THE IMPACT OF OUTSOURCING IN THE TOBACCO INDUSTRY IN MALAWI

(A CASE OF ALLIANCE ONE TOBACCO MALAWI LIMITED)

PASCHAL LETIAS BANDA

Submitted in fulfillment of the requirements for the degree of

MSc IN SUPPLY CHAIN MANAGEMENT

The University of Bolton

Submission Date: 23rd April, 2015.
Abstract

Outsourcing concept is not very old concept in the Malawi Tobacco Industry, however outsourcing practice was adopted in the late 2000 hence it's not fully develop in the Tobacco Industry in Malawi although most of the organizations already embarked on the strategy but not fully fragged. Outsourcing implemented by AOTM as one of their strategic choices in order to concentrate on its core activities which include growing, processing and shipping of tobacco among other activities and this applies to other tobacco companies in the industry who are striving to serve their customers beyond their expectations. AOTM through outsourcing they expected a number of benefits which include cost savings and better quality products and services when it contracted out.

Data collected by the researcher was in form of qualitative and quantitative means which was collected through the use of triangulation that’s questionnaires, interviews, structure and unstructured, observation, AOTM employees and internal reports such as memo and newsletters. Therefore data sources were both from primary and secondary sources. AOTM was the main case study under investigation where most of the data was collected from and also from other four tobacco companies, suppliers and contractors of AOTM. The data collected was qualitative in nature and analyzed through qualitative which was descriptive and in quantitative manner. Thereafter the research had drawn the findings and conclusions whereby it used charts, graphs and tables in order to present the findings in the meaningful manner.
The main purpose of conducting this research study was to find out what impact the outsourcing practice had brought to the Malawi Tobacco Industry in Malawi and in particular AOTM since its implementation. The major reasons that caused the organizations to advocate for outsourcing include focusing much on the core competences, saving costs, lack of capacity and to attain expertise services. However the concept had brought some positive implications on the cost savings, effectiveness and efficiency, capacity levels and quality whereby contributes to the profit margins of the organization.

The main objectives of this research was to establish whether outsourcing practice has improved effectiveness and efficiency at AOTM and its overall performance as whole.

The research objectives also include benefits of outsourcing from the time of its implementation, drivers, challenges and critical success factors, procurement methods used and outsourcing methods adopted when contracting out their activities to the service providers. However, to some extend it has failed to fully achieve these objectives.

The significance of this study was that some critical areas have been analyzed concerning outsourcing in relation to the problem investigated which was why there was escalation of costs and poor delivery performance of the outsourced activities.
TABLE OF CONTENTS

Abstract ........................................................................................................................................ i
Abbreviations ................................................................................................................................ viii
Acknowledgements .................................................................................................................. ix
1.0 CHAPTER ONE- INTRODUCTORY CHAPTER ................................................................. 1
  1.1 INTRODUCTION ............................................................................................................... 1
  1.2 BACKGROUND .................................................................................................................. 1
  1.3 OUTSOURCING ............................................................................................................... 2
  1.4 AOTM CORE ACTIVITIES ............................................................................................... 3
    1.4.1 TOBACCO LEAF GROWING ................................................................................... 3
    1.4.2 PURCHASING AND STORES .................................................................................. 3
    1.4.3 ENGINEERING ........................................................................................................ 4
    1.4.4 PRODUCTION .......................................................................................................... 4
    1.4.5 SHIPPING OF PROCESSED TOBACCO ............................................................... 4
    1.4.6 QUALITY ASSURANCE AND CONTROL ............................................................. 5
    1.4.8 INFORMATION TECHNOLOGY (IT) ..................................................................... 5
  1.5 NON-CORE ACTIVITIES ................................................................................................. 5
  1.6 STATEMENT OF THE PROBLEM .................................................................................. 6
  1.7 OBJECTIVES OF THE RESEARCH ............................................................................... 6
  1.8 SIGNIFICANCE OF THE RESEARCH .......................................................................... 7
  1.9 AOTM MISSION STATEMENT ....................................................................................... 7
  1.10 AOTM CORE VALUES ................................................................................................. 8
  1.12 PAPER STRUCTURE .................................................................................................... 8
    1.12.1 CHAPTER ONE- INTRODUCTION TO THE RESEARCH ...................................... 8
    1.12.2 CHAPTER TWO- LITERATURE REVIEW ........................................................... 9
    1.12.3 CHAPTER THREE- METHODOLOGY ................................................................. 9
    1.12.4 CHAPTER FOUR- DATA COLLECTION AND ANALYSIS .................................. 9
    1.12.5 CHAPTER FIVE – CONCLUSIONS AND RECOMMENDATION ....................... 9
  2.0 CHAPTER TWO: LITERATURE REVIEW ......................................................................... 10
  2.1 INTRODUCTION ........................................................................................................... 10
  2.2 CONCEPTUAL FRAME WORK ...................................................................................... 10
2.3 CORE ACTIVITIES ........................................................................................................... 13
2.4 NON-CORE ACTIVITIES ............................................................................................... 13
2.5 KEY DEFINITIONS OF THE SUPPLY CHAIN TERMINOLOGIES ............................. 14
  2.5.1 SUPPLY CHAIN (SC) .................................................................................................. 14
  2.5.2 SUPPLY CHAIN MANAGEMENT (SCM) ................................................................. 14
  2.5.3 THIRD PARTY LOGISTICS (3PL) ............................................................................. 15
  2.5.4 LOGISTICS ................................................................................................................ 15
  2.5.5 OUTSOURCING ......................................................................................................... 16
2.6 OUTSOURCING THEORIES .......................................................................................... 17
  2.6.1 Theory of Core Competencies ................................................................................... 17
  2.6.2 Resource Based Theory ............................................................................................ 18
  2.6.3 Transactional Cost Economics Theory ...................................................................... 18
2.7 DRIVERS OF OUTSOURCING ...................................................................................... 19
2.8 TYPES OF OUTSOURCING .......................................................................................... 23
2.8 METHODS USED WHEN OUTSOURCING .................................................................... 24
  2.8.1 TENDERING ............................................................................................................... 24
2.9 ADVANTAGES OF OUTSOURCING ............................................................................... 25
2.10 DISADVANTAGES OF OUTSOURCING ....................................................................... 27
  2.10.1 Loss of Control ......................................................................................................... 28
  2.10.2 Lack of Cost Control ............................................................................................... 28
  2.10.3 Lack of Contract Clarity .......................................................................................... 28
  2.10.4 Loss of Competitive Advantage .............................................................................. 28
2.11 CRITICAL SUCCESS FACTORS OF OUTSOURCING ............................................. 29
  2.11.1 Development of Detailed Contracts ....................................................................... 29
  2.11.2 Understanding of Outsourcing Concept .................................................................. 29
  2.11.3 Benchmaking .......................................................................................................... 30
  2.11.4 Performance Measurement ..................................................................................... 31
  2.11.5 Strategic Resources ............................................................................................... 31
2.12 CHALLENGES OF OUTSOURCING ........................................................................... 32
  2.12.1 Proper Selection of Activities to be Outsourced or Not ......................................... 32
  2.12.2 Resistance to Change ............................................................................................ 32
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.12.3 Legislation</td>
<td>33</td>
</tr>
<tr>
<td>2.12.4 Best Practices</td>
<td>33</td>
</tr>
<tr>
<td>2.12.5 Legal Issues</td>
<td>33</td>
</tr>
<tr>
<td>2.13 CHAPTER SUMMARY</td>
<td>34</td>
</tr>
<tr>
<td>3.0 CHAPTER THREE- RESEARCH METHODOLOGY AND DESIGN</td>
<td>35</td>
</tr>
<tr>
<td>3.1 INTRODUCTION</td>
<td>35</td>
</tr>
<tr>
<td>3.2 RESEARCH PHILOSOPHY</td>
<td>36</td>
</tr>
<tr>
<td>3.2.1 ADOPTED RESEARCH PHILOSOPHY</td>
<td>36</td>
</tr>
<tr>
<td>3.3 RESEARCH APPROACH</td>
<td>37</td>
</tr>
<tr>
<td>3.3.1 Deductive Research Approach</td>
<td>37</td>
</tr>
<tr>
<td>3.4 RESEARCH STRATEGY</td>
<td>38</td>
</tr>
<tr>
<td>3.5 TIME HORIZON</td>
<td>38</td>
</tr>
<tr>
<td>3.5.1 Adopted Time Horizon</td>
<td>38</td>
</tr>
<tr>
<td>3.6 DATA COLLECTION TECHNICS</td>
<td>39</td>
</tr>
<tr>
<td>3.6.1 QUESTIONNAIRES</td>
<td>39</td>
</tr>
<tr>
<td>3.6.2 INTERVIEWS</td>
<td>40</td>
</tr>
<tr>
<td>3.6.3 Observation</td>
<td>42</td>
</tr>
<tr>
<td>3.7 RESEARCH SAMPLE</td>
<td>42</td>
</tr>
<tr>
<td>3.8 RESEARCH SAMPLE SIZE</td>
<td>43</td>
</tr>
<tr>
<td>3.9 RESEARCH ETHICS</td>
<td>45</td>
</tr>
<tr>
<td>3.9.1 ETHICAL REQUIREMENTS FOR THE RESEARCHER</td>
<td>45</td>
</tr>
<tr>
<td>3.9.2 ETHICAL REQUIREMENTS FOR THE PARTICIPANTS</td>
<td>46</td>
</tr>
<tr>
<td>3.10 DATA ANALYSIS</td>
<td>47</td>
</tr>
<tr>
<td>3.11 CHAPTER SUMMARY</td>
<td>48</td>
</tr>
<tr>
<td>4.0 CHAPTER FOUR – DATA COLLECTION AND ANALYSIS</td>
<td>49</td>
</tr>
<tr>
<td>4.1 INTRODUCTION</td>
<td>49</td>
</tr>
<tr>
<td>4.2 FINDINGS AND DISCUSSIONS</td>
<td>49</td>
</tr>
<tr>
<td>4.3 MAIN FINDINGS</td>
<td>76</td>
</tr>
<tr>
<td>4.4 CHAPTER SUMMARY</td>
<td>81</td>
</tr>
<tr>
<td>5.0 CHAPTER FIVE- CONCLUSIONS AND RECOMMENDATIONS</td>
<td>81</td>
</tr>
<tr>
<td>5.1 INTRODUCTION</td>
<td>81</td>
</tr>
</tbody>
</table>
TABLE 4.5: IMPORTANCE OF SUPPLIER ASSESSMENT .................................................. 61
TABLE 4.6: CLEAR OUTSOURCING PROCESSES AND METHODS ................................. 62
TABLE 4.7: DISADVANTAGES OF OUTSOURCING ...................................................... 63
TABLE 4.8: IMPEDING FACTORS OF OUTSOURCING ............................................... 64
TABLE 4.9: SERVICE PROVIDERS CAPABILITIES ....................................................... 65
TABLE 4.10: SUCCESS OF THE CONTRACT MANAGEMENT ........................................ 66
TABLE 4.11: POSITIVE AND NEGATIVE IMPLICATION FREQUENTLY OUTLINED. .......... 68
TABLE 4.12: THE IMPORTANCE OF CONTRACT MANAGEMENT .................................. 70
TABLE 4.3.2 TYPES OF OUTSOURCING ADOPTED. .................................................. 78
TABLE 5.1 AOTM CURRENT AND PREVIOUS SERVICE PROVIDERS ......................... 81

LIST OF FIGURES
Figure 2.2 Main Benefits of Outsourcing ................................................................. 32
Figure 2.3 Outsourcing Matrix .................................................................................. 56
Figure 2.4 Organizational Resources ....................................................................... 58
Figure 4.2 Benefits of Outsourcing .......................................................................... 59
Figure 4.3 Outsourcing Success Critical Factors ...................................................... 59
Figure 4.5 Critical Reasons Why Organizations Outsource ..................................... 69
Figure 4.6 Outsourcing Challenges .......................................................................... 74
Abbreviations

3PL: Third Party Logistics

AOTM: Alliance One Tobacco Malawi Limited

ATC: Agricultural Trade Company

CIPS: Chartered Institute of Purchasing and Supply

IPC: Internal Procurement Committee

IS: Information System

ISO: International Standards Organization

IT: Information Technology

JTl: Japanese Tobacco International

LLML: Limbe Leaf Malawi Limited

OWA: Outlook Web Access

PTTL: Premium TAMA Tobacco Limited

RQ: Research Question

SAP: Simple As Possible implementation Portal

SC: Supply Chain

SCM: Supply Chain management

SLA: Service Level Agreement
SMARTER: Specific, Measurable, Attainable, Realistic, Time bound, Evaluated and Reviewable
Acknowledgements

First and foremost my gratitude must go to Almighty GOD who has made it possible for me to accomplish this goal. It was like a dream but now it has been fulfilled hence it’s now reality of my life.

Secondly I would like to thank my wife Violet, sons, Letias and Augustine for understanding and untiring support A.J.M Makwenda and family entire family members should receive gratitude for their support from the beginning up to the end of this research project.

The same gratitude should also go to my supervisors Richard Farr and Joana Dilawo of University of Bolton and Malawi Institute of Management (MIM) respectively who rendered their full support in order to come up with tangible paper.

Lastly, my thanks should go to my fellow students mainly my classmates, tutors from University of Bolton, management team and Staff of MIM who have made me to come up with this well-articulated paper.

MAY GOD BLESS YOU ALL
1.0 CHAPTER ONE- INTRODUCTORY CHAPTER

1.1 Introduction

This is an introductory chapter that provides an orientation background to this research study on the Impact of Outsourcing in the Tobacco Industry Malawi - case study of Alliance One Malawi Limited Company (AOTM). This chapter states the problem of the study, the purpose of the study and detail why it is important to undertake this study. Research questions have been defined which are looking at research objectives. Impediments have also been mentioned which the researcher considered to have implications on the delivery performance of the project undertaken.

1.2 Background

Christopher, M (2011) described that “one of the greatest changes in the global business today is the trend towards outsourcing”. Due to dynamic changes that are taking place in the business environment in terms of competition between supply chains has brought radical changes in the organizations in order to achieve the competitive advantage. Therefore many organizations’ ended up adapting different strategies such as outsourcing in order to perform competitively and gain more market share while streamlining all unnecessary activities that do not add value to their organization hence achievement of Value for Money with their resources. Burt, N et al (2003) stated that “Outsourcing has become a way to increase an organizations flexibility to meet rapidly changing market conditions”. However Nili, M. et al (2013) described that “Outsourcing is a common practice among both private and public organizations and is a major element in business strategy. Perhaps most organizations now outsource some of the functions they used to perform themselves”. (Kremic,T. et al, 2006).
In Malawi Tobacco Industry consist of both Public and Private Organizations and only differs in terms of their activities that they outsourced. However in most cases the activities are almost the same, activities outsourced include: catering, building and motor vehicle maintenance, security and outbound logistics. Companies in the Malawi Tobacco Industry include: Japanese Tobacco International (JTI), Limbe Leaf Tobacco Malawi Limited (LLTML), Premium TAMA Tobacco Limited (PTTL) and Agricultural Trading Company (ATC) just to mention a few have outsourced various activities. Terence, Y.M. Lam (2012) state that “Outsourcing is always taken by public and private organizations as a strategic choice to improve the cost and quality of services, for outsourcing of property management services, the corporate organizations, tenants and other stakeholders all look for improving the productive efficiency and service quality through market”. This applies to all companies in the Malawi Tobacco industry whether public or private.

1.3 Outsourcing

There are numerous factors that influence organizations to outsource in order to achieve their strategic fit in their operating environments. Baily, P. et al (2005) state that “there are many considerations that might influence an organization to outsource such as, when the external supplier has better capacity”. Jain, R. K., and Natarajan, R. (2011) state that “Outsourcing decision is often seen as a rational decision by management motivated by expectations to generate several benefits such as reduced and control costs. Oduk, P. M. (2013) refers outsourcing as “a contractual relationship between an external vendor and an enterprise in which the vendor assumes responsibility for one or more business functions of an organization”. While Lyson, K. and Farrington, B. (2006) defined outsourcing as “a management strategy by which major non-core functions are transferred to specialists,
efficient, external providers”. Chartered Institute of Purchasing and supply (CIPS) defined outsourcing as the delegation of work previously carried out in-house to an external service provider. Outsourcing is a contractual relationship between an external vendor and an enterprise in which the vendor assumes responsibility for one or more business functions of enterprises. (White and James 1993).

All the above definitions of outsourcing dwelling on same pillars which are; engaging of the external service provider, performing activities on behalf of the principal organizations. While those activities contracted out to the external service providers are core activities of the external service providers where they attain their competitive advantage over their competitors.

1.4 AOTM Core Activities
These are activities that organization has the competency and achieves its competitive advantage hence very difficult to be emulated.

AOTM core activities include the following:

1.4.1 Tobacco Leaf Growing
AOTM directly involved in growing of tobacco it owns farms in various districts across the nation. The farms are categorized in two areas; Direct Farming whereby AOTM performs all the farming activities alone. Contract farming whereby smallholder farmers are contracted out to do the farming.

1.4.2 Purchasing and Stores
AOTM perform all procurement activities in house, procures non-tobacco products and tobacco leaf on its own. The procurement system is centralized and it’s done at Lilongwe AOTM head office.
1.4.3 Engineering
This is one of the core activities of the AOTM; the organization has a plant that requires internal engineers to work on engineering requirements or the technical machines to run the plant operations while ensuring smooth operations of the tobacco processing methods.

1.4.4 Production
This is mainly concerned with actual processing of the green leaf whereby the tobacco is processed, packaged, labeled and marked accordingly ready for shipping. Production is core activity since for AOTM and to sell its tobacco requires value adding to the tobacco green leaf through processing it into semi-finished product which undergoes through a number of processes in the production with different specifications providers by its customers. Therefore AOTM cannot let production activities being contracted out to service providers as it is part of its core area hence performed in house.

1.4.5 Shipping of Processed Tobacco
Shipping activities are done in house at AOTM which is mainly concerned with moving the bought customer’s tobacco to their various final destinations. The AOTM is responsible for all shipping transactions such as customer shipment bookings, inbound and outbound transportation management then tracking of the shipments in order to ensure that the shipped goods reaches their final destinations and customers has really indeed received their tobacco. Therefore shipping services are core to the organization since any minor mistakes committed in the supply chain may cost the organization to incurred unnecessary costs hence performed in house.
1.4.6 Quality Assurance and Control

AOTM conducts all the quality assurance and control when processing the tobacco leaf and they ensures the quality standards specification is met first right. AOTM has the highest quality standard specifications among the whole tobacco industry in Malawi and make sure that these are met right first time.

1.4.8 Information Technology (IT)

This is also critical to the organization, is the hub of AOTM information which cannot be contracted out in order to protect organization information from its competitors in the industry hence performed in house. It operates different information systems (IS) which cannot leave it in the hands of third parties to operate on behalf of it. These IS includes; Outlook Web access (OWA), SAP implementation portal, CONCUR expense reporting, MIMOSA system, GMS, SAP and One-Link.

Source: http://aoiglobal/Pages/AOIApplications.aspx.

1.5 Non-Core Activities

Organizations differ in terms of activities that may be outsourced depending on the levels of their competences they have in that particular area. For example AOTM also perform Cleaning/sanitation internally while others outsource them outright and this may be depending on how each organization values a particular activity.

Non-core activities are considered as day-to-day routine tasks for AOTM that add little value and are not a profit center. Therefore non-core activities may vary from one organization to the other, for example catering is core activity in catering industry while non-core activity in the tobacco industry, therefore it depends on the industry or the business the organization is in.
1.6 Statement of a Problem

Organizations in different sectors adopted outsourcing as one of the strategy to achieve competitive advantage through reduction of costs while improvements made on the effectiveness and efficiency levels on their core competences.

AOTM recently has conducted the suppliers review performance of all its service providers which has resulted to a number of activities being carried out such as rendering several services, renewal of contract agreements, and in extreme circumstances contract termination.

AOTM financial year 2014-2015 terminated contracts with several service providers such as catering, Building Maintenance, security, Green Leaf Tobacco Logistics. It also redrafted contracts such as of the motor vehicle maintenance and Quantity survey service providers. However AOTM has engaged a number of consultancy services across the organizational functions such as Procurement and stores, shipping and green leaf tobacco departments which are potential future outsourcing candidates. That may be outsourced in the near future after conclusion of the cost benefit analysis which is underway. AOTM tendered procurement and stores to be outsourced in 2012, the endorsement of the decision to outsource remains with management team at corporate level.

1.7 Objectives of the Research

This research project was performed in order to achieve the following objectives:

- To critically analyze the outsourcing concept and to establish what impact outsourcing had brought to AOTM operations and came up with recommendations that can be used for future decision making purposes.
- Achievement of expected benefits of outsourcing from the time of its implementation.
Challenges and constraints currently being faced since implementation of the outsourcing.

The researcher would like to have greater understanding of the outsourcing concept in the practical environment and the implications it has in different organizations.

**1.8 Significance of the Research**

This research has revealed some of the important information that if AOTM and other organizations in the industry can use will help them to achieve their set of goals when they would like to achieve through adoption of outsourcing concept. They will be in a position to know the pros and cons, implications, criteria that can be followed in order to improve on the effectiveness and efficiency as whole, through outsourcing which can be derived from proper contract management, setting of specific, measurable, attainable, realistic, time bound, evaluable and reviewable (SMARTER) contract terms, conditions and contractual clauses.

Recommendations were made in the last chapter of this paper after analyzed the research findings which can be of greater importance to the AOTM when managing, appraising performance of the current service providers and when engaging new service providers in future whereby they will able to achieve more benefits and avoid some of the implications which are avoidable if poorly managed the third parties. This will also assist them in the improvements of their core activities and reduce the operations costs.

**1.9 AOTM Mission Statement**

Alliance One International Inc. mission statement is “to be the preferred supplier of quality tobacco products and innovative solutions to the world’s manufacturers and marketers of tobacco products. This mission will be achieved when we have anticipated every customer’s needs and proactively, value- added solutions”.  

7
1.10 AOTM Core Values

Core Values are essential and enduring commitments. They influence everything Alliance one do and serve as the guiding principles that drive company every day operations such as.

- Foster collaboration and team work
- Inspire creativity and accountability
- Reward responsibility and achievement
- Demonstrate integrity and respect
- Enable personal initiative and empowerment
- Enable diversity and seeks positive change
- Pursue innovation and excellence
- Advance principles of social responsibility

Source: http://aoiglobal/Pages/CoreValues.aspx.

1.12 Paper Structure

1.12.1 Chapter One- Introduction to the Research

This is an introductory chapter to the topic under study which provides a historical background of the topic (outsourcing) which may be sourced from the literature review. The chapter also outlines the importance and purpose of the study. Research questions, objectives, reasons for undertaking the research are also outlined and limitations of the research are stated.
1.12.2 Chapter Two- Literature Review

In this chapter, literature on outsourcing provided by other earlier researchers has been reviewed, relating to benefits of outsourcing, critical success factors, methods of outsourcing, drivers of outsourcing and other related factors have been discussed.

1.12.3 Chapter Three-Methodology

This chapter outlines the methods used in data collection, how many participants were involved and also show how they were selected. It gives details of how the research was conducted. Tools for data collection and analysis are mentioned.

1.12.4 Chapter Four-Data Collection and Analysis

Findings of the research are critically analyzed and discussed in this chapter. The information obtained through the use of questionnaires, discussed and the gap that is created by the discussed and analyzed information becomes the source of recommendations.

1.12.5 Chapter Five-Conclusions And Recommendation

All findings of the research are brought together; conclusions and recommendations are made in this chapter. This chapter has also provided suggestions to the possible area where further research could be done in future.
2.0 CHAPTER TWO: LITERATURE REVIEW

This chapter covered issues relating to the past writers and scholars on the concept of outsourcing from different backgrounds mainly Supply Chain Management. Conceptual map has been drawn which provides the main guide line on the issues that has been covered which formulated the back bone of this research in order to assist in answering the research questions.

2.1 Introduction

In this chapter the researcher critically reviewed the existing literature on the past writers on the topic of outsourcing that provided the basic foundation of the research performed, whereby it has built the foundation of the research that has been undertaken. The researcher identified a number of outsourcing theories and ideas that will be tested hence the conceptual frame work has been drawn and subsequently tested by the use of data reviewed. This chapter assisted the researcher in terms of refining of the research questions and other underpinning aspects of the research requirements. However Saunders et al (2009) stated that literature review its main purpose “is to help to develop a good understanding and insight into relevant previous research and the trends that have emerged”. Therefore literature review made the researcher to consider a number of variables of outsourcing as outline in the conceptual frame work in figure 2.1 below.

2.2 Conceptual Framework

Conceptual frame work also referred as the Conceptual Map. “Concept maps are graphical tools for organizing and representing knowledge. They include concepts, usually enclosed in circles or boxes of some type, and relationships between concepts indicated by a connecting line linking two concepts”. (http://cmap.ihmc.us/docs/theory-of-concept-maps).
The framework below is the general description of the theoretical concept of outsourcing on the past published writers, thus information searched from the books, journals and online sources such as the websites. This chapter the researcher selected a number of areas of outsourcing concept which has been looked into, which are critical in gap identification compared to how outsourcing is being implemented, areas looked into include the following:

- Drivers of outsourcing
- Core Activities and Non-Core Activities
- Key Supply Chain Definitions
- Advantages and Disadvantages of Outsourcing
- Outsourcing Theories
- Challenges of outsourcing and Methods of Procurement used.
Figure 2.1 Conceptual Map

OUTSOURCING METHODS:
- Open tendering
- Restricted Tendering
- Direct Negotiations

OUTSOURCING THEORIES:
- Transactions cost
- Economic
- Core competency

CHALLENGES:
- Legislation
- Resistance to change
- Performance Measurement,
- Decision making

OUTSOURCING METHODS:
- Body Shop
- Project Management
- Total Outsourcing

ADVANTAGES OF OUTSOURCING:
- Improved Quality
- Reduced Lead time
- Shorter Projects Cycle Times
- Reduced Labor Work Force
- Reduced Administrative Costs

DISADVANTAGES:
- Loss of control over quality
- Suppliers Becomes Complacent
- Poor Contract Management
- Escalation of costs

NON CORE ACTIVITIES:
- Catering services
- Motor Vehicle Maintenance
- 3PL’s
- Building Renovation
- Plant Maintenance

CORE ACTIVITIES:
- Production
- Procurement of tobacco Leaf
- Procurement Non-Tobacco Requirements
- Quality Assurance
- Agronomy Commercial and Smallholder
- Shipping of processed Tobacco
  Cleaning Services

KEY SUPPLY CHAIN DEFINITIONS:
- Supply chain, Supply Chain Management, Logistics, Third Party Logistics (3PL’s)
2.3 Core Activities

These are activities that organizations achieve their competitive advantage, they may be referred as core competencies or primary activities. Mascarenhas, B. et al (1998) referred a core competence as articulated by Prahalad and Hamel, I, which has three traits:

- It makes a contribution to perceived customer benefits;
- It is difficult for competitors to imitate; and
- It can be leveraged to a wide variety of markets.

AOTM analyzed it's all activities and knowing their competencies that has made them to develop different strategies including outsourcing strategy in order to concentrate on its core activities, to leverage the company resources and to improve on its overall effectiveness and efficiency when satisfying its ultimate customers. Therefore core activities of AOTM include; Production, Procurement of tobacco Leaf, Procurement Non-Tobacco Requirements, Quality Assurance, Agronomy Commercial and Smallholder, Shipping of processed Tobacco and Cleaning Services where their competitive advantage derived from.

2.4 Non-Core Activities

This is concerned with activities that organizations believe that they lack required levels of competencies in order to perform them in house hence not cost effective to the organization. Non-Core activities are subject to outsourcing. According to British governments (1993) market test programme, cited by Fallington, B. and Lysons, K. (2006) that outsourced activities are those that are: resource-intensive especially with high labour and capital intensive, relatively discrete, required specialist competences, subject to rapidly changing technology which requires expensive capital investment and quickly changing markets. They mentioned that most outsourcing relates to services. Services that are candidates for outsourcing
mentioned include: Library, cleaning, building repairs and maintenance, catering, security, waste disposal, legal services and customs brokerage. All the outsourced activities at AOTM are services and similar with activities identified by the scholars above.

2.5 Key Definitions of the Supply Chain Terminologies

Terminologies below have been listed in order to provide the reader with the understanding of some of the key issues that are also concerned with the outsourcing. Outsourcing is part of the management strategy that mainly adapted in all core functions of the organization but in this case the study concentrated much on the Supply Chain as whole. Therefore the researcher considers that it's necessary to came up with relevant definitions of terminologies hence the following definitions below:

2.5.1 Supply Chain (SC)

Farrington, B. and Lysons, K. (2012) defined SC as “network of organizations in that are involved, through upstream and downstream linkages, in the different process and activities that produce value in the form of products and services in the hands of the ultimate customer or consumer”. While, Rushton, A. (2007) defined Supply chain “as the flow of materials and products through the process of procurement, production, storage, distribution and disposal”. Therefore some of the service providers are involved in procurement, storage, and production while performs various activities both in down and upper streams of the AOTM supply chain which have impact on their operations.

2.5.2 Supply Chain Management (SCM)

According to Greasley (1999) SCM is concerned with “the efficient and effective flow of physical items, in the form of materials from suppliers, through the production chain, to the between the firm, customers and suppliers, who share information, cooperate in product
development and aid in decision making, benefit all the parties in the production of a product that enables the supply chain to conform to customer requirements”. (CIPS course book). Rushton, A. (2007) defined Supply-chain management as “the integrated management of all parts of the supply chain from the originating supplier to the final customer”.

2.5.3 Third Party Logistics (3PL)

These are external service providers who are responsible for the management of logistics, transportation and distribution services on behalf of the principal organization.

3PL services typically include: outbound transportation, warehousing, inbound transportation, freight bill auditing or payment, customs brokerage, freight forwarding and Customs clearance. (Rushton, Alan. 2007). Some of the mentioned above services are candidates for outsourcing in all the Malawi Tobacco Industry including AOTM.

2.5.4 Logistics

Christopher, M (2005) defined Logistics as “the process of strategically managing the procurement, movement and storage of materials, parts and finished inventory (and the related information flows) through the organization and its marketing channels in such a way that current and future profit-ability are maximized through the cost-effective fulfillment of orders”. While David Jessop and Alex Morrison (1991) defined Logistics as “the process of planning, implementing and controlling the efficient, cost-effective flow and storage of raw materials, in-progress inventories, finished goods and related information from point of origin to point of consumption for the purpose of conforming to the customer requirement”.

AOTM logistics still remains to be one of their core activities, however, currently engage DHL to perform part of the logistics processes, in order to assess, if the shipping services currently
handled by them, can achieve the efficiency, which can in turn brings savings to the organizations who handles logistics of the processed tobacco from AOTM to customers final destinations.

2.5.5 Outsourcing

Rushton, Alan. (2007) defines Outsourcing “the strategic use of external specialized service providers to execute and manage activities or functions that are normally seen as non-core to the business”. Oduk, P. M. (2013) Outsourcing refers to “a contractual relationship between an external vendor and an enterprise in which the vendor assumes responsibility for one or more business functions of an organization”. While Lysons, K. and Farrington, B. (2006) defined outsourcing as “a management strategy by which major non-core functions are transferred to specialists, efficient, external providers”.

“The practice of having certain job functions done outside a company instead of having an in-house department or employees handle them; functions can be outsourced to either a company or an individual”. (http://www.entrepreneur.com).

However, Outsourcing is when a company contracts with an outside provider for services or other business processes, rather than employing staff to do these services in-house. These services may be provided on-site or off-site. (http://workathomemoms.about.com)

Therefore all the sources above they are hinting on the same facts that for outsourcing to be implemented, requires to know what are your organization non-core activities, identification of external experts, whom to be engaged for the provision of the intended services, organizations contract out activities that were done in house before.
The above definitions prevails with the AOTM which has transferred some activities which they termed as support or non-core activities which were done in-house before and now they are being performed by external service providers who are the experts in those particular areas.

2.6 Outsourcing Theories

Understanding of the outsourcing theories provide an overview to those organizations and individuals involved in the outsourcing. Theories are one of the critical success factors of an organization if well understood when implementing the concept in their respective organizations. There are several theories that applied to the outsourcing which include the following: theory of core competencies, resource-based theory, neo-classical economic theory, transaction cost theory, contractual theory, agency theory, partnership and alliance theory, relational exchange theory, stakeholder theory, social exchange theory and theory of firm boundaries.

2.6.1 Theory of Core Competencies

Gottschalk, P., & Solli-Sæther, H. (2005) state that “Core competencies theory suggests activities should be performed either in house or by suppliers. Activities, which are not core competencies, should be considered for outsourcing with best-in-the-world suppliers”. AOTM has retained in house all core-activities hence performed internally by them since they attain their competitive advantage through those activities which they cannot afford to leave them in the hands of the external service providers. Lysons, K and Farrington, B (2006) indicated that “concentration on the core competencies has led to the outsourcing of the non-core activities”. Therefore concentration of AOTM on its core business is in relation with this theory of core competencies.
2.6.2 Resource Based Theory

Farrington, B and Lysons, K (2012 pp224) stated that the resource based theory emphasizes that each organization is characterized by its own unique collection of resources of core competences. Grover et al. (1998) explained that “resource-based theory of the firm, outsourcing is a strategic decision, which can be used to fill gaps in the firm’s resources and capabilities”. AOTM may be outsourced due to lack of expertise internally in those outsourced activities or generally due to lack of resources which include financial resources and skilled labor with necessary expertise. For examples; AOTM outsourced fabrication of tobacco racks due to lack of skilled welders who lacks expertise in manufacturing of those tobacco racks. Therefore through outsourcing the companies managed to fill in the gaps that existed.

2.6.3 Transactional Cost Economics Theory

Transactions costs may be defined as all the costs associated with effort, time incurred when searching supply sources, formulating, evaluating, monitoring and enforcement of the contract between buying and supplying organizations. Ang, S., & Straub, D. W. (1998) observed that “transaction cost economics extends the neoclassical economic perspective of the firm by recognizing the significance of transaction costs in any market exchange.” There are three key concepts of transaction costs theory which was identified by Coase and Williamson cited by Lysons, K and Farrington, B (2012) that transaction costs include: search and bargain costs, bargaining and decisions costs and policing and enforcements costs. Therefore organization used outsourcing as the means to overcome the transactions costs as well as to the AOTM.

Lastly, the agency theory may be appropriate in outsourcing within the organization when there is an agent whom the organization may delegate the authority to perform certain activities on behalf of them. Gibler, K.M. and Black, R.T (2004) notes that “agency theory is based on the
relationship between a principal/client and an agent who is delegated authority to act on the principal's behalf”. While Eisenhardt (1989) cited by Gibler, K.M. and Black, R.T. (2004) concurs that, agency theory deals with relationships between a principal and an agent who are engaged in cooperative behavior. Therefore agency theory is one of the applicable theories in outsourcing that organizations may adapt this theory when implementing the outsourcing.

2.7 Drivers of Outsourcing

Rushton, A. (2007) identified a number of key drivers of why organizations outsource their internal activities to the external sources which includes the following below: Globalization as one of the factors that influence organization to outsource their activities who stated that “perhaps the most prominent factor has been the increase in the number of companies operating in the global marketplace. This necessitates a broader perspective than when operating as an international company, which may include, amongst others, attributes such as global branding, global sourcing, global production, centralization of inventories and the centralization of information. Logistics and Supply Chain networks have become far more complicated, and meeting the need to plan and manage logistics as a complete and integrated system has become far more difficult. Because of this, the best solution for a global company is very often to outsource”.

The Complexity of the supply chain management led most organizations to outsource, he explained that “complexity is linked closely to the globalization of business, is the increase in the complexity of supply-chain management. Globalization almost certainly leads to greater complexity, which in turn provides some significant implications for logistics operations. These include extended supply lead times, production postponement with local added value, complicated mode management, multiple freight transport options, extended and unreliable
transit times, and the need for greater visibility in the supply chain. In order for a manufacturer or retailer to succeed in this new, more complex, environment, many companies choose to outsource their supply chain management.”

Rushton, A. (2007) also identified emerging markets as the factor that drives the organizations to outsource; he further stated that “in the current business environment there are some very significant regional market developments. There are significant implications for logistics as a result of these long and unsophisticated supply chains. One solution that many companies adopt is to outsource these operations. Key reasons for this include the difficulty of setting up in-house operations in these regions and the risk of investing in organizations and structures that may not see the growth in supply and demand that is initially forecast”.

Lyson, K. and Farrington, B. (2006 pp.400) identified five drivers of outsourcing namely: Quality; they stated that “when the actual capacity is temporarily insufficient to comply with demand lead organization to outsource in order to meet the demand, they further categorized quality and divided quality into three aspects; increased quality demands, shortage of qualified personnel and outsourcing as the transition period. However, they described that “cost outsourcing is a possible solution to increasingly costs and is compatible with a cost strategy”. Therefore costs influenced organizations to outsource in order to reduce the costs. Finance as one of the drivers to outsource when, “organizations facing or experience budget constraints, therefore an organization ended up in investing in the core business activities and outsource non-core activities. Farrington, Brian, Lysons, Kenneth. (2006).Core business as one of the factors that led organizations to outsource and state that “a core business is the primary activity that enables an organization to generate revenues while all the subsequent activities are
mainly supportive and should be outsourced”. Therefore maintaining core business is one of the drivers of outsourcing.

Baily, P. et al (2010) concurs with Lysons K. and Farrington, B. (2006) who wrote that “organisations outsource in order to reduce or spreading the risk, lack of capacity of the outsourcing organisation, desire to focus on the organisation core business and to achieve the economies of scale”. Finally Farrington, B. Lysons, K. (2006) states that “cooperation between companies can lead to conflicts. In order to avoid such conflict, those activities that are produced by both organizations should subject to outsourcing”.

Lua, K.H. and Zhan G, J. (2006) in their research findings identified the following as key drivers to outsource; economic factor as being the strong motivation factor for outsourcing whereby the main concerns are cost reduction, cost savings and capital investment reduction. Strategic considerations such as the use of outsourcing to accelerate re-engineering benefits, to focus on core competence, to increase flexibility, and to facilitate market penetration, were identified. Environmental factors like information technology (IT) development and capability of supplier can influence organizations decisions to outsource.

Lyson, K. and Farrington, B. (2006) identified quantitative factors that are in favour of buying or outsource rather than make in house which include; quantities required too small for economical production, avoidance of costs of specialist machinery and labour, reduction in inventory. They also identified qualitative factors that motivates organizations to outsource such as the spreading of the financial risk between the purchasing organisation and the vendor, the ability to control quality when outsource, availability of vendor’s specialist expertise, machinery and patents and the manufacturing capacity of the purchaser. Therefore when an organization finds that the quantities are too small for production whereby it is difficult to
achieve economies of scale it’s good to opt for outsource in order to avoid unnecessary production costs, if there are numerous specialized vendors in the market that could be another factor to outsource. Patents rights hinder organisations to manufacture the same or similar products, these forces organization to outsource. However Bailey, P et al (2010) described that the main drivers to outsource are; when an organisation see that there are other organisations that can do a particular activity/ product better than their organisation, aim to focus on core business and outsource in order to reduce cost base.

While Kremic, T. et al (2006) in their research find that “there are three major categories of motivations for outsourcing: cost, strategy and politics” whereby recognised that the first two influences the private sector while politics affect the public institutions and bodies. Beulen, et al cited by Lysons, K. and Farrington, B. (2006) suggested that there are five main drivers namely; quality, cost of outsourcing, finance, core business, which concurs with Seuring, S. A. (2003). Who also pointed out that organizations outsource in order for concentration on core competencies and Cooperation. However, Burt, N et al (2003 pp304) stated that “an increasing number of business functions are being outsourced in order to meet competitive challenges, corporations are outsourcing to highly specialized firms that use their expertise to increase the efficiency of the outsourced function”. They further outsourcing resulted in the lower staffing levels, reduced costs, and rewards more flexibility. While Peslak, A. R. (2012) in their research findings, find that a primary motivation for outsourcing is cost reduction and competitive advantage. This is followed closely by cost saving potential.

“The key factors which have led to a growing trend of outsourcing are, Lack of expert-labor in some portions of the business process, availability of cheaper labor, whilst not comprising on
the quality of output and ability and feasibility to concentrate on the other crucial business process” according to (www.flatworldsolutions.com).

Therefore there are numerous drivers that have made organisations to outsource their non-core activities whereby some of the reasons be the ones outlined above.

2.8 Types of Outsourcing

Lacity and Hirscheim cited by Lyson, K. and Farrington, B (2006) provided taxonomy of outsourcing options which an organisation can adapt such as:

Body shop outsourcing; this method can be used by an organisation in order to meet its short term goals. For example, AOTM has outsourced part of the engineering services, to perform specific duties in specific activities such as fabrication of tobacco racks due to shortage of skilled or internal expertise internally to perform such work.

Project Management outsourcing, that’s whereby an organisation may employed for all or part of a particular project.

Total outsourcing; whereby the organisation contract out the whole function and supplier take full responsibility.

However, Watton, A (2012) identified three methods used in outsourcing which concurs with Lacity and Hirscheim, namely;

Outsourcing; which is mainly concerned with engagement of third parties and service providers hence the core organization monitors the outcome. AOTM has engaged 3PL’s in both inbound and outbound logistics activities for example.
Out-tasking; whereby the organization delivery aspects of a particular project partially performed internally and other certain parts dealt with the external service providers or contractors. Most of the electrical projects are being performed by the electrical contractors such as NN & R Electrical contractors.

Multi-sourcing being the third method used, which also called intelligent sourcing whereby an organization engaging a number of suppliers or service providers to perform the contract.

Therefore the researcher has established, what sort of outsourcing methods used by AOTM in their outsourced activities which has been outline in the findings at chapter four.

2.8 Methods Used in Outsourcing

This is mainly concerned with the procurement methods used in order to get the bid or tender that provides the best value for money (VFM) to the organization, not the lowest tender/ bid nor the highest but one that meet the organization’s objectives.

2.8.1 Tendering

Lysons, K and Farrington, B (2012) defined tendering as “a purchasing procedure whereby the potential suppliers are invited to make firm and unique vocal offer of the price and terms on which they will supply specified goods or services, which, on acceptance, shall be the basis of a subsequent contract ”. Tender also referred as a bid, which is a formal offer to supply goods or services for an agreed price and other terms and conditions. Tendering also referred as, the competitive bidding.

AOTM being the private organization which aims at maximization of its profitability, used different types of the tendering methods such as
Open tendering, whereby the organization advertises its requirements in different forms of media, usually in the newspapers and radio stations which are sold country wide. For example, Transportation provision services for green leaf tobacco from various auction floors/ tobacco markets, security and catering were all put on open tendering.

Restricted tendering also used whereby AOTM provides opportunity only to its internal pre-qualified vendors to bid for their requirements. Restricted tendering mainly used, when sourcing maintenance services such buildings maintenances and engineering off-season plant maintenance services.

**2.9 Advantages of Outsourcing**

Lysons, K and Farrington, B (2006 pp.401) stipulates that “the main benefit of outsourcing is the freeing of management time to concentrate on core business operations” and indicated some benefits besides this as indicated in the figure below
Figure 2.1: Main Benefits of Outsourcing

- Frees management time
- Reduced staff costs
- Increased flexibility
- Cost certainty
- Reduction in staff management problems
- Improved consistency of service
- Reduced capital requirements
- Reduced risk

Source: Carringtone, L. (1996)
Chiu, C., Lai, C. and Chen, W. (2009) identified three advantages of outsourcing to the principal organization contracted out which referred as the user, has the opportunity to increase financial profit, enhancement of operational flexibility for the organization and ability to concentrate resources on core activities. While to the service providers, they mentioned four advantages which includes; entry into new markets or expansion of customer base, furthering the company’s competitive strategy, concentration of resources on core activities and control of special resources. Lacey, M. (2002) stated that “in theory, the benefits of outsourcing can be cost savings and more timely delivery of a service”. But not always the case when outsourced the non-core activities.

AOTM has the opportunity to reap all the benefits of outsourcing concept as stated above, outsourcing may lead them to concentrate fully on their core activities, reduction of costs or cost savings, exposure to the external expertise, better control of its resources, having manageable staffing levels and continuity of their access to the global markets which in turn made AOTM achievement of its competitive advantage over its competitors.

2.10 Disadvantages of Outsourcing

Farrington, B. and Lysons, K. (2012 pp389) stated that “outsourcing is not, however, without its problem”. Some of the problems mentioned associated with outsourcing includes: reduction on flexibility, over dependence on the suppliers, cost escalation, lack of the supplier flexibility, lack of the management skills in the control of suppliers and unrealistic expectations of outsourcing providers due to over-promising at the negotiation stage.

However Burt et al (2003 pp321-322) cited below drawbacks of outsourcing which include below:
2.10.1 Loss of Control

The principal organization that have outsourced, entrusted an entire activities and process to the external service provider or the contractor which may cause the loss of control, internal skills and expertise while resulting in over dependency on the service providers. AOTM made the contractors to be much in control over the services which they are providing to AOTM, which has resulted in loss of control hence led to creation of lock-in situation. They cannot easily switch from current service providers to the other, for example John Thompson, a boiler maintenance service provider, whereby in the past before outsourcing such activities were done in-house by the ex-employees of the AOTM as of now boilers are under John Thompson control.

2.10.2 Lack of Cost Control

Many organizations embarked on outsourcing with the aim of reducing costs while maximizing their profits. AOTM has been experiencing cost escalation mainly due to lack of inclusion of the long-term pricing with appropriate incentives in its contracts with their service providers.

2.10.3 Lack of Contract Clarity

Burt, N. (2003) stated that “failure to clearly articulate the responsibilities of the selected external provider is the major concern”. AOTM contracts lack essential elements such as Service Level Agreements (SLA), drafted prior to the commencement of the outsourced services. Service providers tend to be complacent which leads to poor contract delivery performance, compromising with the scope of the work and escalation of costs.

2.10.4 Loss of Competitive Advantage

Reilly and Tamkin cited by Lysons, K.and Farrington, B. (2006) mentioned that “a principal objection is the loss of competitive advantage, particularly in the loss of skills and expertise of
staff, insufficient internal investments and the passing of knowledge and expertise to the supplier, which may be able to seize the initiative”.

Organizations may lose their competitive advantage when their services providers turn to be their competitors, the case of IBM and Microsoft. Burt, N (2003) concurred that “outsourcing often means off-loading sensitive functions involving proprietary corporate data”

2.11 Critical Success Factors of Outsourcing

Critical success factors referred as strategic milestones that have to be put in consideration and accomplished in order to make outsourcing implementation successful. Below are some of the critical factors:

2.11.1 Development of Detailed Contracts

The outsourcing contracts must be complete and clear in its entirety from the point the contracts are formulated; this may lead to the success of the outsourcing. For example the contract terms and conditions must be well set and defined from the outright of the contract before agreement made or reached. Obligations of both parties need also to be well defined and finally requires enclosure of contract clauses. Wiengarten, F.et al (2013) also identified that in supply chain management, legal risk is one of the outsourcing critical success factors. Therefore well-defined and complete contracts contributed to the success of outsource due to avoidance of such risks such as the risk of law suits.

2.11.2 Understanding of Outsourcing Concept

The process of outsourcing is complex in nature since when the organizations need to implement the outsourcing concept requires to understand the outsourcing matrix fully since failure to understand it, leads organizations to incurred unnecessary costs and make
outsourcing not successful as described by Desmond Doran and Stephanie Morgan cited Dornier et al (1998) in their online article, who has developed an outsourcing decision matrix which assesses the strategic value and criticality of activities being considered for outsourcing, each and every activity of the organization required to be critically assessed before an activity being outsourced.

**Figure 2:3: The Outsourcing Matrix**

![Outsourcing Matrix Diagram](https://www.roymogg.com)

Source: www.roymogg.com

Based on the above outsourcing matrix will assist the organizations including AOTM and other Tobacco Companies to conduct critical analysis on their internal activities whether they are critical to their competitive advantage or not which in turn led them to make tangible outsourcing decisions.

### 2.11.3 Benchmarking

Benchmark it is necessary to fully understand the process or activity and how well it performs. (http://legacy.wlu.ca). There AOTM to succeed in outsourcing requires benchmarking and understanding the outsourcing activities.
Benchmarking of the organizations against the leaders in the market, lead to the success of the outsourcing since the organization continues to improve in the areas that are not performing well. AOTM has to benchmark its activities to those that are performing much better than themselves.

2.11.4 Performance Measurement

There is a need of setting up of the measurement criteria that will be used in the measuring performance of the service providers. This assist in the improvements in terms of quality, delivery lead time and strengthens the relationship between the buying organization and the vendor. Therefore measurement of performance of the suppliers leads to organization to become more efficiency and effective which in turn make organizations to avoid unnecessary costs while improvements in their profit margins.

2.11.5 Strategic Resources

An organization is able to achieve outsourcing, only when the organizations have all the necessary resources in place, in terms of; Finance, people, capital resources and raw materials. “Human resources are the people who work for an organization. Their skills and knowledge are invaluable to the managers. Monetary resources are amounts of money used by managers to pay for goods and services for the organization. Raw materials are the elements used directly to manufacture products. Capital resources are the machines used during the manufacturing process”. (http://www.subjectmoney.com). Therefore organizational resources are crucial for the success of the outsourcing implementation by any organization including AOTM.

Figure below illustrate the organizational resources that allows production processes in order to produce finished goods and services.
2.12 Challenges of Outsourcing

Challenges concerned with the impeding factors of outsourcing factors that may lead outsourcing to fail.

2.12.1 Proper Selection of Activities to be Outsourced or Not

It’s challenging to reach a decision whether a function or an internal activity to be outsourced or not. AOTM management has been tendered Procurement and Stores for several times to be outsourced but up to date a consensus has not yet been reached as a result they have once again hired the consultant to make recommendations on areas that has to be improved. Right now they have introduced Material Resource Planning as one of the stock management system in order to improve efficiency and effectiveness, when fulfilling internal customer needs.

2.12.2 Resistance to Change

There is always fear among the employees when organization needs to outsource its activities since in most cases employees are not certain of jobs security and it leads to redundancies. At
AOTM, when they want to implement outsourcing, they use the term of company restructuring. On the other hand lack of involvement of at levels of the organizations leads to resistance to change within the organization. Therefore resistance to change provides a challenge for the implementation of outsourcing within the organization. Member of staff develop negative attitude towards outsourcing due to the mentioned factors of redundancies and lack of proper buy in ideas from the entire levels of an organization, usually the decisions are made at the strategic level while the other levels of tactical and operational are there to implement those strategic decisions made.

2.12.3 Legislation

There is a need to comply with regulation requirements such as company certification. Service providers must be certified by their regulatory bodies for example engineering bodies, Malawi Bureau of Standards which is a local government body which regulates Quality issues and International Standard organizations (ISO) in terms of Quality which is ISO 9001 and Environment ISO 14001. Therefore there are few which are certified on the local industry which imposed challenges to AOTM and other organizations.

2.12.4 Best Practices

Lack of best practices in the organizations made organizations faces challenges when outsourcing. Examples of the best practices include benchmarking, improved communication, ongoing vendor relationship management and adoption of proper supplier/buyer relationships. Therefore implementation of the best practice is one of the major challenges of outsourcing.

2.12.5 Legal Issues

Bragg, S.M.(1998 pp.26) state that “before getting to specific legal clauses that the company should include in or exclude from the contract, the company should look for the presence of
any language in the suppliers proposed contract saying that some issues will be deferred for post contract resolution”. Failure to address legal issues at the time of contract negotiations brings challenges to the outsourcing. The AOTM being a global company required to comply with Laws in each and every country it operates in order to be successful in all its activities performed in house as well as those contracted out. Legal will determine success of the outsourcing implementation within the organization.

The mentioned above are just few of the outsourcing challenges, other challenges identified by other scholars include: change management, culture, financial, lack of knowledge, management support, strategic choices and macro and micro factors such as political, social and internal customers just to mention a few.

2.13 Chapter Summary

The major objective of the above chapter was to provide the reader with the literature by a number of past scholars on the topic of outsourcing concept. In the literature scholars have indicated that outsourcing has been developed and implemented with various reasons. Transaction Cost Theory was developed in relation to the organization minimizing the costs of transactions undertaken within the organization which have substantial impact on the organizations. While core competence theory focuses on the core activities has to be done internally and outsource the rest as stated by Gottschalk, P., & Solli-Sæther, H. (2005). This chapter has also revealed factors that have influenced organizations to outsource such as; concentration on the organizations core business, cost reduction, lack of expertise and spreading risks. Peter, B et al (2005 pp.335) state that there are many considerations that might influence an organization to outsource such as external supplier has better, greater and
more capability appropriate capacity, freeing resources, reduction of operating costs and lack of internal resources among others.

3.0 CHAPTER THREE - RESEARCH METHODOLOGY AND DESIGN

This chapter demonstrates the general overview that the researcher used in terms of Research Approach, strategy, data collection methods, analysis and the impeding factors that the researcher faced when performing the research project.

3.1 Introduction

Saunders et al (2009) refers Research Methodology as “the overall approach to the research process, from the theoretical approach to data collection and analysis”. However Collins, J. and Hussey, R. (2003 pg. 55) concurs with Saunders et al whom they defined methodology as “to overall approach to the research process, from the theoretical underpinning to the collection and analysis of the data”. This means that research methodology is the holistic strategies used in data collection and evaluation of the same. The researcher focused on the Impact of outsourcing in the Tobacco industry in Malawi and in particular at AOTM, as a case in question which has been investigated.

To achieve the objectives of this the research, the researcher have carried out several research activities, including:

Reviewing the current literature in the fields of outsourcing practice to achieve a thorough understanding of the issues involved, and identified the Potential challenges, factors influencing organization to outsource, critical success factors, expected outsourcing benefits and explore theories of outsourcing.
The researcher developed a questionnaire as data collection tool, conducted interviews and observation to assess the impact of outsourcing in the AOTM operations and Tobacco Industry in Malawi as whole.

Pilot-testing of the developed questionnaire was done through conducting interviews with various participants and send it to a number of the research participants to complete before administering it to the large audience.

Obtaining responses on the developed questionnaire from each of the research sample identified including contractors and suppliers.

Analyzing the data obtained from the questionnaire administered using the excel sheet to identify the level of importance for each variable assessed.

Ranking of each identified benefit, challenge and critical success factors according to their perceived significance by the respondents of the questionnaire survey.

3.2 Research Philosophy

There are different philosophies that researchers may adopt in order to achieve their goals in their areas that they are investigating, through the use of specified philosophies which include the following, positivism, realism, interpretivism and pragmatism.

3.2.1 Adopted Research Philosophy

The researcher adopted Positivistic Approach on the basis that the researcher involved in searching the facts and causes as to why the AOTM and other tobacco companies opted to outsource some of their major non-core activities, which were performed in house before and to explore what impact it has brought to their organizations operations, which concurs with
Collins, J. and Hussey, R. (2003) who stated that “the positivistic approach seeks the facts or causes of social phenomena; logical reasoning is applied to the research so that precision, objectivity and rigour replace hunches, experience and intuition as the means of investigating research problems”. However the researcher mainly used already existing data which include the internal reports and supplier’s contracts which were analyzed and observed them in order to develop the hypotheses. The researcher was independent of and neither affects nor affected by the subject of the research in question that was impact of outsourcing in the Tobacco Industry in Malawi. Saunders, M. et al (2009, pp.114) cited Remenyi et al described that “the researcher is independent of or neither affects nor affected by the subject of the research”.

When the researcher conducted the research there were little or no chances that could have been done in order to alter the data collected hence external to the data collected.

3.3 Research Approach

There are two types of research approaches based on the Research Onion developed by Saunders, M et al (2009) namely; deductive and inductive research approaches.

3.3.1 Deductive Research Approach

Sue-Ellen Kjeldal. (2002) cited Spangler(1986)defined deduction as "the human process of going from one thing to another, i.e., of moving from the known to the unknown ... Utilizing what he knows, the human being is able to move to what he doesn't see directly. In other words, the rational person by means of what he already knows is able to go beyond his immediate perception and solve very obscure problems. This is the nature of the reasoning process: to go from the known to the unknown."

Deductive research approach, according to Saunders et al (2007 p.127) provide an emphasis as per table 4.2 that deductive approach concerned with scientific principles, moving from
theory to data, the need to explain causal relationships between variables, the application of controls to ensure validity of data, the operationalization of concepts to ensure clarity of definitions, a highly structured approach, researcher is independent of what is being researched and the necessity to select samples of sufficient size in order to generalize conclusions. Therefore the researcher adopted this Deductive research approach whereby a theory of outsourcing was used in order to create an understanding and knowledge for impact of outsourcing in the Tobacco Industry Malawi focusing on the AOTM selected case study. The sample size was eighty participants and interviewed Twenty (35) participants.

3.4 Research Strategy

The researcher has chosen a case study as a research strategy, when performed the research, Alliance One Malawi Limited (AOTM). Scapens (1990) cited by Collins, J. and Hussey, R. (2003) that explanatory case study used, when there is an existing theory which is used to understand and explain what is happening. In this case, AOTM considered as an Explanatory Case study, whereby it is already practicing outsourcing which is a theory on its own that the researcher was considering as an already existing theory which was required to be understood and in turn explained what is currently happening and what has happen before.

3.5 Time Horizon

There are two approaches in terms of time horizon that research can be carried out namely; cross-sectional and longitudinal studies as per Saunders, M.et al (2009).

3.5.1 Adopted Time Horizon

Cross- sectional studies has been adopted since the researcher have been studying the impact of outsourcing in the Tobacco Industry in Malawi just for a period of nine months, its mainly undertaken for academic purposes and the researcher was highly time constrained
hence cannot manage to adopt a Longitudinal studies. The researcher also put in consideration of the course specified period of at least a year to complete the thesis of the submitted research proposals, therefore the most viable time horizon remains a cross-sectional.

3.6 Data Collection Techniques

Collins, J. and Hussey, R. (2003pp.162) state that “whether you are following a broadly positivist or phenomenological paradigm, there will always be a combination of quantitative and qualitative inputs into your data generating activities”. Wahyuni, D. (2012) state that “case study research should ideally be performed through a two-stage case study with the use of both qualitative and quantitative data collected from multiple sources, and predominantly qualitative analysis procedures applied in a sequential design”. The researcher used different data collection strategies in order to get tangible and valid findings, therefore triangulation applied. Based on Saunders et al (2009 pp.146) described that “if you are using a case study strategy, you are likely to need to use and triangulate multiple sources of data”. Questionnaires were administered, interviews held in structured and informal manner; observations were made through checked some of the internal organization’s reports and surroundings where the activities are being performed and other sources of data used such as books, online, journals and magazines.

3.6.1 Questionnaires

The researcher administered eighty (80) questionnaires to collect relevant data for the research project carried out. Saunders et al (2009) recommended that questionnaires are easy to administer although they are inflexible. Questionnaires were sent through emails and physical distribution to the participants. However, the challenges were other participants never
responded and collection tends to be problematic since the research has to follow up with the participants time and again, if they have completed them. Out of eighty questionnaires distributed to the participants, sixty four questionnaires received from the participants representing eighty percent (80%). Pre-test of the questionnaire was done in order to test and check validity and relevance of the questionnaire. It was sent to the researcher’s supervisors for their approval before final distribution. The major disadvantages experienced about questionnaires include: it was costly in terms of printing costs, mobility costs, when visiting the participants and time consuming in collection of the questionnaires since other participants they could not manage to send them through participants details provided such as email or by hand therefore made the researcher to collect personally.

3.6.2 Interviews

Khotari (2006) state that interviews will provide in-depth information regardless that they are time consuming. The researcher conducted face to face interviews that were done within the AOTM campus and other nearby organizations that were included in the research sample; interviews conducted were in structured and informal. Formal interviews were mainly done with strategic and Middle levels staff while informal interviews targeted the administrative members of staff. However, Telephone interviews were used in order to facilitate the whole process of data gathering, this was due time constraint therefore could not managed to travel to a number of locations AOTM has branches such as Limbe and Mzuzu branches. Interviews were used mainly with the senior management team from the selected samples. The researcher given both options to the senior management team participants, if they were comfortable with the questionnaire or interviews but majority opted for interviews, the reason being the senior staff have had limited time. The researcher also managed to explored more information and
understand in depth, some of the reasons of outsourcing which cannot be put on the questionnaire due to limited space.

**Table 3.1 Structured Interviewed participants (in-depth interviews)**

<table>
<thead>
<tr>
<th>INTERVIEWED ELEMENTS</th>
<th>AOTM</th>
<th>LLTM</th>
<th>PTTL</th>
<th>ATC</th>
<th>JTI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHIEF ENGINEERS</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>FINANCE SENIOR OFFICERS</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>DEPARTMENTAL MANAGERS</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>HUMAN RESOURCES SENIOR TEAM</td>
<td>5</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>PROCUREMENT MANAGERS</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>13</td>
<td>4</td>
<td>8</td>
<td>6</td>
<td>4</td>
<td>35</td>
</tr>
</tbody>
</table>

Eighty five percent (85%) of the participants at AOTM, PTTL and ATC indicated that outsourcing has not made their organization better since they are currently facing heavy costs and quality implications due lack of proper management of the contracts and lack of knowledge on how best outsourcing implemented while fifteen percent (15%) indicated that it has brought positive implications to their organizations. While Ninety percent (90%) participants at LLTM
and JTI indicated that outsourcing brought many positive implications to their organizations while the remaining percentage of 10% not convinced with the outsourcing implementation.

The research also conducted informal interviews with fifteen general staff on their views on the impact of outsourcing, whereby few indicated positive impact on their organizations while majority indicated that it had brought negative implications to their organizations since masses of employees have been retrenched since the introduction of the concept in the tobacco industry in Malawi while made their organizations loss their skilled laborers and expertise who in turn becomes service providers of the organizations, hence not seen the logic of the concept. Mentioned suppliers are Shiva and Thaboland contractors who were all employees of AOTM. They were subject to redundancy. Thereafter they were contracted by AOTM in order to provide them with engineering services due to their expertise.

3.6.3 Observation

Observations done during Data collection through observations of the internal reports, suppliers tender documents, contracts and visited a number of sites that projects are being undertaken by the contractors.

3.7 Research Sample

Research population refers to large units or individuals that are the main focus of a research, in some cases belongs to the same geographical area and contain similar characteristics (Kumar, 2011). Baker, M.J (2003pp.171) states that sample is the totality of persons or things which are referred to as the universe or population. The relationship between population and sampling is that the sample is a representative subset of a total population (Kumar, 2011; Saunders et al., 2007). The aim of using a subset is to enable researchers to gather and obtain results that can be used to derive a conclusion. The researcher used a purposive sampling method to come up
with the number of participants whom the researcher feels that they have some experience on the topic of outsourcing and that they could provide valid and reliable information. Kumar (2011) concur the purposive sampling that it is applicable to case studies and has advantage of provision of precise information needed to answer the research questions.

AOTM was the main case study which has been analyzed and other tobacco companies namely, Agricultural Trading Company (ATC) Premium TAMA Tobacco Limited (PTTL), Limbe Leaf Malawi Limited (LLML) and Japanese Tobacco International (JTI) which were included on the research sample selected in order to give comparison as they have also adopted outsourcing strategy and operating in the same industry. However in the course of research performance the researcher has included suppliers/contractors and others whom the researcher considers that might obtain valid information for the research investigated area of the impact of outsourcing in the Tobacco Industry in Malawi.

3.8 Research Sample Size

The total research sample size was eighty (80) participants, whereby thirty participants were from AOTM, whereas the remaining fifty participants were from; PTTL, LLTM, JTI, ATC, Suppliers and Contractors. Below table illustrates the distribution of the research participants who were involved in the project.
Table 3.2 Research Sample Size

<table>
<thead>
<tr>
<th>RESEARCH ELEMENTS</th>
<th>AOTM</th>
<th>PTTL</th>
<th>ATC</th>
<th>LLTM</th>
<th>JTI</th>
<th>SRS/CNTRS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ENGINEERING SECTION</strong></td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>11</td>
</tr>
<tr>
<td><strong>HUMAN RESOURCES SECTION</strong></td>
<td>8</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>-</td>
<td>18</td>
</tr>
<tr>
<td><strong>PROCUREMENT AND STORES SECTIONS</strong></td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>-</td>
<td>20</td>
</tr>
<tr>
<td><strong>FINANCE SECTION</strong></td>
<td>6</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td><strong>QUALITY ASSURANCE SECTION</strong></td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td><strong>SERVICE PROVIDERS</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td><strong>SUPPLIERS</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>30</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>80</td>
</tr>
</tbody>
</table>


3.9 Research Ethics

Nicholas Walliman (2011) states that “Working with human participants in your research always raises Ethical issues about how you treat them. The researcher’s treatment of other people involved in the research, relating to informed consent, confidentiality, anonymity and courtesy”. Saunders, M et al (2009 pp183-184) defined research ethics as “the appropriateness of your behaviour in relation to the rights of those who become subject of your work, or are affected by it”. Therefore research ethics requires researchers to be moral and responsible when executing their research projects.

This is very critical area in this research conducted; Tobacco Industry in Malawi is very sensitive industry due to Influence of Macro factors especially government. Therefore the researcher to overcome the resistance and red tapes when sourcing data ensured that AOTM management compliance requirements have been addressed. However, the researcher considers all parties included as per course requirement on the research ethics.

Below are ethical areas that the researcher ensured that they were in met when executing the project.

3.9.1 Ethical Requirements for the Researcher

3.9.1.1 Bias

The researcher ensured that bias was eliminated amongst the participants through provision of same and uniform information to each and every research participant. Debriefing the participants after the research and ensured that all the findings are made available to those participants who were willing to see them. The researcher bearing in mind that deliberate
hiding of the research study findings, highlighting issues disproportionately to its genuine underlying truth considered as the unethical to the researcher.

3.9.1.2 Use of Information

This is concerned with the way the researcher used the research information collected during the performance of the research. Therefore if the information collected used in the way that affects the participants then that is considered as unethical to the researcher. Therefore the researcher ensured that information collected used in proper manner mainly for academic purposes communicated in the consent letter sent to AOTM management. While for the participants their information treated with confidentiality which cannot be accessed anyhow.

3.9.1.3 Use the Recommended Research Methodology

The researcher ensured that the right methodology has been adapted in this research project since the use of wrong methodology turns to be unethical to the researcher. Saunders M et al (2009 pp188) concurs that this should be attempted by planning to conduct the research project in line with the ethical principle of not causing harm and by adapting your research strategy and choice of methods where they are appropriate.

3.9.2 Ethical Requirements for the Participants

3.9.2.1 Confidentiality for The Information

The researcher has ensured that information obtained from the study participants are kept safely in confidential manner and to remain for research purposes. This information will remain anonymous. Sharing information for research or academic purposes without consent from the participants with other parties which can tend to be sensitive and affects the participants renders to be unethical.
3.9.2.2 Participant Consent and Privacy

The researcher ensured that there was privacy of the participants was maintained; seek their consent before collecting data at any point from individuals and organizations. Once the permission granted it’s when the researcher proceeded. Researcher also ensured that participation was made voluntary, at no time the researcher used force in order to include a person to participate in the research. The researcher knows that collecting information from the research participants without their knowledge and willingness is unethical. Therefore used the informed consent whereby the audience was aware of the purpose of the research, information required and the use of the required information.

3.10 Data Analysis

The researcher summarized and analyzed data collected through exploratory data analysis. Exploratory data analysis has been recommended by Collins, J. and Hussey, R. (2003) that “it implies that this group of techniques is only concerned with describing data, whereas it is also useful for summarizing and presenting data in tables, charts, graphs and other diagrammatic forms”. This is critical technique to the researcher as it has assisted in the preliminary and full analysis of the data collected during of the performance of the research project.

The research data collected was both qualitative and quantitative in nature. The researcher seek views of the research participants from the selected samples through the administration of questionnaires and interviews which provided qualitative data in nature while analyzed that data collected through excel software and manually whereby generated graphs, charts and tables. The research also used observations of the internal AOTM reports and published information such as adverts in the newspapers.
3.11 Chapter Summary

This chapter has covered issues mainly on the research methodology and design that the researcher has adopted. The researcher has adopted Positivistic approach in terms of philosophy, Deductive research approach, Case study strategy whereby the AOTM was the main case of research, cross-sectional studies, used triangulation in terms of the data collection techniques which also referred as multi-methods whereby questionnaire developed as research data collection tool while used interviews and observation in the process. Data collected has been analyzed through exploratory data analysis as recommended by Collins, J. and Hussey, R. (2003). The researcher has stated in the same chapter concerned the research sample used and the size of the sample. Lastly tackled ethical issues such as how the researcher has eliminated bias and stated about the credibility of the researcher during the execution of the research project.
4.0 CHAPTER FOUR – DATA COLLECTION AND ANALYSIS

In this chapter the researcher clearly state, what has been found in the research findings during the execution of this project, interpretation of the data, so that the readers must understand and get the meaning of what is being communicated. The readers have been introduced again on the research sample, the case study used, when performing the studies. The researcher analyzed almost all the questions included in the questionnaire.

4.1 Introduction

This chapter is about the findings and discussions basically concerned with the research and information derived from the administration of the questionnaire. All the research findings were discussed based on the eighty questionnaires (80) distributed to the research participants from the selected sample organizations whereas the AOTM was the major unit of study with thirty (30) questionnaires distributed while ten (10) of each to the other sample organization including the suppliers and contractors.

4.2 Findings And Discussions

The researcher earlier indicated that eighty (80) questionnaires were administered to the research participants and only sixty eight (68) questionnaires were received which represent eighty five (85%) percent of the response rate which provide a better picture of how participants commitment was during the research project period. The participants targeted were from all levels of the organization namely: Strategic, Middle Management and Administrative levels. This has assisted the researcher to minimize the research error. This also provides a proof that the information received from all levels was valid, reliable and not bias. Table 4.1 below illustrates the participant’s response rate.
Table 4.1: Participants Response Rate.

<table>
<thead>
<tr>
<th>ORGANISATION</th>
<th>DISTRIBUTED QUESTIONNAIRES</th>
<th>RECEIVED QUESTIONNAIRES</th>
<th>PERCENTAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AOTM</td>
<td>30</td>
<td>28</td>
<td>93</td>
</tr>
<tr>
<td>PTTL</td>
<td>10</td>
<td>10</td>
<td>100</td>
</tr>
<tr>
<td>ATC</td>
<td>10</td>
<td>7</td>
<td>70</td>
</tr>
<tr>
<td>JTI</td>
<td>10</td>
<td>9</td>
<td>90</td>
</tr>
<tr>
<td>LLTM</td>
<td>10</td>
<td>8</td>
<td>80</td>
</tr>
<tr>
<td>SUPPLIERS &amp; CONTRACTORS</td>
<td>10</td>
<td>6</td>
<td>60</td>
</tr>
<tr>
<td>TOTAL</td>
<td>80</td>
<td>68</td>
<td>85</td>
</tr>
</tbody>
</table>
However, the participants' percentage return rate was encouraging, the researcher made efforts to collect all the questionnaires but failed on the remaining twelve participants who present fifteen (15%) percent due to time constrain and necessary facilities for both the participants and the researcher. These participants were at the fields, when the researcher made follow up, they said that they had challenges in terms of network and accessibility to facilities that they can used in submission of the questionnaires, i.e. lack of internet cafes or bureaus that they could use to send the questionnaires.

Research questions (RQ) two- three were mainly set-up in order to know which sample the participant picked from, samples where the participants picked from AOTM, JTI, ATC,PTTL, LLML, Suppliers and Contractors. Participants were asked to mention their positions and work experience.

**RQ 4 In terms of organization management levels, indicate where you fit in.**

The participants were asked to tick whether they are involved at strategic, Middle management or Administration. The researcher considered that the sampling frame must consist of employees at all levels of their companies identified in the Malawi tobacco industry through establishing these stratams. Collins, J. and Hussey, R (2003) concurs that stratified sampling overcomes the problem of over or under representation of some members of the population. Therefore all the data analyzed in this chapter the information derived from all levels of the organization which the researcher believes that reduced research errors.

**RQ5: Does your organization outsource?**
It has been established that fifty eight participants indicated that their organizations practice outsourcing which represent eighty five (85%) percent while ten (10) participants indicated "partial" representing fifteen (15%) percent. They have indicated that there are some activities that cannot solely being performed by the external service providers such as the Information Technology (IT) functions, as it is among core activities of their organizations, performed in them house but there are some areas that they lack expertise and skills to perform the whole intended activities. Therefore they only outsource part of the business processes that require outsider provider. One of the participants cited an example of fiber installation around the Kanengo Auction Floors in order to improve the efficiency of network. AOTM outsourced such activities right out due to lack of internal resources in terms of human capacity to carry out such projects. Suppliers and contractors indicated that in some other cases they opt to outsource to external companies wherever they lack capacity in fulfillment of their customer requirements. Therefore all below mentioned organizations in the Tobacco industry plus some suppliers and contractors all practice outsourcing. None of the participants indicated that their organization does not outsource the activities.
### Table 4.2 Participants responses on whether Organization outsource or not

<table>
<thead>
<tr>
<th>ORGANISATION</th>
<th>RECEIVED QUESTIONNAIRES</th>
<th>YES RESPONSES</th>
<th>PARTIAL RESPONSES</th>
<th>NO RESPONSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>AOTM</td>
<td>28</td>
<td>24</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>PTTL</td>
<td>10</td>
<td>7</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>ATC</td>
<td>7</td>
<td>6</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>JTI</td>
<td>9</td>
<td>9</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>LLTM</td>
<td>8</td>
<td>6</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>SUPPLIERS &amp; CONTRACTORS</td>
<td>6</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>68</strong></td>
<td><strong>58</strong></td>
<td><strong>10</strong></td>
<td><strong>0</strong></td>
</tr>
<tr>
<td><strong>PERCENTAGE (%)</strong></td>
<td></td>
<td><strong>85%</strong></td>
<td><strong>15%</strong></td>
<td><strong>0%</strong></td>
</tr>
</tbody>
</table>

### RQ 6: What activities does your organization outsource?

Oduk, P. M. (2013) Outsourcing refers “to a contractual relationship between an external vendor and an enterprise in which the vendor assumes responsibility for one or more business functions of an organization”. Core activities referred to all the activities that organizations achieves its core competencies and competitive advantages hence difficult to be emulated by
its competitor. AOTM core business includes; tobacco processing and purchasing of the green leaf and cannot be outsourced to external or third parties to perform on its behalf. While Non-Core Activities are activities that organizations treat as the support activities that contributes to the achievement of the core activities and should be outsourced. AOTM non-core activities includes security, catering and outbound logistics. However, all sixty eight (68) respondents indicated that non-core activities are the candidates for the outsourcing or being outsourced. This represented hundred percent (100%) that all organizations from where the participants works do outsource non-core activities.

The researcher differs with the participants on the findings from the above responses, organizations can outsource both core and non-core activities, when considering the drivers of outsourcing that have been identified by a number of scholars in the chapter three of literature review such as Lyson, K. and Farrington, B. (2012), Beulen, et al, and Peslak, A. R. (2012), if the organizations sees that demand exceeds their capacity, regardless that the activity is core, organizations may end up outsourcing them in order to meet the demand, political directive concerning privatization in the public sector has made some core activities being contracted out due to outsider service providers. Another fact that may expose both activities core and non-core activities to be outsourced could be lack of necessary capabilities in terms of financial, technical, commercial and environment which may make the organization to outsource in order to remain in business. For example, other organizations are now visual and existing through their brands.
## Table 4.3 Outsourced Activities

<table>
<thead>
<tr>
<th>ORGANISATION</th>
<th>RECEIVED QUESTIONNAIRES</th>
<th>CORE ACTIVITIES</th>
<th>NON-CORE ACTIVITIES</th>
<th>ALL</th>
<th>NONE</th>
</tr>
</thead>
<tbody>
<tr>
<td>AOTM</td>
<td>28</td>
<td>0</td>
<td>28</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>PTTL</td>
<td>10</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>ATC</td>
<td>7</td>
<td>0</td>
<td>7</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>JTI</td>
<td>9</td>
<td>0</td>
<td>9</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>LLTM</td>
<td>8</td>
<td>0</td>
<td>8</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>SUPPLIERS &amp; CONTRACTORS</td>
<td>6</td>
<td>0</td>
<td>6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>68</td>
<td>0</td>
<td>68</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>PERCENTAGES (%)</td>
<td></td>
<td></td>
<td></td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>
The researcher realized that participants at AOTM overlooked that some parts of the business processes such as engineering and procurement departments the activities contracted out regardless having workforce to perform all activities in house, A very good example is engineering activities which were contracted out to Mamsen Engineering, who were for the past two season to fabricate the tobacco racks from Zimbabwe.

**RQ7: What does your organization hope to benefit from outsourcing?**

The researcher identified some of the benefits of the outsourcing, participants were given instructions to tick any one of the answers provided and the results were as below.

Figure 4.2: The pie charts represent benefits of outsourcing according to its significance of each benefit.
From the above research findings, it’s indicated that majority of the participants, forty five (45%) percent viewed that all the benefits of outsourcing provided in the question, allows the organizations to concentrate better on their core activities, making savings through cost reduction, improved quality of their products and services offered to their customers, reduced cycle times in their service delivery and total lead times. Outsourcing leads to downsizing of the organizations scope and managed organizations to have better management of their resources through proper planning, organizing and controlling. However, the outlined benefits in order to be achieved and attained by the organizations; it requires proper strategies to be in place, management support, critical analysis of the outsourced activities and proper alignment of the organization objectives corporate goals.

RQ8: Critical success factors refers to elements or variables that are necessary for an organization to achieve its mission, therefore what are the critical success factors for outsourcing in your organization?
The researcher listed the following critical success factors namely: proper management of the contracts of the outsourced organizations, proper planning when outsourcing, proper management of change at the time of outsourcing implementation, streamlining of organization activities with the overall organization goals, aligning outsourcing decisions with missions, goals and core values of the organization, proper supplier selection and options of the “all of the above” does all factors suit to be critical success factors of the outsourcing?
The above findings denote that through integration of the factors altogether will make outsourcing successful. However, based on the participants’ responses, they have strongly supported that if there is proper management of contracts, change and supplier selection will greatly contribute to the success of the outsourcing. However in the literature review chapter researcher identified some of the outsourcing critical success factors which includes, benchmarking, performance measurement, understanding of the performance measurement of the service provider and development of the detailed contracts, organizations may add on the
above list which has been advocated by the participants that they are indeed critical to the success of outsourcing.

The researcher’s questionnaire that was administered included statements 9-14 whereby the participants were edged to tick against factors presented by a number ranging from one to five, whereas those numbers denote as follows; 1 = Strongly Agree, 2 = Agree, 3 = Neutral, 4 = Disagree and 5 = Strongly Disagree. The researcher used alikert scale to answer the questions.

9: Implementing outsourcing without proper supplier assessment is not cost effective which may lead an organization to incur unnecessary costs.

<table>
<thead>
<tr>
<th>Statement Number</th>
<th>Statement Information</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Implementing outsourcing without proper supplier assessment is not cost effective which may lead an organization to incur unnecessary costs.</td>
<td>57%</td>
<td>24%</td>
<td>9%</td>
<td>7%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Participants: Out of questionnaires | 39 | 16 | 6 | 5 | 2
Table above provide the responses the researcher got from the participants in total of sixty eight (68). The findings indicate that a large group of participants, fifty seven (57%) percent and Twenty four (24%) percent respectively strongly agree and agree that implementing outsourcing without proper supplier assessment is not cost effective which may lead an organization to incur unnecessary costs. While a smaller group of participants that’s seven percent (7%) and three percent (3%) respectively, who did not agree and strongly disagreed with the statement. Therefore it is important that organizations including AOTM and other Tobacco companies must ensure that there is proper assessment of the suppliers before implementation of outsourcing concept.
10: Benefits of outsourcing can be achieved if the processes and methods of outsourcing are clearly followed.

Table 4.6 Clear Outsourcing Processes and Methods

<table>
<thead>
<tr>
<th>Statement Number</th>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Benefits of outsourcing can be achieved if the processes and methods of outsourcing are clearly followed.</td>
<td>62%</td>
<td>22%</td>
<td>4%</td>
<td>4%</td>
<td>7%</td>
</tr>
<tr>
<td>Participants</td>
<td>Out of Questionnaires received.</td>
<td>42</td>
<td>15</td>
<td>3</td>
<td>3</td>
<td>5</td>
</tr>
</tbody>
</table>

Five participants (5) who represented seven percent (7%) strongly disagree and three participants (3%) disagree that were four percent (4%) that outsourcing benefits can be achieved because of organizations followed the outsourcing processes and methods properly. While the sixty two Percent (62%) and twenty two percent (22%) of the participants strongly agreed and agreed that are achieved through that. Four percent (4%) of the participants were neutral whether in support or not.

11: Disadvantages of outsourcing are: loss of control over quality, organizations ends up into lock-in situation, loss of expertise, loss of employment and law suits to organization.
Table 4.7 Disadvantages of outsourcing

<table>
<thead>
<tr>
<th>Statement Number</th>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Disadvantages of outsourcing are: loss of control over quality, organizations ends up into lock in situation, loss of expertise, loss of employment, law suits to organization.</td>
<td>76%</td>
<td>10%</td>
<td>0%</td>
<td>3%</td>
<td>9%</td>
</tr>
<tr>
<td>participants</td>
<td>out of questionnaires received</td>
<td>52</td>
<td>7</td>
<td>0</td>
<td>2</td>
<td>6</td>
</tr>
</tbody>
</table>

The above findings indicate that outsourcing has rated highly on the outlined disadvantages by seventy six percent (76%) and Ten Percent (10%) strongly agreed and agreed respectively, which is so alarming that may be outsourcing can face high resistance from implementation and cause fear among the employees. Its likely organizations may face heavy costs once they are in lock-in situation. While smaller percentage of the participants presented by three percent (3%) disagrees and nine percent (9%) strongly disagrees with the statement provided.

12: Outsourcing may fail due to lack of supplier capability, lack of understanding between parties, resistance to change and poor contract management.
Table 4.8 Impeding Factors of outsourcing

<table>
<thead>
<tr>
<th>Statement Number</th>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>Outsourcing may fail due to lack of supplier capability, lack of understanding between parties, resistance to change and poor contract management</td>
<td>47%</td>
<td>38%</td>
<td>12%</td>
<td>3%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Based on the above findings it forty seven percent (47%) and thirty eight percent (38%) strongly agreed and agreed that the causes of outsourcing failure may be due to lack of suppliers capabilities, understanding between principal organization and the service provider, resistance to change and poor management of contracts. Twelve percent (12%) of the participants were neutral meaning that they were not sure whether these factors may lead to failure of the implementation of the outsourcing and three percent of the participants indicated that they disagree with the factors provided. However, the researcher is in support with the participants who have strongly agreed and agreed on that stated factors, if not properly assessed the mentioned points, outsourcing will prove to be failure. Each and every organizations strategy implementation, it's difficult to achieve the planned goals, when there is
resistance among the organizations internal and external stakeholders, who are directly or indirectly involved in any strategy implementation.

13: A reputable supplier needs to have the following capabilities, Financial, Commercial and Technical Expertise.

### Table 4.9 Service Providers Capabilities

<table>
<thead>
<tr>
<th>Statement Number</th>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>A reputable supplier needs to have the following capabilities, Finance, commercial, and technical expertise.</td>
<td>65%</td>
<td>21%</td>
<td>0%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>Participants</td>
<td>out of questionnaires received</td>
<td>44</td>
<td>14</td>
<td>0</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

The above analysis shows that four percent (4%) of the participants strongly disagree and three percent (3%) disagree to this statement while nil participants were neutral. Twenty one (21%) percent agreed and 65% strongly agreed that a reputable supplier needs to have capabilities in terms of Financial, Technical and Commercial. The researcher supports scholars who has indicated that, when organizations conducts supplier appraisals before or after engaging them, they should to assess them first in order to eliminate the risk of failure of the suppliers when performing their contracts awarded, which can have negative impact on the organization. Service providers are supposed to be financially sound, that will provide surety
that there will be continuity of business while Technical aspects will assist in innovation and quality service delivery and well establish service providers tend to have better contractual conditions which reward flexibility to the principal organization.
14: Contract management can be a success in outsourcing if the all parties follow the terms and conditions of the contract and that are in constant contact.

Table 4.10 Success of the contract Management

<table>
<thead>
<tr>
<th>Statement Number</th>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>14</td>
<td>Contract Management can be a success in outsourcing if the all parties follow the terms and conditions of the contract and that are in constant contact.</td>
<td>50%</td>
<td>31%</td>
<td>16%</td>
<td>3%</td>
<td>0%</td>
</tr>
</tbody>
</table>

| Participants     | out of questionnaires received | 34 | 21 | 11 | 2  | 0  |

On the above scale fifty percent (50%) of the respondents strongly agreed and Thirty one percent (31%) agreed, sixteen percent (6%) were neutral, three percent (3%) disagrees while nil strongly disagreed. Therefore this gives clear indication that it is vital for each and every organization to ensure that they are manage the contracted out activities properly for the success of the strategy.

RQ 15: What are the implications of outsourcing since it was implemented at your company?

This questions articulated both positive and negative implications which has been explained in summary form. Negative implications include: many employees lost their jobs; compromised
quality services provided, late completion of assigned projects, Client Company properties got stolen, loss of expertise, law suits to the organization when there is breach of contracts while the positive implications were; concentration on the core activities, continuity of business to both parties, quality improvements due to expertise of the service provider, improved cycle times since suppliers strived to meet the deadlines. When analyzed both positive and negative implications the major ones that were frequently indicated by the participants were: Concentration on core activities, improved quality and improved cycle times while the negative ones were: loss of job among the employee, late completion of the projects and compromised quality.

Table 4.11: Positive and Negative Implication frequently outlined.

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>FREQUENCY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concentration on core business</td>
<td>26</td>
</tr>
<tr>
<td>Improved quality</td>
<td>10</td>
</tr>
<tr>
<td>Loss of jobs</td>
<td>32</td>
</tr>
<tr>
<td>Late completion of the projects</td>
<td>12</td>
</tr>
<tr>
<td>Compromised quality</td>
<td>16</td>
</tr>
<tr>
<td>Reduced cycle times</td>
<td>9</td>
</tr>
</tbody>
</table>
NOTE: Frequency mean numbers of times the factor mentioned.

Based on the findings it has shown that none of the participants mentioned issue of cost reduction or cost savings are achieved through outsourcing regardless that there was improved quality services or products being attained, managed to concentrate on their core activities hence costs problem was the major area that the organizations are facing on the outsourced activities. Therefore based on the responses above many enabled the organizations to concentrate on their core activities, achievement of improved quality and shorter cycle times in terms of delivery performance. However it has also shown that outsourcing led to job loss among the principal organization employees.

RQ16: Based on your experience of outsourcing, state some critical reasons why you’re organization outsource?

Figure 4.5 Critical Reasons Why Organizations Outsource.

<table>
<thead>
<tr>
<th>FREQUENCY</th>
</tr>
</thead>
<tbody>
<tr>
<td>To concentration on core business</td>
</tr>
<tr>
<td>Cost Reduction</td>
</tr>
<tr>
<td>Freeing of Resources</td>
</tr>
</tbody>
</table>

The findings above has indicated that organizations mainly outsourced their activities in order to have cost savings through cost reduction, lack of expertise has higher frequency thirty two
(32), twenty two (22) and eighteen (18) compared to lack of internal capacity, freeing resources and reduced cycle times whereby their frequencies percentages were not very significance but still need to be in consideration. However these can be some of the critical reasons organizations outsource. Therefore organizations must ensure that necessary measures are put in place so that outsourcing addresses their internal problems.

**RQ18: Discuss why do you think contract management is important in outsourcing?**

The research participants brought different views on the importance of the contract management in outsourcing. The main ones that have been picked by the researcher were: remain focus on the company’s objectives, minimize chances of risks, and lead to meet quality, enforcement of the contract obligations between parties, enhances corporate alliances with the contractors, strengthens relationship between the client and the contractor, finding ways of improving the services and reducing costs.
Table 4.12. The Importance of Contract Management

<table>
<thead>
<tr>
<th>IMPORTANCE OF CONTRACT MANAGEMENT</th>
<th>FREQUENCY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remain focus on the company’s objectives</td>
<td>32</td>
</tr>
<tr>
<td>Lead to meet quality</td>
<td>18</td>
</tr>
<tr>
<td>Minimize chances of risks</td>
<td>4</td>
</tr>
<tr>
<td>Enforcement of the contract obligations between parties</td>
<td>26</td>
</tr>
<tr>
<td>Enhances corporate alliances with the contractors</td>
<td>5</td>
</tr>
<tr>
<td>Strengthens relationship between the client</td>
<td>9</td>
</tr>
</tbody>
</table>

Each factor above clearly illustrates how importance contract management is required in outsourcing. Therefore the researcher supports that the organizations will realize its goals of implementation of the outsourcing when managing the contracts properly.

RQ19: In your experience of outsourcing, what other factors that contribute to effectiveness of outsourcing?

Participants provided different views on this question, they indicated various factors that contribute to the effectiveness of outsourcing that lead organizations to maximize outsourcing strategy. The factors that were generated by the participants include the following: good communication between parties, regular review of the SLA’s, incorporation of the business and
penalties to contracts, competence of the service providers and selection of the service provider on merit. There is a need of independence of the service providers not meddling with their officers. The effective transition, strive for improvement, strengthen coordination and good contract management.

There is a need to integrate the information systems within the organization to enhance communication flow and sharing for evaluation, monitoring and decision making as well. However for all the above factors to be realized requires management support and specific, measurable, attainable and time related bound key performance indicators for both parties in order to make outsourcing to be more effectiveness.
Table 4.12 Contributing Factors to effectiveness of Outsourcing

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>NUMBER OF PARTICIPANTS RESPONDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular review of the SLA's</td>
<td>15</td>
</tr>
<tr>
<td>Incorporation of the business and penalties to contracts</td>
<td>9</td>
</tr>
<tr>
<td>Competence of the service providers</td>
<td>8</td>
</tr>
<tr>
<td>Selection of the service provider on merit</td>
<td>14</td>
</tr>
<tr>
<td>Communication between parties</td>
<td>6</td>
</tr>
<tr>
<td>Good contract management</td>
<td>16</td>
</tr>
</tbody>
</table>

The above table gives an indication that according to the participants, the most critical and paramount contributing factors to the effectiveness of the outsourcing lies on regular review of the SLA's, proper selection of the service providers without biasness and enhanced contract management.

**RQ 20: Based on your experience can you identify circumstances in which outsourcing unsuccessful?**
Based on the all questionnaires received there were only three responses that have indicated that there are scenarios that they have experience in which outsourcing failed or was unsuccessful.

(i) Where the organization used the wrong selection criteria or channel.
(ii) Where there was poor management of the contracts with the outsourced company
(iii) When at AOTM outsourced welding activity on site. The outsourced staffs were paid receiving a lot of money than the permanent workers. These led to poor staff morale and made the permanent workers to go on strike.

Therefore out of the sixty eight (68) participants who researcher received the questionnaires and thirty five (35) people interviewed participants, only three (3) responded to these questions which represent percent (3%). Therefore there are few circumstances in which outsource failed in the participants companies.

RQ21: What are the challenges of outsourcing according to your experience?

The research participants mentioned many challenges which included the following: management of contracts, identification of what services can be successfully be outsourced, selection of the outsourced companies, ability to provide the required quality, loss of control over quality, reduced flexibility, security risks, few choices due to lock- in situation due to over dependence on the service provider. Some of the participants listed issues of lack of capacity in terms of financial, lack of ownership of the service providers on the principal properties, poor delivery performance of the service providers and lack of control over costs.

However there are many challenges, the researcher strongly agrees with findings that its real challenging when the organizations are in the lock-in situation since the organization over
depend on the service provider which in turn leads to the suppliers become complacent hence compromise on quality; exploit the client organization in terms of costs charged. The principal organization can able successfully initiated contract with the external service provider but when the client organization employees lacks necessary skill of contract management imposes a challenge to accomplished the goals of outsourcing. If an organization made a wrong decision on what activities to be outsourced, it may expose the organization to lose its competitive advantage there it’s really a challenge to proper selection of the outsourced activities. Security risks apply to both parties, outsourcing being one of the organization strategic choices which works well with collaborative relationships, whereby organizations sharing benefits, risks and free flow of information between them. In the course of their relationship conflicts are inevitable thereby contract can be terminated. Therefore these organizations can turn to be competitors to each other since they have information patterning each other’s business. Below figure 4.6 indicates the frequency of participant’s responses on each factor which provide the significance each factor have to the organizations in terms of challenges that organization face when implementing outsourcing.
4.3 Main Findings

The research questions mainly formulated in order to establish what sort of impact the outsourcing has brought to the Malawi Tobacco Companies and in particular AOTM.

This research study has established that all the organizations in the Malawi Tobacco industry practice outsourcing and mainly outsourced the activities that are perceived to be non-core to their organizations and that they lacks core competences in those activities hence leave them to external expert service providers to perform on their behalf. The researcher had critically looked at how outsourcing was implemented at AOTM and whether it had brought improvements in value for money through quality and cost savings. The researcher has explored the benefits of outsourcing, the reasons for success or failure of outsourcing, supplier capability, outsourcing processes and how contracts were being managed.
The findings have shown that in the Malawi tobacco industry almost all organizations are benefiting from implementation of outsourcing concept. The responses for question number eight(8) above has shown forty-five percent (45%) that outsourcing allows organizations to concentrate on their core activities which concurs with literature of Gottschalk, P and Solli-Sæther, H. (2005) who stated that organization outsource with an aim of concentrating on their core competencies. Organizations also managed to have better management of the resources in terms of planning, organizing and controlling them, reduced cycle times in terms of delivery lead times, time to markets and fast to adapt to changes in their market environment.

Based on the findings, there are some critical success factors for outsourcing which includes; proper management of the contracts, which concurs with Wiengarten, F et al (2013) that a sound contract management terms made both parties avoiding the legal risk which tend to be one of the outsourcing critical success factors. The streamlining of organization activities with the organization goals, alignment of outsourcing with the organization mission, goals and core values are other factors. However, Morgan cited Dornier et al (1998) developed the outsourcing matrix which can also be helpful in streamlining and alignment of the organization activities with their mission and goals.

Outsourcing require proper supplier assessment and this is based on the findings as per statement question number nine (9) whereby fifty seven percent (57%) and twenty four percent (24%) both strongly agreed and agreed respectively that if not properly assessed it lead organizations to incur unnecessary costs. It has also been revealed that organizations can reap the benefits of outsourcing when the processes and methods of outsourcing are properly followed.
However, while outsourcing brought benefits to the organizations, there are also disadvantages that arises due to implementation of the outsourcing. The main ones identified in the findings include; loss of jobs, expertise, cost escalation due to lock-in situations whereby it becomes difficult to switch to other suppliers. Farrington, B. and Lysons, K. (2012) and Burt et al (2003) also mentioned loss of control over quality and costs, loss of competitive advantage and the outsourced organizations may turn to be competitors in future.

It has been observed that AOTM used all types of outsourcing which were categorized by Lacity and Hirscheim such as Body Shop, Project Management Outsourcing and Total Outsourcing. Refer to the appendix 7.8 for contracts of catering which falls under Total Outsourcing.

Table below 4.3.2 summaries some of the AOTM activities according to the type of outsourcing methods.
Table: 4.3.2 Types of outsourcing Adopted.

<table>
<thead>
<tr>
<th>TYPE OF OUTSOURCING</th>
<th>AOTM ACTIVITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Body Shop</td>
<td>Plant Maintenance and Engineering processes</td>
</tr>
<tr>
<td>Project Management Outsourcing</td>
<td>Part of Shipping Services DHL and Procurement Consultancy for MRP Installation.</td>
</tr>
<tr>
<td>Total Outsourcing</td>
<td>Catering and Security</td>
</tr>
</tbody>
</table>

It has been observed that at AOTM there are some individuals mainly heads of sections who dictate or single handled the procurement processes without involving the procurement committee or procurement section. It was discovered that there was no proper assessment of the suppliers’ capabilities which in turn caused AOTM service providers to compromise on the quality and at the same time became complacent. This is mainly due to the parties forming an incomplete or not detailed contract which in turn brings a lot of problems to the organizations.

Refer to appendix 7.3.3, communication made on the construction service provider for the quantity survey consultant Elite World engaged for construction of the dams whereby the procurement was not directly involved in the specifications development, no tendering process done, regardless that the contract was of substantial value which was contrary to the procurement policy also fostering competition among the suppliers but these individuals do not adhere to the policy. This could be some of the reasons as to why AOTM faces a lot of
problems including cost escalation, poor delivery services and compromising of quality standards by the service providers. Participants indicated that proper assessment of suppliers lead an organization to avoid unnecessary costs refer to the responses of RQ9. This was also contrary to the AOM procurement policy section 3.3 vendor selection which stipulates that "The Purchasing department is responsible for, and must not delegate to others, the vendor selection process".

The AOTM Procurement policy was not well articulated need to be revised in terms of selection criteria which is not clear or SMART and the major factor that have high weighting rate is the lowest bid not the most advantageous bid or competitive that meet quality, technical and previous performance refer to Bid Analysis Sheet (PTP-F001) included in AOTM procurement policy. This is another area that AOTM may fail to attain necessary competitive bids and ends up in incurring unnecessary costs when implementing outsourcing.

The research findings have shown that there are adversarial relationships between the AOTM and some of its service providers. For example, refer to appendix 7.8 the catering contract between Alpine and AOTM section 12 Miscellaneous Section point c "No Partnership" where they clearly state that there shall no part of partnership between both parties.

Suppliers are taken off from the vendor list without formal communication or consulted. They were never given any chance in order to improve in the areas where they are not performing well. Sometimes it’s costly to manage a very large supplier’s base or time taken for new supplier to build competences on the principal organization requirements. However, the new contractor or the supplier will need or take a substantial period to get accustomed with the client requirements rather than developing the already existing vendor who you have been dealing with before through supplier development initiatives.
Most of the contracts awarded to various service providers had no SLA’s, which are supposed to be formulated prior to the contract as a performance measurement criteria. Therefore it’s difficult to detect whether the contracts are being implemented within the agreed terms and conditions in such situations.

4.4 Chapter Summary

The researcher has mainly covered the findings based on the data collected through questionnaires administered to participants, interviews conducted and observations of internal AOTM procurement policy, reports, communication and how AOTM hired its service providers. Appendix justified some of the facts of the issues highlighted in the main findings for this chapter.

5.0 CHAPTER FIVE- CONCLUSSIONS AND RECOMMENDATIONS

This chapter provides the reader with the summary of the research findings on the studies done and recommendations made that will help to resolve the problems identified and for the future considerations by the organizations when they need to outsource their non-core activities.

5.1 Introduction

Alliance One International, Inc. is a leading independent leaf tobacco merchant serving the world’s largest cigarette manufacturers. Its primary business revolves around the selection, purchase, processing, storage, packing, shipping and sale of leaf tobacco in North and South America, Europe, Africa, and Asia. It primarily offers flue-cured, burley, and oriental tobaccos that are used internationally in branded cigarettes. AOTM is one of the SBU’s of the Alliance One International, Inc. (www.aointl.com).
Poor delivery performance and cost escalation of the service providers brought changes and new measures on the AOTM outsourced activities. These changes took place in order to improve AOTM efficiency and effectiveness while reduction on cost and improvement on the profit margins for the organization as whole.

However, financial year 2014-2015, many changes which had taken place such as termination of contracts, hiring of new service providers and deployment of various consultancies in various departments which includes Procurement and Stores, Shipping and Green Leaf Sales. On 11\textsuperscript{th} March, 2015 corporate office for AOTM announce the first phase of the restructuring program in order to achieve efficiency and cost improvements and said is a continuous program. (AOTM news release) Table: 5.1 below represent activities AOTM outsourced with their current and previous service providers.
<table>
<thead>
<tr>
<th>ITEM</th>
<th>AOTM OUTSOURCED ACTIVITY</th>
<th>CURRENT SERVICE PROVIDERS (2014-DATE)</th>
<th>PREVIOUS SERVICE PROVIDERS (2010-2014)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BUILDING MAINTENANCES</td>
<td>FNC, THABOLAND,NN &amp; R CONTRACTORS AND SANDSTONE</td>
<td>MIPONDO, SHEVA ENGINEERING AND GRIMO CONTRACTORS</td>
</tr>
<tr>
<td>2</td>
<td>MOTOR VEHICLE MAINTENANCE</td>
<td>NM MAINTENANCE</td>
<td>AOTM</td>
</tr>
<tr>
<td>3</td>
<td>CATERING SERVICES</td>
<td>ALPINE CATERING</td>
<td>LIKUNI CATERERS</td>
</tr>
<tr>
<td>4</td>
<td>OUTBOUND LOGISTICS (GREEN LEAF TRANSPORTATION)</td>
<td>UTI MALAWI (PTY) LTD</td>
<td>GPY INVESTMENT</td>
</tr>
<tr>
<td>5</td>
<td>SECURITY</td>
<td>PRO-TELLIGENT</td>
<td>OMEGA SECURITY SOLUTIONS(PVT) LIMITED</td>
</tr>
<tr>
<td>6</td>
<td>QUANTITY SURVEY</td>
<td>HYDROGEN /ELITE WORLD</td>
<td>HYDROGEN CONSULTANCY</td>
</tr>
</tbody>
</table>
Source: AOTM internal records.

NOTE: The above service providers do not reflect the whole list of service providers but only the major ones.

Therefore, the researcher identified outsourcing as potential area to be investigated since all the mentioned activities are the ones that AOTM outsourced to the external service providers and yet they were conducted in-house before by AOTM management.

5.2 Conclusions

The main aim of this project study was to analyze outsourcing practice and to establish what sort of impact it had brought to AOTM operations as whole and to make recommendations on the areas that are supposed to be improved in order for the organization to continue achieving the benefits of outsourcing while attainment of the competitive advantage.

AOTM had greater expectations that through outsourcing, it will managed to achieve many benefits such as concentrating better on its core activities and make cost savings but ended up facing escalation of costs, poor quality service deliveries and complacent of the service providers. The effectiveness and efficiency lacked far behind the expectations AOTM had before. This again caused some problems to the AOTM and led to incur unnecessary costs.

The researcher observed that AOTM contracts were not being properly managed which have caused direct impact on costs, quality and delivery. The service providers does not performed to the satisfactory levels whereby failed to meet the expectations of AOTM and this is not in tandem with the mission and goals of the organization. This was due to lack of performance measurement of the service providers and contracts were awarded without formal Service Level Agreement (SLA’s) which made the suppliers to become complacent, which in turn
affects the principal organization while AOTM finds it difficult to measure whether the service providers performed according to the contractual requirements due to lack of SLA’s.

The researcher after carrying out of this research project which mainly aims at finding solutions to the research problem which was under investigation as to why there were cost escalation and poor delivery performance in the outsourced activities at AOTM.

The researcher identified the topic of impact of outsourcing in the Malawi Tobacco Industry and based on a case study strategy in order to investigate the problem in depth. Hypothesis developed based on the research questions which were formulated and used in order to meet the objectives of the research undertaken. The questions formulated were as follows: What are the challenges faced when implementing the outsourcing, the factors that have led AOTM to adopt outsourcing, the benefits of outsourcing, the critical success factors of outsourcing, procurement methods used, and What type of outsourcing methods used on each outsourced? Through these research questions the researcher had managed to address the research problem. For example procurement methods used to identify the service provider determines on how organization can make savings and obtain best quality services whereby other procurement methods promote competition among the service providers such as open tendering though time consuming compared to restricted tendering. Restricted tendering is where company deals with few pre-qualified suppliers only but again there is chance of missing out other developed and innovative service providers.

This study has revealed some of the factors that have led the AOTM and other tobacco companies to outsource non-core activities to the external service providers. These factors include; concentration on core activities and to make cost savings and as for AOTM corporate
office the aim was aim of concentrating on their primary activities while improving on overall effectiveness and efficiency when delivering services to their ultimate customers.

5.3 Recommendations

Below are some of the recommendations that the researcher suggested that if they can be implemented by AOTM and any other organizations in all sectors will help them to avoid unnecessary costs when implementing outsourcing and make them to achieve their set of goals and develop competitive advantage.

5.3.1 Research Findings

Based on the research findings AOTM and other organizations must ensure that they put in consideration on all the critical success factors of outsourcing, right outsourcing and procurement methods must be followed to ensure that the most competitive bid selected, proper management of contracts in order to remain focused on the company's objectives and goals through development of clear key performance measurements and SLA’s formulated prior to contract award. Also need to conduct continuous supplier performance appraisals which can lead the organizations to maintain improved relationships and to deliver within the agreed contractual terms and conditions.

However, to overcome the problems that occur during the implementation of outsourcing within the organizations, there is need to manage the change properly during outsourcing through involvement of internal and external stakeholders.

5.3.2 Supplier Selection Criteria

AOTM and other tobacco companies must ensure that when implementing outsourcing, the right supplier selection criteria must be followed when contracting the external service provider.
This will assist the organisations to overcome problems such as incurring of the unnecessary costs and discontinuity of business activities due to failure of the supplier delivery performance.

AOTM can use Momme and Hvolby (2002) outsourcing framework which consist of the following competence analysis, assessment and approve, contract negotiation, managing relationship and contract termination as the guide in order to select the right external service provider. Below are the critical areas that AOTM may ensure to strictly assess their external service providers before engaging them:

5.3.2.1 Competence Analysis

All the organizations including AOTM must make thorough assessment of the competences of the service providers in terms of quality, deliveries and their areas of expertise before arrival on the final decision and would assist to make tangible decisions after the competency analysis.

5.3.2.2 Assessment and Approve

Once the organisations identified the potential suppliers with the rightful competences there will be a need for further assessment of the suppliers in order to develop their capabilities in terms of financial, technical, commercial and environmental so that they get assured that once engaged the supplier there will be surety that the supplier will be able to deliver to the expected standards.

AOTM must ensure that all the necessary approvals have been done mainly through the internal procurement committee (IPC) before engaging the service provider. IPC comprised of different heads of sections and directors which are a team that comprised of different backgrounds rather than individuals being assessing suppliers without involvement of IPC refer
to appendix 7.3 and thereafter pushing for the vendor creation. This made the organization lead to lose focus on other critical areas such as commercial and financial capabilities.

Individuals at AOTM cannot manage to assess all the possible areas of the supplier’s capabilities hence made the whole process not to be transparent and accountable on the final decision made. It’s likely that there are conflicts of interest in the individuals involved in the selection of the vendors. Therefore assessment and approval of the suppliers will assist to overcome resistance and gain management support when implementing outsourcing.

5.3.2.3 Contract Negotiation

This is very critical stage to AOTM and other organizations need to ensure that collaborative negotiations are instituted so that both parties have mutual benefits. The parties will be able to share their concerns such as those of cost escalations and poor delivery performance rather than being adversarial as it led to win-lose which resulted in such problems as AOTM is currently facing yet this can only be overcome through creation of win-win type of negotiations. AOTM will be able to trade all necessary variables and concessions before the contractual agreement reached between parties. However the success of the contract negotiation will need AOTM to have thorough preparations such as building the negotiation team that will be able to deliver not assigning individuals to conduct negotiations on behalf of company.

5.3.2.4 Managing Relationship

It’s very important for all the organizations to ensure that they embrace collaborative relationships whereby there will be mutual sharing of benefits. Both organizations will be striving for total quality management hence eliminating all the unnecessary costs in their supply chains hence improved quality and cost reductions.
5.3.3. The Balanced Score Card

AOTM will be able to analyze, control, monitoring and evaluating the performance of the service provider with balance scorecard in all areas that contribute to the organization performance as whole. The areas to be critically monitored and evaluated for outsourcing AOTM are financial, customers, learning and growth.

Through the use of balanced score card AOTM will manage to solve some of the problems which they are currently facing, since the organization will be able to reflect not only the past spending incurred and the benefits earned which do not measure the creation or destruction of the future economic value. Therefore this will assist the AOTM to focus on the factors that will create long-term value for AOTM. For example through the application of Balanced Scorecard will manage AOTM will manage to focus on its customers when satisfying their customer needs through implementing outsourcing. AOTM outsourced some of the Business processes in order to focus on each and every business activities that will deliver value proportion to its targeted customers through innovative services and high quality which in turn will lead to improvements in the service delivery. Again streamlining of all the organization processes will lead AOTM to overcome all the unnecessary costs. Through the Balanced Scorecard AOTM will learn from the service providers in terms of skills development and staff will be motivated when they learn from the expert service providers. AOTM will be able to align outsourcing with organization goals in future and performs activities better in-house.

5.3.2 TYPE OF CONTRACTS TO BE USED

In order to solve problem of cost escalation experienced at AOTM it must consider the following types contracts:
5.3.3 Fixed Price Contracts

AOTM and other tobacco companies must ensure that when formulating contracts with the external service providers, they use the fixed price contracts whereby service providers will be forced to perform their obligations in the contract. The service providers will not have the opportunity to change the costs charged in the contract when there are changes in values due to economic factors such as inflations and exchange rates. These always have impact on the cost of products and services.

5.3.3.1 Incentive Contracts

However, fixed pricing contracts may be considered as adversarial in nature. The alternative contracts would be to adopt Incentive contracts whereby the costs will be shared between the principal and the service provider. To enforce this kind of contracts requires being inclusion of clauses in the contracts that have been agreed between the parties prior to contract formation.

AOTM must ensure that they set the fixed incentive contracts and cost plus incentive fee arrangements. This will allow both parties to reach an agreement that a ceiling price will be set during the contract negotiation prior to contract award. When such contract materialized the service provider will be reimbursed for the allowable costs incurred based on the agreed fixed costs.

Therefore both Fixed and Incentive contracts will assist AOTM to improve on its overall efficiency and effectiveness while improvements on its profit margin.

5.3.3 Cost Analysis

There must be a clause in each and every contract that AOTM award to its contractors that must provide cost breakdown of bill of quantities so that the principal organization will be able
to analyse the costs before actual execution of the contract. Burt, N et al (2003) state that the main purpose of the cost analysis is to arrive at a price that is fair and reasonable to both client and the service provider.

However, there is need to have legitimate ways of analysing the costs in the organization set up since in most cases it requires to compare the costs charged or quoted. Therefore to achieve this AOTM must request the costs breakdown with each quotation made that’s prior to contract negotiation and assist AOTM to have better understanding on how the service provider arrived on their total charges on a contract.

AOTM must ensure that they have developed the cost models that may help the organizations in tracking down the costs and anticipating on how the service providers may charge. They can be sharing information within the tobacco industry, on how forecasting, developing the schedules and integrates them into their process and activities.

AOTM will be in apposition to know the direct costs which are easily traceable when embarked on the cost analysis and those which forms basis of the service provider’s overhead costs. Therefore cost analysis will help to resolve the problem that AOTM is currently facing

5.4 Further Future Research Areas

The aim of this research was to look at the impact of outsourcing in the Malawi Tobacco Industry and in particular Alliance One Tobacco Malawi Company. There is a need for researchers to further study outsourcing in the Tobacco Industry in Malawi to find out whether outsourcing in the organizations continue achieving the benefits it intended.

Currently AOTM core activities are still under assessment, if they can be outsourced and requires further research in order to find out on how the processes were being implemented
and whether through outsourcing those core activities truly contributes to the competitive advantage for Alliance One International Inc. as whole.
6.0 REFERENCES


29. http://cmap.ihmc.us/publications/researchpapers/theorycmaps/Fig1CmapAboutCmaps-large.png [ accessed on 02.02.2015]


61. Sue-Ellen Kjeldal. (2002). Back to basics: The sequencing of inductive and deductive research methodologies in fresh fruit and vegetable research. Forum : Qualitative Social


7.0 APPENDIX

7.1 Tender Details for Green Tobacco Transportation

Alliance One Tobacco (Malawi) Limited Tel: 265 1 710600 / 713411 Po Box 30522 Tel: 265 1 710044 / 710255 Lilongwe 3 Fax: 265 1 710312 / 712265 Capital City Fax: 265 1 710425 / 710231 MALAWI www.aointl.com A subsidiary company of ALLIANCE ONE INTERNATIONAL

Directors: P Alves E Chinyamunyamu A Mvula S Peverelle H Saunders

GREEN TOBACCO TRANSPORTATION

Alliance One Tobacco Malawi Ltd (AOTM) would like to receive expressions of interest from companies that are able to provide green tobacco transport services.

Scope of Requirement:

AOTM wishes to award contracts for green transportation services from:

- Limbe to Lilongwe
- Chinkhoma to Lilongwe
- Mzuzu to Lilongwe
- Short hauling from Area 28 to Kanengo factory.
Companies can quote on all routes or can alternatively quote on individual routes as listed above. Quotes per kilogram must be submitted in Malawi kwacha and shall be inclusive of surtax.

Any further requests for information must be put in writing to the Chairperson of the Procurement Committee on or before the final date of submission.

Quotes must be placed in sealed envelopes and must be submitted to:

The Chairperson

The Procurement Committee

Alliance One Tobacco Malawi Limited

P.O Box 30522

Kanengo

Lilongwe 4

Contracts will be valid for the period of ……………………………………………………… through………………………………

Final submission date is ………………………………………………………………………… before ……………………………

No submission received by fax will be entertained. Alliance One Tobacco is not bound to accept the lowest or any quote. Alliance One Tobacco makes no undertaking to respond to all or any of the submissions.
If you may need an Evaluation criteria based on Financial and other Technical aspects, you may follow this:

Evaluation Process

The selection criteria will be based on a combination of financial and non-financial factors including:-

1. Supplier Acceptability – status of supplier – contact name, address, phone number, e-mail address. Company registration number, date of registration, VAT registration number, TPIN Number.

2. Economic and Financial Standing – the supplier must be in a sound financial position. The following financial information is required. A copy of the most recent audited accounts.

Alliance One Tobacco (Malawi) Limited Tel: 265 1 710600 / 713411 Po Box 30522 Tel: 265 1 710044 / 710255 Lilongwe 3 Fax: 265 1 710312 / 712265 Capital City Fax: 265 1 710425 / 710231 MALAWI www.aointl.com

A subsidiary company of ALLIANCE ONE INTERNATIONAL Directors: P Alves E Chinyamunyamu A Mvula S Peverelle H Saunders

3. Insurance – please provide details in respect of your goods in transit insurance.
4. Supplier Track Record – the supplier must be able to demonstrate a successful track record of providing similar services. Please provide details of three major private sector security contracts you have been awarded with.

5. Supplier capacity and capability – assessment of the totality of resources and competencies available to the supplier in the delivery of this service.

Technical Capability

The supplier is required to provide details of their technical capabilities.

☐ Number of trucks available to service the contract.

☐ Vehicle tracking capabilities – quote with options of including or excluding vehicle tracking. It is preferable to show both cost options in the quotes.

☐ The use of good quality tarpaulins, safety nets and security cables is prerequisite for transporting AOTM tobacco bales. AOTM shall have the right to inspect these items to ensure compliance with prescribed specifications.
7.2 Questionnaire Used

QUESTIONNAIRE

THE IMPACT OF OUTSOURCING IN THE TOBACCO INDUSTRY IN MALAWI

(A CASE OF ALLIANCE ONE MALAWI LIMITED)

This research is being pursued under the program requirement of Master’s Degree in Supply Chain Management.

The information that will be gathered in the process of undertaking this research will be treated in ethical manner, with highest confidentiality and its use will be ONLY for academic purposes.

INSTRUCTIONS

This questionnaire has two sections of questions. Section one has closed questions and answers which you are supposed to tick, the ones that apply which do not require further remarks.

Section two has open ended questions which you are supposed to be answered briefly and clearly.
SECTION ONE QUESTIONS

(i) RESEARCH SAMPLE ORGANIZATIONS WHERE THE PARTICIPANT WORKS.

1. What is the name of the organization you’re working for?

   - □ Alliance One Tobacco Malawi Limited
   - □ JTI
   - □ Premium TAMA
   - □ Limbe Leaf Company
   - □ Agricultural Trading Company
   - □ Supplier/ contractor

2. What is your position in the organization?

   - □ Chief Engineer
   - □ Engineering Planning Manager
   - □ Procurement / Stores Manager/ Officer
   - □ Engineer
   - □ Administrator
   - □ Service Provider
   - □ Supplier
   - □ Other (please indicate position on the space provided below)
3. In terms of work experience, how long you have been working in your position / organization?

- Less One year to two years
- Two to five years
- Five to Ten years
- Ten years and above

4. In terms of organization management levels, indicate where you fit in.

- Strategic level
- Middle Management level
- Administrative level

(ii) IMPACT OF OUTSOURCING STRATEGY

Outsourcing may be defined as; one of management strategies by which major non-core functions are transferred to specialist, efficient, external providers.

5. Does your organization outsource?

- Yes
- Partial
Core activities referred as all activities that organization achieves its core competency and competitive advantage hence difficult to be replicated by its competitors. For example, Alliance One Core activities may include, tobacco leaf growing, purchasing, engineering, production, shipping, staff recruitment, quality control/assurance and Information and Technology while Non-core activities, considered as activities that an organization lacks core competency and if performed in-house the organization will end up incurring unnecessary costs but still they cannot do without them hence assist in achievement of the organization core-competency. Alliance One Tobacco Malawi Limited non-core activities for example include: security, catering, building repairs and maintenances, construction, outbound-transportation, motor vehicle maintenance, pest control and waste disposal

6. What activities does your organization outsource?

- Core activities
- Non-core activities
- All of the above
- None of the above

7. What are does your organization hope to be benefit from outsourcing?

- concentrate on the organization core- business
- make savings and
□ improved quality products/services

□ Reduced cycle time

□ Downsizing of the organization scope

□ Better management planning, organizing and controlling of organization resources.

□ All of the above.

8. Critical success factors refers to elements or variables that are necessary for an organization to achieve its mission, therefore what are the critical success factors for outsourcing in your organization?

□ Proper management of the contracts of the outsourced organizations.

□ Proper planning when outsourcing

□ Proper management of change at the time of outsourcing implementation

□ Streamlining of organization activities with the overall organization goals.

□ Aligning outsourcing decisions with missions, goals and core values of the organization.

□ Proper supplier selection

□ All of the above

Note: The statements in the below table, 9 – 14, the numbers denote as follows;

1 = Strong Agree  2 = Agree
3 = Neutral 4 = Disagree 5 = Strongly Disagree

<table>
<thead>
<tr>
<th>Statement Number</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Implementing outsourcing without proper supplier assessment is not cost effective which may lead an organization to incur unnecessary costs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Benefits of outsourcing can be achieved if the processes and methods of outsourcing are clearly followed.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Disadvantages of outsourcing are, loss of control over quality, organization end up into lock in situation, loss of expertise, loss of employment, law suits to organization.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Outsourcing may fail due to lack of supplier capability, lack of understanding between patties ,resistance to change</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
and poor contract management

13 A reputable supplier needs to have the following capabilities, Finance, commercial, and technical expertise.

14 Contract Management can be a success in outsourcing if the all parties follow the terms and conditions of the contract and that are in constant contact.

SECTION TWO QUESTIONS

15. What are the implications of outsourcing since it was implemented at your company?

a) ..............................................................................................................................

b) ..............................................................................................................................

c) ..............................................................................................................................

d) ..............................................................................................................................

16. Based on your experience of outsourcing, state some critical reasons why you’re organization outsource?

........................................................................................................................................

........................................................................................................................................

110
17. In your experience of outsourcing, what are the merits of outsourcing?
....................................................................................................................
....................................................................................................................
....................................................................................................................

18. Discuss why do you think contract management is important in outsourcing?
....................................................................................................................
....................................................................................................................
....................................................................................................................

19. In your experience of outsourcing, what other factors that lead to the effectiveness of outsourcing?
....................................................................................................................
....................................................................................................................
....................................................................................................................

20. Based on your experience can you identify circumstances in which outsourcing unsuccessful?
....................................................................................................................
....................................................................................................................
....................................................................................................................

21. What are the challenges of outsourcing according to your experience?
Participant Name: …………………………………………………………………………………………….

Signature: ……………………………………………………………………………………………………….

Date received: ………………………………………………………………………………………………….

Date returned: ……………………………………………………………………………………………….

Student Number: 1306009

Mode of submission:

Return completed questionnaire by sending email on bandapaschal@gmail.com pabanda@aointl.com or call on 0881202208/0996790851 or by hand at Alliance One Main Stores.

Post to Alliance One Malawi Limited, P.O. Box 30522, LL3.

I appreciate for your participation in this research project by reserving your time to respond to this questionnaire.
7.3 Complain From End Users

7.3.1 Diet Problem

From: Longwe, Alex
Sent: Thursday, November 27, 2014 3:27 PM
To: Kamzati, Charles
Cc: Mvula, Aubrey
Subject: FRUIT AFTER MEAL

Sir,
I feel uncomfortable having sweet cakes, sweet creams and other baked foods after a main meal and breakfast. It’s better to have real fruits rather than those sweets for the sake of our health wise. Please assist.

ALONGWE 2009 LTD.
P.O. Box 58224.
Lusaka.
Call: 0999999999 / 0999999999
Home: 0999999999
alongwe@e-mail.com
alongwe@e-mail.com

7.3.2. Sanitation Problem

From: Ndovi, Lee
Sent: Tuesday, January 20, 2015 12:11 PM
To: Mvula, Aubrey
Cc: Munthali, Mercy; Kamzati, Charles
Subject: Staff Canteen- health hazard- flies
Importance: High

Sir
I just want to point out our concern on the number of flies in the staff canteen from the point of service to the tables.

Surely they can provide a net to cover the deserts at least.

Thank you
Lee
7.3.3 Request for vendor creations without formal tendering process whether open or restricted tendering

From: Malila, Francoise
Sent: Thursday, February 05, 2015 12:49 PM
To: Banda, Pascal; Bennet, John
Subject: FW: Elite World - Company Profile and Registration

Pascal,

Please forward all documentation sent from ELITE World for vendor approval.

John, re your query - they are proposed as an additional vendor for construction of Customer Dams – currently only using Dept. of Water Under the Ministry of irrigation, water development – but need a competitive supplier.

Rgs
Fran

From: kamphinda nyasulu [mailto:kamphinda@imvu.com]
Sent: Wednesday, February 04, 2015 8:37 PM
To: Malila, Francoise
Subject: FW: Elite World - Company Profile and Registration

On Wednesday, January 7, 2015 9:26 PM, kamphinda nyasulu <kamphinda@imvu.com> wrote:

Sent from Yahoo Mail on Android
From: "James Martin" <convergantinti@gmail.com>
Date: Wed, 29 Oct, 2014 at 8:14 AM
Subject: Elite World - Company Profile and Registration

Dear Francoise

Please find attached reference the subject line

Banda, Pascal <PAbanda@scintel.com>
to me :-)  

Reply

From: Gail John
Sent: Tuesday, March 31, 2015 9:28 PM
To: Banda, Pascal; Kandulu, Tsepong; Kanyimbo, George
Cc: Chippie (nicole@internationalgoafrica.com); Ngwira, Ronald (nicole@internationalgoafrica.com); Chirewa, Margaret (michirewa@scintel.com)
Subject: New Vendor Creation - Transport

Gents

I wish to create a New Vendor for tobacco transport from our Direct Farms to AHIL. New vendor will be Chippie International (Tjipica Trudie). Please can you send him all the relevant Vendor Creation forms for filling in.

We can look at deleting one of our old redundant vendors so as not to increase the size of the vendor list – please send me current list of Agronomy/Transport Vendors.

Regards
John

To recipients: This email is intended for only the identified recipient of the information, and may be a communication privileged by law. Internet communications are not secure and therefore Alliance One International, Inc. does not accept legal responsibility for the contents of this message. If you received this message in error, any reply, retransmission, use, dissemination, distribution, or copying of this email or taking of any action in reliance upon the information by persons or entities other than the intended recipient is strictly prohibited. Please reply to unsubscribe of this item by reply to mailers and please delete the message from your system. in addition, Alliance One International Inc. does not warrant that any attachments are free from viruses or other defects. The reader assumes all liability for any loss, damage or other consequences from opening the attachment. Thank you in advance for your cooperation.
7.3.4 Complaint about cost charges from one of the service providers

From: Ellis, Roland
Sent: Thursday, April 16, 2015 3:56 AM
To: Ndobi, Lee
Cc: Bandu, Pascal
Subject: RE: URGENT <Gato repairs Rot 43/2/35> Paul Alves

Lee,

For me U3L are making over 100% profit on the siren and battery. This is on top of the retail price in South Africa and again we are being ripped off. These prices need to be negotiated and not accepted by stores.

Regards,
Roland
NEWS RELEASE

Alliance One International Announces First Phase of Efficiency and Cost Improvements In Global Restructuring Program

Morrisville, NC – March 11, 2015 – Alliance One International, Inc. (NYSE: AOI) announced today plans for the first phase of the Company’s global restructuring program focused on efficiency and cost improvements. The initial phase is anticipated to be principally completed over the next 18 months and provide between $30 and $35 million in annual recurring cost savings. Actions are planned to be taken by June 30, 2015 anticipated to achieve $20 to $25 million in such cost savings and an additional $4 to $6 million by September 30, 2015, with the remainder implemented by September 30, 2016.

Additionally, the Company expects to incur total expense of $10 to $12 million for this phase of the program, with $7 to $8 million for the quarter ended March 31, 2015, related to asset impairment of $1 to $2 million and severance of $5 to $6 million. The remaining approximately $4 million is mainly related to compensation modification expense to be incurred through March 31, 2018.

The second phase of efficiency and cost improvements will include the restructuring of certain operations not meeting strategic business objectives and performance metrics. Details of the second phase will be announced at a later date.

“As the dynamics of our industry change, we must make efficiency enhancements to ensure Alliance One is positioned to meet our customers’ evolving requirements,” said Pieter Sikkel, President and Chief Executive Officer. “Our global restructuring program is focused on further improving efficiencies in our operations around the world, reducing our cost structure and optimizing our global footprint. We must maximize the core markets where additional investments have been made over the past four years and align our business where growth opportunities exist.

“We will continue to monitor industry trends that are impacting our customers’ volumes as we execute our plans to enhance efficiency, reduce sourcing complexity and provide value-added services. We anticipate that the execution of the first phase of our restructuring program, combined with our focus on continuous improvement, will deliver improved shareholder value.”

About Alliance One International, Inc.: Alliance One International (AOI) is a leading independent leaf merchant which selects, purchases, processes, packs, stores, and ships leaf tobacco to customers in more than 90 countries across the globe. Committed to helping farmers become more sustainable and produce higher yielding and higher quality tobacco, food and cash crops, the company also provides agronomy expertise and financing to suppliers. For more information, visit www.aointl.com.

Forward-Looking Statements

This press release contains forward-looking statements, including the cost savings anticipated to result from the first phase of the global restructuring program. These forward-looking statements
117

7.4 Alliance One Global Restructuring Memo.

Memorandum

Date: March 11, 2015
To: All Alliance One Employees
From: Pieter Sikkel
Subject: Global Restructuring Program Update

Colleagues,

We are well aware of your efforts and commitment to Alliance One as we are all working through our annual budgeting process for the next fiscal year. There are many examples of origins that have identified areas for improvement and are working hard to implement difficult changes that improve costs and enhance efficiency while still providing excellent service.

Several of you found ways to further maximize existing resources while reducing costs. It has been impressive to review the progress that has been made, and I am proud of the work that we have completed so far. In one country that I visited recently, an employee asked me what it would mean if we could save one cent per kilo on our green conversion cost worldwide—it is about $6 million dollars of profitability. The effort to find that one cent, or two or even three, should help make our company more profitable as we move forward.

Our customers are acknowledging our good work. Today we announced Philip Morris International (PMI) has again demonstrated its faith in AOI by shifting its internal burley leaf procurement approach in Brazil. PMI will purchase these processed burley tobaccos from our Brazilian subsidiary for the 2016 crop. PMI has moved from internally sourcing tobacco in the United States, Mexico and now Brazil, and BAT has taken the same action in Uganda. We are encouraged by the start of this trend and the prospects for our full-service business.

However, as I shared in my note a few weeks ago, our financial performance is not where it needs to be. We must respond to the ever-changing economic and market conditions facing our industry.

We are seeking approval from our shareholders for a reverse stock split to address our current share price. This will not immediately increase the value of our Company as the underlying market value is distributed across a reduced number of shares, but it will raise our stock price to the level required to meet New York Stock Exchange requirements. Shareholders will vote on this proposal at a special meeting later this year, and we will keep you informed.

Confidential. For Internal Use Only.
2nd April 2015

TO WHOM IT MAY CONCERN

Dear Sir/Madam:

AN INTRODUCTORY LETTER FOR PASCHAL LETIAS BANDA.

Mr. Paschal Letias Banda is a student on MSc in Supply Chain Management, which is run by MIM in collaboration with the University of Bolton in the United Kingdom. He is now at the dissertation stage and his topic is “Impact of outsourcing in the Tobacco industry in Malawi: A Case of Alliance One Malawi Limited.” Any assistance you can give him while he is collecting data and information through interviews and questionnaire will be greatly appreciated. You could also help by giving him any documents relevant to the study. I assure you that any information given to him will be treated in the strictest confidence.

We thank you in advance for your assistance.

Yours faithfully,

Josephine Ngolleka
for: EXECUTIVE DIRECTOR
REQUEST FOR EXPRESSIONS OF INTEREST

Alliance One Tobacco (Malawi) Limited is one of the major tobacco buying and processing operations in Malawi, and is a subsidiary of Alliance One International, Inc., a leading international tobacco trader.

The company is seeking a reputable firm to outsource the management, administration and provision of its procurement and stores services to specialist service providers who will introduce value for money service.

The purchasing and supply management professionals should have the knowledge skills and experience to manage the outsourcing process of an efficient procurement, stores and supply system in the company.

The firm will be expected to:

- Have at least 10 years of procurement, stores and supply experience in a manufacturing and agricultural industry.
- Demonstrate knowledge and experience of industry compliance standards such as ISO9001.
- Be able to provide innovative proposals on supply chain efficiencies.
- Achieve reduction in costs.
- Be responsible for the procurement, safe custody and supply of all factory inventories and agricultural inputs for the company.
- Demonstrate financial ability to sustain the required operations.

The contract period shall be for 5 years, with the possibility of a renewal upon successful performance.

Expression of interests including 3 traceable referees should be submitted to The Head of the Procurement Committee, P.O. Box 30522 Lilongwe, Malawi by 9th November 2012.
REQUEST FOR EXPRESSIONS OF INTEREST

Alliance One Tobacco (Malawi) Limited is one of the major tobacco buying and processing operations in Malawi and is a subsidiary of Alliance One International, Inc., a leading international tobacco trader.

The company would like to receive expressions of interest from construction companies with the ability to provide services in the following categories:

1 Factory Maintenance
   To undertake mechanical and electrical servicing and maintenance of our main threshing line, butted loose, hand stemming and bundle packing and re-drying processing lines
   • Inspecting and repairing equipment according to company requirements
   • Provide shift support services
   • Attending to routine maintenance requests
   • Provide high level service to and maintain hydraulics.

2 Utilities Maintenance
   To undertake mechanical and electrical servicing and maintain the boilers, effluent plant, incinerator, green receiving station, satellite receiving stations, workshop support and compressors.
   • Inspecting and repairing equipment according to company requirements
   • Maintain boilers as required by statutory regulations and manufacturers recommendations.
   • Provide shift support services
   • Attending to routine maintenance requests.

3 Building Maintenance
   To provide building maintenance services to all company installations as required by the company within its premises and off site premises
   • Painting of various engineering components and equipment as well as buildings
   • Building of various structures
   • Concrete works ranging from minor to major construction works
   • Roof works including water proofing
   • Installations of various industrial and domestic water reticulation lines, sewer and drains
   • Perform various carpentry works in the factory and buildings
   • Carrying out structural repairs as requested.

Requirements
• Registration with NCIC or Government Registrar of Companies
• Registered with MERA for electrical services
• At least three traceable referees
• Demonstrate ability to multitask
• Minimum for the building category is MK 75 million category
• Track record of works in reputable organizations.

Companies interested are required to obtain further information from the Chairperson of the Procurement Committee during working hours between 8:00 hours and 16:30 hours.
7.7 Consent Letter

Paschal Letias Banda
C/o Box 30522
Capital City
Lilongwe,

Email: bandapaschal@gmail.com or pabanda@aointl.com.

Cell: 0881202208/0996790851

The Human Resources
Alliance One Malawi Limited
P.O. Box 30522
Lilongwe, 3

ATTENTION: HR SERVICES CONTROLLER- MANPOWER DEVELOPMENT AND COMPLIANCE.

REQUEST FOR CONSENT TO ADMINISTER RESEARCH QUESTIONNAIRE AND CONDUCTING INTERVIEWS WITH ALLIANCE ONE PERSONELL.

I hereby write to request your office to allow me to perform my research dissertation which is one of the requirements to fulfill the award of the MSc in Supply Chain Management Course. The course is administered by Bolton University in conjunction with Malawi Institute of Management (MIM)
The research topic is “the Impact of Outsourcing in the Tobacco Industry in Malawi - A case of Alliance One Malawi Limited” and other Tobacco companies as research samples where information will be gathered in order to identify the gaps, findings and to provide recommendations after analyzing the data collected in the final report. The information that will be gathered in the process will be only used for academic purposes.

Your consideration will be greatly appreciated.

Regards,

Paschal Letias Banda.

7.8 The Catering Contract Agreement

DATED THE 1ST NOVEMBER, 2014

AGREEMENT

BETWEEN

ALPINE CATERERS LIMITED

AND
This agreement is made on the 1\textsuperscript{st} day of October, 2014 between Alpine Caterers of P O Box……., Lilongwe, of the Republic of Malawi (hereinafter referred to as “Alpine”)

AND

Alliance One Tobacco (Malawi) Limited of Post Office BOX 30522, Lilongwe 3, in the said Republic (hereinafter referred to as “AOTM”) of the other part.

WHEREAS

A. Alpine Caterers has guaranteed to supply AOTM with catering services at its Lilongwe office

NOW IT IS HEREBY AGREED AS FOLLOWS:

1. DEFINITIONS AND INTERPRETATIONS

1.1 Definitions

1.1.1 “Catering services” means the provision, preparation and service of food, beverages, refreshments or other commodities agreed, through kiosks. Dining rooms, restaurants or otherwise

1.1.2 “Order” means document provided by AOTM authorized signatories.

1.1.3 “The premises” means the premises made available by the proprietor at which the catering service to be rendered by Alpine in terms of the provisions of this agreement are to be performed and at which AOTM’S catering relocate, namely at the premises of AOTM situated in the City of Lilongwe.
1.1.4 “Equipment” means all furniture, fixtures, fittings, utensils, table appointments, catering equipment or any other items of equipment which Alpine might reasonably require from time to time in the performance of its duties from invoice date.

1.1.5 “Commencement date” means the date upon which Alpine’s appointment in terms of this agreement commences, namely the 1st November, 2014.

1.2 Duration of Agreement

1.2.1 The duration of this Agreement is 41 months and will be subject to Annual Review.

1.2.2 This agreement commences on the 1st day of November,

2. AOTM’S UNDERTAKINGS

2.1 AOTM shall made available at its own cost to Alpine use of the premises and the equipment as may reasonably be required by Alpine for the rendering of the latter’s obligations in terms of this agreement

2.2 Ensure at its own costs that the premises and equipment at all times comply in every respect with all laws, regulations and municipal bye-laws

2.3 Maintain in a hygienic and satisfactory condition all fixtures and fittings higher than 2 (two) meters from floor level in such areas of the premises as are utilized by Alpine.
2.4 Ensure the supply of all water, electricity, gas, heating and lighting facilities to the premises, and bear the cost of aforesaid water, electricity and gas, heating and lighting.

2.5 At the request of Alpine, service, maintain and repair all equipment which may become necessary to be serviced, maintained or repaired, within 30 (thirty) days after being requested to do so by Alpine. Failing which Alpine shall be entitled to service, repair or replace the item of equipment concerned, and the proprietor shall be liable to reimburse Alpine for the cost of such services, repair or replacement.

2.6 Obtain such consents, licenses and permits as may be required for the rendering of the catering services on the premises. Alpine Caterers shall not be held responsible if such consents, licenses and permits are not obtained.

2.7 Permit Alpine Caterers reasonable access to the premises during the proprietor’s normal working hours and also at such other times agreed to by the parties and as may be necessary to enable Alpine Caterers to render the services provided for the in terms of this agreement.

2.8 Not, without the prior written consent of Alpine Caterers, during the period of this agreement or within 12 (twelve) months of the terminations thereof, employ or offer to employ any person in a supervisory, managerial or senior capacity in connection with the management of catering services, if that person was employed by Alpine Caterers at any time during the period of this agreement or within a period of 3 (three) years prior to the commencement of the agreement.

2.9 To reimburse Alpine at cost value for any cooked or uncooked raw materials which Alpine Caterers has to dispose of as a result of the malfunction or breakdown of AOTM’s equipment, or at full meal price value for the non-consumption of prepared meals by AOTM.
staff as a result of industrial or strike action or any other incident over which the supplier has no control.

3. **ALPINE CATERERS UNDERTAKINGS**

3.1 Ensure the availability of catering services to the standards of cuisine and service reasonably required by the proprietor. To prepare, serve and provide meals at the premises of the type, quantity and quality reasonably required by AOTM, and at the prices recorded in the work rules set in clause 6 and 8.

3.2 Upon being authorized to do so by AOTM, or acting in terms of 2.5 above, service, repair or replace defective, lost or damaged equipment, for the cost of which AOTM shall be liable.

3.3 Given written notice to the proprietor within 30 (thirty) days of the commencement date of any defects or deficiencies in the premises and/or equipment provided.

3.4 Ensure that all staff employed by Alpine Caterers are at all times whilst on the premises, neatly dressed, presentable, hygienic and of clean habits and not suffering from any infectious disease of which Alpine Caterers is aware.

3.5 Upon being required in writing to do so AOTM, discharge or otherwise remove from AOTM’s premises within 24 (twenty four) hours any Alpine Caterers employee working on AOTM’s premises who, in the reasonable opinion of AOTM, is guilty of conduct which is prejudicial to the interests of the AOTM.

3.6 Keep the premises and equipment other than fixtures and fittings higher than 2 (two) meters from floor level in a usable and hygienic condition.
3.7 In the event of Alpine Caterers having given written notice to AOTM as set out in paragraph 3.3 of this agreement and AOTM failing to remedy this defect as at the date of termination of the agreement, Alpine Caterers shall have no liability to AOMT and AOMT shall have no claim against the Alpine Caterers in the event of there being any defect in the equipment provided.

3.8 Permit AOTM at any time to search employees of Alpine at the premises, and to inspect any parcels, bags, vehicles, cases or any other containers or bundles taken into or out of AOTM’s premises by such employees.

3.9 Use the premises and the equipment therein in such a manner as to comply with all laws and regulations so as not to vitiate the terms of any of AOTM’s insurance policies of which Alpine Caterers has been made aware by AOTM.

3.10 Conform to all regulatory requirements as specified by the public health department of the Lilongwe City Assembly

3.11 Declare all chemicals used for cleaning eating utensils, floors, work surfaces and equipment together with user specifications to the proprietor. To also have available on site all MSDS (Material safety Data sheets) for all chemicals used in the facility

3.12 Adhere to all AOTM’s safety and health and environment procedures and exercise every precaution to prevent accidents, workplace injuries and associated occupational illnesses.

3.13 All foods will be consumed within the Canteen area’s no removal of food in any form of packaging will be allowed.

4. WORK RULES

4.1 AOTM shall, after due consultation with Alpine, prepare, and Alpine shall abide by rules governing:
4.1.1 the hours of operation of the catering services
4.1.2 the set times at hour during which meals are to be served
4.1.3 the menu to be made available by Alpine from time to time
4.1.4 the use of the catering services by employees of AOTM
4.1.5 the prices at which food and other items are to be sold and the manner in which payment is to be made by employees for meals and other items purchased
4.1.6 the security and safety requirements of AOTM
4.1.7 the procedure for the approval of all raw or cooked goods by AOTM that meet acceptable minimum standards

4.2 The above rules may be altered by AOTM at any time provided that any such alterations shall be discussed and agreed with Alpine Caterers prior to implementation thereof.

5. LIABILITY FOR LOSS OR DAMAGE

5.1 Alpine shall effect a public liability insurance during the term of this agreement

5.2 Alpine hereby indemnifies AOTM against any liability which the latter may incur as the result of any claim against AOTM by any third party including any employees, or the invitees of AOTM or of Alpine, in respect of personal loss, injury or damage directly arising from acts of omissions of Alpine in performing its obligations hereunder negligently.

5.3 Alpine shall not be liable for:-
5.3.1 Any loss or damage to the premises or other property caused by fire, break in, theft, storm, flood, explosion, riot, disturbance or any cause beyond Alpine’s control.

5.3.2 Any loss or damage caused directly or indirectly by malfunction, breakdown, severance, disconnection, fusing or disruption or any public or private utility service, howsoever caused.

5.3.3 Any claim which may arise from the breach of any of AOTM’s obligations under this agreement, or any defect in the premises or the equipment, or any breach of any statutory obligation of AOTM, including, but not limited to, any consequential damage

6. FINANCIAL SPECIFICATIONS

6.1 Alpine will supply meals according to proposed specifications on a one week menu cycle for the junior and staff/managers’ canteen breakfasts, a two week menu cycle for senior staff/managers canteen lunches at prices agreed in writing by Alpine and AOTM.

6.2 The quoted prices are exclusive of government surtax.

6.3 The quoted price (price list One) is applicable for the balance of Alliance One International, Inc. financial year (5) months price list two (2) will be applicable for the first twelve (12) and must be increased thereafter to the satisfaction of both parties, but this increase not to be less than the then ruling rate of inflation as quoted by the Reserve Bank of Malawi. Should the Malawi Kwacha devalue by more than 10% against the United States Dollar before the end of the contract period, prices are to be renegotiated to the satisfaction of both parties.

6.4 Alpine shall render to the proprietor monthly statements up to the last day of each month based on the participation numbers approved by AOTM’s representative.
6.5 If for any reason whatsoever Alpine does not for any period or periods render any such statement of account, Alpine shall be entitled to render same as soon as possible thereafter. The proprietor shall pay any amount shown to owing to Alpine in such statements within 14 (fourteen) calendar days of the date of such statement.

6.6 Once an agreed amount of electrical and water usage has been determined and agreed upon, this will be monitored by both parties and any value over the agreed quantity will be for Alpines account.

7. NOTICE OF TERMINATION

7.1 Notwithstanding anything provided herein this Agreement AOTM stands the right to terminate the agreement if seen fit by giving Alpine three (3) calendar months' previous notice in writing of such intention so to do such notice to expire on the last day of the third calendar month and thereupon this Agreement shall be determined but without prejudice to the rights and remedies of Alpine against AOTM in respect of any antecedent claim or breach of any stipulation of this agreement.

8. SETTLEMENT OF DISPUTES

8.1 Any Dispute difference or question which may arise at any time hereafter between AOTM and Alpine touching on the true construction of this Agreement or the rights and liabilities of the parties hereto shall unless otherwise herein expressly provided be referred to the decision of a single arbitrator to be agreed upon between the parties or in default of agreement for fourteen days to be appointed at the request of either party by the chairman for the time being of the Malawi Law Society in accordance with and subject to the provisions of the Arbitration Act (Chapter 6:03 of the Laws of Malawi).

9. ASSIGNMENTS
9.1 This Agreement shall be binding upon and ensure to the benefit of each Party and it’s or any subsequent successors-in-title.

10. DOMICILIIUM CITANDI ET EXECUTANDI

10.1 The Parties choose the addresses set out opposite their names below as their domicile citandi et executandi (whether in respect of notices, court processes or any other documents or communications of whatsoever nature) for all purposes of this Agreement:

Alpine Caterers

P O Box

Lilongwe

And

Alliance One Tobacco (Malawi) Ltd

Physical Address:

Plot No. 19/80 and 29/86

Kanengo, Lilongwe 4
10.2 Any notice or communication required or permitted to be given in terms of this Agreement shall be valid and effective only if in writing. It shall be acceptable to give notice by fax provided that proof of such fax transmission is provided to the Party to whom notice is addressed and physical copies of the notice or communication are delivered to the aforesaid address of the Party to whom such notice is addressed within 3 (three) Business Days of such fax transmission.

10.3 Any Party may by written notice to the other Parties change its chosen address to another physical address, provided that the change shall become effective on the 7th (seventh) day after delivery of such notice to the addressee.

10.4 Any notice to a Party contained in a correctly addressed envelope and delivered by hand to a responsible person during ordinary business hours at its chosen address shall be deemed to have been received, unless the contrary is proved, on the first Business Day after delivery.

10.5 Notwithstanding anything to the contrary contained in this Agreement, a written notice or communication actually received by a Party shall be an adequate written notice or communication to it, notwithstanding that it was not sent to or delivered at its chosen address.
11. COSTS AND EXPENSES

11.1 Each Party shall be responsible for its own costs of negotiating, drafting and implementing this Agreement.

12. MISCELLANEOUS

(a) Waivers and Remedies Cumulative

Unless condoned in writing, no failure to exercise, and no delay in exercising on the part of either Party, of any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. No waiver by either Party shall be effective unless it is in writing and duly executed by the Party granting such waiver.

(b) Entire Contract

This Agreement contains all the express provisions agreed on by the Parties with regard to the subject matter of the agreement and the Parties waive the right to rely on any alleged express provision not contained in this Agreement.

(c) No Partnership
Nothing in this Agreement shall be deemed to constitute a partnership, or establish a relationship of principal and agent or any other relationship of a similar nature between any of the Parties or, unless expressly provided, entitle either Party to commit or bind the other Party in any manner.

(d) No Representations

A Party may not rely on any representation or warranty which allegedly induced it to enter into this Agreement, unless the representation or warranty is recorded in this Agreement.

(e) Variation, Cancellation and Waiver

No contract varying, adding to, deleting from or cancelling this Agreement, including this clause, and no waiver of any right under this Agreement this clause, shall be effective unless reduced to writing and signed by or on behalf of the Parties.

(f) Indulgences

The grant of any indulgence by a Party under this Agreement shall not constitute a waiver of any right by the grantor or prevent or adversely affect the exercise by the grantor of any existing or future right of the grantor.

(g) Applicable Law

This Agreement is to be interpreted and implemented in accordance with the law of Malawi.

(h) Jurisdiction
Each of the Parties irrevocably agrees that the High Court of Malawi shall have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with this Agreement and, for such purposes, irrevocably submits to the non-exclusive jurisdiction of such court.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly signed by their duly authorized representatives on the day and the year first above written.

SIGNED BY…………………………………………………………………………………………………………………………………………………

For and on behalf of ALPINE CATERERS

In the presence of:-

Witness ………………………………………………………………………………………………………………………………………………………

Address…………………………………………………………………………………………………………………………………………………

Occupation…………………………………………………………………………………………………………………………………………

SIGNED BY…………………………………………………………………………………………………………………………………………………

For and on behalf of ALLIANCE ONE TOBACCO (MALAWI) LTD
In the presence of:

Witness...........................................................................................................

Address...........................................................................................................

Occupation....................................................................................................

22nd September 2014

Alliance One Tobacco Company
Dear Sir / Madam

Alpine Caterers Amended Prices 26th October 2014 – 31st March 2015

As per our correspondence with your Mr. J Bennett, I can confirm the following price reductions in our meals for the abovementioned period.

<table>
<thead>
<tr>
<th>MEAL</th>
<th>PRICE - MK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor Canteen – Breakfast.</td>
<td>105.00</td>
</tr>
<tr>
<td>Labor Canteen – Lunch.</td>
<td>372.00</td>
</tr>
<tr>
<td>Staff Canteen – Breakfast.</td>
<td>420.00</td>
</tr>
<tr>
<td>Staff Canteen – Lunch.</td>
<td>744.00</td>
</tr>
</tbody>
</table>

Yours faithfully

Steven Gooderson

General Manager
For: Alpine Caterers Ltd
7.9 AOTM Procurement Policy

<table>
<thead>
<tr>
<th>Procurement Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>AOTM Policy Statement</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business Purpose:</th>
<th>Policy for Procurement of Non-Tobacco Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Process:</td>
<td>Procure to Pay – Standard</td>
</tr>
<tr>
<td>Policy Owner:</td>
<td>Factory Director</td>
</tr>
<tr>
<td>Governed By:</td>
<td>Procurement Controller</td>
</tr>
<tr>
<td>Control Location:</td>
<td>Stores</td>
</tr>
<tr>
<td>Created Date:</td>
<td>July 19, 2010</td>
</tr>
<tr>
<td>Revised Date:</td>
<td>May 8, 2012</td>
</tr>
<tr>
<td>Revised Date</td>
<td>March 14, 2013</td>
</tr>
<tr>
<td>------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Revised Date</td>
<td>February 24, 2014</td>
</tr>
</tbody>
</table>

Abbreviations:

AOTM: Alliance One Tobacco Malawi Limited

PO: Purchase Order

PR: Purchase Requisition

IT: Information Technology

IS: Information Systems

UOM: Unit of Measure

SAP: System Application Products

RFQ: Request for Quotations
1 Purpose

This policy statement establishes guidelines for the implementation and maintenance of a centralized Purchasing function for purchases other than tobacco.

2 Objectives

The Purchasing department holds full authority for negotiating, placing and following up on non tobacco purchases. The Purchasing department is responsible for fulfilling the Company’s material, equipment and service needs.

The Purchasing function should be carried out in the most efficient, cost effective and ethical manner possible. It shall further be the objective of the Purchasing department to provide management with relevant purchasing information and to conduct all of its activities in such a manner as to maximize Company profits.

The Purchasing Department holds full authority for negotiating, placing and following up on all purchases.

It is the further purpose of the department:

2.1 To obtain best quality of goods and services at the most optimal price. Goods must meet or exceed purchase specifications.

2.2 To consolidate material requirements, where possible, to obtain most favorable results in quality, price, delivery, supplier services, and technology.

2.3 To actively pursue the most favorable terms and cash discounts.
2.4 Select suppliers with proven capabilities and integrity, and insure that these suppliers perform as agreed.

2.5 Due to the technical nature of items needed by the IS/IT departments, they will order and comply with the standards of control contained within the AOTM Policy.

3 Policy Guidelines

3.1 Competitive Bidding/Quotation

For purchases of $1,000 and over, a minimum of two quotations must be obtained and submitted with a Bid Sheet (PTP-F001) before a PO Number is assigned, unless the Procurement Controller, in consultation with Finance Manager, waives this requirement upon demonstration by the requester that multiple quotations are not practical. Bids will be kept on file for the current year as well as the previous three years.

Where competitive bids are obtained, they will be capable of direct comparison. Bids will be attached to the purchase order within SAP

3.1.1 If there is a current contract with a vendor, no quote is required for items $1 to $1,000. Anything over $2,000 will require a minimum of two quotes

3.1.2 Typically quotes are only valid for 30 days. After they expire new or updated quotes must be obtained.

3.2 Bid Evaluation for Procurement Committee Process

For purchases of over $50,000, Procurement Committee procedures and the decision need to be followed. Whereas:
3.2.1 Advertisement required

Dependant upon the nature of the items being requested, the Procurement officer, with the guidance of the Procurement Controller, whether a request for quotation (RFQ) should either be advertised in selected media for general public application, or be sent to selected suppliers.

Where advertisement is required, the Procurement Officer prepares the RFQ to be advertised and forward to the Procurement Controller for approval. If the Procurement Controller approves of the RFQ it is formalized and sent to respective parties for placement in selected media.

3.2.2 Advertisement not required - shortlist

Where advertisement is not required, the Procurement Officer selects a shortlist of possible candidate suppliers. If the short listed supplier is on the purchasing system, the Procurement Officer generates the RFQ and forwards it to the Procurement Controller for approval. If the Procurement Controller approves of the RFQ it is formalized and sent to the selected suppliers.

If the selected party is not a current supplier within the purchasing system, the Officer initiates the Create New Supplier procedures to enter the supplier within the system. The Procurement Officer can then generate the RFQ for that supplier.

3.2.3 Evaluation of quotation

The Procurement Controller receives and evaluates all quotations received. The Procurement Controller collates all quotations received and performs the detailed bid analysis based on criteria agreed by the Procurement Committee; then presents this to Procurement Committee for review and approval. After approval the Procurement Officer will proceed with other SAP purchasing process to get the order approved.
3.3 Vendor Selection

The Purchasing department is responsible for, and must not delegate to others, the vendor selection process. It is recognized that there are occasions when requisitioning departments will recommend or request specific sources or goods for material. In such instances, Purchasing must verify that this directive is approved by the department manager involved. Upon ascertaining the reasonableness of the proposed source, Purchasing shall handle the procurement in a normal manner. Due to the technical nature of some item(s) or service(s) being requested, the requester may be required to work with the Purchasing department to develop the specifications and to identify qualified vendors.

3.2.1 If a new vendor is required, a “new vendor request form” must be completed by the requesting department and submitted to accounting to be created in SAP.

3.4 Contacts with Vendors’ Sales Representatives

Procurement is responsible for meeting and negotiating with vendor sales’ representatives. Occasionally, it may be both necessary and beneficial for other AOTM employees to have contact with the sales representatives. If, in these instances, it appears likely that some type of contract may materialize, Procurement should be informed immediately and made part of the discussions and negotiations.

The Factory Director is required to sign off on all non-tobacco related contracts. The Procurement Controller will maintain a contract file, containing copies of all contracts and written agreements for non-tobacco related and shall be entered into Microsoft Outlook.

3.5 Supplier Performance
Procurement is responsible for evaluating supplier performance. Procurement will send out evaluation forms (PTP-F002). It is incumbent upon the operating departments to provide timely feedback to the Purchasing department on the quality of the goods and services.

Procurement will monitor the performance of AOTM’s vendors.

Evaluations are to be returned to the Procurement Department for review and file. If the vendor receives a less than “3.0/average,” the Procurement Controller is responsible for investigating the reason and documenting his findings. If the Procurement Controller decides to continue to do business with this vendor, the Factory Director of must approve in writing.

3.6 Fairness and Courtesy

Fairness, honesty and courtesy are necessary to maintain sound, long term supplier relations. Consistent with good business practices, Procurement must maintain AOTM’s reputation for honoring obligations while ensuring that vendors honor their commitments to AOTM.

3.7 Conflicts of Interest

Any conflicts of interest, in appearance or in fact, must be disclosed to the Board of Directors, if appropriate, and approved in writing by the Finance Director and the Managing Director of AOTM.

3.8 Gifts, Gratuities and Loans

AOTTL employees who are in a position to recommend, influence or make purchasing decisions shall not accept from any present or prospective supplier, money, loans, gifts or
favors which might influence or have the appearance of influencing his or her buying decisions. Under no circumstances will cash be accepted. Refer Appendix 4.4

3.9 Confidential Information

Suppliers’ prices, and terms of sale and delivery are proprietary information and must not be revealed to third parties. Specific information about suppliers shall not be provided to unsuccessful bidders/offerees, but broad indications of comparison may be made.

3.10 Documentation

Purchasing shall maintain adequate documentation for all transactions with emphasis on exceptions to the foregoing policies, such as contracting with a supplier who was not the lowest bidder or contracting with the sole supplier of a good or service. Purchasing will maintain vendor files, catalogs, brochures and other reference materials to assist in purchasing activities.

3.11 Requisition

Each user department is responsible for the generation of stores/purchase requisitions that must be approved by the line manager or departmental head as appropriate through SAP workflow.

Requisitions from $1.00 to $100 require approval of the Supervisor. Over $100 to $2,000 require approval of Supervisor and Manager. Over $2,000 to $20,000 require approval of the Supervisor, Manager, and Director. Over $20,000 require approval of the Supervisor, Manager, and two Directors.
The purchase requisition should include the following information: date requested, department where the item(s) will be used, date needed, quantity needed, brief description of item(s) needed, part number (if available), price per UOM, requisitioner’s name, and approval signature(s). As per SAP, the requisition needs to be approved as per chart of Authority.

All new stock items must be approved by the Procurement Controller and Stores Controller before they are placed into stock on items registration form. (on form TROP-F002)

3.12 Purchase Orders

Upon receipt of an approved requisition, Purchasing will procure the item or service requested. Purchase Orders (PO) will be tracked and maintained either manually or through the SAP system. A copy of the PO will be transmitted to vendor either by fax or by email.

Approval Authority Guidelines

3.11.1 On emergency requisitions, the Manager available, or a designee may approve emergency purchases in the absence of authorised managers for approval (refer emergency orders handling procedure – PTP-EO-001). The Senior Managers/Directors and the Stores Department must be informed of these purchases.

3.13 Receiving

All items received into the Factory will be checked for quantity ordered, quantity received, condition of shipment, and accuracy of shipment by the Stores personnel and end user personnel. The packing slip and/or related paperwork will be maintained within the tool room for the current year as well as the previous three years.
3.14 Returns

All returns will be initiated by Stores or specially designated personnel who will fill out a Return Material/Items Authorization Form (RMA) (PTP-RMA Form 003). The RMA forms should have assigned numbers, and include the vendor, item part number, quantity returned, if the item part is to be replaced, and the reason for the return.

Cycle Count Audits

Cycle counts will be performed in accordance with Operating Procedures AO-PS-P4.
3.15 Compliance Policies and Procedures

3.15.1 Local Level Due Diligence- This can be accomplished by conducting internet searches using search engines such as Google to see if there are any news stories indicating allegations of misconduct, and by looking at the company’s website (if they have one) to make sure that they appear to be a legitimate company.

3.15.2 Third Party Services Provider Compliance Agreement: This Agreement must be sent to all third parties that provide a service to the Company, regardless of the amount, level or frequency of the services provided. New third party service providers cannot be engaged until the Agreement has been sent. Once the Agreement is sent, a good faith effort must be made to retrieve a signed copy from the provider. If a provider refuses, you must notify Corporate Compliance.

3.15.3 Global Pre-Engagement Vendor Compliance Review: All high risk vendors (defined by the policy as building consultants, freight forwarders, customs services, immigration services, consultants interacting with the government on the Company’s behalf, and politicians, candidates for political office and political party officials) must be
approved in advance by the Chief Compliance Officer using the Pre-Engagement Vendor Compliance Review Form prior to engaging the provider.
APPENDICES

LIMITS OF AUTHORITY – PREAMBLE

It should be noted that the one-up principle must be applied for all expenditure within the authority limits of the personnel listed below. The one-up principle means that an employee cannot authorize his/her own expenses. These must be signed by his/her own manager / director to whom one reports. In certain cases only Directors have authority to authorize expenditure.

The levels of authority listed below will be rigidly applied. If a person is not within the categories listed below, he has no authority for the relevant expense class.

The above comments relate to amounts that are included in the budget. All non-budget items are to go to the Financial Director or the Managing Director for approval.

LIMITS OF AUTHORITY

<table>
<thead>
<tr>
<th>AUTHORITY LIMITS</th>
<th>LIMITS WITHIN APPROVED BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head of Department</td>
<td>Up to $3,000.00</td>
</tr>
<tr>
<td>All Directors</td>
<td>Up to $10,000.00</td>
</tr>
<tr>
<td>Managing Director</td>
<td>Up to $50,000.00</td>
</tr>
<tr>
<td>-------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Procurement Committee</td>
<td>Between $50,000.00 and $70,000.00 by e-mail</td>
</tr>
<tr>
<td>Procurement Committee</td>
<td>Above $70,000.00 by Meeting and hardcopy sign-off</td>
</tr>
</tbody>
</table>

PROCUREMENT COMMITTEE

Purchases over US $ 50,000.00 will have to be approved by ‘Procurement Committee’. Before the committee can approve the expenditure, the Procurement Controller should source at least three quotations from approved suppliers. Where goods or services have to be sourced outside Malawi, fully costed quotations should be furnished to the committee.

The position of committee shall be:

Chairman - Finance Director (or his designate).

Members:

Factory Director
Human Resources Director

Leaf Production Director

Chief Engineer

Senior Agronomist -Commercial

Finance Manager

Procurement Controller  (Secretary)

- Quorum of Procurement Committee

At least 2 x Directors

2 other members and

The Secretary

The members of the committee shall determine the manner and procedures on how the affairs of the committee shall be conducted i.e. how and when the committee shall meet.
GENERAL NOTES

Cheques - Will only be signed if accompanied by properly authorized payment voucher/purchase requisition/Quotations /cheque requisition/delivery note/Purchase Order/GRN

CAPEX PURCHASES

Purchase orders will only be raised if supported by an approved and signed CAPEX Form.

Capex Form will only be valid if it has been signed by both the Managing Director and Finance Director.

QUOTATIONS

All purchases need at least two, preferably three written quotations from approved suppliers. Where there is only one quotation, the appropriate form detailing the reason(s) should be filled in and approved by the Head of department before a purchase order is produced.

GIFTS FROM SUPPLIERS

The company policy with regard to gifts to employees from suppliers is as follows:
Gifts in general are NOT to be accepted by employees. Cash gifts of any value are prohibited.

Small items, such as bottles of liquor, wine etc lunches dinners and log imprinted handouts can be received provided that such gifts are declared to the head of department.

Any employee receiving gifts beyond this policy will be subject to summary dismissal.

If there is any doubt to the validity of the item, authorization must be sought form the Managing Director.

APPROVALS:

Managing Director: ........................................................................................................

Finance Director: ........................................................................................................

Factory Director: ........................................................................................................

Sales Director: ............................................................................................................

HR Director: ..............................................................................................................

Leaf Production Director: ............................................................................................

Finance Manager ..........................................................................................................
## Supplier Performance Evaluation Form (PTP-F002)

### Supplier Service And Quality Performance Assessment Form

<table>
<thead>
<tr>
<th>Plant: AOTM – Lilongwe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier:</td>
</tr>
<tr>
<td>Month &amp; year:</td>
</tr>
<tr>
<td>Completed by:</td>
</tr>
</tbody>
</table>

### Service Performance Measurement

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Rating</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Representation (1 = poor, 3 = average, 5 = very good)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>* Adequate representation on service, quality &amp; technical</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Item</td>
<td>Score</td>
<td>Total</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>* Availability of personnel during working &amp; after hours</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>* Representation focused and value adding</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>* Supplier problem solving and trouble shooting support</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Sub-total (representation)</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>2. Communication (1 = poor, 3 = average, 5 = very good)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>* Changes timeously &amp; frequently communicated (people, systems, equipment, etc.)</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>* Delivery lead-time (ETA) made known upfront &amp; delays communicated</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>* Delivery and TAT statistics maintained and reported on</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>* Meeting and communication preparation and effectiveness</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Sub-total (Communication)</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>3. Deliveries, returns and administration (1 = poor, 3 = average, 5 = very good)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Criteria</td>
<td>Rating</td>
<td>Comments</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
<td>--------</td>
<td>----------</td>
</tr>
<tr>
<td>Quality (1 = poor, 3 = average, 5 = very good)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>* Quality meets AOTTL requirements / specifications</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>* Consistency of quality</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Sub-total (Quality)</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Rejects (1 = poor, 3 = average, 5 = very good)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>* Quality in order, any defect / rejects noted</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

Overall service score: 0.0% / 100.0%

Quality Performance Measurement:

* On time deliveries

* Response time and effectiveness for returns

* Supply service management with root cause analysis and corrective action

* Delivery note / invoice / statement accuracy and correctness

Sub-total (Deliveries and returns): 0.0% / 100.0%
<table>
<thead>
<tr>
<th>Category</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Re-occurring incident(s) for defects</td>
<td>5</td>
</tr>
<tr>
<td>* Effectiveness of supplier corrective action (quick action, formal response, etc.)</td>
<td>5</td>
</tr>
<tr>
<td>Sub-total (Rejects)</td>
<td>0.0%</td>
</tr>
<tr>
<td>3. Certificate of analysis (COA) (1 = poor, 3 = average, 5 = very good)</td>
<td></td>
</tr>
<tr>
<td>* COA’s readily available and received with shipments / deliveries</td>
<td>5</td>
</tr>
<tr>
<td>* COA’s contain required details</td>
<td>5</td>
</tr>
<tr>
<td>* Effective COA query and corrective action management</td>
<td>5</td>
</tr>
<tr>
<td>Sub-total (COA)</td>
<td>0.0%</td>
</tr>
<tr>
<td>Overall quality score</td>
<td>0.0%</td>
</tr>
<tr>
<td>Final service and quality score</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Ref: Supplier Assessment Form
Bid Sheet (PTP-F001)

**BID ANALYSIS**

<table>
<thead>
<tr>
<th>RS. No.</th>
<th>PTP Form ID</th>
<th>F001</th>
</tr>
</thead>
</table>

Plot 29/86

Kanengo Industrial Area

P.O. Box 30522

 Date:  

**PROCUREMENT POLICY - AOTM**

COMPILED BY: Finance Manager

APPROVED BY: Finance /Director/Factory Director

ISSUE DATE: 24/02/2014

DOCUMENT ID: PTP Policy 004
<table>
<thead>
<tr>
<th>S/n</th>
<th>Item Description</th>
<th>Supplier 1</th>
<th>Supplier 2</th>
<th>Supplier 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q'NTY</td>
<td>@ PRICE</td>
<td>LOWEST</td>
<td>Q'NT</td>
</tr>
</tbody>
</table>

Lilongwe 3 MALAWI
PTP-RMA Form 003: RETURN MATERIAL AUTHORIZATION FORM

RMA ID No.: .................

Date Issued: ..................
<table>
<thead>
<tr>
<th>Qty</th>
<th>Part No.</th>
<th>Description</th>
<th>Reason for Return</th>
<th>Serial No.</th>
<th>Order Number</th>
<th>Order Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Use this space for additional Comments: