA environment has encouraged critical and strategic thinking that has led management to outsource many functions since ambiguity has affected research and development. The environment has affected pricing and profitability and to an extent has diluted some benefits

## **5.5 CONTRIBUTION**

This section focuses on the contributions of this dissertation. The section is divided into three subsections addressing contribution to theory, methodology and empirical.

### **5.5.1 Theoretical contribution**

The study contributes to outsourcing literature in the Zimbabwean context and management in several ways. This is an important study regarding mediating role of VUCA environment between outsourcing strategies and organization performance.

First, the investigation has added to the prior research regarding impact of outsourcing on organizational performance. The value addition of this research lies in the finding that VUCA environment have provided an opportunity for leadership to implement outsourcing as a strategy to improve organizational performance.

It also challenges earlier research, which identified cost as top reason for outsourcing. In this research, freeing internal resources for other purposes and increasing access to skills and technologies has emerged as top reasons for outsourcing.

Another contribution lies in the negative impact of HR outsourcing on organization performance, which is not consistent with earlier research that revealed a positive relationship between outsourcing HR and organization performance. The reason for negative relationship can be attributed to the turbulence in the operating environment.

Further, it adds to prior research by revealing that there is a positive relationship on production and IT outsourcing on organizational performance. Therefore, it is an integrated research, which took into consideration four important aspects at the same time relating to outsourcing and performance i.e. the mediating role of VUCA environment, impact of HR, IT and production outsourcing.

The study has also proven that outsourcing strategies and organizational performance phenomena in Zimbabwe can be rationalized using various outsourcing theories models and frameworks developed elsewhere, mostly in the first world.

### **5.5.2 Methodological contribution**

The first contribution has been the combination and application of production, human resources and information technology outsourcing to study their impact on organizational performance in a turbulent environment in FMCG sector in Zimbabwe.

The second contribution lies in the experience gained through application of case study strategy and an interpretive approach and techniques applied for data collection. This experience may be useful for other studies on outsourcing in organizations and communities in the context of developing countries.

Final contribution relates to the application of theories and concepts developed in other contexts. This applicability has been questioned before due to the complexities and differences that exist in social and cultural settings. The successful use of these theories in this study contributes towards providing examples of the interpretation of case studies from developing countries like Zimbabwe.

### **5.5.3 Empirical contribution**

This is the first empirical study to examine three important aspects at the same time relating to outsourcing and performance i.e. impact of HR, IT and production outsourcing.

Second, empirical evidence is provided on the mediating impact of VUCA on outsourcing strategies on organizational performance. Where it has emerged that VUCA environment rather than being a predicament have spurred leadership to be visionary, and agile hence creating more opportunities for the organization to swim in the blue ocean.

Finally, the contribution lies in the combination and application of different theories developed in western countries to study outsourcing in a developing country. The fieldwork and data techniques applied in this study process can also help other researchers in conducting similar studies in other developing country contexts.

## **5.6 POLICY RECOMMENDATIONS**

Government should have a policy with regards to regulating various employment agencies that have sprouted in the country. In this environment where companies are retrenching, and unemployment rate is high, many people are being exploited by the outsourcing firms. The firms give them opportunity to work without proper evaluation, but when the people cannot meet the performance expectation of the client company they are laid off. Such types of events also lower the morale of peers or other employees recruited through the third party. Government should have policy in this regard.

## **5.7 MANAGERIAL RECOMMENDATIONS**

The outsourcing decision-making process must be linked with the organization's overall business strategy. Understanding current performance and the degree to which sustainable superior performance can be maintained allows the outsourcing process to be linked with the overall business strategy.

Organizations must have robust performance measurement systems in place to evaluate and manage outsourcing effectively. If an organization outsources its business processes without developing effective performance measures, it cannot judge how well service providers are performing.

Outsourcing in a VUCA environment creates new challenges that leadership have previously not been exposed to. It is important for leaders to understand challenges brought by the current environment. This will enable the leaders to address the barriers that employees are experiencing as well as identify opportunities to support delivery of their objectives and goals.

Each dimension of VUCA is distinctive and requires a different optimum course of action as the solution that works for one part of VUCA might not work for the other three (Bennett and Lemoine, 2014). To mitigate the challenges associated with outsourcing in a VUCA environment, managers should consider the following:

1. Volatility – ensure the organization is agile in dealing with any form of volatility that may occur in the environment
2. Uncertainty – ensure information networks are created focusing on gathering information within and outside the organization.
3. Complexity – remove all barriers that create complexity within the system. Review organizational structures to ensure it supports delivery on strategy.
4. Ambiguity – identify all policies and processes that allow for ambiguity in its implementation

Further, to avoid the bad effects of outsourcing on employees, managers should make employees aware about the activity being outsourced by the organization and its related benefits. It has been revealed that if employees have positive perception about outsourcing it will positively affect their attitudes towards the job.

Finally, organizations should match leadership mindset to developing turbulence by organizing workshops. Revolutionary strategies like collaborations and partnerships, mergers and acquisitions, bundling and unbundling should be considered. Chaotic strategies for operating in a

VUCA environment (Blue Ocean, Disruptive Innovation, and Hyper competition) should be implemented to increase organizational performance.

## **5.8 GENERALISATION OF FINDINGS**

The study contains useful information to executives considering outsourcing in a VUCA environment and the impact on organizational performance. This study concentrated mostly on outsourcing decision of a firm in fast moving consumer goods industry, which can be further extended to other firms in FMCG sector as well as generic industries too.

## **5.9 RESEARCH LIMITATIONS AND AREAS OF FURTHER RESEARCH**

Limitation of this paper is that the impact of outsourcing on a company's performance relied upon perceived results rather than on direct measures for quantifiable dimensions, that is profitability and productivity.

Finally, the study was quantitative which creates a limitation on the results as no qualitative feedback could be used to support the study.

In future research, financial metrics to provide more objective evaluations of a company's outsourcing impact on profitability and productivity dimensions must be taken into consideration.

Productivity can be measured from the ratios of outputs and inputs. Output is measured through the total revenue or sales of the firm, while inputs are measured through the number of employees and the total assets or inventory required to generate the output.

Profitability metrics measure the return that firm owners receive from their investments. This dimension can be measured by return on assets, return on equity and net profit margin.

Future research could be continued to measure various performance variables such as productivity, sales, revenues, career opportunities, manifest in power struggles, change jobs, change

organizational cultures in multiple case companies, which affect with the success or failure of outsourcing arrangements.

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## APPENDICES

### QUESTIONNAIRE

#### Graduate School of Management



Dear Sir/ Madam

REF: Graduate Research Questionnaire

My name is Mutesva Dudzai, an MBA student and I am undertaking a research entitled; **An investigation on the impact of outsourcing strategies on Organizational Performance in a VUCA environment in Zimbabwe: A case of Unilever Zimbabwe.**

You have been identified as one of the respondents to the questionnaire because of the expertise you present.

In this regard I kindly request you to fill the questionnaire. The response of the questions therein and any information will be purely for academic research, the purpose and the information provided will be treated with the strictest of confidence and anonymity.

Results of the study will be vital for current and future students as well as researchers. Your assistance and support will be highly appreciated.

Yours sincerely,

Mutesva Dudzai

#### Instructions

1. May you please provide your honest answers?
2. Answer all questions
3. Tick in the spaces provided
4. Do not write your name or your identification to ensure confidentiality
5. The questionnaire will be collected once you have completed answering



## Section C: Impact of Outsourcing strategies on Organizational Performance

Please indicate the extent to which you agree with each statement using the following scale (1- Strongly Disagree, 2- Disagree, 3- Agree, 4- Strongly Agree).

	Question	Strongly dis agree	Disagree	Agree	Strongly Agree		
<b>Human Resources Outsourcing on Organizational Performance</b>							
1.	HR outsourcing helps in reduction of HR cost	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
2.	HR outsourcing helps in improvement of HR services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.	HR outsourcing helps with the increase in HR efficiency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
4.	HR outsourcing allows HR to focus on core business functions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
5.	HR outsourcing allows HR to be perceived as strategic business partner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
6.	HR outsourcing leads to loss of in-house talent/expertise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
7.	HR outsourcing leads to decrease in employee morale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
8.	HR outsourcing leads to decrease in quality level	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
<b>Information Technology Outsourcing on Organizational Performance</b>							
9.	Through IT outsourcing, our company has gotten access to the most recent technology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
10.	IT outsourcing has minimised risks incurred in operation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
11.	IT outsourcing has increased efficiency and productivity in our firm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
12.	IT outsourcing has led to the transformation of some fixed costs into variable cost	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
13.	IT outsourcing has increased access to skilled resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
14.	IT outsourcing meets downsizing requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
<b>Production outsourcing of Key Inputs on Organizational Performance</b>							
15.	Production outsourcing has reduced business operation costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
16.	Production outsourcing has led to well-developed manufacturing processes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
17.	Production outsourcing has led to quality improvement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
18.	Production outsourcing has led to access of new technology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
19.	Production outsourcing meets downsizing requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
20.	Production outsourcing creates additional capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
21.	Production outsourcing reduces capital investment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		

	Question	Strongly dis agree	Disagree	Agree	Strongly Agree		
<b>Advantages of Outsourcing</b>							
23	Cost reduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
24	Focus on core competence and customer relationships	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
25	Increase in operating cash flow	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
26	Quality improvement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
27	Access to new technology and global talent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
<b>Disadvantages of Outsourcing</b>							
28	Social costs in terms of job losses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
29.	Increased monitoring costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
30.	Loss of loyal employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
31.	Transferring required knowledge to the vendor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
32	Loss of control and security issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
33	Possible creation of competitors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		

## SECTION D: Mediating Impact of Turbulence environment on Outsourcing and Performance

VUCA environment mediating role on business performance and outsourcing strategies

	Question	Strongly disagree	Disagree	Agree	Strongly Agree		
<b>VOLATILITY, UNCERTAINTY, COMPLEXITY, AMBIGUITY (VUCA) environment</b>							
1.	Volatility in the environment has affected business profitability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
2.	Uncertainty has affected pricing and profitability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.	Complexity have disturbed outsourcing benefits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
4.	Ambiguity has affected research and development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
5.	VUCA environment has encouraged critical and strategic thinking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
6.	VUCA environment have led to investment in new technologies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		

## SECTION E: OUTSOURCING AND ORGANIZATIONAL PERFORMANCE

	Question	Strongly disagree	Disagree	Agree	Strongly Agree		
<b>Outsourcing strategies and Organizational Performance</b>							
1.	Outsourcing have reduced business costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
2.	Outsourcing have improved efficiency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
3.	Outsourcing have led to an increase in production output	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
4.	Outsourcing have increased profitability of the firm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
5.	Outsourcing have led to an increase in market share	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
6.	Outsourcing have led to innovation and employee development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		