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TITLE:

**AN INVESTIGATION INTO THE IMPACT OF OUTSOURCING PROCESSES ON
CORPORATE PERFORMANCE: THE CASE OF CONSTRUCTION INDUSTRY IN
HARARE, ZIMBABWE**

**PROGRAMME: A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF
THE REQUIREMENTS FOR THE MASTER DEGREE IN BUSINESS
ADMINISTRATION.**

By

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DEDICATION

I dedicate this research to my beloved husband Calvin Tawanda Chigariro and our sons Jerome Calvin and Jermaine Darryl who tolerated my absence during the course of this study.

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I thank God for his continual supernatural favour.

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ABSTRACT

The operating environment has become highly turbulent and complex hence the call for businesses to come up with robust and relevant solutions that will ensure their survival and continuity in the long run, the ability to manage efficiencies and the need to reduce costs will be of paramount importance in order to produce their goods efficiently. Increasingly Corporates have begun to look at various strategies that will cushion them from high costs and enable them to realise the much needed returns. Outsourcing has been viewed as a corporate level strategy. In as much as companies were resorting to outsourcing as a panacea to their problems, not all of these organizations were realizing the intended benefits of outsourcing, some were even facing failures despite making the decision to outsource. It is on this premise that the research was conducted to investigate whether outsourcing processes improves corporate performance within the construction industry in Harare, Zimbabwe. The construction industry in Harare Zimbabwe has not been spared from the economic and political hardships challenges. The industry hedged the challenges through employing corporate level strategies such as fleet management outsourcing, quarry or mining outsourcing and production maintenance as a way of ensuring they provide high quality products at an affordable price in order to remain competitive and the preferred supplier by their customersthe possibility of these benefits are not yet fully exploited in Zimbabwe hence, this study aimed at investigating the impact of outsourcing processes on corporate performance in the construction Industry in Harare Zimbabwe.

Quantitative research was utilised to collect data from respondents through self-administered questionnaires. The data collected was validated before analysis for relationships. The major result from this study revealed Outsourcing processes have a positive impact on Corporate Performance. Results also further showed that organisations that follow the criteria before making the decision to outsource perform better.

LIST OF ACRONYMS AND ABBREVIATIONS

Analytic Hierarchy Process	(AHP)
Analytic Network Process	(ANP)
Case-Based Reasoning	(CBR)
Confederation of Zimbabwe Industries	(CZI)
Data Envelopment Analysis	(DEA)
Genetic Algorithm	(GA)
Incomplete Contract Theory	(ICT)
Resource Based View	(RBV)
Simple Multi-Attribute Rating Technique	(SMART)
Social Exchange Theory	(SET)
Transaction Costs Economics	(TCE)

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CHAPTER ONE: INTRODUCTION

1.0 INTRODUCTION

Dolgui and Proth, (2013) view outsourcing as a process of receiving certain goods or services from an outside company, the company obtaining the service is known as the buyer, whilst the company providing the service is known as the vendor. Outsourcing is also mainly seen as a broad, relevant and multi-pronged strategic decision. Outsourcing is generally viewed as the strategic process by which an organization acquires resources from other independent firms instead of producing them internally (Boldea and Brandas, 2007). Increasingly, the operating environment has become highly turbulent and complex hence the call for businesses to come up with robust and relevant solutions that will ensure their survival and continuity in the long run, the ability to manage efficiencies and the need to reduce costs will be of paramount importance in order to produce their goods efficiently.

In spite of the fact that corporate survival strategies have shifted beyond plain vanilla outsourcing to business process reengineering and downsizing as corporates are forced to adopt lean structures and lean processes in order to achieve agility. According to Statistica (2018) the global market for outsourced services has grown 95% from \$45.6 million to \$88.9 billion. Pfeifle, Ley, Tauschek and Enderle, (2018) regard fleet leasing and management as a key enabler for the future of mobility, previously corporates owned and managed their fleet, however in recent years more companies have begun to direct their fleet strategies toward leasing rather than purchasing vehicles in order to reduce their working capital and also focus on their key competencies within that particular sector, which just shows the extent to which companies have begun to rely more and more on third parties in order to enhance and grow the business further. While outsourcing is generally expected to improve corporate performance through cost savings, empirical evidence on the impact of outsourcing is mixed given the complexity brought about by the unstable and dynamic operating environments. According to David, Banerjee and Ponnampalnam, (2017) the reason behind outsourcing is that it is frequently mentioned in literature that there is need to focus on core activities. The idea here is that organizations should sharpen and harness

their focus on activities generating competitive advantage by outsourcing external activities which result in low added value.

Zimbabwe in general has been described as uncompetitive, particularly the manufacturing sector due to a number of factors such as high cost of utilities, poor infrastructure network, antiquated machinery, unfavourable business environment among other factors. As a result, many manufacturing companies adopted strategies to cut costs that include toll manufacturing and outsourcing key activities both locally and offshore. The envisaged benefits from these strategic initiations have however become complicated given the deteriorating and very unique operating environment characterized by foreign currency shortages, company closures, liquidity shortages, policy inconsistencies among others here in Zimbabwe. Kuwaza (2016) reported that in 2016 alone more than 229 companies closed down due to poor operating environment. What are the implications of these closures to the construction industry and other manufacturing companies in Zimbabwe relying on outsourcing as a strategy to achieve competitive advantage? Zimbabwe also faces unique challenges of low capacity utilization which is estimated at around 45% by the Confederation of Zimbabwe Industries (CZI) in its 2016 Manufacturing Survey report.

This paper seeks to investigate empirically whether outsourcing does improve corporate performance with particular focus on the various stages that are carried out when outsourcing, strategic thinking and planning, selection and evaluation, contract development, relationship management and risk assessment, taking a look at the construction industry in Harare. The researcher evaluated the importance of each of these stages and their contribution towards corporate performance. The next section provides a detailed background on the relationship between outsourcing processes and corporate performance. This paper also discussed in detail why this study is beneficial to industry, policy makers and academia. This chapter focused on the introduction, background to the study, problem statement, research objectives, research questions, hypothesis, and justification of the study, research scope, dissertation outline and lastly the chapter summary.

1.1 BACKGROUND OF THE STUDY

Over the years construction companies have been facing a plethora of challenges and some of these notable challenges are associated with high operating costs, management and monitoring issues, a large wage bill, bloated structures, failure to concentrate on the core function and mandate of the business, lack of skills set, declining revenues, loss of market share and quality issues. Globally more and more companies have begun to look at various corporate level strategies to help curb the challenges being faced Nyameboame and Haddud(2017) indicated that in order to survive and remain efficient, they must adopt strategies and capabilities to help them gain a competitive advantage over their competitors . The current financial environment is so competitive that most organizations have been forced to reduce workforce, down-size or to re-evaluate and reprioritize through restructuring and paying more attention to their core competencies. This has enabled firms realize that not all of the business activities can be provided internally and have therefore resorted to outsourcing. Outsourcing has been a major tool used strategically in this current competitive milieu to help management acquire knowledge and capabilities necessary for restructuring and management of relationships which are also conducive for the smooth and effective running of arrangements concerning outsourcing. Thus, outsourcing has become a popular business strategy widely used by both local and foreign businesses According to Hansen,Shaumberg-Muller and Pottenger. (2008),outsourcing was traditionally on low value added manufacturing activities, but increasingly it has taken the form of advanced services such as high quality manufacturing processes. Hätönen and Eriksson(2009) are of the view that outsourcing stems from a cost-focused approach where organizations saw the need to reduce and manage their costs. They have also alluded to the fact that the currently highly competitive environment can also be referred to as an outsourcing economy which is characterized by an increased focus on core organizational activities and simultaneous leveraging of external resources, skill, knowledge, capabilities and competences. Johns(2009)outlines the three major reasons why China has become an outsourcing destination and the first being the worldwide need to reduce costs, as a major manufacturing hub for low cost production. This shows that companies all over the world have begun to adopt various cost leadership strategies in order to remain viable and competitive within the industry a move that will see to it that revenues are increased and that the market share grows.

Firms have begun to adopt a strategy of specializing in the areas that they have competitive advantage as they seek to enhance and improve their efficiencies and flexibility to respond to demand changes promptly. Cement manufacturing companies in Kenya have faced a number of challenges such as high cost of electricity due to the high tariff rates. The state of some of the Kenyan roads have also led to increases transportation costs of both raw materials and finished goods. “Rapid growth of the country’s urban population has led to rapidly growing demand for energy services, in particular, electricity, refined petroleum products and biomass. This often results in acute shortages and steep increase in prices” (Karekezi, Kimani, & Onguru, 2008). This in turn affects the cement processing systems and the pricing structure of the end product and hence reduces the competitiveness of any firm.

More recently organizations are said to have taken a significant shift from information technology governance in house and have extended that control to external software specialists to manage and run the information technology Centre. This eventually results in corporates completely doing away with a division within their structures, furthermore corporates need to rely on outside expertise that is more capable in keeping up with leading edge technologies. Hence it is evident that outsourcing can be employed as a corporate level strategy to curb various challenges associated with manufacturing companies as it also redirects and channels their focus to their core competency. Outsourcing is a slowly being adopted among both private and public sectors and is a major component in strategic decisions. It is therefore important to understand the impact this strategy has on the performance of any organization. Quelin and Duhamel (2003) cited the case of IBM and how it ended up outsourcing its logistics arm to company known as Geodis who in turn saw the company growing from strength to strength distributing products throughout Europe, Middle East and Africa. In October 1998 a Five-year contract was then signed this saw Geodis catering for Italy, France, Germany, Spain and Portugal. The areas that IBM outsourced to Geodis are inbound logistics from suppliers to factories, flows between factories, flows from factories to distributors, approximately 500 distributors in the relevant countries and flow of spare parts for maintenance allowing IBM to realize cost savings. The geographical scope of the areas that require distribution would have entailed heavy investments for IBM had it not been for the logistics outsourcing contract. This increased the visibility of IBM immensely.

This study focuses on assessing whether the various stages involved in outsourcing improve corporate performance. The study looks at Strategic thinking and planning, selection and evaluation, contract development, relationship management and finally risk assessment and how important they are to the performance of the business with particular focus on seven companies in the construction industry based in Harare, Zimbabwe. These companies are LafargeHolcim Zimbabwe, Pretoria Portland Cement Zimbabwe, Turnall Zimbabwe, Willdale Bricks, Beta Bricks Vaka Building materials and Hardware and Zimtile and Homestyle Bricks. This study has emanated mainly from the economic and political challenges that have plagued the construction industry. In such a situation, the industry had increased due to massive home construction projects and expansion programs that are currently going on in the country and the need for building material in the face of high operational costs, huge wage bill, the need to transform fixed costs into variable costs, the need to reduce capital invested, to improve costs and to remain competitive. According to Karim (2009), there is constant pressures on companies to work more on their operational efficiency for increased competitiveness and ultimate corporate success. He further elaborates that such pressures include competition from cheaper imports, in order to remain viable it is important to understand the impact that strategies such as outsourcing have on the performance of the construction industry in a turbulent economic environment. Zimbabwe's manufacturing sector has experienced low capacity utilization, low production levels and high operating costs this has driven the need for this study.

According to the LafargeHolcim annual report 2014, Lafarge experienced a decline in margins from 0.13% to (3.19%), the company also experienced a loss of close to \$2 million, declining profits and an increase in capital expenditure were some of the challenges that the company was facing. Lafarge uses an old plant dating as old as 1956 from the inception of the plant as Circle Cement and reliability of this plant has since gone down. According to the 2017 annual report sales were reported to have declined as well, further losses were recorded with increased financial costs, logistics costs which increased by 6% and administration expenses which increased by 26%. Pretoria Portland Cement also recorded low profitability in 2014 according to their annual report, sales volumes fell by 5.1% in 2014. Both companies also faced challenges from cheap imports that entered the country through the Durban Port forcing them to remain profitable amidst the various pressures posed by the environment and this led to consumers opting to buy the cheaper products and hence the sales declines. According to the Pretoria

Portland Cement's annual report (2017), low economic growth was recorded in the regions that they operate and hence curtailing cement volume growth. Declines were also recorded in South Africa and Botswana. Zimtile, Beta Bricks, Willdale Zimbabwe and Turnall have also been facing economic challenges mainly stemming from the foreign currency shortage given that most of their raw materials are imported. The brick manufacturers have also been facing stiff competition from mushrooming brick companies such as Golden Bricks and many others. Hence because of all these challenges companies can no longer afford to operate in an inefficient manner and hence the calls to come up with robust strategies that will see to it that their businesses thrive.

1.2. STATEMENT OF THE PROBLEM

In light of the unique and turbulent environment characterized by hyper competition, company executives have sought strategic initiatives designed to create sustainable competitive advantage. Many have resorted to strategic outsourcing in conjunction with rightsizing, retrenchments and downsizing in a bid to streamline operations and remain competitive. This trend has not only been prevalent globally, it has also been on the increase in Zimbabwe as management of different organizations in Zimbabwe are faced daily with the challenge of keeping their organizations relevant, given the stiff competition and the operating environment. While outsourcing is expected to lower costs, reduce capital requirements and allow management to focus on core strategic issues by delegating non-core functions to independent firms, the increasing complex and uncertain operating environment in Zimbabwe has made it very difficult to achieve the intended results. The multi-currency environment has made the country a high-cost business environment forcing some manufacturing companies to resort to global outsourcing. However, foreign currency challenges being experienced since 2015, have resulted in companies facing procurement challenges resulting in some companies running for over a year without paying for their imports. Many local companies especially small to medium enterprises which are critical to the functioning of manufacturing value chains are closing down presenting potential challenges to manufacturing companies that rely on outsourcing. Companies like Metso Zimbabwe, manufacturer and supplier of crusher spare parts, Zisco Steel, one of the biggest steel producers, Dore and Pitt Pump and Arther Gardens to mention just a few are some of the local

companies that closed down. According to Kuwaza(2016), 150 companies closed down in the last quarter of 2016 and this is in addition to 81 that had closed down in the first quarter bringing the total to 229 and this came at a time when the economy was facing several hardships such as capacity utilization, liquidity crunch and lack of cheap financing among others, He also alluded that 148 companies from three sectors namely construction, clothing and motoring industries had closed down and this posed serious problems for the construction industry as their processes rely heavily on outsourcing.

Other studies in the area of outsourcing have looked at Outsourcing Motives and the risks associated with it, in a study by Quelin, & Duhamel,(2003). Other studies also looked at the benefits, risks and the decision factors with regards to outsourcing and this was a study carried out by Kremic, Tukul & Rom. (2006). Busi and Mclvor (2008) carried out an overall study that seeks to understand the top ten most urgent outsourcing areas in *setting the Outsourcing Research Agenda: The top ten urgent outsourcing areas*. Jones (2009) also looked at *Outsourcing in China, Challenges, Opportunities and Lessons Learnt*. In as much as outsourcing is regarded as a strategic move to enhance corporate performance. None of the studies has looked at the outsourcing processes and their contribution to corporate performance particularly in the construction industry. In addition of the challenges that the construction industry is facing, there are no clear outsourcing processes that the companies are using whenever they are outsourcing. This study therefore sought to investigate whether the outsourcing processes aides or improves corporate performance with a particular focus on the stages or processes involved in the outsourcing process which are strategic thinking and planning, selection and evaluation, contract development, relationship management and risk assessment and these were analysed in the context of the construction industry in Harare Zimbabwe. For organizations, these key questions have emerged: Does outsourcing really improve business performance? It will also be beneficial for management to understand the level of investment they may need to allocate at each of these stages in order to fully reap the benefits of outsourcing.

1.2.1 Research Gap

In as much as companies were resorting to outsourcing as a panacea to their problems, not all of these organizations were realizing the intended benefits of outsourcing, some were even facing

failures despite making the decision to outsource. It is on this premise that the research was conducted to investigate whether outsourcing processes improves corporate performance within the construction industry in Harare, Zimbabwe. A country that has been plagued with a series of economic and political hardships, the construction industry in Harare Zimbabwe has not been spared from the challenges cited and have hedged this through employing corporate level strategies such as fleet management outsourcing, quarry or mining outsourcing and production maintenance as a way of ensuring the provide high quality products at an affordable price in order to remain competitive and the preferred supplier by their customers.

1.3. RESEARCH OBJECTIVES

1.3.1 Main Objective

It is against the above background that this study sought to investigate the impact of outsourcing on corporate performance with particular focus on the construction sector in Zimbabwe.

To address the main objective, the study also sought to fulfil the following specific sub-objectives:

- a) To ascertain the impact of Strategic Thinking and planning of outsourcing on corporate performance.
- b) To determine the impact of selection and evaluation in outsourcing on corporate performance
- c) To ascertain the impact of Contract Development in outsourcing on corporate performance.
- d) To determine the impact of relationship management of outsourcing on corporate performance.
- e) To assess the impact of risk assessment in outsourcing on corporate performance.

1.4 RESEARCH QUESTIONS

1.4.1 Main Research Question

The main research question that we seek to answer is;

Does outsourcing improve corporate performance in the construction industry companies in Zimbabwe? The main research question will be addressed through the following sub questions;

- a) What is the effect of Strategic Thinking and planning of outsourcing on corporate performance of construction industry in Harare Zimbabwe?
- b) What is the impact of selection and evaluation in outsourcing on corporate performance in construction Industry in Harare, Zimbabwe?
- c) What is the impact of contract development in outsourcing on corporate performance in construction industry in Harare Zimbabwe?
- d) What is the impact of relationship management in outsourcing on corporate performance in construction industry in Harare Zimbabwe?
- e) What is the effect of Risk assessment in outsourcing on corporate performance in the construction industry in Harare, Zimbabwe?

1.5 RESEARCH HYPOTHESIS

1.5.1 Main Research

Hypothesis

The main hypothesis of the study is as follows:

There is a positive relationship between outsourcing and corporate performance in the construction Industry in Harare, Zimbabwe.

The research also sought to test the following hypothesis:

H1: There is a positive relationship between strategic thinking and planning of outsourcing and corporate performance in the construction industry in Harare Zimbabwe.

H2: The selection and evaluation process of outsourcing partners leads to improved corporate performance in the construction industry in Harare Zimbabwe.

H3: Contract development in outsourcing is positively correlated with improved corporate performance in the construction industry in Harare Zimbabwe.

H4: There is a positive relationship between relationship management in outsourcing and corporate performance in the construction industry in Harare Zimbabwe.

H5: There is a positive relationship between risk assessment in outsourcing and corporate performance in the construction industry in Harare Zimbabwe.

1.6 SIGNIFICANCE OF THE STUDY

This study brings immense benefits to both the cement manufacturing companies and the industry. In light of the research gap identified and the management dilemma faced by executives in the construction sector in relation to the question: *to follow the proper stages of outsourcing and the impact of each stage in a turbulent environment?* The findings of this study will provide valuable strategic advice to many company executives not only in the cement manufacturing sector but other sectors as well. This study will assist executives in determining which components of outsourcing require investment in order to enhance corporate performance and also to provide clarity on whether outsourcing in the current turbulent environment improve or hurt corporate performance and hence will provide crucial strategic advice to executives.

Past studies have however merely focused on the benefits of outsourcing independent of the environmental context, the gap which is to be addressed in this study. As a result, the academia will benefit from the new methodological approach of using the turbulent business environment as a moderating factor to the relationship between outsourcing and corporate performance. This study will add to the body of knowledge on outsourcing by filling the gap in current research which did not provide for the impact of a turbulent environment on outsourcing.

Other studies have looked at outsourcing as a whole; this particular study has brought focus to the cement manufacturing industry in view of the growth and expansion projects that are currently underway. The construction industry as a whole will benefit immensely from this study through improved efficiencies, improved product quality, reduced costs and responsiveness to demand flexibility.

1.7 SCOPE OF THE STUDY

This study covered the construction companies in Zimbabwe which are Lafarge Holcim Zimbabwe, Pretoria Portland, Homestyle Bricks, Turnall, Zimtile, Willdale Bricks, Beta Bricks, Vaka Concrete to understand the impact of the operating environment on the performance of the firms. The massive housing projects and the increasing demand for the product cement and other construction material has therefore motivated the researcher to understand the impact of strategies such as outsourcing that the firms have adopted on the performance of these firms in light of the turbulent environment that they operate in. The study will target senior executives in procurement, finance, Human Resources, logistics, production, maintenance and mining as these are key in decision making regarding outsourcing. The timeframe covered will be from 2009 to December 2017 which covers the multicurrency operating environment.

1.8 DISSERTATION OUTLINE

This chapter introduced the background to the research study “An investigation into the impact of strategic outsourcing and corporate performance: The case of the cement manufacturing sector”. The chapter went on to identify a clear research gap for Zimbabwe and then outlined the research problem, research hypothesis and research objectives, significance of the study and scope of the study.

The next chapter (Chapter two) will cover a detailed thematic review of related literature on outsourcing, models of outsourcing and the processes of outsourcing in detail and corporate performance. It will discuss in detail definitions, conceptual framework and empirical evidence on the relationship between outsourcing and corporate performance. The chapter will also present a theoretical framework of the relationship between outsourcing processes and corporate performance.

Chapter three will address the research methodology and will cover the design of the research, the philosophy and research approach. It will describe the sampling design to be used to arrive at the representative sample from the target population of manufacturing firms and further outline the methods to be used to collect and analyze data.

Chapter four will present the findings and analysis of the study using a systematic approach ordered by the research questions. Chapter five will then concludes the research with a discussion of the main findings. It then draws conclusions and offers solutions to the problem statement.

1.9 CHAPTER SUMMARY

This chapter introduced the background to the research study “An investigation into the impact of outsourcing processes on corporate performance: The case of the construction industry in Harare, Zimbabwe”. The chapter went on to identify a clear research gap for Zimbabwe and then outlined the research problem, research hypothesis and research objectives, significance of the study and delimitations.

The next chapter (Chapter two) will cover a detailed thematic review of related literature on outsourcing and corporate performance. It will discuss in detail definitions, conceptual framework and empirical evidence on the relationship between outsourcing processes and corporate performance. The chapter will also present a theoretical framework of the relationship between outsourcing processes and corporate performance.

Chapter three will address the research methodology and will cover the design of the research, the philosophy and research approach. It will describe the sampling design to be used to arrive at the representative sample from the target population of manufacturing firms and further outline the methods to be used to collect and analyze data.

Chapter four will present the findings and analysis of the study using a systematic approach ordered by the research questions. Chapter five will then concludes the research with a discussion of the main findings. It then draws conclusions and offers solutions to the problem statement.

Chapter five summarizes the study in the conclusions and recommendations drawn from the research findings. Areas that will require further study are tentatively suggested as well as delimitations of the study.

CHAPTER TWO: LITERATURE REVIEW

2.1 INTRODUCTION

This section will review a wide spectrum of key literature on outsourcing, corporate 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), Social Exchange Theory (SET) and Core Competencies are thoroughly reviewed to evaluate how they explain corporate performance. While we will conduct a broad analysis of empirical studies on the relationship between the components outsourcing and corporate performance in general, the researcher will do an in-depth review of empirical work on the impact of Strategic thinking and planning in outsourcing, selection and evaluation in outsourcing, contract development in outsourcing, relationship management in outsourcing and Risk assessment in outsourcing on corporate performance in the construction industry in Harare, Zimbabwe.

The review takes a thematic approach to synthesize the broad areas by first taking a global view of the outsourcing in the global manufacturing economy, then narrowing our review to outsourcing and manufacturing in developing countries in general and finally focusing on outsourcing and the construction industry in Harare, Zimbabwe. Through our analysis we will identify what has not yet been researched or omitted concerning this subject as well as the previous methodologies used to come up with existing empirical evidence and conclusions. While much study has been conducted on the impact of outsourcing on organizations worldwide our review will analyze each stage in outsourcing and how it contributes to corporate performance given the unique business environment in Zimbabwe. The literature review identifies the major authors in this subject and understands how previous authors have looked at the key concepts of outsourcing and measured their variables. It synthesizes the ideas of other authors and gives the author's view on the subject.

In order to provide a coherent review of the literature, the study in this section is organized as follows: The study will review theoretical literature on outsourcing in generally literature before an in-depth review of the stages and processes in outsourcing, strategic thinking and planning,

selection and evaluation, contract development, relationship management and risk assessment, which are the focus of the study. The study then reviews theoretical literature on the contextual business environment, which is the construction industry in Harare Zimbabwe. This will be followed by in-depth analysis of empirical research the processes of outsourcing and corporate performance, culminating in definition of the research gap. We conclude the section with our conceptual framework for our study.

2.2 EXPLANATION OF RESEARCH STRATEGY

This research will adopt a thematic approach to synthesize the broad areas and explain them fully from a global, continent, country and lastly industry perspective. This approach will also allow the researcher to look at various themes and what the intellectuals in the field had to say about each theme. The thematic approach presents a critical analysis of the main explanatory themes that have been applied in the field of outsourcing. The researcher's literature search strategy was multi-pronged and it involved accessing various journal articles from Emerald, Ebsco host, Elsevier and google scholar. The key words used in this search were impact, outsourcing, planning, evaluation, contract development, relationship management, risk assessment, corporate performance and the construction industry. The search was limited to a period not more than 10 years to ensure that the search results were relevant and current.

2.3 DEFINITION OF OUTSOURCING

According to Roy and Sivakumar (2012) outsourcing cannot be simply defined in terms of procurement activities and does not capture the true strategic nature of the issue. Outsourcing is not simply a purchasing decision; as all firms purchase certain aspects of their operations, hence not all purchased items are said to be outsourced. On the contrary, they are of the view that outsourcing be regarded as an important decision to outsource some areas of the business. In this way, outsourcing is a highly strategic decision that lies at the heart of an entire organization and any wrong move could affect all operations. They also alluded to the fact that globally firms have increasingly begun outsourcing some of their operations and all this in a bid to enhance and increase their competitiveness. Notable companies that have adopted the strategy of outsourcing in the global arena are. Chrysler, is an example, who outsources the production of half of its

minicompact and subcompact cars. Chrysler and Ford currently produce less than one-half of the value of all their vehicles by themselves whilst the rest is outsourced. Similarly, in the aircraft industry Boeing has turned to outsourcing partners to manufacture its aircraft. For example, the manufacture of the greater part of the Boeing 767, Boeing's third largest commercial aircraft, is outsourced to a consortium of Japanese manufacturers including Fuji, Kawasaki, and Mitsubishi (McIvor, (2010),As a result, hence only a very small percentage is manufactured locally. IBM is also one of the global companies that rely heavily on logistics outsourcing for the distribution of their product globally and this has also aided in increasing their visibility to the various markets.Akewushola, & Elegbede, (2012),views outsourcing as an operation in which the organization shifts its operations to an external supplier through long term contracts and this is highly prevalent globally with most companies outsourcing various aspects of their business operations in order to enhance their efficiencies.

China has been for a very long time viewed as the manufacturing hub for low cost production for many years and also for many Asian countries. There has been an increase in the demand for various areas of outsourcing such as Information Technology outsourcing and Business Process outsourcing and many countries have considered China as the most viable and suitable outsourcing destination. It is evident to note that the BRICS countries are also fully involved in outsourcing. Akewushola, & Elegbede, (2012),attests to the fact that China has proved that its labor is capable and is amongst the cheapest and this has contributed to some of the driving forces for outsourcing in these countries. He indicated that both China and India are emerging as offshore powerhouses as they take the lead in both skills and experience. Information technology outsourcing and Business Process Outsourcing revenue in India is more than 20 times that of China's, hence China still lags behind India for now and in the foreseeable future.

In general, 'outsourcing can be described as the process of purchasing goods or services on specification, from an external supplier, that were previously produced in-house' (McIvor, 2005 as quoted by Hugo & Badenhorst-Weiss, 2011:62). According to Kakabadse & Kakabadse (2012),previously In South Africa,there had been years of capital controls which made it extremely difficult for South African companies to invest abroad and the result was that it generated vertical and horizontal integration by South African firms. Hence the oligopolistic nature of the economy. Large firms did not see the need or will to subcontract to small firms

because surplus funds could be used to produce non-core activities in-house. With the removal of capital controls, it is likely that large firms will increasingly shed non-core activities through subcontracting and outsourcing and that this will enhance small business development. It is however important to note that whilst outsourcing had taken off well in the international arena, Africa still had a long way to go in terms of embracing the concept and fully utilizing it in order to enhance business performance. As such literature on outsourcing in Africa is also very limited.

“Outsourcing is a management strategy by which an organization contracts out major, non-core functions to specialized, efficient service providers” (McLaughlin, 2004 cited in Chikuse Katsvanga, Jimu. & Mujuru, 2012) it may be part of a larger strategy to move the organization to a leveraged business model and focus on core competencies or save net costs. Zimbabwe is a country that has been characterized by a series of challenges that impacted negatively on manufacturing. The economy is characterized by high interest rates, hyperinflation, rising production costs and foreign currency shortages. The country has also experienced falling employment levels and this scenario has seen Zimbabwe’s labor force receiving inflation adjusted salaries regardless of performance. Despite all this, most of the companies in the construction industry in Harare, Zimbabwe have also adopted outsourcing as a strategy to enhance their performance whilst minimizing their costs. Major areas that have been outsourced are Logistics (Fleet management, Mining outsourcing, Security outsourcing, Production Maintenance outsourcing and General maintenance). The aim of this study is there for hinged on whether the stages and processes in outsourcing improve corporate performance in the construction industry in Harare. in light of the challenges mentioned above.

2.3.1 Theories of Outsourcing

Transaction Cost Economics (TCE)

Transaction cost economics is mainly concerned with the governance of contractual relations. Governance does not, however, operate in isolation. “The comparative efficacy of alternative modes of governance varies with the institutional environment on the one hand and the attributes of economic actors on the other” (Williamson., 1993) cited by Aman, Hamzah, Amiruddin & Maelah (2012), A three-level model to explain Transaction Cost Economics is proposed and this model has the object of analysis, governance and the institutional environment. Firms tend to ask

themselves a lot of questions that question their existence and how they operate the way they do. These questions also revolve around why firms should continue to produce on certain sections of the production process by themselves and why sometimes it is more beneficial to engage an outside contractor to handle the operation on its behalf. A determination of the boundaries between what is performed from within and what is performed by external parties would also have to be outlined. Oliver Williamson, who is the father with regards to the field of Transaction Cost Economics, explains that transaction cost economics is a central theory in the field of Strategy. It addresses questions about why firms exist in the first place (i.e., to minimize transaction costs), how firms define their boundaries, and how they ought to govern operations. According to Williamson (1979, 1985), cited in Aman, Hamzah, Amiruddin & Maelah (2012) transaction costs refer to market related transaction costs such as costs of contracts, supervision and costs associated with opportunistic behaviours. He indicated that transaction costs are based upon asset specificity, frequency and uncertainty (Williamson, 1985 cited in Aman, Hamzah, Amiruddin & Maelah 2012). High level of assets specificity creates independencies between parties and high switching costs. High transaction frequency can lead to high transaction costs. High uncertainty contributes to high transaction costs, which are contingent upon the characteristics of human nature, which are bounded by rationality and opportunism. Williamson (1985) as cited by Aman et al (2012) suggests that firms should select appropriate governance structure such as related control systems to minimise transaction costs at all times.

Gonzalez, Gasco, & Llopis, (2016), explains the issue of transaction costs economics in relation to the three most relevant and broad areas and these are contact, contract and control he alluded that all these three areas have various costs that are associated with each of them. Costs vary and some of them include communication costs, setting up costs, costs of negotiation and sometimes costs for legal advice. It is therefore extremely important for firms to be aware of costs that incur at every stage in the outsourcing process and this will play an important role in the decision of whether to conduct the process in house or to go ahead and subcontract the process to a third party vendor. This research will also touch on contract development as one of the processes in outsourcing and its importance and the extent to which executives need to invest in the process in order to realise corporate performance. It is therefore also important to note that transactions costs of contracting to third party vendors will certainly be high in the presence of issues such as uncertainty, complexity and asset specificity.

Incomplete Contract Theory (ICT)

A contract has gaps, missing provisions, and ambiguities and has to be completed (by renegotiation or by the courts) with strictly positive probability in some states of the world (Moeen, Somaya, & Mahoney, 2013). The main idea in the incomplete contracting literature is that there are economic benefits that stem from selling “control rights”, also known to as “decision rights” or “property rights”, in circumstances where it is difficult to write and enforce “complete contracts”. The key assumption made in this is that many future contingencies are left out of the initial contract and, therefore, the contract is to be revised via future renegotiations. There are many reasons why contracts are sometimes incomplete, the costs involved to foresee and thus incorporate a long list of future contingencies into the initial contract, the future state could possibly be uncertain and complex and hence impossible to describe contractually, Lack of enforceability of some contingencies as they cannot be verified by a third party.

As a result, instead of specifying a comprehensive list of future actions to be taken and payoffs to be realized in various future states of the world, contracts need to consider how to allocate the control rights over decisions that will need to be made when the future unfolds. In other words, one party may decide to sell control rights over unanticipated contingencies to another party to the contract in order to facilitate the future decision making process.

The bone of contention stems from the fact that incomplete contracts creates room and scope for an authentic behavior or opportunistic behavior were certain individuals may take advantage of the uncertainty of the situation these are usually known as hold-up problem as mentioned Ren, Ngai & Cho (2010), hold-up problems hinder the will and need for organizations as they lead to dead weight losses. It is important to understand that these dead weight losses eventually contribute to the total cost of contract or of getting the particular service and hence leads to an upsurge in the cost of outsourcing. Organizations may therefore need to be particularly careful when managing incomplete contracts to avoid costs that stem from it. While these conflicts are not easy to resolve, the general approach proposed by the incomplete contracting literature to alleviate holdup problems is to assign control rights to the party whose actions are relatively more important in creating contractual surplus, i.e., creating value Grossman, & Hart, (1986) cited in Willcocks, (2010).

Resource Based View (RBV)

According to Willcocks (2011), the resource-based view argues that firms possess resources, a subset of which enables them to achieve competitive advantage, and a further subset which leads to superior long-term performance. The resource based view is further explained by two assumptions and the first being that of resource heterogeneity where some firms may be more skilled in performing activities than other firms' despite being in the same industry and hence the explanation that some companies perform better than others, for example Toyota is said to be better at product design than General Motors and Apple is said to be better and more skilled than IBM. The second assumption of the Resource Based View is that some of these resources and capabilities may be long lasting and rather costly to acquire and this assumption is known as Resource Immobility. Companies like Toyota and Apple explain this assumption well as their advantage stems from the vast experience and wealth of knowledge that they possess from being in the industry for more than thirty years.

This clearly explains why some firms perform better than others, because the firm that has these resources and capabilities eventually outshines as it becomes very costly for other players to imitate these and to acquire the resources. Hewat (2010) has explained that resources and capabilities enable firms to gain a competitive advantage and that this advantage can be sustained over long periods of time to an extent such that the firm is able to protect against resource imitation, transfer or substitution. Organizations need to ensure that they take a deep dive into assessing their resources and capabilities and this can be done by critically assessing whether they have four attributes that is value, rarity, inimitability and the question of the organization. With these the organization is able to determine whether they have their resources will guarantee them sustainable competitive advantage or not. Literature explains in great depth the need for sustainable competitive advantage, however there is very limited research on ways and means that companies can adopt in order to maintain the sustainable competitive advantage.

Social Exchange Theory (SET)

The basic assumption of social exchange theory is that parties enter into and maintain relationships with the hope and expectation that doing so will be beneficial to them (Blau 1968; Homans 1958 in Osborn, 2012). Hence it is evident to note that the social exchange theory dates

from way back and does not only revolve around business to business relationship but include friendships as well. An imbalance in power may result in unstable, unhealthy and an open relationships, hence it is key and of paramount importance for both parties to depend on each other in order to ensure continuity and fruitfulness of the relationship. As such when organizations decide to have some of their processes conducted by an external third party it is important that there are interdependencies and it is these interdependencies that will keep the relationship going for as long as desired by both entities. According to Osborn, (2012) parties eventually weigh out the benefits of the relationship and it is from these benefits that they draw the level of commitment that is put into the relationship.

It is interesting to note that various theorists discussed to great lengths some of the premises of the social exchange theory, Osborn, (2012) went ahead to summarize the views of the theorists. The first premise is that of exchange resulting in social and economic outcomes. Aristotle, Thibaut and Kelley, Blau and Homans all made contributions towards this premise, citing that people seek to obtain both social and economic rewards from relationships. The second premise was that of social and economic outcomes and the comparison to alternatives, theorists such as, Thibaut and Kelley, Blau and Homans indicated that reciprocal exchange will ensure continuity of the relationships. The third premise which was supported by Blau, Homans and Macaulay who are of the view that positive outcomes overtime increase trust and commitment. Finally Thibaut and Kelley, Blau, Homans and Macaulay are of the view that interactions overtime produce exchange norms.

Although different views of social exchange have emerged, literature does not fully emphasize how best organizations can maintain and sustain these relationships. One of the basic tenets of Social Exchange Theory is that relationships evolve over time into trusting, loyal, and mutual commitments. To do so, parties must abide by certain “rules” of exchange. It is therefore important for businesses to understand the benefits that they will draw from the various contracts that they will engage in, it is also key for them to ensure that both parties add value to each other and in so doing a relationship based on trust and commitment is established and thus bringing about continuity.

Core Competencies

Core competencies are the most important resource of any company and this therefore means that there is need to harness, nurture and develop the various talents and competencies that the business has in order to direct it towards positive outcomes such as the bottom line. Companies are able to foresee or understand what the future holds for them based on the various competencies they possess and it is these competencies that will see them excelling in various aspects of the business and hence gaining a sustainable competitive advantage over firms within the same industry. According to William and Chris (2012), there has been an increase in globalization trends and market competition such that companies have been forced to look into other means by which they can further increase their competitive edge. For example, concepts have emerged encouraging management to strategically exploit those resources and capabilities, which are unique and rare to find in competition. The competency based approach. The competency based approach is of the view that it is the competencies of the firm that act as a differentiation factor rather than the individual, discrete assets.

William and Chris (2012) defines firm competencies as valuable capabilities in terms of “enabling the firm to deliver a fundamental customer benefit”. He goes on to further elaborate that Competencies are usually a collection or a network of capabilities rather than a single particular aspect. For example, 3M’s competence in R&D is due to the combination and mixture of several capabilities such as research, product development, and experimentation. Canon’s product development capability is the result of its expertise in fine optics, precision mechanics, and microelectronics. Whereas, focused capabilities are those which are brought about from the activities and processes of a certain division. Competencies are usually the platform of several lines of businesses and products within a corporation, and are the most important constituents of cross-functional business processes. Due to their strong “collectiveness and combination competencies can provide the firm new areas of focus and competition. For example, SKF’s core competence rests on its ability to manufacture high precision, frictionless spherical devices. This competence can provide SKF opportunities to produce new products, for example, rollerball

pens, or entering completely new markets altogether such as VCR and electronics. It is therefore important to note that a careful analysis by firms of their key competencies is one of the first steps in determining whether there is need for them to engage external contractors or not. Outsourcing is usually carried out on a process or function that the organization does not possess core competencies on and feels that by so doing a lot of time, resources and energies are wasted on the non-core functions hence the need to outsource. Basically the competency-based approach focuses on three stages and these are identification of key capabilities, determination of competencies and determination of core competencies.

Edgar, William and Lockwood, Chris (2012) is of the view that the theory of competence-based competition argues that core competencies are the source of sustainable competitive advantage. Core competencies are valuable capabilities those are collective and unique in their characteristics, as well as strategically flexible contributing toward the success of potential business. A company may regard its core business as production and yet the core competencies reside in the research and development. It is important to note that gaining an overview of the business operation together with other strengths of the company (such as, defining specification) would enable an organization to make more informed strategic management decision with regards to capability development, outsourcing, focusing, or diversification with regards to new products, services, or markets.

2.3.2 Models of Outsourcing

Offshoring

Zhelyazkova, (2011), defines offshoring contracting out business activities to foreign providers, or what has come to be called “offshoring”, has been undertaken for decades. As such, offshoring is not as recent subject however due to the aspects of globalizations and the world becoming interconnected there has been a greater need to look at offshoring. This change in structure has been underway for some time, and is generally attributed to the interplay between three factors: technological advances, economic and competitive pressures to reduce costs and improve productivity, and institutional developments favoring trade liberalization and this has led most organizations to try and understand what the various markets have to offer so as to get a quality product whilst also reducing costs. Offshoring in services began long back in the late

1980s and early 1990s with the contracting out of tasks related to customer services, but has since moved on to a wider range of operations including engineering, software development and other tasks requiring high-skilled human capital. Zhelyazkova, (2011) explains that due to the significant size of the services sector in the Western economies, and the increasing broad range of tasks exhibiting offshoring potential, the number of jobs which could potentially be affected through this channel is substantial. As a result, the subject has become increasingly politically charged. The impact of offshoring has also been explored and reported to be negative in some instance as it affects employment and wages, however the proponents of offshoring continue to argue that it has long term economic benefits on the standard of living.

Zhelyazkova, (2011), is of the view that offshoring is often related to the term outsourcing, however these two concepts are different. With offshoring the relocation of jobs and processes is external and international whereas outsourcing can be the relocation of jobs and processes both within the borders of one country and between countries. With the rapid growth of offshoring worldwide Forrester as cited by Zhelyazkova, (2011) an independent technology research company, estimates that by the year 2015, approximately 3.3 million jobs in the United States would be lost due to offshoring. Long term benefits of offshoring have also been discussed at great lengths. For instance, the large amount of relatively high-quality jobs created in less developed countries due to offshoring may provide these countries with substantial economic benefits. They can build a stronger economic base, increase domestic consumption, and therefore foster imports from developed nations. Moreover, offshoring may also enhance living conditions in organisation for economic corporation and development countries as the increased productivity and cost reductions stemming from this process will eventually lower product prices and drive up real wages. In addition, there may be economic benefits from reemployment of those who lose their job to offshoring, as these people may eventually move into more rewarding occupations, although temporary adjustment costs of this transition will be incurred (Aksoy, & Öztürk, 2012).

Build Operate and Transfer

According to Shen & Li (2002) cited in Richmond, and Seidmann. (2013). are of the view that In the application of the build operate transfer procurement system, a private investor, or a group of investors forming a consortium, which is sometimes called a project promoter, provides funds

for the construction of an infrastructure and operates the built infrastructure for a given period of time on behalf of the government. This arrangement is often referred to as the franchise of the investor, by which the investor is to build and then operate the project within a predetermined concession period and then transfer the project free of charge to the host government at the end of the concession period. This type of contract arrangement has been used extensively on infrastructure projects throughout the world since the middle of the 1980s. There are many benefits that stem from this arrangement and the most notable of these benefits being is commonly considered to be the use of private money for developing public infrastructure facilities such as highways, railways, ports, tunnels, airports, power plants, hydraulic structures, and water conservation facilities (Richmond, and Seidmann. 2013).

Projects for infrastructure works are often big and require a huge investment of capital and finances and a lot of construction time to be dedicated to them in order to see them to completion. Their rate of return is usually slow, low profit ratio, and high level of risk. And hence the reason why the build operate and transfer model is most appropriate. Thus the build, operate and transfer model uses private financing and this is an advantage to the government as the public finances are not utilized at this point. The contractor in a way enjoys monopoly during the concession period. The government is therefore able to develop the nation and build more infrastructures without needing to tap into the government coffers.

Richmond, and Seidmann (2013) is of the view that the implementation process of a build, operate and transfer contract involves many a lot of parties, that is the government, investors, financing institutions, construction companies, and operating firms. Clear documentation and paperwork is also essential for the smooth operations of a build, operate and transfer arrangement. A number of stages are also followed through before the arrangement is effected and these are, firstly initiating an infrastructure related project often requires private investment, secondly there is need to examine and analyse the project environment and assess the feasibility, thirdly, the need to invite private investors to bid, lastly there is need to offer the franchise contract to the most suitable contractor. The duration of the contract is determined by a number of factors such as resource availability, scope of the contract, project complexity and the availability of information regarding the project.

Human Resource Outsourcing

Human resource outsourcing has become a major part of human resource operations for the last few years. A 2004 joint study conducted by the Society for Human Resource Management and the Bureau of National Affairs found that two-thirds of Human Resources executives surveyed say their Human Resources departments outsource at least one Human Resource activity (Bureau of National Affairs, 2004), with this activity expected to increase (Greer, Youngblood, and Gray, (2013). Proctor & Gamble managed to contract IBM and signed an important that took effect in January 2004 and this meant that IBM took over the human resources activities of Proctor and Gamble and this contract was valued at \$400 million. It is important to however note that Human Resources carries significantly sensitive information and hence the need to carry out sufficient planning before making the decision to outsource any area with the Human Resources Function.

In most studies conducted the compelling reasons cited for the decision to outsource revolve around cost benefits. The Gartner group is said to have listed six factors that are important in outsourcing decisions and these are dependency, risk, spill over risk, trust, relative proficiency, strategic capabilities, and flexibility. The first four of these are classified as short term factors, whereas the last two can be considered more long-term or strategic. Information on the circumstances that firms should outsource in order to experience Human Resources performance are however still very sketchy. This therefore implies that there situations both internal and external that provide a favourable for human resourcing outsourcing. According to Greer, Youngblood, and Gray, (2013), studies seem to concentrate on the factors leading to outsource, how to outsource, the impact of outsourcing on the organization, the challenges faced and the benefits resulting from outsourcing. According to the Bureau of National Affairs, 2004 highlighted that 67% of Human Resources functions outsourced one or more functions in 2004 and this showed that outsourcing of Human Resources has become a growing strategy that most organisations have begun to adopt. The Society for Human Resources Management, Human Resources Outsourcing Survey Report, released in June 2004, found that Human Resources functions that are entirely outsourced are generally background checking, employee assistance/counselling, and Flexible Spending Account administration. The functions that are partially outsourced include administration of health care benefits, pension benefits administration, and payroll. Ideally before the decision to outsource the Human Resource function there is need to look at the whole value chain, from assessing the staffing needs or resource requirements to facilitating the exit or end of employee's employment contract.

Forecasting, Job Design, Staffing, training, performance, compensation and exit are all elements that make up the human resources value chain.

Multi sourcing

According to Su and Levina(2011), Multisourcing is a process by which firms select and combine information technology and business services from multiple providers. Industry analysts have encouraged firms to adopt multisourcing by forecasting major cost savings and operational and strategic risk reduction. The decision on whether to multisource or not is said to be extremely difficult to make, however it allows corporates a chance to explore the unique capabilities that are offered by the various suppliers. Multisourcing strategy is concerned with the tradeoffs involved in varying the size of the supply base within particular functions, such as IT application, development, and maintenance, IT infrastructure, claims processing, accounts reconciliation, HR services, customer services, etc.(Su and Levina,2011). Many firms have also begun to reduce on the number of suppliers that they deal with and remaining with a few strategic suppliers. They concentrate solely on supplier development. These suppliers are also said to have small selective contracts. Murray (2016) described two dramatic cases of reducing a manufacturing supply base, going from 15,000 direct suppliers to six, and 1,675 suppliers to 20, respectively.

It is evident to note that changing the number of suppliers has its pros and cons, it affects primarily, the level of client–supplier commitment and dependency, the ability to choose best-fit suppliers and management overhead, the advantages of decreasing client commitment to suppliers are, the increase of competition, second, low operational risk, and, third, low strategic risks. These relationships tend to be curvilinear because benefits decrease if the number of suppliers increases too steeply (Oshri, Kotlarskyand Willcocks(2011). In addition, an expanded supplier portfolio increases the ability to find best-fit capabilities including quality the variety is also increased, responsiveness, innovation, and production cost advantage. Firms incur three key costs as the number of suppliers’ increases. First, decreased mutual commitment reduces incentives for suppliers to invest in client relationships, which potentially weakens the value of

each relationship, costs also rise as managers need to contract, coordinate, and collaborate with multiple suppliers,

2.3.3 Trends in Outsourcing

Outsourcing operations are becoming increasingly complex. Sharma & Loh, (2014) held that outsourcing has also started to involve a larger and growing number of different business operations and the trend is that firms often outsource more mission-critical and complex processes that they do not normally have expertise in. As the years have gone by, the selection criteria on whether to outsource or not is no longer limited to the aspect of cost savings, but to various other factors, contracts are further becoming more and more complex and sophisticated with regards to the scope, financial aspects and the measurement of procedures and lastly the management of the relationship with the supplier itself which has greater implications on the performance of the contractor. However globally Gartner report is said to have report outsourcing to have increased on a moderate growth of 2.8% in the outsourcing services of information technology which was considered fairly low compared to the expected. Shyand Stenbacka(2015)cited that Diamond Cluster International, a Chicago management consulting firm, 78% of executives who outsourced an Information Technology function have had to terminate the agreement prematurely and their main disappointment emanated from poor service and change in the cost structure. A survey that was conducted from the period of 1998 to 2003 clearly showed that outsourcing had grown globally and most of the mega contracts were signed in the following areas, Information Technology, Business Process Outsourcing, Production and Logistics. Companies such as The Bank of America, Sabre Holdings, Xerox, IBM, Telecom Italia and Interbrew signed mega deals and contracts for periods as long as 10 years with the contracting values coming to as high a \$5 billion.

According to Rao and Varghese (2013),the global offshore outsourcing market for Information Technology and business services exceeded \$55 billion USD in 2008, and some estimates suggest an annual growth rate of 15-20 per cent over the next five years. In 2008 India posted some 65 per cent of the Information Technology Outsourcing and 43 per cent of the Business Process Outsourcing market (Windrum, Reinstaller, & Bull, 2010). Globalization was practiced even mostly in Brazil, Russia, India and China and they offered both offshore information

Technology and back-office services, and also, and they leveraged mainly from their large populations, in 2008 India exported \$40 billion of such services, while China, Russia, and Brazil achieved \$5 billion, \$3.65 billion, and \$800 million respectively. However, by 2009 there were over 120 other active offshore locations offering Information Technology and business process services or captive locations for these. All were looking for new business.

Outsourcing in Africa has also developed extensively and this rise has stemmed mainly from the results of globalization, according to Abbott (2013), the three dominant countries that appear within the top 30 list of Outsourcing in Africa are Egypt, South Africa and Morocco. While North African countries are struggling to retain their former popularity due to business uncertainty arising from recent political upheaval in the region. Increasingly Zimbabwe as a country has more often than not begun to rely more and more on outsourcing as a panacea to some of the economic hardships that had plagued the country of late. The manufacturing industry had slowly started focusing on their core activities whilst third parties handled their non-core activities such as logistics, some aspects of Human Resources, production maintenance and Information technology.

2.4 STRATEGIC THINKING AND PLANNING IN OUTSOURCING

2.4.1 Definition of Planning in Outsourcing

Bravard, & Morgan, (2013), defines planning in outsourcing as creating a sound business plan that includes all the present and future costs of outsourcing the activity as well as identifying hidden costs such as impact on the community, customer services and employees. Strategic thinking and planning plays a critical role in the overall outsourcing process, as this is the stage that determines why and what to outsource. According to Arjun and Subhajt (2011), a great deal of preparation and ground work laid first before executives can take the major decision to outsource or to maintain all processes in-house. Key aspects that are critical in the planning process of outsourcing are the strategy, the sourcing options available, the approach to be used, configuration, preferred relationships, preferred length of the contract, scope of the contract, the service level agreement draft, the factors that are determining the outsourcing function, whether it will be contractual or collaborative and of course the underlying philosophy. Arjun and

Subhajit (2011) that the discovery or planning consists of benchmarking internal service levels, identifying future requirements, issuing requests for proposals, and identifying a shortlist of suppliers.

2.4.2 Components of strategic thinking and planning in Outsourcing

The components that fall under the planning umbrella are the factors for outsourcing, the areas to be outsourced, the strategy to be employed and overview of the vendors that can be engaged for the outsourcing process. It is important that each of these components is carefully looked at to ensure that decisions are not hastily made. This is a critical section as it will either pave way for the success of the organization or mark its downfall. Proper planning before the decision to outsource will either spell doom or bloom for any firm. With outsourcing there are issues centered on transaction costs which are sometimes hidden and failure to accurately take these into cognizant would spell negative impacts on the cost structure. Patel(2012) highlighted that critical activities have a major impact on the firm's ability to create sustainable competitive advantage and hence, it is the firm's decision on whether the activity should reside entirely within the organization or if the firm can jointly work with a third party in order to reduce the costs of the function. Whereas non critical activities have very little impact in terms of creating sustainable competitive advantage, He goes on to explain that though they may be central success in these areas will not necessarily lead to sustainable competitive advantage.

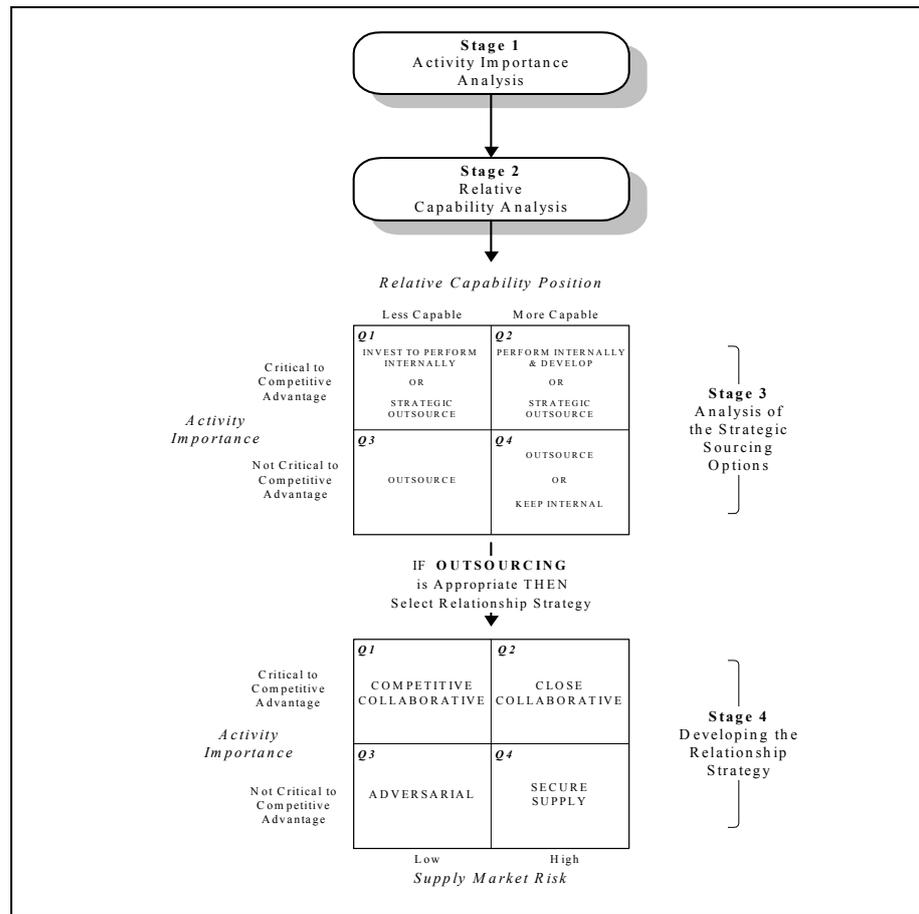


Figure2.1: A framework for Outsourcing Evaluation

Source: McIvor(2005).

2.4.3 How organization engage in planning to outsource

Companies engage in extensive planning before they decision to outsource. Within each of the cases environmental factors,factors external to the organisation were regarded as an influence on theoutsourcing process, especially on the decision to outsource(Patel, 2012). Firms also looked at the political, economic, and social. Technological and legal aspects of the external environment and these played a significant role in the planning sessions conducted regarding outsourcing.Patel (2012)looked at a case study of companies within the telecommunications industry and analysed how the organizations carried out their planning process in outsourcing. The companies are Equipcom, Phonecom and Mobitell. The companies all sat down and

identified factors that influenced their outsourcing processes. These were the growth of competition, the industry changes that had begun to take place, the coming in of smaller network providers, the growth of technological change, the growing mobile phone industry, the shift in value from a production-orientation to a service-orientation within the market as driving the need to outsource. From an internal perspective, history, strategy, cost, resources, critical incidents, and competitive positioning, all appeared to shape the outsourcing process. Equipcom is also said to have laid out a clear strategy and these strategies were, to outsource non-core activities and to reduce the headcount of employees. This clearly shows that a lot of planning is invested before a firm can make the decision to outsource or not and this planning process usually starts by an examination of both the external and internal environment of the firm. It is important to note that most of the literature on planning in outsourcing took the qualitative approach where managers and executives were interviewed to understand how the planning process is conducted, what factors they consider and the individuals involved in the planning phase, this study will take the quantitative approach so as to get a larger sample size and be able to generalize the extent of planning required in outsourcing in order to realise corporate performance.

2.4.5 What is the level of planning involved before organizations make the decision to outsource?

The level of planning involved before organizations make the decision to outsource is relatively high and this is due to the fact that any ill planning could lead to the business incurring further, hidden costs, if all areas are not adequately explored, hence this becomes a call to management and executives to ensure that adequate planning is carried out during the process of outsourcing.

2.5 SELECTION AND EVALUATION

2.5.1 Definition of Selection and Evaluation of Outsourcing

According to Sharma and Loh, (2014), the second and critical stage of outsourcing is the selection and evaluation stage, where vendors are selected, negotiation terms, assessment and approval of suppliers, assessment of vendor capabilities and to kick start the contract formulation process. It is important to note that the study by Bettis, Bradley and Hamel (2016) was conducted on a

qualitative basis and it sought to explore how theories have been used and to understand the outsourcing process, whereas this study will employ the quantitative aspect. Kroes and Ghosh (2010) explains how the selection and evaluation process deals with placing potential external providers under scrutiny in a process that is known as relative capability analysis, where their competencies are assessed and whether the use of the third party vendor can create sustainable competitive advantage for the organization. Much of the literature on the outsourcing process dealt with describing the process more than emphasizing on the importance of each process in outsourcing to the overall performance of the organization.

2.5.2 Components of the selection and evaluation process of Outsourcing

According to Kroes and Ghosh(2010) opines that various studies have looked at the components that make up the selection and evaluation process in outsourcing, the major findings that were drawn were that the decision making criteria is not made up of tangible aspects only but a multi criteria strategy would have to be used as the supplier would have to be ranked based on intangible aspects or service related aspects. The selection and evaluation process involves quite a number of components that organizations need to follow after making the decision to outsource. Ellram (1990) cited in Kroes and Ghosh(2010) presented three dimensions of selection criteria, which emphasized the financial stability of the supplier/ vendor, the organizational culture and strategic fit of supplier/vendor, as well as the technological capabilities of the supplier/vendor. There are several criteria to which firms must pay close attention during the outsourcing process because the selection of an available supplier/vendor is critical to the success of an outsourcing. Ultimately it is important to note that the selection and evaluation process of outsourcing is an extremely delicate stage that requires extensive research and robust measures put in place to ensure that the vendor selected performs extremely well in order to guarantee the organization a sustainable competitive advantage.

2.5.3 How Organizations engage in the selection and evaluation process of Outsourcing.

Hewat (2010) have suggested an eight-point plan for the selection and implementation of logistics outsourcing services. These points include, define or specify the service, understand the volume bought, simplify and standardize, conduct a market survey, request for information,

requesting for a proposal, negotiations, and contracting. Hence a sound procedure will have to be developed in the selection and evaluation process of the choosing a supplier or vendor, a well-defined comprehensive methodology that systematically incorporates all the relevant criteria. Extensive multi-criteria decision making approaches have been proposed for supplier selection, such as the analytic hierarchy process (AHP), analytic network process (ANP), case-based reasoning (CBR), data envelopment analysis (DEA), fuzzy set theory, genetic algorithm (GA), mathematical programming, simple multi-attribute rating technique (SMART), and their hybrids. Most authors generally are of the view that price or cost is not the most important criterion in supplier selection as it is no longer robust enough in supply contemporary management, hence the traditional cost-based approach does not guarantee aspects like quality, delivery and flexibility. Extensive literature has been carried out the benefits of the multi-criterion methods versus the single-criterion method, there is however need to explain how the methods can be used effectively in order for the organization to realize lasting benefits and a sustainable competitive advantage.

2.5.4 Reasons for selection and evaluation in Outsourcing

Organizations embark on selection and evaluation process as they aim to obtain a supplier or vendor best fit to carry out specific processes for the organization. The vendor works on behalf of the organization and hence represents the face of the organization it is therefore of paramount importance to ensure that there is a goal congruency between the contracting organization and the vendor. It is important to ensure that the vendor is selected based on his ability to provide the service, an assessment of his capabilities would need to be thoroughly analyzed, his delivery schedules, lead time, flexibility and of course the ultimate cost of the service and its feasibility. Hence this is an important process that makes or breaks the organization and should never be downplayed.

2.6 CONTRACT DEVELOPMENT IN OUTSOURCING

2.6.1 Definition of contract development in Outsourcing

A clearly defined lifecycle is essential for effective realization and proper tracking and enforcement of a Service Level Agreement. Kern and Willcocks(2012)define service level agreement lifecycle in three high level phases, which are the creation phase, operation phase, and removal phase.“Service Level Agreement constructed the legal foundation for the service delivery. All parties involved are users of Service Level Agreements. Service consumer uses Service Level Agreement as a legally binding description of what provider promised to provide. The service provider uses it to have a definite, binding record of what is to be delivered”(Kern and Willcocks, 2012).According to Richmond Seidmann, 2013)A Service Level Agreement defines the ability of the service provider to deliver the agreed deliverables , the performance target of consumers requirement, the scope of guaranteed availability, and the measurement and reporting mechanisms (Richmond and Seidmann, 2013). It is interesting that most definitions on service level agreement seem to point to the fact that whenever a contract is made a promise has been given and delivery as per agreement effected,

2.6.2 Components of contract development in Outsourcing

According to Jin, Machiraju and Sahai (2002) cited in Anderson and Narasimhan (2013),a service level agreement defines mutual understandings and expectations of a service between the service provider and service consumers. The service level agreements detail the nature of work to be executed by the vendor or the contractor and how well this work needs to be done, hence it is important to ensure that the service level agreement covers essentially all the aspects regarding the obligations of both the contractor and the vendor to avoid disagreements and mis-alignments throughout the duration of the agreement. He goes on to give a brief of the components of a service level agreement that it can contain a number of components and some of the most common components are thepurpose, this describes the reason why parties have entered into a service level agreement, the purpose will also clearly detail the service that the provider is offering and the need of the consumer.Parties,describes the parties involved in the service level agreement and their respective roles (provider and consumer). Validity period indicates the

duration of the contract, a clear indication of the start and end date will be highlighted, scope of works, will look at the actual work that the provider may need to cover. Restrictions, defines the necessary stages that are undertaken before a service can be provided. Service-level objectives, this will detail the obligations of both the provider and the consumer indicators, like availability, performance, reliability and provision of various resources. Penalties, clearly highlights and indicates the recourse that will be taken should the provider fail to perform or meet the obligations assigned to him. Most studies in this regard have detailed the components of the contracts and there is need to expand on the importance of each component. Lee & Choi (2011) have come up with a more detailed life cycle of contracts and this starts with discovering the service provider, defining the service level agreement, establishing an agreement, monitoring the service level agreement violation, terminating the service level agreement and enforcing penalties for the breaches or violations. Each and every stage is important and it is this importance that this study will highlight to ensure that the process of formulating agreements contributes to the success of the organization.

2.6.3 How do organizations formulate contracts to selected vendors in outsourcing

The function of contract formulation is usually a cross functional task that requires the coming together of various departments and ensuring that both the commercial aspects and the technical aspect of the contract are fully covered and detailed. Most organizations therefore use more or less a similar process to the six stage life cycle. According to Ndubisi (2011), a typical web service level agreement involves service level negotiations, service level deployment, service level measurement and reporting, corrective management action and lastly service level agreement termination.

2.6.4 Reasons for contract formulation in Outsourcing

Contract development is of paramount importance as it protects both parties. Lee and Choi (2011) indicates that contracts play an important role as they ensure harmonious conflict resolution, mutual dependence, trust and commitment.

2.7 RELATIONSHIP MANAGEMENT IN OUTSOURCING

2.7.1 Definition of Relationship Management in outsourcing

Outsourcing is regarded mostly as the process through which a business allocates some activity that it would be capable of doing in-house to an external provider. It is a long-term relationship between supplier and beneficiary, with a high degree of risk involved, it is important to ensure that the relationship of the service provider and that of the consumer is managed effectively and efficiently in order to guarantee the business success (Barthélemy & Quélin, 2016). Research has shown that there has been a great increase and interest in the use of third party contractors and outsourcing (Kern & Blois, 2012). However, there is also a growing body of evidence of a high failure rate in such arrangements. One cause of this is the high level of risk associated with alliances, compared to 'in-house' activities (Kern & Blois, 2012). Some of the issues highlighted that may pose as threats to the successful management of relationships in these arrangements include goal incongruency between the third party and the organization, the opportunistic behavior that may end up being displayed by other individuals in order to achieve personal gains, and this is a threat to the success of any business, lack of governance structures, including management control systems (MCS) and the development of trust and confidence in each other may work to reduce risk and failure rate. However, there has been only limited attention to the form of management control systems that can be employed in situations where an organization has contracted third party services for various functions. The literature available is also very limited in discussing the role that relationship management plays to the overall success of the business.

2.7.2 Components of Relationship Management in outsourcing

According to Van Niekerk and Visser (2010), there are five essential management systems that organizations can make use of and these are the support retentions system, the team unity system, the performance management, the relationship health management system and the cohesion system. It is the cohesion systems that encompass all the other systems to ensure that all the other systems are healthy and operational throughout the life of the relationship. It acts as the binding factor. Each of the five management system consists of basic elements beneath it, the

support retention system consists of mechanisms to manage support retention system, the support from top management clear, agreed roles and responsibilities suitable organisation with skilled people and the required resources maintenance strategy aligned with client's business objectives, maintenance policies and plans that meet client's operational needs, accountability on both sides change, to ensure regular communication on all levels, and to ensure continued commitment. The team unity system comprises of, shared vision, common goals, shared expectations, joint planning and review, shared responsibility for success and shared risk and reward. The team unity places a lot of substance on sharing or emphasizing that there is a joint or combined effort when the third party and the organization work together, as the saying goes two heads are better than one hence the expectation of better company performance. The performance management system comprises of, objective performance measurement, incentives or remuneration that drive improvement and effective continuous improvement program. The fourth system is the relationship health management system and it is made up of relationship wellbeing assessment, profitability for both partners, mechanism to identify and reconcile differences and clear contingency plan and exit strategy, finally the cohesion system involves change tracking and update mechanism, regular communication and collaboration agreement and commitment. Below is a diagram that will illustrate the different relationship management systems that are essential for a successful win-win outsourced relationship. Literature explains so well the relationship management systems involved, however there is need go a step further and understand the responsibility of the various systems and the expected output in each of them. It is also important to note that studies conducted regarding relationship management were of a qualitative nature where various respondents were interviewed. This study will be quantitative and will obtain responses from the structured questions in the questionnaire distributed.

Cohesion System

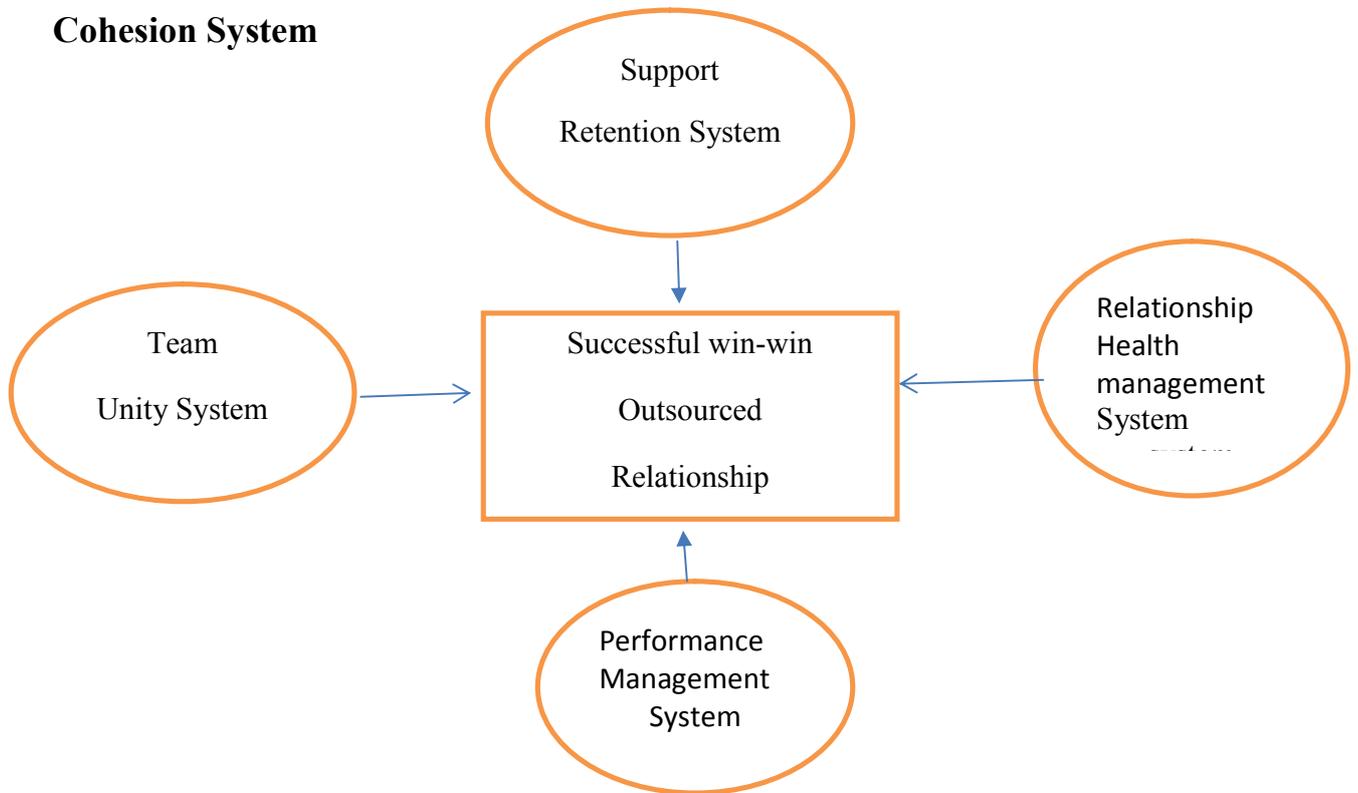


Figure 2.2: Outsourced maintenance relationship management framework

Source: Van Niekerk and Visser(2010)

2.7.3 Reasons for Relationship Management in Outsourcing.

Relationship Management in outsourcing plays a critical function in the performance of any organization. One of the most important reasons why relationships have to be managed continuously stem from the fact that, two organizations, from two different background, with two different work ethics and culture have to ensure that they align in terms of the overall vision, goals and set objectives. Some of the reason cited included, suitable organisation with skilled people and the required resources, accountability on both sides, collaboration agreement and commitment, to ensure the strategy is aligned with client business objectives, to ensure that there are common goals and shared responsibility for relationship success. Hence studies have revealed that insufficient management of the relationship is a main contributor to failed outsourced

maintenance. Van Niekerk and Visser (2010) is of the view that, a general lack of management was evident in most of the bad cases. There were, however, a few cases where most basic elements were in place, and yet the relationship still failed. In each of those cases the failure was attributed to a lack of sustained real commitment from one of the parties, and thus a failure in the cohesion system.

2.8 RISK ASSESSMENT IN OUTSOURCING

2.8.1 Definition of Risk Assessment in outsourcing

According to Earl (2014), the risks associated with outsourcing have been the principal limitation on the growth of business process outsourcing, especially cross border outsourcing. There is no standard definition of risk, El Fadil and St-Pierre (2016) postulates that risk varies by sector and depends on the characteristics of the environment and context in which it arises. Anderson, Narasimhan (2013) associates risk with a set of random factors that may have an adverse impact on the organisation. According to Dinu (2015), the choice to outsource has become increasingly risky, because of the increased regulatory inquiry of companies' relationships with their service providers and the variety of third party service providers available in terms of size, scope, and geographical location. In any business, the most serious risks related with outsourcing are those that affect operations and transactions, business continuity, that affect the confidentiality of information and regulatory compliance. Every company will have to take into cognizant the risk involved should they decide to outsource as failure can be detrimental to the organization as a whole. In order to experience the full benefits of outsourcing companies may need to fully explore the possible risks involved and their impact, then also come up with a ways and means to help mitigate against these risks. Risks can be mitigated by practicing protections while finalizing the outsourcing arrangement, learning from previous failures and choosing an established and experienced service supplier to make the outsourcing project profitable.

2.8.2 Components of Risk Assessment in outsourcing

According to Tummala, and Schoenherr (2011), risk can be defined as a combination of probability or frequency of occurrence of a defined hazard and magnitude of the occurrence. The

authors view supply chain risk as an event that negatively affects supply chain operations and processes, hence its desired performance measures, such as chain-wide service levels and responsiveness, as well as cost. Regardless of the area of interest, risk is associated with an undesirable loss, i.e. an unwanted negative consequence, and uncertainty. Organizations may need to carry out a rigorous risk assessment exercise before embarking on the decision to outsource. Tummala et al. (2011) goes a step further to categorize the different risks associated with outsourcing and these are, delay risks, disruptive risks, inventory risks, manufacturing breakdown risks, capacity risks, systems risks, sovereign risks and transportation risks, it is important that once the risks have been identified, possible mitigation measures be employed. A clear process of risk management has been outlined and it has 7 processes which are Risk Identification, Risk Measurement, Risk assessment, Risk evaluation, Risk mitigation and contingency plan, risk control and monitoring and eventually the decision that management will take.

2.8.3 Reasons for Risk Assessment in Outsourcing

Conducting a thorough risk assessment is beneficial for any organization before embarking on outsourcing as it protects the organization from possible failures and impacts that could be detrimental to both the organization and its relationship with its customers. The first stage in risk assessment is risk identification this is a critical stage as mitigation measures can be put in place and implemented, The second stage is risk measurement and this stage is important as, Consequences are defined as the manner in which or the extent to which the threat manifests its effects upon the resources (Crockford, 1986 cited in Tummal et al., 2011) The results include down time, loss of income and schedule delays. The third stage is the risk assessment which determines the likelihood for each risk factor and hence all this research will enable organizations to anticipate and circumvent any drastic actions that could happen. The fourth stage is the risk evaluation which evaluates the intensity and the impact of the risk. Hence it is important to ensure that all organizations carry out a risk assessment procedure before deciding to outsource as this assists in controlling costs, ensuring that there is continuity, creates awareness, reduces any losses and allows for control mechanisms to be put in place.

2.9 CORPORATE PERFORMANCE

2.9.1 Definition of Corporate Performance

Suand Gargeya (2012) opine that the view that corporate performance or business performance can be classified into financial aspects and non-financial aspects. Most conceptualizations of business performance have generally tended to focus on financial performance indicators to measure the success or growth of businesses and these financial aspects are such as level of sales, sales growth, profitability, market share, Return on investments, revenue, and stock price. This line of thought is of the view that business strategies are aimed at enhancing the economic value of the firm (or, business). However more and more studies have begun to recognize the implication of operational performance indicators such as market share position, new product introduction, product quality, operating efficiency, societal welfare and that these may need to be involved in order to widen and broaden the concept corporate performance.

2.9.2 Corporate performance of manufacturing companies in Zimbabwe

According to Surajuand Hamed, (2013), there are unprecedented pressures on companies to improve their operational efficiency for enhanced competitiveness and overall business performance. He further elaborates that such pressures include competition from cheaper foreign products, in order to remain viable, it is important to understand the impact that strategies such as outsourcing have on the performance of the construction industry in a turbulent economic environment. Zimbabwe's manufacturing sector has experienced low capacity utilization, low production levels and high operating costs this has driven the need for this study.

According to the LafargeHolcim annual report (2014), Lafarge experienced a decline in margins from 0.13% to (3.19%), the company also experienced a loss of close to \$2 million, declining profits and an increase in capital expenditure were some of the challenges that the company was facing. Lafarge uses an old plant dating as old as 1956 from the inception of the plant as Circle Cement and reliability of this plant has since gone down. According to the 2017 annual report sales were reported to have declines as well, further losses were recorded with increased financial costs, logistics costs which increased by 6% and administration expenses which increased by 26%. Pretoria Portland Cement also recorded low profitability in 2014 according to

their annual report, sales volumes fell by 5.1% in 2014. Both companies also faced challenges from cheap imports that entered the country through the Durban Port forcing them to remain competitive amidst the various pressures posed by the environment and this led to consumers opting to buy the cheaper products and hence the sales declines. According to the Pretoria Portland Cement's annual report, Low economic growth was recorded in the regions that they operate and hence curtailing cement volume growth. Declines were also recorded in South Africa and Botswana. Zimtile, Beta Bricks, Willdale Zimbabwe and Turnall have also been facing economic challenges mainly stemming from the foreign currency shortage given that most of their raw materials are imported. The brick manufacturers have also been facing stiff competition from mushrooming brick companies such as Golden Bricks and many others. Hence because of all these challenges companies can no longer afford to operate in an inefficient manner and hence the call to come up with robust strategies that will see to it that their businesses thrive.

2.9.3 Measurement of Corporate Performance

Ting, Wang and Wang (2012) illustrate the various aspects that are measured in corporate performance and these are efficiency, growth, profit, size liquidity, market share and leverage. Over the years authors seem to be of the view that corporate performance needs to be categorized into various areas, some is categorized as financial and non-financial, whilst Suraju, & Hamed, (2013) divides into three sections namely financial performance, marketing performance and operational performance and each of these dimensions has measures below it. Organizational performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets, return on investment, etc.); (b) product market performance (sales, market share, etc.); and (c) shareholder return (total shareholder return, economic value added). Measuring performance has various implications and the first being requires weighing the relevance of performance to focal stakeholders, Measurement of performance must take into account the various differences in operating environments, strategies, and management practices, Measurement of performance requires an understanding of the time series properties relating organizational activity to performance, Performance measures should be sufficiently robust to cover the domain of organizational performance, measurement of performance requires an understanding of the relationship between measure. (Richard, Devinney, Yip & Johnson, 2009). Kobu (2007) cited in Arzu & Erkan, (2010) mention the following as the

purposes of a performance measurement system, Identifying success, Identifying if customer needs are met, better understanding of processes, identifying bottlenecks, waste, problems and improvement opportunities, providing factual decisions, enabling progress, tracking progress and facilitating a more open and transparent communication and co-operation.

2.10 EMPIRICAL FRAMEWORK

2.10.1 Impact of Strategic thinking and planning on Outsourcing vs Corporate Performance

Over the past 25 years strategic planning has been employed by organizations as it is believed to impact positively on corporate performance. It is important to note that by clearly assessing the areas or functions that require outsourcing companies could essentially reduce their costs significantly. This is a critical section as it will either pave way for the success of the organization or mark its downfall. Proper planning before the decision to outsource will either spell doom or bloom for any firm. With outsourcing there are issues centered on transaction costs which are sometimes hidden and failure to accurately take these into cognizant would spell negative impacts on the cost structure. Hence strategic thinking and planning has a role to play in the accounting performance of the organization as the reduction of transaction costs lead to enhanced profitability.

2.10.2 Impact of Selection and Evaluation in Outsourcing on Corporate Performance

The selection and evaluation process in outsourcing plays a key role in ensuring that corporates perform well. Previously selection and evaluation of would be suppliers were based on the cost of the service to be provided which is known as the single criterion method. Recent literature has gone a step further in explaining that it is important to have a multi-criterion method in selection and evaluation of suppliers, this will enable the evaluating panel to select a supplier that is best fit for their operations and in so doing ensuring that customer needs are met, quality standards are maintained and that they are driving towards the same goals as the parent company. Extensive literature has been carried out the benefits of the multi-criterion methods versus the single-criterion method, there is however need to explain how the methods can be used

effectively in order for the organization to realize lasting benefits and a sustainable competitive advantage.

2.10.3 Impact of Contract Development in Outsourcing on Corporate Performance

Mobasheri, Mirzaeian, Sharifi-Radand Amini(2014),indicates that contracts play an important role as they ensure harmonious conflict resolution, mutual dependence, trust and commitment. It is important to note that the contract development stage can either make or break the organization, the ability to negotiate effectively on behalf of the organization means that the organization does not suffer unintended losses due to careless statements. Sun Microsystems Internet Data Centre Group (2002)cited in Murphy et al. (2012) have come up with a more detailed life cycle of contracts and this starts with discovering the service provider, defining the service level agreement, establishing an agreement, monitoring the service level agreement violation, terminating the service level agreement and enforcing penalties for the breaches or violations. Each and every stage is important and it is this importance that this study will highlight to ensure that the process of formulating agreements contributes to the success of the organization. The absence of a contract shows the absence of any real commitment and hence if the any party fails to perform its obligations losses will be incurred, market share will be lost and most important the business will lose sustainable competitive advantage.

2.10.4 Impact of Relationship Management in outsourcing on corporate performance

Studies have revealed that insufficientmanagement of the relationship is a main contributor to failed outsourced maintenance.Van Niekerk and Visser (2010) is of the view that, a general lack of management was evident in most of the bad cases. There were, however, a few cases where most basic elements were in place, and yet the relationship still failed. In each of those cases the failure was attributed to a lack ofsustained real commitment from one of the parties, and thus a failure in the cohesionsystem. It is important to note that in order to realize corporate performance, there is need for organizations to develop a relationship management system with their service providers, in so doing there is goal alignment and both companies focus on one common purpose.

2.10.5 Impact of Risk Assessment in outsourcing on Corporate Performance

Every company will have to take into cognizant the risk involved should they decide to outsource as failure can be detrimental to the organization as a whole. In order to experience the full benefits of outsourcing companies may need to fully explore the possible risks involved and their impact, then also come up with a ways and means to help militate against these risks. Risks can be mitigated by practicing protections while finalizing the outsourcing arrangement, learning from previous failures and choosing an established and experienced service supplier to make the outsourcing project profitable.

2.11 RESEARCH GAP

British companies engaged in outsourcing rarely for one single reason, but for a host of reasons such as to curb huge costs and ensure they remain competitive within the industry, to improve the quality of their end product or service by engaging the best industry leaders within that field, to enhance and improve organizational focus, to increase flexibility and facilitate change. However, In as much as companies were resorting to outsourcing as a panacea to their problems, not all of these organizations were realizing the intended benefits of outsourcing, some were even facing failures despite making the decision to outsource. It is on this premise that the research was conducted to investigate whether outsourcing processes improves corporate performance within the construction industry in Harare, Zimbabwe.

2.12 CONCEPTUAL FRAMEWORK

For this research, the following conceptual framework will be used to analyse the impact of outsourcing processes on Corporate Performance of construction companies in Harare Zimbabwe. The conceptual framework unpacks the different stages and processes undertaken when outsourcing and how each one of them improves corporate performance.

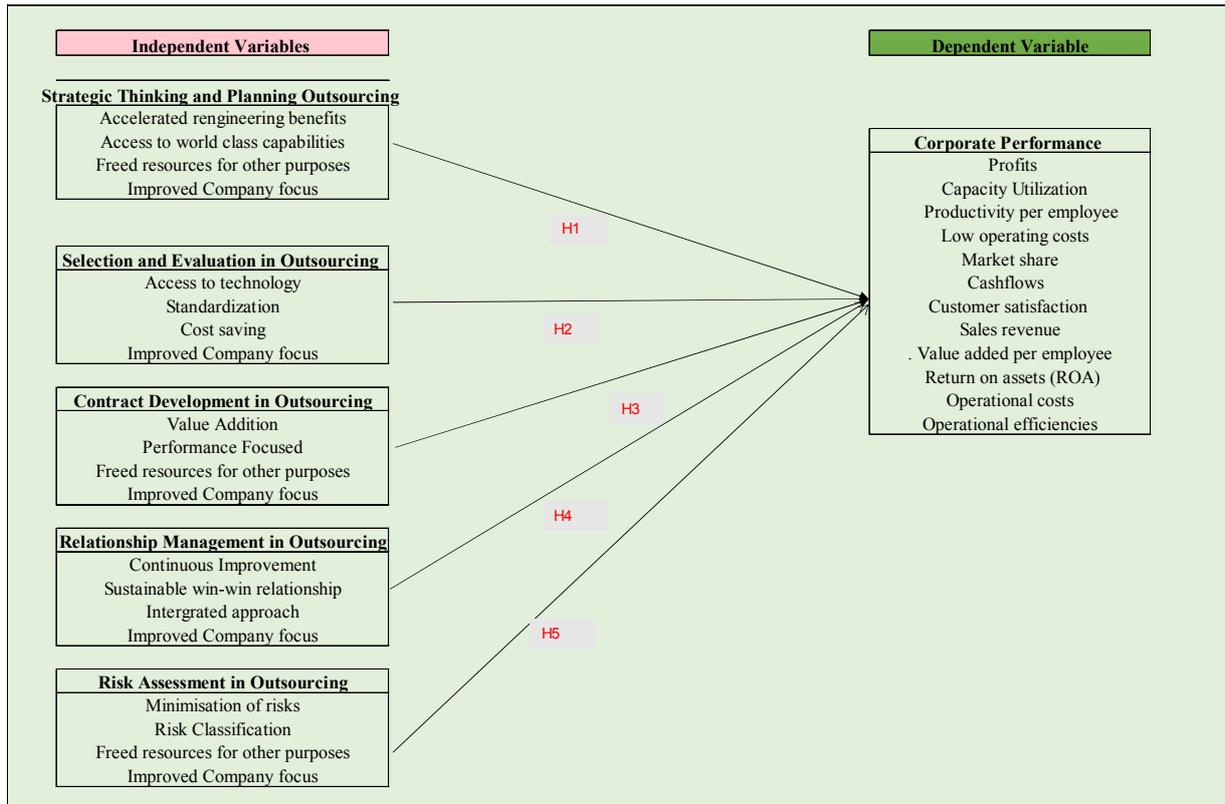


Figure 2.3: The Conceptual framework

This model focuses on five stages or processes of outsourcing which are strategic thinking and planning, selection and evaluation, Contract development, relationship management and risk assessment and their impact on performance of construction companies in Harare, Zimbabwe analysed in the context of a unique business environment. To enrich the study, we select a combination of both financial and non-financial measures of corporate performance variables.

2.13 CHAPTER SUMMARY

This section carried out a review of both theoretical and empirical literature that covered a wide spectrum of issues relating to outsourcing processes and corporate performance. Having critically reviewed related literature on the impact of outsourcing on corporate performance, we established that there is need to research on how each and every stage in outsourcing improves corporate performance. The literature has established that past studies have focused on the

impact of outsourcing on corporate performance, this study aims to review the importance of each process in outsourcing to corporate performance, and hence enlightening executives on which areas to invest in should they realize corporate performance, The research gap was followed by the conceptual framework which will guide this research work. The next chapter (Chapter three) will address the research methodology and will cover the design of the research, the philosophy, and research paradigm and research approach. It will describe the sampling design to be used to arrive at the representative sample from the target population of construction firms and further outline the methods to be used to collect and analyze data.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter presents the research methodology undertaken by the study. It outlines the research design, philosophical paradigms, elaborates on the research philosophy and strategy, describes the data collection instrument, defines and describes the target population, sampling, data sources, data analysis technique, research validity and reliability ethical considerations and limitations. The justification for any methodology used is important in this chapter. The chapter ends with a chapter summary

3.2 RESEARCH AIM OBJECTIVES, AND HYPOTHESES

The main objective of the study was to find out the impact of outsourcing on corporate performance with particular focus on the construction sector in Harare, Zimbabwe. The independent variables of the study were of relationship management, selection and evaluation, Contract Development Strategic Thinking and planning and risk assessment while corporate performance was used as the dependent variable. The researcher assumes that outsourcing impacts corporate performance and made the main hypothesis that; there is a positive relationship between outsourcing and corporate performance in the construction Industry in Harare, Zimbabwe. The Sub- hypothesis indicated that there is a positive relationship between outsourcing practices (were that strategic thinking and planning, risk assessment, Contract development, relationship management and selection and evaluation process) and corporate performance in the construction industry in Harare Zimbabwe. The main research question was to what extent does outsourcing influence the performance of construction firms in Zimbabwe? The research questions were answered in chapter four and the hypotheses were tested to either accept or reject hypotheses. The findings were compared with theory and previous studies findings.

3.3 RESEARCH DESIGN

A research design is the overall plan for connecting the conceptual research problems to the pertinent (and achievable) empirical research. In other words, the research design articulates what data is required, what methods are going to be used to collect and analyse this data, and how all of this is going to answer the research question. Different research designs are used for different types of study according to Kumar (2010) cited in Murray (2015) highlighted that, the common types of research designs are Explanatory, Descriptive and Exploratory designs. A descriptive research attempts to systematically describe a situation, problem, phenomenon, service or program, or describes attitudes towards an issue. Explanatory research seeks to investigate the cause-and-effect relationships between variables under study and the researcher will have to test hypotheses of the study to establish the relationship between variables. This study adopted an explanatory research design to explain the impact of outsourcing on corporate performance. The study sought to test hypotheses hence explanatory research design was the most suitable for this study.

3.3.1 Research philosophy

Research philosophy deals with the way that one thinks about the development of knowledge. Research philosophy can be classified under the broad categories of Interpretivism, pragmatism and positivism (Saunders et al., 2012). The interpretivism domain allows for a study of both people and things, which is very appropriate for the business world as this validates subjective point of view of a reality (Greener, 2008).

A researcher who uses the interpretivism paradigm, sees the world through different eyes of the people being studied, and allows them multiple perspectives of reality rather than just the one reality as offered in the positivist domain. This system maintains that knowledge is about description rather than questioning. Positivists recognise only positive facts and observable events, that is, those things that can be seen, measured and be counted as facts. Positivism takes little account of beliefs or feelings. The study used the principles of positivism which embraced the natural sciences based on the data collected that relates to outsourcing and company performance. The positivism philosophy was appropriate as the study sought to generate and test a hypothesis. Positivist philosophy was also appropriate because the sample size was large, the

aim of the study was to explain and recognize the statistical associations between variables under study and data was collected using a structured survey questionnaire. The assumptions available for research are epistemological, ontological assumptions, and axiological assumptions Saunders et al. (2009). For this study an objectively ontological view was held because the researcher wanted to generalize the findings to the construction sector in Harare , hence the belief of the researcher about the nature of reality that there is one truth or reality pertaining the impact of outsourcing on corporate performance.

According to Saunders et al (2009) axiology is a branch of philosophy that studies judgments about value. Although this may include values possessed in the fields of aesthetics and ethics, it is the process of social enquiry with which people are concerned here. The role that one's own values play in all stages of the research process is of great importance if a researcher wishes their research results to be credible. The research had no close interactions with the participants, and the questions asked were not sensitive. The respondents were encouraged to be anonymous.

3.3.2 Research approaches

Burney (2008) highlighted that a research approach involves the selection of research questions, the conceptual framework that has to be adopted, the selection of appropriate research method such as primary research, secondary research. The two main research approaches are inductive / deductive. Inductive seeks to derive theory from data and uses a different approach to data collection that may involve the collection of much more detailed information but from a very few informants. Qualitative research methods use inductive approach. A deductive approach is based on testing theories using quantitative data collection derived largely from asking managers, and others, questions in surveys, the results of which are then subject to extensive statistical testing (Quinton and Smallbone (2009). The deductive research approach was most suitable for this study since it adopted positivist philosophy and quantitative research methods. The objective was to identify and develop hypotheses on the impact of outsourcing on corporate performance. The pre- determined hypotheses were tested, as the data collected from the survey was statistically analyzed so as to examine and quantify the relationships between the research variables. Since quantitative research is deductive in nature and it tests theoretical hypotheses to contribute to the scientific knowledge, the deductive approach was adopted for this study.

3.3.3 Research strategy

Driscoll (2011) describes a research strategy as a general plan of how the researcher will go about answering the research questions set. It covers the logic of research design, data collection methods and approaches to data analysis that were employed to provide acceptable answers to the research problem. Saunders *et al.* (2009) pointed out eight research strategies, namely, experiment; survey; case study; grounded theory; ethnography; action research; cross-sectional and longitudinal studies; and exploratory, descriptive and explanatory studies.

This study employed a survey to collect data on the impact of outsourcing on company performance from construction industry because of its advantages. Survey research involves the use of a standardized questionnaire or interview to collect information about people's behaviour, preferences and thoughts in a systematic manner. Survey can take the form of self-administered, group-administered and online or web administered survey. The study used self-administered and online-administered survey to boost the response rate. Surveys in most cases are done using questionnaires and it was the appropriate strategy for the study because it enabled the collection of quantitative data which can be analysed using various statistical techniques. It allows the collection of data from a large number of the management construction companies in a cheaper way. It also provides more control over the research process. However, it also has its own drawbacks.

3.3.4 Methodology

Qualitative/quantitative approach

The researcher made a choice on whether to adopt a quantitative or qualitative approach. In qualitative methods, the truth is captured using inductive reasoning as it relies on obtaining information about participants' perceptions on the phenomenon. This study adopted a quantitative research approach because it allowed a clear theoretical focus of the research and the researcher had a control of the research process. With quantitative research approach, objectivity was attained through a structured questionnaire administered to the management in the construction industry.

3.3.5 Research instrument

The study used a structured questionnaire to collect quantitative data from the 168 senior executives in procurement, finance, Human Recourses, logistics, production, maintenance and mining from seven construction companies in Harare, Zimbabwe which are Lafarge Holcim Zimbabwe, Pretoria Portland Cement Zimbabwe, Turnall, Zimtile, Vaka Concrete, Willdale Bricks and Beta Bricks Zimbabwe.

3.3.5.1 Questionnaire development

Mead (2008) defines questionnaire as a data collection instrument used in survey research where people answer questions by recording their own answers. The questions were organized according to the objectives of the study provided in chapter 1. The questionnaire was structured in such a way that the first section provided the demographic questions particularly the level of management, period of working in the Construction Company, age and education of the respondents. The demographic question measures the ability of the respondents to give relevant responses. The following sections provided questions which measures the impact of Strategic Thinking and planning selection and evaluation, contract development relationship management and risk assessment on corporate performance. The last section contained the questions that measure the dependent variable (performance management). The questionnaire was developed by the researcher. Questions were developed from the literature review.

Closed questions were used in the questionnaires. The closed ended questions were provided with alternative answers to choose from, to make it easier and quicker for respondents to answer. A 5 point Likert scaled questionnaire was used where Strongly Agree was rated as 5 and strongly disagree (1). Kahn and Cannell (2014) defined a Likert scale as a strategy used for ranging or measuring responses given by respondents on qualitative data, used for the analysis data analysis. The Likert scale enables easy interpretation of data. A Likert scale was used to allow respondents to select the most appropriate answer for each question presented on the questionnaires, by showing their level of agreement to a statement given. (Gilgal, Bux and Cul, 2011).

3.4 POPULATION AND SAMPLING TECHNIQUE

3.4.1 Target Population

Wilkinson, (2012) defines population as a group of individual persons from which samples are taken for statistical measurement. Green and Carmone, (2011) further explain that research population is the totality of all members, objects and subjects that have common characteristics and features relative to the study to which sample findings can be generalised. The population of this study comprised the senior executives in procurement, finance, Human Recourses, logistics, production, maintenance and mining. These are construction companies in Harare, Zimbabwe which are Lafarge Holcim Zimbabwe, Pretoria Portland Cement Zimbabwe, Vaka Concrete, Zimtile, Beta Bricks, Willdale Bricks and Turnall.

3.4.2 Sample sizes

According to Scott and Vessey, (2015) sampling refers to selection of individuals from a population of interest to make an estimation of the qualities of the population. Oliveira and Martins, (2011) pointed out that a large sample, not too big will produce information that is adequate for the research to be carried out but a sample that is too small may provide inadequate information. Brick and Wood, (2014) further explained that a sample population should be 30% or more of the target population.

The table below shows the sample sizes.

Table 3.1: Sample size

Construction companies in Harare	Population	Sample@ 0.3 of the population	Response rate
Lafarge Holcim Zimbabwe	80	26	16
Pretoria Portland	80	24	16
Homestyle Bricks	80	24	16
Turnall	80	24	16
Zimtile	80	24	16
Willdale Bricks	80	24	16
Beta Bricks	80	22	17
Vaka Concrete	80	24	17
Total	560	168	130

3.4.3 Sampling methods

Choga and Njaya (2011) assert that there are two sampling techniques which comprise of probability and non-probability. Probability sampling occurs when the chance of including each element of the population can be determined. Non-probability sampling refers to the case where the chance of including each element of the population in a sample is unknown. In other words, it is not possible to determine the likelihood of the inclusion of all representative elements of the population into a sample.

Sampling techniques utilise probability sampling to draw a sample in which every sampling unit has a known probability of being included in the sample to be used. Probability sampling

includes simple random sampling, interval or systematic sampling, stratified sampling, and cluster or multi-stage sampling. The researcher therefore used probability technique and adopted stratified sampling because with probability sampling each element of the population had an equal chance of being picked as such, the research results were accurate.

Simple random sampling and stratified sampling

Simple random sampling is the easiest method of sampling and it is the most commonly used. In a simple random sample of a given size, all such subsets of the frame are given an equal probability. Each item in a population has an equal chance of inclusion in the sample. The researcher used her network with the senior Managers to get the database of the management of the seven selected construction companies in Harare, Zimbabwe. The researcher allocated random numbers on each subject. The researcher then picked those with even numbers.

3.5 QUESTIONNAIRE ADMINISTRATION

The researcher administered the questionnaire through email and self-administration. According to Pramlal (2008), administering of questionnaires personally to individuals helps to establish rapport with the respondents. Administration of the questionnaires includes gaining access to the sample and attempting to maximise the response rate (Saunders et al., 2012). Whilst handing out the questionnaire the nature and objective of the study was explained to the respondents. In addition, they were also assured of the utmost confidentiality. The researcher agreed on the time to complete the questionnaires with the respondent. Most of the questionnaires were completed in three days.

3.5.1 Pilot Study

A pilot study is usually carried out on members of the relevant population, but not on those who will form part of the final sample. This is because it may influence the subsequent behaviour of research subjects if they have already been involved in the research (Haralambos and Holborn, 2000). Pilot study was carried out to pre-test the research instruments before actual administration to respondents. According to Connelly (2008), extant literature suggests that a pilot study sample should be 10% of the sample projected for the larger parent study.

In order to conduct a pilot test, a sample of 20 respondents were used for the pilot. The pilot test served to ascertain the clarity, consistency and coherence of the questions in the tools of data collection. The pilot also informed the logistical arrangements thus enabling the researcher to establish the time it would take to administer one questionnaire. The feedback from the respondents on the questionnaire was incorporated to make the data collection tools more valid and reliable before the actual data collection. The result from the pilot test was analysed to determine if the research instruments were capable of addressing the objectives under study. The respondents in the pre-test did not take part in the final data collection exercise.

3.6 DATA GATHERING, PROCESSING AND DATA ANALYSIS

The questionnaires that were received from the respondents were scrutinised for inconsistencies, omissions and unanswered questions regarding the collection of the data. Bloomberg, Cooper and Schindler (2012) advocate ignoring unanswered questions during the analysis, of which the researcher found none.

Data analysis refers to computation of certain statistical measures or indices along with searching for patterns of relationships that exist among data groups. The researcher adopted descriptive analysis and used a software package known as Statistical Package for the Social Sciences for analysing the statistics. The study used descriptive statistics because it provided summary measures for the data in the samples.

Descriptive statistics used were frequency distributions and percentages. These were used to examine the demographics of the respondents which were the level of management, work duration, age, and level of education. The measure of central tendency particularly mean responses was used to describe the findings on the variables of the study. Measures of dispersion particularly the standard deviation was used to measure the variation of the responses.

Normality Test

The researcher did not carry out the normality test because the sample size of 168 was big enough to assume that the data was close to normally distributed as informed by the Central unit theorem.

Correlation Analysis

The correlation analysis was done to establish the degree of association between independent and the dependent variables. The Pearson correlation was computed since it is the one that applies to parametric test for data that is normally distributed. The analysis was of each independent variable against the dependent variable. When carrying out the correlation analysis, the researcher looked at four aspects which are direction, magnitude, significance and multicollinearity. Correlation of variables ranges from a -1 for perfectly negative relationship to a +1 for perfectly positive relationship and 0 shows that no relationship exists. For a strong significant correlation to exist between variables, significance level should be less than 0.05. Multicollinearity tests whether the independent variables are independent of each other. If VIF is greater 10 it means there is multicollinearity. The results of the analysis indicated a low degree of multi-collinearity between 1 and 1.2, which was very good as it meant that was no correlation between the independent variables.

Regression Analysis

The researcher after establishing the strength of correlations between variables proceeded to conduct regression analysis. Regression analysis was carried out to establish the cause-and effect relationship between the independent and dependent variables in the study.

3.7 RESEARCH LIMITATIONS

This study was carried out in construction companies in Harare Zimbabwe which are Lafarge Holcim Zimbabwe, Pretoria Portland Cement Zimbabwe, Turnall, Vaka Concete, Willdale Bricks, Beta Bricks and Zimtile however, time and financial limitations deprived the researcher opportunity to study a larger sample in the construction industry and also opportunity to widen scope to companies out of Harare. The researcher received 158 responses out of the issued 168, this was due to the limited access to participants. There was also limited external literature

3.8 VALIDITY AND RELIABILITY

Issues of validity and reliability of the research instrument is important. Validity refers to a researcher's confidence that given findings demonstrate what they purport to show and poses some important questions (is a researcher measuring 'the right thing', are the hypothesis specific enough and clear, are there any problems with demand characteristics, etc.) To ensure validity of instruments, the researcher under took the following steps:

Firstly a pilot survey was done with 15 managers, who were not part of the final sample to check for clarity of the questionnaire before distribution in the final study. This pilot survey was done to eliminate errors, ambiguity and confusing words. Secondly, the Supervisor verified the questionnaires so as to derive credible data.

Reliability

The researcher also did a reliability test of the research instrument using Cronbach alpha value. A reliable instrument must score a value of 0.7 and above.

3.9 ETHICAL CONSIDERATIONS

According to Henn, Weinstein and Foard (2009) ethics have close relationships to moral choices affecting decisions, standards and behaviour. According to Fouka and Mantzorou (2011) the major ethical issues to be considered in research include informed consent, beneficence, respect of anonymity and confidentiality and respect of privacy. Free and informed consent according to Henn, Weinstein and Foard (2009) underpins that the researcher must explain the nature and objectives of the research such that the participant uses his/her judgement on the deemed benefits to participate in the research voluntarily and willingly. In this research this was properly explained and highlighted in the introductory letter. The research ensured that no-one was prejudiced or affected negatively during the research process. There was respect to the ethical issues of autonomy, confidentiality and beneficence.

In this research all the necessary permissions and request were made. Most important of all the privacy of the participants was closely guarded. No force was used to ensure participation and it was clearly communicated that the research was strictly for academic purposes and this was adhered to in the research process. The privacy of the participants was of importance and the

study was anonymous as the respondents were strictly advised not to write their names on the questionnaire. Communication was done clearly to participants to assure them the reasons and importance of this study.

3.10 CHAPTER SUMMARY

The chapter discussed the research methodology adopted in the study. The study adopted a positivist philosophy. Quantitative data was collected through a survey done in construction companies in Harare Zimbabwe which are Lafarge Holcim Zimbabwe, Pretoria Portland Cement Zimbabwe, Sino Cement, Vaka Concrete, Zimtile, Willdale Bricks and Beta Bricks on the impact of outsourcing on corporate performance with particular focus on the construction sector in Harare Zimbabwe. A Questionnaire was used to collect the data. Personal administration and mostly emails were used to administer questionnaires. The researcher ensured that all the ethics were observed. The research validity and reliability and the data analysis techniques were presented. The following chapter provides the research findings and analysis.

CHAPTER FOUR: DISCUSSION AND ANALYSIS OF FINDINGS

4.1 INTRODUCTION

The present chapter presents the findings of the study and their discussion. The analysis was done by first entering the data using Epi-Info and run analysis using a package called SPSS. These findings are discussed by providing a gap analysis between findings and literature review in chapter two of this dissertation.

4.2 RESPONSE RATE

A total of 168 questionnaires were sent out to the respondents and 130 were successfully completed and returned to the researcher for analysis. This represents a response rate of 77.2% which is good enough, for analysis. Saunders, et al. (2007) consider a response rate of between 50% and 92% as being a high and good enough to ensure validity of research findings.

4.3 DEMOGRAPHIC ANALYSIS

Over and above the measured variables, Schwartz, (1957) and Field (2013) argue that there may be unexplained variations of the responses that may be as a result of the varying demographic data. It is upon this basis that the research also explored the demographic characteristics of the respondents.

4.3.1 Position

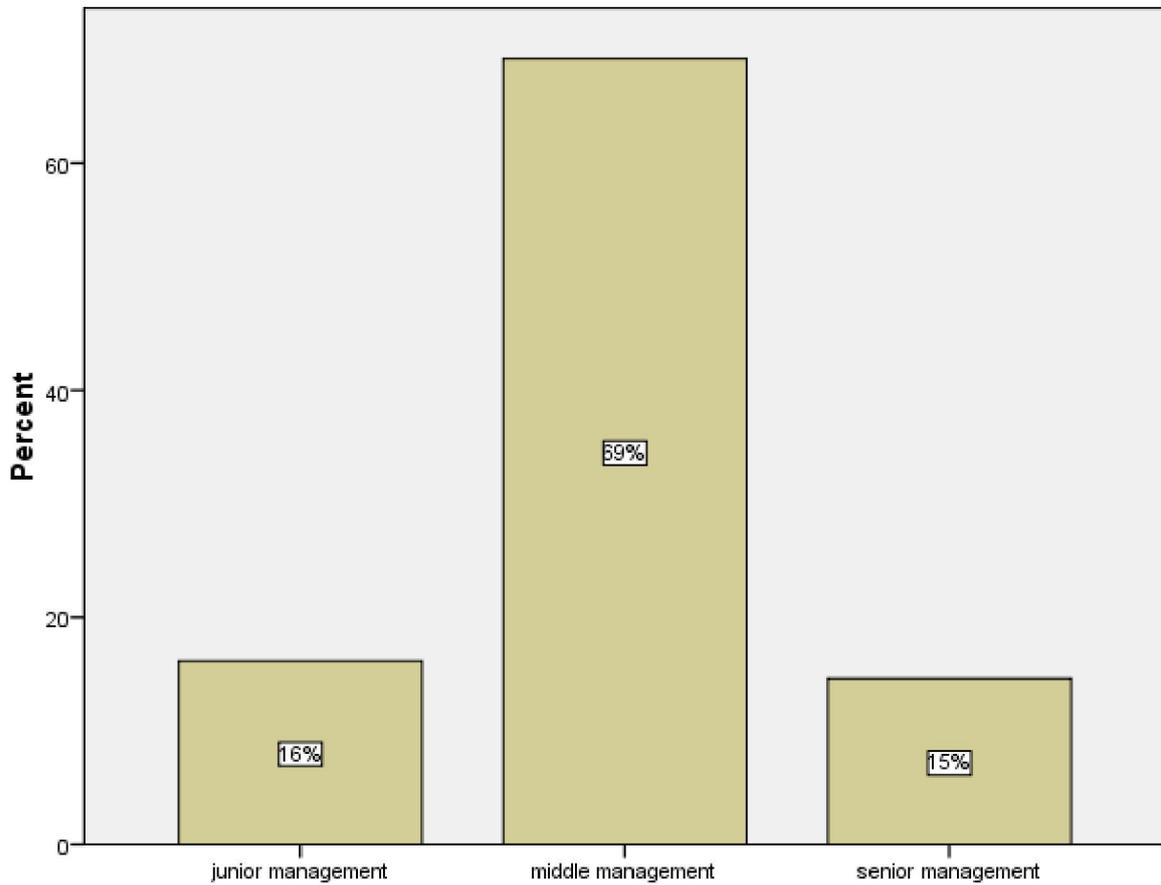


Figure 4.1: Job Grade

Figure 4.1 above shows that of the 21 respondents (16%) were junior management, (89)69% were middle management and (20)15% were in senior management. The analysis generally shows that the researcher targeted to collect data from the team of management with the majority coming from middle management. The middle management who have better understanding of outsourcing compared to junior management.

4.3.2 Period working in the organisation

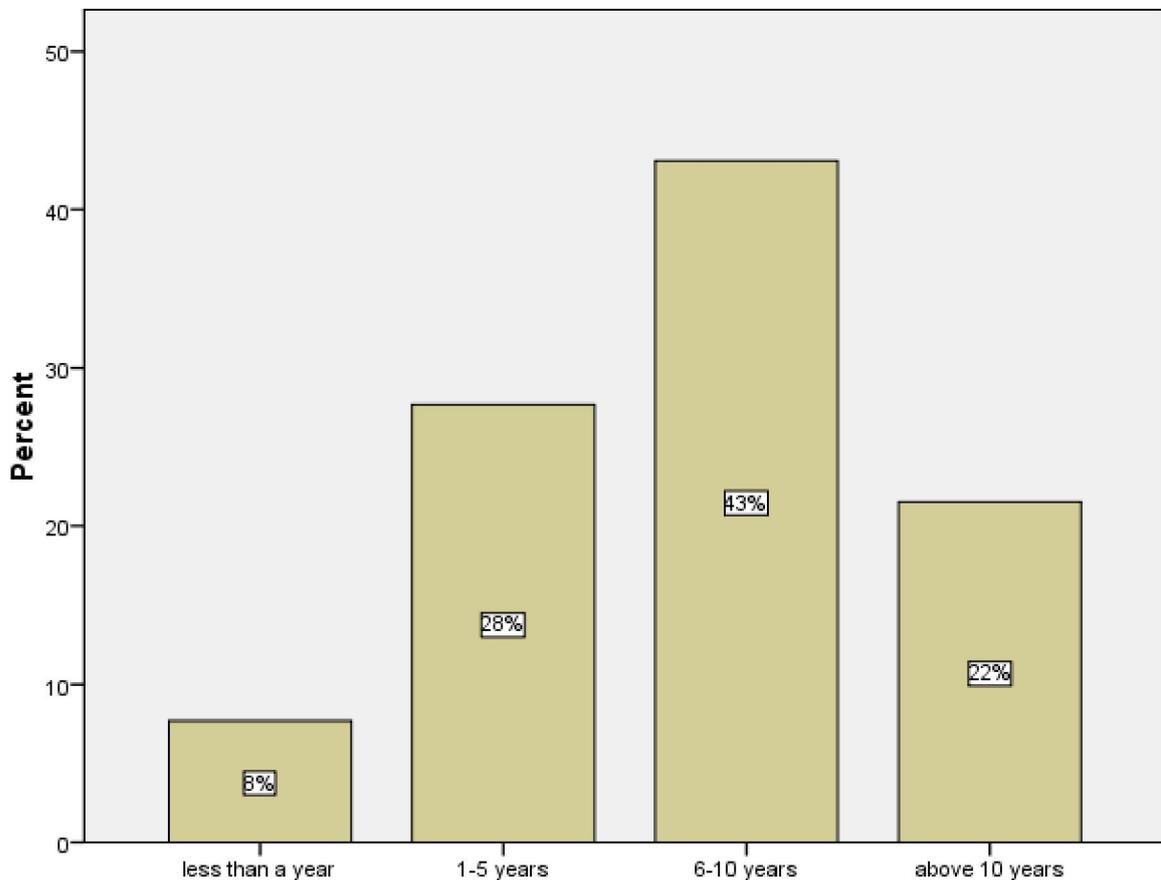


Figure 4.2 Duration

Figure 4.2 above revealed that (56)43% of the respondents had between 6-10 years at the organisation, (28)22% had above 10 years, (36) 28% between 1 and 5 years and (10) 8% less than one year. The analysis generally shows that the respondents had a fair share of experience in their positions of work.

4.3.3 Age of Respondents

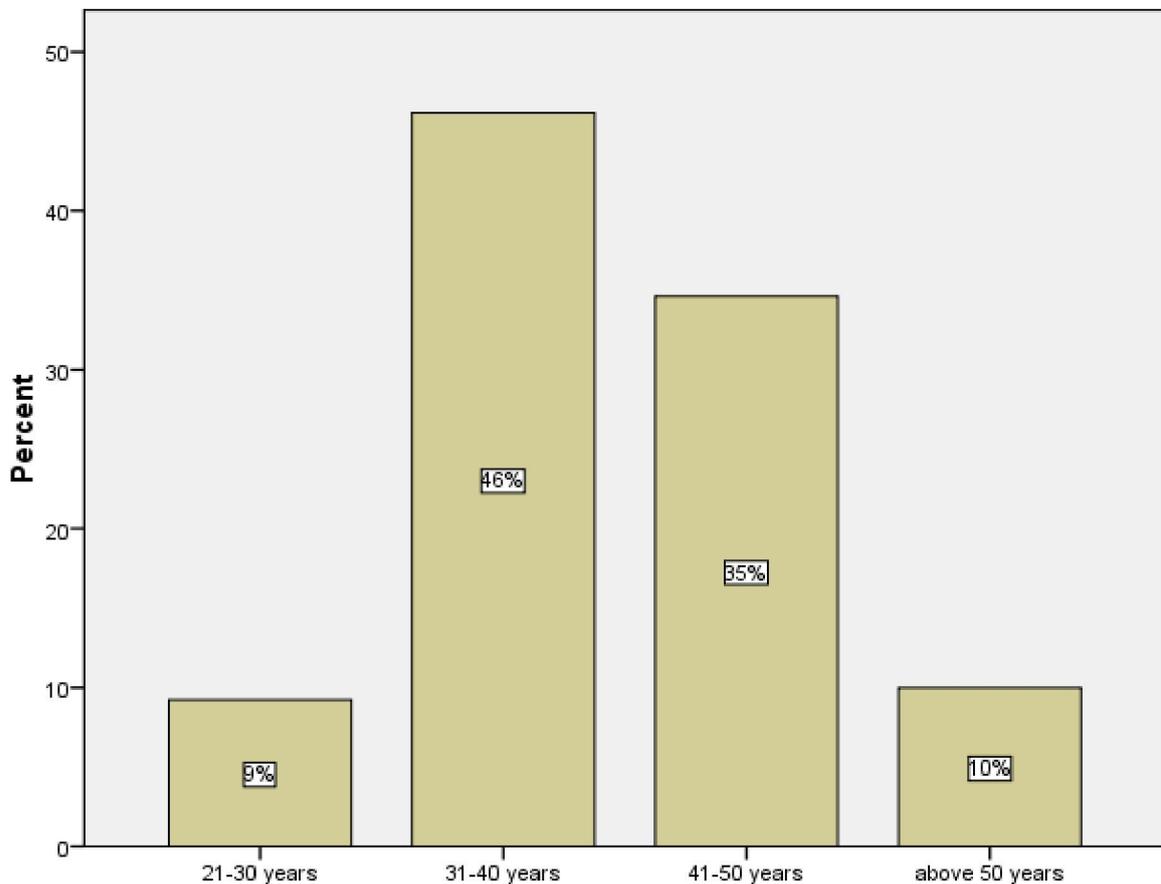


Figure 4.3: Age of Respondents

Figure 4.3 above shows that (60) 46% of the respondents were aged between 31 and 40 years, (46) 35% between 41 and 50 years, (11) 9% between 21 and 30 years and (13)10% were aged above 50 years. The demographic age trend above is in line with the working age group trend where the majority of them are between 25 and 50 years. The age group it still energetic to make outsourcing decision for the construction industry.

4.3.4 Educational Level

Table 4.1: Educational level

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid diploma	11	8.5	8.5	34.6
degree	34	26.2	26.2	26.2
masters	59	45.4	45.4	80.0
PhD	26	20.0	20.0	100.0
Total	130	100.0	100.0	

The table above shows that educational level in the country is increasing since (59)45.4% were holders of master's degree, (34)26.2% were educated to degree level, (26)20% to PhD and (11)8.5% to diploma level. This trend is also in line with the fact that the researcher targeted to collect data from the management team of the organisation.

4.4 CREDIBILITY TESTS

4.4.1 Reliability Test

In this study it was important to measure whether the questionnaire used in data collection actually collected the data it intended to collect. The reliability of the instrument was performed to ensure that the questionnaire could be depended upon on the consistency and the instrument being able to be repeated for further researches.

The reliability of the scale is the degree to which a set of items measure the same construct (Hair et al, 2010). According to Damon et al (2011), a scale is considered to be reliable if the Cronbach's Alpha values are equal to or exceed the recommended threshold of 0.70. This procedure was run with the aid of SPSS and the results are presented in Table 4.1 below.

Table 4.1: reliability test

Cronbach's Alpha	N of Items
.748	59

From the table above the Cronbach alpha is 0.748. Which is greater than 0.7 hence the data is reliable for further analysis as it measures the intended purpose. The following table provide a statistic item reliability. The table shows that all items were reliable.

Table 4.2: item reliability

Item-Total Statistics				
Items	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
B1	250.31	89.267	.123	.747
B2	250.14	87.191	.243	.743
B3	250.34	87.075	.262	.742
B5	249.99	86.415	.462	.738
B6	250.28	91.304	-.094	.754
B7	250.29	90.786	-.043	.751
B9	250.26	89.093	.089	.749
B10	250.44	85.587	.344	.738
B11	250.45	89.368	.107	.747
B12	250.35	88.739	.157	.746
B13	250.24	85.474	.370	.738
B14	250.61	89.444	.102	.747
B15	250.24	84.622	.549	.733
B16	250.34	89.056	.086	.749
B17	250.61	91.154	-.076	.755
B18	250.37	89.371	.056	.750
B19	250.18	89.248	.060	.750
B20	250.26	88.177	.155	.746
B21	250.25	91.326	-.093	.754
B22	250.24	83.745	.408	.735
B23	250.37	88.252	.148	.746

B24	250.11	88.149	.239	.744
B25	250.35	86.315	.337	.739
B26	250.36	88.284	.204	.744
B27	250.84	87.949	.368	.742
B28	250.47	91.302	-.108	.752
B29	250.25	87.665	.205	.744
B30	250.43	85.942	.360	.738
B31	250.47	92.217	-.202	.755
B32	250.37	88.727	.144	.746
B33	250.29	87.833	.114	.749
B34	250.37	87.337	.147	.748
B35	250.46	85.471	.344	.738
B36	250.43	87.366	.210	.744
B37	250.46	89.047	.145	.746
B38	250.32	89.185	.067	.750
B39	250.44	85.774	.283	.741
B40	250.39	86.273	.348	.739
B41	250.21	88.083	.244	.743
B42	250.60	84.158	.412	.735
B43	250.59	86.702	.224	.743
B44	250.51	89.591	.076	.748
B45	250.50	85.117	.405	.736
B46	250.56	87.079	.227	.743
B47	250.47	82.658	.481	.731
B48	250.28	87.338	.331	.741
B49	250.33	84.154	.405	.735
B50	250.34	86.940	.267	.742
B51	250.16	89.661	.064	.749
B52	250.26	90.245	.001	.751
B53	250.47	86.794	.275	.742
B54	250.39	87.765	.215	.744
C1	250.51	87.506	.312	.742
C2	250.31	91.640	-.122	.755
C3	250.18	90.864	-.053	.753
C4	250.52	87.065	.258	.742
C5	250.03	91.415	-.111	.753

The reliability of the data was tested on the both the dependent and independent variables. The Cronbach's Alpha value was 0.748 which is greater than 0.7, is high enough to warrant reliability of the research instrument (Damon et al; 2011).

4.5 DESCRIPTIVE STATISTICS

4.5.1 Strategic thinking

This section provides the descriptive statistics of strategy thinking of outsourcing and corporate performance. The descriptive statistics were used to determine the level of agreeing or disagreeing to each of the questionnaire item. The mean score were used since they provide an average the responses. The means score are explained according to the Likert scale where 1 means strongly disagree, 2 means disagree, 3 means moderately agree, 4 agree and 5 strongly agree. The descriptive on the impact of strategic thinking of outsourcing.

Table 4. 3: descriptive statistics: Strategic thinking

		N	Minimum	Maximum	Mean	Std. Deviation
B1	The company has a sound business plan that includes all the present and future costs of outsourcing	130	4	5	4.36	.482
B2	The business plan helps the company in identifying hidden costs such as impact on the community, customer services and employees	130	3	5	4.55	.648
B3	There is clear sight that determines why to source	130	3	5	4.37	.637
B4	There is clear sight that determines what to outsource	130	4	5	4.65	.478
B5	A great deal of preparation and ground work is laid first before executives can take the major decision to outsource	126	3	5	4.44	.544
B6	There is clear link between	130	4	5	4.35	.480

	outsourcing and the company's strategy					
B7	There is efficacy in analyzing the sourcing options available	130	3	5	4.44	.647
B8	There is efficacy in analyzing the approach to be used	130	2	5	4.28	.707
B9	There is efficacy in analyzing the preferred relationships	130	3	5	4.27	.510
B10	There is efficacy in analyzing the preferred length of the contract	130	3	5	4.30	.523
B11	There is efficacy in deciding the scope of the contract	130	3	5	4.48	.673
B12	There is efficacy in deciding the service level agreement draft	130	3	5	4.07	.469
B13	There is efficacy in deciding the type of outsourcing arrangement	130	3	5	4.49	.560
B14	There is a clear and effective way of assessing the available competencies	130	3	5	4.32	.659
B15	The out sourcing approach at our organization reduce costs	130	1	5	4.12	.700
B16	The outsourcing approach at our organization improve productivity	130	2	5	4.28	.685
B17	The firm is aware of costs that incur at every stage in the outsourcing process	130	2	5	4.55	.716
B18	The company looks at the whole value chain when making an outsourcing decision	130	3	5	4.38	.663
	Valid N (listwise)	126				

The mean response from the table above ranges from 4.07 to 4.65. All these mean responses show that respondents generally agreed to the components that were given in the research instrument under the strategic thinking component. This implies that the cement and construction industry are following the process of strategic thinking during outsourcing. A histogram was provided to show the overall mean and the standard deviation. It also shows the skewness of the data on a normal distribution curve. The histogram shows an overall mean response of 4.35 and a standard deviation of 0.3114

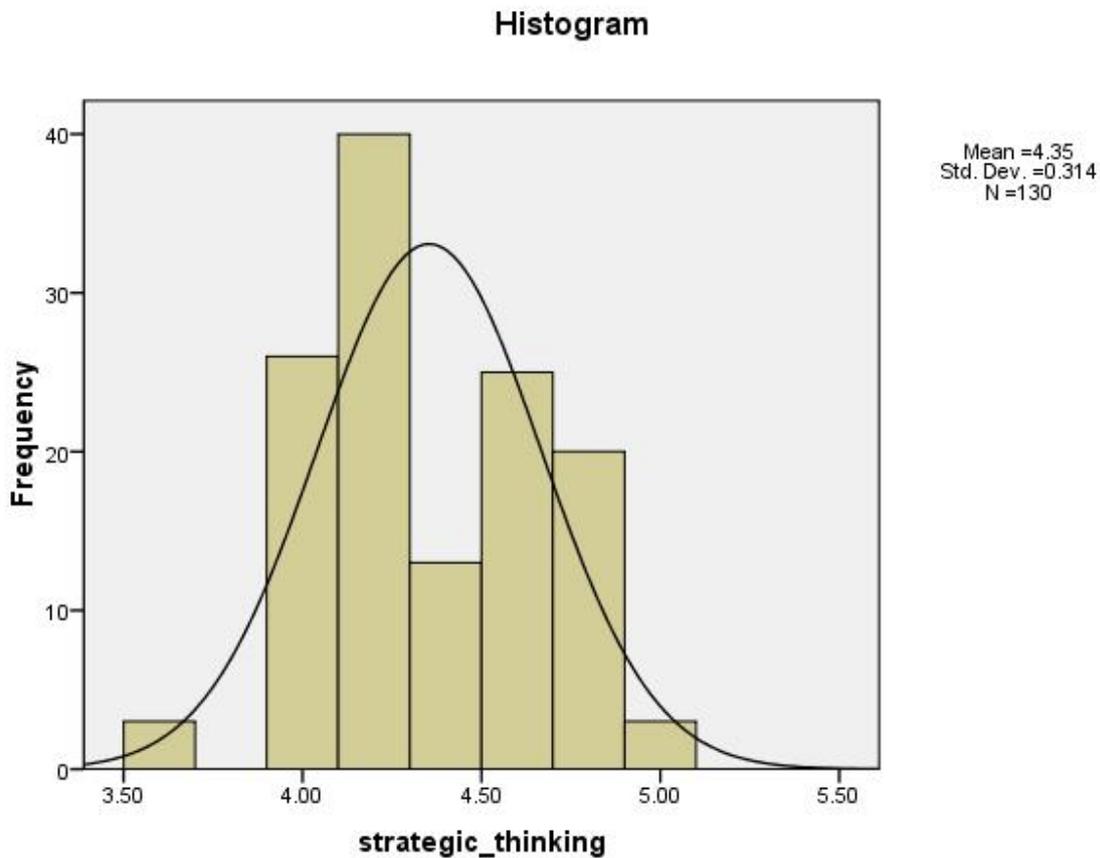


Figure 4.4: Strategic Thinking

The figure above shows that the overall mean response was 4.35 which means respondents agreed and it confirms the initial finding above. The overall standard deviation of 0.314 shows that it is low implying that there was low variability of responses. This means that respondents were all agreeing to the questions that explains strategic thinking. The cement and construction companies are familiar with strategic thinking as important in outsourcing.

4.5.2 Selection and evaluation

This section provides an analysis of selection and evaluation under the process of outsourcing. The analysis was done using the descriptive statistics for the purpose of measuring the respondent's level of agreement on the questions items that explains selection and evaluation

process of outsourcing before the correlation and regression was used in later sections of this study.

Table 4.4: Descriptive statistics: Selection and evaluation

Item		N	Minimum	Maximum	Mean	Std. Deviation
B19	The company ranks supplies based on intangible aspects or service related aspects	130	3	5	4.42	.632
B20	The company assesses the financial stability of the supplier/vendor	130	2	5	4.40	.841
B21	The company assesses the organizational culture and strategic fit of supplier/vendor	130	2	5	4.31	.669
B22	The company assesses the technological capabilities of the supplier/vendor	130	4	5	4.58	.496
B23	Sound procedure are developed in the selection and evaluation process of the supplier	130	3	5	4.35	.621
B24	The evaluation of whether it is beneficial to engage an outside contractor to handle the operation on its behalf or not is effective	130	3	5	4.29	.520
B25	The company outsources more mission critical and complex processes that they do not normally have expertise in	130	3	4	3.85	.355
	Valid N (listwise)	130				

The table above shows that the least mean score was 3.85 and the highest was 4.58. These mean scores show that generally respondents agreed to the items which were under the selection and evaluation component. The following figure is the histogram which calculate the overall mean and the overall standard deviation of all the components under selection and evaluation.

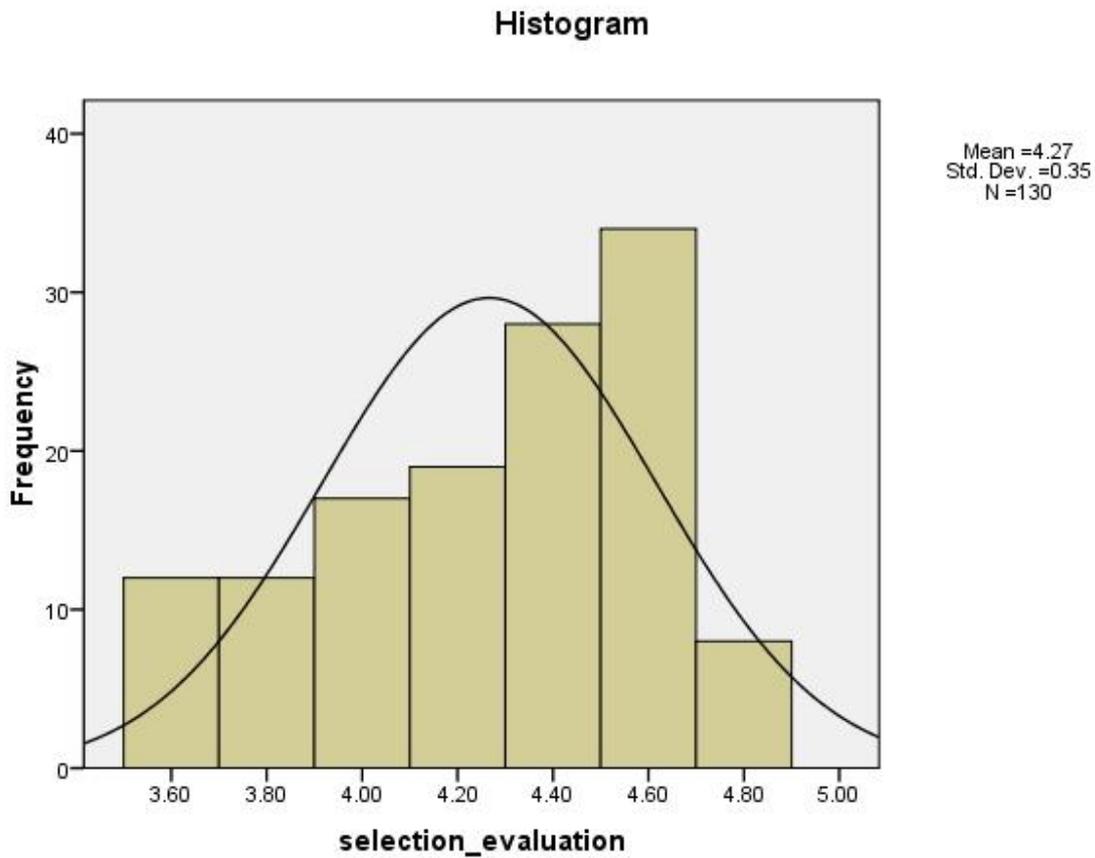


Figure 4.5: Selection and Evaluation

Figure 4.5 above shows that 4.27 was the overall mean score which shows that respondents agreed to the fact that there are proper selection and evaluation procedures followed in the construction industry. The standard deviation of 0.35 buttresses the point that respondents agreed with less variability of responses.

4.5.3 Contract Development

This section provides an analysis of the items that were under the contract development components. The analysis was also based on the descriptive statistics.

Table 4.5: Descriptive statistics: Contact Development

		N	Minimum	Maximum	Mean	Std. Deviation
B26	Our contracts with service providers do not have gaps, missing provisions	130	4	5	4.22	.413
B27	Our contracts with service providers do not have ambiguities	130	3	5	4.45	.648
B28	Our contracts with service providers are always precise on the costs involved	130	3	5	4.26	.629
B29	Our contracts with service providers are enforced	130	3	5	4.22	.470
B30	Our contracts with service providers are do no create room and scope for unauthentic behavior	130	3	5	4.34	.578
B31	There is proper tracking and enforcement of a Service Level Agreement	130	1	5	4.42	.887
B32	There is mutual understandings and expectations of a service between the service provider and service consumers	127	1	5	4.29	.874

The table above shows that the least mean score was 4.22 and the highest was 4.45. These mean scores show that generally respondents agreed to the items which were under the contract development component. The following figure is the histogram which calculate the overall mean and the overall standard deviation of all the components under contract development.

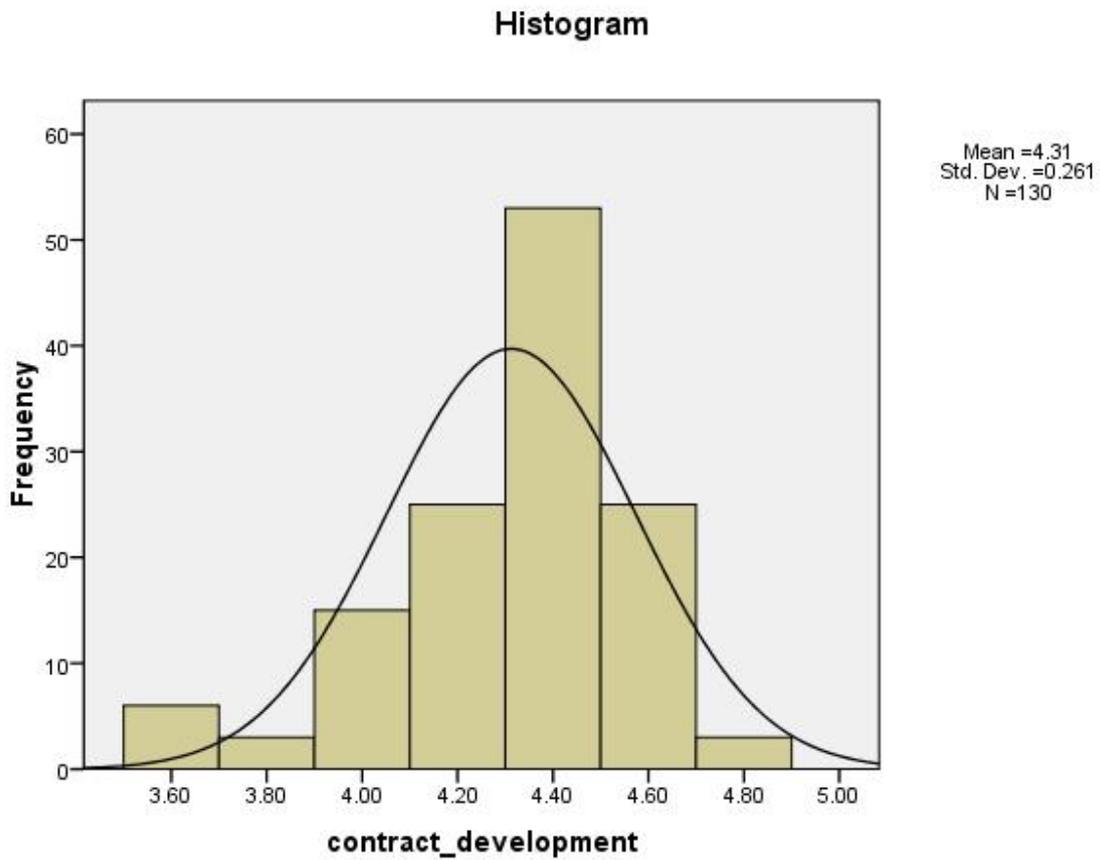


Figure 4.6: Contract Development

Figure 4.6 above shows that the overall mean score was 4.31 which shows that respondents agreed to the items which were provided under contract development. The standard deviation was 0.261 which shows that there was low variability of responses around the mean score.

4.5.4 Relationship Management

This section provides an analysis of the components which were under the relationship management component in the research instrument.

Table 4.6: Relationship Management

		N	Minimum	Maximum	Mean	Std. Deviation
B33	There is clear framework of managing conflicts with service provider	130	2	5	4.20	.698
B34	There is always high mutual commitment from suppliers to invest in client relationship	130	3	5	4.28	.696
B35	There is a way to coordinate and collaborate with multiple suppliers	130	3	5	4.15	.544
B36	The relationship with the service provider is managed effectively and efficiently in order to guarantee the business success	130	3	5	4.36	.704
B37	There is high goal in congruency between the third party and the organization	130	2	5	4.22	.809
B38	There clear support retentions system	130	3	5	4.29	.603
B39	There is a clear team unity system	130	4	5	4.45	.500
B40	There is a clear performance management to assess the performance of service providers and the company	130	2	5	4.11	.760
B41	There is a clear relationship health management system and the cohesion system	130	1	5	4.12	.774
	Valid N (listwise)	130				

The table above shows that the least mean score was 4.11 and the highest was 4.45. These mean scores show that generally respondents agreed to the items which were under the relationship management component. The results shows that the management construction industry value

relation management when carrying out the outsourcing process. The following figure is the histogram which calculate the overall mean and the overall standard deviation of all the components under relationship management.

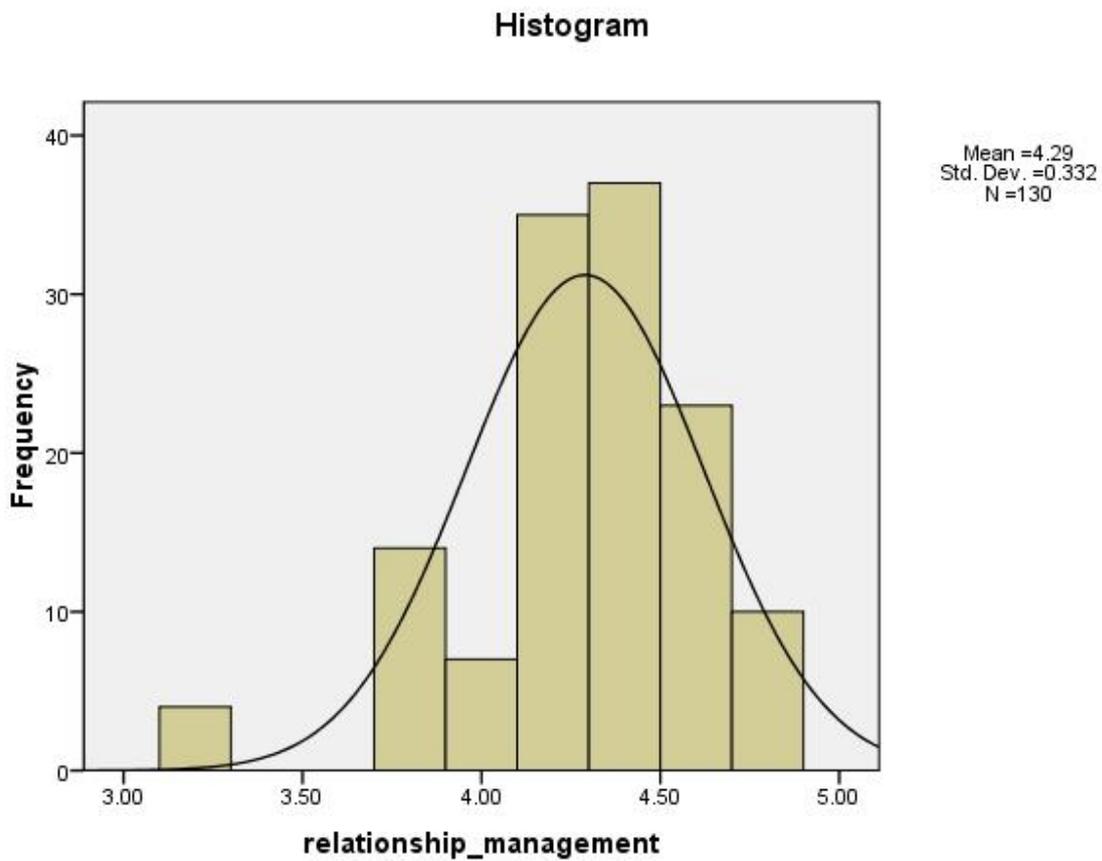


Figure 4.7: Relationship Management

Figure 4.7 above shows that the overall mean score was 4.29 which shows that respondents agreed to the items which were provided under relationship management. The standard deviation was 0.332 which shows that there was low variability of responses around the mean score. Respondents were generally agreeing that they consider relationship management as a process of outsourcing to improve performance.

4.5.5 Risk Assessment

This section provides an analysis of the components which were under the Risk assessment in the research instrument. The table below shows the descriptive statistics. The mean scores were used to determine the level of agreement of the respondents on the questions items that measures the risk assessment process of outsourcing.

Table 4.7: descriptive statistics: risk assessment

		N	Minimum	Maximum	Mean	Std. Deviation
B42	There is always a way to capture and manage the uncertainties of supplier consumer relationship	130	3	5	4.18	.520
B43	The organization is able to identify all the transaction costs	130	3	5	4.22	.674
B44	The transaction which are contingent upon the characteristics of human nature are always managed properly	130	2	5	4.10	.724
B45	There is always a way to manage the complexity and asset specifically	130	1	5	4.22	.807
B46	The sensitive information of the contracts are always protected	130	4	5	4.43	.497
B47	The organization carries out sufficient planning before making the decision to outsource	130	2	5	4.35	.766
B48	There is a clear governance structures for the relationship	130	2	5	4.30	.678
B49	There are some management control systems (MCS)	130	2	5	4.23	.604
B50	The organization develops non-disclosure agreements with the service providers	130	3	5	4.28	.638
B51	The organization have never experienced serious risks related with outsourcing	130	3	5	4.51	.546
B52	The company fully explore the possible risks involved and their impact	130	3	5	4.42	.594

B53	There are some measures to and means to help mitigate against outsourcing risks	130	3	5	4.22	.650
B54	There is clear way of risk identification and risk measurement	130	3	5	4.26	.642
	Valid N (listwise)	130				

The table above shows that the least mean score was 4.10 and the highest was 4.42. These mean scores show that generally respondents agreed to the items which were under the risk assessment component. The following figure is the histogram which calculate the overall mean and the overall standard deviation of all the components under Risk Assessment.

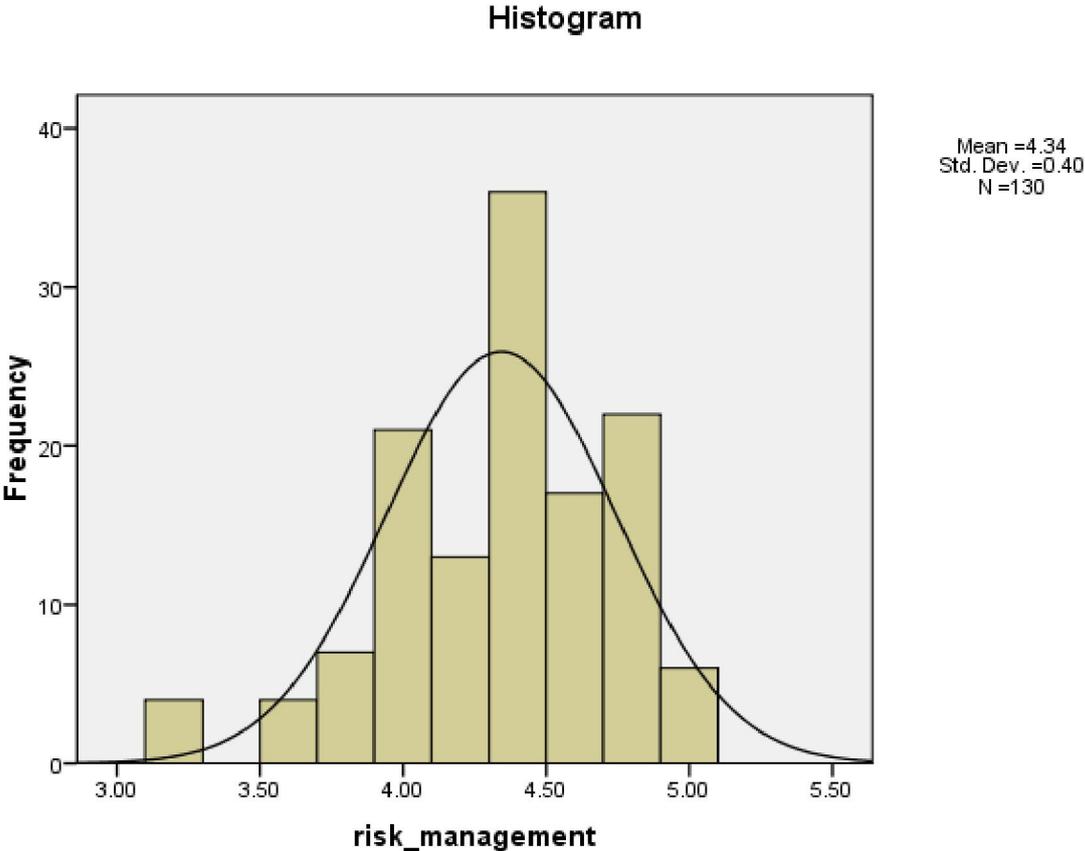


Figure 4.8: Risk assessment

Figure 4.8 above shows that the overall mean score was 4.34 which shows that respondents agreed to the items which were provided under Risk assessment. The standard deviation was 0.40 which shows that there was low variability of responses around the mean score. Respondents were generally agreeing to the questions on risk management.

4.6 NORMALITY TEST

Garth (2008) asserts that before selecting the statistical test to apply to data it is critical to ascertain whether the data is normally distributed or not. In line with this assertion to determine whether the data was normally or abnormally distributed a normality test was done. In this study to test normality of the data the Shapiro-Wilk test was adopted because for a sample less than 2000 like in this research it is the relevant test to be applied otherwise for larger samples (greater than 2000) the Kolmogorov-Smirnov test is used (Garson, 2012).

Table 4.8: Normality test

		Tests of Normality ^{b,c,d,e}					
		Kolmogorov-Smirnov ^a			Shapiro-Wilk		
		Statisti c	df	Sig.	Statistic	df	Sig.
Strategic		4.12	130	.013	.665	130	.001
selection		.414	130	.000	.617	130	.000
Contract		.417	130	.000	.608	130	.000
Relationship		.433	130	.000	.594	130	.000
Risk		.347	130	.000	.770	130	.001
performance		.284	130	.000	.781	130	.000

a. Lilliefors Significance Correction

As shown on Table 4.8 above the normality test results indicate that the data was unevenly/abnormally distributed since the significance values are less than 0.05 hence the correlation test deemed appropriate for the data was Spearman's Correlation test. In the next section correlation analysis will be done

4.6.1 Correlation Analysis

Spearman correlation test was adopted in testing the correlations amongst the above mentioned perceived drivers and strategic planning. Spearman Correlation analysis depicts direction, statistical significance and magnitude of relationships. The sign of the correlation coefficient indicates the direction of the relationship whilst the direction itself describes whether there is a positive or negative relationship between the variables. The correlations range from -1.0 for a perfect negative relationship to +1.0 for a perfect positive relationship (Welman, Kruger, & Mitchell, 2005).

Table 4.9 illustrates the correlation analysis between the outsourcing process components and the performance of the organisation.

Table 4.9: Correlations

Correlations								
			performance	1	2	3	4	
Spearman's rho	performance	Correlation Coefficient	1.000					
		Sig. (2-tailed)	.					
		N	126					
	Strategic 1	Correlation Coefficient	.560	1.000				
		Sig. (2-tailed)	.001	.				
		N	122	126				
	Selection 2	Correlation Coefficient	.484	.310**	1.000			
		Sig. (2-tailed)	.000	.000	.			
		N	126	126	130			
	Contract 3	Correlation Coefficient	.572	.179*	.064	1.000		
		Sig. (2-tailed)	.000	.048	.472	.		
		N	123	123	127	127		
	Relationship 4	Correlation Coefficient	.567	.208*	.469**	.262**	1.000	
		Sig. (2-tailed)	.001	.019	.000	.003	.	
		N	126	126	130	127	130	
	Risk 5	Correlation Coefficient	.526**	.582**	.380**	.157	.377**	1
		Sig. (2-tailed)	.000	.000	.000	.078	.000	
		N	126	126	130	127	130	

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

The results showed that there is a positive, strong and statistically significant relationship between strategic thinking in outsourcing and the performance of the organisation [$r=-0.560$, $p<0.05$ ($p=0.00$)]. Strategic thinking in outsourcing in the cement and construction companies influence performance.

The results also showed that there is a positive, strong and statistically significant relationship between Selection and evaluation in outsourcing and the performance of the organisation [$r=-0.484$, $p<0.05$ ($p=0.00$)]. The selection and evaluation process has a strong correlation with performance hence a significance.

There is a positive, positive and statistically significant relationship between contract and development in outsourcing and the performance of the organisation [$r=-0.572$, $p<0.01$ ($p=0.000$)].

The results showed that there is a positive, strong and statistically significant relationship between Relationship Management in outsourcing and the performance of the organisation [$r=-0.567$, $p<0.01$ ($p=.000$)].

The results showed that there is a positive, strong and statistically significant relationship between Relationship Management in outsourcing and the performance of the organisation [$r=-0.526$, $p<0.01$ ($p=0.000$)].

The correlation coefficient table shows that the p-values for the five variables were less than 0.05 with strategic thinking having 0.01, 0.00 for and 0.00 Selection and evaluation.

Contract Development, Relationship Management and Risk Assessment was statically significant. From the results it can be concluded that that all the independent variables (strategic thinking, Selection and evaluation, Contract Development, Relationship Management Risk Assessment correlate positively to the dependent variable (business performance) and all the factors were statically significant. It can also be noted that contract and development had the

strongest association with performance whereas selection and evaluation had the least strong relationship. After conducting correlation analysis, the study further conducted regression analysis and the results will be discussed below.

4.6.2 Regression analysis

After determining the strength of the association between the variables using correlation analysis, regression analysis was conducted so as to determine the predictive relationship between the variables. Wegner (2013) argued that regression analysis is a statistical tool that quantifies the relationship between a single variable and one or more predictor variables. So in order to determine the impact of the five independent variables on the business performance regression analysis was done. This section seeks to address the research objectives by testing the study hypotheses:

H1: There is a positive relationship between strategic thinking and planning of outsourcing and corporate performance in the construction industry in Harare Zimbabwe.

H2: The selection and evaluation process of outsourcing leads to improved corporate performance in the construction industry in Harare Zimbabwe.

H3: Contract development in outsourcing is positively correlated with improved corporate performance in the construction industry in Harare Zimbabwe.

H4: There is a positive relationship between relationship management in outsourcing and corporate performance in the construction industry in Harare Zimbabwe.

H5: There is a positive relationship between risk assessment in outsourcing and corporate performance in the construction industry in Harare Zimbabwe.

Table 4.10 Regression Model summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.285 ^a	.559	.527	.41612
a. Predictors: (Constant), Risk, Contract, strategic, Relationship,				

selection

According to Table 4.10 above the adjusted R-square value was 0.527 this entails that the five processes of outsourcing examined namely strategic thinking, contract development, relationship management, risk management and selection contributes 52.7% towards the performance of the construction sector. The remainder of 47.3% is contributed by other processes not examined in this study.

When making this analysis the adjusted R-square value was used instead of the R-square value because the adjusted R-square value is more accurate as it takes into account some sampling errors and biases which might compromise the accurateness of the value.

Below are the regression model fit test results:

Table 4.11: Analysis of Variance (One way-Anova)

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.902	5	.180	49.016	.000 ^b
	Residual	10.178	113	.090		
	Total	12.080	118			

a. Dependent Variable: performance

b. Predictors: (Constant), Risk, Contract, strategic, Relationship, selection

The results shown in Table 4.11 above assist in determining whether the model fits the data or was it a significant model that can be relied on. The positive F value of 49.016 indicates that the model was fit to explain how the independent variable affect business performance Furthermore, the significance value of 0.00 which is less than 0.05 shows that it was a statistically significant model. So there was adequate statistical evidence at 95% confidence level that the regression equation computed was significant. Below is the table showing the regression coefficients and their significances:

Table 4.12: Coefficients

Model	Unstandardized Coefficients	Standardized	t	Sig.
-------	-----------------------------	--------------	---	------

				Coefficients		
		B	Std. Error	Beta		
1	(Constant)	4.369	.542		8.066	.000
	strategic thinking	.388	.068	.417	1.300	.000
	selection evaluation	.356	.067	.578	.838	.000
	contract development	.315	.090	.317	.171	.000
	relationship management	-.116	.073	-.157	1.575	.084
	risk management	.244	.056	.174	.792	.000
a. Dependent Variable: performance						

As shown in table, strategic thinking, selection and evaluation, contract development, risk management were significant as shown by their respective p-values of less than 0.05. However, relationship management were insignificant because they had a p-value greater than 0.05. Standardized coefficients were used in this research since it utilizes the standardized measuring units. In this regard, the Beta values show that selection and evaluation (Beta = 0.578) have the highest positive predictive impact on performance followed by strategic thinking (Beta= 0.427) followed by contract development 0.317, followed by risk management 0.174. On the other hand relationship management was found to have a negative predictive impact of performance with a negative Beta value of -0.157.

Overall, the regression model results reveal that of the five independent variables one variable which is relationship management was statistically insignificant whereas the other four were statistically significant. So basing on these findings we reject H4 hypothesis which was for relationship management and accept the other four hypotheses H1 (strategic thinking); H2 (selection and evaluation) and H3 (contract and development) H5 (risk management) and confirm that these four processes of outsourcing play a significant role business performance.

Table 4.12: Variance Inflation Factor Collinearity Statistics

Collinearity Statistics	
Tolerance	VIF
.456	1.256
.760	1.333

.478	1.356
.639	1.452
.672	1.226

The tolerance must greater than 0.1. The Variance Inflation Factor (VIF) must be less than 10 for there not to be problem of multicollinearity (Damon et al, 2011). All the values in tolerance column as per table 4.12 are greater than 0.1 and the VIF values are all below 10, therefore there are no problems of multicollinearity.

4.8 DISCUSSION OF FINDINGS

The aim of this research was to determine the impact of outsourcing on corporate performance. In chapter two, after a thorough review of both theoretical and empirical literature a provisional conceptual framework for the factors impacting corporate performance was drafted. The factors that were hypothesized as influencing corporate performance were strategic thinking, selection and evaluation, contract development, relationship management and risk management. Basing on regression analysis results these factors were subjected to hypothesis testing and below are the results:

H1: There is a positive relationship between strategic thinking and planning of outsourcing and corporate performance in the construction industry in Harare Zimbabwe.

The regression analysis reveals that the Beta value for strategic thinking towards corporate performance was positive and statistically significant (Beta = 0.417; p = 0.00 which is less than 0.05). Consequently, strategic thinking of outsourcing influence corporate performance of the construction industry, Hypothesis 1 (H1) is supported.

These results show that strategic thinking has a positive impact on corporate performance. This means that organizations who practise strategic thinking and planning in outsourcing improve their performance. This concurs with Wang et al (2013) who argued that there is a positive relationship between who postulated that over the past 25 years strategic planning has been employed by organizations as it is believed to impact positively on corporate performance. It is

important to note that by clearly assessing the areas or functions that require outsourcing companies could essentially reduce their costs significantly. This is a critical section as it will either pave way for the success of the organization or mark its downfall. Proper planning before the decision to outsource will either spell doom or bloom for any firm. With outsourcing there are issues centered on transaction costs which are sometimes hidden and failure to accurately take these into cognizant would spell negative impacts on the cost structure. Hence strategic thinking and planning has a role to play in the accounting performance of the organization as the reduction of transaction costs lead to enhanced profitability.

H2: The selection and evaluation process of outsourcing leads to improved corporate performance in the construction industry in Harare Zimbabwe.

The regression analysis as shown in Table 4.12 above indicates that the Beta value for selection and evaluation was positive and statistically significant (Beta = 0.578; $p = 0.00$ which is less than 0.05). Accordingly, this denotes that selection and evaluation leads to improved performance. Hypothesis 2 (H2) is therefore accepted.

The findings of this study are related to those The findings differs with the view of Jacobsen (2011) that the selection and evaluation process in outsourcing plays a key role in ensuring that corporates perform well. Previously selection and evaluation of would be suppliers were based on the cost of the service to be provided which is known as the single criterion method. Recent literature has gone a step further in explaining that it is important to have a multi-criterion method in selection and evaluation of suppliers, this will enable the evaluating panel to select a supplier that is best fit for their operations and in so doing ensuring that customer needs are met, quality standards are maintained and that they are driving towards the same goals as the parent company.

H3: Contract development in outsourcing is positively correlated with improved corporate performance in the construction industry in Harare Zimbabwe.

According to regression analysis results shown in Table 4.12 above, contract and development process of outsourcing has a strong and positive correlation with performance and statistically significant (Beta = -0.317; $p = 0.00$ which is less than 0.05). Therefore, contract development

leads to improved corporate performance in the Zimbabwean construction industry. Hypothesis 3 (H3) is therefore accepted.

Goo, Kishore, Rao.& Nam (2009), indicates that contracts play an important role as they ensure harmonious conflict resolution, mutual dependence, trust and commitment. It is important to note that the contract development stage can either make or break the organization, the ability to negotiate effectively on behalf of the organization means that the organization does not suffer unintended losses due to careless statements. Sun Microsystems Internet Data Center Group (2002), have come up with a more detailed life cycle of contracts and this starts with discovering the service provider, defining the service level agreement, establishing an agreement, monitoring the service level agreement violation, terminating the service level agreement and enforcing penalties for the breaches or violations. Each and every stage is important and it is this importance that this study will highlight to ensure that the process of formulating agreements contributes to the success of the organization. The absence of a contract shows the absence of any real commitment and hence if the any party fails to perform its obligations losses will be incurred, market share will be lost and most important the business will lose sustainable competitive advantage.

H4: There is a positive relationship between relationship management in outsourcing and corporate performance in the construction industry in Harare Zimbabwe.

According to regression analysis results shown in Table 4.12 above, relationship management process of outsourcing has a negative correlation with performance and statistically insignificant (Beta = -0.157; p = 0.84 which is greater than 0.05. This means that there is negative between relationship management in outsourcing Hypothesis 4 is therefore declined. The results concurs with studies have revealed that insufficient management of the relationship is a main contributor to failed outsourced maintenance. Van Niekerk, and Visser, (2010) is of the view that, a general lack of management was evident in most of the bad cases. There were, however, a few cases where most basic elements were in place, and yet the relationship still failed. In each of those cases the failure was attributed to a lack of sustained real commitment from one of the parties, and thus a failure in the cohesion system. It is important to note that in order to realize corporate performance, there is need for organizations to develop a relationship management system with

their service providers, in so doing there is goal alignment and both companies focus on one common purpose.

H5: There is a positive relationship between risk assessment in outsourcing and corporate performance in the construction industry in Harare Zimbabwe.

The results showed that there is a positive, weak and statistically insignificant relationship between Relationship Management in outsourcing and the performance of the organisation. Beta value = 0.174 and $p < 0.05$, $p = 0.000$. This supports the hypothesis that there is a positive relationship between risk assessment process of outsourcing and corporate performance. H5 is therefore accepted the contribution of risk assessment in outsourcing was hailed by many authors including Dinu, (2015), the choice to outsource has become increasingly risky, because of the increased regulatory inquiry of companies' relationships with their service providers and the variety of third party service providers available in terms of size, scope, and geographical location. In any business, the most serious risks related with outsourcing are those that affect operations and transactions, business continuity, that affect the confidentiality of information and regulatory compliance. Every company will have to take into cognizant the risk involved should they decide to outsource as failure can be detrimental to the organization as a whole. In order to experience the full benefits of outsourcing companies may need to fully explore the possible risks involved and their impact, then also come up with a ways and means to help mitigate against these risks.

4.10 CONCLUSIONS

This chapter provided an analysis and discussion of research findings. On the impact of outsourcing on corporate performance of the construction industry. The findings showed that out of the five independent variables, strategic thinking, selection and evaluation, contract development, relationship management and risk management, only relation management has a negative correlation with corporate performance. All other variables have a strong positive and significant correlation with corporate performance. The next chapter provides conclusions and recommendations of the study.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This chapter provides the, conclusions and recommendations of the study. The first section provides the achievement of the research objectives followed by the validation of the research hypothesis. The conclusions will be provided per each objective of the study followed by answer to the research questions. The contribution of the study to theory, empirical and methodological will be provided. The recommendations of the research will be provided basically on the policy and managerial level. The generalisation of findings, limitations of the study and areas of further study also forms the last part of the chapter. The conclusions and recommendations drawn were in quest of addressing research on the impact of outsourcing on corporate performance.

5.2 ACHIEVEMENT OF RESEARCH AIM AND OBJECTIVES

The aim of the research was to analyse the impact of outsourcing processes on the corporate performance of construction industry. The research objectives were to ascertain the impact of Strategic Thinking and planning of outsourcing on corporate performance, to determine the impact of selection and evaluation in outsourcing on corporate performance, to ascertain the impact of Contract Development in outsourcing on corporate performance to determine the

impact of relationship management of outsourcing on corporate performance and to assess the impact of risk assessment in outsourcing on corporate performance. The research objectives were achieved by gathering literature from various sources on the impact of outsourcing on performance. Literature was also reviewed on each objective to establish the view of other authors and their findings on the area under study. A conceptual framework was formulated to support the research hypotheses of the study that there is a positive relationship between strategic thinking and planning, selection and evaluation process, contract development, relationship management and risk assessment of outsourcing and corporate performance. A survey was carried out in the construction industry in Harare targeting the management who are involved in the strategic processes of the organization. A structured questionnaire that allowed quantitative data to be collected was used. Data was analyzed using descriptive and inferential statistics, particularly the significance test and the correlations. The findings were made in relation to the research objective. Conclusions were made on each objective as shown in section 5.3.

5.3 CONCLUSIONS

The following conclusions were made

5.3.1 Impact Strategic thinking and corporate performance

The research concluded on the strategic thinking and planning of outsourcing on corporate performance. Basing on the findings of the research, the research concluded that the companies in construction industry value the importance of strategic thinking in outsourcing. The respondent's agreed to all questionnaire items the described strategic thinking. The ability of the Construction to come up with business plan and thorough ground work before outsourcing ensures that the company reduce costs hence improving corporate performance. Construction companies do analysis on the out sousing approaches to be used before they are implemented.

The research concluded that there is positive and significant relationship between strategic thinking of outsourcing and corporate performance. Strategic thinking was found to be a strong predictor of corporate performance hence the hypothesis that H1: There is a positive relationship between outsourcing and corporate performance in the construction Industry in Harare, Zimbabwe was accepted.

5.3. 2 Impact of selection and evaluation in outsourcing on corporate performance

The research established that the construction companies have selection and evaluation procedures that are undertaken before outsourcing. The suppliers are ranked based on the financial stability, their culture in the organisation, technological capability. The research concluded that selection and evaluation positively and significantly contribute to corporate performance, hence the companies in the construction industry appreciated its importance in corporate performance

5.3.3 Impact of Contract Development in outsourcing on corporate performance

The research concluded that contract and development in outsourcing is an important process that enhances corporate performance, Construction companies properly develop contracts for their contractors. Contract development has a positive and significant relationship with corporate performance. In order to achieve effective delivery from contractors, proper development of contracts helps to define parameters of work, timelines and specifications of the product or service to be delivered and what is expected from both parties.

5.3.4 The impact of relationship management of outsourcing on corporate performance.

The research concluded that relationship management has a negative and insignificant relationship with corporate performance. Although relationship management is being recognised in the construction industry, the research had conceded that relationship management has a negative and insignificant influence on corporate performance. The hypothesis that had a basis on contract and development was refuted in this study and accepted the null.

5.3.5 The impact of risk assessment in outsourcing on corporate performance.

The study concluded that risk management is an important outsourcing process that the construction industry. The construction companies undertake the risk assessment. The research established a positive and significant relationship between risk and assessment and corporate performance. It contributes significantly to corporate performance.

5.4 ANSWER TO THE RESEARCH QUESTIONS

The findings that were gathered from the regression analysis correlational analysis and model coefficients helped to answer the research questions of the study. The impact of each independent variable on corporate performance was determined by the significance and the strength of the correlation with the dependent variable. The research question of the study were what is the effect of Strategic Thinking and planning of outsourcing on corporate performance of construction industry in Harare Zimbabwe, What is the impact of selection and evaluation in outsourcing on corporate performance in construction Industry in Harare, Zimbabwe? What is the impact of contract development in outsourcing on corporate performance in construction industry in Harare Zimbabwe? What is the impact of relationship management in outsourcing on corporate performance in construction industry in Harare Zimbabwe? And what is the effect of Risk assessment in outsourcing on corporate performance in the construction industry in Harare, Zimbabwe

To answer the research questions, the findings showed that the Beta values show that selection and evaluation (Beta = 0.578) have the highest positive predictive impact on performance followed by strategic thinking (Beta= 0.427) followed by contract development 0.317, followed by risk management 0.174. On the other hand relationship management was found to have a negative predictive impact of performance with a negative Beta value of -0.157.

5.5 CONTRIBUTION

5.5.1 Theoretical contribution

This research contributes to theories that relates to outsourcing and corporate performance. The outsourcing processes were the independent variables of the study and these were strategic thinking and planning, selection and evaluation in outsourcing, contract development, relationship management and risk assessment. The study established that out of the five processes, the Beta values show that selection and evaluation (Beta = 0.578) have the highest positive predictive impact on performance followed by strategic thinking (Beta= 0.427) followed by contract development 0.317, followed by risk assessment 0.174. On the other hand relationship management was found to have a negative predictive impact of performance with a

negative Beta value of -0.157. Relationship management was found to have a negative influence and was insignificant. It was therefore removed from the initial conceptual framework and a new conceptual framework was adopted.

The initial model shows was $CP = ST + SE + CD + RM + RA$

The new model states that $CP = 4.369 + SE0.578 + ST0.472 + CD0.317 + RA0.174$

Where CP=Corporate performance, SE= Selection and evaluation, ST=strategic thinking, CD= Contract Development RM=risk management, RA=Risk assessment and 4.369 is a constant K

5.5.2 Methodological contribution

While the researcher used the survey method in this study other research methods can be used in future studies to broaden the amount of data collection and accuracy of responses. Methods like focus groups, case studies as well can also be employed to gather research data. The methods yield valid, verifiable and reliable data. Qualitative methods can also be employed in future research since the current study used quantitative analysis. However the draw backs of qualitative analysis should be taken into consideration particularly lack of objectivity and also failure to generalise findings. Another methodological contribution lies in the experience gained through the application of a survey research strategy and a positivist approach and techniques applied for data collection. This experience may be useful for other studies in the in organisations, and in the academic community.

5.5.3 Empirical contribution

The research study endeavoured to provide both academic and practical contributions to the existing body of literature on the impact of outsourcing on corporate performance. On the academic side, the study contributed fundamental literature to the often neglected research area of outsourcing in the construction industry. The study also seeks to provide empirical evidence to substantiate other researches that were conducted especially in the developed countries.

5.6 POLICY RECOMMENDATION

Consistent Policy formulation

The policy formulation may affect the internal and external factors of the organization. Policy formulated by the government must be able to allow businesses to grow. Good policies allow construction companies to perform their strategic initiations and accomplish. The government must ensure that their fiscal and the monetary policy support growth of business,

5.7 MANAGERIAL RECOMMENDATION

Research

The research recommends that the management conducts thorough research when outsourcing there are several criteria to which firms must pay close attention during the outsourcing process because the selection of an available supplier is critical to the success of the entire organization. Ultimately it is important to note that the selection and evaluation process of outsourcing is an extremely delicate stage that requires extensive research and robust measures put in place to ensure that the vendor selected performs extremely well in order to guarantee the organization a sustainable competitive advantage.

Risk awareness

Every company will have to take into cognizant the risk involved should they decide to outsource as failure can be detrimental to the organization as a whole. In order to experience the full benefits of outsourcing companies may need to fully explore the possible risks involved and their impact, then also come up with a ways and means to help mitigate against these risks. Risks can be mitigated by practicing protections while finalizing the outsourcing arrangement, learning from previous failures and choosing an established and experienced service supplier to make the outsourcing project profitable.

Selection of appropriate governance structure

The construction companies should select appropriate governance structure such as related control systems to minimise transaction costs at all times

Expertise

The process of outsourcing requires expertise and skill in order to be able to meet the strategic objectives of the organisation. The construction company need to ensure that they possess the expertise and the skill. Training and development is important in order to enhance skill.

5.8 GENERALIZATION OF FINDINGS

This research was limited to the management of the construction industry. Time and cost and distance constraints harboured the research to consider other construction companies out of Harare. The assumption for this study was that the findings from this study be used as a benchmark in the construction companies is a growing sector and it may not be enough to make conclusions basing on the construction companies in Harare only. The sample was small to generalise the findings to all construction companies in Zimbabwe , thus generalisation must be taken cautiously, It is therefore suggested that other researches with a larger sample of construction companies in Zimbabwe be done and see if the same conclusions can be drawn. Taking into account that this research was cross sectional, the results may be too general to be applied to all customers of the retail sector.

5.9 LIMITATIONS

A limitation was regarded as a factor that was present and contributed to the researcher getting either inadequate information or if otherwise the response given would have been totally different from what the researcher expected. The research had the following limitations which may affect the results of the study: The study could not have come without limitations and these brought out areas of further research. Since the study was cross – sectional there is need for further study undertaken as a longitudinal study. The study can also be undertaken in a different geographical setting as the current study covered Harare only. However this can affect generalization of results and inferring of results. A quantitative research design was employed for the study. It will be worthwhile to carry out the same study using triangulation methodology which uses both quantitative and qualitative paradigms. It would also be interesting if the study could be made into a comparative study involving different sectors or industries

5.10 AREAS OF FURTHER STUDY

The study was limited to few construction companies Harare, a comparable study can be carried out using a different location considering that these construction companies may operate at different environmental setting and level. The research will use the same controls to determine whether the results will be the same or in line with findings with that obtained by using a sample in the city of Harare.

The regression model only capable of explaining a partial of the variation on the impact of outsourcing processes on corporate performance. A further research may be conducted to identify other variables which are not outsourcing processes and determine their impact on corporate performance.

This research was purely quantitative and may have left out explorative information on the impact of outsourcing processes on corporate performance. This can be achieved by under taking a qualitative research on the same area of study.

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APPENDICES

APPENDICES 1: COVER LETTER



Research Questionnaire

Dear Sir/Madam

I am a Master's In Business Administration (MBA) student with the Graduate School of Management (GSM), of the University of Zimbabwe. In order to complete my MBA programme, I am required to carry out a research on: **'An Investigation into the impact of Outsourcing Processes on Corporate Performance'** The case of the construction industry in Harare, Zimbabwe.

I would be most grateful if could spare some time to attend to this questionnaire. This questionnaire forms the foundation of the study and the researcher hopes to come up with discussion points and recommendations on the subject matter.

I would like to thank you in advance for participating or responding to the questions and for your most valuable information and time. Your responses will be treated in confidentiality

Yours faithfully

APPENDICES 2: QUESTIONNAIRE FOR THE MANAGEMENT OF THE CONSTRUCTION INDUSTRY

Section A: General Issues

A1: Grade

Senior Management [] Middle management [] Junior Management []

A2: For how long have you been working for this organisation?

Less than a year [] 1- 5 years [] 6-10 years [] Above 10 years []

A3: Indicate your age group:

<20yrs [] 21-30yrs [] 31-40yrs [] 41-50yrs [] >50yrs []

A4: Specify your highest educational level you have attained:

Diploma [] Degree [] Masters [] PhD [] Other []

A5. Can you indicate the number of employees in your organisation?

1-10 [] 11-49 [] 50-200 [] 200 and above []

A6. How is your organisation owned?

Locally owned [] Individually owned [] Globally owned []

Other -----

1	2	3	4	5
B12. There is efficacy in deciding the service level agreement draft				
1	2	3	4	5
B13. There is efficacy in deciding the type of outsourcing arrangement				
1	2	3	4	5
B14. There is clear and effective way of assessing the available competencies				
1	2	3	4	5
B15. The outsourcing approach at our organisation reduce costs				
1	2	3	4	5
B16. The outsourcing approach at our organisation improve productivity				
1	2	3	4	5
B17. The firm is aware of costs that incur at every stage in the outsourcing process				
1	2	3	4	5
B18. The company looks at the whole value chain when making an outsourcing decision				
1	2	3	4	5

Selection and Evaluation

B19. The company ranks suppliers based on intangible aspects or service related aspects.				
1	2	3	4	5
B20. The company assesses the financial stability of the supplier/ vendor				
1	2	3	4	5
B21. The company assesses the organizational culture and strategic fit of supplier/vendor				
1	2	3	4	5
B22. The company assesses the technological capabilities of the supplier/vendor				
1	2	3	4	5
B23. Sound procedure are developed in the selection and evaluation process of the supplier				

1 **2** **3** **4** **5**

C4. There is ever increasing market share

1 **2** **3** **4** **5**

C5. The Return on investments of the company is pleasing

1 **2** **3** **4** **5**

The end

Thank you for your effort and Time