AN ANALYSIS OF EFFECTS OF OUTSOURCING
A CASE STUDY OF MALAWI DEFENCE FORCE (MDF).

MSC SUPPLY CHAIN MANAGEMENT

EBU 5002

Submitted In partial fulfilment of the requirements for the
Master of Science degree in Supply Chain Management

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Abstract
This paper is aimed at assessing the effects of outsourcing for organisations especially those in the defence industry. The author analysed the strategic reasoning behind the outsourcing approach and other motivating factors that include financial, strategic and political. To a higher degree, the paper identified that most authors attribute outsourcing as a strategy that helps an organisation retain and sustain its competitive advantage over its rivals through focus on its core activities. The study revealed that the biggest driver for an organisation to get to a competitive advantage is through flexibility. Flexibility is interwoven with other outsourcing motives such as improved time to market, access to new technology, transforming fixed costs into variables and focus on core activity.

Further the author identified that flexibility is also key for an organisation to suit the lean approach and concept that is demanded by modern supply chain strategy. The lean concept was also an area of worth mention as its synchronisation with Just-in-time approach emphasise the elimination of waste and production of item only when they are needed in contrast with over production and pushing them to end user. Flexibility was also analysed to be another key factor as the concept of continuance improvement through which avoidance of wastes or Muda is founded.

The paper further analysed outsourcing risks. This was another area worth exploring as risk in business would mean break down in supply chain that can be attributed as putting a spanner in the works thereby all the mechanism fail.

This is in recognition to the fact that supply chain requires a smooth flow of activities since it looks at satisfying the end user from production line.

Flawless supply chain mechanism would mean that the production line is risk free and all this is attributed to flexibility among other factors.
In the end this author concludes that flexibility is key driver of supply chain and supply chain entails customer satisfaction.

Acknowledgement:

I would like to acknowledge the contribution made by the following in preparing to this dissertation: Sementi Phiri and Alex Chanza. My special thank you also goes to Ron Smith for his timely and dedicated effort to direct me through this paper.

For those who provided their time to afford me the interviews I say thank. Your participation and information that you shared with me for me to produce this piece of work is beyond what the single word of thank you can accomplish.

Special thanks go to my lovely daughter Phillipa, she has always been there for me. She could lift me up and always made sure that I do and complete my piece of study each other day when I felt tired and needing. Your encouraging words and love has been beyond anything a human can give. Thank you once again for your love and care.
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1. Introduction

1.1 Background and Rationale
Over the years, the military or fighting forces world over depended on food and water (logistics) within the locality of any campaign. These logistics were typically provided to the forces by merchants, and vendors who followed the forces and sold food and sundries, (Brandt, 2005). Gregorio (2013) indicates that soon after the First World War the military officials realised that the forces needed a system of trained cooks who would serve the troops. She added that the services had a positive impact on the troop’s morale and readiness efficiency since their combat needs and supplies were provided for at no cost at all. The aspect of morale breeds zeal, discipline, self-confidence and satisfaction (Kane, 2013). The products of morale meant that the troops would perform their duties with enthusiasm, passion, poise, self-restraint and contentment which in the end optimised the will power and fighting potential of the troops. The soldiers needed not to worry about feeding themselves and had enough time to concentrate on their core duty of fighting the war.

Arostegui et al., (2009) agrees with this sustenance concept and states that military organisations need basic supplies of food, clothing and weapons. These arguments designate military organisations or nations’ responsibility to provide or sustain their troops with basic logistical needs. Sustainment as a military requirement is achieved whenever a force is able to maintain necessary levels of combat power for a particular given time in order to achieve its objectives (Smith, 1996). This is the balance of what troops would demand whereas governments supplying them with the needful so that militaries are able to augment the art of the possible to achieve the desired end state. Smith (1996) accentuate that the ability to sustain a force inspires
the rhythm and duration of operations and this requires equipment and resources availability, and aptitude of the particular force to rejuvenate itself.

The Malawi Defence Force (MDF) just like any other defence forces sustains its troops with supplies such as food, clothing and weapons (MDF Act, 2004). The MDF Act stipulates that the troops are to be accommodated, fed and clothed with military attire both at peace and war times. The force put in place all necessary requirements ranging from warehousing (quartermaster) for food rations and materiel, accommodation barracks, and cafeteria popularly known as mess hall. All these facilities have other the years being manned or managed by the soldiers themselves. These included warehouse keepers called logisticians or stores personnel, mess stewards who were managing the accommodation and mess hall affairs, and cooks. All required stores and equipment were procured and stored/kept at the quartermaster from where issues were made on request.

Government has been engaging both local and international suppliers to supply the necessary military requirements that included rations and military hardware. Previously before government introduced cash budget, the MDF was procuring these goods and services through local purchase orders (LPO) that were paid to the suppliers through the central government department of treasury. The defence force could make purchases of huge stocks through the LPOs with very little control or restrictions by the central government. However in the early 1994 when the country had its first general multi party elections and the coming in of multi-party system of government, the executive introduced cash budget that resulted in MDF procuring goods and services according to funds that it was allocated. This meant a lot of control and restrictions were imposed on the organisation. This was almost the same period of the fall of the Berlin wall and the end of cold war that the country was going through economic destitutions.
Malawi being donor dependant felt the pinch since allot of budget cuts within the government departments and resulted to insufficient funding. The economic turmoil did not spare the MDF which was also underfunded that ensued into the MDF failure to carry out most of its operations including feeding its soldiers with properly. In the early 2012 the Malawi government relationship with the western donor countries had further exacerbate the economic situation so much so that the then President directed one of the public hotel companies to start providing catering services to the MDF. This outsourcing of catering services started at the MDF training school where the force had just recruited one thousand new soldiers and was given to one company. To date all the catering services in the force have been outsourced to several service providers most of whom were already in the catering business. The contracts that the MDF entered with the service providers, they are allowed to use the quartermaster (QM) warehouses to keep their products. Other than food stuffs that was outsourced; the QM department continues to carry out all other logistical resupply duties as previously.

The Malawi government eluded in its (OPC circular, 2012) that was issued as a directive mandating the MDF to outsource its catering services to the fact that this would be cost cutting measure. Though this didn’t go according to the plan as contract reviews with the outsourced companies revealed a number of problems (review paper, 2013); the service providers were costly compared to the MDF catering services, the service providers were not meeting the required standards, and MDF still returns and continues to train the catering services personnel. From the later, the most of the cooks were idle as the force never redeployed or reallocated them to other departments within the force. Suffice to say that despite outsourcing the service, the MDF requires the cooks whenever it is contributing troops to the United Nations.

With the above arguments it is therefore necessary that this study is carried out in order to assess the effectiveness outsourcing in order to draw some
lessons learnt this far and come up with recommendations to minimise the negative (if any) impact that the service providers might have on the whole setup.

1.2 Aim and Objectives
This study is aimed at analysing the effects of outsourcing in the military with the case of Malawi Defence Force.

1.2.1 Specific Objectives
The following are specific objectives:

- Critically conduct a literature review on the effects of outsourcing in the military.

- Determine the effectiveness of outsourcing with a deeper analysis on its successes and risks.

- Explore how outsourcing is managed.

- Make recommendations on good outsourcing practices in a way to improve the current setting.

1.2.2 Key Research questions
The research would endeavour to uncover the following questions:

- How much has been covered in the subject of outsourcing? A depth consultation need to be carried out in order to ascertain the depth of research so far made on the subject matter. This will help the researcher to critically analyse any areas that were not covered by any researcher and deepen the report.

- What effects does outsourcing bring to an organisation? Any pros and cons of the strategy would be examined and proper approach will be analysed that would help the researcher to come up with
recommendations that would improve the approach to the strategy and be able to iron out any grey areas that can be identified that far.

- How has outsourcing been managed? Through this, the practiced would be surveyed and compared with differing organisation and find out which one of the studied organisation carry out good practice worthy emulating.

- How can we improve the effectiveness of outsourcing? Those better practices identified above would be suited in the case study organisation and draw recommendations to improve where the strategy seem unsatisfying.
2. Literature Review

2.1 Introduction
The requirement for a government to provide its troops logistical support such as clothing, meals and shelter for almost free of charge cannot be over emphasised as stipulated in the (MDF act). Previous, the logistical support to the military forces were provided by merchants, and vendors who were trailing the forces during operations and selling them their requirements (Brandt, 2005). Contemporary war fighting and sophisticated machinery required the militaries to change their resupply system and started providing the troops with all logistical needs (Gregorio, 2013). This meant that the forces trained their own cooks and improved the moving of these logistics into the war zone that later turned out to be effective (Gregorio, 2013) because the system boosted troops readiness and morale. This was arguably true since the troops never got concerned of keeping monies and only concentrated on their core function of closing in and defeating the enemy through optimised will power and fighting potential. This eventually meant that the troop’s basic requirements such as food, clothing and weaponry be provided for (Arostegui at el., 2009).

The outsourcing idea has however brought a lot to be desired and these among other things include (review paper, 2013); the service providers are costly compared to the MDF catering services, the service providers are not meeting the required standards, and MDF still maintains and continues to train the catering services personnel. It is therefore imperative that this study is carried out in order to assess the effectiveness of the service providers in order to draw some lessons learnt this far and come up with recommendations to minimise the negative impact that the service providers have on the whole setup.
2.2 Concept Map Contextualisation

Trochim (1989) defines concept mapping as a variety of designed conceptualization used by researchers to come up with a conceptual framework which can guide assessment or planning. This can be likened to ways or means used to develop logical thinking and study skills that come up with different influences on how discrete ideas form a complete approach (Novak and Canas 2006).

![Concept Map](image)

Figure 1. Outsourcing Concept map

2.3 Definition of Outsourcing

Thompson (2014) suggests that outsourcing is the act of one company contracting with another in order to provide services that might otherwise be performed by in-house employees. Other authors (Gustafsson, 1995) and (Hood, 1997) agree with the notion of contracting or/and sub-contracting. The understanding from this concept can be interpreted that there is an alliance or agreement between parties on service provision. In all the cases the deal or pact would be with an organisation which is seen to be well established and conversant with the goods and services being offered. On the other hand this
could be a decision for an organisation to be making particular products, goods and services or buying them from another organisation as (Seidenstat 1996) and (Knight and Harland 2000) concur. In most cases these decisions, arrangements and/or concepts (Scheuing, 1989) for an organisation to take the particular course of action are strategic ones (Virolainen 1998) since they are concerned with whole environment and entire resources in which the firm would operate.

Consequently Quelin and Duhamel cited in Koszewska (2004, p.228) indicates that outsourcing is the shifting of transaction that were previously done by an organisation to an external service provider, this shifting or flowing from one organisation to another is in line with (Wright and Denis 2011) who highlights it as shifting the processing or servicing of a product or process to a third party. It would be conceivable to conclude that in both shifting an organisation response and decision to make or buy there is reliance on external sources in proving goods and services (Lei and Hitt 1995) and that the element of business transaction where payment for the goods and services provided takes place (Gilley and Rasheed 2000). From (Quelin and Duhamel, 2003) definition, the following elements characterise strategic outsourcing:

- Key success factors are to be closely linked with the outsourcing processes.
- The business function that was made in house is transferred to the service provider and may include the transfer of personnel and physical assets.
- There is a need for a universal contract, longer and solider than a standard subcontracting agreement.
- There should be a durable obligation to be established between the service provider and the outsourcer (client).
- There should be a clearer and flawless contractual characterisation of service levels and of each partner’s requirements
Knight and Harland (2000) adds that these two organisations would be focusing their effort on activities that they do best while (Sharpe 1997) agrees and looks at it as an organization's core competencies. Basically, most of the above authors look at outsourcing as encompassing contracting out business procedures to another party. This is in line with (White and James 1993) who opined outsourcing as a contractual rapport between an outside vendor and an enterprise where the vendor adopts responsibility for some of the business functions of the enterprise. The authors have also described it as the shifting of employees and chattels from one organisation to another. It is however worth noting that outsourcing comprises both overseas and national contracting which sometimes involves offshoring (Davies, 2004). Additionally, there is a legally binding agreement or contract whenever one or two parties engage in outsourcing (Hook, 2004). This agreement or contract is mostly entered by two organisations and involves give-and-take of services and payments. It is arguably true that the exchange of services and payments involves trust between the two parties just as CIPS defines outsourcing as assigning or entrusting somebody (outsider service provider) with services that were carried out within an organisation.

2.4 Outsourcing Strategy
Koszewska (2004) describes outsource strategy as a drive for an organisation seeking to identify greatest competitive advantage. Competitive advantage can be realised in several forms including flexibility, delivery reliability, quality, and responsiveness (Hines 2003). In agreement to this, (Pascal 2002) adds that through outsourcing organisations increase their flexibility and generate high value. Additionally, the above argument can be justified by managerial paradigm that highlights and prefers a competitive advantage of ‘lean and mean’, and ‘high-value’ to ‘bigger is better’ and ‘high-volume’ (Lewin and Johnson 1990).
Tatum M. (2015) describes strategic outsourcing as a procedure whereby services provider is engaged to manage vital tasks that would otherwise be managed by domestic personnel. This could be possible in order to allow an organisation use its possessions or assets to its best advantage so that it can concentrate other efforts in other areas in a drive to achieve its goals. While (Greaver, 2004) defines strategic outsourcing as the precise methodology and application for outsourcing, and something as important as the situation on how to ensue and handle concerns, once it has started. Basically this definition is only explaining about approach and implementation of outsourcing as a strategy. It is worth stressing that unlike the other authors, (Greaver 2004) looks at strategic outsourcing as a term meaning approach and solicitation of an idea, while the other authors describes it as prearranged concepts, decisions and arrangement that organisation plan for (Greaver, 2004).

2.5 What to Outsource

A company would come up with a decision of what to make or buy after a proper analysis of its market has been made and identifies its competitive advantage stand (Jan, 2013). Importantly an organisation would identify and re-examine those activities that are not core, assessing whether those activities can be carried out by the company itself (make) or be able to have specialist third party to do it (buy) (Koszewska, 2004). However differentiating core business and competitive advantage sometimes can be disturbing as (Cohen and Roussel 2005) urges that core competencies are defined in numerous ways, suggesting that in-house competences can be considered core when they offer a competitive advantage or are otherwise crucial for achieving a company’s strategic objectives. Consequently, core business and competitive advantage can be associated and interlinked once an organisation is efficient and effective in carrying out its core business and is able to gain a competitive advantage. Lonsdale & Cox (1998) opined that core activity affords competitive advantage and is a critical success factor for businesses hence it should never be outsourced. Lonsdale & Cox (2000) describes non-core activities as
Peripheral or minor activities, and supporting activities and those core activities as primary ones. When an organisation outsources its core business, it will not be able to provide its customers with unique goods and services (White 2013). Christopher (2011) highlights that a firm would gain competitive advantage over its competitors when it delivers value to its consumers or customers in its core functions with efficiency or performing them in a unique way in order to create superior differentiation. Porter (1985) adds that an organisation achieves competitive advantage when it performs a number of strategic and significant activities cheaper or better than its rivals.

Christopher (2011) looks at competitive advantage to be founded, among other factors, on triangular relationship of the company, customers and its competitors; (3Cs), the three Cs as illustrated in figure 1 below.

\[\text{Customers} \rightarrow \text{Value} \rightarrow \text{Need seeking benefits at acceptable prices} \rightarrow \text{Value} \rightarrow \text{Company} \rightarrow \text{Cost differentials} \rightarrow \text{Value} \rightarrow \text{Competitor} \rightarrow \text{Assets and utilisation} \rightarrow \text{Company} \rightarrow \text{Value} \rightarrow \text{Customers} \]

The figure above looks at the foundation of competitive advantage which is the ability for an organisation to differentiate itself to its customers from its competitors, and consequently when the organisation operates at lower cost that generates superior turnover.

From the above analysis, it is clear that once an organisation has realised that it cannot be best in everything, it resolves to do something that it can best do and then outsource everything else. In so doing the firm would be focusing on its core competency and sanctioning a third party do the rest. This third party would therefore be someone who is more efficient and cost effective.

2.6 Outsourcing Impetus
Lacity, et, al (1994) describes that outsourcing motives cascades into four different classes namely financial, business, technical and political. For this research however, we would look at strategic, financial and political as key motivating factors for outsourcing. Under financial motives we would look at aspects such as cost reduction, improved cost control and convert fixed costs to variables (Belcourt, 2006; Quelin & Duhamel, 2003; and Lacity et al., 1994). It is worth noting that fewer organisations would produce all value activities in-house (Johnson et al., 2009). This suggests that an organisation would be part of value network which seeks specialisation role. Through the value network, there are inter-organisational contracts and associations or relationships that necessitate the creation of goods and services (Johnson, et al 2009). The notion of this specialisation links several activities that strengthen distinction in creating best-value products; hence this specialisation is undertaken by a contracted client through outsourcing. Lacity et al., (1994) describes several other areas where cost can be reduced through outsourcing which include labour and new technologies. Since bulky production productivities coped with skilled or specialised labour products and services are cheaper (Lacity, 1994). While new technologies would undercut any prospect of vertical integration and attain economies of scale (Lonsdale & Cox 1998).
Furthermore since each outsourced service is charged separately by suppliers, the outsourcer becomes more cautious in the use of the services in order to cut cost hence has better control than that produced in-house (Johnson et al., 2009). Hence through improved cost control an organisation would yield cost efficiency.

The second aspect is strategic motive. By definition, being strategic is being in a direction and opportunity that an organisation align itself in long term to get to advantageous position over competitors in satisfying stakeholder prospects (Johnson 2009) while (Hines, 2003) refers strategic approach as an organisation’s design to acquire a preferred position. A number of strategic motives include focus resources on core, gain flexibility, improve service and quality, and improve time to market, spread risk and access to talent and new technology (Thomas 2009).

As a strategic motive, an organisation would focus its resources on core activities so that it retains and sustain competitive advantage over its rivals (Belcourt 2006). Mohiuddin and Su (2010) highlights that flexibility is interweaved with other outsourcing motives such as improved time to market, access to new technology, transforming fixed costs into variable and focus on core. Flexibility refers to a firm’s aptitude to adapt to changes in processes and demand products (Slack et al., 2010). While (Hines, 2003) qualifies flexibility as ability to fine-tune production quantities, styles, sizes and colours in line with the market demand. Additionally, (Cohen and Roussel 2005) urges that modern supply chain is becoming increasingly lean that also requires them to be flexible in order to suit the lean approach. The lean concept synchronised with just-in-time approach emphasise the elimination of waste and production of items only when there is demand, this also improve service and quality (Slack et al., 2010).

Furthermore, in lean production and manufacturing through flexibility, and continuous improvement, an organisation would avoid several types of wastes or **Muda** which are over-production, waiting time, transport, process, inventory,
motion and defects (Slack et al., 2010). McBride (2012) and (Miller, 2005) however add underutilisation of employees as the eighth waste. The unutilised aspects of employees include skills, talents and creativity. Importantly, it’s worth putting into perspective that underutilised creativity does breed waste, and waste causes losses in profitability (Miller, 2005). Besides the 8 wastes, (Reece and Antosiak 2014) identifies the 9TH waste of cost of injury or non-ergonomic work condition.

Another factor of strategic outsourcing motives is spreading of risk. By definition, risk is the degree of ambiguity or insecurity which is hypothetically substantial unacceptable consequences of decisions that may be realised (Wu and Blackhurst 2009). This would in other words be interpreted as looking at an incident of failure to seize prospects within supply management where the aftermaths would be monetary loss hence strategic outsourcing motive would circumvent that. Instead of an organisation suffering by itself with losses through one or two of its operations, this risk is shared with the service provider as most investment that a firm ventures would probably incorporate risks (Farok et al., 2010). An organisation would come across risks through several different ways, some of which can be attributed to changes to markets, technological approach, industry competition and government regulations, as examples, which a firm would struggle to cope up with and feels keeping along with these changes can be risky. An alternative would be for the organisation to make a strategic move of stopping production of the service in-house and opt to buy it from a service provider (Thomas, 2009). Wu and Blackhurst (2009), notes that some organisations would opt to outsource with a motive of sharing risk in order to gain or have quality assurance and avoid stock outs. This is mostly experienced with financial services that try to keep low any exposure by sharing the risk so that there are little catastrophic magnitudes for a single unit (Thomas, 2009).
Finally we look at political motivations to outsource. Government or political motive may influence public organisation to outsource some of its services. Most of these public entities are deemed to neither be non-profit making entities nor demand driven (Griswold, 2004). These would be more of social organisations than economical ones. The social aspect of such organisations would be focussed or having core business of general public welfare and in other words social security (Avery, 2000). Hence it is arguably true that most private organisations are cost and strategy driven for their survivor, public films would be looking at citizens’ prosperity and happiness and this would be one of the drivers to outsource.

Another influence for a public organisation to outsource would be elected government officials agendas, existing national and international inclinations and public opinion (Griswold, 2004). He emphasises that since most public organisations are allegedly incompetent, unproductive and inefficient or bureaucratic; most politicians in their election campaigns would endorse outsourcing notions in order to cope voters for positive changes. Belcourt (2006) underscores that when this particular politician comes into power and laws are sanctioned, the public would conform and the outsourcing theory gets into effect as governing decrees and executive orders. (Kremic et al, 2006)

Hitherto another motivation for public sector outsourcing could be an aspect of proper accountability (Mol, 2007). He adds that most executives in civil organizations normally appreciate accountability perfection in the specific function being outsourced. This is to mean that a service provider delivering goods and services to governments accomplishes their functions in a more satisfactory manner than a government representative delivers primarily. DiCarlo (2004) comments that most policymakers favour diversifying wearisome functions to outsourcing.
2.7 **Outsourcing Risks and Concerns**

Slack et al., (2010) emphasises the need for business organisations to formulate strategies for any risks and uncertainties. Quinn and Hilmer (1995) comprehend that in tangible world most supply industries would have deficiencies and go through a number of risks.

There are a number of reasons that would drive an organisation to fail to prepare and fall victim to outsourcing risks (Lonsdale, 1999) and (Cox, 1996) and these include when it focuses on achieving short-term benefits; lack of formal outsource decision-making processes, including medium and long-term cost-benefit analyses; increased complexity in the total supply network. Bounfour (1999) supports this and outlines it as lack of methodology or practice. He adds that outsourcing catastrophes are not caused by integral problem with outsourcing itself, but relatively due to managerial failure to give employees supervisory methodology. Freytag and Kirk (2003) highlight the absence of expertise within public establishments to manage and monitor those functions that have been outsourced. Additionally, failure to come up with key performance indicators (KPIs) and service level agreement (SLA), a poor contract, and lack of guidance in planning or managing an outsourcing initiative or because of poor supplier relations would bring problems to outsourcing strategy.

O’Keeffe and Vanlandingham (2004), outlines four potential outsourcing risks. They underscore that through outsourcing, a firm depend on third party to do certain business functions which if not appropriately accomplished they adversely affect the outsourcer operations and consumers. O’Keeffe and Vanlandingham (2004) stress that while a firm is able to outsource its functions; it is not possible to outsource the risks which can include untimely deliveries, poor quality, poor planning and supplier financial stability.

Kremic et al., (2006) recognises several other risks of outsourcing with some interconnected to those discussed above. These include;
- Loss of control of core competence could mean that the business has outsourced its critical activity and stands a chance to lose out its survivability within the industry (Lonsdale and Cox, 1998). Further to this is when executives lose out in sources of attractiveness. In this case, it is arguably true that the outsourced organisation would become the outsourcers’ competitor (Seuring, 2003). This loss will in the end breed the possibility that the company can lose technical know-how and skill (Aron et al., 2005).

- Unrecognised savings or hidden costs, caused when outsourcing is taken as main reason for cost saving. On this note (Belcourt, 2006), (Kumar and Eickhoff, 2005) and (Kremic et al, 2006) identifies that most business executives often overestimate the cost savings and underrate the costs that could be incurred. In doing this the business never realises any hidden costs that could be suffered through outsourcing. Since outsourcing can be intricate (Power et al., 2004), it is necessary that all superfluous costs and conceivable effects must be looked into. Some of the unexpected costs include and not limited to discordancy, increased transportation, redundancies, and quality control (Belcourt, 2006) and (Olsztynski, 2005).

- Employee morale negatively affected when the employees have been moved and deployed to areas of lesser expertise, transferred to the outsourced organisation, or they have been laid off (Belcourt, 2006).

- Over dependence on a supplier. Lonsdale (1999) describes this as opportunism whereby a supplier would gain ground and pursue curiosity deviousness.

- Loss of flexibility can be interconnected with the above factors where a number of problems through failure to coordinate with supplier, and the organisations’ innovativeness can be lost or weaken (Hoecht and Trot, 2006).
- Supplier internal problems where quality would deteriorate and result in customer frustration. This can mainly be caused by serious disturbance of goods and services from the supplier where supplies are cut (Aron et al., 2005) as a resultant of several factors including liquidation. O’Keeffe and Vanlandingham (2004), qualifies that quality affect customer satisfaction. It is easier for an organisation to regulator the quality of goods and services that are made in-house that those outsourced (Russell, R. and Taylor (2011). Quality is improved through standardisation, supplier involvement and certification items produced in your own factory (Lysons and Farrington, 2006).

More to this, (Koszewska, 2004) identifies outsourcing risks such as hidden costs, dependence on the supplier, loss of know-how, loss of long-run research and development competitiveness, risk of co-operating with dishonest supplier, service provider’s lack of necessary capabilities and communication and coordination difficulties. Hence (Vermeulen, 2010) outlines giving up control and giving up knowledge as some of the risks that a business should be prepared to face once venturing into buying services from a third party.

It is necessary that we look at a few aspects how the above risks can be managed. This would be taken with the understanding that the supply chain network covers functions such as manufacturing, supplying of goods and services where distribution raw materials are moved to consumers (Wu and Blackhurst, 2009). The supplying of these goods and services from manufacturer to end-user would inevitably come across some disruptions which are unplanned events that an organisation needs to overcome (Tang, 2006). Gurnani and Mehrotra (2012) describes that these unplanned events are driven by the fact that supply chains have become more complex due to globalisation, outsourcing, single sourcing and the focus on removing slack from the supply chains.
Figure 2 below outlines how these risks can be managed. O’Keeffe and Vanlandingha (2004) describe three main elements needed in risk management which include supplier and contract management, the service level agreement (SLA), and billing accuracy. Supplier and contract management process is involved with the keeping and following of data before and after engaging with the supplier. These include supplier due diligence, contract terms and record keeping. It is necessary to note that these data should be frequently monitored in order for the two parties to improve performance. Whilst with SLA management part, issues to do with Key performance Indicators and service levels should be stipulated, monitored and updated according to contract terms. Billing accuracy will help the two parties to support each other in terms of reconciling figures, invoice matching and volume and quality concessions.

2.8 Conclusion

We examined a number of theories in this ranging from outsourcing strategy, motives or drivers of outsourcing to outsourcing risks and how that risk can be managed. While it is agreeable that it is easy for an organisation to plan and outsource one or two of its functions, the opposite is true with preparing to avoid outsourcing risks which can derail the whole organisation strategy. Key aspects in the outsourcing risks are concern with top management. They vary from failure to come up with proper decision making process, through to lack of methodology and practice, expertise and identification and formulating key performance indicators, service level agreement and the actual contract. Outsourcing failures are more generally management or strategic failures to implement them.

The next chapter is research methodology. We will be looking at how we have come up with our research through peeling the onion. The top layer of the onion is research philosophy that we will peel through research approaches, strategies, choices and time horizon to take us deep into our data collection and analysis.
3. Research Methodology

3.1 Introduction

This study has been designed to analyse the effects of outsourcing with a case study of MDF. From the preceding chapter we defined outsourcing, we looked at outsourcing strategies, the impetus of outsourcing and we closed the chapter with risks and concerns of outsourcing.

![Figure 3.1. The research process Onion](image)

*Source: Saunders et al., 2006*

As illustrated in figure 3.1 research onion above, the author has peeled the onion through the named important layers in order to illustrate some products that
accentuate the chosen data collection. The tactic to this was that we started with research philosophy that was adopted followed by research approach that poured from that philosophy. After the philosophy we scrutinised the research strategy that took the author to the fourth layer of time horizon before finalising the process with data collection methods.

The unpeeling of the onion took us through a path that helped us to achieve the following objectives:

- Critically conduct a literature review on the effects of outsourcing in the military.
- To determine the effectiveness of outsourcing with a deeper analysis on its successes and risks.
- Explore how outsourcing is managed.
- Make recommendations on good outsourcing practices in a way to improve the current setting.

3.2 Research Philosophy

Suffice to note that there are three research philosophies namely positivism, interpretivism and realism, (Bryman, 2011) the development of knowledge for this research was based on interpretivism philosophy or paradigm. This was suitable because we were looking at getting to appreciate the subjective reality of outsourcing so that sagacity could be drawn on the understanding the motives, actions and intentions of partakers (Schutz, 1962). On the other hand positivism and realism was not suitable for this since the former reflect principles of natural scientist while the latter is centred on the belief that reality exists that is independent of the human thoughts and beliefs.
3.3 Research Approach

Research approach involves the use of theory, based on the research using either deductive or inductive (Crossman, 2015). The approach for this paper was inductive since data was collected and developed a theory from that data or rather formulation of theory. Unlike deductive approach, through this inductive approach the author collected qualitative data with a closer understanding of the research context, and the participants brought about their understanding of events (Saunders et al., 2006). Other scholars call inductive approach a bottom up approach. This is where the researcher originates a definite interpretations and measures, from there they identify patterns and uniformities, and they then articulate some faltering hypotheses for exploration, after which we would end up to develop some broad assumptions or concepts/theories (Crossman, 2015).

3.4 Research Strategy

Hambrick, (2007) describes that research strategies fall in two categories of deductive and inductive tradition approach. Out of the strategies that were outlined, this research felt that case study strategy was more appropriate since it has the ability to answer the questions why, what and how and was able to explore the existing theory (Saunder et al., 2003). With this strategy, we were able to collect data through semi-structured interview. This type of data collection was chosen because it enables the interviewees to be asked same framework of questions (Bryman, 2011). Rowley (2002) adds that case studies maintains deeper and more detailed examination that is necessary to answer the how and why questions. These include wide variety of proof from different sources that includes documents, artefacts, interviews and observations (Cooper and Chindler, 2011). These data would be collected through documentary analysis, cross-sectional, and questionnaires (Joan et al., 2005)
Additionally, through case study the researcher had a broader understanding and lengthens experience or adds strength to what was already known in the previous research (Soy 2006).

3.5 Time Horizon
Saunders and Tosey (2013) identifies time horizon as the final coating of the research onion which, acmes the time limit over which researchers complete their research. These are defined in two categories namely snapshot and diary which are cross-sectional and longitudinal respectively. This paper is a cross-sectional one since it was undertaken at a particular time and for a particular type of study and that many case studies are centred on interviews and are piloted over a short period of time (Saunders, 2003).

3.5.1 Sampling
In chapter one, we came up with some research questions and objectives. These questions and objectives were answered after collecting and analysing data. Considering constraints of time, resources and access that were experienced in coming up with this paper, there was need to come up with sampling techniques. Saunders (2003) identifies two sampling techniques namely probability or representative sampling and non-probability or judgemental sampling. This author used the latter since the former is generally concomitant with survey-based research that looks more at populations than the non-probability sampling which concentrate on an in-depth study focussing on small and selected purposive case (Saunders et al., 2012). Within the non-probability there are several other techniques that include quota sampling, purposive, snowballing, self-selection and convenience sampling (Saunders, 2003). For this research, the author used purposive technique. Purposive technique also known as judgmental, or selective or subjective sampling is a technique that centres on units that are investigated on the basis of the researchers’ judgement
(Hambrick, 2007). Under the purposive technique we used heterogeneous strategy also known as maximum variation sampling since we aimed at obtaining an extensive range of viewpoints relating to the idea that we were interested to study. This is a search for dissimilarity in perceptions, extending from those environments that are distinctive through to those that are greater in nature (Saunders (2003).

3.5.2 Credibility of Research Findings

3.5.2.1 Reliability and Validity

Saunders (2003) highlights that there are four threats of reliability namely participant error, participant bias, and observer error and observer bias. On validity the following were identified as validity threats history, testing, instrumentation, mortality, maturation and ambiguity about causal direction. Whilst (Golafshani, 2003) contends that the issues of reliability and validity doesn’t arise within the qualitative research. Mkansi and Acheampong (2012) contends too on the question of reliability as a matter of judgement of quality of qualitative research adding that reliability is a result of validity in a study. Abawi (2008) suggests that there is a need to eradicate bias and increase trustfulness of proposition about some social phenomenon using triangulation. Triangulation is a cogency technique where researchers search for the coming together of numerous and dissimilar bases of information to form themes or groups in a study (Abawi, 2008).

3.5.3 Resources

To come up with this paper, the following resources were required:

- Data collection from electronic and printed books through college library and mostly through the internet.
Transport, food and accommodation within Malawi when doing the research in order to reach other military establishments which was involved with outsourced service providers for assessment.

### 3.5.4 Ethics

Resni, (2011) defines that ethics differentiate the right from wrong. The Ministry of education in Malawi as well as University of Bolton the latter to which this researcher is affiliated in through this project champions the need for ethical conduct in its undertakings.

The author did seek permission from the interviewees and carry out proper procedures in assuring them of confidentiality. The interviewees were told that they were participating at will and their change of mind not to participate could be accommodated at any point through the interview. The data collected hereto could remain anonymous of the source. Further to this the paper was formulated under the following ethical principles of honesty, objectivity, integrity, carefulness, openness, and confidentiality and non-discriminatory among others (Resni, 2011).

### 3.5.5 Constraints

A number of limitations that we encountered need to be addressed and they include;

- Negative evaluation and bias by those who are required to provide vital information pertaining to the performance of the service providers.

- Unavailability of resources due to budgetary constraints the employer may find it difficult to avail the needed requirements for the researcher to ably conduct the work.

- Data availability may be a problem in cases where some important and needed data cannot be sourced or found locally.

### 3.6 Conclusion

The chapter was about research process where we went through steps to dig deeper to reach data collection and analysis layers. We peeled through several layers starting from philosophy where according to this research we based on interpretivism. We peeled further through research approaches,
strategies, and choices up to the time horizon before getting to data collection and analysis.

The next chapter is data analysis and results findings. The researcher will be presenting results of the research that was undertaken. Qualitative data obtained from the case study will be presented and analysed.
4. **Data Analysis and Findings**

The qualitative data analysis was conducted through semi-structured interviews. These interviews targeted key decision makers that were sampled throughout the MDF organisation. To ensure that the sampling technique covers all aspects and inclusive of all employee within the MDF, the following targeted groups were interviewed:

*Chart 4.1 Rank Bracket*

![Rank Bracket of Interviewees](image)

From the above data we can deduce that most of the rank brackets were represented. The rank distribution shows that those of the rank of Major to Colonel were 23 percent; Lieutenant to Captain had a representation of 30 percent, while those of the rank of Sergeants to warrant officers class one had a representation of 23 percent and finally the most junior ranks of Private to corporals had 23 percent representation as well.
Chart 4.2 Academic Qualifications

The academic qualifications of the sampled group shows that those with master’s degree were 15 percent those with advanced level were 69 percent and finally ordinary level were 16 percent. This is a positive representation as it shows that most of the interviewees were well above the required level of education and the data obtained from them would be of value.

Chart 4.3 Functional directorates and departments.

The sampling had well-balanced representatives from all key departments and directorates from where an informed data could be obtained. All the functional departments were well represented with ranges between 12 to 19 percent.
The service levels for the sampled group was that those above 20 years of service were 38 percent, those between 15 and 20 years were 23 percent while those between 5 and 15 years of service were 15 percent and those who served less than 5 years were 23 percent. This is translated that over 50 percent of those interviewees had work experience of over 15 years and would provide the researcher with well-informed detailed data.

*Chart 4.5 Age distribution*

This statistics indicates that most of the interviewees were of considerable age bracket as such all ages within the rank and file was represented.
The gender representative chart indicates that a quarter of interviewees were females with the remainder being males. This indicates that the research was gender balanced.

4.1 Data from the semi-structured interviews

The semi-structured interviews did provide the researcher with a number of findings which include:

4.1.1 The need to examine outsourcing strategy through which an organisation would opt to outsource to obtain competitive advantage through several forms of flexibility, cost reduction, delivery reliability, quality and responsiveness, the research revealed that:

- The government *owes the outsourced contractors millions of kwachas which they failed to provide for the MDF when the government attributed to low funding to MDF units under the old system. The cost of food ration has more than doubled if not tripled in some units with the introduction of outsourced catering services.*

- *There are no ledgers for food rations kept and reconciled at unit level. Records of bills raised by service providers and subsequent payments made by finance department are not maintained at the units.*
- Soldiers were better served with the QM services as the understanding between the soldiers themselves was better than with the outsourced organisation.
- Delivery reliability is also of concern as service providers do sometimes have problems to serve troops outside Barracks when they deploy for training or other operations.

4.1.2 How did the MDF achieve its outsourcing strategy in order to focus on its core activities?
- It was noted that existing cooks and waiters in the units have not been re-deployed to these core duties since the commencement of outsourcing.
- The MDF has several other duties that seem to be non-core but these are still being undertaking in-house, these include among other activities, transportation, mechanical services, medical services just to mention a few.

4.1.3 If the Malawi Government opted to let MDF outsource its catering services for political reasons, do you think the general welfare of MDF troops and the tax payers has improved compared to the old times when QM was serving?
- Small scale farmers and suppliers from within the surrounding areas of most military Barracks are not benefitting as suppliers to cater for troops rations.
- Soldiers are forced to eat what was agreed on the contract without options of their preferences.

4.1.4 What are the known risks of outsourcing within the MDF facing?
- Hidden cost and unrecognised savings.
- Loss of employee morale since most of the old caterers are idle despite the fact that some of them are better trained than the outsourced cooks.

- Deterioration of quality that is compromised with cost of commodities.

- MDF failure to negotiate contracts with the involvement of its troops who are the beneficiaries.

4.1.5 MDF has been training its own catering personnel, as a strategic motive to outsource, how much access do the existing caterers have to gain talent from the outsourcers?

- Contractors engage unqualified catering personnel for cheap labour. This is even in contrast to the MDF caterers who are well qualified and most of which are attached to the state house of the Malawi President.

4.2 Results from the Data Gathered

4.2.1 Outsourcing as a Competitive Advantage

We examined from the chapters above that an organisation would outsource some of the functions in order to get to a position of competitive advantage through flexibility, cost reduction, delivery reliability, quality and responsiveness. From the case of the MDF, its outsourcing drive has left a lot to be desired. The service providers are lacking flexibility by failing to satisfy their customers who are the troops. It has been noted that the service providers are only serving their clients with the food as stipulated on their contractual menus. Another area of failed flexibility that also compromise quality is when the outsourced organisation engages unqualified staff. This is in contrast with (Lacity, 1994) that deliberated that skilled and specialised labour would make goods and products less expensive. On the positive note however, abuse and pilferage of stock has lessened with the outsourcing.
serving provider. The MDF is able to cut costs that were incurred through these malpractices.

4.2.2 Focus on Core Activity
The notion for an organisation to outsource in order to focus on core activity seems to be left unchecked with the MDF. Belcourt (2006) suggest that focussing own resources on core activities would benefit an organisation retain and sustain competitive advantage. This has failed with the MDF since it never utilised the idea of outsourcing and free some of its staff to care activities. May be this is a matter of procedure that outsourcing focus and technique was missed. Furthermore, the

4.2.3 Political Motivation to Outsource
Griswold (2004) suggests that most public organisations are non-profit making entities and as such they are focuses on public welfare and social security (Avery, 2000). If the MDF outsourced for citizens’ prosperity and general welfare, then the government did not consider those under privileged residing out and within the barracks cantonment. Most of the outsourced company are already established in the catering industry with huge business capital that those other small businesses can- not compete with. If the government opted to outsource the catering for MDF as a government decree or executive order as (Kremic et al., 2006) puts it, then the government must stand devise a way to make sure that small businesses have a way out and that those other organisations that were given contracts are paid in time.

4.2.4 Outsourcing Risks
The outsourcing idea with the MDF has brought a lot to desire. Through the exercise, the organisation is failing to curb some of the many risks that are faced through outsourcing. While the data above indicated that an outsourcer should make sure that employee morale should be taken care of once their functions have been opted to service provider, (Hook, 2004). Other than this, quality of service has been compromised, and hidden costs that were
attributed as the main factor government decided to hire a service provider. Above all the MDF engages into contract without involving its clients, the consumer or beneficially of the service.

Further to this the research has identified several managerial gaps as the many reason outsourcing flops. These include lack of decision making processes with the top managers whereby most of the times they fail to follow or identify better outsourcing practices and methodologies. This gap is exacerbated with lack of expertise and failure to formulate and monitor key performance indicators, service level agreement and contracts.

4.3 Conclusions

This research was conducted and was inclusive with all ranks and file of the MDF. Most of the participants were of high ranked military officers with huge experience in both their profession and social life. They showed a lot of knowledge in the field of outsourcing as evidenced with their analytical approach to gaps that the MDF is experiencing with the exercise.

The research has so far reveal that outsourcing of the catering service was more of a political than strategic and senior executives of the force were not consulted. Nevertheless, the MDF as an organisation is now relieve of one of the critical issues of feeding its troops and concentrating on other more demanding activities. There is a need however to conduct more research on the motives and advantages of a public sector to outsource one or more of its functions. Other than opting to outsource for political reasons and sharing of risks, a public entity has less to desire to outsource.

It is however difficult to comprehend how an organisation like MDF could opt to outsource because of poor or inadequate funding, because analysis has revealed that the current service providers are more expensive to maintain or sustain that when the function was being conducted in-house. In other words what the government is doing here is to find a sponsor with capital income
and let him provide services to the MDF bearing in mind that their payments shall be administered later.

Otherwise there is a lot to consider from the government side to outsource such a function in a public entity like the MDF. Both senior manager and executive arm of government need intellect and professional guidance for the exercise.
5. **Recommendations**

It is recommended that:

- Outsourcing procedures should be inclusive with consumers taking part with transparency in payments of bills so as to have a better reconciled ledger.

- MDF should enforce quality services from the service providers which will include monitoring ways and means of their undertakings and avoidance to engage cheap unqualified labour.

- The MDF should be able to re-deploy its catering staff to allow them if it is to continue with buying the services.

- The motive for the MDF is still questionable and mechanism should be put in place to make sure that this is a viable exercise.

- A proper scrutiny should be devised in order to justify the outsourcing motive compared to in-house services.
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AN ANALYSIS OF EFFECTS OF OUTSOURCING A CASE STUDY OF MDF.
MSc Supply Chain Management
Data Collection structure interview

Dissertation Topic
An analysis of effects of outsourcing a case study of Malawi Defence Force (MDF).

Research Student: Phillip PM Nyamali

Supervisor: Ron Smith
Section A

Respondent Department

- General Duties- Infantry.
- Directorate of Human Resource Department.
- Directorate of Operations and Training.
- Directorate of Finance.
- Catering Department.
- Logistics Department.
- Quarter Master Department.

- No of Years in service
  - 0 – 5
  - 6 – 10
  - 11 – 15
  - 15 and above

- Gender
  - Male
  - Female
One.
Has outsourcing in the military achieved any of the following; competitive advantage through several forms of flexibility, cost reduction, delivery reliability, quality and responsiveness.

Two.
Did the MDF achieve outsourcing strategy to focus its core business through outsourcing? If yes how?

Three.
If the Malawi Government opted to let MDF outsource its catering services for political reasons, do you think the general welfare of MDF troops and the tax payers has improved compared to the old times when QM was serving?

Four.
What are the known risks of outsourcing within the MDF facing?

Five.
The MDF has been training its own catering personnel, as a strategic motive to outsource, how much access do the existing caterers have to gain talent from the outsourcers?